

IDREES

TEXTILE MILLS LIMITED

CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
DECEMBER 31, 2019
(UN-AUDITED)



BOARD OF DIRECTORS	Mr. S.M. Idrees Allawala	- Chairman
	Mr. S. M. Mansoor Allawala	- CEO
	Mr. Naeem Idrees Allawala	- Director
	Mr. Omair Idrees Allawala	- Director
	Mr. Rizwan Idrees Allawala	- Director
	Mr. Muhammad Israil	- Director
	Mr. Muhammad Saeed	- Director
	Mr. Muhammad Iqbal	- Director
AUDIT COMMITTEE	Mr. Muhammad Saeed	- Chairman
	Mr. Muhammad Israil	- Member
	Mr. Muhammad Iqbal	- Member
	Syed Shahid Sultan	- Secretary
COMPANY SECRETARY	Syed Shahid Sultan	
CHIEF FINANCIAL OFFICER	Mr. Muhammad Jawaid	
AUDITORS	M/s. Deloitte Yousuf Adil Chartered Accountants	
HUMAN RESOURCE & REMUNERATION COMMITTEE	Mr. Muhammad Saeed	- Chairman
	Mr. Muhammad Iqbal	- Member
	Mr. Muhammad Israil	- Member
	Syed Shahid Sultan	- Secretary
BANKERS	National Bank of Pakistan Bank Alfalah Limited Habib Metropolitan Bank Ltd. Samba Bank Ltd. Silk Bank Ltd. Meezan Bank Ltd. Bank of Punjab Ltd. BankIslami Pakistan Ltd. Bank Al Habib Ltd. Dubai Islamic Bank Pakistan Ltd. J.S. Bank Ltd. MCB Islamic Bank Ltd.	
REGISTERED OFFICE	6-C, Ismail Centre, 1st Floor, Central Commercial Area, Bahadurabad, Karachi - 74800.	
SHARES REGISTRAR MILLS	M/S. NI Associates (Pvt) Ltd. Kot Shah Mohammad, Tehsil Nankana, District Nankana, Punjab. www.idreestextile.com	

***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, 2019 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. 1,758 million as compared to Rs. 1,607 million in the same period of last year. Gross profit amounted to Rs. 162 million compared to Rs. 165 million for the corresponding period and profit after tax amounted to Rs. 19.121 million against Rs. 10.630 million in the comparable period. Earnings per share amounted to Re. 0.96 per share as against Re. 0.54 per share in the same period of last year.

Turnover of the Company has increased by 9 % as compared to the corresponding period but, on the other hand, finance cost has also increased to Rs. 109.928 million as against Rs. 84.259 million in the same period of last year. Keeping the Policy Rate by SBP at the present level is a constant burden on the Company's profitability. Cost of production is increasing day by day due to very high inflation across the board. Levy of sales tax and withholding tax on energy bills is also a burden on cash flow. Moreover, the Government did not extend duty drawback benefit on yarn in FY 2019-20 and tax credit u/s. 65B has also been abolished from this year that was previously available to businesses for doing BMR. Growth of the textile sector is affected due to a number of factors like Imposition of 17% sales tax, low demand due to reduced disposable income of end consumer and decline in growth rate of the Chinese economy which is prompting its businesses to dump their goods in other countries including Pakistan.

FUTURE OUTLOOK

Imposition of heavy surcharges in energy bills has rendered energy cost unbearable. These surcharges must be withdrawn and, as committed by the Government, electricity @ 7.5 US Cents per unit and gas @ 6.5 US Dollars per MMBTU must be consistently supplied to the industry to safeguard spinning sector's competitiveness. Payment of technology up gradation support should be expedited to boost liquidity in the textile chain. Tax credit u/s. 65B must be restored as an incentive for new investments. To restore growth momentum and control the prices of textile articles, that have gone beyond the reach of a vast segment of our society, Sales Tax Zero Rating Regime must be reintroduced in the textile chain.

The outbreak of Corona Virus has started affecting not only the Chinese economy but the financial markets around the world. God forbid, if the situation worsens we may not see the growth in exports as envisaged.

