



SAIF GROUP

SAIF TEXTILE MILLS LIMITED

32nd ANNUAL REPORT 2021



Certified ISO 9001:2008
Certified ISO 14001:2004



ENTITY RATING OF SAIF TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

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COMPANY INFORMATION

BOARD OF DIRECTORS

Osman Saifullah Khan	Chairman/ Director
Hoor Yousafzai	Director
Assad Saifullah Khan	Director
Rana Muhammad Shafi	Director
Muhammad Danish	Director
Rashid Ibrahim	Director
Sohail H Hydari	Director
Syed Masroor Hasnain	Chief Executive

AUDIT COMMITTEE

Rashid Ibrahim	Chairman
Rana Muhammad Shafi	Member
Sohail H Hydari	Member

HR & REMUNERATION COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sajjad Hussain

HEAD OF INTERNAL AUDIT

Meesam Habib Butt

LEGAL ADVISOR

Dr. Pervez Hassan
Hassan & Hassan, Advocates
Salahuddin Saif & Aslam
(Attorney's at Law)

AUDITORS

M/s Shinewing Hameed Chaudhri & Co.
Chartered Accountants
HM House, 7-Bank Square, Lahore

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
First Women Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Soneri Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

4th Floor, Kashmir Commercial
Complex 1032-E, Fazal-e-Haq Road,
Blue Area Islamabad.
Telephone: +92-51-2604733-35
Fax: +92-51-2604732
Email: stm@saifgroup.com

REGISTERED OFFICE

APTMA House, Tehkal Payan, Jamrud
Road, Peshawar
Telephone: +92-91-5843870, 5702941
Fax: +92-91-5840273
Email: peshawar@saifgroup.com

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
HM House, 7-Bank Square, Lahore
Telephone: +92-42-37235081-37235082
Fax: +92-42-37358817
Email: info@hmaconsultants.com

MILLS

Industrial Estate, Gadoon Amazai, District
Swabi
Telephone: +92-0938-270313, 270429
Fax: +92-0938-270514
Email: stmgn@saifgroup.com

CYBER

www.saiftextile.com

Vision

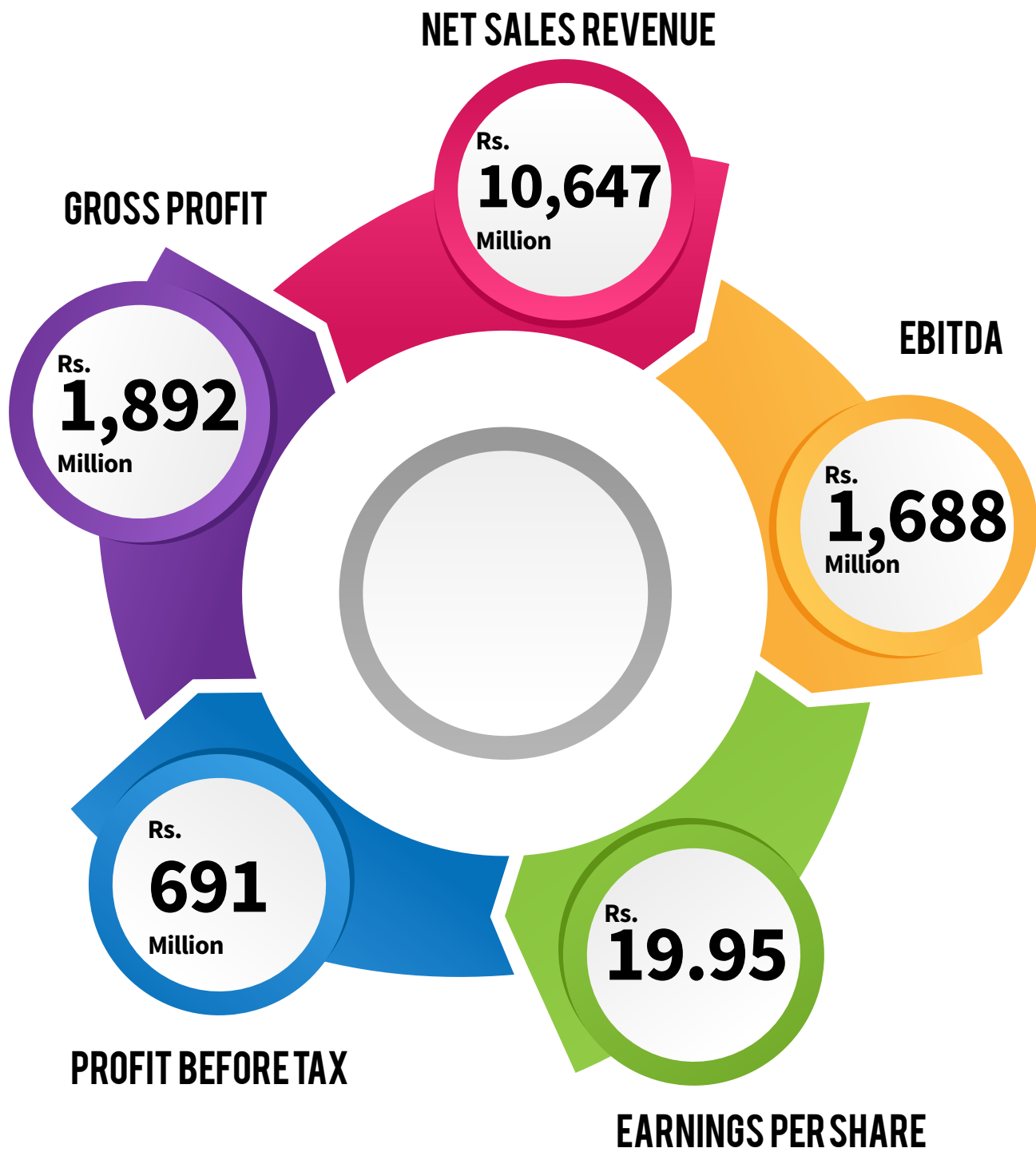
To attain market leadership through unmatched quality, a diverse and unique product mix, empowered employees, world class systems, and the highest ethical and professional standards.



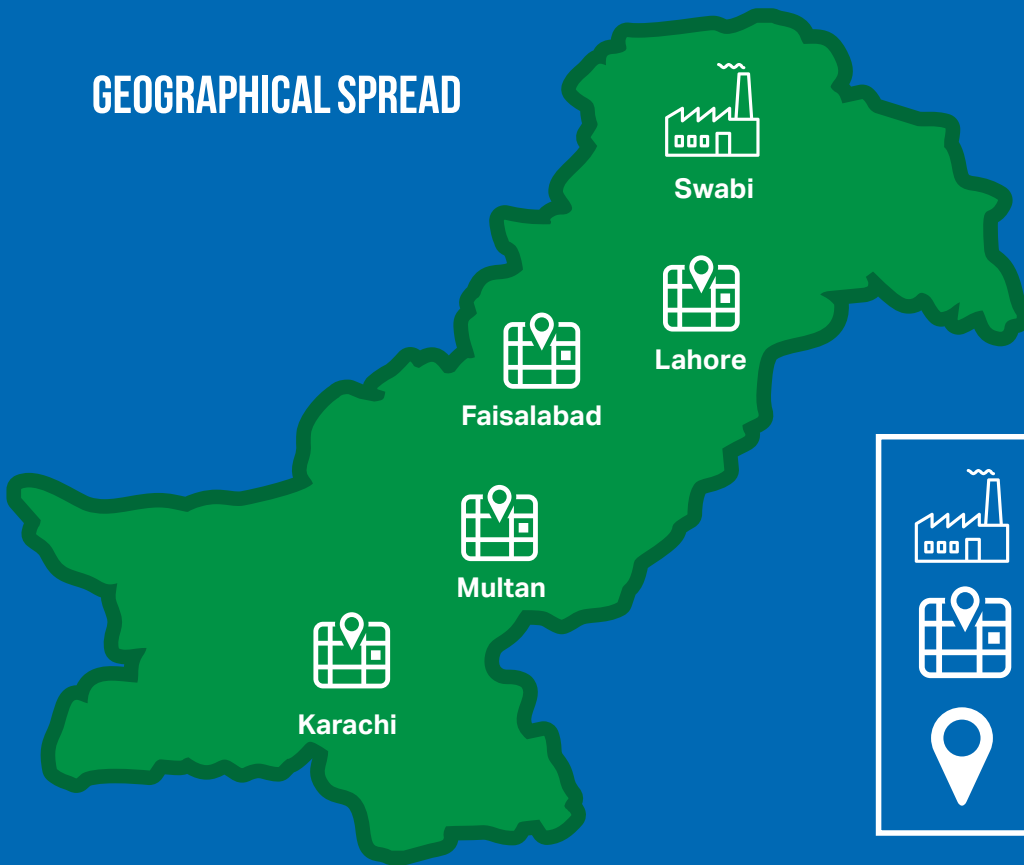
Mission

- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- Earn and sustain the trust of our stakeholders through efficient resource management.
- Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.
- Foster a culture of trust and openness in order to make professional life at the Saif Textile Mills Limited a stimulating and challenging experience for all our people.
- Strive for the continuous development of Pakistan while adding value to the textile sector.

KEY PERFORMANCE INDICATORS



GEOGRAPHICAL SPREAD



Quality Statement

We strive to manufacture quality yarn as per our customer's requirement. This is achieved by:

Our commitment to quality

Extensive process monitoring and

Training of personnel

Our Products

Our products dyed yarns, melange yarns, special yarns for knitting and weaving and surgical cotton.

- **Accru Yarn**

Saif Textile is one of few largest fancy yarns manufacturing company in Pakistan. Our passion for fancy yarn has made us a trendsetter in this industry. We are constantly searching throughout the world to find ideas for new yarns, with various cottons & fibers to lead the industry with our innovative and top quality products.

Saif Textile Mills can deliver yarns fully palletized, as well as Soft wound yarn on Dye/Perforated plastic cones with the option of 4° 20' and 0° cylindrical cone angles. All yarns are Automatically Palletized (Sangrato, Italy), Sequentially contamination controlled – Joss Vision Shield and Loptex, Loepfe Zenit Yarn cleared.

- **Dyed Yarn**

Saif Textile also offers wide range of dyed yarns, produced and dyed with state of the art machinery from Thiese Germany with highly automated operations, automatic dyestuff machine from Date Color, Yarn dyeing shades are electronically measured by using state of the art spectrophotometers.

- **Melange Yarn**

Saif Textile focus on the supply of top dyed melange yarn keeping in view latest trends and fashion, care for environment and technology.

- **Surgical Cotton**

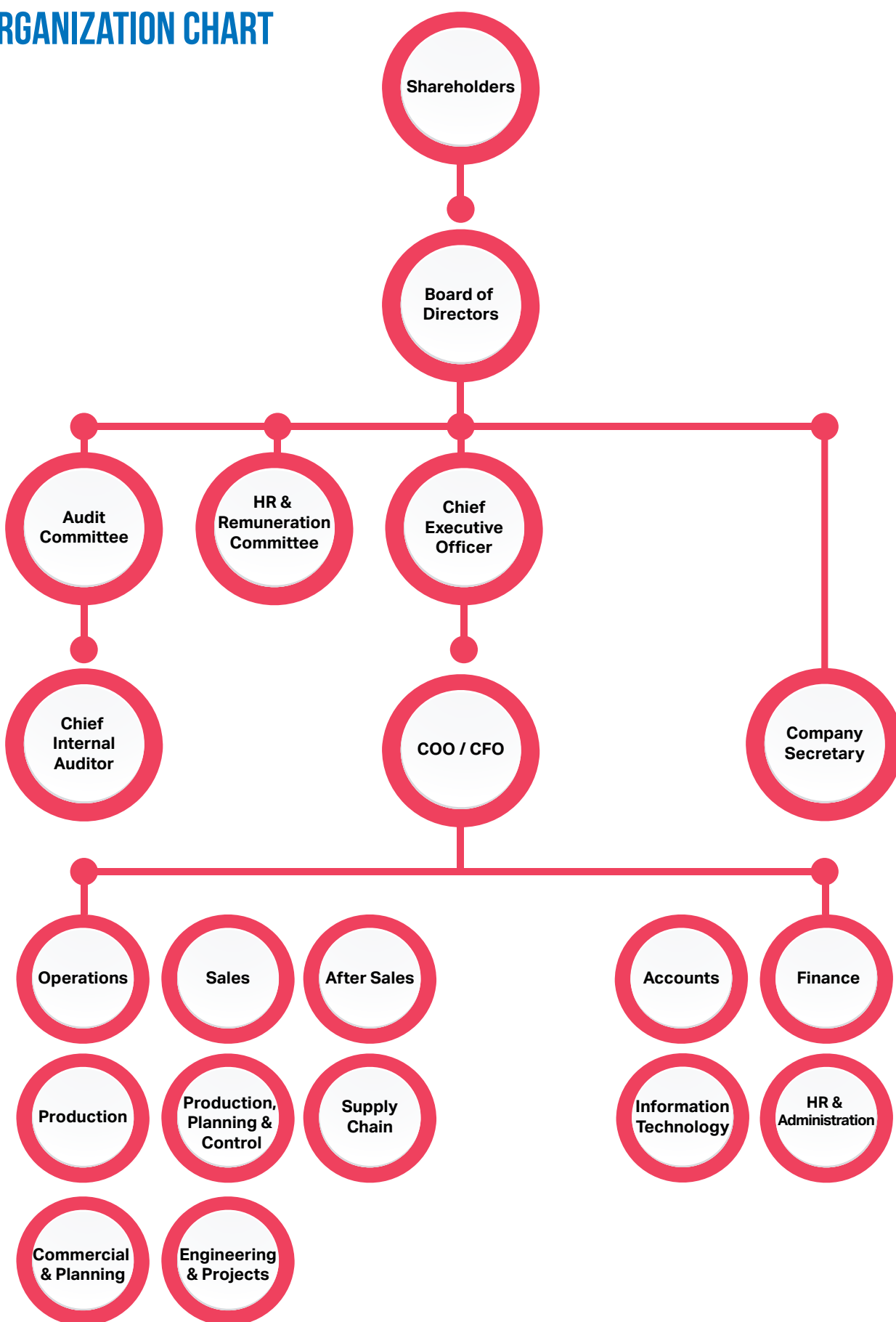
Surgical Cotton is being supplied to various local and international customers dealing with healthcare products.

Our Customers

Local (Karachi, Lahore, Multan and Faisalabad)

Export (Turkey, Poland, Germany, Geneva, Tajikistan and Russia)

ORGANIZATION CHART



NOTICE OF 32ND ANNUAL GENERAL MEETING

NOTICE is hereby given that the **32nd Annual General Meeting** of the **Saif Textile Mills Limited** (the Company) will Insha'Allah be held on **Monday, October 25, 2021 at 12:00 Noon** at its registered office, **APTMA House Tehkal Payan, Jamrud Road, Peshawar**, to transact the following business:

• **ORDINARY BUSINESS:-**

1. To confirm minutes of the Extraordinary General Meeting of the Company held on March 31, 2021.
2. To receive, consider and adopt the annual audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2021.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2022. The retiring auditors, being eligible, have offered themselves for re-appointment. The Board on the recommendation of the Audit Committee has proposed the appointment of M/s. Shinewing Hameed Chaudhri & Co., Chartered Accountants as external auditors of the company after obtaining their consent.

• **SPECIAL BUSINESS:-**

4. To ratify and approve transactions entered into by the Company with related parties in its ordinary course of business by passing the following special resolutions:-

RESOLVED THAT the Company be and is hereby authorized to share common expenses with M/s. Kohat Textile Mills Limited an associated Company or any other associated Company. The common expenses may include but not limited to office rents, administrative

salaries, utility expenses, repair and maintenance and other miscellaneous expenses etc. (collectively the "Administrative Expenses"), in respect of its joint offices.

RESOLVED FURTHER THAT the transactions entered into by the Company in its ordinary course of business with related parties during the year ended June 30, 2021 as disclosed in notes to the Financial Statements are hereby ratified and approved.

RESOLVED FURTHER THAT the Chief Executive of the Company be and is hereby authorized to execute/ approve all the transactions to be carried out in its ordinary course of business with Related Parties during the ensuing year ending June 30, 2022 and in this connection the Chief Executive be and is hereby also authorized to take any and all necessary actions and to sign execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

5. To transact any other business with the permission of the Chair.

Statement of material facts required under Section 134(3) of the Companies Act, 2017 in respect of Special Business to be transacted at the forthcoming Annual General meeting is annexed.

BY ORDER OF THE BOARD



Peshawar,
October 4, 2021

Sajjad Hussain
Company Secretary

NOTICE OF 32ND ANNUAL GENERAL MEETING

NOTES:

1. The Shares Transfer Books of the Company will remain closed from October 19, 2021 to October 25, 2021 (both days inclusive). Transfers received in order at the office of the Company's Shares Registrar M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore by the close of business on dated October 18, 2021 will be treated in time.
2. A member entitled to attend and vote at the meeting may appoint another person/ member as a proxy to attend, speak and vote on behalf of him/her. Forms duly stamped with Rs.50/- revenue stamp, signed and witnessed by two persons, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual beneficial owners of CDC, entitled to attend and vote at the meeting must bring his/her CNIC or passport to prove his/her identity and the proxy shall produce his/ her original CNIC or passport. In case of corporate members, the Boards' resolution or power of attorney with specimen signatures of the nominee shall require to be produced at the time of the meeting.
4. For the convenience of Members, a Standard Request Form with appropriate details has been uploaded on the Company's website www.saiftextile.com. Those Members, who opt to receive the hard copies of the annual audited financial statements instead of receiving the same through CD/DVD/USB at their registered addresses, may apply to the Company Secretary at the postal address i.e. APTMA House, Tehkal Payan, Jamrud Road, Peshawar or email address ca.stml@saifgroup.com.
5. Members are requested to submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP's direction, if not provided earlier.
6. Change in Address: Members are requested to promptly notify any change in their address.
7. Pursuant to Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail such facility, please fill the following form and submit to the registered address of the Company atleast seven (07) days before the date of the annual general meeting.

I/ We, _____
_____ of _____,
being a member of Saif Textile Mills Limited,
holder of _____ Ordinary
Shares as per Register Folio No. / CDC A/C
No. _____ hereby opt for Video
Conference facility at _____.

Signature of member
8. **DIVIDEND PAYMENTS THROUGH ELECTRONIC MODE:**

In order to receive the future dividends through electronic mode as per requirements of Section 242 of the Companies Act, 2017 shareholders are requested to provide the following detail to our share registrar M/s Hameed Majeed Associates (Pvt.) Limited:

NOTICE OF 32ND ANNUAL GENERAL MEETING

Name of Shareholder	
Folio / CDS Account No.	
CNIC	
Email	
Title of Bank of Account	
Bank Account (IBAN) Number (24-Digits)	
Bank's Name	
Branch Name and Address	
Contact No.	

9. Shareholders, who for any reason, could not claim their dividend, are advised to contact our Share Registrar M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore and collect/ enquire about their unclaimed dividend.
10. As per Section 72 of the Companies Act, 2017 every company is required to replace its physical shares with book-entry form. The Shareholders having physical shares are therefore requested to open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into book-entry form. This

will facilitate them in many ways including safe custody/online trading of shares, easy transfer of ownership, no risk of damage/lost/duplicate shares, instant credit of entitlements (bonus/right issue) etc.

