



MAHMOOD TEXTILE MILLS LIMITED

HALF YEARLY
FINANCIAL STATEMENTS

December 31,

2022

CORPORATE INFORMATION



Board of Directors:

Khawaja Muhammad Ilyas

Chairman

Khawaja Muhammad Iqbal

Chief Executive Officer

Khawaja Muhammad Younus
Mrs. Farah Ilyas
Khawaja Muhammad Muzaffar Iqbal
Khawaja Muhammad Anees
Abdul Rehman Qureshi
Muhammad Asghar

Director
Female Director
Director
Director
Independent Director
Independent Director

Chief Financial Officer

Yasir Ghaffar
FCA

Company Secretary

Liaqat Ali Dolla

Auditors

ShineWing Hameed Chaudhri & Co
Chartered Accountants
2526/F Shadman Colony, Opposite High Court,
Bahawalpur Road, Multan.

Stock Exchange Listing

Mahmood Textile Mills Limited is a listed Company and its shares are traded on Pakistan Stock Exchange in Pakistan.

Share Registrar

Hameed Majeed Associates (Pvt.) Ltd.
H M House, 7-Bank Square, Lahore.

Bankers

MCB Bank Limited
United Bank Limited
Habib Bank Limited
Allied Bank Limited
Bank Al-Habib Limited
Meezan Bank Limited
National Bank of Pakistan Limited
Bank Alfalah Limited
Bank Islami Limited
Habib Metropolitan Bank Limited
The Bank of Khyber
The Bank of Punjab
Askari Bank Limited
Soneri Bank Limited

Mills

Mahmoodabad, Multan Road,
Muzaffargarh.
Masoodabad, D.G. Khan Road,
Muzaffargarh.
Chowk Sarwar Shaheed, District
Muzaffargarh.
Industrail Estate, Multan.

Registered Office

Mehr Manzil, Lohari Gate, Multan.
Tel.: 061-111-181-181 Fax: 061-4511262
E-mail: info@mahmoodgroup.com
www.mahmoodtextile.com

Regional Office

2nd Floor, Cotton Exchange Building, I.I.
Chundrigarh Road, Karachi.

DIRECTORS' REVIEW

The Directors of your Company are pleased to present the performance review and the unaudited financial statements for the half year ended December 31, 2022, with an annexed review report from External Auditors.

By the grace of ALMIGHTY ALLAH, الحمد لله we are pleased to announce that the Company has earned a net profit of Rs. 110 million as compared to Rs. 1,825 million for the corresponding period. The inconsistent policies of the government hindered the textile sector from achieving desired results, although last year's success showed potential for the industry.

The global economy in 2022 was expected to experience continued recovery from the effects of the COVID-19 pandemic, however, it faced uncertainty due to potential new variants, and rising inflation in many countries. Inflationary pressures were deepened by the war in Ukraine, especially in energy and food commodity prices, affecting the EU, which is Pakistan's largest buyer of textile products. Supply chain disruptions, higher inflation, and monetary tightening caused a global demand slowdown, impacting Pakistan's manufacturing industry. Pakistan's export growth for textiles and other regional countries has fallen below the average growth of FY22.

Last year in 2021-2022, the Pakistani economy was stable, with LSM (Large scale manufacturing) maintaining its growth rate of around 11.7%, including a textile contribution of 3.2%. However, this year 2022-2023, the economic conditions worsened due to internal political instability. Political stability is an important element for economic development when there is political instability in the country, it leads to the deduction of foreign investors which ultimately leads to low economic growth. The economy can severely be vulnerable to political instability.

The SBP is implementing a fiscal and monetary adjustment program that removes exporter-specific incentives and subsidies, hurting the competitiveness in the global market and company profits. This has begun taking a toll on Pakistan's textile exports, which may fall by 15% YoY. In USD terms, 2QFY23's textile exports of USD 1.4bn per month were 14% below FY22's monthly average of USD 1.6bn.

The textile sector accounts for approx. 60 percent of the total export of Pakistan, and for its primary raw material, "cotton," we have to depend on the international market; therefore, millions of dollars are being spent to fulfill the industry's demand. To generate an annual export revenue of \$20 billion, the textile industry requires 15 million bales of cotton. Unfortunately, Pakistan has only been able to produce 4.5 million bales this year, resulting in a significant shortfall. To address this, the textile industry has to order imported cotton.

The textile industry in Pakistan has recently expanded and has increased its working capital requirements, but there need to be policies to meet the local need for cotton. Importing cotton and other essential inputs for export is hampered by foreign exchange issues, resulting in increased costs due to demurrage and delays. The heavy flooding in 2HCY22 destroyed a significant amount of cotton crops, requiring the import of 7.0MN bales of cotton. However, LC restrictions and limited supply to local markets could delay order completion and reduce textile output.

Pakistan's reputation is at risk which was hard-earned because of thousands of containers stuck at the port and by this global shipping companies are showing their concerns to provide services to Pakistan, yet no concrete strategy made by the government to release them.

The Textile Industry was granted with crossed subsidized energy tariff which was actually awarded due to 100% billing and zero line losses by the industry, but the planned fiscal adjustment as per IMF will remove these subsidies and it will affect domestic exports and resultantly the balance of trade.

Financial Performance

The Company's financial performance for the half-year that ended December 31, 2022, has been impacted

by a range of macroeconomic factors, which have had a substantial effect on the cost of sales, distribution, administration, and finance costs.

	December 31, 2022	December 31, 2021
	(Rupees in Million)	
Sales - Net	23,710	18,456
Gross Profit	2,865	3,335
Distribution Cost	(565)	(326)
Administrative Expenses	(650)	(435)
Other Expenses	(93)	(185)
Other Income	142	71
Finance Cost	(1,464)	(695)
Profit before tax	409	2,119
Profit after tax	110	1,825
EPS	5.88	97.35

The cost of sales has increased significantly, mainly due to the scarcity of local cotton. The domestic production of cotton crops has dropped significantly, leading to a higher reliance on imported cotton, which has increased the cost of production. The GOP's restriction on import bills has also caused cotton shortages, leading to higher demand and prices. Despite the increase in cotton prices, yarn rates have not increased at the same pace due to lower demand from the international market. Additionally, the remarkable increase in RLNG/Gas Prices has caused a higher cost of production.

Distribution costs have increased due to increased sales volume and freight expenses. The administration cost has also risen, which is mainly inflationary, and finance costs have doubled due to the tightened monetary policy.

Despite the challenging economic conditions, the Company's management has taken the following strategic steps to mitigate losses and improve the Company's performance.

- Effective Capacity utilization
- Lean inventory
- Economy of Scales by right expansion at the right time
- Modernization of production facilities
- Availing subsidized financing options

Investments and modernization have been made within the divisions to enhance capacity development and improve product quality. The Company has set targets to accomplish economies of scale by expanding and adding solar to minimize power costs. These steps will help the Company to remain competitive in a challenging economic environment and position itself for long-term growth. We also have not laid off any of our employee in these hard times which maximizes Company's operational performance.

