

IDREES

TEXTILE MILLS LIMITED

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED
DECEMBER, 2021
(UN-AUDITED)



COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Idrees Allawala	- Chairman
Mr. S. M. Mansoor Allawala	- Executive Director / CEO
Mr. Omair Idrees Allawala	- Executive Director
Mr. Rizwan Idrees Allawala	- Non - Executive Director
Mr. Muhammad Israil	- Non - Executive Director
Syed Masud Arif	- Independent Director
Ms. Azra Yaqub Vawda	- Independent - Director

AUDIT COMMITTEE

Ms. Azra Yaqub Vawda	- Chairperson
Syed Masud Arif	- Member
Mr. Rizwan Idrees Allawala	- Member
Syed Shahid Sultan	- Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE

Syed Masud Arif	- Chairman
Mr. Rizwan Idrees Allawala	- Member
Ms. Azra Yaqun Vawda	- Member

COMPANY SECRETARY

Syed Shahid Sultan

CHIEF FINANCIAL OFFICER

Mr. Muhammad Jawaaid

AUDITORS

M/s. Yousuf Adil
Chartered Accountants

BANKERS

National Bank of Pakistan
Bank Alfalah Limited
Habib Metropolitan Bank Ltd.
Meezan Bank Ltd.
Bank of Punjab Ltd.
BankIslami Pakistan Ltd.
MCB Islamic Bank Ltd.
Dubai Islamic Bank Pakistan Ltd.
Samba Bank Limited
Silk Bank Ltd.

REGISTERED OFFICE

6-C, Ismail Centre, 1st Floor,
Central Commercial Area,
Bahadurabad,
Karachi - 74800.

MILLS

Kot Shah Mohammad,
Tehsil Nankana,
District Nankana,
Punjab.
www.idreestextile.com

SHARES REGISTRAR

M/S. JWAFFS Registrar Services (Pvt) Ltd.
407-408, 4th Floor, Al-Ameera Centre,
Shahrah-e-Iraq, Saddar, Karachi.

***IN THE NAME OF ALLAH
THE MOST BENEFICENT AND MERCIFUL***

The Directors are pleased to present the Condensed Interim Financial Statements of your Company for the half year ended December 31, 2021 duly reviewed by the external auditors.

FINANCIAL AND OPERATIONAL OVERVIEW

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

During the period, the Company's turnover amounted to Rs. 2,321 million as compared to Rs. 1,732 million in the same period of last year. Gross profit amounted to Rs. 297 million compared to Rs. 182 million for the corresponding period and profit after tax amounted to Rs. 160 million against Rs. 24 million in the comparable period. Earnings per share amounted to Rs. 8.06 as against Rs. 1.19 in the same period of last year. By the grace of Allah, the Company's profitability has significantly improved in the half year under review as gross margin improved from 10.5 percent to 12.8 percent. Turnover during the first half of FY22 has increased by 34 percent as compared to the same period of FY21.

The momentum of economic recovery continued in the period under review, as Covid restrictions around the world have eased out, which is evident from a remarkable growth witnessed in the exports of Pakistan's textile sector which is eyeing a target of USD 20 billion plus for FY22. Size of Pakistan's cotton crop is still unable to meet the demand of spinning sector. Extensive effort is required on the part of Government to ensure availability of good quality cotton at competitive price in line with the local demand. The 'Textiles and Apparel Policy 2020-25' states its Policy Vision 'to fully utilize potential of home-grown cotton augmented by man-made fibres/filaments to boost value-added exports and become one of the major players in global textiles and apparel supply chain'. The policy needs to be implemented in letter and spirit.

FUTURE OUTLOOK

Civil work for extension of the mill has commenced and letters of credit have been established for import of machinery. The project's civil work is expected to be completed by the first quarter of FY23 and the benefits will, *In Shaa Allah*, be visible in FY23 onwards. Subsequent to the period under review, your Company has acquired 'ORA Home LLC' (ORA), a USA-based company. Pursuant to the acquisition, ORA has become a wholly-owned subsidiary of your Company. With this acquisition, the management intends to expand its exports business into USA market.

The government should consider restoration of Sales Tax Zero-Rated regime for the textile chain and tax credit u/s. 65B must be allowed as an incentive. Cut in interest rate, reduction in energy tariff and controlling the rate of inflation shall be of great benefit for the textile industry. As a fall-out of the Russia-Ukraine conflict, we may see new highs of LNG and oil prices exerting inflationary pressure. Your Company's management remains committed to business growth through automation, energy optimization, efficiency enhancements and optimization of resources.

BOARD OF DIRECTORS

The total number of directors is seven as follows

a) Male : 06 b) Female : 01

The composition of the Board is as follows:

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

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Non-executive including independent directors are entitled only to a fee for attending Company meeting.

ACKNOWLEDGEMENT

The Board is thankful to the customers, bankers, suppliers and shareholders for their trust and support and duly recognizes the valuable services rendered by the employees.

For and on behalf of the Board



Muhamad Idrees Allawala
Chairman



Rizwan Idrees Allawal
Director

Karachi
March 01, 2022

بورڈ آف ڈائریکٹرز

مندرجہ ذیل تفصیل کے مطابق ڈائریکٹران کی تعداد 7 ہے

(ا) مرد 06

(ب) عورت 01

ساخت

انڈیپنڈنٹ ڈائریکٹر سید مسعود عارف، مس عذرا یعقوب واوڈا
نان ایگزیکٹو ڈائریکٹر محمد ادریس اللہ والا، رضوان ادریس اللہ والا، محمد اسرائیل
ایگزیکٹو ڈائریکٹر ایس ایم منصور اللہ والا، عمیر ادریس اللہ

نان ایگزیکٹو ڈائریکٹران کے لئے معاوضہ کی پالیسی
نان ایگزیکٹو ڈائریکٹران صرف اجلاس میں شرکت کی فیس کے حقدار ہیں۔

اظہار تشکر

بورڈ صارفین، بینکاروں، سپلائرز اور شیئرز ہولڈر کے اعتماد اور تعاون کے لئے اظہار تشکر کرتا ہے اور ملازمین کی جانب سے پیش کی گئی خدمات کی تعریف کرتا ہے۔