BOARD OF DIRECTORS

The total number of Directors are eight as per following:

- a) Male : 8
- b) Female : None

Composition of the Board is as follows:

Category	Names
a) Independent Directors	i) Mr. Muhammad Saeed
b) Non-Executive Directors	i) Mr. Muhammad Idrees Allawala ii) Mr. Naeem Idrees Allawala iii) Mr. Muhammad Israil iv) Mr. Muhammad Iqbal
c) Executive Directors	i) Mr. S. M. Mansoor Allawala ii) Mr. Rizwan Idrees Allawala iii) Mr. Omair Idrees Allawala

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Non-executive and independent directors are entitled only to a fee for attending Company meetings.

ACKNOWLEDGEMENT

The Board expresses its gratitude for the trust and support of the customers, bankers, suppliers and shareholders and appreciates the services rendered by the employees.

For and on behalf of the Board



Muhammad Idrees Allawala
Chairman



S.M. Mansoor Allawala
Chief Executive

Karachi: February 28, 2020

آپ کی کمپنی کے ڈائریکٹران 31 دسمبر 2019 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 1.758 ملین روپے جبکہ تقابلی مدت میں 1607 ملین روپے رہی۔ مجموعی منافع 162 ملین روپے جبکہ تقابلی مدت میں 165 ملین روپے اور بعد از ٹیکس منافع 19.121 ملین روپے جبکہ تقابلی مدت میں 10.630 ملین روپے تھا۔ فی حصص منافع زیر جائزہ مدت میں 0.96 روپیہ جبکہ تقابلی مدت میں 0.54 روپیہ تھا۔

کمپنی کے کاروبار میں تقابلی مدت کے مقابلہ میں 9% کا اضافہ ہوا ہے لیکن دوسری طرف مالیاتی لاگت بھی بڑھ کر 109.928 ملین روپے ہوگی جبکہ پچھلے سال اسی مدت میں 84.259 ملین روپے تھی اسٹیٹ بینک کی جانب سے موجودہ سطح پر پالیسی شرح کو برقرار رکھنا کمپنی کے منافع پر مستقل بوجھ ہے۔ تمام طبقات کے لئے افراط زر کی وجہ سے پیداواری لاگت آئے دن بڑھتی چلی جا رہی ہے تو انانٹی بلوں پر سیلز ٹیکس اور وہولڈنگ ٹیکس عائد کرنا بھی نقد بہاؤ پر بوجھ ہے مزید یہ کہ حکومت نے مالی سال 20-2019 کے لئے دھاگہ پر ڈیوٹی ڈراپ بیک اور B 65 کے تحت ٹیکس کریڈٹ کو ختم کر دیا ہے جو اس سے قبل بی۔ ایم۔ ار کرنے کے لئے کاروباری اداروں کو دستیاب تھا۔ ٹیکسٹائل کے شعبے کی نو متعدد عوامل کی وجہ سے متاثر ہوئی ہے جیسے کہ 17 فیصد سیلز ٹیکس کا نفاذ، صارف کی دستیاب آمدنی میں کمی کی وجہ سے کم طلب اور چینی معیشت کی شرح نمو میں کمی جس کی وجہ سے چینی مصنوعات دیگر ممالک بشمول پاکستان میں ڈمپ کی جا رہی ہیں۔