A paperless office is a work environment in which the use of paper is eliminated or greatly reduced.

We have taken the initiative of a paperless office by digitizing the manual processes, currently, this has been implemented in HR and the supply chain.

We have also kicked off the implementation of state-of-the-art Oracle Fusion Cloud ERP. This will support firms' decision-making through better modeling and planning across finance, HR, supply chain, and sales.

Future Outlook

Looking forward, there are several opportunities for Pakistan to achieve sustained economic growth and prosperity. By adopting a comprehensive approach to structural reform, the country can address key challenges such as managing the trade deficit, attracting higher levels of investment, and improving productivity.

There is a need to make a concrete cotton policy at the national level by involving all stakeholders to cater to the expansion of production capacities and shortfalls that occur due to a lack of structural policies and natural calamities. If consensus is developed among all stakeholders, we will be able to save 2,949 million USD which will positively affect our balance of payment.

Management of the exchange rate also creates an uncertain environment for the industry resulting in unexpected profits or losses. Therefore, it is favorable to get the exchange rate to be free floating. In short term, demand management policies can help to stabilize the economy, while in the long run, the focus should be on stimulating the supply side to promote growth and create new opportunities for businesses and workers.

One area of particular promise is the textile industry, which has significant untapped potential. By embracing value-added modern technology and digitization, the industry can become more competitive and adaptive, which could lead to a transformation of the sector and a significant boost in economic activity.

Overall, with the right policies and investments in place, Pakistan can look forward to a brighter future characterized by sustained economic growth, job creation, and improved living standards for its citizens.

Acknowledgments

In the end, the Directors wish to show their sincere appreciation for the Company's employees at all levels for their dedicated efforts and efficiency. They wish to put on record their thanks for the cooperation and support extended by the shareholders, the Company's banks, customers, and suppliers and hope their wholehearted support will continue in the future with the same spirit and zeal.

For and on behalf of the Board

Sd/-

Khawaja Muhammad Iqbal
Chief Executive Officer

Sd/-

Khawaja Muhammad Younus
Director

Location: Multan

Dated: February 28, 2023

ہم نے ہاتھوں سے کام کرنے کی نسبت ڈیجیٹائز کر کے پیپریس آفس کی بنیاد رکھی ہے۔ فی الحال اسے HR اور سپلائی چین میں نافذ کیا جا رہا ہے۔ ہم نے جدید ترین Oracle Fusion Cloud ERP کے نفاذ کا بھی آغاز کیا ہے۔ یہ فنانس، HR، سپلائی چین اور سیلز میں بہتر ماڈلنگ اور منصوبہ بندی کے ذریعے فرموں کی فیصلہ سازی میں معاونت کرے گا۔

مستقل کالاج عمل

آگے بڑھتے ہوئے پاکستان کے لئے پائیدار اقتصادی ترقی اور خوشحالی کے کئی مواقع موجود ہیں۔ ڈھانچہ جاتی اصلاحات کے لئے ایک جامع نقطہ نظر اپنا کر، ملکی تجارتی خسارے کو سنبھالنے، اعلیٰ سطح کی سرمایہ کاری پر راغب کرنے، اور پیداواری صلاحیت کو بہتر بنانے جیسے اہم چیلنجوں سے نمٹ سکتا ہے۔

قومی سطح پر کپاس کی ایک ٹھوس پالیسی بنانے کی ضرورت ہے تاکہ تمام سٹیک ہولڈرز کو شامل کر کے پیداواری صلاحیتوں میں توسیع اور ساختی پالیسیوں کی کمی و قدرتی آفات کی وجہ سے پیدا ہونے والی کمی کو پورا کیا جاسکے۔ اگر تمام سٹیک ہولڈرز کے مابین اتفاق رائے پیدا ہو جاتا ہے تاہم 2.949 بلین امریکی ڈالر کی بچت کر سکیں گے جس سے ہمارے ادائیگی کے توازن پر مثبت اثرات مرتب ہوں گے۔

شرح مبادلہ کا انتظام بھی صنعت کے لئے ایک غیر یقینی ماحول پیدا کرتا ہے جس کے نتیجے میں غیر متوقع منافع یا نقصان ہوتا ہے۔ لہذا از مبادلہ کی شرح کو مفت فلونٹنگ حاصل کرنا مناسب ہے۔

مختصر مدت میں مانگ کا نظام، کی پالیسیاں معیشت کو مستحکم کرنے میں مدد کر سکتی ہیں، جبکہ طویل مدت میں ترقی کو فروغ دینے اور کاروباروں اور کارکنوں کے لئے موقع پیدا کرنے کے لئے سپلائی سائیز کو متحرک کرنے پر توجہ مرکوز کرنی چاہئے۔

خاص وعدہ کا ایک شعبہ ٹیکسٹائل کی صنعت ہے جس میں قابل استعمال صلاحیت موجود ہے۔ ویلیو ایڈڈ جدید ٹیکنالوجی اور ڈیجیٹائزیشن کو اپنانے سے، صنعت زیادہ مسابقتی اور موافق بن سکتی ہے جو اس شعبے کی تبدیلی اور اقتصادی سرگرمیوں میں نمایاں فروغ کا باعث بن سکتی ہے۔

مجموعی طور پر صحیح پالیسیوں اور سرمایہ کاری کے ساتھ، پاکستان ایک روشن مستقبل کا منتظر ہے جس کی خصوصیت پائیدار اقتصادی ترقی، روزگاری فراہمی اور اپنے شہریوں کو بہتر معیار زندگی فراہم کرنا ہے۔

اعترافات:

آخر میں، ڈائریکٹر کمپنی کے ملازمت کے لئے ان کی جان توڑ کوششوں اور کارکردگی کے لئے ہر سطح پر ان کو سراہنا چاہتے ہیں۔ وہ حصہ داران، کمپنی کے بینکوں، صارفین اور فراہم کنندگان کے تعاون کے لئے ان کا شکریہ ادا کرنا چاہتے ہیں اور اُمید کرتے ہیں کہ ان کی بھرپور حمایت مستقبل میں بھی اسی جوش و جذبے کے ساتھ جاری رہے گی۔

خواجہ محمد اقبال
چیف ایگزیکٹو آفیسر

خواجہ محمد یونس
ڈائریکٹر

مقام: ملتان
تاریخ: 28 فروری 2023ء

ٹیکسٹائل کی صنعت کو کراس سبسڈی والے انرجی ٹیرف کے ساتھ منسلک کیا گیا تھا جو دراصل انڈسٹری کی جانب سے 100 فیصد بلنگ اور زیرو لائن لائسنز کی وجہ سے لیکن آئی ایم ایف کے مطابق منصوبہ بند مالیاتی ایڈجسٹمنٹ ان سبسڈیز کو ختم کر دے گی اور اس سے ملکی برآمدات منفی طور پر متاثر ہوں گی اور نتیجتاً درآمد اور برآمد کا توازن بگڑ سکتا ہے۔