STATEMENT OF MATERIAL FACTS U/S 134(3) OF THE COMPANIES ACT, 2017

Agenda no. 4:

The transactions conducted with associated companies require the approval of the Board on the recommendation of the audit committee on the quarterly basis pursuant to clause (15) of the Listed Companies (Code of Corporate Governance) Regulations, 2019. However, since a majority of the company's directors were interested in the said transactions due to their common directorship and holding of shares in the associated companies, the quorum of the directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017, thus, these transactions are being placed before the members for their approval.

REVIEW REPORT BY THE CHAIRMAN

It gives me pleasure to present my review of the overall performance of the Board of Directors (the "Board") of Saif Textile Mills Ltd. (the Company) and its effectiveness in achieving the Company's objectives. The Company follows the best practices relating to corporate governance and complies with all the relevant requirements of Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 with respect to composition, meetings and procedures of the Board and its Committees.

On October 24, 2020 our valued board member Zaheen Ud Din Qureshi passed away and Sohail H Hydari was appointed as director in his place. On Behalf of the Board, I record deep appreciation for Late Zaheen Ud Din Qureshi for his impeccable services to the Board and Saif Group. May Allah SWT bless his departed soul with highest ranks in Jannah, Aameen.

For the financial year ended June 30, 2021, an annual evaluation of the Board was carried out as per the directives of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and I am pleased to report that the Board has performed its duties in accordance with law and in the best interest of company and its shareholders. The overall performance and its effectiveness is measured based on evaluation of integral components, including vision, mission, and values; engagement level in strategic planning; formulation of policies; monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight and fair treatment of all employees.

The role of the Board has been pivotal in achieving the Company's objectives. The Board has developed short, medium and long-term plans to achieve its strategic objectives. During the financial year 2020-21, the Board made significant contributions to the Company by performing following functions:

- Performed effective and robust oversight
- Reviewed and approved CapEx plans
- Ensured the quality and appropriateness of financial reporting and the transparency of disclosures in annual and quarterly financial statements
- Carried out risk assessment, especially, of regulatory and legal requirements, market trends, raw material supply and price, energy availability and cost, interest rate and liquidity risks
- Reviewed effectiveness of internal control system
- Reviewed and approved the financing / borrowing facilities
- Ensured timely dissemination of price sensitive and inside information to relevant regulatory authorities



(OSMAN SAIFULLAH KHAN)

Chairman

Islamabad
September 30, 2021

DIRECTORS' REPORT TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of Board of Directors, it gives me immense pleasure to present the 32st Annual Audited Financial statements for the year ended June 30, 2021.

OVERVIEW

Your Company showed remarkable performance during the current year ended June 30, 2021. Turnover of the company rose by 39% to close at Rs.10,647 million as compared to Rs.7,651 million last year. The first half of financial year 2020-21 was challenging due to rapidly increasing cotton prices. However, limitation on cotton yarn imports from India and sizeable demand from local fabric manufacturers resulted in significant improvement of local yarn prices.

The finance cost also decreased by Rs. 189 million in the current year, compared to last year, owing to better working capital management and reduction in borrowing rates. Resultantly, the Profit after tax of the Company increased by Rs. 1,198 million (178%).

During the year the Company reduced long term loan balance by Rs. 370 million and paid markup of amount Rs. 214 million. We are confident that we will continue to meet all our future financial commitments through our internal cash flows.

The Company is ISO certified in 9001:2015 (Quality Management system) and 45001:2008 (Occupational Health & Safety Management system). The entity rating of the Company has been maintained at A- for Long Term and A2 for Short Term by Pakistan Credit Rating Agency Limited (PACRA) with outlook stable.

PROFIT APPROPRIATION

In order to avail growth opportunities, strengthen the balance sheet and to generate higher returns for the shareholders in the future, the Board in its meeting held on September 30,

2021 has recommended that no dividend be distributed for the year ended June 30, 2021 (June 30, 2020: cash dividend Rs. Nil per share i.e. Nil %).

EARNINGS / (LOSS) PER SHARE

Earnings per share during the period under report worked out to Rs. 19.95 (2020: Rs. (25.43) loss per share).

FUTURE OUTLOOK

The prospective order position FY2022 looks extremely promising and suggests operations at high capacity levels. The Company supplies to many downstream export-oriented units in Pakistan which are anticipating strong rebound in global demand. Hence, in view of the market conditions and the Government's support towards textile reforms, we are confident in maintaining our market share with good profitability in the coming year.

CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance.

The statement on Corporate Governance and Financial Reporting Frame Work is given below:

- The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

DIRECTORS' REPORT TO THE SHAREHOLDERS

- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of shareholding.
- There has been no material departure from the best practices of code of corporate governance.

The key operating and financial data of the Company for last six years is given below:-

	2021	2020	2019	2018	2017	2016
	(Rupees in thousand)					
Operating Fixed Assets	6,433,338	6,552,480	5,400,232	4,991,596	4,485,732	4,604,928
Net Worth (Restated)	3,670,112	3,161,279	3,198,422	2,401,918	2,273,053	2,240,867
Turnover	10,646,677	7,651,433	8,975,842	7,852,240	7,586,301	6,697,773
Gross Profit	1,891,651	637,418	1,037,813	855,018	763,013	621,988
Gross Profit Margin (% age)	17.77	8.33	11.56	10.89	10.06	9.28
Net Profit/(Loss)-After Taxation	526,877	(671,610)	830,319	45,868	22,945	(49,132)
Net Profit/(Loss) Margin (% age)	4.95	(8.78)	9.25	0.58	0.30	(0.73)

- The board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- Regarding outstanding taxes and levies, please refer note 17 to the annexed audited statements.

Composition of Board

The board of Directors as at June 30, 2021 consist of:

	Directors	Numbers
a)	Male	07
b)	Female	01

	Composition	Numbers
a)	Independent Director	02
b)	Non-Executive Directors	05
c)	Executive Directors	01

DIRECTORS' REPORT TO THE SHAREHOLDERS

• Attendance of Board Meetings

- During the year under report five meetings of the Board of Directors were held. The attendance by each Director was as follows:

Name of Director	Meetings Attended
Mr. Osman Saifullah Khan	05
Ms. Hoor Yousafzai	05
Mr. Assad Saifullah Khan	05
Mr. Haider Saifullah Khan	-
Mr. Rashid Ibrahim	05
Mr. Muhammad Danish	05
Rana Muhammad Shafi	04
Mr. Sohail Hussain Hydari	03
Late Mr. Zaheen-Ud-Din Qureshi	02
Syed Masroor Hasnain	-

Leave of absence was granted to Directors who could not attend any of the Board meetings.

• Board's Audit Committee

The composition of Board's Audit Committee has been attached to this report.

PERFORMANCE EVALUATION OF DIRECTORS ON THE BOARD

The evaluation of Board's role of oversight and its effectiveness is continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company;
- Strategy formulation for sustainable operation;
- Board's independence; and
- Evaluation of Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference.

CEO PERFORMANCE EVALUATION

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

DIRECTORS' REMUNERATION

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For information on remuneration of Directors and CEO in 2020-21, please refer notes to the Financial Statements.

EXTERNAL AUDITORS

The present auditors, M/s Shinewing Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of this Annual General Meeting to be held on October 25, 2021 until conclusion of next Annual General Meeting.

MATERIAL CHANGES

There have been no material changes since June 30, 2021 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

PATTERN OF SHAREHOLDING

The pattern of shareholding under section 227(2) (f) of the Companies ACT, 2017 and additional information as required by the Code of Corporate Governance is enclosed.

DIRECTORS' REPORT TO THE SHAREHOLDERS

HUMAN RESOURCE MANAGEMENT

Human resource planning and management is one of the most important considerations with the senior management. The Company has established a HR&R Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending improvements in the human resource policies and procedures and their periodic review.

RISK MANAGEMENT & INTERNAL CONTROL

The Company's risk management policy implicates to continually assess the environment to build resilience against any threats. The Board has effectively implemented and monitored internal control framework through an independent internal audit function which is completely independent from External Audit Function.

HEALTH, SAFETY & ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment

(HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate.

CORPORATE SOCIAL RESPONSIBILITY

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base.

ACKNOWLEDGEMENT

The Board places on record its appreciation for the support of our bankers and our valued customers.

I would also like to highlight the hard work put in by the members of our corporate family.

We are confident they will continue to show the same dedication in the days ahead.

On behalf of the board of Directors



SYED MASROOR HASNAIN

Chief Executive Officer

Place: Islamabad

Dated: September 30, 2021



ASSAD SAIFULLAH KHAN

Director

ڈائریکٹر رپورٹ برائے شیئر ہولڈر

ہیومن ریسورسز منیجمنٹ (انسانی وسائل کا نظام و انصرام)

سینئر انتظامیہ کیلئے ہیومن ریسورسز پلاننگ اور منیجمنٹ سب سے اہم پہلو میں سے ایک ہے۔ کمپنی ہذا نے اس سلسلہ میں ایچ آر اینڈ آر (HR&R) کمیٹی قائم کی ہے جو اہم انتظامی اشخاص / اسٹاف کا انتخاب کرنے، تجزیہ / تشخیص کرنے، معاوضہ ادا کرنے اور ان کی جانشینی کی منصوبہ بندی کرتا ہے۔ یہ انسانی وسائل کی پالیسیوں اور طریقہ کار وضع کرنے اور وقتاً فوقتاً ان کا جائزہ لینے میں بھی اپنی سفارشات پیش کرتا ہے

نظم و نسق برائے خطرہ اور داخلی کنٹرول (ریک منیجمنٹ اینڈ انٹرل کنٹرول)

کمپنی ہذا کی ریک منیجمنٹ پالیسی ماحول کو کنٹرول کرنے کیلئے مسلسل مصروف پیکار ہے تاکہ کسی بھی خطرات آیا درپیش یا غیر متوقع ہوں دنوں کو روکا جاسکے۔ بورڈ ہذا نے ایک خود مختار / آزاد داخلی آڈٹ فنکشن کے ذریعے سے داخلی کنٹرول فریم ورک پر مؤثر طریقے سے عمل درآمد اور نگرانی کر رہا ہے جو کہ مکمل طور پر بیرونی آڈٹ فنکشن سے آزاد ہے۔

صحت، حفاظت اور ماحول

ہم نہ صرف اپنے ساتھ کام کرنے والے افراد بلکہ اپنے کام کرنے کی جگہ کے کمیونٹی کے بھلائی کیلئے بھی اعلیٰ معیار کی صحت اور تحفظ اور ماحول کو برقرار رکھنے پر یقین رکھتے ہیں۔

کارپوریٹ / انضمامی سماجی ذمہ داریاں:

کمپنی ہذا مجموعی کاروباری ماحول کے تناظر میں سماجی، ماحولیاتی اور اخلاقی معاملات کو مد نظر رکھتی ہے۔ کمپنی نے تمام اسٹیک ہولڈرز (حصص داران) کے بہترین مفاد میں کام کرنے کا عہد کیا ہوا ہے، خاص طور پر وہ کمیونٹی جس میں ہم رہتے ہیں جو ہمارے صارفین (فراہم کرنے) کی بنیاد ہیں۔

اظہار تشکر

بورڈ ہذا نے اپنے بینکر اور معزز صارفین کی معاونت کو خراج تحسین پیش کرتے ہیں۔ مزید برآں، میں اپنی کارپوریٹ فیملی ممبران کی سخت محنت و کاوش کو بھی اجاگر کرتا ہوں۔

ہمیں امید ہے کہ آئندہ آنے والے دنوں میں وہ اسی لگن کا مظاہرہ کریں گے۔

بورڈ ہذا کی جانب سے:

اسد سیف اللہ خان

اسد سیف اللہ خان

ڈائریکٹر

بمقام: اسلام آباد

تاریخ: 30 ستمبر 2021

سید مسرور حسین

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چیف ایگزیکٹو آفیسر

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ:

بورڈ کی کارکردگی کی نگرانی اور اس کا مؤثر ہونا کا تجربہ ایک مسلسل مرحلہ ہے جو کہ بورڈ ہذا خود سمرانجام دیتا ہے۔ اس میں درج ذیل اہم نقاط پر توجہ مرکوز کی جاتی ہے

- * کمپنی ہذا کی ویژن اور مشن کو مد نظر رکھتے ہوئے کارپوریٹ مقاصد اور اہداف کا حصول
- * دیرپا/پائیدار آپریشن (امور کی سمرانجام دہی) کیلئے حکمت عملی کی تشکیل
- * بورڈ ہذا کی آزادی اور
- * بورڈ ہذا کے قوانین کے حوالہ جات کے مطابق بورڈ کمیٹی کی ذمہ داریاں ادا کرنے سے متعلق کارکردگی کی تشخیص

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا جائزہ:

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا باقاعدہ جائزہ/تشخیص آزمائشی (جانچ پڑتال) نظام کے ذریعے سے کیا جاتا ہے جس کی بنیاد مقداری اور قابل قدر اقدار پر مبنی ہے۔ اس میں بشمول کاروباری کارکردگی، منافع سے متعلق مقاصد کے حصول، ادارے کی ترقی، جانشینی کی منصوبہ بندی، منظم کامیابی شامل ہیں۔

ڈائریکٹر کی تنخواہ/معاوضہ:

بورڈ ممبران کی تنخواہ بورڈ ہذا خود منظور کرتا ہے، تاہم کارپوریٹ نظم و ضبط کے قوانین کے مطابق اس امر کو یقینی بنایا گیا ہے کہ کوئی بھی ڈائریکٹر اپنی تنخواہ کے فیصلے کے بارے میں حصہ نہیں لیتا۔ کمپنی ہذا اجلاس میں شرکت کی فیس کے علاوہ کسی بھی غیر ایگزیکٹو ڈائریکٹر کو معاوضہ کی ادائیگی نہیں کرتی۔ سال 2020-2021 میں ڈائریکٹرز اور سی ای او کی تنخواہ کے بارے میں معلومات کے سلسلہ میں برائے مہربانی مالیاتی گوشوارے کے نوٹس ملاحظہ فرمائیں۔

بیرونی/خارجی آڈیٹرز:

موجودہ آڈیٹر، شائن وینگ حمید چوہدری اینڈ کو، چارٹرڈ اکاؤنٹنٹ "ریٹائرڈ ہو گئے ہیں اور وہ اس امر کے اہل بھی ہیں، اُن کو اگلے سال کے لئے دوبارہ تعینات کی آفر پیش کی جاتی ہے، آڈٹ کمیٹی کی تجویز کے مطابق، بورڈ ہذا ان کی کمپنی میں بطور آڈیٹر کی تعیناتی کی سفارش اپنی سالانہ جنرل میٹنگ مورخہ 25 اکتوبر 2021ء میں اس کی منظوری دے گی اور یہ تعیناتی اگلے سالانہ جنرل میٹنگ تک کے لئے لاگو ہے۔

اہم تبدیلیاں:

اس رپورٹ کے وصول ہونے تک 30 جون 2021ء تک کسی قسم کی کوئی بھی میٹرل مالیاتی تبدیلی واقع نہ ہوئی اور اس مدت کے دوران کمپنی ہذا نے کوئی عہدہ وپیا (معاہدہ) طے نہیں کیا جس کی وجہ سے کمپنی کے مالیاتی پوزیشن میں برے اثرات مرتب ہوئے۔

حصص رکھنے کا نمونہ (پیٹرن آف شیئر ہولڈنگ):

کمپنی ایکٹ 2017 کے سیکشن (2) 227 کے تحت حصص رکھنے کا نمونہ (پیٹرن آف شیئر ہولڈنگ) اور کارپوریٹ نظم و ضبط کے قوانین کی مطلوبہ اضافی معلومات اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

بورڈ ہذا کی درجہ بندی

مورنہ 30 جون 2021ء تک بورڈ آف ڈائریکٹرز مشتمل ہیں:

تعداد	منتخب ڈائریکٹرز
07	مرد
01	عورت

تعداد	درجہ بندی
02	خود مختار ڈائریکٹر
05	نان ایگزیکٹو ڈائریکٹرز
01	ایگزیکٹو ڈائریکٹر

بورڈ اجلاس میں حاضری

حالیہ سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہیں:

حاضری اجلاس	ڈائریکٹر کا نام
05	جناب عثمان سیف اللہ خان
05	محترمہ حور یوسف زئی
05	جناب اسد سیف اللہ خان
0	جناب حیدر سیف اللہ خان
05	جناب راشد ابراہیم
05	جناب محمد دانش
04	رانا محمد شفیع
03	جناب سہیل حسین حیدری
02	مرحوم ذہین الدین قریشی
0	سید مسرور حسنین

وہ حضرات جو بورڈ اجلاس میں حاضر نہیں ہو سکتے تھے انہیں غیر حاضری کی اجازت دی گئی۔

بورڈ آڈٹ کمیٹی

بورڈ آڈٹ کمیٹی کی تفصیل اس رپورٹ کے ساتھ منسلک ہے۔

ڈائریکٹر رپورٹ برائے شیئر ہولڈر

کارپورٹ نظم و ضبط:

- یہ رپورٹ پیش کرنا ہمارے لئے باعث مسرت ہے کہ آپ کی کمپنی نے کارپوریٹ نظم و ضبط کے قوانین کے شرائط کی تعمیل کیلئے اہم اقدامات کئے ہیں:
- * کمپنی ہذا کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کے آپریشن (کاروباری امور) کے نتائج، کیش فلووز اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتا ہے۔
 - * کمپنی ہذا نے بکس آف اکاؤنٹس کا باقاعدہ ریکارڈ رکھا ہے۔
 - * مالیاتی گوشوارے تیار کرنے کیلئے مناسب اکاؤنٹنگ پالیسیاں کا مستقل طور پر اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے موزوں اور محتاط فیصلے پر مبنی ہیں۔
 - * بین الاقوامی مالیاتی رپورٹنگ (احوال بیان کرنے) کا معیار جیسا کہ پاکستان میں لاگو ہے، مالیاتی گوشوارے تیار کرنے کے سلسلہ میں اس کی پیروی کی جاتی ہے۔
 - * داخلی کنٹرول کا نظام اپنی ساخت کے اعتبار سے کافی مضبوط ہے اور اس پر مؤثر طریقے سے عمل درآمد اور نگرانی کی جارہی ہے
 - * موجودہ جاری صورت حال میں کمپنی ہذا کی صلاحیت کے بارے میں کسی قسم کا کوئی شک و شبہ نہ ہے۔
 - * حالیہ جاری سال کے دوران کمپنی ہذا کے ٹریڈنگ میں سی ای او، ڈائریکٹرز، سی ایف او، کمپنی سیکرٹری، ان کی بیویاں / خاوند اور بچوں کا کوئی شیئر / حصص نہیں ہے سوائے ان حصص کے جن کا پیئرین آف شیئر ہولڈنگ میں بیان کیا گیا ہے۔
 - * انتظامی نظم و ضبط کے بہترین عملیات میں سے کوئی بھی مادی امر کو چھوڑا نہیں گیا۔
 - * کمپنی ہذا کی گزشتہ چھ سالوں کے اہم آپریشن (کاروباری امور چلانے) اور مالیاتی اعداد و شمار درج ذیل دیا گیا ہے:

اختتامی سال 30 جون						
2016	2017	2018	2019	2020	2021	
(رقم ہزاروں میں)						
4,604,928	4,485,732	4,991,596	5,400,232	6,552,480	6,433,338	موجودہ فکسڈ اثاثہ جات
2,240,867	2,273,053	2,401,918	3,198,422	3,161,279	3,670,112	کل مالیت (دوبارہ بیان کیا گیا)
6,697,773	7,586,301	7,852,240	8,975,842	7,651,433	10,646,677	کل پیداوار
621,988	763,013	855,018	1,037,813	637,418	1,891,651	کل منافع
9.28	10.06	10.89	11.56	8.33	17.77	کل منافع کا مارجن (%)
(49,132)	22,945	45,868	830,319	(671,610)	526,877	مجموعی منافع / (نقصان) بعد از ٹیکس
(0.73)	0.30	0.58	9.25	(8.78)	4.95	مجموعی منافع / (نقصان) کا مارجن (%)

- * بورڈ ہذا نے ایک مشن سٹیٹمنٹ (مقصدی بیان / دعوی) اور مجموعی انتظامی حکمت عملی کا ایک سٹیٹمنٹ اختیار کیا ہوا ہے۔
- * قابل ادائیگی ٹیکسز اور بقایا جات کیلئے برائے مہربانی نوٹ نمبر 17 آؤنڈ گوشوارہ میں ملاحظہ کیجئے۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

میرے لئے یہ خوشی کا امر ہے کہ میں کمپنی ہذا کے ڈائریکٹرز کے جانب سے اختتامی سال جون 2021، 30ء کی آڈیٹ شدہ 32 ویں سالانہ مالیاتی گوشوارہ / رپورٹ آپ کے سامنے پیش کر رہا ہوں۔

سرسری جائزہ:

آپ کی کمپنی نے جاری اختتامی سال برائے 30 جون، 2021ء کے دوران غیر معمولی کارکردگی کا مظاہرہ کیا ہے۔ گزشتہ سال کمپنی ہذا کی کل پیداوار مبلغ 7.651 ملین روپے کی نسبت جاری سال میں 39% کا اضافہ یعنی مبلغ 10,647 ملین روپے پر اختتام پذیر ہوئی۔ کپاس کی قیمت میں تیزی سے اضافہ کی وجہ سے پہلا نصف مالیاتی سال 2020-21 بہت پُرکھن تھا، تاہم انڈیا سے محدود پیمانے پر سوت کی درآمد اور مقامی کپڑا صنعت کار کی طرف سے مناسب طلب کے نتیجے میں مقامی سوت کی قیمتوں میں کافی بہتری آئی۔

گزشتہ سال کی نسبت جاری سال میں مالیاتی لاگت میں مبلغ 189 ملین روپے کی بھی کمی واقع ہوئی جس کی وجہ بہتر ورکنگ کپنٹل کا نظم و نسق اور ادھار لینے کے ریٹس میں کمی ہے۔ نتیجتاً، بعد از ٹیکس کٹوتی، کمپنی کے منافع میں مبلغ 1198 ملین روپے (178%) کا اضافہ ہوا۔ مذکورہ سال کے دوران کمپنی نے لمبی مدت کے قرضوں کی اقساط مبلغ 370 ملین روپے بمعہ مارک اپ مبلغ 214 ملین روپے ادا کئے۔ ہم پر امید ہیں کہ ہم اپنی اندرونی کیش فلو (خالص آمدن) کے ذریعے مستقبل کے اپنے تمام مالیاتی معاہدوں کو پورا کرینگے۔

کمپنی ہذا کو ISO 9001:2015 (نظام برائے کوالٹی مینجمنٹ) اور 45001:2008 (پیشہ ورانہ صحت و حفاظتی انتظامی نظام) کے سرٹیفکیٹ سے نوازا گیا۔ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) کے مطابق کمپنی ہذا کی لمبی مدت کیلئے (A-) اور مختصر مدت کیلئے (A2) انٹینیٹی ریٹنگ بمعہ مستحکم اہداف کے ساتھ برقرار رہی۔

منافع کی تقسیم

ترقی کے مواقع حاصل کرنے، بیلنس شیٹ کو مضبوط بنانے اور مستقبل میں شیئر ہولڈرز کے لئے زیادہ منافع پیدا کرنے کیلئے بورڈ نے 30 ستمبر 2021ء کو منعقد ہونے والے اپنے اجلاس میں سفارش کی ہے کہ (30 جون 2021ء کو ختم ہونے والے سال کیلئے کوئی منافع تقسیم نہ کیا جائے۔ (30 جون 2020ء کیش ڈیویڈنڈ صفر صفر فی صد روپے فی حصص)

منافع / نقصان (فی حصص)

حالیہ جاری رپورٹ کی مدت کے دوران آمدنی فی حصص مبلغ 19.95 روپے طے کی گئی (سال 2020ء میں مبلغ 25.43 روپے نقصان فی حصص)

مستقبل کا نقطہ نظر

مکملہ معاہدے برائے سال 2022ء کمپنی ہذا کیلئے بہت پُر امید مستقبل کی پیشن گوئی کرتے ہیں اور اعلیٰ سطح کی پیداواری صلاحیت کے ساتھ آپریشن (کام کرنے) کی تجویز دیتا ہے۔ کمپنی پاکستان بھر میں مطلوب متنوع اقسام کی درآمدی اشیاء سپلائی کرتی ہے جس کی وجہ سے بین الاقوامی طلب میں بہت زیادہ کاروباری / صنعتی اشیاء کی طلب متوقع ہے لہذا مارکیٹ کی صورت حال اور ٹیکسٹائل اصلاحات کے سلسلہ میں حکومتی تعاون کو پیش نظر رکھتے ہوئے ہم آئندہ آنے والے سال میں مارکیٹ میں اپنے شیئر کو اچھے منافع کے ساتھ برقرار رکھنے پر پُر امید ہیں۔

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base. STML was incorporated with the aim of providing employment to the locals.

Environment Protection

Textile manufacturing especially dyeing can cause significant harm to environment if adequate measures are not taken to mitigate hazardous effects of textile processes. The Company is deeply concerned and has established a waste water treatment plant at production facilities of Dyeing.

Energy Conservation

In addition to investing in the alternative energy sources, conservation of energy sources are under special focus of the Company. The Company is in the process of replacement of conventional tube lights with LED lights and installation of solar panels.

Iftar Arrangements

Iftar arrangements were made during the Holy Month of Ramdan at factory premises, like previous years. This benevolent gesture was open for all, bringing ease and joy to the locality.

Masjid

A masjid has been built by the STML in Gadoon industrial area to facilitate both, employees and locals.

Equal Opportunity Employer

The Company believes in providing equal opportunity to everyone around. The Company laws in this regard have complied with and no discrimination upon race, religion, age, national origin, gender, or disability is acceptable. No harassment or discrimination of any kind is tolerated; directors and employees adhere standards with regard to child labor and forced labor.

Occupational Safety and Health

STML has a comprehensive policy for health and safety standards. The Company provide each employee with a safe work environment and comply with all applicable health and safety laws. Workers are engaged in manufacturing activities after taking into account professional safety measures. STML also provide health and life insurance to its employees.

Educational Assistance for Children of Employees

STML provide Educational Assistance to low income staff members, so that they can afford quality education for their children. This assistance is provided till completion of secondary school certification. A special school bus is also arranged for providing free conveyance to children.

Medical Benefits

STML provide medical facilities to all regular employees and their immediate family members. The company has also established dispensary at its production facility.

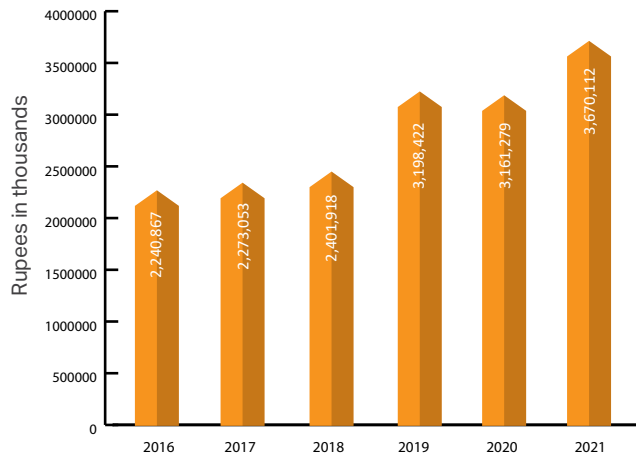
HORIZONTAL ANALYSIS

	2021	Variance vs Last year increase/ (decrease)%	2020	Variance vs Last year increase/ (decrease)%	2019	Variance vs Last year increase/ (decrease)%	2018	Variance vs Last year increase/ (decrease)%	2017
(Rupees in million)									
Operating Results									
Sales-net	10,647	39.15	7,651	(14.76)	8,976	14.31	7,852	3.51	7,586
Cost of sales	8,755	24.82	7,014	(11.64)	7,938	13.45	6,997	2.55	6,823
Gross Profit	1,892	196.95	637	(38.62)	1,038	21.38	855	12.06	763
Distribution cost	209	25.15	167	16.78	143	(1.38)	145	(10.49)	162
Administrative expenses	279	14.51	244	14.55	213	8.12	197	(5.29)	208
Other operating expenses	87	725.71	11	(34.38)	16	45.45	11	-	11
Finance Cost	666	(22.15)	856	43.67	595	54.66	385	22.22	315
Exchange fluctuation gain/ (loss)	3	(50.00)	5	(93.01)	72	(7.14)	77	5,823.08	1
Other operating income	38	245.91	11	(98.80)	921	9,197.98	10	(75.64)	41
Profit / (Loss) before taxation	691	(210.74)	(624)	(167.87)	919	1,742.36	50	(53.08)	106
Provision for taxation	165	242.71	48	(46.07)	89	1,922.73	4	(94.73)	84
Profit / (Loss) for the year	527	(178.35)	(672)	(180.93)	830	1,724.92	46	99.21	23
Balance Sheet									
NON CURRENT ASSETS									
Property, plant and equipment	6,433	(1.81)	6,552	21.33	5,400	8.17	4,992	11.28	4,486
Intangible assets	2	(57.50)	4	(41.18)	7	(28.27)	9	(21.00)	12
Long term investments	12	2.92	12	380.00	3	-	-	-	-
Long term loans	19	(3.00)	20	(9.09)	22	83.33	12	(14.29)	14
Long term deposits	24	59.33	15	43.82	10	8.65	10	2.13	9
Total non current assets	6,491	(1.70)	6,603	21.34	5,442	8.33	5,023	11.10	4,521
CURRENT ASSETS									
Stores, spare parts and loose tools	300	(26.31)	407	12.74	361	29.86	278	(14.20)	324
Stock-in-trade	2,309	(8.26)	2,517	7.56	2,340	27.45	1,836	(9.51)	2,029
Trade debts	2,276	24.76	1,824	50.62	1,211	(4.57)	1,269	24.66	1,018
Loans and advances	78	10.13	71	(20.94)	90	(5.47)	95	28.38	74
Trade deposits and short term prepayments	4	116.50	2	33.33	2	67.60	1	(36.07)	1
Other receivables	51	(0.88)	51	(15.42)	60	(24.63)	80	(21.57)	102
Investments	26	8.83	24	566.67	4	(28.00)	5	(20.63)	6
Deposit for shares	-	-	-	-	-	-	-	-	-
Taxation - net	323	(5.64)	342	3.32	331	2.16	324	(0.31)	325
Tax refunds due from Government	5	0.60	5	(96.24)	133	77.33	75	(64.45)	211
Cash and bank balances	44	8.00	41	36.67	30	57.89	19	(29.63)	27
Total current assets	5,416	2.49	5,284	15.85	4,561	14.55	3,982	(3.30)	4,118
Total assets	11,906	0.16	11,887	18.84	10,003	11.08	9,005	4.24	8,639
CURRENT LIABILITIES									
Trade and other payables	934	(16.13)	1,113	46.45	760	15.32	659	13.43	581
Unpaid dividend	0	(99.99)	4	925.64	0.4	-	-	-	-
Unclaimed dividend	9	(1.26)	9	8.75	8	(3.96)	8	5.44	8
Accrued mark-up and interest	114	(50.50)	231	62.68	142	(39.78)	236	19.70	197
Short term borrowings	4,097	(3.86)	4,262	12.75	3,780	14.57	3,299	(3.81)	3,430
Current portion of non-current liabilities	840	203.16	277	(34.82)	425	32.27	321	(33.62)	484
Total current liabilities	5,994	1.66	5,896	15.25	5,115	13.08	4,524	(3.75)	4,700
WORKING CAPITAL	(578)	(5.53)	(612)	10.38	(554)	2.29	(542)	(6.94)	(582)
TOTAL CAPITAL EMPLOYED	5,913	(1.31)	5,991	22.58	4,888	9.07	4,481	13.76	3,939
NON CURRENT LIABILITIES									
Sub-ordinated loan	-	-	-	-	-	(100.00)	608	15.89	525
Long term financing	1,619	(29.22)	2,288	61.24	1,419	16.24	1,221	41.29	864
Liabilities against assets subject to finance lease	23	(22.76)	30	(25.60)	40	76.19	23	34.62	17
Deferred income - government grant	3	-	5	-	-	-	-	-	-
Long term deposits	8	(23.64)	11	42.86	8	12.46	7	36.94	5
Staff retirement benefits - gratuity	213	31.24	162	19.59	135	15.26	118	(12.95)	135
Deferred taxation - net	376	12.66	334	288.01	86	(16.38)	103	(14.22)	120
Total Non current liabilities	2,242	(20.75)	2,830	67.57	1,689	(18.79)	2,079	24.81	1,666
Net worth	3,670	16.09	3,162	(1.16)	3,199	33.19	2,402	5.66	2,273
Net worth represented by:									
Issued, subscribed and paid-up capital	264	-	264	-	264	-	264	-	264
Reserves	2,075	37.90	1,505	(31.42)	2,194	60.99	1,363	3.66	1,315
Surplus on revaluation of PPE	1,331	(4.42)	1,392	88.16	740	(4.49)	775	11.61	694
	3,670	16.08	3,161	(1.17)	3,199	33.18	2,402	5.66	2,273
Total liabilities	11,906	0.16	11,887	18.84	10,003	11.08	9,005	4.24	8,639

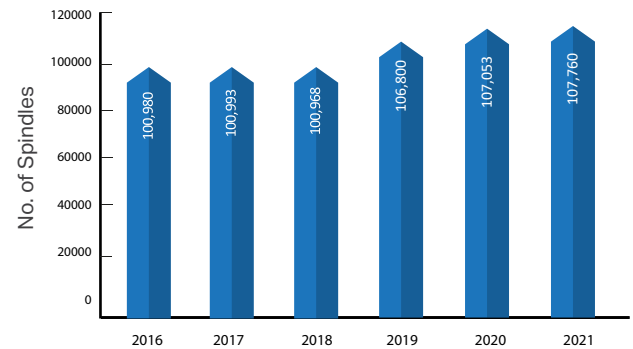
VERTICAL ANALYSIS

	2021	%	2020	%	2019	%	2018	%	2017	%
Operating Results										
Sales-net	10,647	100.00	7,651	100.00	8,976	100.00	7,852	100.00	7,586	100.00
Cost of sales	8,755	82.23	7,014	91.67	7,938	88.44	6,997	89.11	6,823	89.94
Gross Profit	1,892	17.77	637	8.33	1,038	11.56	855	10.89	763	10.06
Distribution cost	209	1.96	167	2.18	143	1.59	145	1.85	162	2.14
Administrative expenses	279	2.62	244	3.18	213	2.37	197	2.51	208	2.74
Other operating expenses	87	0.82	11	0.14	16	0.18	11	0.14	11	0.15
Finance Cost	666	6.26	856	11.18	595	6.63	385	4.90	315	4.15
Exchange fluctuation gain / (loss)	3	0.02	5	0.06	72	0.80	77	0.98	1	0.02
Other operating income	38	0.36	11	0.14	921	10.26	10	0.13	41	0.54
Profit / (Loss) before taxation	691	6.49	(624)	(8.16)	919	10.24	50	0.64	106	1.40
Provision for taxation	165	1.55	48	0.63	89	0.99	4	0.06	84	1.10
Profit / (Loss) for the year	527	4.95	(672)	(8.79)	830	9.25	46	0.58	23	0.30
Balance Sheet										
NON CURRENT ASSETS										
Property, plant and equipment	6,433	54.03	6,552	55.12	5,400	53.98	4,992	55.44	4,486	51.93
Intangible assets	2	0.01	4	0.03	7	0.07	9	0.11	12	0.14
Long term investments	12	0.10	12	0.10	3	0.02	-	-	-	-
Long term loans	19	0.16	20	0.17	22	0.22	12	0.13	14	0.16
Long term deposits	24	0.20	15	0.13	10	0.10	10	0.11	9	0.11
Total non current assets	6,491	54.52	6,603	55.55	5,442	54.40	5,023	55.78	4,521	52.34
CURRENT ASSETS										
Stores, spare parts and loose tools	300	2.52	407	3.42	361	3.61	278	3.09	324	3.75
Stock-in-trade	2,309	19.39	2,517	21.17	2,340	23.39	1,836	20.39	2,029	23.49
Trade debts	2,276	19.11	1,824	15.34	1,211	12.11	1,269	14.09	1,018	11.78
Loans and advances	78	0.66	71	0.60	90	0.90	95	1.05	74	0.86
Trade deposits and short term prepayments	4	0.04	2	0.02	2	0.01	1	0.01	1	0.02
Other receivables	51	0.42	51	0.43	60	0.60	80	0.89	102	1.18
Investments	26	0.22	24	0.20	4	0.04	5	0.06	6	0.07
Deposit for shares	-	-	-	-	-	-	-	-	-	-
Taxation - net	323	2.71	342	2.88	331	3.31	324	3.60	325	3.76
Tax refunds due from Government	5	0.04	5	0.04	133	1.33	75	0.83	211	2.44
Cash and bank balances	44	0.37	41	0.34	30	0.30	19	0.21	27	0.31
Total current assets	5,415	45.48	5,284	44.45	4,561	45.60	3,982	44.22	4,118	47.66
Total assets	11,906	100.00	11,887	100.00	10,003	100.00	9,005	100.00	8,639	100.00
CURRENT LIABILITIES										
Trade and other payables	934	7.84	1,113	9.36	760	7.60	659	7.32	581	6.73
Unpaid dividend	0	0.00	4	0.03	0.4	0.00	-	-	-	-
Unclaimed dividend	9	0.07	9	0.08	8	0.08	8	0.09	8	0.09
Accrued mark-up and interest	114	0.96	231	1.94	142	1.42	236	2.62	197	2.28
Short term borrowings	4,097	34.41	4,262	35.86	3,780	37.79	3,299	36.64	3,430	39.70
Current portion of non-current liabilities	840	7.05	277	2.33	425	4.25	321	3.57	484	5.60
Total current liabilities	5,994	50.34	5,896	49.60	5,115	51.14	4,524	50.24	4,700	54.40
WORKING CAPITAL	(578)	(4.86)	(612)	(5.15)	(554)	(5.54)	(542)	(6.02)	(582)	(6.74)
TOTAL CAPITAL EMPLOYED	5,913	49.66	5,991	50.40	4,888	48.86	4,481	49.77	3,939	45.60
NON CURRENT LIABILITIES										
Sub-ordinated loan	-	-	-	-	-	-	608	6.75	525	6.08
Long term financing	1,619	13.60	2,288	19.25	1,419	14.19	1,221	13.56	864	10.00
Liabilities against assets subject to finance lease	23	0.19	30	0.25	40	0.40	23	0.26	17	0.20
Deferred income - government grant	3	0.02	5	0.04	-	-	-	-	-	-
Long term deposits	8	0.07	11	0.09	8	0.08	7	0.08	5	0.06
Staff retirement benefits - gratuity	213	1.79	162	1.36	135	1.35	118	1.31	135	1.56
Deferred taxation - net	376	3.16	334	2.81	86	0.86	103	1.15	120	1.39
Total Non current liabilities	2,242	18.83	2,829	23.80	1,689	16.88	2,080	23.10	1,666	19.28
Net worth	3,670	30.83	3,162	26.60	3,199	31.98	2,401	26.66	2,273	26.31
Net worth represented by:										
Issued, subscribed and paid-up capital	264	2.22	264	2.22	264	2.64	264	2.93	264	3.06
Reserves	2,075	17.43	1,505	12.66	2,194	21.94	1,363	15.14	1,315	15.22
Surplus on revaluation of PPE	1,331	11.18	1,392	11.71	740	7.40	774	8.60	694	8.03
	3,670	30.83	3,162	26.60	3,199	31.98	2,401	26.66	2,273	26.31
Total liabilities	11,906	100.00	11,887	100.00	10,003	100.00	9,005	100.00	8,639	100.00