بورڈ آف ڈائریکٹرز

مندرجہ ذیل تفصیل کے مطابق ڈائریکٹران کی تعداد 8 ہے

(1) مرد 8 (ب) عورت

ساخت

انڈیپنڈنٹ ڈائریکٹر محمد سعید

نان ایگزیکٹو ڈائریکٹرز محمد ادریس اللہ والا

نعیم ادریس اللہ والا

محمد اسراہیل

محمد اقبال

ایگزیکٹو ڈائریکٹرز ایس ایم منصور اللہ والا

عمیر ادریس اللہ والا

رضوان ادریس اللہ والا

نان ایگزیکٹو ڈائریکٹران کے لئے معاوضہ کی پالیسی نان

ایگزیکٹو اور انڈیپنڈنٹ ڈائریکٹرز صرف اجلاس میں شرکت کی فیس کے حقدار ہیں۔

مستقبل پر نظر

توانائی کے بلوں میں بھاری سرچارج لگانے سے توانائی کی لاگت ناقابل برداشت ہو گئی ہے۔ ان سرچارجز کا خاتمہ ضروری ہے اور یقین دہانی کے مطابق بجلی فی یونٹ 7.5 امریکی سینٹ اور گیس فی ایم ایم بی ٹی یو 6.5 امریکی ڈالر میں فراہمی یقینی بنائی جائے جس سے اسپنگ سیکٹر کی مسابقت کو برقرار رکھا جاسکے ٹیکسٹائل چین میں لیکویڈیٹی کو فروغ دینے کے لئے ٹیکنالوجی اب گریٹھن کی ادائیگی میں تیزی لائی جانے چاہے۔ ٹیکس کریڈٹ 65 B کو نئی سرمایہ کاری کے لئے حوصلہ افزائی کے طور پر بحال کرنے اور ٹیکسٹائل کی مصنوعات کی قیمتوں پر قابو پانے کے لئے جو ہمارے معاشرے کے وسیع طبقے کی پہنچ سے دور ہو چکی ہیں، ٹیکسٹائل چین میں سیلز ٹیکس زیرو ریڈنگ کو دوبارہ متعارف کرایا جانا چاہیے۔

کرونا وائرس کے پھیلنے سے نہ صرف چینی معیشت بلکہ پوری دنیا کی مالی منڈیوں پر بھی اثر پڑنا شروع ہو گیا ہے خدا نہ کرے اگر صورتحال مزید بگڑی تو برآمدات میں نمو کی شرح توقع سے کم ہو سکتی ہے۔

اظہار تشکر

بورڈ گاہکوں، مالیاتی اداروں سپلائرز اور شیر ہولڈرز کے اعتماد اور تعاون کے لئے اظہار تشکر کرتا ہے اور ملازمین کی خدمات کو سراہتا ہے۔



ایس ایم منصور اللہ والا

چیف ایگزیکٹو



محمد ادریس اللہ والا

چیرمین

28 فروری 2020

کراچی

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **IDREES TEXTILE MILLS LIMITED** (the Company) as at December 31, 2019, and related condensed interim statement of profit or loss, condensed interim statement of other comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity and notes to the financial statements for the six months period then ended (here-in-after to referred to as the 'condensed interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statement 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 statement 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.

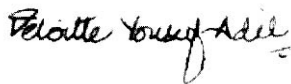
Conclusion

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 half year ended December 31, 2019 are not prepared, in all material respects, in accordance with approved accounting 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 quarter ended December 31, 2019 and December 31, 2018 have not been reviewed and we do not express a conclusion on them.

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



Chartered Accountants

Place: Karachi
Date: February 28, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019



	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		----- (Rupees) -----	
ASSETS			
Non-current Assets			
Property, plant and equipment	4	1,681,554,735	1,729,414,258
Long-term deposits		32,673,181	28,341,906
		<u>1,714,227,916</u>	<u>1,757,756,164</u>
Current Assets			
Stores, spares and loose tools		39,931,043	41,034,311
Stock-in-trade	5	731,786,697	1,182,882,722
Trade debts		927,550,046	829,317,743
Loans and advances		46,644,353	66,866,638
Deposits and short-term prepayments		9,861,014	4,990,158
Other receivables		105,057,640	90,310,941
Other financial assets	6	63,977,410	64,651,035
Sales Tax refund bond		-	14,700,000
Cash and bank balances		31,145,064	21,322,858
		<u>1,955,953,267</u>	<u>2,316,076,406</u>
Total Assets		<u>3,670,181,183</u>	<u>4,073,832,570</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized 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		198,528,000	198,528,000
Capital reserves		622,582,207	636,590,008
Revenue reserves		865,730,413	819,754,481
Total Equity		<u>1,686,840,620</u>	<u>1,654,872,489</u>
Non-current Liabilities			
Long-term finance	7	153,989,733	147,827,565
Liabilities against assets subject to finance lease		39,143,068	41,767,501
Deferred tax liability		195,636,741	243,928,956
Retirement benefit obligation		50,156,738	39,047,141
		<u>438,926,280</u>	<u>472,571,163</u>
Current Liabilities			
Trade and other payables		328,934,546	188,769,599
Accrued mark-up		36,505,813	49,416,428
Short-term borrowings	8	1,089,126,848	1,607,996,360
Current portion of long-term finance	7	27,390,008	27,390,008
Current portion of liabilities against assets subject to finance lease		36,837,249	31,169,451
Unclaimed dividend		2,424,885	2,424,885
Provision for taxation		23,194,934	39,222,187
		<u>1,544,414,283</u>	<u>1,946,388,918</u>
Total Liabilities		<u>1,983,340,563</u>	<u>2,418,960,081</u>
Total Equity and Liabilities		<u>3,670,181,183</u>	<u>4,073,832,570</u>
CONTINGENCIES AND COMMITMENTS			
	9		