مالیاتی کارکردگی

31 دسمبر 2022ء کو ختم ہونے والی ششماہی کے لئے کمپنی کی مالی کارکردگی بہت سے اقتصادی عوامل سے متاثر ہوئی ہے، جس نے فروخت، تقسیم، انتظامی اور مالیاتی اخراجات کی لاگت پر گہرا اثر ڈالا ہے۔

31 دسمبر 2022ء

31 دسمبر 2021ء

روپے بلین میں

	31 دسمبر 2022ء	31 دسمبر 2021ء	نفع و نقصان کی تفصیل
18,456	23,710		اصل فروخت
3,335	2,865		خالص منافع
(326)	(565)		لاگت برائے تقسیم
(435)	(650)		انتظامی اخراجات
(185)	(93)		دیگر اخراجات
71	141		دیگر حاصل
(695)	(1,464)		مالیاتی لاگت
2,119	409		ٹیکس سے پہلے منافع
1,825	110		ٹیکس کے بعد منافع
97.35	5.88		EPS

فروخت کی لاگت میں نمایاں اضافہ ہوا ہے جس کی بنیادی وجہ مقامی کپاس کی کمی ہے۔ کپاس کی فصلوں کی ملکی پیداوار میں نمایاں کمی واقع ہوئی ہے جس کی وجہ سے درآمدی کپاس پر زیادہ انحصار کیا گیا ہے جس سے پیداواری لاگت میں اضافہ ہوا ہے۔ حکومت کی درآمدی بیلوں پر پابندی بھی کپاس کی قلت کا باعث بنی ہے، جس کی وجہ سے مانگ کم اور قیمتیں زیادہ ہیں۔ روٹی کی قیمتوں میں اضافے کے باوجود بین الاقوامی منڈی سے مانگ میں کمی ہونے کی وجہ سے دھاگے کے نرخوں میں اسی رفتار سے اضافہ نہیں ہوا۔ مزید برآں، RLNG/گیس کی قیمتوں میں غیر معمولی اضافے نے پیداواری لاگت میں اضافہ کیا ہے۔

فروخت کے حجم اور مال برداری کے اخراجات میں اضافے کی وجہ سے تقسیم کے اخراجات میں اضافہ ہوا ہے۔ انتظامی لاگت میں بھی اضافہ ہوا ہے جو کہ بنیادی طور پر افراط زر ہے اور مالیاتی لاگت سخت مانیٹری پالیسیوں کی وجہ سے ڈگنی ہوئی ہے۔

مشکل معاشی حالات کے باوجود کمپنی کی انتظامیہ نے نقصانات کو کم کرنے اور کمپنی کی کارکردگی کو بہتر بنانے کے لئے درج ذیل حکمت عملی کے اقدامات کئے ہیں۔

- مارکیٹ کی صورتحال کے مطابق صلاحیت کا استعمال
- کوئی lay off نہیں
- مختصر انونٹری کے ذریعہ لاگت میں کمی۔
- مناسب وقت پر مناسب توسیع کے ذریعے متوازی معیشتیں
- جدید کاری اور سبسڈی حاصل کر کے پیداواری سہولیات کی کارکردگی میں اضافہ۔

سرمایہ کاری اور جدید کاری ڈویژنوں کے اندر کی گئی ہے تاکہ صلاحیت کی ترقی اور مصنوعات کے معیار کو بہتر بنایا جاسکے۔ کمپنی نے بجلی کی لاگت کو کم کرنے کے لئے شمسی توانائی کو وسعت دے کر اور شامل کر کے پیمانے کی معیشتوں کو پورا کرنے کے اہداف مقرر کئے ہیں۔ ان اقدامات سے کمپنی کو ایک مشکل معاشی ماحول میں مسابقت میں رہنے اور طویل مدتی ترقی کے لئے خود کو پوزیشن میں رکھنے میں مدد ملے گی۔

کاغذ کو استعمال کئے بغیر کام کا ماحول پیدا کیا جا رہا ہے جس میں کاغذ کا استعمال بہت کم یا ختم کر دیا جاتا ہے۔

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹر حضرات 31 دسمبر 2022ء کو ختم ہونے والی ششماہی کی کارکردگی کا جائزہ اور غیر آڈٹ شدہ مالیاتی گوشواروں کو بیرونی آڈیٹرز سے منسلک جائزہ رپورٹ پیش کرتے ہوئے رسمت محسوس کر رہے ہیں۔

اللہ تعالیٰ کے فضل و کرم سے ہم یہ اعلان کرتے ہوئے خوش ہیں کہ کمپنی نے 1.825 ملین کے مقابلے میں اسی مدت کے لئے 110 ملین روپے کا خالص منافع کمایا۔ حکومت کی متضاد پالیسیوں نے ٹیکسٹائل سیکٹر کو مطلوبہ نتائج حاصل کرنے میں رکاوٹ پیدا کی حالانکہ گذشتہ سال کی کامیابی نے اس صنعت کے لئے روشن امکانات ظاہر کئے تھے۔

2022ء میں عالمی معیشت کو COVID-19 وبائی امراض کے اثرات سے مسلسل بحالی کی توقع تھی تاہم بدلتی صورتحال اور بہت سے ممالک میں بڑھتی مہنگائی کے سبب اسے بے یقینی کی کیفیت کا سامنا رہا۔ یوکرائن کی جنگ کی وجہ سے خاص طور پر توانائی اور ایشیائے خوردونوش کی قیمتوں میں افراط زر کا دباؤ مزید گہرا ہو گیا۔ جس سے یورپی یونین جو کہ ٹیکسٹائل کی مصنوعات کا سب سے بڑی خریدار ہے، شدید متاثر ہوئی۔ سپلائی چین میں رکاوٹیں، شدید افراط زر اور مالیاتی سختی کی وجہ سے عالمی مارگت میں کمی آئی۔ جس کی پاکستان کی مینوفیکچرنگ کی صنعت متاثر ہوئی۔ ٹیکسٹائل اور دیگر علاقائی ممالک کے لئے پاکستان کی برآمدات کی شرح نمو مالی سال 2022ء میں 2022ء کی اوسط نمو سے کم ہے۔

گذشتہ سال 2021-2022ء میں پاکستانی معیشت مستحکم تھی۔ جس نے اپنی شرح نمو تقریباً 11.7 فیصد برقرار رکھی جس میں ٹیکسٹائل کا حصہ 3.2 فیصد بھی شامل ہے۔ تاہم اس سال 2022-2023ء میں داخلی سیاسی عدم استحکام کی وجہ سے معاشی حالات مزید ابتر ہو گئے۔ سیاسی استحکام معاشی ترقی کے لئے اہم جزو ہے جب ملک میں سیاسی عدم استحکام ہوتا ہے تو یہ غیر ملکی سرمایہ کاروں کی کٹوتی کا باعث ہوتی ہے۔ بالآخر اقتصادی ترقی میں شدید کمی کا باعث بنتی ہے۔ سیاسی عدم استحکام سے معیشت کو شدید خطرات لاحق ہو سکتے ہیں۔