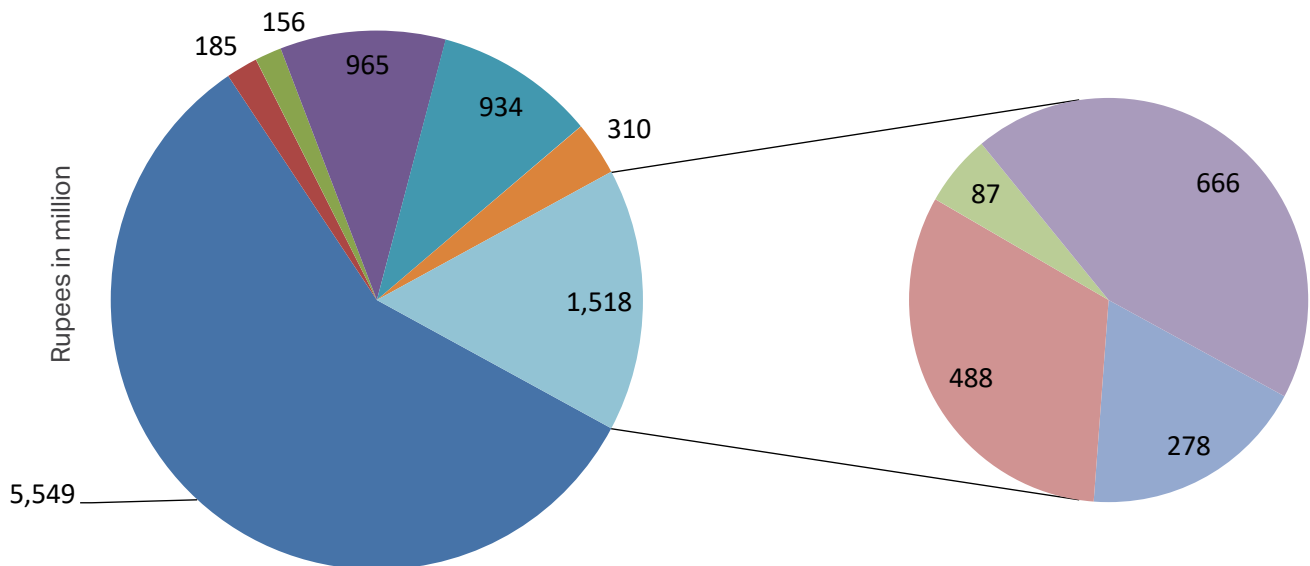
Net Worth



Spindles Installed

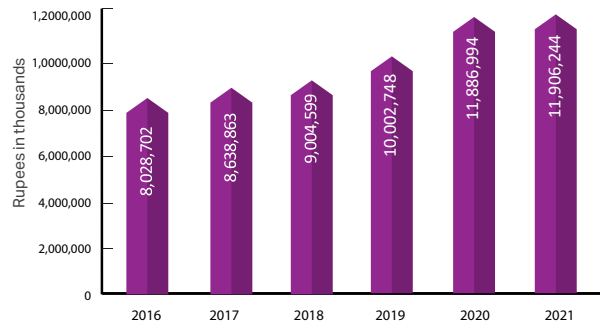


Cost Distribution

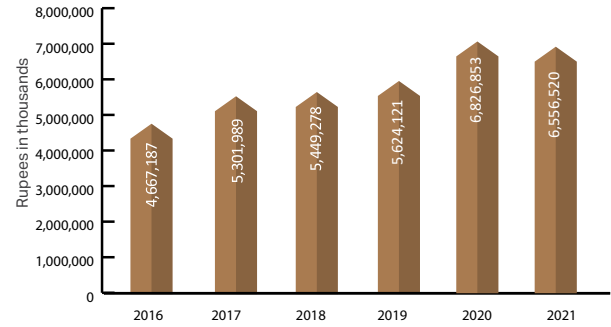


■ Raw materials consumed
 ■ Packing materials consumed
 ■ Dyes and chemical consumed
 ■ Salaries, wages and benefits
 ■ Power and fuel
 ■ Depreciation & Amortization
 ■ Other manufacturing overheads
 ■ Administrative and Distribution expenses
 ■ Other expenses
 ■ Finance cost

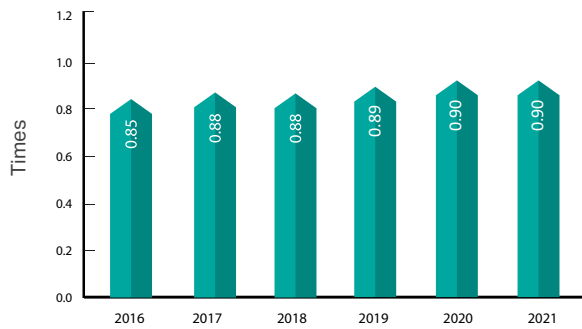
Total Assets



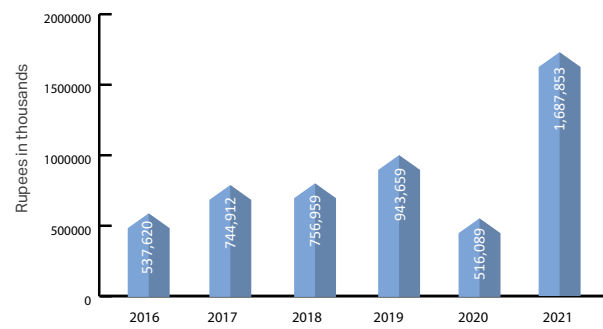
Total debt



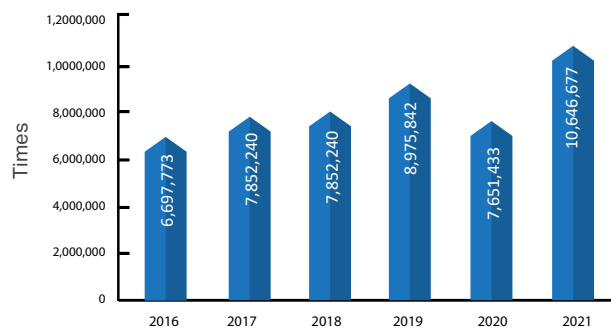
Current Ratio



EBITDA



Total Sales



PATTERN OF SHAREHOLDINGS

As at June 30, 2021

Number of ShareHolders	Shareholdings			Total Number of Share Held	Percentage of Total Capital
	From	-	To		
365	1	-	100	16,434	0.06
421	101	-	500	114,603	0.43
166	501	-	1000	139,771	0.53
290	1001	-	5000	628,915	2.38
61	5001	-	10000	483,856	1.83
18	10001	-	15000	223,790	0.85
10	15001	-	20000	182,567	0.69
11	20001	-	25000	251,951	0.95
7	25001	-	30000	200,010	0.76
5	30001	-	35000	162,426	0.61
4	35001	-	40000	155,000	0.59
2	40001	-	45000	84,000	0.32
5	45001	-	50000	246,000	0.93
2	50001	-	55000	102,500	0.39
1	55001	-	60000	60,000	0.23
1	60001	-	65000	65,000	0.25
4	80001	-	85000	334,000	1.26
1	85001	-	90000	89,000	0.34
1	100001	-	105000	101,500	0.38
1	105001	-	110000	107,129	0.41
1	110001	-	115000	111,360	0.42
1	120001	-	125000	125,000	0.47
1	125001	-	130000	127,450	0.48
1	140001	-	145000	141,000	0.53
2	180001	-	185000	365,456	1.38
2	195001	-	200000	400,000	1.51
1	215001	-	220000	217,000	0.82
1	225001	-	230000	226,500	0.86
1	285001	-	290000	288,159	1.09
1	295001	-	300000	299,215	1.13
1	350001	-	355000	350,650	1.33
1	380001	-	385000	384,500	1.46
1	435001	-	440000	437,286	1.66
1	495001	-	500000	500,000	1.89
1	660001	-	665000	664,500	2.52
1	720001	-	725000	720,946	2.73
1	795001	-	800000	798,600	3.02
1	800001	-	805000	800,087	3.03
1	1030001	-	1035000	1,031,848	3.91
1	1575001	-	1580000	1,577,871	5.97
1	13095001	-	13100000	13,097,000	49.59
1,399				26,412,880	100.00

PATTERN OF SHAREHOLDINGS

As at June 30, 2021

Sr. #	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	7	6,808	0.0258
2	Associated Companies, Undertakings and Related Parties	1	13,097,000	49.5857
3	NIT and ICP	2	128,678	0.4872
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	2	1,184	0.0045
5	Insurance Companies	1	1,031,848	3.9066
6	Modarbas and Mutual Funds	8	1,941,811	7.3518
7	General Public (Local)	1,352	9,923,869	37.5721
8	Others	26	281,682	1.0665
	TOTAL:	1,399	26,412,880	100.0000

PATTERN OF SHAREHOLDINGS

As at June 30, 2021

Sr. No	Name Of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
1	MR. SOHAIL HUSSAIN HYDARI	500	0.0019
2	MR. RASHID IBRAHIM	500	0.0019
3	MR. MUHAMMAD DANISH	500	0.0019
4	RANA MOHAMMAD SHAFI	808	0.0031
5	MR. ASSAD SAIFULLAH KHAN	500	0.0019
6	MRS. HOOR YOUSUF ZAI	500	0.0019
7	OSMAN SAIFULLAH KHAN (05039)	3,500	0.0133
	RUNNING TOTAL:	6,808	0.0258
Associated Companies, Undertakings and Related Parties			
1	SAIF HOLDINGS LTD.	13,097,000	49.5857
	RUNNING TOTAL:	13,097,000	49.5857
NIT and ICP			
1	NATIONAL BANK OF PAKISTAN	127,450	0.4825
2	INVESTMENT CORP OF PAKISTAN	1,228	0.0046
	RUNNING TOTAL:	128,678	0.4871
Banks, Development Financial Institutions, Non Banking Financial Institutions			
1	NATIONAL BANK OF PAKISTAN	1,129	0.0043
2	ATLAS BOT INVESMENT BANK LTD.	55	0.0002
	RUNNING TOTAL:	1,184	0.0045
Insurance Companies			
1	STATE LIFE INSURANCE CORP. OF PAKISTAN	1,031,848	3.9066
	RUNNING TOTAL:	1,031,848	3.9066
Modarbas and Mutual Funds			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,577,871	5.9739
2	CDC - TRUSTEE GOLDEN ARROW STOCK FUND	217,000	0.8216
3	CRESCENT STANDARD MODARABA	14	0.0001
4	FIRST I.B.L. MODARABA	977	0.0037
5	CDC - TRUSTEE AKD OPPORTUNITY FUND	141,000	0.5338
6	GOLDEN ARROW SELECTED STOCK FUND LIMITED	215	0.0008
7	FIRST INTER FUND MODARABA	65	0.0002
8	FIRST UDL MODARABA	4,669	0.0177
	RUNNING TOTAL:	1,941,811	7.3518
General Public (Local)			
	RUNNING TOTAL:	9,923,869	37.5721

PATTERN OF SHAREHOLDINGS

As at June 30, 2021

S NO	NAME OF SHAREHOLDERS	SHARE HELD	Percentage
Others			
1	KHADIM ALI SHAH BUKHARI SECURITIES (PRIVATE) LIMIT	1	0.0000
2	MRA SECURITIES LIMITED - MF	1,000	0.0038
3	SEVEN STAR SECURITIES (PVT.) LTD.	14,500	0.0549
4	SEVEN STAR SECURITIES (PVT.) LTD.	46,000	0.1742
5	FIKREES (PRIVATE) LIMITED	500	0.0019
6	EASTMAN CONSULTING (PVT) LTD.	50	0.0002
7	DR. ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED	210	0.0008
8	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	105	0.0004
9	FORTUNE SECURITIES LIMITED	200	0.0008
10	JAVED OMER VOHRA & CO. LTD.	8,758	0.0332
11	THE NORTHERN TRUST COMPANY	100	0.0004
12	INTERNATIONAL SECURITIES LTD.	118	0.0004
13	MORGAN STANLEY TRUST CO.	100	0.0004
14	TAURUS SECURITIES LIMITED	100	0.0004
15	NETWORTH SECURITIES LIMITED	5,000	0.0189
16	KHADIM ALI SHAH BUKHARI & CO. LIMITED	80	0.0003
17	BMA CAPITAL MANAGEMENT LTD.	344	0.0013
18	SARFRAZ MAHMOOD (PRIVATE) LTD	500	0.0019
19	PYRAMID INVESTMENTS (PVT) LTD.	495	0.0019
20	MAPLE LEAF CAPITAL LIMITED	1	0.0000
21	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSIO	183,956	0.6965
22	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT F	6,455	0.0244
23	S.H. BUKHARI SECURITIES (PVT) LIMITED	500	0.0019
24	RS PUBLISHERS (PRIVATE) LIMITED	11,500	0.0435
25	PRUDENTIAL SECURITIES LIMITED	26	0.0001
26	Y.S. SECURITIES & SERVICES (PVT) LTD.	1,083	0.0041
RUNNING TOTAL :		281,682	1.0665
GRAND TOTAL:		26,412,880	100.0000
Shareholders Holding 5% or more voting rights:			
1	SAIF HOLDINGS LTD.	13,097,000	49.5857
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,577,871	5.9739
		14,674,871	55.5595

STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Saif Textile Mills Limited for the Year Ended June 30, 2021

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are Eight (08) as per the following:

Directors	Numbers
a) Male	07
b) Female	01

2. The composition of Board is as follows:

S.No	Category	Names
a.	Independent Directors*	Mr. Rashid Ibrahim
		Mr. Muhammad Danish
b.	Non-executive Directors	Mr. Osman Saifullah Khan
		Ms. Hoor Yousafzai
		Mr. Assad Saifullah Khan
		Rana Muhammad Shafi
		Mr. Sohail Hussain Hydari
c.	Executive Director	Syed Masroor Hasnain
d.	Female Director	Ms. Hoor Yousafzai

*Fractional requirement for independent directors has not been rounded up as one and presently the Company has two independent directors. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, therefore, the appointment of a third independent director is not warranted.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Company is fully compliant with the requirements of Directors' Training Program under these Regulations. The CEO of the Company attended Directors' Training during the year;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

a)	Audit Committee	
	Mr. Rashid Ibrahim	Chairman
	Rana Muhammad Shafi	Member
	Mr. Sohail Hussain Hydari	Member
b)	HR and Remuneration Committee	
	Mr. Muhammad Danish	Chairman
	Ms. Hoor Yousafzai	Member
	Mr. Assad Saifullah Khan	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committee during the year 2020-21, were as per following:

- a) **Audit Committee** - Five (05) Meetings
b) **Human Resource and Remuneration Committee** - One (01) Meeting

15. The Board has set up an effective internal audit function and the persons assigned the responsibilities are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all the requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

FOR AND ON BEHALF OF THE BOARD



OSMAN SAIFULLAH KHAN

Chairman

Place: Islamabad

Dated: September 30, 2021

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

Review Report on the Statement of Compliance Contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of SAIF TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Osman Hameed Chaudhri

Lahore: 30 September, 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **SAIF TEXTILE MILLS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion, and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 17.1.2 to these financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess (GIDC) aggregating Rs.850.542 million demanded by Sui Northern Gas Pipelines Limited. Our report is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

Following are the key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Contingencies</p> <p>The Company is subject to material litigations including GIDC, taxation and other matters at different courts which require management to make assessment and judgements with respect to likelihood and impact of such litigations on the financial statements of the Company.</p> <p>The details of contingencies including that relating to GIDC 2015 and the Supreme Court (SC) decision regarding the same along with management's assessment thereon are disclosed in note 17 to the financial statements.</p> <p>Management engaged independent legal consultants on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>Due to the magnitude of amount involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts we have considered above referred contingencies as one of the key audit matters.</p>	<p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none"> - Discussed legal cases with the legal department to understand the management's view point and obtained management's assessment regarding their implications on the Company; - Obtained independent opinion of legal advisors dealing with such cases in the form of confirmations; - Examined legal expense ledgers to assess any litigations or claims which may result in material misstatement of the financial statements; - Reviewed the documents for legal and tax proceedings maintained by the management, including Judgements passed by the SC and study the related provision of the GIDC Act, 2015; - Evaluated all the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets; and - Assessed the disclosures of legal exposures and provisions for completeness and accuracy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

S. No.	Key audit matters	How the matter was addressed in our audit
2.	<p>Valuation of stock-in-trade</p> <p>The total value of stock in trade as at the reporting date amounted to Rs.2.309 billion, representing 42.63% of the Company's total current assets. Stock in trade as at reporting date included raw material and finished goods. Refer note 23 to the financial statements</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of raw material and finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p> <p>We identified this matter as key in our audit due to the judgement and assumption applied by the Company in determining the cost and NRV of stock in trade at the year-end.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> - assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis; - tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories; - assessed the management determination of NRV of raw material thereon by performing tests on the subsequent purchase price; and - tested the cost of inventories for finished goods and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices. <p>We reviewed the Company's disclosure in the financial statement in respect of stock in trade.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information, which comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained upto the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors'

report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Osman Hameed Chaudhri.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Lahore: 30 September, 2021



FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

		2021	2020
	Note	Rupees in '000	
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
30,000,000 ordinary shares of Rs.10 each		300,000	300,000
Issued, subscribed and paid-up capital	4	264,129	264,129
Reserves	5	265,831	265,931
Unappropriated profit		1,809,617	1,239,273
Surplus on revaluation of property, plant and equipment	6	1,330,535	1,391,946
Total Shareholders' equity		3,670,112	3,161,279
Non-current Liabilities			
Long term financing	7	1,619,373	2,288,224
Lease liabilities	8	23,173	30,439
Deferred income - government grant	9	2,529	4,560
Long term deposits	10	8,041	10,564
Staff retirement benefits - gratuity	11	212,613	161,592
Deferred taxation - net	12	376,302	334,279
		2,242,031	2,829,658
Current Liabilities			
Trade and other payables	13	933,523	1,112,884
Unpaid dividend		486	4,373
Unclaimed dividend		8,593	8,696
Accrued mark-up and interest	14	114,352	231,475
Short term borrowings	15	4,097,397	4,261,572
Current portion of non-current liabilities	16	839,750	277,057
		5,994,101	5,896,057
		8,236,132	8,725,715
Contingencies and Commitments	17		
		11,906,244	11,886,994

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

SYED MASROOR HASNAIN
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

		2021	2020
	Note	Rupees in '000	
Assets			
Non-current Assets			
Property, plant and equipment	18	6,433,338	6,552,480
Intangible assets	19	1,704	4,251
Long term investments	20	12,350	12,450
Long term loans	21	19,429	19,772
Long term deposits		23,905	14,954
		6,490,726	6,603,907
Current Assets			
Stores, spare parts and loose tools	22	299,934	407,029
Stock-in-trade	23	2,308,744	2,517,269
Trade debts	24	2,275,615	1,824,038
Loans and advances	25	78,199	70,736
Trade deposits and short term prepayments	26	4,334	2,113
Other receivables	27	50,554	50,618
Short term investments	28	26,123	24,022
Deposit for shares	29	-	-
Taxation - net	30	322,703	341,661
Tax refunds due from Government	31	5,034	5,034
Cash and bank balances	32	44,278	40,567
		5,415,518	5,283,087
		11,906,244	11,886,994

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

SYED MASROOR HASNAIN
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS

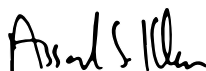
For the Year Ended June 30, 2021

		2021	2020
	Note	Rupees in '000	
Sales - net	33	10,646,677	7,651,433
Cost of sales	34	(8,755,026)	(7,014,015)
Gross profit		1,891,651	637,418
Distribution cost	35	(208,704)	(167,011)
Administrative expenses	36	(278,953)	(243,678)
Other income	37	38,051	10,740
Other expenses	38	(86,799)	(10,500)
Profit from operations		1,355,246	226,969
Finance cost - net	39	(666,367)	(855,554)
		688,879	(628,585)
Exchange fluctuation gain - net	40	2,505	4,723
Profit / (loss) before taxation		691,384	(623,862)
Taxation	41	(164,507)	(47,748)
Profit / (loss) after taxation		526,877	(671,610)
		----- Rupees -----	
Earnings / (loss) per share - basic and diluted	42	19.95	(25.43)

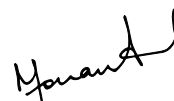
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SYED MASROOR HASNAIN
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF OTHER COMPREHENSIVE INCOME

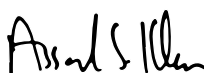
For the Year Ended June 30, 2021

	2021	2020
	Rupees in '000	
Profit / (loss) after taxation	526,877	(671,610)
Other comprehensive (loss) / income		
Items that will not be reclassified subsequently to statement of profit or loss:		
Loss on re-measurement of staff retirement benefit obligation	(24,731)	(35,051)
Impact of deferred tax	6,787	9,337
	(17,944)	(25,714)
Surplus on revaluation of property, plant and equipment	-	967,104
Impact of deferred tax	-	(280,460)
	-	686,644
	(17,944)	660,930
Items that will be reclassified to statement of profit or loss in subsequent periods:		
Unrealised loss on remeasurement of investment at fair value through other comprehensive income	(100)	(50)
Total comprehensive income / (loss) for the year	508,833	(10,730)

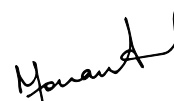
The annexed notes form an integral part of these financial statements.



SYED MASROOR HASNAIN
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CASH FLOWS

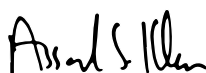
For the Year Ended June 30, 2021

	Note	2021 Rupees in '000	2020
Cash generated from operating activities	43	1,250,898	65,016
Cash flow from investing activities			
Additions to property, plant and equipment		(223,034)	(480,583)
Sale proceeds of operating fixed assets / insurance claims received		10,279	8,896
Long term investments made		-	(10,000)
Short term investments made		-	(24,315)
Net cash used in investing activities		(212,755)	(506,002)
Cash flow from financing activities			
Long term financing - obtained		263,811	1,010,362
- repaid		(369,533)	(288,837)
Lease liabilities		(9,734)	(6,159)
Short term borrowings - net		(164,175)	481,812
Finance cost paid		(749,663)	(723,694)
Dividend paid		(5,138)	(22,041)
Net cash (used in) / generated from financing activities		(1,034,432)	451,443
Net increase in cash and cash equivalents		3,711	10,457
Cash and cash equivalents - at beginning of the year		40,567	30,110
Cash and cash equivalents - at end of the year		44,278	40,567

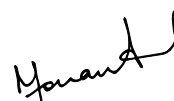
The annexed notes form an integral part of these financial statements.



SYED MASROOR HASNAIN
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

For the Year Ended June 30, 2021

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

SYED MASROOR HASNAIN
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) is a Public Limited Company incorporated in Pakistan on December 24, 1989 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

Sawabi	Purpose
Industrial Estate, Gadoon Amazai	Mills / factory
Peshawar	
APTMA House, Tehkal Payan, Jamrud Road	Registered office
Islamabad	
Kashmir Commercial Complex, Fazal-e-haq road, Blue Area	Head office
Karachi	
Room # 03, 5 th Floor KDLB, Building 58-West Wharf Road,	Marketing & Sales office
Faisalabad	
P-17, Near Allied Bank Ltd, Montgomery Bazar,	Marketing & Sales office

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Act; and
- Provisions of and directives issued under the Act.

Where provisions of and directives issued under the Act, differ from the IFRS Standards, the provisions of and directives issued under have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

2.4 INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR INTERPRETATIONS TO EXISTING STANDARDS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.4.1 Standards, amendments and interpretations to accounting and reporting standards that became effective during the year

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

IAS 1 & IAS 8 Definition of material

Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' are effective for annual periods beginning on or after January 01, 2020. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRSs.

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

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) IAS 1 Classification of liabilities

Amendment to IAS 1 is effective for period beginning on July 01, 2021. The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of financial statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

In particular, the amendment clarifies that;

- liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights;

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- the assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification;
- the right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date; and
- settlement is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments.

The Company has assessed that the impact of this amendment is not expected to be significant.

(b) IAS 16 Proceeds before an asset's intended use

Amendment to IAS 16 'Property, plant and equipment' is effective from January 01, 2022 prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sale proceeds and related cost in profit or loss. The amendment applies retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendment.

(c) IAS 37 Onerous contracts

Amendments to IAS 37 is effective from January 01, 2022. Under IAS 37 'Provisions, contingent liabilities and contingent assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations i.e. the lower of the costs of fulfilling the contract and the costs of terminating it outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs e.g. direct labour and materials; and an allocation of other direct costs e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

2.4.3 Critical accounting estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

estimate of recoverable amount of asset is made if indicators of impairment are identified. Useful lives, residual values and depreciation method of property, plant and equipment are stated in notes 3.10 & 18.

(b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale - note 3.14 & 3.15.

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss (ECL) model. Management used actual credit loss experience over past years for the calculation of ECL. Trade and other receivables are written off when there is no reasonable expectation of recovery - note 3.16.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 3.5 & 11.

(e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability - note 3.7.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Borrowings and borrowing cost

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings as interest expense.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

3.2 Interest rate and cross currency swaps

In certain cases, the Company uses interest rate and cross currency swaps to hedge its risk associated primarily with mark-up payments and foreign currency fluctuations. The calculation involves use of estimates with regard to mark-up and foreign currency rates, which fluctuate with the market forces.

3.3 Leases

The Company leases vehicles and office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3.4 Government grants

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The entity considers the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

3.5 Staff retirement benefits (gratuity)

The Company operates an un-funded staff retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2021 on the basis of the projected unit credit method by an independent Actuary.

The liability recognised in the statement of financial position in respect of retirement gratuity scheme is the present value of defined benefit obligation at the end of reporting period. The amount arising as a result of remeasurements are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

3.6 Trade and other payables

Liabilities for trade and other payables are carried at their amortised cost, which approximates fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

3.7 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in statement of profit or loss, except to the extent that it relates to items recognised in statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

(a) Current year

Provision for current year's taxation is determined in accordance with the prevailing law of taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

The Company accounts for deferred taxation using the statement of financial position liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the statement of profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.8 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

3.9 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.10 Property, plant and equipment

Leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air-conditioning equipment are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items.

The revaluation is measured on individual asset; if an asset's carrying amount is increased as a result of revaluation, the surplus is recognised in statement of other comprehensive income and accumulated in equity under the heading of revaluation surplus on property, plant and equipment. However, the surplus is recognised in statement of profit or loss to the extent that it reverses revaluation decrease of the same asset previously recognised in statement of profit or loss. If an asset's carrying amount is decreased as a result of revaluation, the deficit on revaluation of asset is recognised in statement of profit or loss. However, the decrease is recognised in statement of other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 18.1. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to statement of profit or loss.

3.11 Right-of-use assets

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated over the lease term on the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right of use assets equal to the present value of lease payments.

3.12 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 19.

3.13 Financial assets

Initial measurement

The Company classifies its financial assets in the following three measurement categories:

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

• *Equity Instruments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- ***Debt Instruments at FVTOCI***

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- ***Debt Instruments at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- ***Financial Assets measured at amortised cost***

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.14 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the reporting date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

3.15 Stock-in-trade

Basis of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials:	
At mills	- At lower of moving average cost and market value.
In transit	- At cost accumulated to the statement of financial position date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.16 Trade debts and other receivables

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

3.17 Financial assets 'at fair value through profit or loss'

Financial assets 'at fair value through statement of profit or loss' are marked to market using the closing market rates and are carried on the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to statement of profit or loss in the period in which these arise.

3.18 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

3.19 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

3.20 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

3.21 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on reporting date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to statement of profit or loss.

3.22 Impairment

(a) Financial assets

The Company assesses on a forward looking basis for the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for calculation of ECL.

For debt instruments measured as FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

3.23 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

3.24 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

Sale of goods

- revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;

Other sources of revenue

- dividend income from investments is recognized when the Company's right to receive dividend is established; and
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

3.25 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 49 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2021	2020		2021	2020
--- No. of shares ---			--- Rupees in '000 ---	
17,312,468	17,312,468	ordinary shares of Rs.10 each issued for cash	173,125	173,125
9,100,412	9,100,412	ordinary shares of Rs.10 each issued as fully paid bonus shares	91,004	91,004
<u>26,412,880</u>	<u>26,412,880</u>		<u>264,129</u>	<u>264,129</u>

4.1 Saif Holdings Limited held 13,097,000 shares of the Company as at June 30, 2021 and 2020.

4.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of a shareholder.

5. RESERVES

	Note	2021	2020
		---- Rupees in '000 ----	
Capital - share premium account	5.1	115,981	115,981
Revenue - general reserve	5.2	150,000	150,000
Unrealized loss on financial assets at fair value through other comprehensive income		(150)	(50)
		<u>265,831</u>	<u>265,981</u>

5.1 Share premium account

Premium received on:

3,820,780 shares @ Rs.7 per share issued during the year 1992

26,745 26,745

2,303,569 shares @ Rs.5 per share issued during the year 1996

11,518 11,518

562,019 shares @ Rs.5 per share allotted during the year 1997

2,810 2,810

7,500,000 shares @ Rs.10 per share allotted during the year 2007

75,000 75,000

116,073 116,073

Less: preliminary expenses written-off during the year 1992

92 92

115,981 115,981

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

5.1.1 This represents excess of consideration received on issue of ordinary shares over face value on ordinary shares issued. This reserve can only be utilised for purposes specified in section 81 of the Companies Act, 2017.

5.2 This represents reserves funds set aside from unappropriated profit.

6. SURPLUS ON REVALUATION OF PROPERTY,

PLANT AND EQUIPMENT - net

6.1 The Company had revalued its leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air conditioning equipment during the financial years ended 2006, 2009, 2016 and 2018. These fixed assets were revalued by independent Valuers on the basis of market value / depreciated market values.

6.2 The Company, during the preceding financial year, had again revalued its above mentioned fixed assets. The latest revaluation exercise was carried-out by M/s. MYK Associates (Pvt.) Ltd. (Independent Values and Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on latest revaluation aggregated Rs.967.104 million has been credited to this account to comply with the requirements of International Accounting Standards (IAS-16). The year-end balance has been arrived at as follows:

	Note	2021 ---- Rupees in '000 ----	2020
Opening balance		1,391,946	739,799
Add: surplus arisen on revaluation carried-out during the preceding financial year	6.2	-	967,104
Less: related deferred taxation		-	(280,460)
		1,391,946	1,426,443
Less: transferred to unappropriated profit on account of (net of deferred taxation):			
- incremental depreciation for the year		61,411	33,128
- upon sale of revalued assets		-	1,369
Closing balance		1,330,535	1,391,946

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

		2021	2020
	Note	----- Rupees in '000 -----	
7. LONG TERM FINANCING - Secured			
United Bank Limited (UBL)			
- demand finance - I	7.1	37,500	62,500
- demand finance - II	7.2	82,851	87,555
- long term finance facility (LTFF)	7.2	345,911	378,728
The Bank of Punjab (BoP)			
- term finance	7.3	192,500	243,000
Habib Bank Limited (HBL)			
- demand finance - I	7.4	88,517	99,003
- demand finance - II	7.5	87,823	92,813
- term loan	7.6	19,469	22,511
- long term finance facility (LTFF)	7.7	178,723	208,600
Soneri Bank Limited (SBL)			
- term finance	7.8	20,325	29,986
Askari Bank Limited (ABL)			
- diminishing musharakah	7.9	64,392	73,590
Dubai Islamic Bank Pakistan Limited (DIBPL)			
- islamic finance facility - I	7.10	53,333	66,667
- islamic finance facility - II	7.11	29,000	29,000
- islamic finance facility - III	7.12	113,884	126,064
The Bank of Khyber (BoK)			
- demand finance	7.13	240,000	270,000
Carried Forward		<u>1,554,228</u>	<u>1,790,017</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

		2021	2020
	Note	---- Rupees in '000 ----	
Brought forward		1,554,228	1,790,017
JS Bank Limited (JS Bank)			
- demand finance	7.14	222,623	234,938
Sindh Bank Limited (SNDB)			
- demand finance	7.15	46,786	74,857
First Women Bank Limited (FWBL)			
- demand finance	7.16	285,000	300,000
Bank Alfalah Limited (BAFL)			
- diminishing musharakah	7.17	35,000	35,000
- diminishing musharakah (under refinance scheme for payment of wages and salaries)	7.18	288,239	105,559
		2,431,876	2,540,371
Less: current portion grouped under current liabilities		812,503	252,147
		<u>1,619,373</u>	<u>2,288,224</u>

7.1 These finances have been obtained from UBL against a demand finance facility of Rs.100 million. The principal balance of this finance facility is repayable in 18 equal quarterly installments commenced from June, 2017. This finance facility carries mark-up at the rate of 3-months KIBOR + 125 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.50% to 8.83% (2020: 8.51% to 15.10%) per annum. This finance facility is secured against joint first pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.700 million.