کراچی

مارچ 01، 2022

منجانب بورڈ



رضوان ادریس اللہ والا
چیف ایگزیکٹو



محمد ادریس اللہ والا
چیرمین / ڈائریکٹر

آپ کی کمپنی کے ڈائریکٹران 31 دسمبر 2021 کو ختم ہونے والی ششماہی کے آڈیٹر کے جائزہ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

عملی اور مالیاتی کارکردگی کا جائزہ

کمپنی کی بنیادی سرگرمی دھاگے کی پیداوار اور فروخت کی ہے زیر جائزہ مدت میں کاروباری سرگرمیوں میں کوئی اہم تبدیلی نہیں ہے۔ زیر جائزہ مدت میں خالص فروخت کی مالیت 2321 ملین روپے جبکہ تقابلی مدت میں 1732 ملین روپے رہی۔ مجموعی منافع 297 ملین روپے جبکہ تقابلی مدت میں 182 ملین روپے تھا جبکہ بعد از ٹیکس منافع 160 ملین روپے جبکہ تقابلی مدت میں 24 ملین روپے تھا فی حصص منافع زیر جائزہ مدت میں 8.06 روپے جبکہ تقابلی مدت میں 1.19 روپے تھا۔ اللہ کے فضل سے کمپنی کے منافع میں زیر جائزہ ششماہی میں نمایاں بہتری آئی ہے مجموعی مارجن 10.5 فیصد سے بڑھ کر 12.8 فیصد ہو گیا ہے۔ مالی سال 21 کی اسی مدت کے مقابلہ میں مالی سال 22 کی ششماہی کے دوران کاروبار میں 34 فیصد اضافہ ہوا ہے۔

زیر نظر مدت میں معاشی بحالی کی رفتار جاری رہی، کیونکہ دنیا بھر میں کووڈ کی پابندیوں میں نرمی آئی ہے، جو کہ پاکستان کے ٹیکسٹائل سیکٹر کی برآمدات میں نمایاں نمو سے ظاہر ہے جو مالیاتی سال 22 کے لئے 20 بلین امریکی ڈالر سے زیادہ کے ہدف پر نظر رکھے ہوئے ہے، پاکستان کی کپاس کی فصل کا سائز اب بھی اسپنگ کے شعبے کی طلب کو پورا کرنے سے قاصر ہے۔ مقامی مانگ کے مطابق مسابقتی قیمت پر اچھے معیار کی کپاس کی دستیابی کو یقینی بنانے کے لئے حکومت کی جانب سے وسیع پیمانے پر کوشش کی ضرورت ہے، ٹیکسٹائل اور ملبوسات کی پالیسی 2020-25 اپنے پالیسی وژن کو بیان کرتی ہے کہ مقامی کپاس کی پیداوار اور انسانی ساختہ ریشٹوں / فلامینٹس کی صلاحیت کو مکمل طور پر بروئے کار لاتے ہوئے ویلیو ایڈڈ برآمدات کو فروغ دینا اور عالمی ٹیکسٹائل اور ملبوسات کے بڑے کھلاڑیوں میں سے ایک بننے کی پالیسی کو مکمل طور پر لاگو کرنے کی ضرورت ہے۔

مستقبل پر نظر

مل کی توسیع کے لئے تعمیراتی کام کا آغاز کر دیا گیا ہے اور مشینری کی درآمد کے لئے لیٹر آف کریڈٹ قائم کر دئے گئے ہیں۔ پروجیکٹ کا سول ورک FY23 کی پہلی سہ ماہی تک مکمل ہونے کی امید ہے اور اس کے فوائد ان شاء اللہ FY23 میں اور اس کے بعد نظر آئیں گے۔ زیر نظر مدت کے بعد آپ کی کمپنی نے ORA Home LLC (ORA) کی ملکیت حاصل کی ہے یہ امریکہ میں قائم شدہ کمپنی ہے۔ اس کے حصول کے بعد (ORA) آپ کی کمپنی کا ایک مکمل ذیلی ادارہ بن گیا ہے۔ اس کے حصول کے ساتھ انتظامیہ اپنی برآمدات کے کاروبار کو امریکی مارکیٹ میں بڑھانے کا ارادہ رکھتی ہے۔ حکومت کو ٹیکسٹائل چین سلیز ٹیکس زیرو ریٹیڈ نظام کی بحالی پر غور کرنا چاہیے اور 65B کے تحت کریڈٹ کی بطور ترغیب اجازت ہونی چاہیے۔ شرح سود میں کمی توانائی کے نرخوں میں کمی اور مہنگائی کی شرح کو کنٹرول کرنے سے ٹیکسٹائل انڈسٹری کے لئے بہت فائدہ ہوگا۔ روس، یوکرین تنازعہ کے نتیجے میں ہم LNG اور تیل کی قیمتوں کی نئی بلندیوں کو دیکھ سکتے ہیں جو کہ مزید افراط زر کا باعث بن سکتا ہے آپ کی کمپنی کی انتظامیہ آٹومیشن، توانائی کی اصلاح، کارکردگی میں اضافہ اور وسائل کی اصلاح کے ذریعہ کاروباری ترقی کے لئے پرعزم ہے۔

TO THE MEMBERS OF IDREES TEXTILE MILLS LIMITED**Report on review of Condensed Interim Financial Statements****Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **Idrees Textile Mills Limited** (the Company) as at December 31, 2021, and the related condensed interim statement of profit or loss and other comprehensive income, the condensed interim statement of changes in equity, and the condensed interim statement of cash flows and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the 'condensed interim financial statements'). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as of and for the six months period ended December 31, 2021 are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2021 and December 31, 2020 have not been subject to limited scope review, as we are only required to review the cumulative figures for the half year ended December 31, 2021.

The engagement partner on the review resulting in this independent auditor's review report is Hena Sadiq.

Chartered Accountants**Date:****Place:** Karachi

07-19 / 1187
February 21, 2022

The Board of Directors
Idrees Textile Mills Limited
6-C, Ismail Centre, 1st floor
Central Commercial Area
Bahadurabad
Karachi.