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements


CHAIRMAN/DIRECTOR


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER

	Note	Six months ended		Quarter Ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
----- (Rupees) -----					
Sales - net	10.	1,757,548,576	1,606,694,662	891,798,725	825,531,312
Cost of sales	11	(1,595,555,501)	(1,441,298,430)	(799,912,140)	(741,683,087)
Gross profit		161,993,075	165,396,232	91,886,585	83,848,225
Distribution cost		(12,154,781)	(9,008,110)	(8,401,865)	(3,619,629)
Administrative expenses		(42,225,966)	(35,622,216)	(23,043,149)	(17,838,729)
		(54,380,747)	(44,630,326)	(31,445,014)	(21,458,358)
		107,612,328	120,765,906	60,441,571	62,389,867
Finance cost		(109,927,800)	(84,258,515)	(51,361,460)	(45,886,638)
Other operating expenses	12	(2,360,803)	(9,954,808)	7,343,628	(5,293,435)
		(4,676,275)	26,552,583	16,423,739	11,209,794
Other income	13	(3,510,484)	1,957,206	(4,798,547)	947,295
(Loss)/ profit before taxation		(8,186,759)	28,509,789	11,625,192	12,157,089
Taxation					
Current		(23,194,934)	(18,728,985)	(12,392,331)	(9,872,595)
Prior		2,210,212	-	2,210,212	-
Deferred		48,292,209	849,088	31,914,034	849,088
		27,307,487	(17,879,897)	21,731,915	(9,023,507)
Profit after taxation		19,120,728	10,629,892	33,357,107	3,133,582
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		19,120,728	10,629,892	33,357,107	3,133,582
Earnings per share - basic and diluted (Rupees)		0.96	0.54	1.68	0.16

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements



CHAIRMAN/DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

Six months ended
December 31, December 31,
2019 2018
..... (Rupees)

A. CASH FLOWS FROM OPERATING ACTIVITIES

(Loss) before taxation	(8,186,759)	28,509,789
Adjustments for:		
Depreciation	44,382,417	40,840,454
Provision for retirement benefit obligation	8,565,597	7,387,140
Provision for slow moving stores, spares and loose tools	-	(976,014)
Gain on sale of property, plant and equipment	(4,811,655)	(408,495)
Finance cost	105,463,836	80,112,647
Finance cost on unwinding of discount on long-term finance from related parties	4,463,964	4,145,868
Operating cash flows before working capital changes	<u>149,877,400</u>	<u>159,611,389</u>
(Increase) / decrease in current assets		
Stores, spares and loose tools	1,103,264	(2,048,289)
Stock-in-trade	451,096,025	221,568,257
Trade debts	(98,232,303)	(32,851,937)
Loans and advances	(4,417,164)	30,664,069
Deposits and short-term prepayments	(4,870,856)	(5,534,095)
Other receivables	(14,746,699)	(992,111)
Increase / (decrease) in current liabilities		
Trade and other payable	145,762,717	26,877,103
Working capital changes	475,694,984	237,682,997
Cash generated from operations	<u>625,572,384</u>	<u>397,294,386</u>
Finance cost paid	(122,838,415)	(80,299,548)
Retirement benefit obligation paid	(3,053,768)	(5,401,550)
Income tax paid	(12,372,526)	(11,933,960)
Net cash generated from operating activities	<u>487,307,675</u>	<u>299,659,328</u>

B. CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(2,602,242)	(26,407,425)
Proceed from disposal of property, plant and equipment	10,890,999	1,000,000
Long-term deposits	(4,331,275)	(1,279,484)
Other financial asset - net	673,625	(10,952,050)
Sales tax refund bond	14,700,000	-
Net cash generated from / (used in) investing activities	<u>19,331,107</u>	<u>(37,638,959)</u>

C. CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long-term finance - net	19,009,571	(5,149,910)
Lease rental paid - net	3,043,365	1,741,598
Net cash generated from / (used in) in financing activities	<u>22,052,936</u>	<u>(3,408,312)</u>
Net increase in cash and cash equivalents (A+B+C)	528,691,718	258,612,057
Cash and cash equivalents at the beginning of the period	(1,586,673,502)	(1,590,718,461)
Cash and cash equivalents at the end of the period	<u>(1,057,981,784)</u>	<u>(1,332,106,404)</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements



CHAIRMAN/DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2019



	Issued, subscribed and paid up capital	Capital reserves <u>Surplus on revaluation of property, plant and equipment - net of tax</u>	Revenue reserves <u>Unappropriated profit</u>	Total
Note.....	(Rupees)			
Balance as at July 1, 2018	180,480,000	587,175,174	722,602,891	1,490,258,065
Total comprehensive income for the period				
Profit for the period	-	-	10,629,892	10,629,892
Other comprehensive income	-	-	-	-
	-	-	10,629,892	10,629,892
Transfer from surplus on revaluation of property, plant and equipment on account:				
- incremental depreciation charge thereon - net of tax	-	(26,267,907)	26,267,907	-
- disposals - net of tax	-	-	-	-
Transactions with owners				
Final cash dividend for the year ended June 30, 2018 @ 10% per share	18,048,000	-	(18,048,000)	-
Balance as at December 31, 2018	198,528,000	560,907,267	741,452,690	1,500,887,957
Balance as at July 1, 2019	198,528,000	636,590,008	819,754,481	1,654,872,489
Total comprehensive income for the period				
Profit for the period	-	-	19,120,728	19,120,728
Other comprehensive income	-	-	-	-
	-	-	19,120,728	19,120,728
Transfer from surplus on revaluation of property, plant and equipment on account:				
- incremental depreciation charge thereon - net of tax	-	(13,994,383)	13,994,383	-
- disposals - net of tax	-	(13,418)	13,418	-
Unamortized portion of Interest free Loan	7	-	12,847,403	12,847,403
Balance as at December 31, 2019	198,528,000	622,582,207	865,730,413*	1,686,840,620

* This includes the unamortized portion of interest free loan obtained from related parties amounting to Rs. 12,847,403 (June 30, 2019: Rs. 44,580,488) which is not available for distribution.

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

CHAIRMAN/DIRECTOR

CHIEF EXECUTIVE

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 fabric and 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 These condensed interim financial statements of the Company for the six months ended December 31, 2019 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Act, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017 have been followed. These condensed interim financial statements do not include all the information required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2019.
- 2.2 These condensed interim financial statements is presented in Pak Rupees which is also the Company's functional currency and figures presented in these condensed interim financial statements have been rounded off to the nearest rupee.
- 2.3 These condensed interim financial statements are un-audited. However, a limited scope review of these condensed interim financial statements have been performed by the external auditors of the Company in accordance with the requirement of Section 237 of the Companies Act, 2017.
- 2.4 These condensed interim financial statements are un-audited and all relevant compliance with Companies Act, 2017 has been made accordingly. The comparative condensed interim statement of financial position presented has been extracted from annual financial statements for the year ended June 30, 2019; the comparative condensed interim statement of profit or loss & other comprehensive income ,condensed interim statement of cash flows and condensed interim statement of changes in equity of the Company have been extracted from the unaudited condensed interim financial statements for the six months ended December 31, 2018.

