

IDREES

TEXTILE MILLS LIMITED

Annual Report 2021





MISSION / VISION STATEMENT

- To concentrate on the changing Yarn/Fabric requirements with higher profitability, both in local as well as in the international market.
- Maximization of profit regardless of the turnover quantum, reducing the cost at all levels.
- Customer satisfaction is our priority and good return to the shareholders is our aim, while maintaining friendly and congenial environment for our employee.



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COMPANY INFORMATION

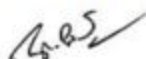
BOARD OF DIRECTORS	<p>Mr. Muhammad Idrees Allawala - Chairman</p> <p>Mr. S. M. Mansoor Allawala - Executive Director / CEO</p> <p>Mr. Omair Idrees Allawala - Executive Director</p> <p>Mr. Rizwan Idrees Allawala - Non - Executive Director</p> <p>Mr. Muhammad Israil - Non - Executive Director</p> <p>Syed Masud Arif - Independent Director</p> <p>Ms. Azra Yaqub Vawda - Independent - Director</p>
AUDIT COMMITTEE	<p>Ms. Azra Yaqub Vawda - Chairperson</p> <p>Syed Masud Arif - Member</p> <p>Mr. Rizwan Idrees Allawala - Member</p> <p>Syed Shahid Sultan - Secretary</p>
COMPANY SECRETARY	Syed Shahid Sultan
CHIEF FINANCIAL OFFICER	Mr. Muhammad Jawaid
AUDITORS	<p>M/s. Yousuf Adil</p> <p>Chartered Accountants</p>
HUMAN RESOURCE & REMUNERATION COMMITTEE	<p>Syed Masud Arif - Chairman</p> <p>Mr. Rizwan Idrees Allawala - Member</p> <p>Ms. Azra Yaqun Vawda - Member</p>
BANKERS	<p>National Bank of Pakistan</p> <p>Bank Alfalah Limited</p> <p>Habib Metropolitan Bank Ltd.</p> <p>Meezan Bank Ltd.</p> <p>Bank of Punjab Ltd.</p> <p>BankIslami Pakistan Ltd.</p> <p>MCB Islamic Bank Ltd.</p> <p>Dubai Islamic Bank Pakistan Ltd.</p> <p>Samba Bank Limited</p> <p>Silk Bank Ltd.</p>
REGISTERED OFFICE	<p>6-C, Ismail Centre, 1st Floor,</p> <p>Central Commercial Area,</p> <p>Bahadurabad,</p> <p>Karachi - 74800.</p>
SHARES REGISTRAR	<p>M/S. JWAFFS Registrar Services (Pvt) Ltd.</p> <p>407-408, 4th Floor, Al-Ameera Centre,</p> <p>Shahrah-e-Iraq, Saddar, Karachi.</p>
MILLS	<p>Kot Shah Mohammad,</p> <p>Tehsil Nankana,</p> <p>District Nankana,</p> <p>Punjab.</p> <p>www.idreestextile.com</p>

Notice is hereby given that the 32nd Annual General Meeting of the Shareholders of Idrees Textile Mills Ltd. will be held on Tuesday, October 28, 2021 at 12.00 noon at Regent Plaza Hotel and Convention Centre, Main Shahrah-e-Faisal Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting held on October 28, 2020.
2. To receive, consider and adopt Annual Audited Financial Statements of the Company for the year ended June 30, 2021 together with Review Report of the Chairman, Reports of Directors and Auditors thereon.
3. To approve cash dividend @ 10% (i.e.Re. 1/- per share) to shareholders, as recommended by the Board of Directors.
4. To appoint Auditors of the Company for the year ending June 30, 2022 and fix their remuneration. The retiring auditors M/s Yousuf Adil Chartered Accountants, being eligible, offer themselves for re-appointment.
5. To transact any other business that may be placed before the meeting with the permission of the Chair

By order of the Board



Karachi

Dated : October 04, 2021

SYED SHAHID SULTAN

Company Secretary

Notes:

- (i) Shareholders are advised to promptly notify any change in their addresses.
- (ii) Share Transfer Books of the Company will remain closed from October 25, 2021 to November 01, 2021 (both days inclusive) to determine the names of members entitled to receive the Cash dividend and to attend the Meeting.
- (iii) A member eligible to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend, and vote for him/her. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of holding the Meeting.
- (iv) Due to Covide-19 situation, members are encouraged to attend the AGM through video link or by consolidating their attendance through proxies. The shareholders who wish to attend the AGM through video link are requested to get themselves registered by providing the following information via email at secretary@idreestextile.com on or before October 24, 2021.

Name of	CNIC No.	CDC Account No.	Cell No.	Email.ID
Shareholder		Folio No.		

Shareholders can also provide their comments/suggestions on the proposed agenda items of the AGM on above email address.

Members shall be registered after necessary verification and will be provided a video link and login credentials by the Company on the same email address that they emailed to the Company. The login facility will remain open 11.45 a.m. till the end of the meeting.

- (v) Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original CNIC along with account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines laid down in Circular No. 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan shall be followed.
- (vi) Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission all future dividend payments may be withheld.
- (vii) The rate of deduction of income tax from dividend payments under section 150 of the Income Tax Ordinance, 2001 shall be as follows:
 1. Persons appearing in Active Tax Payers List (ATL) 15%.
 2. Persons not appearing in Active Tax Payers List (ATL) 30%.

Withholding Tax exemption from the dividend income, shall only be allowed if copy of valid exemption certificate or stay order from a competent court of law is made available to JWAFS Registrar Services (Pvt) Ltd. by the first day of Book Closure.

Further according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint account.

In this regard all shareholders who hold shares jointly are requested to provide shareholding Proportions of Principal shareholders and Joint-holder(s) in respect of shares held by them to our Share Registrar in writing the following:

Company Name	Folio/CDS Account #	Principle Shareholder		Joint Shareholder	
		Name & CNIC No.	Shareholding Proportion (No. of Share)	Name & CNIC No.	Shareholding Proportion (No. of Share)

The required information must reach our Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint-holder(s).

- (viii) As per section 72 of the Companies Act, 2017 every Company is required to replace its physical shares with book entry form within the period as notified by the SECP i.e May 31, 2017.

The shareholder having physical shareholding are accordingly encourage to open their account with Investor Accounts Services of CDC or sub-account with any of the brokers and convert their physical shares into scrip less form. This will facilitate the shareholders in many ways, including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulation of the Pakistan Stock Exchange Limited.
- (ix) Members can exercise their right to demand a poll subject to meeting requirements of Section 143 to Section 145 of the Companies Act, 2017 and applicable clauses of the Pakistan Stock Exchange Regulation, 2018.
- (x) In pursuance to the direction given by SECP, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by post are advise to give their formal consent along with their valid email address on a standard request form which is available at the Company website (idreestextile.com) and send the said form duly signed by the shareholder to the Company's Share Registrar.

The Board of Directors is pleased to present the annual report of the Company along with the audited financial statements for the year ended June 30, 2021.

FINANCIAL AND OPERATIONAL OVERVIEW

The principal activity of the Company is manufacturing, processing and sale of yarn and fabric. During the year under review, there has not been any material change in the Company's business activities.

During the financial year under review, the Company's turnover amounted to Rs. 4,002.5 million as compared to Rs. 3,239.3 million in the previous year. Gross profit amounted to Rs. 533.8 million compared to Rs. 2882.8 million for the last year and profit after tax amounted to Rs. 159.8 million against loss of Rs. (10.6) million in the comparable period. The Company's revenue has increased by 25.6 percent and the gross profit has increased by Rs. 250.9 million.

In the wake of Covid-19 pandemic, the State Bank of Pakistan reduced the discount rate drastically from 13.25 percent to 7 percent in FY20 and maintained it till 20th Sep 2021, which did benefit the Company. The finance cost reduced by Rs. 147.4 million in FY21, which, along with increased turnover and improved gross margin, resulted in a commendable result for the year. Economy of Pakistan rebounded strongly in FY21 and posted growth of 3.9 percent which is substantially higher than the previous year's negative number of (0.47) percent. Appropriate policy measures by the government resulted in a V-Shaped economic recovery. As a result, the Company was also able to get good prices of yarn. Increase in power tariff from 7.5 US cents to 9 US cents is, however, a cost burden. By the grace of Allah, Pakistan's textile sector bounced back in FY21 encouragingly resulting in sales growth. Since the size of the Country's cotton crop is unable to meet the local demand, we witnessed soaring prices in the market. The Company's management, therefore, continued to buy a mix of various varieties of imported cotton along with local cotton to optimize the cost of raw material.