Dear Board members,

DRAFT CONDENSED INTERIM FINANCIAL STATEMENTS OF IDREES TEXTILE MILLS LIMITED FOR THE HALF YEAR ENDED DECEMBER 31, 2021

We are pleased to enclose the draft condensed interim financial statements of **Idrees Textile Mills Limited** (the Company) for the half year ended December 31, 2021, prepared by the management, together with our draft review report thereon. The enclosed draft condensed interim financial statements and the draft review report thereon have been initialed by us for the purposes of identification only. We shall be pleased to sign our review report, in the present form or amended form, after:

- a. We have received the condensed interim financial statements, in present or amended form, duly approved by the Board of Directors (the Board) of the Company and signed on its behalf by the Chief Executive, Chief Financial Officer and a Director duly authorized for this purpose;
- b. We have received a copy of the resolution of the Board approving the enclosed condensed interim financial statements;
- c. We have received a representation letter duly signed by the Chief Executive and Chief Financial Officer of the Company;
- d. We have received specific approvals of the items listed in paragraph 3;
- e. We have received other financial and non-financial information to be included in the half yearly report of the Company that we are required to review as per International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity';
- f. We have completed the Engagement Quality Control Review (EQCR) which is an independent review of the engagement as part of our quality control procedures of the firm and required by the ISRE 2410 'Review of Interim Financial Information Performed by The Independent Auditor of the Entity'; and
- g. Consent of the Board for providing certain information about the Company to the Institute of Chartered Accountants of Pakistan (refer paragraph 4.8 of this letter for details).

We would like to inform you that unless we have signed the review report on the enclosed draft condensed interim financial statements, the same shall remain and be deemed not to be reviewed.

2. Responsibilities of the Auditors and the Board in relation to the condensed interim financial statements

The responsibilities of the independent auditors in a review engagement of the condensed interim financial statements are explained in ISRE 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While the auditors are responsible for issuing review report, the responsibility for the preparation of the condensed interim financial statements is that of the Company's management under the oversight of the Board.

Management and the Board's responsibilities include the maintenance of adequate accounting records and internal controls, selection and application of accounting policies and safeguarding of the assets of the Company. The review of condensed interim financial statements does not relieve the Board of its responsibilities. Accordingly, our review of the books of account and records should not be relied upon to disclose all the errors and / or irregularities in relation to the condensed interim financial statements.

3. Specific approval

We request that specific approval of the Board be provided to us for the following:

	Rupees
i. Additions to property, plant and equipment	
Owned	17,687,373
Leased	25,113,248
Capital work in progress	49,066,468
ii. Provision for slow moving stores, spares and loose tools	1,368,396
iii. Donations made during the year	2,319,000

Transactions with related parties as disclosed in note 17 to the draft condensed interim financial statements.

4. Matters for the attention of the Board

Our review has highlighted certain matters, which are set forth in the ensuing paragraphs. These matters came to our knowledge during the conduct of normal review procedures designed primarily with a view to enable us to express a conclusion on the Company's condensed interim financial statements. The matters set forth cannot, therefore, be expected to highlight all possible issues that an audit or a more extensive special examination may have highlighted.

4.1 Gas Infrastructure Development Cess (GIDC)

As disclosed in detail in note 10.1 to the enclosed draft condensed interim financial statements, the developments on GIDC matter during the half year ended December 31, 2021 are as follows:

The Company filed an appeal before the Honorable High Court of Sindh on the ground that no burden of GIDC had been passed to its customers / clients and thus the Company is not liable to pay GIDC under GIDC Act 2015. The Court granted stay order against recovery of GIDC payable by the Company till the finalization of matter by Sindh High Court. The matter is currently pending in the Sindh High Court.

On September 27, 2021, the Honorable Lahore High Court issued a judgment on writ petition No. 42716 / 2020 whereby it was concluded that all the parties to the petition (including the Company) fall under the category of Industrial Consumers rather than Captive Power Plant and shall remain liable to the tariff applicable to Industrial Consumers.

The Company has still maintained provision of Rs. 5.40 million in the enclosed draft condensed interim financial statements, which is based on rates specified for Industrial Consumers.

4.2 Acquisition of ORA Home LLC, a subsidiary entity

Subsequent to December 31, 2021, on January 5, 2022, the Company has acquired ORA Home LLC (ORA), a limited liability company based in New Jersey, United States of America (USA). One of the directors of the Company is the member manager of ORA. Pursuant to the acquisition, ORA has become wholly owned subsidiary of the Company. With this acquisition, the Company intends to develop contacts to expand its exports business into USA market.

As a result of above, the Company is required to prepare consolidated financial statements (on quarterly and annual basis), as per the accounting and reporting standards applicable in Pakistan. For annual financial statements, the consolidated financial statements have to be audited by the external auditors for which the auditors will have to send audit instructions to the external auditor of ORA under ISA 600 'Special Considerations—Audits of Group Financial Statements'.

Further, the Company is also required to comply with certain regulatory requirements under the Companies Act, 2017 and PSX Rule Book.

We recommend that management should take necessary steps to comply with above requirements.

4.3 Loans from Directors / Sponsors

Loans from related parties as disclosed in note 8 to the enclosed draft condensed interim financial statements includes aggregate loan of Rs. 14.89 million (2020: Rs. 14.89 million), which is due to Mr. Kamran Idrees Allawala and Mrs. Saba Kamran. As previously advised by management during the half yearly review for the period ended December 31, 2020 the Company had planned to repay these loans by December 31, 2021, however, the same has not been repaid till date. Upon inquiry, management has informed us that the Company will repay the remaining loans during the ongoing financial year, therefore, the loan pertaining to Mr. Kamran Idrees Allawala and Mrs. Saba Kamran has been reported under the current liabilities.

4.4 Contract claims

During the period, certain suppliers of the Company defaulted on the cotton supply contract due to the increase in cotton prices in the international market whereas the contracts were made at a significantly lower price. Upon such default, the Company negotiated with the suppliers and as a result the suppliers agreed to pay damages to the Company of Rs. 62.11 million out of which the Company has received Rs. 24.84 million till December 31, 2021.