7.2 The Company, during the year ended June, 30, 2017, obtained a demand finance facility of Rs.500 million from UBL. During the financial year ended June 30, 2018, the bank converted the said facility in demand finance of Rs.100 million and LTFF under SBP scheme of Rs.400 million. The bank against the demand finance facility, disbursed Rs.100 million in five tranches of different amount and Rs.397.385 million under LTFF in twenty four tranches of different amounts. Each tranche under the finance facilities is repayable in 20 equal quarterly instalments commenced from January, 2018. The demand finance facility carries mark-up at the rate of 3-months KIBOR+125 basis points; where as, LTFF carries mark-up at SBP rate of 2%+3% spread. Effective mark-up rates charged, during the current financial year, on demand finance and LTFF ranged from 7.92% to 9.98% and 5% (2020: 9.98% to 15.11% and 5%) per annum respectively. These finance facilities are secured against first joint pari passu hypothecation charge over present and future fixed and current assets of the Company for Rs.667 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- 7.3** The BOP, as at June 30, 2020, converted a cash finance facility, already utilised by the Company, of Rs.243 million into a term finance facility of same amount. This finance facility is repayable in 6 equal semi-annual instalments commenced January, 2021. This finance facility carries mark-up at the rate of 6-months KIBOR + 100 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.24% to 8.28% per annum payable semi-annually. This finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.571 million.
- 7.4** These finances have been obtained from HBL against a demand finance facility of Rs.290 million. The bank has disbursed the total amount in five tranches of different amounts and each tranche is repayable in 78 equal monthly installments commenced from January, 2016. This finance facility carries mark-up at the rate of 1-month KIBOR+100 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.14% to 9.14% (2020: 9.14% to 14.82%) per annum. This finance facility is secured against joint first pari passu charge over all present and future moveable and immovable fixed and current assets of the Company and a ranking charge for Rs.386.660 million.
- 7.5** These finances have been obtained from HBL against a demand finance facility of Rs.100 million. The bank, against the said facility, disbursed Rs.99.626 million in twenty tranches of different amounts. The principal balance is repayable in 20 equal quarterly instalments. This finance facility carries mark-up at the rate of 3-months KIBOR+1%; effective mark-up rates charged, during the current financial year, ranged from 8.26% to 9.14% (2020: 9.14% to 14.84%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.134 million over all present and future fixed and current assets of the Company.
- 7.6** These finances have been obtained from HBL against a term loan finance facility of Rs.25 million. The Bank, against the said facility, has disbursed Rs.24.336 million. The principal balance is repayable in 40 equal quarterly instalments commenced from September, 2019. This finance facility carries mark-up at the rate of 3-months KIBOR + 1% ; effective mark-up rate charged, during the current financial year ranged from 8.25% to 8.58% (2020: 12.19% to 14.86%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.34 million over all present and future fixed and current assets of the Company.
- 7.7** These finances have been obtained from HBL against a long term finance facility (LTFF) under SBP scheme of Rs.230 million. The bank, against the said facility, has disbursed Rs.215.433 million in twelve tranches of different amounts. The principal balance is repayable in 20 equal quarterly instalments commencing May, 2021. This finance facility carries mark-up at the rate of SBP rate of 2% +1%; effective mark-up rate charged, during the current financial year, was 3% (2020: 3%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.307 million over all present and future fixed and current assets of the Company.
- 7.8** These finances have been obtained from SBL against a term finance facility of Rs.100 million. The principal balance of this term finance facility is repayable in 10 equal half-yearly instalments commenced from December, 2016. This finance facility carries mark-up at the rate of 6-months KIBOR+100 basis points; effective mark-up rate charged, during the current financial year, ranged from 8.35% to 8.95% (2020: 8.95% to 14.49%) per annum. This finance facility is secured against joint pari passu charge over current and fixed assets of the Company for Rs.133.334 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- 7.9** These finances have been obtained from ABL against a diminishing musharaka finance facility of Rs.83 million. The bank against the said facility, has disbursed Rs.73.590 million. The principal balance of this finance facility is repayable in 60 equal monthly instalments commencing October, 2020. This finance facility carries profit at the rate of 3-months KIBOR+200 basis points per annum payable monthly basis; effective profit rates charged, during the current financial year, ranged from 9.25% to 9.58% (2020: 13.19% to 15.55%) per annum. This finance facility is secured against joint pari passu charge on current and fixed assets of the Company for Rs.111 million.
- 7.10** These finances have been obtained from DIBPL against an islamic finance facility of Rs.120 million. The principal balance is repayable in 9 equal half-yearly instalments commenced from April, 2018. This finance facility carries profit at the rate of 6-months KIBOR + 1.50%; effective profit rate charged, during the current financial year, ranged from 8.84% to 9.21% (2020: 9.21% to 14.85%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.160 million.
- 7.11** These finances have been obtained from DIBPL against an islamic finance facility of Rs.155 million. The principal balance is repayable in 20 equal quarterly instalments commencing December, 2021. This finance facility carries profit at the rate of 3-months KIBOR+1.50%; effective profit rate charged, during the current financial year, ranged from 8.76% to 9.64% (2020: 12.69% to 15.40%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.214 million.
- 7.12** These finances have been obtained from DIBPL against an islamic finance facility (under SBP scheme) of Rs.126 million. The principal balance is repayable in 20 equal quarterly instalments commencing from January, 2022. This finance facility carries profit at the rate of SBP rate+3.00%; effective profit rate charged, during the current financial year, was 5% (2020: 5%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.214 million.
- 7.13** These finances have been obtained from BoK against a demand finance facility of Rs.300 million. The principal balance is repayable in 10 equal quarterly instalments commenced from September, 2019. This finance facility carries mark-up at the rate of 6-months KIBOR + 1.25%; effective mark-up rates charged, during the current financial year, ranged from 8.49% to 8.60% (2020: 14.38% to 14.75%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.400 million.
- 7.14** These finances have been obtained from JS bank against a demand finance facility of Rs.300 million. The principal balance is repayable in 16 equal quarterly instalments commenced August, 2019. This finance facility carries mark-up at the rate of 1-months KIBOR + 1.50%; effective mark-up rates charged, during the current financial year, ranged from 8.82% to 9.03% (2020: 9.83% to 15.31%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.400 million over all present and future fixed and current assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- 7.15** These finances have been obtained from SNDB against a demand finance facility of Rs.131 million during the current financial year this limit is reduced to Rs.74.858 million. The principal balance is repayable in 14 equal quarterly instalments commenced from October, 2018. This finance facility carries mark-up at the rate of 3-months KIBOR+2.50%; effective mark-up rates charged, during the current financial year, ranged from 9.76% to 10.01% (2020: 13.69% to 16.36%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.99.811 million over all present and future fixed and current assets of the Company.
- 7.16** These finances have been obtained from FWBL against a demand finance of Rs.300 million. The principal balance is repayable in 20 equal quarterly instalments commenced April, 2021. This finance facility carries profit at the rate of 3-months KIBOR+1.50%; effective profit rate charged, during the current financial year, ranged from 8.76% to 9.08% (2020: 12.69% to 15.05%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.400 million over all present and future fixed and current assets of the Company.
- 7.17** The BAFL, during the current financial year, converted a diminishing musharakah facility, already utilised by the Company, of Rs.35 million into a Islamic temporary economic refinance facility (ITERF) of same amount. The principal balance is repayable in 16 equal quarterly instalments commencing September, 2021. This finance facility carries profit at the rate of SBP +2.5%; effective profit rate charged, during the current financial year, ranged from 8.76% to 9.08% (2020: at the rate of 14.38%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.46.667 million over all present and future fixed and current assets of the Company.
- 7.18** The Company, during the financial year ended June 30, 2020, arranged a diminishing musharakah facility of Rs.190.628 million, during the current financial year this limit enhanced to Rs.381.256 million, from BAFL under the State Bank of Pakistan (SBP) Refinance Scheme for payment of wages and salaries. According to conditions of the Scheme, the Company after availing this loan will not lay off its workers / employees at least during the three months from the date of first disbursement. The bank, against the said facility, disbursed Rs.371.619 million till the reporting date. This finance facility is repayable in 8 equal quarterly instalments commenced January, 2021 and carries profit at a reduced rate of 2.5% (2020: 2.5%) per annum, payable on quarterly basis. The finance facility is secured against first pari passu charge over present and future fixed assets of the Company for Rs.508 million.

As the above loan is below-market rate of interest, it has been initially measured at its fair value i.e. the present value of the future cash flows discounted at a market-related interest rate. The difference between the fair value of the loan on initial recognition and the amount received has been accounted for as Government grant (refer note 9).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

8. LEASE LIABILITIES

2021

2020

---- Rupees in '000 ----

Lease liabilities	37,799	47,533
Less: current portion	14,626	17,094
	<u>23,173</u>	<u>30,439</u>

8.1.1 Movement of lease liabilities after adoption of / under IFRS 16

Opening balance as at July 01,	47,533	53,692
Addition during the year (leases obtained)	17,413	9,111
Reassessment due to mark-up rate adjustment	(749)	-
Interest charge for the year	4,232	7,568
Payment made during the year	(25,247)	(22,838)
Derecognized on termination of lease contract	(5,383)	-
Closing balance as at June 30,	<u>37,799</u>	<u>47,533</u>

8.1.2 Maturity analysis of undiscounted lease payments need to be made after the reporting period

Payable less than one year	17,309	22,450
Payable between:		
one to two year	15,365	17,281
two to three year	10,885	13,890
three to five year	-	7,018
	<u>43,559</u>	<u>60,639</u>

8.2 The Company has entered into finance lease arrangements with MCB Bank Ltd., Meezan Bank Ltd., Bank Alfalah Ltd and Dubai Islamic Bank Ltd., for lease of vehicles. The liabilities under the lease agreements are payable in quarterly and monthly installments by April, 2024, and are subject to finance cost at the rates ranging from 8.13% to 10.00% (2020: 10.00% to 15.98%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. The lease finance facilities are secured against title of the leased vehicles in the name of the banks and post dated cheques of all principal installments.

8.3 The Company has entered into a lease agreement for the its head office building having lease term of three years. The lease payments have been discounted using the Company's incremental borrowing rate of 8.87% (2020: 12.48%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

9. DEFERRED INCOME - GOVERNMENT GRANT

2021
---- Rupees in '000 ----

Government grant on loan at below market rate of interest - net	15,150	12,376
Less: current portion	12,621	7,816
	2,529	4,560

9.1 As fully detailed in note 7.19 to the financial statements, the Company has recorded Rs.32.782 million (2020:Rs.13.060 million) as Government grant on loan at below-market rate of interest, as per the requirements of IAS - 20 'Accounting for government grants and disclosure of government assistance'.

9.2 The Company has adhered to the terms of the grant, hence, it is being amortised over the term of the loan. During the year, Rs.17,632 thousand (2020:Rs.684 thousand) has been recognized in the statement of profit or loss.

10. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

11. STAFF RETIREMENT BENEFITS - Gratuity

11.1 The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

The movement in the present value of defined benefit obligation is as follows:

2021
- - Rupees in '000 - -

Balance at beginning of the year	161,592	135,460
Current service cost	36,206	27,479
Interest cost	13,848	15,854
Benefits paid	(23,764)	(52,252)
Remeasurement of obligation	24,731	35,051
Balance at end of the year	212,613	161,592

Expense recognised in statement of profit or loss is as follows:

Current service cost	36,206	27,479
Interest cost	13,848	15,854
Charge for the year	50,054	43,333

Remeasurement recognised in statement of other comprehensive income

Experience adjustment	24,731	35,051
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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

Actuarial assumptions used	2021	2020
Discount rate	10.25%	9.25%
Expected rate of increase in future salaries	8.25%	7.25%
Demographic assumptions		
- Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)
- retirement age	60 years	60 years

11.2 Sensitivity analysis for actuarial assumptions:

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarizes how defined benefit obligation would have increased / decreased as a result of change in respective assumption by one percent.

	Increase in assumptions	Decrease in assumptions
	- - - Rupees in '000' - - -	
Discount rate	193,795	235,296
Increase in salaries	235,749	193,025

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted obligation is as follows:

Time in years	Rupees in 000'
1	18,061
2	23,318
3	21,517
4	19,003
5	20,777
next five years	192,733

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

11.3 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2021	2020	2019	2018	2017
	----- Rupees in '000 -----				
Present value of defined benefit obligation	212,613	161,592	135,460	117,523	135,379
Experience adjustment: loss / (gain) on obligation	24,731	35,051	19,139	5,799	919

11.4 Based on actuary's advice, the expected contribution for the year ending June 30, 2022 to gratuity plan amounts to Rs.60.785 million.

11.5 Gratuity includes liability in respect of key management personnel aggregating to Rs.9.737 million (2020: Rs.7.431 million)

12. DEFERRED TAXATION - net

	Note	2021	2020
		-- Rupees in '000 --	
This is composed of the following:			
Taxable temporary difference arising in respect of:			
- accelerated tax depreciation allowances		723,821	596,927
- surplus on revaluation of property, plant and equipment		435,505	522,262
- lease finances		3,140	2,108
		1,162,466	1,121,297
Deductible temporary difference arising in respect of:			
- unused tax losses		609,632	632,837
- provision for doubtful deposit for shares		2,745	2,664
- provision for doubtful debt		7,254	290
- staff retirement benefits - gratuity		58,353	43,047
- minimum tax	12.1	108,180	108,180
		786,164	787,018
Net deferred tax liability		376,302	334,279

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- 12.1** Deferred tax asset on minimum tax paid under section 113 of the Income tax Ordinance, 2001, aggregating Rs.351.086 million (2020: Rs.256.604 million) respectively has not been recognised based on the uncertainty of availability of future taxable profits.

13. TRADE AND OTHER PAYABLES

		2021	2020
	Note	-- Rupees in '000 --	
Creditors		295,078	162,718
Bills payable	13.1	222,929	478,541
Due to related parties	13.2	61,394	77,851
Sales tax payable		38,749	53,412
Accrued expenses		261,592	338,362
Security deposits	13.3	2,000	2,000
Workers' (profit) participation fund - for the year		37,158	-
Workers' welfare fund - for the year		14,623	-
		<u>933,523</u>	<u>1,112,884</u>

- 13.1** These are secured against import documents.

- 13.2** These balances, arisen in the normal course of business are interest free, are due to the following related parties:

	2021	2020
	--- Rupees in '000 ---	
Mediterranean Textile Company (S.A.E.), Egypt	61,394	77,546
Saif Holdings Ltd.	-	305
	<u>61,394</u>	<u>77,851</u>

- 13.3** This represent interest free security deposit received from the Company's transport contractor. The amount received has been utilised for the purpose of the business in accordance with the written agreement with the contractor.

14. ACCRUED MARK-UP AND INTEREST

	2021	2020
	-- Rupees in '000 --	
Long term financing	48,222	70,487
Short term financing	66,130	160,988
	<u>114,352</u>	<u>231,475</u>

15. SHORT TERM BORROWINGS

		2021	2020
Running / cash finances - secured	15.1	4,094,950	4,253,393
Temporary bank overdraft - unsecured		2,447	8,179
		<u>4,097,397</u>	<u>4,261,572</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- 15.1** Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.405 billion (2020: Rs.4.576 billion) and are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current financial year, carried mark-up at the rates ranging from 7.69% to 14.52% (2020: 7.72% to 16.36%) per annum and are expiring on various dates by January, 2022. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.2.822 billion (2020: Rs.2.635 billion) of which the amount remained unutilised at the year-end was Rs.1.501 billion (2020: Rs.1.847 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring on various dates by February, 2022.

16. CURRENT PORTION OF		2021	2020
NON-CURRENT LIABILITIES	Note	- - Rupees in '000 - -	
Long term financing	7	812,503	252,147
Lease liabilities	8	14,626	17,094
Government grant	9	12,621	7,816
		<u>839,750</u>	<u>277,057</u>

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

- 17.1.1** Guarantees aggregating Rs.306.627 million (2020: Rs.304.043 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

- 17.1.2** The Gas Infrastructure Development Cess ("GIDC") was initially imposed as a levy on gas consumers in 2011 vide GIDC Act 2011. The said Act was challenged in Peshawar High Court ("PHC") that declared the levy of GIDC unconstitutional. The Government challenged the PHC's decision in the Supreme Court of Pakistan ("SCP"). The SCP upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said decision, GIDC Ordinance 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from 15th December 2011. While the Ordinance was still in the field, the Government sought a review of the SCP's decision which was also dismissed by the SCP.

In May 2015, the government passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers. The Company filed the writ petition in the PHC and challenged the validity of the GIDC Act, 2015. The PHC dismissed the writ petition of the Company vide its judgment dated May 31, 2017, and declared the GIDC Act, 2015 to be intra vires the Constitution. The Company preferred an appeal to the SCP against the said judgment of PHC. The SCP vide its detailed judgment dated August 13, 2020 declared the GIDC Act, 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas which on account of their industrial or commercial dealings had passed on GIDC burden to their end customers/clients. Subsequently, the Company, filed a review petition against the said decision of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

spinning unit and producing raw material for weaving sector, has not passed on the burden of GIDC to its customers. The SCP dismissed the afore-mentioned review petition vide its judgment dated November 02, 2020, however, SCP mentioned in its said judgment that the companies claiming any relief under GIDC Act 2015 may approach the right forum. In case of adverse decision the contingent liability, aggregates to the tune of Rs.279.645 million, calculated on the basis of applicable rate for industry from June, 2015 to October, 2018 because from October 2018 the gas tariff is inclusive of all charges including GIDC and therefore GIDC is not applicable afterwards. However, SNGPL has raised demand against GIDC of Rs.850.542 million in their bill.

Earlier, in 2018, the Company filed a writ petition No. 3658-P/2018 in PHC with the plea that the Company did not pass on the GIDC to its end customers and sought relief under Section 8 (2) of the GIDC Act 2015. PHC granted interim relief and refrained SNGPL from recovering the GIDC from the Company. After the SCP's judgment dated August 13, 2020, PHC referred the case to OGRA being the relevant authority for determining the fact whether the Company and other petitioners have passed the burden of GIDC to their end customers or not. As per the direction of PHC, the petition was filed with OGRA which was withdrawn subsequently after the declaration by OGRA that the matter does not fall under their jurisdiction.

In February 2021, the Company filed a writ petition No. 872-P/2021 in PHC claiming non-applicability of GIDC Act 2015 and sought relief against the recovery of GIDC Installment Bills. The PHC vide its order dated March 03, 2021 restrained SNGPL from taking any adverse action against the Company.

- 17.1.3** The OGRA, while citing the judgment of the Hon'able SC dated May 10, 2019 in civil appeal in number 159-L to 2014-L of 2018 titled Sui Northern Gas Pipelines Ltd, Vs Bulleh Shah Packaging (Pvt.) Ltd., passed the decision that the consumer who are having supply of natural gas for industrial use and having in-house electricity generation facility for self-consumption fall in the category of industrial consumers and are subject to the corresponding tariff. The OGRA also directed SNGPL to adjust the excess amount paid. Excess amount paid by the company is Rs.72.440 million which is expected to be adjusted by the SNGPL in future gas bills. The Company has not accounted for the same amount as receivable in the financial statements.
- 17.1.4** The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018 before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry vide its judgement dated December 11, 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

17.1.5 The Finance Act, 2018 amended Section 5A of the Income Tax Ordinance, 2001 and introduced tax on every public company at the rate of 5% of its accounting profit before tax for the year. However, this tax shall not apply in case the Company distribute 20% of the accounting profit through cash dividend within six months of the end of the said year.

The Company filed a Constitutional Petition (CP) no. 6257-P/2019 before the PHC on November 22, 2019 challenging the vires of amended Section 5A of the Income Tax Ordinance, 2001, and PHC accepted the CP and granted stay against the section 5A.

The dividend paid by the Company for the financial year 2019 does not meet the minimum prescribed distribution rate of amended Section 5A of the Income Tax Ordinance, 2001. In case the PHC's decision is not in favor of the Company; the Company will be liable to pay additional tax at the rate of 5% of its profit before tax for the financial year ended June 30, 2019. As at reporting date no charge has been recorded in this respect.

17.2 Commitments

17.2.1 Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.798.232 million (2020: Rs.94.531 million).