EARNING PER SHARE

The earning per share for the year under review worked out to Rs 8.05 as compared to loss Rs. (5.17) for the corresponding year.

DIVIDEND

The Board of Directors in its meeting held on October 04, 2021, considered payment of dividend after consideration of like Company's performance, business needs and expansion/BMR plans and is pleased to recommend a final cash dividend @ 10% i.e Re. 1/- per share.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

- (a) The financial statements, prepared by the management of the Company, present fairly its state of affairs the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the Company have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed.
- (e) The Board understands its responsibility to ensure that adequate and effective internal financial controls are in place. The internal audit department regularly reviews the design and effectiveness of

the controls and corrective action is taken to address the weakness, if found. We believe that the system of internal control is sound in design and has been effectively implemented.

- (f) There are no significant doubts upon the Company's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance, as detailed in the regulation of PSX rule book.
- (h) The book value of investments made by the Employees' Provident Fund, being operated for head office employees, only, as per audited financial statements of the Fund as at June 30, 2020 was Rs. 26,967,981/- (2019 Rs. 24,110,907/-)

Mills employees are entitled to gratuity as per law and appropriate provision has been made in the financial statements.

- (i) As required by the Code, we have included the following information in this report:
- Statement of Pattern of Shareholding.
 - Statement of Shares held by associated undertaking and related parties.
 - Key operating and financial statistics for last six years.
- (i) During the year under review, seven Board of Directors, five Audit Committee and one Human Resource & Remuneration Committee (HR & RC) meetings were held and attended as follows:

Name of Directors	Board of Directors	Audit Committee	HR & RC
Mr. Muhammad Idrees Allawala	07	N/A	N/A
Mr. S.M. Mansoor Allawala	07	N/A	N/A
Mr. Muhammad Iqbal	02	03	01
Mr. Naeem Idrees Allawala	0	N/A	N/A
Mr. Rizwan Idrees Allawala	06	02	N/A
Mr. Omair Idrees Allawala	07	N/A	N/A
Mr. Muhammad Israil	06	03	01
Mr. Muhammad Saeed	03	03	01
Syed Masud Arif	04	02	N/A
Ms. Azra Yaqub Vawda	04	02	N/A

- (k) During the year under review, there has been no trading in shares of the Company by CEO, Directors and their Spouses & minor children except as given below

NAME OF DIRECTOR	Opening 01-07- 2020	Purchase	Gift In/(Gift out)	Balance as on June, 30. 2021
Mr. S. M. Mansoor Allawala	2,544,329	583000	4,442,266	7,569,595
Mr. Naeem Idrees Allawala	4,442,266	0	(4,442,266)	0
Mr. Rizwan Idrees Allawala	969,362	1,506,210	0	2,475,572

- (l) We have an audit committee the members of which are from the board of directors and the chairman is a non-executive director
- (m) We have prepared and circulated a statement of ethics and business strategy amongst directors and employees.
- (n) The board has adopted a mission statement and a statement of overall corporate strategy.

BOARD OF DIRECTORS

During the year, election of director were carried out. The total number of Directors are seven as per the following:

- a. Male: 6
b. Female: 1

The Composition of Board as follows:

Category	Names
a) Independent Director	i. Syed Masud Arif ii) Ms Azra Yaqub Vawda
b) Non-executive Directors	i. Mr. Muhammad Idrees Allawala ii) Mr. Rizwan Idrees Allawala iii) Mr. Muhammad Israil
c) Executive Directors	i) Mr. S. M. Mansoor Allawala ii) Mr. Omair Idrees Allawala

BOARD COMMITTEES

The Board of Directors has formed the Audit Committee and Human Resource and Remuneration Committee in line with the requirements of the Code of Corporate Governance.

The members of Audit Committee is as follows:

Ms. Azra Yaqub Vawada	Chairperson
Syed Masud Arif	Member
Mr. Rizwan Idrees Allawala	Member

The members of Human Resource and Remuneration Committee is as follows:

Syed Masud Arif	Chairman
Ms. Azra Yaqub Vawada	Member
Mr. Rizwan Idrees Allawala	Member

CAUSAL VACANCY

During the year under review Mr. Muhammad Israil has been appointed as director in place of Mr. Naeem Idrees Allawala

BOARD EVALUATION

The Company carries out annual evaluation of the Board, members of the Board and its Committees as part of the Code of Corporate Governance. For that purpose, Board has developed a mechanism for evaluation of Board's own performance, members of the Board and its Committees. Based on the evaluation, overall performance of the Board, its members and Committees of the Board for the year under review is satisfactory.

DIRECTORS' REMUNERATION :

The company does not pay remuneration to its non-executive directors including independent directors except for meeting fee. Aggregate amount of remuneration paid to executive and non-executive directors have been disclosed in note 33 of the annexed financial statements.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Idrees Textile Mills Ltd. being a good corporate citizen contributing for the welfare of the people in our society and fulfillment of its corporate social responsibility. During the year under review the Company contributed Rs. 3,686,878/- to various organizations serving the mankind in the health and education sectors.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors monitors the risks faced by the Company and takes mitigating measures to address/ manage such risks. A number of risks are faced by the Company which include credit risks, liquidity risks, capital risks, price risks, business risks, compliance risks and currency risks (Note: 38 to the enclosed financial statements). Cotton Crop, USD/Rupee parity, interest rate, energy tariff, minimum wages, taxation measures are the areas which remain in focus of management and affect the financial results. During the year under review, we saw the economy recover from the adverse effects of Covid-19. However, the management remains vigilant and proactive to manage the risk that may arise due to emergence of vaccine-resistant variant of the virus.

FUTURE OUTLOOK

Despite an overall sense of optimism, the textile sector is currently facing sky high raw material cost. The price of cotton has escalated significantly in FY21. The rapid erosion in the value of Pak Rupee vs US Dollar and increase in ocean freight are exerting negative impact on the cost of imported raw material. However, on the other hand, with an improved production activity in the fabric sector and health conditions in neighboring country due to the pandemic there has been a rapid hike in yarn prices.

The Company has planned BMR/expansion of the mill by utilizing concessional credit facilities offered by the Government. For sustainable growth, the management intends to invest in automation, energy optimization and efficiency enhancements. We are hopeful that the benefits of these initiatives will be visible in FY23 onwards.

On the national front, the government has set a 4.8% GDP growth target for FY22 as the country recovers from the worst of the coronavirus pandemic. Exports are projected to grow from FY22 onwards, as external conditions become more conducive, but imports are also expected to increase in line with stronger domestic activity and higher oil prices. Major risks to the outlook include emergence of new vaccine-resistant strains and delay in the implementation of critical structural reforms.

AUDITORS

The retiring Auditors M/s. Yousuf Adil, Chartered Accountants being eligible have offered themselves for re-appointment for the ensuing year 2021-2022. The audit committee in its meeting held on October 1, 2021 has recommended the appointment of the retiring auditors.

ACKNOWLEDGEMENT

The directors are thankful to the bankers, suppliers and customers of the Company for their continued support and appreciate the hard work by the employees of the Company.

For and on behalf of the Board



Muhammad Idrees Allawala
Chairman
Karachi: October 04, 2021



S. M. Mansoor Allawala
Chief Executive

I am pleased to present before you a review of the Company and the role of its Board of Directors in achieving the Company's objectives for the year ended June 30, 2021.

During the year under review, the Board duly discharged its responsibilities with respect to the overall management of the Company, formulation of significant policies, evaluating its own performance and monitoring the functioning of the Board's Committees. Evaluation of the Board is aimed to measure its overall performance and conduct of the Company's affairs in accordance with the best practices of corporate governance. As Chairman of the Board, it is my responsibility to strengthen the Company's governance by promoting a culture whereby views of all stakeholders are given due consideration. In the wake of Covid-19 pandemic, the Board consistently followed a balanced strategy to steer the Company in the challenging business environment and performed its duties and responsibilities diligently while upholding high standards of corporate governance.

By the grace of Allah, Pakistan's economy rebounded strongly in FY21 and posted growth of 3.9 percent which is substantially higher than the previous year's negative number of (0.47) percent. As retail sector is opening up worldwide, post Covid-19 lockdowns, the future of Pakistan's textile sector looks promising. In order to take advantage of the emerging opportunities the Company has planned BMR/expansion of the mill, by utilizing concessional credit facilities offered by the Government. The management is closely watching volatility in exchange rate and the direction of monetary policy decisions. Major risks to the outlook include emergence of new vaccine-resistant strains and delay in the implementation of critical structural reforms.