4.5 Due from Government agencies

We have noted that the receivables pertaining to sales tax is accumulating since last many years. The year wise breakup of such receivables is provided below:

Tax Year	Sales tax receivable
2019	2,010,137
2018	5,553,361
2017	17,243,978
2016	21,561,816
2015 and before	5,917,305
TOTAL	52,286,597

We have been informed by management that refund application has been submitted in this regard, however, no refund was received during the current period or in last period. Therefore, it is recommended that management should expedite the process of pursuing the refundable balances and also assess the recoverability of the stated balances.

4.6 Delayed submission of monthly sales tax returns

As per the requirement of Sales Tax Act, 1990, every registered person is required to furnish, not later than the due date, a true and correct return in the prescribed form indicating the purchases and the supplies made during a tax period, the tax due and paid and such other information, as may be prescribed.

During the audit, we noted significant delays in the filing of sales tax returns as mentioned below:

Month	Date of Submission (FBR)	Required to be Submitted (FBR)	Delay (Days)
July	27-Aug-21	24-Aug-21	03

Month	Date of Submission (FBR)	Required to be Submitted (FBR)	Delay (Days)
August	30-Sep-21	18-Sep-21	12
September	28-Oct-21	18-Oct-21	10
October	26-Nov-21	18-Nov-21	08
November	21-Dec-21	18-Dec-21	03
December	1-Feb-22	28-Jan-22	04

We recommend that the Company should file its sales tax returns within prescribed time, i.e., 18th of the month following the period in which supplies were made to avoid any penal action(s), including being removed from active taxpayer list.

4.7 Post-dated cheques (PDCs) issued to collector of customs

During our review, we have observed that the Company is posting and reversing entries in the dormant bank account ledgers for the PDCs issued to Collector of Customs against custom duties on imported raw materials to be utilized against finished goods to be exported, whereas there was no actual movement in respective bank accounts. It was also observed that such PDCs are drawn on dormant bank accounts of the Company which poses a risk that the subject cheques would be dishonored if presented in bank by the custom authorities.

We recommend that:

management should not issue PDCs drawn on dormant bank accounts and avoid posting entries in the general ledger codes related to such bank accounts and instead issue PDCs drawn on active bank accounts of the Company; and

management should close all the dormant bank accounts on urgent basis if these are not needed.

4.8 Unique Document Identification Number (UDIN) on Audit Report

On December 30, 2021, the Institute of Chartered Accountant of Pakistan (ICAP) issued requirements under Directive 4.27 to enhance public trust on auditor's report, whereby it is required that every practicing chartered accountant will place UDIN generated from ICAP portal on the following reports:

Auditor's Report on General Purpose Financial Statements;
Auditor's Report on Interim Financial Information; and
Auditor's Review Report on Statement of Compliance with Code of Corporate Governance

In order to obtain the UDIN, auditors are required to upload certain financial information, which includes registration number, reporting period, net assets, profit / loss before tax, cash and cash equivalents, total current assets and revenue. Accordingly, we are required to upload the aforementioned information on the portal of ICAP.

Consequent to above, we are required to upload the aforementioned information on portal of ICAP for generation of UDIN at the time of signing the reports. The ICAP, in its frequently asked questions (FAQs) has assured practicing members that all information on the portal is confidential and accessible to the engagement partner, authorized financial institutions, regulators and authorities.

We seek consent of the Board for sharing of the information in order to generate UDIN for the review report.

4.9 Follow-up of previous years' issues

We would like to draw attention of the Board on observations communicated by us through our letter no. 09-19 / 0517, dated October 02, 2021. Following matters are still unresolved and need attention:

Fixed assets register maintained by the Company does not include information related to location / custodian of the asset and department / cost center to which the depreciation is charged, which are recommended under Technical Release-6 (TR-6) issued by The Institute of Chartered Accountants of Pakistan. Further, management does not carry out periodic physical verification of the fixed assets. We recommend that management should update its fixed assets register along with proper tagging in order to avoid any chances of misappropriation of fixed assets.

The Company does not have any procedure to prepare periodic aging report of stores, spares and loose tools. However, in order to ascertain slow moving items, management makes an informal assessment of slow moving stores, spares and loose tools based on the movement during the period in each item, assessing the physical condition and assessment of future usability and make adequate provision against the slow moving and obsolete items in the financial statements. We recommend that management should periodically (i.e., quarterly) prepare aging report of stores, spares and loose tools to assess the adequacy of the provision.

We would like to place on record our appreciation for the cooperation extended to us by management and staff during the course of our review.

Yours truly,

Chartered Accountants

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021



	Note	December 31, 2021 (Un-audited)	June 30, 2021 (Audited)
		(Rupees)	
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,085,848,152	2,046,046,950
Long-term deposits		2,887,987	2,887,987
		2,088,736,139	2,048,934,937
Current assets			
Stores, spares and loose tools		51,485,937	43,809,657
Stock-in-trade	5	1,379,791,233	1,090,119,992
Trade debts		699,186,897	701,721,202
Loans and advances		71,124,526	83,520,710
Deposits and short-term prepayments		5,226,982	1,871,858
Other receivables	6	246,823,586	154,695,934
Other financial assets	7	108,925,328	97,094,620
Cash and bank balances		35,764,781	8,370,748
		2,598,329,270	2,181,204,721
Total assets		4,687,065,409	4,230,139,658
EQUITY AND LIABILITIES			
EQUITY			
Share capital and reserves			
Authorized 22,000,000 ordinary shares of Rs.10/- each		220,000,000	220,000,000
Issued, subscribed and paid-up capital		198,528,000	198,528,000
Capital reserves			
Surplus on revaluation of property, plant and equipment - net of tax		885,844,394	910,719,758
Equity portion of loan from related parties		20,854,796	25,813,862
Revenue reserves		1,121,493,716	951,551,923
Total equity		2,226,720,906	2,086,613,543
LIABILITIES			
Non-current liabilities			
Long-term finance	8	135,214,170	169,100,200
Lease liability		19,280,767	10,140,260
Deferred tax liability		259,956,343	252,700,211
Retirement benefit obligation		55,878,757	54,932,453
		470,330,037	486,873,124
Current liabilities			
Trade and other payables		340,566,126	236,390,906
Accrued mark-up		31,164,689	21,575,812
Short-term borrowings	9	1,442,312,491	1,215,020,482
Current portion of long-term finance	8	117,372,985	105,354,182
Current portion of lease liability		22,429,166	19,268,069
Unclaimed dividend		3,007,216	2,424,885
Provision for taxation		33,161,793	56,618,655
		1,990,014,466	1,656,652,991
Total liabilities		2,460,344,503	2,143,526,115
Total equity and liabilities		4,687,065,409	4,230,139,658