اسٹیٹ بینک ایک مالیاتی اور مانیٹری ایڈجسٹمنٹ پروگرام کا نفاذ کر رہا ہے جو برآمد کنندگان کے لئے مخصوص مراعات اور سبسڈیز کو ختم کرتا ہے، جس سے عالمی مارکیٹ میں مسابقت اور کمپنی کے منافع کو نقصان پہنچتا ہے۔ اس سے پاکستان کی ٹیکسٹائل برآمدات پر اثر ہونا شروع ہو گیا ہے جو سالانہ 15 فیصد تک انحطاط کا شکار ہو سکتی ہے۔ امریکی ڈالر کے لحاظ سے 232QFY کی 1.4 بلین امریکی ڈالر ماہانہ کی ٹیکسٹائل برآمدات 22 FY کی ماہانہ اوسط 1.6 بلین امریکی ڈالر سے 14% کم تھیں۔

ٹیکسٹائل کا شعبہ پاکستان کی کل برآمدات کا تقریباً 60 فیصد اور اس کے بنیادی خام مال ”کپاس“ کے لئے ہمیں بین الاقوامی منڈی پر انحصار کرنا پڑتا ہے۔ اس لئے صنعت کی طلب کو پورا کرنے کے لئے لاکھوں ڈالر صرف کئے جا رہے ہیں۔ 20 بلین ڈالر کی سالانہ برآمدی آمدنی حاصل کرنے کے لئے ٹیکسٹائل کی صنعت کو کپاس کی 15 بلین گانٹھوں کی ضرورت ہوتی ہے بد قسمتی سے پاکستان اس سال صرف 4.5 بلین گانٹھیں پیدا کرنے میں کامیاب رہا ہے جس کے نتیجے میں ایک واضح کمی واقع ہوئی ہے جس سے نمٹنے کے لئے ٹیکسٹائل انڈسٹری کو کپاس درآمد کرنی پڑے گی۔

پاکستان میں ٹیکسٹائل کی صنعت نے حال ہی میں توسیع کی ہے اور اس نے اپنے ورکنگ کپیکلٹی کی ضروریات میں اضافہ کیا ہے، لیکن کپاس کی مقامی ضرورت کو پورا کرنے کے لئے پالیسیاں بنانے کی ضرورت ہے۔ پاکستانی روپے کی گراوٹ اور بندرگاہ پر تاخیر کی وجہ سے اضافی اخراجات نے برآمد کردہ خام مال کو مہنگا کیا اور نتیجتاً برآمدات متاثر ہوئیں۔ 22.2 HCY میں شدید سیلاب نے کافی مقدار میں کپاس کی فصلوں کو تباہ و برباد کر دیا جس کے لئے روٹی کی 7.0 MN گانٹھوں کی درآمد کی ضرورت تھی تاہم L.C کی پابندیاں اور مقامی منڈیوں کو محدود فراہمی آرڈر کی تکمیل میں تاخیر ٹیکسٹائل کی پیداوار میں کمی کا باعث ہو سکتی ہے۔

پاکستان کی بمشکل تمام حاصل کردہ ساکھ شدہ خطے کا شکار ہے۔ ہزاروں مال بردار کنٹینرز کی بروقت ترسیل میں رکاوٹ کے باعث عالمی شپنگ کمپنیاں پاکستان کو خدمات فراہم کرنے میں شدید تحفظات کا اظہار کر رہی ہیں تاہم حکومت کی جانب سے ان کو ریلیز کرنے کے لئے کوئی ٹھوس حکمت عملی نہیں بنائی گئی۔

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF MAHMOOD TEXTILE MILLS LIMITED REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Mahmood Textile Mills Limited (the Company) as at December 31, 2022 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as "interim financial statements") Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statements of profit or loss and other comprehensive income for the quarters ended December 31, 2021 and December 31, 2022 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2022.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditors' review report is Nafees ud din.

LAHORE;
UDIN: AR2022101957vZw8k4bU

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)

AS AT DECEMBER 31, 2022

Assets	Note	Un-audited Dec. 31, 2022	Audited June 30, 2022
----- Rupees in thousand -----			
Non-current assets			
Property, plant and equipment	5	14,980,019	13,938,791
Intangible assets		5,885	6,923
Long term investments	6	5,025,890	5,114,376
Long term deposits		53,814	53,425
		20,065,608	19,113,515
Current assets			
Stores, spares and loose tools		620,317	394,642
Stock-in-trade	7	19,008,602	11,638,418
Trade debts	8	7,973,470	6,281,031
Loans and advances	9	743,145	702,191
Other receivables		266,773	163,148
Short term investments	10	272,634	324,774
Tax refunds due from the Government	11	1,598,084	1,128,486
Cash and bank balances		51,034	46,906
		30,534,059	20,679,596
Total assets		50,599,667	39,793,111
Equity and liabilities			
Share capital and reserves			
Authorised share capital		300,000	300,000
Issued, subscribed and paid-up share capital		187,500	187,500
Capital reserves			
- capital reserve		7,121	7,121
- revaluation surplus on property, plant and equipment		2,474,439	2,529,956
Revenue reserve - unappropriated profit		9,904,727	9,926,513
Shareholders' equity		12,573,787	12,651,090
Liabilities			
Non-current liabilities			
Long term finances	12	8,400,940	7,961,525
Lease liabilities	13	27,231	25,224
Deferred liabilities	14	527,190	558,445
		8,955,361	8,545,194
Current liabilities			
Trade and other payables	15	6,010,638	4,059,716
Unclaimed dividends		3,850	3,052
Accrued mark-up		702,513	483,436
Short term borrowings		20,576,503	12,211,810
Current portion of non-current liabilities	16	1,294,415	1,244,642
Taxation	17	482,600	594,171
		29,070,519	18,596,827
Total liabilities		38,025,880	27,142,021
Total equity and liabilities		50,599,667	39,793,111

Contingencies and commitments

18

The annexed notes form an integral part of these condensed interim financial statements.