For the year under review, based on the evaluation, the overall performance and effectiveness of the Board has been assessed as Satisfactory. The Board duly carried out its duty to ensure high standards of corporate governance since a well-defined corporate governance system is vital for enhancing corporate accountability. Through appropriate oversight and vigilance, compliance with the applicable laws and regulations was duly ensured. The Company's management constantly endeavored to safeguard shareholder value. During the year, the board considered and approved, among other things, quarterly and annual financial statements, capital expenditure, borrowings and appointment of external auditors. The Board's Committees, i.e., Audit Committee and Human Resource & Remuneration Committee duly assisted the Board in performing its duties. These Committees held meetings and reported to the Board as per stipulations of the corporate governance regulations.

With completion of the three year term of the Company's Board, election of directors took place in the Annual General Meeting held on October 28, 2020. Seven directors were duly elected. I would like to extend my well wishes to all the Board members.

I am thankful to the employees of the Company for their valuable services and to the shareholders, customers, suppliers and bankers for their continued trust and support.



Muhammad Idrees Allawala
Chairman of the Board

Karachi
October 04, 2021

	2016	2017	2018	2019	2020	2021
Sales	1,586,062,979	2,215,268,509	2,881,059,482	3,471,595,641	3,239,256,236	4,002,482,731
Cost of goods sold	(1,463,856,118)	(1,984,882,334)	(2,643,744,807)	(3,076,553,332)	(2,956,416,446)	(3,468,653,953)
Gross Profit	122,206,861	230,386,175	237,314,675	395,042,309	282,839,790	533,828,778
Other operating Income	33,176,150	62,665,832	35,358,695	3,528,691	10,421,660	25,389,171
	155,383,011	293,052,007	272,673,370	398,571,000	293,261,450	559,217,949
Distribution Cost	(11,538,415)	(8,170,378)	(15,241,548)	(18,679,321)	(26,603,588)	(35,219,989)
Administration expenses	(61,391,867)	(62,913,405)	(68,988,440)	(77,463,297)	(83,287,666)	(77,063,633)
Other operating expenses	(20,355,264)	(16,467,315)	(16,520,530)	(27,268,831)	(21,585,078)	(52,638,715)
Finance cost	(97,348,847)	(96,819,649)	(113,629,274)	(209,034,475)	(240,606,638)	(171,436,883)
	(190,634,393)	(184,370,747)	(214,379,792)	(332,445,924)	(372,082,970)	(336,359,217)
Profit/(Loss) before taxation	(35,251,382)	108,681,260	58,293,578	66,125,076	(78,821,520)	222,858,732
Taxation	23,649,372	(21,394,127)	20,111,096	(33,811,567)	(23,759,982)	(63,057,635)
Profit/(Loss) after taxation	(11,602,010)	87,287,133	78,404,674	32,313,509	(102,581,502)	159,801,097
Other Comprehensive income for the year	2,967,482	(36,800)	33,776,110	(33,316,294)	45,409,201	327,421,738
Total comprehensive income for the year	8,634,528	87,250,333	112,180,784	(1,002,785)	(57,172,301)	487,222,835
Earning/(Loss) per shares	(0.64)	4.84	4.34	1.63	(5.17)	8.05

Name of Company: IDREES TEXTILE MILLS LIMITED 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 seven as per the following:

- a) Male: Six
- b) Female: One

2. The composition of board is as follows:

Category	Name
Independent Directors	Syed Masud Arif Mrs. Azra Yaqub Vawda
Executive Directors	Mr. S. M. Mansoor Allawala Mr. Omair Idrees Allawala
Non-Executive Directors	Mr. Muhammad Idrees Allawala Mr. Rizwan Idrees Allawala Mr. Muhammad Israil

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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by 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 Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant the provision with regard to their training program. Three

members of the Board have the prescribed qualifications and experience required for exemption from training program of Directors pursuant to Regulation 19(2) of the CCG. Program (DTP) certification. Four members of the Board have already completed the Director's Training Program.

10. The Board has approved appointment of CFO, 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. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below. The Board Audit Committee and the Board Human Resource & Compensation Committee are chaired by independent director:
 - a) Audit Committee
 1. Ms. Azra Yaqub Vawda (Chairperson)
 2. Syed Masud Arif
 3. Mr. Rizwan Idrees Allawala
 - b) Human Resource and Remuneration Committee
 1. Syed Masud Arif (Chairman)
 2. Ms. Azra Yaqub Vawda
 3. Mr. Rizwan Idrees Allawala
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 were as per following:

Committee	Frequency of meetings
Audit Committee	Quarterly
HR and Remuneration Committee	Annually

15. The board has set up an independent and effective internal audit function and the audit personnel are 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 or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its 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 the requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with, except for the Independent directors in which fraction is not rounded up as one because the fraction 0.31 is less than 0.5.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33, and 36 are below;

In addition to the mandatory and non-mandatory clauses/regulations stipulated in Regulations, there are certain regulations/clauses in the Regulations in which word 'may' or 'encouraged' have been used. We understand that these clauses remain recommendatory in nature and therefore, neither fall under mandatory regulation / clauses nor fall into 'comply or explain' approach. However, the Company has complied with certain recommendatory regulations / clauses and the Company may consider compliance with remainder of these in future.

For and on behalf of the Board



S M MANSOOR ALLAWALA

Chief Executive

Dated: September 26, 2021



MUHAMMAD IDREES ALLAWALA

CHAIRMAN

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Idrees Textile Mills Limited

Review Report on the Statement of Compliance contained in 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 **Idrees 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.

Yours truly,


Chartered Accountants

Date: October 06, 2021

To the members of Idrees Textile Mills Limited
Report on the Audit of the Financial Statements
Opinion

We have audited the annexed financial statements of Idrees 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, 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 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 income, 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 Auditor's 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
1. Valuation of stock in trade	
<p>Stock-in-trade has been valued following an accounting policy as stated in note 3.3 and the related value of stock-in-trade is disclosed in note 6 to the financial statements. Stock-in-trade forms material part of the Company's assets comprising 26% of total assets.</p> <p>The valuation of finished goods within stock-in-trade at cost has different components, which includes judgment in relation to the allocation of overheads costs, which are incurred in bringing the finished goods to its present location and condition. Judgments are also involved in determining the net realizable value (estimated selling price in the ordinary course of business less estimated cost of</p>	<p>Our key audit procedures to address the valuation of stock-in-trade, included the following:</p> <ul style="list-style-type: none"> We obtained an understanding of mechanism of recording purchases and valuation of stock-in-trade and evaluated their design and implementation; We tested on a sample basis purchases with underlying supporting documents; We verified the calculations of the actual labor and overhead costs and checked allocation of labor and overhead costs to the finished goods;

Key audit matter	How the matter was addressed in our audit
<p>completion and estimated costs necessary to make the sale) of stock-in-trade items in line with the accounting policy.</p> <p>Due to the above factors, we have considered the valuation of stock in trade as key audit matter.</p>	<ul style="list-style-type: none"> • We obtained an understanding of management's process for determining the net realizable value and checked: • future selling prices by performing a review of sales close to and subsequent to the year-end; and • determination of cost necessary to make the sales. • We checked the calculations of net realizable value of itemized list of stock-in-trade, on a sample basis and compared the net realizable value with the cost to ensure that valuation of stock-in-trade is in line with the accounting policy.
2. Revaluation of certain items of property, plant and equipment	
<p>As disclosed in notes 3.1 and 4 to the financial statements, certain items of property, plant and equipment are carried at revalued amount. The revaluation exercise performed during the year by an external valuer (the expert) engaged by management has resulted in revaluation surplus of Rs. 384.05 million in the value of property, plant and equipment.</p> <p>We have considered the above matter as a key audit matter due to significant judgement and estimates involved in the valuation of property, plant and equipment.</p>	<p>Our key audit procedures to address the revaluation of property, plant and equipment, included the following:</p> <ul style="list-style-type: none"> • We assessed the competence, capability and independence of management expert; • We evaluated the methodology used by the management expert; • We checked the completeness and accuracy of source data sent to management expert; • We inspected the final valuation report and agreed the agreed the fair value (including revaluation gains) to the Company's accounting records noting no material exceptions; • We engaged an auditor's expert to assess whether the assumptions used in valuation of leasehold land, freehold land and building are reasonable as well as determined whether the valuations are within acceptable range; and • We reviewed and assessed the adequacy of the disclosures with the requirements of applicable financial reporting framework.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in annual report, but does not include the financial statements and our auditor's 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 judgment 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.
- 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 auditor's 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 up to the date of our auditor's 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 period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is Hena Sadiq.