17.2.2 The Company has entered into Ijarah arrangements for seventeen (June 30, 2020: one) vehicles with Bank Alfalah Limited, Meezan Bank Limited and First Habib Mudaraba. Aggregate commitments for rentals under Ijarah arrangements as at June 30, 2021 are as follows:

		2021	2020
	Note	--- Rupees in '000 ---	
Not later than one year		13,725	614
Later than one year but not later than five years		47,930	2,280
		<u>61,655</u>	<u>2,894</u>

18. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	18.1	6,364,189	6,410,076
Right-of-use assets	18.7	49,240	55,445
Capital work-in-progress	18.8	5,553	8,352
Spare machinery parts held for capital expenditure		14,356	78,607
		<u>6,433,338</u>	<u>6,552,480</u>

For the Year Ended June 30, 2021

COST / REVALUATION															
Balance as at July 01, 2019	252,738	1,251,598	5,072,765	723,575	112,984	126,289	25,507	58,227	5,339	3,245	3,171	1,218	78,523	81,855	7,797,034
Reclassification due to adoption of IFRS 16 as at July 01, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	(81,855)	(81,855)
Additions during the year	-	7,037	381,790	42,349	-	1,010	420	1,411	841	-	2,262	-	81	-	437,201
Revaluation surplus	144,908	247,472	-	-	-	-	-	-	-	-	-	-	-	-	392,380
Disposals during the year	-	-	(38,729)	-	-	-	-	(64)	(41)	-	-	-	(9,841)	-	(48,675)
Balance as at June 30, 2020	397,646	1,506,107	5,415,826	765,924	112,984	127,299	25,927	59,574	6,139	3,245	5,433	1,218	68,763	-	8,496,085
Balance as at July 01, 2020	397,646	1,506,107	5,415,826	765,924	112,984	127,299	25,927	59,574	6,139	3,245	5,433	1,218	68,763	-	8,496,085
Additions during the year	-	21,732	156,700	88,974	2,002	69	490	5,232	1,461	211	1,029	-	83	-	277,983
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	12,530	-	12,530
Disposals during the year	-	-	-	-	-	-	-	(470)	(553)	-	-	-	(29,527)	-	(30,550)
Balance as at June 30, 2021	397,646	1,527,839	5,572,526	854,898	114,986	127,368	26,417	64,336	7,047	3,456	6,462	1,218	51,849	-	8,756,048
DEPRECIATION															
Balance as at July 01, 2019	6,962	139,798	1,897,636	203,197	24,594	54,577	13,535	27,289	2,639	1,908	1,879	787	53,598	21,090	2,449,489
Reclassification due to adoption of IFRS 16 as at July 01, 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	(21,090)	(21,090)
Charge for the year	2,753	55,655	168,766	26,897	4,420	3,625	1,220	3,181	315	133	319	43	4,745	-	272,072
Elimination against revaluation surplus	(9,715)	(195,453)	(244,028)	(105,527)	(9,885)	(10,116)	-	-	-	-	-	-	-	-	(574,724)
On disposals during the year	-	-	(33,006)	-	-	-	-	(39)	(13)	-	-	-	(6,680)	-	(39,738)
Balance as at June 30, 2020	-	-	1,789,368	124,567	19,129	48,086	14,755	30,431	2,941	2,041	2,198	830	51,663	-	2,086,009
Balance as at July 01, 2020	-	-	1,789,368	124,567	19,129	48,086	14,755	30,431	2,941	2,041	2,198	830	51,663	-	2,086,009
Charge for the year	4,332	75,701	186,024	35,029	4,776	3,963	1,139	3,042	368	128	415	39	2,942	-	317,898
Transfer from right of use to owned	-	-	-	-	-	-	-	-	-	-	-	-	6,386	-	6,386
On disposals during the year	-	-	-	-	-	-	-	(221)	(146)	-	-	-	(18,067)	-	(18,434)
Balance as at June 30, 2021	4,332	75,701	1,975,392	159,596	23,905	52,049	15,894	33,252	3,163	2,169	2,613	869	42,924	-	2,391,859
BOOK VALUE AS AT															
BOOK VALUE AS AT JUNE 30, 2020	397,646	1,506,107	3,626,458	641,357	93,855	79,213	11,172	29,143	3,198	1,204	3,235	388	17,100	-	6,410,076
BOOK VALUE AS AT															
JUNE 30, 2021	393,314	1,452,138	3,597,134	695,302	91,081	75,319	10,523	31,084	3,884	1,287	3,849	349	8,925	-	6,364,18

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

- 18.2** Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2021	2020
	--- Rupees in '000 ---	
- leasehold land	106,113	107,465
- buildings on leasehold land	515,440	520,109
- plant & machinery	3,133,339	3,138,252
- generators	581,296	521,351
- electric installations	42,714	42,943
- air-conditioning equipment	51,394	54,028
	<u>4,430,296</u>	<u>4,384,148</u>

- 18.3** Leasehold land of the Company and building thereon represents 402,304 square meters of land located at Industrial Estate, Gadoon Amazai, District Sawabi Khyber Pakhtunkhwa.

- 18.4** Based on the latest revaluation exercise carried-out on June 30, 2020, forced sale value of the Company's revalued assets was Rs.5,151.014 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

18.5 Disposal of operating fixed assets

Asset Description	Cost / Revaluation	Accumulated Depreciation	Net Book Value	Sale Proceeds / Insurance claims	Gain / (loss)	Mode of disposal	Particulars of buyer
-------------------	--------------------	--------------------------	----------------	----------------------------------	---------------	------------------	----------------------

----- Rupees in '000 -----

Assets having net book value exceeding Rs.500,000 each Vehicles

Honda City	1,711	1,111	600	600	-	Company policy	Mr. Fahad Talal - an employee
Toyota Corolla	1,691	1,120	571	571	-	--- do ---	Mr. Safiullah Khan - an employee
Honda Civic	2,573	1,487	1,086	1,086	-	--- do ---	Muhammad Ishaq Khattak - an employee
Toyota Corolla	1,692	1,172	520	520	-	--- do ---	Mr. Zahid Chohan - an employee
Honda City	1,173	652	521	521	-	--- do ---	Mr. Luqman Ahmed - an employee
Toyota Corolla	2,063	1,209	854	854	-	--- do ---	Mr. Abdul Qadoos - an employee
Toyota Corolla	2,017	1,198	819	819	-	--- do ---	Mr. Maqbool - an employee
Honda Civic	2,760	1,358	1,402	1,402	-	--- do ---	Mian Jehangir - an employee
Toyota Corolla	2,063	1,285	778	778	-	--- do ---	Mr. Irshad Ahmed - an employee
Honda Civic	3,626	1,336	2,290	-	(2,290)	--- do ---	Mr. Zaheen ud din - ex-Chief Executive
	21,369	11,928	9,441	7,151	(2,290)		

Various assets having net book value upto Rs.500,000 each

2021	30,550	18,434	12,116	10,279	(1,837)
2020	48,674	39,738	8,936	8,896	(40)

18.6 Depreciation for the year has been apportioned as under:

	2021	2020
	--- Rupees in '000 ---	
Cost of sales	310,406	262,611
Administrative expenses	7,492	9,461
	317,898	272,072

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

18.7 Right-of-use assets

	2021			2020		
	Vehicles	Buildings	Total	Vehicles	Buildings	Total
Cost	-----Rupees in '000-----					
Opening balance	81,855	9,111	90,966	-	-	-
Transition effect on initial application	-	-	-	81,855	-	81,855
Recognized during the year	-	17,414	17,414	-	9,111	9,111
Reassessment due to mark-up rate change	-	(749)	(749)	-	-	-
Transferred to own assets	(12,530)	-	(12,530)	-	-	-
Derecognized during the year	-	(8,362)	(8,362)	-	-	-
	69,325	17,414	86,739	81,855	9,111	90,966
Accumulated depreciation						
Opening balance	33,243	2,278	35,521	-	-	-
Transition effect on initial application	-	-	-	21,090	-	21,090
Depreciation for the year	9,191	2,972	12,163	12,153	2,278	14,431
Transferred to own assets	(6,386)	-	(6,386)	-	-	-
On derecognized during the year	-	(3,799)	(3,799)	-	-	-
	36,048	1,451	37,499	33,243	2,278	35,521
Net book value at end of the year	33,277	15,963	49,240	48,612	6,833	55,445
Depreciation rate (%)	20	33.33		20	25	

Depreciation expense relating to right of use asset - vehicles and buildings has been charged to administrative expenses

18.8 Capital work-in-progress

	Note	2021	2020
		-- Rupees in '000 --	
Advance payments			
- factory buildings		-	8,352
- Head office buildings		5,553	-
		5,553	8,352

19. INTANGIBLE ASSETS - Computer software

Cost at beginning of the year

Less: amortisation:

- at beginning of the year

- charge for the year

- at end of the year

Book value as at June 30,

19.1

	2021	2020
Cost at beginning of the year	19,265	19,265
Less: amortisation:		
- at beginning of the year	15,015	12,397
- charge for the year	2,546	2,617
- at end of the year	17,561	15,014
Book value as at June 30,	1,704	4,251

19.1 Amortisation is charged to income applying the straight-line method at the rate of 20% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

20. LONG TERM INVESTMENT - at FVTOCI

Debt Instruments

Habib Bank Limited - term finance certificates (TFCs)

25 TFCs of Rs.100,000 each

Adjustment arising from re-measurement
to fair value

Note

2021

2020

--- Rupees in '000 ---

	20.1	2,500	2,500
		(150)	(50)
		2,350	2,450
		10,000	10,000
		12,350	12,450

Equity securities - un-quoted

Naymat Collateral Management Company Ltd.

1,000,000 ordinary shares of Rs.10 each

20.1 These carry profit at the rate of 3 months KIBOR + 1.60%. Effective profit rates charged, during the current financial year, ranged from 8.85% to 9.18% (2020: 9.54% to 15.45%) per annum.

21. LONG TERM LOANS - Considered good

Loans and advances to employees

Less: amounts due within twelve months and
shown under current assets

Note

2021

2020

--- Rupees in '000 ---

	21.1	23,080	23,227
		3,651	3,455
		19,429	19,772

21.1 These loans are interest free and have been advanced for construction of house, employees' children educational expenses and for other purposes. These are recoverable in monthly instalments and are adjustable against the gratuity balances of the employees at the end of respective employment terms.

22. STORES, SPARE PARTS AND LOOSE TOOLS

Stores including in-transit inventory

valuing Rs.9.775 million (2020: Rs.6.676 million)

Spare parts

Loose tools

2021

2020

--- Rupees in '000 ---

	206,205	270,387
	91,484	132,575
	2,245	4,067
	299,934	407,029

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

23. STOCK-IN-TRADE

		2021	2020
		-- Rupees in '000 --	
Raw materials:			
- at mills		1,108,969	932,484
- in transit		222,573	472,565
		1,331,542	1,405,049
Work-in-process		232,576	188,426
Finished goods	23.2	744,626	923,794
		2,308,744	2,517,269

23.1 Stock-in-trade inventory valuing Rs.1,543.979 million (2020: Rs.1,784.257 million) which is pledged with commercial banks as security for short term borrowings (note 15).

23.2 Preceding year's finished goods inventories included inventories costing Rs.369.539 million, which were stated at net realisable value; the amount charged to statement of profit or loss in respect of inventories write down to net realisable was Rs.30.415 million approximately. The write downs were made based on management assessment of future usability of these inventory items comprising of yarn and prevalent market conditions.

24. TRADE DEBTS

		2021	2020
		--- Rupees in '000 ---	
Unsecured - local		2,042,846	1,509,048
Secured			
- export		107,054	134,028
- local		152,147	181,962
		259,201	315,990
Less: allowance for expected credit loss	24.1	(26,432)	(1,000)
		2,275,615	1,824,038

24.1 Provision for impairment

Balance at beginning of the year		1,000	1,000
Charge for the year		25,432	-
Balance at end of the year		26,432	1,000

25. LOANS AND ADVANCES - Considered good

Current portion of long term loans to employees		3,651	3,455
Advances to:			
- employees		8,682	10,920
- suppliers		65,866	56,361
		78,199	70,736

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

26. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS	Note	2021 -- Rupees in '000 --	2020
Prepayments	26.1	4,334	2,113

26.1 These prepayments have been made against different day to day expenses.

27. OTHER RECEIVABLES	Note	2021 -- Rupees in '000 --	2020
Insurance claims receivable		-	1,014
Due from related parties	27.1	-	437
Receivable from Sui Northern Gas Pipelines Ltd.	27.2	23,331	23,331
Advances against letters of credit		1,543	156
Mark-up subsidy	27.3	25,680	25,680
		50,554	50,618

27.1 This balance had arisen in the normal course of business and was due from the Saif Energy Ltd (related party).

27.1.1 The maximum outstanding balance due from the related parties at the end of any month during the year was as follows:

	2021 --- Rupees in '000 ---	2020
- Saif Energy Ltd.	437	437
- Saif Holdings Ltd.	-	10,291
- Saif Power Ltd.	-	33

27.2 This represents excessive gas bills paid, during the financial year ended June 30, 2010 and 2015, under protest against which the Company has filed a complaint with the Oil & Gas Regulatory Authority, Islamabad. Presently, the Company's case is pending with the Regional Detection & Evaluation Committee of Sui Northern Gas Pipelines Ltd. for final decision.

27.3 These represent mark-up subsidy claims booked under the Government's "Technology Up-gradation Support Order 2010". These claims have been duly verified by the banks of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

28. INVESTMENTS		2021	2020
(at fair value through statement of profit or loss)	Note	--- Rupees in '000 ---	
Equity securities - quoted			
National Bank of Pakistan			
105,000 (2020: 105,000) ordinary shares of Rs.10 each		2,903	3,534
Pakistan Petroleum Ltd.			
1,000 (2020: 690) ordinary shares of Rs.10 each		90	83
Mutual fund			
JS Islamic Hybrid Fund of Funds			
256,045.6205 (2020: 243,146.3530) units		22,178	24,315
		25,171	27,932
Adjustment on remeasurement to fair value - net		952	(3,910)
		26,123	24,022
29. DEPOSIT FOR SHARES			
Security Electric Power Company Ltd. - SEPCL			
(an Ex - Associated Company)	29.1	10,000	10,000
Less: provision for doubtful deposit for shares	29.2	10,000	10,000
		-	-

29.1 The Company had deposited Rs.5 million during the financial year ended September 30, 1994 and Rs.5 million during the financial year ended September 30, 1998 with SEPCL for purchase of shares. Shares against these deposits, however, have not been issued so far.

29.2 Full provision against these doubtful deposits was made as the management was of the view that SEPCL had abandoned the project due to IPP crisis and SEPCL utilised this amount in payment of penalty imposed by the Private Power Infrastructure Board (Ministry of Water and Power). The Company had filed a complaint before the Wafaqi Muhtasib for recovery of the said deposit along with penalty. As remote chances of recovery existed, full provision for doubtful deposits for shares was made in the books of account during the financial year ended September 30, 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

30. TAXATION - net		2021	2020
	Note	--- Rupees in '000 ---	
Balance of advance tax			
at beginning of the year		341,661	330,991
Add: income tax deducted / paid during the year		104,254	83,757
		445,915	414,748
Less: provision made for			
- current year	30.2	157,098	111,803
- prior year		(41,401)	(41,128)
		115,697	70,675
Less: refunds received during the year		7,515	2,412
Balance of advance tax at end of the year		322,703	341,661

30.1 Income tax assessments of the Company have been finalized by the Income Tax Department or deemed to be assessed under section 120 of the Ordinance upto the tax year 2020.

30.2 No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial year represents tax payable under sections 113 (minimum tax under alternate corporate tax) and 154 (tax on export proceeds) of the Ordinance.

31. TAXES REFUNDS DUE FROM GOVERNMENT

		2021	2020
	Note	--- Rupees in '000 ---	
Minimum tax paid under protest	31.1	5,034	5,034

31.1 The Company had made payments aggregating Rs.12.736 million till September 30, 2003 under protest; however, Rs.3.000 million were adjusted against the completed assessment during the financial year ended September 30, 2004. The Company, during the financial year ended June 30, 2008, had received refund of Rs.4.702 million.

32. CASH AND BANK BALANCES

		2021	2020
	Note	--- Rupees in '000 ---	
Cash at banks on:			
- current accounts	32.1	43,793	40,557
- saving accounts		485	10
		44,278	40,567

32.1 These include foreign currency balances of U.S.\$ 956.33 (2020: U.S.\$ 48,957).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

33. SALES - Net	2021	2020
	--- Rupees in '000 ---	
Own manufactured goods:		
Local		
- yarn	11,553,766	7,831,581
- waste	62,271	52,962
- surgical cotton	38,740	14,968
	11,654,777	7,899,511
Export		
- yarn	216,606	143,602
- surgical cotton	354,588	478,891
	571,194	622,493
Trading activities:		
Local		
- yarn	102,512	134,936
- raw materials	30,818	173,602
Less: sales return	-	(814)
	133,330	307,724
	12,359,301	8,829,728
Less: sales tax	1,712,624	1,178,295
	10,646,677	7,651,433

- 33.1** All the contracts with the customers were under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

34. COST OF SALES

		2021	2020
	Note	--- Rupees in '000 ---	
Raw materials consumed	34.1	5,548,638	4,858,322
Salaries, wages and benefits	34.2	964,951	875,592
Packing materials consumed		184,500	149,135
Dyes and chemical consumed		155,682	46,365
Power and fuel		934,441	737,507
Repair and maintenance		213,039	171,973
Depreciation	18.6	310,406	262,611
Insurance		26,542	27,607
Rent		8,363	8,813
Vehicles' running and maintenance		10,971	12,369
Travelling and conveyance		4,408	5,655
Textile cess		100	100
Others		14,704	12,766
		8,376,745	7,168,815
Adjustment of work-in-process			
Opening		188,426	202,685
Closing		(232,576)	(188,426)
		(44,150)	14,259
Cost of goods manufactured		8,332,595	7,183,074
Adjustment of finished goods			
Opening stock		923,794	518,472
Purchases		243,263	236,263
Closing stock		(744,626)	(923,794)
		422,431	(169,059)
		8,755,026	7,014,015
34.1 Raw materials consumed			
Opening stock		1,405,049	1,618,917
Purchases (for manufacturing)		5,449,873	4,485,395
Cost of raw materials sold		24,179	157,923
		5,474,052	4,643,318
		6,879,101	6,262,235
Less: closing stock		1,331,542	1,405,049
		5,547,559	4,857,186
Add: cotton cess		1,079	1,136
		5,548,638	4,858,322

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

34.2 These include Rs.29.197 million (2020: Rs.25.276 million) in respect of staff retirement benefits - gratuity.

35. DISTRIBUTION COST

		2021	2020
	Note	--- Rupees in '000 ---	
Staff salaries and benefits	35.1	22,690	22,919
Travelling		2,499	6,672
Communication		96	96
Loading and unloading		26,389	20,751
Freight on local yarn sales		30,318	23,292
Freight on export yarn sales		38,588	34,818
Export expenses		1,587	1,850
Insurance		382	413
Commission on sales		52,155	34,944
Quality claims on sale supplies		34,000	21,256
		208,704	167,011

35.1 These include Rs.6.677 million (2020: Rs.5.781 million) in respect of staff retirement benefits - gratuity.

36. ADMINISTRATIVE EXPENSES

		2021	2020
	Note	--- Rupees in '000 ---	
Directors' meeting fee		659	372
Salaries and benefits	36.1	155,011	131,760
Travelling and conveyance		4,278	6,843
Rent, rates and taxes		7,348	3,422
Ijarah rentals		7,667	410
Entertainment		3,063	3,675
Communication		5,425	5,755
Printing and stationery		2,845	1,999
Electricity, gas and water		5,037	4,442
Insurance		2,875	2,642
Repair and maintenance		4,152	2,894
Vehicles' running and maintenance		13,612	13,454
Advertisement		408	38
Fees and subscription		37,353	34,468
Newspapers and periodicals		143	133
Depreciation related to operating fixed assets	18.6	7,492	9,461
Depreciation related to right of use assets	18.7	12,163	14,431
Amortisation	19	2,546	2,617
Auditors' remuneration	36.2	1,999	1,825
Legal and professional (other than Auditors)		4,590	2,764
Others		287	273
		278,953	243,678

36.1 These include Rs.14.180 million (2020: Rs.12.276 million) in respect of staff retirement benefits - gratuity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

36.2 Auditors' remuneration

2021 2020
--- Rupees in '000 ---

Statutory audit		
- current year	1,400	1,400
- prior year	100	-
Half yearly review	158	174
Consultancy and certification charges	316	226
Out-of-pocket expenses	25	25
	<u>1,999</u>	<u>1,825</u>

36.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.10.208 million (2020: Rs.10.491 million) with Kohat Textile Mills Ltd. a related party on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

37. OTHER INCOME

2021 2020
--- Rupees in '000 ---

	Note		
Sale of scrap - net of sales tax of Rs.3,324 thousand (2020: Rs.1,920 thousand)		16,943	9,601
Profit on bank deposits		159	185
Profit on term finance certificates		228	270
Amortisation of government grant		17,632	684
Dividend income		1,317	-
Gain on remeasurement of short term investments to fair value	28	952	-
Gain on derecognition of right to use assets		820	-
		<u>38,051</u>	<u>10,740</u>

38. OTHER EXPENSES

Donations	38.1	7,749	6,550
Loss on sale of operating fixed assets	18.5	1,837	40
Loss on remeasurement of short term investments to fair value	28	-	3,910
Workers' (profit) participation fund		37,158	-
Workers' welfare fund		14,623	-
Provision for impairment of trade debts - net	24.1	25,432	-
		<u>86,799</u>	<u>10,500</u>

38.1 These include Rs.6 million (2020: Rs.6 million) Rs.1.221 million (2020: Rs.Nil) donated to Akbar Kare (a section 42 Company) and Wadaan Foundation for Sustainable Development (Technical and training institute) respectively. Following directors of the company are directors in both the Companies.