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 and the significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2019.

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, 2019.

3.3 Fair value of financial assets and liabilities

The carrying value of financial assets and financial liabilities reported in these condensed interim financial statements approximates their fair values.

3.4 Changes in accounting standards, amendments / interpretations and IFRSs which are effective during the half year ended December 31, 2019.

3.4.1 First time adoption of IFRS 16 'Leases'

During the period IFRS 16 'Leases' became applicable to the company. IFRS 16 replaces IAS 17 'Accounting For Leases' and related interpretations and set out the principles for recognition, measurement, presentation and disclosure of leases. The standard introduces a single, on -financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases for low-value items.

Lessor accounting remains similar to the current standard i.e lessors continue to classify lease as either finance or operating lease.

The company has adopted IFRS 16 from July 01, 2019. using the modified retrospective method. Under this method, the standard is applied retrospectively with the cumulative effect of initial application recognized at the date of initial application without any restatement of comparative information. However there is no such impact of IFRS 16 except leased assets are classified as right of use asset.

3.5 Estimates and judgments

All the estimates, judgments and methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2019.

Six months ended December 31, 2019		Six months ended December 31, 2018	
Additions	Disposals / transfer at carrying value	Additions	Disposals / transfer at carrying value
(Un-audited)		(Un-audited)	
..... (Rupees)			

4. Property, plant and equipment - owned

Plant and machinery	1,642,378	(1,872,999)	1,758,617	-
Factory Building	358,966	-	-	-
Office equipment	354,000	-	16,500	-
Vehicles	153,998	(4,206,345)	-	(591,505)
Furniture & fixture	92,900	-	32,308	-
	2,602,242	(6,079,344)	1,807,425	(591,505)
-Right of use asset				
Plant and machinery	-	-	24,600,000	-
Vehicles	-	-	-	-
	-	-	24,600,000	(591,505)
Capital work-in-progress	-	-	-	-
	2,602,242	(6,079,344)	26,407,425	(591,505)

- 4.1 As a result of revaluation exercise conducted by an independent valuer as of June 30, 2019, the useful lives of building, labour colony, plant and machinery, electric installations and mill equipment have been reassessed. In addition, management has reassessed the salvage values of building, labour colony, plant and machinery, electric installations and mill equipment. These changes in accounting estimates have an impact on depreciation expense for the current period. Had there been no change in useful lives and salvage values of building, labour colony, plant and machinery, electric installations and mill equipment, net depreciation expense pertaining to said classes of assets for the period would have been lower by Rs. 0.835 million.

		December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	Note (Rupees)	
5. STOCK-IN-TRADE			
Raw material			
- In hand		326,471,638	885,317,158
- In transit		136,480,946	159,442,745
Work-in-process		41,835,576	26,053,631
Finished goods		215,459,917	107,833,462
Waste		11,538,620	4,235,726
		<u>731,786,697</u>	<u>1,182,882,722</u>

6. OTHER FINANCIAL ASSETS

Investment at fair value through profit or loss		-	3,373,275
Term deposit receipts	6.1	<u>63,977,410</u>	61,277,760
		<u>63,977,410</u>	<u>64,651,035</u>

- 6.1 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 4.35% to 7.00% (2019: 4.35% to 7.00%) per annum. The banks have lien on these term deposit receipts on account of guarantee provided by such banks as disclosed in note 9.1 to these condensed interim financial statements. These will mature up to May 28, 2020.