sd/-
Kh. Muhammad Ilyas
Chairman

sd/-
Kh. Muhammad Iqbal
Chief Executive Officer

sd/-
Kh. Muhammad Younus
Director

sd/-
Yasir Ghaffar
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Note	Quarter ended		Six months period ended	
		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
----- Rupees in thousand -----					
Sales - net	19	11,498,648	9,937,008	23,710,317	18,456,086
Cost of sales	20	(10,333,072)	(8,164,543)	(20,845,595)	(15,120,614)
Gross profit		1,165,576	1,772,465	2,864,722	3,335,472
Distribution cost	21	(194,093)	(185,250)	(565,221)	(326,460)
Administrative expenses	22	(315,330)	(245,001)	(650,114)	(434,728)
Other expenses	23	(22,822)	(108,642)	(92,878)	(185,443)
Other income	24	124,814	62,286	142,381	71,220
		(407,431)	(476,607)	(1,165,832)	(875,411)
Profit from operations		758,145	1,295,858	1,698,890	2,460,061
Finance cost	25	(815,855)	(373,574)	(1,464,438)	(694,678)
		(57,710)	922,284	234,452	1,765,383
Share of profit of Associated Companies		45,356	158,265	174,462	353,536
(Loss) / profit before taxation		(12,354)	1,080,549	408,914	2,118,919
Taxation	26	(178,717)	(203,645)	(298,717)	(293,645)
(Loss) / profit after taxation		(191,071)	876,904	110,197	1,825,274
Other comprehensive income		-	-	-	-
Total comprehensive (loss) / income for the period		(191,071)	876,904	110,197	1,825,274
----- Rupees -----					
(Loss) / earnings per share		(10.19)	46.77	5.88	97.35

The annexed notes form an integral part of these condensed interim financial statements.

sd/-
Kh. Muhammad Ilyas
Chairman

sd/-
Kh. Muhammad Iqbal
Chief Executive Officer

sd/-
Kh. Muhammad Younus
Director

sd/-
Yasir Ghaffar
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Share capital	Capital Reserves		Revenue		Total
		Capital reserves	Surplus on revaluation of property, plant and equipment	Fair value gain on long term investments	Un-appropriated profit	
-----Rupees in thousand-----						
Balance as at June 30, 2022-audited	187,500	7,121	2,529,956	-	9,926,513	12,651,090
Transaction with owners:						
Cash dividend at the rate of Rs.10 per share for the year ended June 30, 2022	-	-	-	-	(187,500)	(187,500)
Total comprehensive income for the period of six months ended December 31, 2022.	-	-	-	-	110,197	110,197
Revaluation surplus on property, plant and equipment realised during the period on account of incremental depreciation	-	-	(55,517)	-	55,517	-
Balance as at December 31, 2022-un-audited	187,500	7,121	2,474,439	-	9,904,727	12,573,787
Balance as at June 30, 2021-audited	187,500	7,121	2,653,328	15,650	7,074,367	9,937,966
Cash dividend at the rate of Rs.10 per share for the year ended June 30, 2021	-	-	-	-	(187,500)	(187,500)
Total comprehensive income for the period of six months ended December 31, 2021.	-	-	-	-	1,825,274	1,825,274
Revaluation surplus on property, plant and equipment realised during the period on account of incremental depreciation	-	-	(61,686)	-	61,686	-
Balance as at December 31, 2021-un-audited	187,500	7,121	2,591,642	15,650	8,773,827	11,575,740

The annexed notes form an integral part of these condensed interim financial statements.

sd/-
Kh. Muhammad Ilyas
Chairman

sd/-
Kh. Muhammad Iqbal
Chief Executive Officer

sd/-
Kh. Muhammad Younus
Director

sd/-
Yasir Ghaffar
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Six months period ended	
	Dec. 31, 2022	Dec. 31, 2021
----- Rupees in thousand -----		
Cash flows from operating activities		
Profit for the period - before taxation	408,914	2,118,919
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets and right-of-use assets	547,102	388,774
Amortisation	1,038	-
Gain on disposal of operating fixed assets - net	(6,478)	(2,813)
Fair value loss on re-measurement of short term investments	22,525	36,912
Gain on sale of short term investments	(8,998)	(14,086)
Dividend on short term investments	(398)	(13,931)
Mark-up income on Term Finance Certificates	(26,912)	(7,849)
Share of profit of Associated Companies	(174,462)	(353,536)
Government grant recognised	(38,455)	(10,932)
Finance cost	1,464,438	694,678
Profit before working capital changes	2,188,314	2,836,136
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(225,675)	(38,688)
Stock-in-trade	(7,370,184)	(2,327,620)
Trade debts	(1,692,439)	(1,347,582)
Loans and advances	(40,954)	(202,335)
Other receivables	(103,625)	(119,556)
Sales tax refunds	(572,098)	(242,200)
Increase in trade and other payables	1,948,886	1,949,815
	(8,056,089)	(2,328,166)
Cash (used in) / generated from operations	(5,867,775)	507,970
Income tax paid - net	(320,195)	(136,603)
Net cash (used in) / generated from operating activities	(6,187,970)	371,367
Cash flows from investing activities		
Fixed capital expenditure	(1,620,805)	(2,623,122)
Sale proceeds and insurance claims of operating fixed assets	38,953	30,958
Long term deposits	(389)	(37)
Short term investments - net	38,613	(390,234)
Mark-up received on Term Finance Certificates	26,912	7,849
Dividend received	263,346	17,930
Net cash used in investing activities	(1,253,370)	(2,956,656)
Cash flows from financing activities		
Long term finances - net	471,455	1,447,572
Lease liabilities - net	2,927	11,187
Short term borrowings - net	8,364,693	1,899,304
Finance cost paid	(1,206,905)	(655,072)
Dividend paid	(186,702)	(186,833)
Net cash generated from financing activities	7,445,468	2,516,158
Net increase / (decrease) in cash and cash equivalents	4,128	(69,131)
Cash and cash equivalents - at beginning of the period	46,906	97,605
Cash and cash equivalents - at end of the period	51,034	28,474

The annexed notes form an integral part of these condensed interim financial statements.

sd/-
Kh. Muhammad Ilyas
Chairman

sd/-
Kh. Muhammad Iqbal
Chief Executive Officer

sd/-
Kh. Muhammad Younus
Director

sd/-
Yasir Ghaffar
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

1. Legal status and operations

Mahmood Textile Mills Ltd. (the Company) was incorporated in Pakistan on February 25, 1970 as a Public Company under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of yarn, grey cloth and apparel / garments.

Geographical location and addresses of business units / mills:

Registered office / Head office

Mehr Manzil, Lohari Gate, Multan

Regional Office

2nd floor, Cotton Exchange Building, I.I. Chundrigarh Road, Karachi

Mills

Mahmoodabad, Multan Road, Muzaffargarh

Masoodabad, D.G. Khan Road, Muzaffargarh

Chowk Sarwar Shaheed, District Muzaffargarh

Industrial Estate, Multan

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

- 2.2** These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the Company as at and for the year ended June 30, 2022. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Company's financial position and performance since the last annual audited financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

2.3 These condensed interim financial statements are un-audited and are being submitted to the members as required by section 237 of the Companies Act, 2017. The figures for the six months period ended December 31, 2022 have, however, been subjected to limited scope review by the external Auditors.

2.4 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except property, plant and equipment at revalued amounts assessed by an independent valuer.

2.5 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees, which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

3. Significant accounting policies

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended June 30, 2022.