CONTINGENCIES AND COMMITMENTS

10

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

		Half-year Ended		Quarter Ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Note		(Rupees)			
Sales - net	11	2,321,022,109	1,731,682,924	1,238,783,564	930,612,529
Cost of sales	12	(2,023,801,156)	(1,549,693,408)	(1,100,639,300)	(822,213,462)
Gross profit		297,220,953	181,989,516	138,144,264	108,399,067
Distribution cost		(17,613,816)	(13,607,934)	(8,696,374)	(8,494,866)
Administrative expenses		(47,312,566)	(39,802,309)	(25,582,091)	(21,562,799)
		(64,926,382)	(53,410,243)	(34,278,465)	(30,057,665)
		232,294,571	128,579,273	103,865,799	78,341,402
Finance cost		(78,072,051)	(86,784,018)	(44,484,434)	(39,368,693)
Other operating expenses	13	(27,428,592)	(7,490,315)	(17,683,700)	(6,270,294)
		126,793,928	34,304,940	41,697,665	32,702,415
Other income	14	72,310,434	5,075,532	70,636,483	3,222,203
Profit before taxation		199,104,362	39,380,472	112,334,148	35,924,618
Taxation					
Current		(33,265,565)	(24,641,369)	(19,864,395)	(14,305,081)
Prior		1,377,511	(453,076)	1,377,511	(349,304)
Deferred		(7,256,145)	9,312,668	(7,256,145)	(7,282,687)
		(39,144,199)	(15,781,777)	(25,743,029)	(21,937,072)
Profit for the period		159,960,163	23,598,695	86,591,119	13,987,546
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		159,960,163	23,598,695	86,591,119	13,987,546
Earnings per share - basic and diluted (Rupees)		8.06	1.19	4.36	0.70

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER



	Half - year Ended	
	December 31, 2021	December 31, 2020
Note	(Rupees)	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	199,104,362	39,380,472
Adjustments for:		
Depreciation	52,065,887	45,274,421
Provision for retirement benefit obligation	9,895,584	8,754,690
Provision for slow moving stores, spares and loose tools	1,368,396	-
Gain on sale of property, plant and equipment	-	(1,761,102)
Finance cost	73,112,985	81,901,208
Unwinding of discount on other receivables	(6,401,253)	-
Finance cost on unwinding of discount on long-term finance from related parties	4,959,066	4,882,810
Operating cash flows before working capital changes	334,105,027	178,432,499
(Increase) / decrease in current assets		
Stores, spares and loose tools	(9,044,676)	3,279,262
Stock-in-trade	(289,671,241)	267,733,712
Trade debts	2,534,305	19,800,991
Loans and advances	(15,505,709)	(10,228,642)
Deposits and short-term prepayments	(3,355,124)	914,810
Other receivables	(85,726,399)	(12,443,496)
	(400,768,844)	269,056,637
Increase / (decrease) in current liabilities		
Trade and other payable	104,175,220	(133,660,050)
	(296,593,624)	135,396,587
Cash generated from operations	37,511,403	313,829,086
Finance cost paid	(61,239,736)	(111,207,234)
Retirement benefit obligation paid	(8,949,280)	(3,931,700)
Income tax paid	(27,443,023)	(21,405,874)
Net cash (used in) / generated from operating activities	A (60,120,636)	177,284,278
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(66,753,841)	(61,883,537)
Proceed from disposal of property, plant and equipment	-	6,720,000
Long-term deposits	-	1,907,830
Other financial asset - net	(11,830,708)	(12,348,300)
Net cash used in investing activities	B (78,584,549)	(65,604,007)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term finance	(32,676,293)	(43,855,821)
Proceeds from long-term finance	5,850,000	54,000,000
Lease rental paid - net	(15,096,029)	(25,691,305)
Dividend paid	(19,270,469)	-
Net cash used in financing activities	C (61,192,791)	(15,547,126)
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(199,897,976)	96,133,145
Cash and cash equivalents at the beginning of the period	(1,206,649,734)	(1,619,656,905)
Cash and cash equivalents at the end of the period	15 (1,406,547,710)	(1,523,523,760)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2021



Note	Issued, subscribed and paid up capital	Capital reserves		Revenue reserves	Total
		Surplus on revaluation of property, plant and equipment - net of tax	Equity Portion of loan from related parties	Unappropriated profit	
			(Rupees)		
Balance as at July 1, 2020	198,528,000	633,848,096	33,586,069	731,526,624	1,597,488,789
Total comprehensive income for the period					
Profit for the period	-	-	-	23,598,695	23,598,695
Other comprehensive income	-	-	-	-	-
	-	-	-	23,598,695	23,598,695
Transfer from surplus on revaluation of property, plant and equipment on account:					
- incremental depreciation charge thereon - net of tax	-	(21,489,681)	-	21,489,681	-
- disposals - net of tax	-	-	-	-	-
	-	(21,489,681)	-	21,489,681	-
Transactions with related parties / owners					
Fair value effect of interest free loan provided by related parties	-	-	1,901,919	-	1,901,919
Unwinding of discount on long-term loan from related parties	-	-	(4,882,810)	4,882,810	-
Balance as at December 31, 2020	198,528,000	612,358,415	30,605,178	781,497,810	1,622,989,403
Balance as at July 1, 2021	198,528,000	910,719,758	25,813,862	951,551,923	2,086,613,543
Total comprehensive income for the period					
Profit for the period	-	-	-	159,960,163	159,960,163
Other comprehensive income	-	-	-	-	-
	-	-	-	159,960,163	159,960,163
Transfer from surplus on revaluation of property, plant and equipment on account:					
- incremental depreciation charge thereon - net of tax	-	(24,875,364)	-	24,875,364	-
- disposals - net of tax	-	-	-	-	-
	-	(24,875,364)	-	24,875,364	-
Dividend paid	-	-	-	-	-
Transactions with related parties / owners					
Unwinding of discount on long-term loan from related parties	-	-	(4,959,066)	4,959,066	-
Final dividend for the year ended June 30, 2021 @ Rs 1 per share	-	-	-	(19,852,800)	(19,852,800)
Balance as at December 31, 2021	198,528,000	885,844,394	20,854,796	1,121,493,716	2,226,720,906

The annexed notes from 1 to 20 form an integral part of these condensed interim financial information.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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 is listed on Pakistan Stock Exchange Limited. 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. The Company's manufacturing facility is located at Kot Shah Muhammad, District Nankana in the Province of Punjab.