Akbar Kare	Wadaan Foundation for Sustainable Development
- Ms. Hoor Yousafzai	- Mr. Osman Saifullah Khan
	- Mr. Rana Muhammad Shafi

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

39. FINANCE COST - net	Note	2021 --- Rupees in '000 ---	2020
Mark-up on long term financing		201,687	225,646
Mark-up on short term borrowings		379,212	579,225
Lease finance charges		4,619	7,994
Interest on workers' (profit) participation fund		-	302
Local bills discounting charges		47,022	14,196
Bank and other charges		33,827	28,191
		<u>666,367</u>	<u>855,554</u>
40. EXCHANGE FLUCTUATION GAIN - net			
Exchange fluctuation gain on foreign debtors		2,505	4,723
41. TAXATION			
Current			
- for the year		157,098	111,803
- for prior year		(41,401)	(41,128)
	30	115,697	70,675
Deferred	12	48,810	(22,927)
		<u>164,507</u>	<u>47,748</u>
42. BASIC EARNINGS / LOSS PER SHARE			
42.1 Earning / (loss) per share			
Profit / (loss) after taxation attributable to ordinary shareholders		526,877	(671,610)
		<u>526,877</u>	<u>(671,610)</u>
		----	----
		No. of shares	
Weighted average number of ordinary shares outstanding during the year		26,412,880	26,412,880
		<u>26,412,880</u>	<u>26,412,880</u>
		-----	-----
		Rupees	
Earnings / (loss) per share		19.95	(25.43)
		<u>19.95</u>	<u>(25.43)</u>
42.2 Diluted			

A diluted earnings / (loss) per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2021 and June 30, 2020 which would have any effect on the earnings / (loss) per share if the option to convert is exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

43. CASH FLOW FROM OPERATING ACTIVITIES

	2021	2020
	--- Rupees in '000 ---	
Profit / (loss) for the year - before taxation	691,384	(623,862)
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	332,607	289,120
Staff retirement benefits - gratuity (net)	26,290	(8,919)
Loss on sale of operating fixed assets - net	1,837	40
Finance cost	632,540	813,167
Exchange fluctuation gain on foreign debtors - net	(2,505)	(4,723)
(Gain) / loss on remeasurement of short term investments to fair value - net	(952)	3,910
Profit before working capital changes	1,681,201	468,733
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	107,095	(46,281)
Stock-in-trade	208,525	(177,195)
Trade debts	(449,072)	(608,029)
Loans and advances	(7,463)	19,110
Trade deposits and short term prepayments	(2,221)	(629)
Other receivables	64	9,710
Tax refunds due from Government	-	127,727
(Decrease) / increase in trade and other payables	(179,361)	352,958
	(322,433)	(322,629)
Cash generated from operating activities	1,358,768	146,104
Income tax paid	(96,739)	(81,345)
Long term loans	343	1,705
Long term deposits	(8,951)	(4,297)
Long term deposits from employees	(2,523)	2,849
Net cash generated form operating activities	1,250,898	65,016

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

44.1 Financial Risk Factors

The Company has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk; and
- liquidity risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

44.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on financing, import of raw materials, plant & machinery, stores & spares, foreign debtors and claims receivables denominated in U.S. Dollar and Euro. The Company's exposure to foreign currency risk for U.S. Dollar and Euro are as follows:

	2021		
	Rupees	U.S. \$	Euros
	----- Rupees in '000 -----		
Bills payable	222,929	1,408	-
Due to a related party	61,394	388	-
	284,323	1,796	-
Trade debts	(107,054)	(421)	(2)
Bank balances	(151)	(1)	-
Gross reporting date exposure	177,118	1,374	(2)
Outstanding letters of credit	798,232	4,062	822
Net exposure	975,350	5,436	820

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

	2020		
	Rupees	U.S. \$	Euros
	----- Rupees in '000 -----		
Bills payable	478,541	2,843	-
Due to related party	77,546	461	-
	556,087	3,304	-
Trade debts	(134,028)	(492)	(273)
Bank balances	(8,155)	(49)	-
Gross reporting date exposure	413,904	2,763	(273)
Outstanding letters of credit	94,531	562	-
Net exposure	508,435	3,325	(273)

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2021	2020	2021	2020
	--- Rupees in '000 ---		--- Rupees in '000 ---	
U.S. Dollar to Rupee	159.68	159.29	157.80 / 158.30	168.00 / 168.30
Euro to Rupee	188.32	176.04	188.12 / 188.71	188.16 / 188.68

At June 30, 2021, if Rupee had strengthened by 10% against U.S.\$ and Euro with all other variables held constant, profit after taxation (2020: loss after taxation) for the year would have been higher / lower by the amount shown below mainly as a result of foreign exchange gains on translation of foreign currency financial liabilities and foreign exchange loss on translation of foreign currency financial assets.

	2021	2020
	--- Rupees in '000 ---	
Effect on profit for the year		
U.S.\$ to Rupee	21,750	45,451
Euro to Rupee	(38)	(5,105)

The weakening of Rupee against U.S. Dollar and Euro would have had an equal but opposite impact on profit / loss after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

	2021	2020	2021	2020
	Effective rate		Carrying amount	
Financial liabilities	%	%	---	---
Variable rate instruments			in '000	
Long term financing	2.50 to 10.01	2.50 to 16.36	2,431,876	2,540,371
Lease liabilities	8.13 to 10.00	10.00 to 15.98	37,799	47,533
Short term borrowings	7.69 to 14.52	7.72 to 16.36	4,097,397	4,261,572

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2021, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation (2020: loss after taxation) for the year would have been Rs.65.670 million (2020: Rs.68.495 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk because of its investments classified as fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors.

A 10% increase / decrease in market value of equity investments, profit before taxation (2020: loss before taxation) for the year would have been higher / lower by Rs.2,612 thousand (2020: Rs.2,402 thousand).

44.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss to the Company if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

Credit risk primarily arises from long term deposits, trade debts, investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2021 along with comparative is tabulated below:

	2021	2020
	--- Rupees in '000 ---	
Long term investments	12,350	12,450
Long term deposits	23,905	14,954
Trade debts	2,302,047	1,825,038
Other receivables	50,554	50,618
Investments	26,123	24,022
Bank balances	44,278	40,567
	<u>2,459,257</u>	<u>1,967,649</u>
Trade debts exposure by geographic region is as follows:		
Domestic	2,194,993	1,691,010
Export	107,054	134,028
	<u>2,302,047</u>	<u>1,825,038</u>

The majority of export debts of the Company are situated in Europe, Asia and America. The ageing of trade debts at the reporting date is as follows:

	2021	2020
	--- Rupees in '000 ---	
Not yet due	2,150,827	1,707,009
Past due		
- upto 30 days	133,588	114,591
- more than 30 days	17,632	3,438
	<u>2,302,047</u>	<u>1,825,038</u>

The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. As at reporting date, the Company's management believes the required impairment allowance in respect of doubtful trade debts has been accounted for as trade debts aggregating Rs.1,720.11 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

Investments comprise of share-holdings in listed and un-listed securities. The management assesses the credit quality ratings of its holdings and diversifies its portfolio accordingly.

44.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2021				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
----- Rupees in '000 -----					
Long term financing	2,431,876	2,702,347	880,952	1,816,363	5,032
Lease liabilities	37,799	48,700	22,450	26,250	-
Trade and other payables	896,365	896,365	896,365	-	-
Accrued mark-up and interest	114,352	114,352	114,352	-	-
Short term borrowings	4,097,397	4,272,895	4,272,895	-	-
Unpaid dividends	486	486	486	-	-
Unclaimed dividends	8,593	8,593	8,593	-	-
	<u>7,586,868</u>	<u>8,043,738</u>	<u>6,196,093</u>	<u>1,842,613</u>	<u>5,032</u>

	2020				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
----- Rupees in '000 -----					
Long term financing	2,540,371	3,093,656	456,276	2,425,879	211,501
Lease liabilities	47,533	60,639	22,450	38,189	-
Trade and other payables	1,112,884	1,112,884	1,112,884	-	-
Accrued mark-up and interest	231,475	231,475	231,475	-	-
Short term borrowings	4,261,572	4,304,586	4,304,586	-	-
Unpaid dividends	4,373	4,373	4,373	-	-
Unclaimed dividends	8,696	8,696	8,696	-	-
	<u>8,206,904</u>	<u>8,816,309</u>	<u>6,140,740</u>	<u>2,464,068</u>	<u>211,501</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

44.5 Fair value measurement of financial instruments

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) [Level 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1..

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Company's financial assets measured at fair value consists of level 1 financial assets amounting to Rs.3.945 million (2020: Rs.3.324 million), level 2 financial assets amounting to Rs.24.528 million (2020: Rs.26.765) and level 3 financial assets amounting to Rs.10 million (2020: Rs.10 million). The carrying values of other financial assets and liabilities reflected in the financial statements approximate their fair values.

Except for the above, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values as at reporting date.

44.6 Financial instruments by category

	Amortised cost		Financial assets at fair value through OCI	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Financial assets at fair value through profit or loss
	2021	2020	2021		2020	
Financial assets as per statement of financial position	----- Rupees in '000 -----					
Long term investments	-	-	12,350	-	12,450	-
Long term loans	19,429	19,772	-	-	-	-
Long term deposits	23,905	14,954	-	-	-	-
Trade debts	2,276,615	1,825,038	-	-	-	-
Loans and advances	12,333	14,375	-	-	-	-
Other receivables	50,554	50,618	-	-	-	-
Short term investments	-	-	-	26,123	-	24,022
Bank balances	44,278	40,567	-	-	-	-
	<u>2,427,114</u>	<u>1,965,324</u>	<u>12,350</u>	<u>26,123</u>	<u>12,450</u>	<u>24,022</u>

**Financial liabilities
measured at
amortised cost**

Financial liabilities as per statement of financial position	2021 -- Rupees in '000 --	2020
Long term financing	2,431,876	2,540,371
Lease liabilities	37,799	47,533
Long term deposits	8,041	10,564
Trade and other payables	933,523	1,112,884
Accrued mark-up and interest	114,352	231,475
Short term borrowings	4,097,397	4,261,572
Unpaid dividends	486	4,373
Unclaimed dividends	8,593	8,696
	7,632,067	8,217,468

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

44.7 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2021				
	Liabilities				
	Accrued				
	Long term	Lease	Short term	mark-up and	Dividend
	financing	Liabilities	borrowings	interest	
	Rupees in '000				
Balance as at July 01, 2020	2,540,371	47,533	4,261,572	231,475	13,069
Changes from financing activities					
Finances obtained	256,090	-	-	-	-
Finances repaid	(369,533)	-	(164,175)	-	-
Transferred to deferred income	4,948	-	-	-	-
Finance leases obtained	-	17,413	-	-	-
Reassessment due to mark-up rate change	-	(749)	-	-	-
Repayment of finance lease liabilities	-	(25,247)	-	-	-
Derecognized on termination of lease contract	-	(5,383)	-	-	-
Finance cost paid	-	-	-	(749,663)	-
Dividends paid	-	-	-	-	(5,138)
Dividend declared	-	-	-	-	-
Total changes from financing cash flows	2,431,876	33,567	4,097,397	(518,188)	7,931
Other changes					
Mark-up / Interest expense	-	4,232	-	632,540	1,148
Balance as at June 30, 2021	2,431,876	37,799	4,097,397	114,352	9,079
	2020				
	Liabilities				
	Accrued				
	Long term	Lease	Short term	mark-up and	Dividend
	financing	Liabilities	borrowings	interest	
	Rupees in '000				
Balance as at July 01, 2019	1,830,991	53,692	3,779,760	142,002	8,697
Changes from financing activities					
Finances obtained	1,010,362	-	-	-	-
Finances repaid	(288,837)	-	481,812	-	-
Transferred to deferred income	(12,145)	-	-	-	-
Finance leases obtained	-	9,111	-	-	-
Repayment of finance lease liabilities	-	(15,270)	-	-	-
Finance cost paid	-	-	-	(723,694)	-
Dividends paid	-	-	-	-	(22,041)
Dividend declared	-	-	-	-	26,413
Total changes from financing cash flows	2,540,371	47,533	4,261,572	(581,692)	13,069
Other changes					
Mark-up / Interest expense	-	-	-	813,167	-
Balance as at June 30, 2020	2,540,371	47,533	4,261,572	231,475	13,069

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

45. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2021	2020
	--- Rupees in '000 ---	
Total borrowings	6,579,693	6,857,292
Less: cash and bank balances	44,278	40,567
Net debt	6,535,415	6,816,725
Total equity	3,670,112	3,161,279
Total capital	10,205,527	9,978,004
Gearing ratio	64%	68%

46. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Associated Companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

46.1 Name and nature of relationship

Associated Companies and undertaking (due to common directorship)

Saif Holdings Ltd.

Kohat Textile Mills Ltd.

Saif Power Ltd.

Saif Healthcare Ltd.

Mediterranean Textile Company (S.A.E.), Egypt

Akbar Kare

Saif Energy Limited

Waddan Foundation for Sustainable Development

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

46.2 Significant transactions with the related parties

Sales of:

- goods and raw material

Purchase of:

- raw material
- yarn

Dividend paid

Donations

Key management personnel

- remuneration and other employment benefits

Others - consultancy charges

2021

2020

--- Rupees in '000 ---

	7,910	5,262
	82,140	-
	79,690	15,301
	-	11,132
	7,221	6,000
	38,327	41,300
	12,000	19,000

47. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives	
	2021	2020	2021	2020
	----- Rupees in '000 -----			
Meeting fees	14	47	-	-
Managerial remuneration	13,604	25,993	45,716	41,687
House rent and utilities	758	482	25,144	22,928
Retirement benefits	-	-	9,447	5,405
Medical expenses reimbursed	348	239	1,614	1,437
	14,724	26,761	81,921	71,457
Number of persons	(note 47.1) 3	1	17	17

47.1 In October, 2020, after the demise of Mr. Zaheen uddin Qureshi (ex-Chief Executive) Mr. Assad Saifullah was appointed as the new Chief Executive of the Company. In June, 2021 Mr. Assad Saifullah khan resigned and in his place Syed Masroor Hasnain has been appointed as the new Chief Executive of the Company.

47.2 Meeting fees of Rs.659 thousand (2020: Rs.372 thousand) were also paid to seven (2020: six) non-executive directors during the year.

47.3 Chief executive and some of the executives have also been provided with the Company maintained cars and residential telephones.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

48. CAPACITY AND PRODUCTION

2021

2020

48.1 Spinning units

No. of spindles installed			107,760	107,053
Average of spindles shifts installed	Figure in '000		117,997	117,544
Average of spindles shifts worked	Figure in '000		115,067	98,801
No. of days worked			365	366
No. of shifts worked			1,095	1,098
Average count			33.95	34.08
Actual production	Kgs	Figure in '000	19,143	15,383

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

48.2 Dyeing

2021

2020

Cotton / Fibre Dyeing Unit

Total number of days worked			365	366
No. of shift worked			1,095	1,098
Installed capacity	Kgs	Figure in '000	4,417	4,099
Actual production	Kgs	Figure in '000	3,072	3,156

49. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

49.1 Yarn sales represent 96% (2020: 92%) of the total sales of the Company.

49.2 95% (2020: 93%) of the Company's sales relate to customers in Pakistan.

49.3 All non-current assets of the Company as at June 30, 2021 are located in Pakistan.

49.4 The Company does not have any customer having sales of ten percent or more during the year ended June 30, 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2021

50. NUMBER OF EMPLOYEES

	2021	2020
Total number of employees as at June 30,	3,008	2,395
Average number of employees during the year	2,943	2,646

51. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However no material re-arrangements and re-classifications have been made in these financial statements.

52. DATE OF AUTHORISATION


These financial statements were authorised for issue on September 30, 2021 by the Board of Directors of the Company.



SYED MASROOR HASNAIN
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

FORM OF PROXY

I/we.....of.....being a member of
Saif Textile Mills Limited hereby appoint Mr./Ms.....
offailing whom Mr./Ms.....
ofas my proxy to attend act for me, and on my behalf, at the Annual
General Meeting of the Company to be held on Monday, 25 October, 2021 at 12:00 noon
and any adjournment there of.
Dated thisday of2021.

Revenue
Stamp
Rs..50/-

Specimen Signature of Proxy

Folio No.....

Participant I.D No.....

Sub Account No.

Signature of Shareholder

Specimen Signature of Alternate Proxy

Folio No.....

Folio No.....

Participant I.D No.....

Participant I.D No.....

Sub Account No.....

Sub Account No.....

Note:

- i) If a member is unable to attend the Meeting, he/she may appoint another member as his/her proxy and send this form to Saif Textile Mills Limited, APTMA House, Tehkal Payan, Jamrud Road, Peshawar to reach not less than 48 hours before the time appointed for holding the meeting.
- ii) Attested copies of CNIC or the Passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
- iii) The Proxy shall produce his original CNIC or original Passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted(unless it has been Provided earlier) along with Proxy Form to the Company.

فارم آف پراسی

[illegible]

-----	پراسی کے دستخط کا نمونہ۔
-----	فولیو نمبر۔
-----	شرکت کنندہ کی شناختی کارڈ نمبر۔
-----	ذیلی اکاؤنٹ نمبر۔
-----	متبادل پراسی کے دستخط کا نمونہ۔
-----	فولیو نمبر۔
-----	شرکت کنندہ کی شناختی کارڈ نمبر۔
-----	ذیلی اکاؤنٹ نمبر۔

نوٹ:

- (i) اگر کوئی ممبر اجلاس میں حاضر ہونے سے قاصر ہے تو وہ اپنا پراکسی تعینات کرنے کا مجاز ہے اور فارم ہذا کو اجلاس کے انعقاد کے لئے مقررہ وقت سے کم از کم ۴۸ گھنٹے پہلے تک سیف ٹیکسٹائل ملز لمیٹڈ واقع آٹھماہاؤس، تہکال پایاں، جمرو دروڈ، پشاور میں جمع کرادے۔
- (ii) مستفید مالکان اور پراکسی کے شناختی کارڈ یا پاسپورٹ کے مصدقہ نقول پراکسی فارم کے ساتھ منسلک ہونا چاہیئے۔
- (iii) اجلاس کے وقت پراکسی کو اپنا اصلی پاسپورٹ پیش کرنا ہوگا۔
- (iv) کمپنی ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ بشمول نمونہ دستخط (بشرطیکہ پہلے سے کمپنی کو فراہم نہ کیا گیا ہو) پراکسی فارم کے ساتھ جمع کرنا ہوگا۔

[illegible]



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