3.1 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments and interpretations to accounting standards that are effective in the current period

There were certain amendments to accounting and reporting standards which became mandatory for the Company during the period. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these condensed interim financial statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

There are certain amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after January 01, 2023. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim financial statements.

4. Accounting estimates and judgments

4.1 The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

- 4.2** In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended June 30, 2022.

5. Property, plant and equipment	Note	Un-audited Dec. 31, 2022	Audited June 30, 2022
		Rupees in thousand	
Operating fixed assets	5.1	11,508,672	10,929,833
Capital work-in-progress	5.2	3,061,035	2,614,555
Right-of-use assets	5.3	410,312	394,403
		14,980,019	13,938,791

5.1 Operating fixed assets	Un-audited Dec. 31, 2022
Rupees in thousand	
Book value as at June 30, 2022	10,929,833
Additions made during the period:	
- buildings on leasehold land	76,731
- plant and machinery	775,233
- furniture and fittings	21,498
- vehicles	96,559
- office equipment	72
- electric installations	173,364
- gas installations	311
- tools and equipment	76
- computer and accessories	9,861
- weighing bridge	1,609
	1,155,314
	12,085,147
Book value of operating fixed assets disposed-off	(32,475)
Depreciation charge for the period	(544,000)
Book value as at December 31, 2022	11,508,672

5.2 Capital work-in-progress	
- advances for purchase of freehold land	74,205
- advances to building contractors	898,211
- plant and machinery	2,039,837
- advances for purchase of vehicles	48,782
	3,061,035

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

		Un-audited Dec. 31, 2022 Rupees in thousand
5.3 Right-of-use assets	Note	
Book value as at June 30, 2022		394,403
Additions made during the period		19,011
Depreciation charge for the period		(3,102)
Book value as at December 31, 2022		410,312
6. Long term investments (Un-quoted at equity method)		
Associated Companies		
Masood Spinning Mills Ltd.	6.1	1,800,325
Orient Power Company (Pvt.) Ltd.	6.2	3,225,565
		5,025,890
6.1 Masood Spinning Mills Ltd. (MSML)		
Carrying value of 8,921,692 ordinary shares of Rs.10 each as at June 30, 2022		1,830,071
Equity held: 29.71%		
Share of profit for the period based on un-audited financial statements of MSML for the period ended December 31, 2022		14,862
Dividend received during the period		(44,608)
Carrying value of investment as at December 31, 2022		1,800,325
6.2 Orient Power Company (Pvt.) Ltd. (OPCL)		
Carrying value of 87,335,969 ordinary shares of Rs.10 each as at June 30, 2022		3,284,305
Equity held: 20.97%		
Share of profit for the period based on un-audited financial statements of OPCL for the period ended December 31, 2022		159,600
Dividend received during the period		(218,340)
Carrying value of investment as at December 31, 2022		3,225,565
7. Stock-in-trade		
	Un-audited Dec. 31, 2022 Rupees in thousand	Audited June 30, 2022
Raw materials including in-transit inventory valuing Rs.4,061.054 million (June 30, 2022: Rs.3,000.103 million)	14,736,833	9,211,846
Work-in-process	557,032	536,584
Finished goods	3,714,737	1,889,988
	19,008,602	11,638,418

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

8. Trade debts	Note	Un-audited Dec. 31, 2022	Audited June 30, 2022
Rupees in thousand			
Secured			
- export		3,099,426	1,986,565
- local	8.1	409,022	416,353
		3,508,448	2,402,918
Unsecured - considered good - local		4,465,022	3,878,113
		7,973,470	6,281,031

8.1 The balance includes Rs.2.564 million (June 30, 2022: Rs.Nil) due from Masood Spinning Mills Ltd. Maximum aggregate amount outstanding at the end of any month during the period aggregated Rs.122.035 million.

9. Loans and advances

Advances to:			
- key management personnel		14,795	2,162
- employees		21,476	15,511
- suppliers and contractors		377,035	384,043
Advances for purchase of Term Finance Certificates		-	164,661
Deposit with Sui Northern Gas Pipelines Ltd.		75,221	75,221
Letters of credit		254,618	60,593
		743,145	702,191

10. Short term investments (At fair value through profit or loss)

Quoted

Equity Instruments

MCB Bank Ltd.

Nil shares (June 30, 2022: 215,000 shares of Rs.10 each)

- 32,061

Maple Leaf Cement Factory Ltd.

Nil shares (June 30, 2022: 500,000 shares of Rs.10 each)

- 17,336

Pakistan Stock Exchange Ltd.

2,255,000 (June 30, 2022: 3,000,000) shares of Rs.10 each

23,069 68,914

G3 Technologies Ltd.

Nil shares (June 30, 2022: 6,038,000 shares of Rs.10 each)

- 84,962

Ghani Chemical Industries Ltd.

1,596,540 shares of Rs.10 each

40,929 -

Telecard Ltd.

Nil shares (June 30, 2022: 2,541,900 shares of Rs.10 each)

- 41,284

United Bank Ltd.

Nil shares (June 30, 2022: 122,500 shares of Rs. 10 each)

- 16,253

C/f

63,998 260,810

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

		Un-audited Dec. 31, 2022	Audited June 30, 2022
		Rupees in thousand	
	B/f	63,998	260,810
Adjustment on re-measurement to fair value		(26,364)	(97,536)
		37,634	163,274
Debt Instruments			
Habib Bank Ltd.			
700 (June 30, 2022: 1,700) Term Finance Certificates		66,500	159,800
Bank Al-Habib Ltd.			
30,000 Term Finance Certificates		149,661	-
Bank of Punjab			
150 Term Finance Certificates		15,000	-
		231,161	159,800
Adjustment on re-measurement to fair value		3,839	1,700
		235,000	161,500
		272,634	324,774
11. Tax refunds due from the Government			
Income tax refundable, advance tax and tax deducted at source		422,250	524,750
Sales tax refundable		1,175,834	603,736
		1,598,084	1,128,486
12. Long term finances - secured			
From banking companies			
Habib Bank Ltd. (HBL)		1,860,013	1,659,997
MCB Bank Ltd. (MCB)		261,922	286,922
Meezan Bank Ltd. (MBL)		259,268	284,121
United Bank Ltd. (UBL)		257,863	281,305
Allied Bank Ltd. (ABL)		932,797	469,217
Bank Al Habib Ltd. (BAHL)		773,765	750,810
National Bank of Pakistan (NBP)		1,640,457	1,807,124
Bank Alfalah Ltd. (BAFL)		1,299,590	1,409,396
Soneri Bank Ltd. (SNBL)		622,350	668,000
Askari Bank Ltd. (AKBL)		454,624	454,624
Bank of Punjab (BoP)		635,451	711,956
Bank Al Habib Ltd. - Islamic		62,834	-
Balance at the period / year-end	C/f	9,060,934	8,783,472