The geographical location and address of the Company's business units, including mill / plants, is as under:

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

- International Accounting Standard 34: 'Interim Financial Reporting' (IAS - 34), 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 the provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IAS-34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These condensed interim financial statements do not include all the information and disclosures which are required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Company.

These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the section 237 of Companies Act, 2017.

The comparatives in the condensed interim statement of financial position as at December 31, 2021 have been extracted from the audited financial statements of the Company for the year ended June 30, 2021, whereas, the comparatives in the condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the unaudited condensed interim financial statements of the Company for the half year ended December 31, 2020.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except 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 Functional and presentation currency

These condensed interim financial statements have been presented in Pak Rupees which is the functional and presentation currency of the Company.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGEMENTS

3.1 Significant accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2021.

3.2 Financial risk management

The financial risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Company for the year ended June 30, 2021.

3.3 Adoption of certain standards, interpretations and amendments

There are certain standards, interpretations on accounting and reporting standards as applicable in Pakistan and amendments to certain existing standards which have been published and are mandatory for the accounting period beginning on or after July 01, 2021. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant impact on the accounting policies of the Company and therefore not disclosed in these condensed interim financial information.

3.4 Estimates and judgments

All the estimates, judgments and methods of computation adopted in the preparation of these condensed interim financial information are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2021.

Half-year Ended December 31, 2021		Half-year Ended December 31, 2020	
Additions	Disposals at carrying value	Additions	Disposals at carrying value
(Un-audited)		(Un-audited)	
(Rupees)			

4. Property, plant and equipment

- owned

Plant and machinery	16,265,899	-	59,619,292	-
Factory building	-	-	19,354	-
Office equipment	1,262,500	-	279,654	-
Vehicles	158,974	-	1,965,237	(12,805,871)
	17,687,373	-	61,883,537	(12,805,871)

- leased

Plant and machinery	18,800,000	-	-	-
Vehicles	6,313,248	-	-	-
	25,113,248	-	-	-
	42,800,621	-	61,883,537	(12,805,871)



December 31,
2021
(Un-audited)
----- (Rupees) -----

June 30,
2021
(Audited)

4.1 Capital work in progress

49,066,468

-

4.2 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.

December 31,
2021
(Un-audited)
----- (Rupees) -----

June 30,
2021
(Audited)

Note

5. STOCK-IN-TRADE

Raw material

- In hand

1,036,879,660

785,996,519

- In transit

1,569,386

155,372,804

Work-in-process

51,794,711

41,992,838

Finished goods

280,560,568

100,789,423

Waste

8,986,908

5,968,408

1,379,791,233

1,090,119,992

6. OTHER RECEIVABLES

Sales tax

- considered good

135,453,278

21,158,402

- 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

Contract claim receivable

14.1

37,267,793

-

Others

68,229,583

127,664,600

251,648,559

159,520,907

Less: provision for doubtful receivables

(4,824,973)

(4,824,973)

246,823,586

154,695,934

7. OTHER FINANCIAL ASSETS

Term deposit receipts

7.1

108,925,328

97,094,620

7.1 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% (June 30, 2021: 6.25% to 9.00%) per annum. The banks have lien on these term deposit receipts on account of guarantee provided by such banks. These will mature latest by November 10, 2022.

		(Un-audited) December 31, 2021 (Un-audited)	(Audited) June 30, 2021 (Audited)
	Note	----- (Rupees) -----	
8. LONG-TERM FINANCE			
From banking companies (Secured) - At amortised cost			
Term Finance	8.1	95,993,852	110,257,645
Less: Current portion shown under current liabilities		(39,665,887)	(40,209,584)
		56,327,965	70,048,061
Refinance scheme for payment of wages and salaries	8.2	62,812,500	75,375,000
Less: current portion shown in current liabilities		(62,812,500)	(50,250,000)
		-	25,125,000
		56,327,965	95,173,061
From related parties (Unsecured) - At amortised cost			
Opening balance		88,821,737	110,276,320
Receipts during the year		-	6,000,000
Repayments during the year		-	(35,226,790)
Unwinding of discount		4,959,066	9,674,126
Less: Current portion shown under current liabilities		-	-
Less: Fair value adjustment		-	(1,901,919)
	8.3	93,780,803	88,821,737
Less: Current portion shown under current liabilities		(14,894,598)	(14,894,598)
		78,886,205	73,927,139
		135,214,170	169,100,200
Current portion of long-term finance		117,372,985	105,354,182
8.1	This represents long-term finance facilities obtained by the Company for the purpose of procurement of plant and machinery. The facilities carry markup at KIBOR + 2.25% to 2.5% per annum and are payable in fixed monthly/quarterly installments within a period of 4 to 5 years. The loans are secured against existing land and building and plant and machinery of the Company with 25% margin, first exclusive charge over the assets (imported Gen set and Compact Spinning and locally purchased carding machines) with 0% to 25% margin, first exclusive and specific hypothecation charge over imported machinery of the Company (Compact Spinning Assembly) with 0% margin.		
8.2	It represents long-term financing obtained from a conventional bank under the Refinance Scheme for Payment of Wages and Salaries by the State Bank of Pakistan. It carries mark-up at the rate of 2% per annum. The loan is repayable in 8 equal quarterly installments commencing from March 2021. The financing is secured against land and building and plant and machinery of the Company with 25% margin.		
8.3	These loans are interest free, unsecured and are expected to be repaid by the end of December 31, 2023, further extendable by mutual agreement.		
	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.		
8.4	During 2021, the Company 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 period end was Rs. 600 million. These facilities carry mark up of SBP Base Rate + 4%. The tenure of these facilities ranges from 5 to 10 years with grace period upto 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 Company.		