		December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	Note (Rupees)	
7. LONG-TERM FINANCE			
Banking companies - secured	7.1	101,673,054	115,368,060
Less: Current portion shown under current liabilities		<u>(27,390,008)</u>	(27,390,008)
		74,283,046	87,978,052
Related parties-unsecured	7.2	92,554,090	104,430,001
Less: present value adjustment		<u>(12,847,403)</u>	(44,580,488)
		79,706,687	59,849,513
		<u>153,989,733</u>	<u>147,827,565</u>

- 7.1 This represents long-term finance facilities obtained by the Company for the purpose of procurement of machinery. The facilities carry markup at KIBOR + 2.5% per annum and are payable in fixed monthly installments within a period of 4 to 5 years. The loan is secured against first exclusive charge over the assets (imported Gen set and Compact Spinning and locally purchased carding machines) with 0% to 25% margin.



- 7.2 In December 2019, the company further obtained loan from director in their capacity as sponsors, These loans are interest free, unsecured and are expected to be repaid by the end of December 31, 2023, Further extendable by mutual agreement. Using discount rate of 15% per annum, the fair value of loan estimated at Rs. 17.152 million as at Dec 31, 2019. the difference of Rs. 12.847 million between the gross proceeds and the fair value of the loan was recognized in equity through a transfer to unappropriate profit (the unamortized portions are not available for distribution). 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 & other comprehensive income using the effective interest method.

December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
..... (Rupees)	

8. SHORT-TERM BORROWINGS

From banking companies - secured

Running finance	617,360,414	618,093,821
Cash finance	365,981,825	218,945,955
Finance Against Imported Merchandise (FIM)	105,784,609	770,956,584
	1,089,126,848	1,607,996,360

- 8.1 Facilities for running finance, cash finance, FIM and Murahaba are available from various commercial banks up to Rs. 3,088 million (2019: Rs. 3,088 million). These facilities are subject to markup at the rates 3 month KIBOR plus 1.00% to 3.00% (2019: 3 month KIBOR plus 1.00% to 3.00%) 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.

9. CONTINGENCIES AND COMMITMENTS

- 9.1 There is no material change in the status of contingencies as disclosed in the annual financial statements of the Company for the year ended June 30, 2019.

December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
..... (Rupees)	

9.2 Commitments

Letters of credit opened and outstanding for import of:

- plant and machinery	-	-
- raw material	794,436,020	154,682,685
- stores and spares	9,957,064	1,447,131

	Six months ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-audited)		(Un-audited)	
 (Rupees)			
10. SALES - NET				
Yarn				
-Export	493,587,886	329,956,354	189,920,207	100,264,614
-Local	1,238,576,329	1,052,546,241	733,646,874	613,959,761
	1,732,164,215	1,382,502,595	923,567,081	714,224,375
Raw material - Local				
-Cotton / Viscose - Local	162,446,637	157,928,139	-	74,632,004
-Waste - Local	85,626,420	69,533,916	47,285,966	37,458,381
	1,980,237,272	1,609,964,650	970,853,047	826,314,760
Less:				
-Sales Tax	(215,552,361)	-	(75,628,612)	-
-Brokerage and commision	(7,136,335)	(3,269,988)	(3,425,710)	(783,448)
	1,757,548,576	1,606,694,662	891,798,725	825,531,312
	Six months ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Un-audited)		(Un-audited)	
 (Rupees)			
11. COST OF SALES				
Raw material consumed	1,236,763,736	974,374,636	687,856,869	427,451,143
Salaries, wages and benefits	74,505,866	72,193,230	48,601,399	34,799,396
Fuel and power	180,724,481	162,399,072	96,180,673	79,261,182
Depreciation	39,306,749	37,224,670	19,641,944	18,679,159
Stores and spares consumed	22,386,534	21,406,939	12,230,764	11,455,874
Provision for slow moving stores	-	976,014	-	976,014
Packing material	22,960,464	19,653,909	11,691,538	8,313,480
Insurance	4,000,000	3,360,000	2,000,000	1,800,000
Repairs and maintenance	1,645,156	2,545,396	1,050,182	1,452,834
Vehicle running and maintenance	1,346,783	1,028,388	630,869	1,028,388
Other manufacturing overheads	2,026,728	1,535,096	1,203,980	229,677
	1,585,666,497	1,296,697,350	881,088,218	585,447,147
Work-in-process				
Opening stock	26,053,631	25,248,274	25,631,804	22,944,416
Closing stock	(41,835,576)	(21,124,833)	(41,835,576)	(21,124,833)
	(15,781,945)	4,123,441	(16,203,772)	1,819,583
Cost of goods manufactured	1,569,884,552	1,300,820,791	864,884,446	587,266,730
Finished goods				
Opening stock	112,069,188	134,040,039	160,057,247	224,070,688
Closing stock	(226,998,537)	(142,057,454)	(226,998,537)	(142,057,454)
	(114,929,349)	(8,017,415)	(66,941,290)	82,013,234
Cost of raw material sold	140,600,298	148,495,054	1,968,983	72,403,123
	1,595,555,501	1,441,298,430	799,912,140	741,683,087