Chartered Accountants

Place: Karachi

Date: October 06, 2021

STATEMENT OF FINANCIAL POSITION

As at June 30, 2021



	Note	2021 Rupees	2020 Rupees
ASSETS			
Non-current Assets			
Property, plant and equipment	4	2,046,046,950	1,662,696,972
Long-term deposits		2,887,987	2,766,242
		<u>2,048,934,937</u>	<u>1,665,463,214</u>
Current Assets			
Stores, spares and loose tools	5	43,809,657	47,580,982
Stock-in-trade	6	1,090,119,992	1,538,057,914
Trade debts	7	701,721,202	782,098,181
Loans and advances	8	83,520,710	67,718,460
Prepayments		1,871,858	2,286,708
Other receivables	9	154,695,934	66,431,692
Other financial assets	10	97,094,620	73,746,320
Cash and bank balances	11	8,370,748	18,400,305
		<u>2,181,204,721</u>	<u>2,596,320,562</u>
Total Assets		<u>4,230,139,658</u>	<u>4,261,783,776</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
22,000,000 ordinary shares of Rs.10/- each		<u>220,000,000</u>	<u>220,000,000</u>
Issued, subscribed and paid-up capital	12	198,528,000	198,528,000
Capital reserves			
Surplus on revaluation of property, plant and equipment - net of tax	13	910,719,758	633,848,096
Equity portion of loan from related parties		25,813,862	33,586,069
Revenue reserves		<u>951,551,923</u>	<u>731,526,624</u>
Total Equity		<u>2,086,613,543</u>	<u>1,597,488,789</u>
Non-current Liabilities			
Long-term finance	14	169,100,200	143,305,830
Lease liability	15	10,140,260	15,816,710
Deferred taxation - net	16	252,700,211	183,503,681
Retirement benefit obligation	17	54,932,453	48,768,743
		<u>486,873,124</u>	<u>391,394,964</u>
Current Liabilities			
Trade and other payables	18	236,390,906	397,347,898
Accrued mark-up	19	21,575,812	68,008,376
Short-term borrowings	20	1,215,020,482	1,638,057,210
Current portion of long-term finance	14	105,354,182	99,356,884
Current portion of lease liability	15	19,268,069	24,536,352
Unclaimed dividend		2,424,885	2,424,885
Provision for taxation		56,618,655	43,168,418
		<u>1,656,652,991</u>	<u>2,272,900,023</u>
Total Liabilities		<u>2,143,526,115</u>	<u>2,664,294,987</u>
Total Equity and Liabilities		<u>4,230,139,658</u>	<u>4,261,783,776</u>
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year ended June 30, 2021



	Note	2021 Rupees	2020 Rupees
Sales - net	22	4,002,482,731	3,239,256,236
Cost of sales	23	(3,468,653,953)	(2,956,416,446)
Gross profit		533,828,778	282,839,790
Distribution cost	24	(35,219,989)	(26,603,588)
Administrative expenses	25	(77,063,633)	(83,287,666)
		(112,283,622)	(109,891,254)
		421,545,156	172,948,536
Finance cost	26	(171,436,880)	(240,606,638)
Other operating expenses	27	(52,638,715)	(21,585,078)
		197,469,561	(89,243,180)
Other income	28	25,389,171	10,421,660
Profit / (loss) before taxation		222,858,732	(78,821,520)
Taxation	29	(63,057,635)	(23,759,982)
Profit / (loss) for the year		159,801,097	(102,581,502)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Items that will not be reclassified subsequently to profit or loss			
Surplus on revaluation of property, plant and equipment during the year	13	384,049,417	-
Impact of deferred tax thereon	13	(54,171,243)	-
		329,878,174	-
Adjustment of surplus on revaluation of property, plant and equipment due to change in tax rate	13	(7,130,328)	43,859,875
Remeasurement of retirement benefit obligation	17.5	6,582,947	2,182,150
Related tax		(1,909,055)	(632,824)
		4,673,892	1,549,326
		327,421,738	45,409,201
Total comprehensive income / (loss) for the year		487,222,835	(57,172,301)
Earnings / (loss) per share - basic and diluted	30	8.05	(5.17)

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

STATEMENT OF CASH FLOWS
For the Year ended June 30, 2021



A. CASH FLOWS FROM OPERATING ACTIVITIES	Note	2021 Rupees	2020 Rupees
Profit / (loss) before taxation		222,858,732	(78,821,520)
Adjustments for :			
Depreciation		91,871,591	89,346,347
Provision for retirement benefit obligation		17,985,959	17,531,250
Finance cost		171,436,880	240,606,638
Realised / unrealized loss on investments		-	170,748
Profit on deposits		(3,448,187)	(5,291,174)
Gain on disposal of property, plant and equipment		(6,555,071)	(5,130,486)
Unwinding of discount on other receivables		(14,415,117)	-
Loss on modification of terms of financial asset		20,816,370	-
Operating cash flows before working capital changes		500,551,157	258,411,803
(Increase) / Decrease in current assets			
Stores, spares and loose tools		3,771,325	(6,546,671)
Stock-in-trade		447,937,922	(355,175,192)
Trade debts		80,376,979	47,219,562
Loans and advances		(2,764,239)	(7,339,179)
Prepayments		414,850	(2,938,151)
Other receivables		(94,652,134)	23,177,111
(Decrease) / Increase in current liabilities			
Trade and other payables		(157,106,792)	207,509,669
Cash generated from operations		277,977,911	(94,092,851)
Finance cost paid		778,529,067	164,318,952
Retirement benefit obligation paid		(202,333,565)	(205,458,010)
Income tax paid		(9,089,500)	(4,558,870)
Long-term deposits - net		(56,659,505)	(30,524,618)
		(121,745)	1,676,571
Net cash generated from / (used in) operating activities		510,324,753	(74,545,975)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(88,660,081)	(5,623,545)
Proceeds from disposal of property, plant and equipment		22,648,000	10,891,000
Purchase of term deposit receipt - net		(23,348,300)	(12,468,560)
Profit on deposits received		3,434,826	5,993,312
Proceeds from disposal of investment		-	3,202,527
Proceeds from disposal of sales tax refund bond		-	14,700,000
Net cash (used in) / generated from investing activities		(85,925,555)	16,694,734
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term finance repaid to financial institutions		(46,041,049)	(25,232,022)
Long-term finance obtained from financial institutions		99,287,300	52,500,000
Long-term finance repaid to related parties		(35,226,790)	(5,567,612)
Long-term finance obtained from related parties		6,000,000	45,000,000
Lease liabilities repaid during the year		(35,411,488)	(41,832,528)
Net cash (used in) / generated from financing activities		(11,392,027)	24,867,838
Net increase / (decrease) in cash and cash equivalents (A+B+C)		413,007,171	(32,983,403)
Cash and cash equivalents at the beginning of the year		(1,619,656,905)	(1,586,673,502)
Cash and cash equivalents at the end of the year	31	(1,206,649,734)	(1,619,656,905)

The annexed notes 1 to 42 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer


Director

STATEMENT OF CHANGES IN EQUITY
For the Year ended June 30, 2021



		Share capital	Capital reserve	Revenue reserve		
			Surplus on revaluation of property, plant and equipment - net of tax	Equity portion of loan from related parties	Unappropriated profit	
					Total	
Note		Rupees				
Balance as at July 1, 2019		198,528,000	636,580,009	44,580,488	775,173,992	1,654,672,489
Total comprehensive income for the year						
Loss for the year		-	-	-	(102,581,502)	(102,581,502)
Other comprehensive income for the year		-	43,859,875	-	1,549,326	45,409,201
		-	43,859,875	-	(101,032,176)	(57,172,301)
Transfer from surplus on revaluation of property plant and equipment on account of						
- incremental depreciation charged thereon - net of tax	13	-	(45,086,163)	-	45,086,163	-
- disposals - net of tax		-	(1,515,625)	-	1,515,625	-
Transactions with related parties						
Amortised portion of interest free loan due to change in terms of loan	14.2	-	-	(19,482,503)	-	(19,482,503)
Unwinding of discount on long-term loan from related parties	14.2	-	-	(10,763,020)	10,763,020	-
Fair value effect of interest free loan provided by related parties	14.2	-	-	19,271,104	-	19,271,104
Balance as at June 30, 2020		198,528,000	633,848,096	33,586,069	731,526,624	1,597,488,789
Total comprehensive income for the year						
Profit for the year		-	-	-	159,801,097	159,801,097
Other comprehensive income for the year		-	(7,130,328)	-	4,673,892	(2,456,436)
		-	(7,130,328)	-	164,474,989	157,344,661
Transfer to / from surplus on revaluation of property, plant and equipment on account of						
- revaluation surplus as at June 30, 2021 - net of tax		-	329,878,174	-	-	329,878,174
- incremental depreciation charged thereon - net of tax	13	-	(45,876,184)	-	45,876,184	-
- disposals - net of tax		-	-	-	-	-
Transactions with related parties						
Amortised portion of interest free loan due to change in terms of loan	14.2	-	-	-	-	-
Unwinding of discount on long-term loan from related parties	14.2	-	-	(9,674,126)	9,674,126	-
Fair value effect of interest free loan provided by related parties	14.2	-	-	1,901,919	-	1,901,919
Balance as at June 30, 2021		198,528,000	910,719,758	25,813,862	951,551,923	2,086,613,543