December 31, 2021 (Un-audited)	June 30, 2021 (Audited)
----- (Rupees) -----	

9. SHORT-TERM BORROWINGS

From banking companies - secured

Running finance	375,857,930	428,815,076
Cash finance	626,723,371	221,806,459
Finance Against Imported Merchandise (FIM)	439,731,190	564,398,947
	1,442,312,491	1,215,020,482

- 9.1 Facilities for running finance, cash finance, FIM and Murabaha are available from various commercial banks up to Rs. 2,307 million (June 30, 2021: Rs. 3,070 million). These facilities are subject to markup at the rates of 3 month KIBOR plus 1.00% to 2.5% (June 30, 2021: 3 month KIBOR plus 1.00% to 2.5%) per annum payable quarterly. These are secured against various assets including first pari passu hypothecation charge over present and future stock-in-trade, pledge of cotton, first hypothecation charge over present and future book debts, ranking charge on the stocks and receivables of the Company, equitable mortgage on various properties and personal guarantees of all the directors of the Company.

The aggregate unavailed short-term borrowing facilities amounted to Rs. 865 million (June 30, 2021: Rs. 1,858 million).

10. CONTINGENCIES AND COMMITMENTS

- 10.1 The Federal Government issued Gas Infrastructure Development Cess (GIDC) Acts in the years 2011, 2014 and 2015. All GIDC Acts have been subject of thorough debate and consideration at honorable High Courts of the Country as well as the Supreme Court of Pakistan (SCP).

On August 12, 2020, the SCP issued its verdict (Judgement) and held that "the levy imposed under Gas Infrastructure Development Cess Act, 2015 (the Act) is in accordance with the Provisions of the Constitution". The Supreme Court has also held that "the Provisions of section 8 of the Act, which give retrospective effect to the charge and recovery of GIDC levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament." However, since the Company is an industrial concern and it did not pass on the burden of GIDC to its consumers prior to the GIDC Act, 2015 (or even thereafter), management believes that the Company is entitled to the exemption under the first proviso to Section 8(2) of the GIDC Act, 2015 from payment of the GIDC levied under the GIDC Act, 2011 and GIDC Ordinance, 2014. As such, arrears due from the Company may only include amounts levied under the GIDC Act, 2015 from the date of its commencement, i.e., May 22, 2015.

Subsequent to the Order passed by the Honorable SCP on August 12, 2020, Sui Northern Gas Pipelines Limited (SNGPL) submitted bills to the industry including the Company claiming arrears of first instalment in deference to the said Judgement of the SCP. As the bills of arrears were calculated for monthly instalment on the basis of entire total payable amount from 2011 to July 2020 by charging Cess on the higher rate of tariff applicable to Captive Connections apart from the fact that the implication of Section 8 of the said Act, 2015 was not taken into consideration whereby it was provided that the industry, which has not collected the Cess from the Customers prior to 2015 shall not be liable to the payment of GIDC for the said period from 2011 to 2015. On September 14, 2020, a writ petition No. 42176 / 2020 was filed by All Pakistan Textile Mills Association (APTMA) (where the Company was also a party to the petition) before Honorable High Court at Lahore against imposition of GIDC Act 2015 and the recovery of Cess from December 2011 to May 2015. Further, during last year, SNGPL started billing for GIDC to the Company against which payment was made by the Company till March 2021 based on the order issued by Honorable Lahore High Court against the aforementioned writ petition. Pursuant to the order, Lahore High Court restrained SNGPL from charging the Cess at the higher tariff rate of Captive Connection and directed to issue revised bill calculated at the rate applicable to industrial connection. Besides, the payment for the period from 2011 to 2015 was also suspended in view of the implication of the said provision of law. Further, the Company made payment which was applicable to industrial consumers and for the difference between the amount charged to industrial consumers and captive power consumers, post-dated cheques were being issued by the Company in favour of SNGPL. For the amount relating to the payment of GIDC based on the actual calculation prior to 2015, the decision was made by the Lahore High Court on June 27, 2021 whereby it restrained the SNGPL to collect the cess prior to 2015.

Subsequent to the Order passed by the Honorable SCP on August 12, 2020, Sui Northern Gas Pipelines Limited (SNGPL) submitted bills to the industry including the Company claiming arrears of first instalment in deference to the said Judgement of the SCP. As the bills of arrears were calculated for monthly instalment on the basis of entire total payable amount from 2011 to July 2020 by charging Cess on the higher rate of tariff applicable to Captive Connections apart from the fact that the implication of Section 8 of the said Act, 2015 was not taken into consideration whereby it was provided that the industry, which has not collected the Cess from the Customers prior to 2015 shall not be liable to the payment of GIDC for the said period from 2011 to 2015. On September 14, 2020, a writ petition No. 42176 / 2020 was filed by All Pakistan Textile Mills Association (APTMA) (where the Company was also a party to the petition) before Honorable High Court at Lahore against imposition of GIDC Act 2015 and the recovery of Cess from December 2011 to May 2015. Further, during last year, SNGPL started billing for GIDC to the Company against which payment was made by the Company till March 2021 based on the order issued by Honorable Lahore High Court against the aforementioned writ petition. Pursuant to the order, Lahore High Court restrained SNGPL from charging the Cess at the higher tariff rate of Captive Connection and directed to issue revised bill calculated at the rate applicable to industrial connection. Besides, the payment for the period from 2011 to 2015 was also suspended in view of the implication of the said provision of law. Further, the Company made payment which was applicable to industrial consumers and for the difference between the amount charged to industrial consumers and captive power consumers, post-dated cheques were being issued by the Company in favour of SNGPL. For the amount relating to the payment of GIDC based on the actual calculation prior to 2015, the decision was made by the Lahore High Court on June 27, 2021 whereby it restrained the SNGPL to collect the cess prior to 2015.

During the period, the Company filed an appeal before the Honorable High Court of Sindh on the ground that no burden of GIDC had been passed to its customers / clients and thus the Company is not liable to pay GIDC under GIDC Act 2015. The Court granted stay order against recovery of GIDC payable by the Company till the finalization of matter by Sindh High Court. The matter is currently pending in the Sindh High Court.