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Un-audited Dec. 31, 2022	Audited June 30, 2022
	Rupees in thousand	
B/f	9,060,934	8,783,472
Deferred Government Grant:		
Salary refinance scheme - BAFL	-	1,262
Temporary Economic Refinance Facility		
Bank Al Habib Ltd.	179,244	192,977
Bank of Punjab	364,513	155,525
	543,757	348,502
	9,604,691	9,133,236
Less: Current portion grouped under current liabilities:		
HBL	284,271	238,571
MCB	49,999	49,999
MBL	33,355	49,706
UBL	46,885	46,885
ABL	72,842	72,842
BAHL	63,750	63,750
NBP	333,333	333,333
BAFL	161,845	209,163
SNBL	133,600	106,200
AKBL	23,871	-
Deferred Government Grant:		
BAFL	-	1,262
	1,203,751	1,171,711
	8,400,940	7,961,525
13. Lease liabilities		
Present value of minimum lease payments	34,402	31,475
Current portion shown under current liabilities	(7,171)	(6,251)
	27,231	25,224
13.1 The Company has entered into finance lease agreement with Bank Al-Habib Ltd. to acquire vehicles upto a total limit of Rs.90 million. These are secured against title of the leased assets in the name of bank.		
14. Deferred liabilities		
Deferred taxation	507,567	519,973
Long term portion of provision against Gas Infrastructure Development Cess	19,623	38,472
	527,190	558,445

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

15. Trade and other payables	Note	Un-audited	Audited
		Dec. 31, 2022	June 30, 2022
		Rupees in thousand	
Trade creditors		1,295,066	974,603
Bills payable		2,879,277	1,591,607
Due to Associated Undertaking and Company	15.1	123,504	61,503
Accrued expenses		1,451,081	1,135,726
Contract liabilities - advances from customers		87,016	73,179
Tax deducted at source		50,240	35,325
Workers' (profit) participation fund		12,570	86,495
Workers' welfare fund		93,688	88,911
Others		18,196	12,367
		6,010,638	4,059,716

15.1 These represent amounts payable to M/s Khawaja Muzaffar Mahmood Muhammad Masood and Multan Fabrics (Pvt.) Ltd. amounting to Rs. 122.918 million (June 30, 2022: Rs.61.503 million) and Rs. 0.586 million (June 30, 2022: Rs.Nil) respectively on account of normal trading transactions.

16. Current portion of non-current liabilities

Long term finances	12	1,203,751	1,171,711
Lease liabilities	13	7,171	6,251
Provision against Gas Infrastructure Development Cess		83,493	66,680
		1,294,415	1,244,642

17. Taxation - net	Un-audited Dec. 31, 2022 Rupees in thousand
Balance as at June 30, 2022	594,172
Add: provision made during the period for:	
- current period	319,850
- prior year	(8,727)
Less: payments / adjustments made during the period against completed assessment	(422,695)
Balance as at December 31, 2022	482,600

17.1 Returns filed by the Company upto the tax year 2022 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001 (the Ordinance).

17.2 The Company is mainly liable to pay tax due under sections 4C (Super tax on high earning persons) and 154 (Tax on export proceeds) of the Ordinance.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

17.3 Income tax expense is recognised in each interim period based on best estimate. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate changes.

18. Contingencies and commitments

18.1 There has been no significant change during the current period in the status of contingencies as reported in the audited financial statements of the Company for the year ended June 30, 2022.

18.2 Guarantees given by various commercial banks, in respect of financial and operational obligations of the Company, to various institutions and corporate bodies aggregated Rs.980.308 million as at December 31, 2022 (June 30, 2022: Rs.900.308 million).

18.3 Foreign and local bills discounted outstanding as at December 31, 2022 aggregated Rs.798.888 million (June 30, 2022: Rs.2,643.143 million) and Rs.13.132 million (June 30, 2022: Rs.358.726 million) respectively.

	Un-audited Dec. 31, 2022	Audited June 30, 2022
	----- Rupees in million -----	
18.4 Commitments for irrevocable letters of credit:		
- capital expenditure	728.978	1,101.793
- others	983.748	633.602
	1,712.726	1,735.395

	Quarter ended		Six months period ended	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
	----- Rupees in thousand -----			
19. Sales - Net				
Export				
- yarn	5,917,607	6,032,250	13,117,458	10,307,149
- cloth	2,835,606	1,988,256	5,256,287	4,585,225
- waste	27,344	20,253	67,838	36,010
- apparel	472,980	-	833,364	-
	9,253,537	8,040,759	19,274,947	14,928,384
Local (net of sales tax)				
- yarn	1,410,856	1,212,114	2,337,425	2,047,052
- cloth	530,020	527,693	1,282,053	1,135,351
- waste	365,969	231,842	779,281	439,378
- doubling / sizing income	10,209	22,734	20,532	41,399
- cotton	19,923	17,062	83,213	68,917
- apparel	18,081	-	133,375	-
	2,355,058	2,011,445	4,635,879	3,732,097
	11,608,595	10,052,204	23,910,826	18,660,481
Less: commission	109,947	115,196	200,509	204,395
	11,498,648	9,937,008	23,710,317	18,456,086

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Quarter ended		Six months period ended	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
20. Cost of sales	----- Rupees in thousand -----			
Raw materials consumed	9,579,985	7,284,076	18,582,388	12,498,220
Stores and spares consumed	157,133	29,122	321,496	239,409
Packing materials consumed	90,393	138,489	174,012	143,489
Salaries, wages and other benefits	624,751	303,720	1,318,525	778,257
Fuel and power	838,201	484,509	1,670,043	911,059
Repair and maintenance	14,973	6,994	31,675	19,142
Depreciation	253,965	182,035	487,393	352,091
Insurance	31,909	38,120	65,586	64,498
Doubling charges	13,810	8,947	39,675	11,383
	11,605,120	8,476,012	22,690,793	15,017,548
Adjustment of work-in-process				
Opening	489,220	263,730	536,584	215,687
Closing	(557,032)	(250,971)	(557,032)	(250,971)
	(67,812)	12,759	(20,448)	(35,284)
Cost of goods manufactured	11,537,308	8,488,771	22,670,345	14,982,264
Adjustment of finished goods				
Opening stock	2,510,501	512,294	1,889,987	974,872
Closing stock	(3,714,737)	(836,522)	(3,714,737)	(836,522)
	(1,204,236)	(324,228)	(1,824,750)	138,350
	10,333,072	8,164,543	20,845,595	15,120,614
21. Distribution cost				
Advertisement	442	295	844	532
Export expenses	98,906	96,862	282,944	185,137
Export development surcharge	5,679	8,414	16,955	12,732
Freight and other expenses	89,066	79,679	264,478	128,059
	194,093	185,250	565,221	326,460