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Chief Financial Officer

Director

1. STATUS AND NATURE OF BUSINESS

- 1.1 Idrees Textile Mills Limited (the Company) was incorporated in Pakistan as an unquoted public limited company on June 5, 1990 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and was listed on Pakistan Stock Exchange Limited on April 28, 1992. The registered office of the Company is situated at 6-C, Ismail Centre, 1st floor, Central Commercial Area, Bahadurabad, Karachi in the Province of Sindh. The principal activity of the Company is manufacturing, processing and sale of all kinds of yarn.

Following are the geographical location and address of all business units of the Company:

Karachi	Purpose
6-C, Ismail Centre, 1st floor, Central Commercial Area, Bahadurabad	Head Office
Nankana Sahib	Purpose
Kot Shah Muhammad, Tehsil & District Nankana Punjab	Regional Office and Production Plant / Factory

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 as 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; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention except that certain categories of property, plant and equipment are stated at revalued amounts and the Company's liability under defined benefit plan (gratuity) is stated at present value of defined benefit obligation.

2.3 Presentation and functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded off to the nearest rupee.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of the accounting and reporting standards, as applicable in Pakistan, that have a significant effect on the financial statements and estimates with significant risk of material judgment in the next financial year are set forth below:

- assumptions and estimates used in accounting for defined benefit plan (notes 3.10 and 17.1);
- assumptions and estimates used in determining residual values, useful lives and recoverable amount of property, plant and equipment (notes 3.1, 3.6 and 4.1);
- right of use assets and lease liability (notes 3.1, 3.18, 4.1.2 and 15);
- assumptions and estimates used in determining provision for taxation including deferred taxation (notes 3.11, 16 and 29);
- assumptions and estimates used in determining provision for slow moving stores and spares (notes 3.2 and 5.1);
- assumptions and estimates used in writing down items of stock-in-trade to their net realizable value (notes 3.3 and 6);
- contingencies and commitments (note 21); and
- impairment of financial assets (notes 3.5.4).

2.5 Changes in accounting standards and interpretations

2.5.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021, however, these standards, amendments and interpretations are either not relevant to the Company's operations or do not significantly impact the Company's financial statements other than certain additional disclosure.

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions
- Amendments to IFRS 3 'Business Combinations' - Definition of a business
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform

Certain annual improvements have also been made to a number of IFRS standards.

2.5.2 New accounting standards and amendments that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
- Amendments to 'IAS 12 Income Taxes' - Amendments regarding deferred tax on leases and decommissioning obligations	January 01, 2023

Certain annual improvements have also been made to a number of IFRS Standard, which are also not expected to have material impact on financial reporting of the Company.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the SECP:

- IFRS 1 'First Time Adoption of International Financial Reporting Standards'
- IFRS 17 'Insurance Contracts'

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2020.

3.1 Property, plant and equipment

3.1.1 Owned assets

Property, plant and equipment are stated as follows:

- Land is stated at revalued amount less impairment loss, if any;
- Building, Labour colony, plant and machinery, electric installations and mill equipment are stated at revalued amounts less accumulated depreciation and impairment losses, if any; and
- Office equipment, furniture and fixtures and vehicles are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of an asset including borrowing costs, if any. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in an 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 its cost can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalized and the asset so replaced is derecognised. Normal repairs and maintenance are charged to the statement of profit or loss during the period in which they are incurred.

Depreciation is charged to the statement of profit or loss on a straight line basis at the rates specified in note 4.1. Depreciation on additions is charged from the month an asset is available for use upto the month prior to its disposal.

Depreciation methods, useful lives and residual values of each item of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed and adjusted, if appropriate at each reporting date.

Surplus on revaluation of assets is recognised net of tax, in statement of other comprehensive income (OCI) and presented as a separate component of equity as "surplus on revaluation of property, plant and equipment", except that it reverses a revaluation deficit for the same asset previously recognised in the statement of profit or loss, in which case the surplus is credited to the statement of profit or loss to the extent of the deficit charged previously.

Deficit on revaluation of assets is recognised in the statement of profit or loss, except that it reverses a revaluation surplus for the same asset previously recognised in statement of other comprehensive income, in which case the deficit is charged to other comprehensive income to the extent of the surplus credited previously. The revaluation reserve is not available for distribution to the Company's shareholders.

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the estimated fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of assets (net of deferred taxation) is transferred directly to retained earnings (unappropriated profit). Further, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings (unappropriated profit).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised in other income / other expenses in the statement of profit or loss. When revalued assets are sold, any related amount included in the surplus on revaluation is transferred to retained earnings (unappropriated profit).

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any, and consists of expenditure incurred and advances made in respect of assets in the course of their acquisition, construction and installation. Transfers are made to relevant asset categories as and when assets are available for intended use.

3.1.2 Leased assets

Plant and machinery acquired under finance lease is stated at revalued amounts less accumulated depreciation and impairment losses, if any. Vehicles acquired under finance lease are stated at cost less accumulated depreciation and impairment losses, if any. Assets that will be transferred at the end of the lease term are depreciated over the useful life of the assets commencing from the year in which the leased assets are put into operation. Depreciation and other policies are same as for the owned assets described above.

3.2 Stores, spares and loose tools

These are stated at lower of moving average cost and net realizable value, less allowance for obsolete and slow moving items (if any). Items in transit are stated at cost comprising invoice value plus other charges incurred thereon upto the reporting date. Provision for obsolete and slow moving stores, spares and loose tools is determined based on the management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

3.3 Stock-in-trade

These are stated at lower of cost and net realizable value applying the following basis:

Cost signifies in relation to:

- Raw material (imported)	Lower of cost (weighted average) and net realisable value (NRV) - specific identification basis
- Raw material (local)	Lower of cost (weighted average) and NRV
- Stock-in-transit	Cost accumulated up to reporting date
- Work-in-process and finished goods	Lower of cost (weighted average) and NRV
- Waste	Net realisable value (NRV)

Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.

Net realizable value (NRV) signifies the estimated selling price in the ordinary course of business less the net estimated costs necessary to be incurred to make the sale.

3.4 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortized cost less loss allowance, if any. The Company measures the loss allowance for trade debts at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade debts and other receivables considered irrecoverable are written off.

3.5 Financial instruments

3.5.1 Classification of financial assets

The Company classifies its financial assets into following three categories:

At amortized cost ("AC"),

Fair value through other comprehensive income ("FVTOCI") and

Fair value through profit or loss ("FVTPL").

Financial assets at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets at FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial assets at FVTPL

All other financial assets are classified at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVTOCI).

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

3.5.2 Recognition and initial measurement of financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of assets and liabilities when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.5.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial assets at FVTOCI

All financial assets at FVTOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income.

For debt instruments classified as financial assets at FVTOCI, the amounts in other comprehensive income are reclassified to income statement on derecognition of financial assets. This treatment is in contrast to equity instruments classified as financial assets at FVTOCI, where there is no reclassification on derecognition.

Financial assets at FVTPL

All financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the income statement.

3.5.4 Impairment

Impairment of financial assets

Under expected credit loss (ECL) model of IFRS 9, the Company recognises loss allowances for ECLs on financial assets. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

3.5.5 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.5.6 Derecognition

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.5.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.6 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

3.7 Foreign currency transactions and translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into reporting currency equivalents using foreign currency rates ruling on the reporting date. Exchange differences on foreign currency transactions and translation are included in the income currently.

3.8 Provisions

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

3.9 Cash and cash equivalents

Cash and cash equivalents used in statement of cash flows include cash in hand balances with banks in current and deposit accounts and short term borrowings. Short-term borrowings availed by the Company, are payable on demand and form an integral part of the Company's cash management.