Subsequent to the above order, on September 27, 2021, the Honorable Lahore High Court issued a judgment on writ petition No. 42716 / 2020 whereby it was concluded that all the parties to the petition (including the Company) fall under the category of Industrial Consumers rather than Captive Power Plant and shall remain liable to the tariff applicable to Industrial Consumers.

- 10.2** Except as disclosed above, there has been no significant change in contingencies as disclosed in note 21.1 to the annual audited financial statements of the Company for the year ended June 30, 2021.

10.3 Commitments

Letters of credit opened and outstanding for import of:

- plant and machinery
- stores and spares
- raw material

December 31, 2021 (Un-audited) ----- (Rupees) -----	June 30, 2021 (Audited)
766,086,726	599,912,977
11,916,311	8,858,225
717,042,338	621,274,797
1,495,045,375	1,230,045,999
Half-year Ended	
December 31, 2021 (Un-audited) ----- (Rupees) -----	December 31, 2020

11. SALES - NET

Yarn

- Export
- Local

Raw material - Local

- Cotton / viscose
- Waste

Less:

- Sales tax
- Brokerage and commission

141,514,737	230,674,628
2,388,803,245	1,586,326,680
2,530,317,982	1,817,001,308
38,105,910	67,396,984
145,188,907	116,928,704
2,713,612,799	2,001,326,996
(377,794,778)	(260,994,758)
(14,795,912)	(8,649,314)
2,321,022,109	1,731,682,924

		Half-year Ended	
		December 31, 2021	December 31, 2020
		(Un-audited)	
		(Rupees)	
12.	COST OF SALES	Note	
	Raw material consumed		1,770,332,324
	Salaries, wages and benefits		101,305,320
	Fuel and power		211,282,911
	Depreciation		46,482,699
	Stores and spares consumed		28,608,643
	Packing material		30,874,730
	Insurance		6,000,000
	Repairs and maintenance		941,418
	Vehicle running and maintenance		966,859
	Other manufacturing overheads		2,625,049
			2,199,419,953
	Work-in-process		
	Opening stock		41,992,838
	Closing stock		(51,794,711)
			(9,801,873)
	Cost of goods manufactured		2,189,618,080
	Finished goods		
	Opening stock		106,757,831
	Closing stock		(289,547,476)
			(182,789,645)
	Cost of raw material sold		16,972,721
			2,023,801,156
13.	OTHER OPERATING EXPENSES		
	Workers' profit participation fund		10,771,660
	Workers' welfare fund		4,241,178
	Exchange Loss		3,560,925
	Infrastructure cess		8,854,829
			27,428,592
14.	OTHER INCOME		
	Profit on deposits / investment		2,413,789
	Gain on disposal of property, plant and equipment		-
	Scrap sales		526,730
	Exchange gain		862,324
	Unwinding of discount on other receivables		6,401,253
	Others	14.1	62,106,338
			72,310,434

1,132,927,540

88,728,228

194,121,631

40,380,305

31,624,302

26,310,287

5,000,000

1,916,738

663,051

1,816,313

1,523,488,395

38,283,787

(48,684,649)

(10,400,862)

1,513,087,533

145,315,502

(163,651,065)

(18,335,563)

54,941,438

1,549,693,408

2,117,230

846,892

667,751

3,858,442

7,490,315

2,697,800

1,761,102

616,630

-

-

-

5,075,532

- 14.1** During the period, certain suppliers of the Company defaulted on the cotton supply contract due to increase in cotton prices in the international market whereas the contracts were made at a significantly lower price. Upon such default, the Company negotiated with the suppliers and as a result the suppliers agreed to pay damages to the Company of Rs. 62.11 million out of which the Company has received Rs. 24.84 million till December 31, 2021.

		December 31, 2021 (Un-audited)	December 31, 2020 (Un-audited)
	Note	----- (Rupees) -----	----- (Rupees) -----
15. CASH AND CASH EQUIVALENTS			
Cash and bank balances		35,764,781	40,703,610
Short-term borrowings	9	(1,442,312,491)	(1,564,227,370)
		<u>(1,406,547,710)</u>	<u>(1,523,523,760)</u>

16. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

- 16.1** Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the condensed interim financial information approximate their fair values.

16.2 Fair value estimation

The Company discloses the financial instruments measured in the condensed interim statement of financial position at fair value in accordance with the following fair value hierarchy:

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

There were no transfers between Level 1 and 2 during the period.

- 16.3** There are no assets or liabilities to classify under above levels except the Company's freehold land, buildings, labour colony, electric installations, equipment and plant and machinery are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Company's free hold land, buildings, labour colony, electric installation, equipment and plant and machinery carried out as at June 30, 2021, were performed by M/s Tristar International Consultant (Private) Limited, an independent valuer not related to the Company, using depreciable method. The valuer is listed on panel of Pakistan Banks' Association and has appropriate qualification and experience in the fair value measurement of property, plant and equipment.

The fair value of the remaining assets and liabilities are same as their carrying value.

17. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors, key management personnel and post employment retirement benefit plan. The significant transactions with related parties carried out during the period are as follows:

Relationship with the Company	Nature of transactions	(Un-audited) Half-year Ended December 31, 2021	December 31, 2020
		(Un-audited) ----- (Rupees) -----	(Un-audited) ----- (Rupees) -----
Employee retirement benefit plan	Contribution made to provident fund	812,839	700,572
Key management personnel	Short-term employee benefit	1,909,809	1,253,041
Directors	Unwinding of discount on loan from directors	4,959,066	4,882,810
	Loan received during the period	-	6,000,000
	Loan paid during the period	-	34,476,790

The Chief Executive, directors and some executives are provided with free use of Company maintained cars.



18. SUBSEQUENT EVENTS

Subsequent to period end, on January 05, 2022, the Company has acquired ORA Home LLC (ORA), a limited liability company based in New Jersey, United States of America (USA). One of the directors of the Company is the member manager of ORA. Pursuant to the acquisition, ORA Home LLC has become wholly owned subsidiary of the Company. With this acquisition, the Company intends to develop contacts to expand its exports business into USA market.

19. CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these condensed interim financial information, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

20. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been approved and authorized for issue on _____ by the Board of Directors of the Company.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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