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Quarter ended		Six months period ended	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
22. Administrative Expenses	----- Rupees in thousand -----			
Salaries and benefits	123,058	104,645	219,668	158,623
Travelling and conveyance	4,938	31,878	92,835	48,831
Rent, rates and taxes	1,048	1,638	4,237	2,977
Entertainment	7,659	2,840	35,662	25,883
Utilities	3,036	1,517	7,884	3,883
Communication	13,404	9,256	26,016	15,800
Printing and stationery	8,066	4,296	13,168	8,193
Insurance	12,488	2,379	12,657	11,562
Repair and maintenance	37,978	27,883	58,336	41,535
Vehicles' running and maintenance	12,778	5,004	29,741	18,704
Fees and subscription	18,360	16,041	28,062	16,651
Auditors' remuneration	310	150	310	150
Legal and professional charges	2,797	2,538	7,154	6,458
Depreciation	31,123	19,695	59,709	36,684
Amortisation	519	-	1,038	-
General	37,768	15,241	53,637	38,794
	315,330	245,001	650,114	434,728
23. Other expenses				
Donations (without directors' interest)	17,723	5,714	53,006	13,919
Unrealised loss on re-measurement of short term investments at fair value through profit or loss	22,525	36,912	22,525	36,912
Workers' (profit) participation fund	(11,177)	47,607	12,570	95,392
Workers' welfare fund	(6,249)	18,409	4,777	39,220
	22,822	108,642	92,878	185,443
24. Other income				
Income from financial assets				
Dividend on short term investments	-	10,478	398	13,931
Mark-up on Term Finance Certificates	19,851	3,967	26,912	7,849
Realised gain on sale of short term investments at fair value through profit or loss - net	2,701	12,487	8,998	14,086
Exchange fluctuation gain - net	60,133	18,582	60,133	18,582
Government grant	38,455	10,932	38,455	10,932
Income from non-financial assets				
Export rebate	-	3,027	1,007	3,027
Gain on disposal of operating fixed assets - net	3,674	2,813	6,478	2,813
	124,814	62,286	142,381	71,220

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Quarter ended		Six months period ended	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
25. Finance cost	----- Rupees in thousand -----			
Mark-up on:				
- long term finances	248,488	136,516	452,178	244,749
- short term borrowings	355,008	201,671	619,977	383,523
- lease liabilities	2,498	868	2,498	868
Interest on provision for Gas Infrastructure Development Cess	3,345	5,337	3,345	5,337
Interest on workers' (profit) participation fund	6,287	2,435	6,287	2,435
Bank charges and commission	200,229	26,747	380,153	57,766
	815,855	373,574	1,464,438	694,678
26. Taxation				
-current period (note 17)			319,850	200,000
-prior year (note 17)			(8,727)	(7,257)
-deferred (note 14)			(12,406)	100,902
			298,717	293,645

27. Segment Information

Based on internal management reporting structure and products being produced and sold, the Company has been organized into three operating segments i.e. spinning, weaving and apparel.

Information regarding the Company's reportable segments is presented below:

Segment Analysis.	Spinning	Weaving	Apparel	Total
	----- Rupees in thousand -----			
Six months period ended Dec. 31, 2022 (un-audited)				
Revenue	17,378,404	5,335,627	996,286	23,710,317
Segment results	1,264,810	325,272	59,305	1,649,387
Six months period ended Dec. 31, 2021 (un-audited)				
Revenue	13,175,957	5,280,129	-	18,456,086
Segment results	2,134,852	439,432	-	2,574,284

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

	Un-audited Six months period ended December 31, 2022		December 31, 2021
	----- Rupees in thousand -----		
Reconciliation of segment results with profit before taxation:			
Total results for reportable segments	1,649,387		2,574,284
Other expenses	(92,878)		(185,443)
Other income	142,381		71,220
Finance cost	(1,464,438)		(694,678)
Share of profit of Associates	174,462		353,536
Profit before taxation	408,914		2,118,919

27.1 Information on assets and liabilities by segment is as follows:

	Spinning	Weaving	Apparel	Total
	----- Rupees in thousand -----			
As at Dec. 31, 2022 (un-audited)				
Segment assets	35,503,257	4,589,151	3,553,732	43,646,140
Segment liabilities	29,660,116	5,859,349	370,753	35,890,218
As at June 30, 2022 (audited)				
Segment assets	25,299,318	4,689,087	1,203,478	31,191,883
Segment liabilities	22,262,415	2,284,921	1,347,863	25,895,199

Reconciliation of segments assets and liabilities with totals in statement of financial position is as follows:

	As at Dec. 31, 2022 (un-audited)		As at June 30, 2022 (audited)	
	Assets	Liabilities	Assets	Liabilities
	----- Rupees in thousand -----			
Total for reportable segments	43,646,140	35,890,218	31,191,883	25,895,199
Unallocated assets / liabilities	6,953,527	2,135,662	8,601,228	1,246,822
Total as per statement of financial position	50,599,667	38,025,880	39,793,111	27,142,021

The Company's customer base is diverse with no single customer accounting for more than 10% of net revenues.

Geographical Segments

All segments of the Company are managed on nation-wide basis and operate manufacturing facilities and sale offices in Pakistan.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

28. Transactions with related parties

The related parties comprise of associated companies, undertaking and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables. Other significant transactions with related parties were as follows:

Relationship	Nature of transaction	Six months period ended	
		Dec. 31, 2022	Dec. 31, 2021
		----- Rupees in thousand -----	
Associated Companies	- sale of goods	98,454	201,741
	- purchase of goods	582,072	502,630
	- doubling charges	990	1,676
	- doubling revenue	16,140	5,789
	- dividend income	262,948	4,000
	- other expenses shared	26,297	-
Key management personnel	- remuneration and other benefits	56,811	29,412

- All transactions with related parties have been carried-out on commercial terms and conditions.

29. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's financial statements as at and for the year ended June 30, 2022.

There have been no changes in the risk management department or in any risk management policies since the year ended June 30, 2022.

Fair value estimation

During the period, there were no significant changes in the business or economic circumstances that affect the fair value of the Company's financial assets and financial liabilities. Further, there were no reclassifications of financial assets.

30. Corresponding figures

The comparative condensed interim statement of financial position presented in these condensed interim financial statements has been extracted from the audited financial statements of the

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2022

Company for the year ended June 30, 2022, whereas the comparative condensed interim statement of profit or loss & other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the un-audited condensed interim financial statements for the period ended December 31, 2021.

31. Date of authorisation for issue

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 28, 2023.

sd/-
Kh. Muhammad Ilyas
Chairman

sd/-
Kh. Muhammad Iqbal
Chief Executive Officer

sd/-
Kh. Muhammad Yunus
Director

sd/-
Yasir Ghaffar
Chief Financial Officer





MAHMOOD GROUP

Mahmood Textile Mills Limited

📍 Head Office: Mehr Manzil, O/s Lohari Gate,

📄 P.O. Box 28, Multan - Pakistan.

☎ (92 61) 111 181 181

📠 (92 61) 4511262, 4549711

✉ mtm@mahmoodgroup.com

🌐 www.mahmoodgroup.com