3.10 Retirement benefit obligation

3.10.1 Defined benefit plan

The Company operates an unfunded gratuity scheme covering all its factory workers who have completed the minimum qualifying period of service as defined under the scheme. The Company's obligation under the scheme is determined through actuarial valuation carried out at each year end under the Projected Unit Credit Method. Remeasurements which comprise actuarial gains and losses are recognised immediately in other comprehensive income.

The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and current service cost are recognised in the statement of profit or loss.

3.10.2 Defined contribution plan

The Company operates an approved funded contributory provident fund scheme for all head office staff. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% of basic salary per annum.

3.11 Taxation

3.11.1 Current tax

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. Charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessment framed / finalized during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

3.11.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date.

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits in the foreseeable future will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Further, the Company also recognizes a deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.12 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in statement of profit or loss in the period in which they are incurred.

3.14 Revenue recognition

The Company manufactures and contracts with customers for the sale of yarn which generally include single performance obligation. Management has assessed that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer.

Interest income is accrued on time proportionate basis, by reference to the principal outstanding and at the applicable effective interest rate.

3.15 Dividend income

Dividend income is recognised when the Company's right to receive payment have been established and is recognised in statement of profit or loss and included in other income.

3.16 Dividend and appropriation to / from reserves

Dividend distribution to the Company's shareholders and appropriations to / from reserves is recognised in the period in which these are approved.

3.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.18 Leases - Lease liabilities and right-of-use assets

The Company recognises leases as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Company.

The lease liability is subsequently measured (at amortised cost) by increasing the carrying amount to reflect interest on the lease liability using the effective interest method and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

For short term leases and leases of low / immaterial value assets, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured based on the initial amount of the lease liability 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 asset is depreciated on a straight line method over the assets economic life. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

3.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses that relates to transactions with any of the other components of the Company.

The Board of Directors and the Chief Executive Officer of the Company have been identified as the chief operating decision-makers (CODM), who are responsible for allocating resources and assessing the performance of the operating segments. Management has determined that the Company has a single reportable segment as the CODM views the Company's operations as one reportable segment.

3.20 Commitments

Commitments for capital expenditure contracted for but not incurred are disclosed in the financial statements at committed amounts. Commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at committed amounts.

	Note	2021 Rupees	2020 Rupees
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets			
Owned	4.1.1	1,964,381,190	1,556,034,590
Right of use assets	4.1.2	75,948,660	106,662,382
Advance against vehicle	4.1.3	5,717,100	-
		2,046,046,950	1,662,696,972

4.1 OPERATING FIXED ASSETS

2021									
Particulars	Cost / Revaluation				Accumulated Depreciation			Written Down Value	
	July 01, 2020	Addition/ (disposals)/ write-offs	Transfers	Revaluation adjustment	June 30, 2021	Depreciation/ (disposals)/ write-offs for the year	Transfers	Revaluation adjustment	June 30, 2021
4.1.1 Owned assets									
Land/freehold	110,171,675	-	-	130,203,125	240,375,000	-	-	-	240,375,000
Mill building on freehold land	144,322,007	995,814	-	73,325,169	218,633,050	12,332,090	12,396,947	(24,709,037)	218,633,050
Labour colony on freehold land	20,901,500	-	-	451,125	21,352,625	2,591,476	2,591,444	-	21,352,625
Plant and machinery	1,295,321,639	72,720,633	32,774,000	23,544,028	1,414,360,500	58,694,331	61,569,634	1,110,755	1,414,360,500
Electric installations	28,512,660	-	-	(6,525,600)	21,988,000	3,417,281	3,417,277	(6,634,598)	21,988,000
Factory equipment	6,487,499	-	-	(1,235,998)	5,251,500	663,514	663,516	(1,327,030)	5,251,500
Office equipment	13,304,584	1,499,174	-	-	14,804,158	11,277,250	547,836	-	11,825,098
Furniture and fixtures	3,885,361	-	-	-	3,885,361	3,689,585	29,127	-	3,718,712
Vehicle	300,981,010	7,737,160	22,003,500	-	329,321,670	65,209,418	4,026,872	6,117,855	319,274,796
		(29,468,536)			101,253,134		(13,375,607)		
	1,713,888,535	82,942,681	54,777,500	219,761,848	2,041,903,328	157,854,945	85,242,695	7,228,610	1,964,361,190
		(29,468,536)					(13,375,607)		
4.1.2 Right of use assets									
Plant and machinery	61,626,000	-	(32,774,000)	3,648,000	32,500,000	1,313,024	1,008,795	(1,110,755)	32,500,000
Vehicle	55,308,530	18,605,000	(22,003,500)	-	51,910,030	6,980,124	5,620,101	(6,117,855)	43,448,660
	116,935,530	18,605,000	(54,777,500)	3,648,000	84,411,030	10,273,148	6,628,896	(7,228,610)	75,548,660
Total June 30, 2021	1,820,825,065	101,547,681	-	223,409,848	2,126,314,356	168,128,093	91,871,591	(160,639,598)	2,040,326,850
		(29,468,536)					(13,375,607)		

Operating fixed assets

2020									
Particulars	Cost / Revaluation			Accumulated Depreciation			Written Down Value		Dep. Rate %
	July 01, 2019	Additions / (disposal)	Transfers	Revaluation adjustment	June 30, 2020	July 01, 2019	Depreciation / (disposal) for the year	Transfers	Revaluation adjustment
Rupees									
4.1.1 Owned assets									
Land - freehold	110,171,875	-	-	-	110,171,875	-	-	-	-
Mill building on freehold land	143,983,101	358,966	-	-	144,322,067	-	12,312,090	-	12,312,090
Labour colony on freehold land	20,901,500	-	-	-	20,901,500	-	2,591,476	-	2,591,476
Plant and machinery	1,272,069,600	3,992,827 (1,900,788)	11,140,000	-	1,285,321,639	-	96,531,179 (27,788)	190,941	96,694,331
Electric installations	28,513,600	-	-	-	28,513,600	-	3,417,281	-	3,417,281
Factory equipment	6,487,499	-	-	-	6,487,499	-	663,514	-	663,514
Office equipment	12,821,984	483,000	-	-	13,304,984	10,746,742	531,508	-	11,277,250
Furniture and fixtures	3,792,461	92,900	-	-	3,885,361	3,664,311	25,274	-	3,889,585
Vehicles	101,944,759	695,852 (7,738,601)	6,079,000	-	100,981,010	62,941,507	4,250,732 (3,851,086)	1,868,265	65,209,418
	1,700,886,379	5,623,545 (9,639,389)	17,219,000	-	1,713,886,535	77,351,560	82,323,054 (3,878,875)	2,059,206	157,854,945
4.1.2 Right of use assets									
Plant and machinery	55,206,000	17,500,000 (11,140,000)	-	-	61,626,000	-	1,503,965	(190,941)	1,313,024
Vehicles	56,122,500	5,266,030 (6,079,000)	-	-	55,309,530	5,309,061	5,519,328 (1,868,265)	-	8,960,124
	111,328,500	22,766,030 (17,219,000)	-	-	116,935,530	5,309,061	7,023,293 (2,059,206)	-	10,273,148
Total June 30, 2020	1,812,074,879	28,389,575 (9,639,389)	-	-	1,830,825,065	82,660,621	89,346,347 (3,878,875)	-	168,128,093
									1,662,696,972

4.1.3 This represents payment made by lessor on behalf of the Company as per the lease agreement, yet the vehicle have not been received as of June 30, 2021.

4.2 Depreciation for the year has been allocated as under:

	Note	2021 Rupees	2020 Rupees
Cost of sales	23	81,647,853	79,019,505
Administrative expenses	25	10,223,738	10,326,842
		<u>91,871,591</u>	<u>89,346,347</u>

4.3 The details of operating fixed assets disposed / written offs during the year are as follows :

Description	Cost / Revaluation	Accumulated Depreciation	Carrying Value	Sale Proceeds	Gain / (loss)	Relationship of purchaser with Company	Mode of Disposal	Particulars of purchaser
Vehicle								
Unique Motorcycle	87,982	87,981	1	20,000	19,999	Third Party	Negotiation	Asad Ahmed Khan
Honda City	910,314	910,313	1	1,178,000	1,177,999	Third Party	Negotiation	Gohar
Mercedes Benz	10,185,000	6,111,000	4,074,000	5,000,000	926,000	Third Party	Negotiation	Blue Wave Global Tech
Master Foton Truck	1,985,000	1,191,000	794,000	1,650,000	856,000	Third Party	Negotiation	Zohab Trading Co.
Honda Civic	2,534,000	1,649,104	884,896	1,700,000	815,104	Third Party	Negotiation	Mansoor Faisal
Honda City	1,933,000	483,250	1,449,750	2,000,000	550,250	Third Party	Negotiation	Blue Wave Global Tech
Honda Civic	3,339,740	834,935	2,504,805	3,200,000	695,195	Third Party	Negotiation	Rukhsar Trading
Suzuki Bolan	725,000	292,468	432,502	800,000	367,498	Related Party	Negotiation	Naem Khees Allawala
Honda Civic	2,647,000	705,967	1,941,133	2,800,000	858,867	Third Party	Negotiation	Rukhsar Trading
Hilux Revo	5,121,500	1,109,659	4,011,841	4,300,000	288,159	Third Party	Negotiation	Anwar Hamza Ghauri
	29,468,536	13,375,607	16,092,929	22,648,000	6,555,071			

4.4 The Company carries its land, building, labour colony, plant and machinery, electric installations and mill equipment at revalued amounts under IAS 16 Property, Plant and Equipment. The latest revaluation of these assets was carried out as at June 30, 2021 by Tristar International Consultant (Pvt.) Ltd. (an independent valuer located in Lahore) on the basis of present market values, which resulted in surplus on revaluation amounting to Rs. 384.05 million.

The Company commissioned independent valuations of land, building, labour colony, plant and machinery, electric installations and mill equipment during the years ended June 30, 2006, June 30, 2010, June 30, 2013, June 30, 2016, June 30, 2019 and June 30, 2021. The resulting revaluation surpluses have been disclosed in notes 13 and 4.1 to the financial statements and have been credited to the revaluation surplus account net of their related tax effect.

The carrying amount of the aforementioned assets as at June 30, 2021, if the said assets had been carried at historical cost, would have been as follows:

	2021		2020	
	Cost	Accumulated depreciation	Carrying value	Cost
	Rupees			
Land - freehold	8,772,600	-	8,772,600	8,772,600
Mills building on freehold land	142,260,822	(107,287,600)	34,973,162	141,275,008
Labour colony on freehold land	16,533,266	(15,383,625)	1,149,641	16,533,266
Plant and machinery	1,516,849,325	(717,880,696)	798,968,629	1,444,128,491
Electric installations	43,144,676	(29,396,961)	13,747,715	43,144,676
Factory equipment	6,616,044	(4,695,709)	1,920,335	6,616,044
	1,734,176,733	(874,644,651)	859,532,082	1,660,470,085
				(851,352,722)
				809,117,363

4.5 Forced sale values as per the latest revaluation report as of June 30, 2021 as mentioned in note 4.4 are as follows:

Asset Class	Rupees
Land - freehold	204,318,750
Mills building on freehold land	185,838,093
Labour colony on freehold land	18,149,731
Plant and machinery	1,157,488,400
Electric installations	17,590,400
Mill equipment	4,201,200

4.6 Particulars of immovable asset of the Company are as follows:

Location	Addresses	Usage of immovable property
Nankana Sahib	Kot Shah Muhammad, Tahsil & District Nankana Punjab	Production Plant and facility

	Note	2021 Rupees	2020 Rupees
5. STORES, SPARES AND LOOSE TOOLS			
Stores and spares		45,950,186	47,023,198
Stores and spares in transit		4,169,707	6,868,020
Loose tools		64,585	64,585
		<u>50,184,478</u>	<u>53,955,803</u>
Less: provision for slow moving items	5.1	<u>(6,374,821)</u>	<u>(6,374,821)</u>
		<u>43,809,657</u>	<u>47,580,982</u>
5.1 Movement in provision for slow moving items			
Balance as at July 1,		6,374,821	6,374,821
Provision made during the year		-	-
Balance as at June 30,		<u>6,374,821</u>	<u>6,374,821</u>
6. STOCK-IN-TRADE			
Raw material			
- In hand		785,996,519	1,004,724,792
- In transit		155,372,804	349,733,833
Work-in-process		41,992,838	38,283,787
Finished goods			
- In hand		61,419,155	71,782,264
- In transit		-	24,606,640
- Third party		39,370,268	45,070,336
Waste		5,968,408	3,856,262
		<u>1,090,119,992</u>	<u>1,538,057,914</u>
6.1 During the year there is no provision on stock-in-trade, however, during last year goods costing Rs 61.44 million were written down by Rs 5.92 million to net realisable value amounting to Rs 55.51 million.			
7. TRADE DEBTS			
Considered good			
Export		83,606,403	1,631,173
Local		618,114,799	780,467,008
	7.1	<u>701,721,202</u>	<u>782,098,181</u>
Considered doubtful			
Local		12,413,215	12,413,215
		<u>714,134,417</u>	<u>794,511,396</u>
Less: Provision for doubtful debts	7.2	<u>(12,413,215)</u>	<u>(12,413,215)</u>
		<u>701,721,202</u>	<u>782,098,181</u>
7.1 Trade debts are non-interest bearing and are generally on 60 to 90 days terms. Trade debts are unsecured other than the export and local trade debts that are secured against letter of credits as mentioned in note 7.4.			
7.2 Movement in provision for doubtful debts			
Balance as at July 1,		12,413,215	12,413,215
Provision made during the year		-	-
Balance as at June 30,		<u>12,413,215</u>	<u>12,413,215</u>

	2021 Rupees	2020 Rupees
7.3 Ageing of trade debts past due but not impaired		
0 - 90 days	573,107,254	210,485,661
91-180 days	87,222,961	161,008,446
181 - 360 days	51,427,302	396,068,353
Above 360 days	2,376,900	26,948,936
	<u>714,134,417</u>	<u>794,511,396</u>

7.4 Following are the details for local and export related trade debts outstanding as at June 30 2021, which are secured against letter of credit:

	Mode of arrangement	Amount in Rupees
Local sales	Confirmed LC	12,130,560
Exports - China	Confirmed LC	83,606,403

	Note	2021 Rupees	2020 Rupees
8. LOANS AND ADVANCES			
Considered good			
Loans to employees - unsecured	8.1	632,000	414,000
Advance to employees	8.1	475,481	2,394,481
Advances - unsecured			
- to suppliers		19,923,795	15,211,165
- for expenses		1,164,303	1,411,694
		21,088,098	16,622,859
Advance income tax		61,325,131	48,287,120
		<u>83,520,710</u>	<u>67,718,460</u>

8.1 These represents unsecured, interest free, short-term loan and advance given to employees of the Company.

	Note	2021 Rupees	2020 Rupees
9. OTHER RECEIVABLES			
Sales tax			
- considered good		21,158,402	47,992,564
- considered doubtful		2,630,629	2,630,629
Export rebate - considered doubtful		2,194,344	2,194,344
Duty draw back receivable		5,872,932	5,872,932
Cotton quality and weight claims			
- considered good		3,279,126	8,479,386
Profit on deposits		2,101,232	2,087,871
Others	9.1	122,284,243	1,998,939
		159,520,908	71,256,665
Less: provision for doubtful receivables	9.2	(4,824,973)	(4,824,973)
		<u>154,695,935</u>	<u>66,431,692</u>

- 9.1 During the year, the Company entered into an agreement with a customer whereby overdue balance as of January 1, 2021 will be paid in instalments until December 31, 2021. This has resulted in modification in terms of financial assets and therefore, the Company has recognized modification loss, as disclosed in note 27. As at June 30, 2021, the outstanding balance is Rs. 120.58 million.

	Note	2021 Rupees	2020 Rupees
9.2 Provision for doubtful receivables			
As at July 01, 2020		4,824,973	4,824,973
Provision recognized during the year		-	-
As at June 30, 2021		<u>4,824,973</u>	<u>4,824,973</u>

10. OTHER FINANCIAL ASSETS

Term deposit receipts	10.1	<u>97,094,620</u>	<u>73,746,320</u>
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- 10.1 These represents term deposit receipts with various banks for a period ranging from six months to one year carrying mark-up at the rates ranging from 6.25% to 9.00% (2020: 5.90% to 10.00%) per annum. The banks have lien on these term deposit receipts on account of guarantees provided by such banks as disclosed in note 21.1.1 to the financial statements. These will mature latest by June 09, 2022 (2020: August 21, 2021).

	Note	2021 Rupees	2020 Rupees
11. CASH AND BANK BALANCES			
Cash in hand		1,761,291	987,370
Cash at banks			
- in current accounts	11.1	6,578,622	17,305,401
- in savings account	11.2	30,835	107,534
		<u>8,370,748</u>	<u>18,400,305</u>

- 11.1 This includes an amount of Rs. 6.68 million (2020: Rs. 6.68 million) on which the bank has created lien on account of guarantee provided by such bank as disclosed in note 21.1.1 to the financial statements.

- 11.2 It carries markup of 6.56% (2020: 8.9%) per annum.

12. SHARE CAPITAL

2021 Number of shares	2020 Number of shares		2021 Rupees	2020 Rupees
<u>22,000,000</u>	<u>22,000,000</u>	Authorised		
		Ordinary shares of Rs. 10/- each	<u>220,000,000</u>	<u>220,000,000</u>
		Issued, subscribed and paid-up		
<u>19,852,800</u>	<u>19,852,800</u>	Ordinary shares of Rs. 10/- each fully paid in cash	<u>198,528,000</u>	<u>198,528,000</u>

- 12.1 The Company has one class of ordinary share, which carry equal voting rights but no right to fixed income. Voting rights, board selection etc. are in proportion to their shareholding.

	Note	2021 Rupees	2020 Rupees
13. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net of tax			
As at July 1,		769,235,102	827,686,199
Surplus arising during the year		384,049,417	-
Less: transferred to unappropriated profit on account of:			
- incremental depreciation - net of tax		(45,876,184)	(45,086,163)
- related deferred tax liability		(12,446,071)	(11,464,146)
- disposals - net of tax		-	(1,515,625)
- related deferred tax liability		-	(385,163)
		(58,322,255)	(58,451,097)
As at June 30		1,094,962,264	769,235,102
Less: related deferred tax liability on:			
Revaluation surplus as at July 1,		135,387,006	191,096,190
Surplus arising during the year	16	54,171,243	-
Adjustment due to change in tax rate	16	7,130,328	(43,859,875)
Incremental depreciation charged during the year		(12,446,071)	(11,464,146)
Assets disposed-off during the year		-	(385,163)
	16	184,242,506	135,387,006
As at June 30		910,719,758	633,848,096
14. LONG-TERM FINANCE			
Long term portion			
Financial institutions	14.1	95,173,061	83,150,898
Related parties	14.2	73,927,139	60,154,932
		169,100,200	143,305,830
Current portion			
Financial institutions	14.1	90,459,584	49,235,496
Related parties	14.2	14,894,598	50,121,388
		105,354,182	99,356,884

14.1 Details and movement are as follows:

	Dubai Islamic Bank			The Bank of Punjab			2021 Rupees	2020 Rupees
	Term Finance 1	Term Finance 2	Term Finance 3	Term Finance 1*	Term Finance 2	Term Finance 3		
	Rupees							
Balance at July 01	7,611,779	24,935,074	19,285,714	28,053,827	52,500,000	-	132,386,394	105,118,416
Obtained during the year	-	-	-	-	48,000,000	51,287,300	99,287,300	52,500,000
Repaid during the year	7,611,779 (3,262,191)	24,935,074 (9,067,299)	19,285,714 (6,428,572)	28,053,827 (21,579,987)	100,500,000 (25,125,000)	51,287,300	231,673,694 (46,041,049)	157,618,416 (25,232,022)
Payable within one year	4,349,588 (3,262,191)	15,867,775 (9,067,299)	12,857,142 (6,428,572)	25,885,840 (8,631,947)	75,375,000 (50,250,000)	51,287,300 (12,819,575)	185,632,645 (90,459,584)	132,386,394 (49,235,496)
Balance at June 30	1,087,397	6,800,476	6,428,570	17,263,893	25,125,000	38,467,725	95,173,061	80,150,898
Mark up rate (per annum)	6 month KIBOR +250 bps	6 month KIBOR +250 bps	6 month KIBOR +225 bps	6 month KIBOR +250 bps	SBP Rate Quarterly (6 months grace period)	SBP Rate +250 bps Quarterly		
Principal and mark up payment	Monthly	Monthly	Monthly	Quarterly				
Sub-note	14.1.1	14.1.1	14.1.1	14.1.2	14.1.3	14.1.4		

* The loan was converted to LTFF after SBP approval during the year.

14.1.1 The loan is secured by way of first pari passu charge over Compact Spinning, imported Gen set and locally purchased carding machines with 0% to 25% margin.

14.1.2 The loan is secured by way of first exclusive and specific hypothecation charge over imported machinery of the Company (Compact Spinning Assembly) with 0% margin.

14.1.3 The loan is for financing salaries and wages under SBP Refinance Scheme. The loan is secured against existing land and building and plant and machinery of the Company with 25% margin.

14.1.4 The loan is obtained to meet the capital expenditure requirement of the Company. The loan is secured by way of first exclusive and specific hypothecation charge over imported machinery of the Company. The unavailed facility available as at June 30, 2021 is Rs. 48.71 million.

14.1.5 The Company has entered into a Temporary Economic Refinance Facility (TERF) agreement with an Islamic bank and commercial banks, with the total limit aggregating to Rs. 600 million (2020: Nil). This includes Rs. 150 million being the sub-facility under the letter of credit facility agreement amounting to Rs. 175 million with the Islamic bank. The unavailed facility as at year end was Rs. 600 million (2020: Nil). These facilities carry mark up of SBP Base Rate + 4% (2020: Nil). The tenure of these facilities ranges from 5 to 10 years with grace period up to 2 years. These facilities are secured against various assets including exclusive charge over imported machinery, first pari passu charge over land & building, hypothecation charge over specific equipment and machinery, and also the personal guarantee of all the directors and mortgagors of the

	Note	2021 Rupees	2020 Rupees
14.2 Loan from related parties - unsecured			
Opening as at July 01,		110,276,320	59,549,513
Receipts during the year	14.2.1	6,000,000	45,000,000
Repayments during the year	14.2.1	(35,226,790)	(5,567,612)
Unwinding of discount		9,674,126	10,763,020
Release of equity portion of loan due to change in terms of loan		-	19,482,503
Less: Fair value adjustment		(1,901,919)	(19,271,104)
		<u>88,821,737</u>	<u>110,276,320</u>
Payable within one year		<u>(14,894,598)</u>	<u>(50,121,366)</u>
Closing as at June 30,		<u>73,927,139</u>	<u>60,154,952</u>

- 14.2.1** During the year, the Company obtained loan amounting to Rs. 6 million from the directors of the Company as per the agreement signed on December 15, 2020. These loans are interest free, unsecured and are expected to be repaid by the end of December 14, 2024. Using the discount rate of 10% per annum, the fair value of the loans is estimated at Rs. 4.1 million. The difference of Rs. 1.9 million is recognized in equity in this regard.

The interest (i.e., unwinding of the difference between present value on initial recognition and the amount received) is being recognized on the loan in the statement of profit or loss using the effective interest method.

- 14.2.2** During the year, the Company has repaid loan amounting to Rs. 35.23 million to directors and their closed family members.

As at June 30, 2021, the loans received from directors are due to be paid as follows, unless otherwise the terms of repayment are further extended:

Due Date	Loan received	Present value
June 03, 2023	45,741,000	36,855,195
December 06, 2023	45,000,000	32,765,956
December 14, 2024	6,000,000	4,302,955
December 31, 2021	14,894,598	14,894,598
	<u>114,635,598</u>	<u>88,821,737</u>

	Note	2021 Rupees	2020 Rupees
15. LEASE LIABILITY			
Present value of minimum lease payments	15.1	29,408,329	40,353,062
Less: current portion shown under current liabilities		<u>(19,268,069)</u>	<u>(24,536,352)</u>
		<u>10,140,260</u>	<u>15,816,710</u>

- 15.1** These represent plant and machinery and vehicles acquired under leases (and musharaka arrangement) from leasing companies and financial institutions. Future minimum lease payments under lease together with the present value of the net minimum lease payments are as follows:

	2021			2020		
	Future minimum lease	Finance cost	Present value	Future minimum lease	Finance cost	Present value
	Rupees					
Not later than one year	21,113,822	1,645,753	19,268,069	27,656,116	3,119,766	24,536,352
Later than one year but not later than five years	10,668,764	528,504	10,140,260	17,071,771	1,255,061	15,816,710
Total future minimum lease payments	<u>31,782,586</u>	<u>2,374,257</u>	<u>29,408,329</u>	<u>44,727,887</u>	<u>4,374,827</u>	<u>40,353,062</u>

The rates of mark-up ranges from 9.46% to 10.38% (2020: 13.66% to 16.54%) per annum and are used as discounting factor. The lease terms are upto 3 years. The Company intends to exercise its option to purchase the leased assets upon completion of the lease period. Liabilities are secured against leased assets, demand promissory notes and security deposits.