	December 31, 2019 (Un-audited)	December 31, 2018 (Un-audited)
Note (Rupees)	
12. OTHER OPERATING EXPENSES		
Workers' profit participation fund	-	1,855,062
Workers' welfare fund	696,513	1,185,166
Infrastructure cess	1,664,290	6,914,580
	<u>2,360,803</u>	<u>9,954,808</u>
13. OTHER INCOME / (LOSS)		
Profit on deposits/ investment	2,437,674	1,871,680
Dividend income	-	150,000
Gain on disposal of property, plant and equipment	4,811,655	408,495
Exchange Loss	(10,589,065)	(627,969)
Loss from shares trading	(170,748)	-
Scrap sales	-	155,000
	<u>(3,510,484)</u>	<u>1,957,206</u>
14. CASH AND CASH EQUIVALENTS		
Cash and bank balances	31,145,064	49,591,060
Short-term borrowings	8 (1,089,126,848)	(1,381,697,464)
	<u>(1,057,981,784)</u>	<u>(1,332,106,404)</u>
15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES		
15.1	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 statements approximate their fair values.	
15.2	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.	
15.3	There are no assets or liabilities to classify under above levels except the Company's investments, free hold land, buildings, labour colony, electric installations, equipments 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, equipments and plant and machinery carried out as at June 30, 2019, were performed by M/s Arif Evaluators, an independent valuer not related to the Company, using depreciable method. The valuer is listed on panel of Pakistan Banks' Association and have 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.

Details of Company's free hold land, buildings, labour colony, electric installations, equipments and plant and machineries and information about the fair value hierarchy as at end of December 31, 2019 are as follows:

	December 31, 2019			June 30, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(Unaudited)			(Audited)		
----- (Rupees) -----						
As at December 31, 2019						
Investment-at fair value through profit or loss	-	-		3,373,275	-	-
Property, plant and equipment						
Land-freehold	-	110,171,875	-	-	110,171,875	-
Mills building on freehold land	-	138,173,154	-	-	143,963,101	-
Labour colony on freehold land	-	19,609,288	-	-	20,901,500	-
Plant and machinery-owned	-	1,243,183,224	-	-	1,272,089,600	-
Plant and machinery-leased	-	54,121,128	-	-	55,266,000	-
Electric installations	-	26,804,957	-	-	28,513,600	-
Mill equipment		6,155,743			6,487,499	
	-	1,598,219,369	-	3,373,275	1,637,393,175	-

16. 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	Six months ended	
		December 31, 2019	December 31, 2018
		(Un-audited)	
----- (Rupees) -----			
Employee retirement benefit plan	Contribution made to provident fund	674,466	602,456
Key management personnel	Short-term employee benefit	3,810,000	5,279,294
Directors	Unwinding of discount on loan from directors	4,463,965	4,145,868

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

17. CORRESPONDING FIGURES

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

18. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements has been approved and authorized for issue on February 28, 2020 by the Board of Directors of the Company.



CHAIRMA/DIRECTOR



CHIEF EXECUTIVE










CHIEF FINANCIAL OFFICER










**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 @jamapunji_pk

*Mobile apps are also available for download for android and ios devices

BOOK POST

Printed Material

If undelivered please return to:

IDREES TEXTILE MILLS LIMITED

6-C, Ismail Centre, 1st Floor, Central Commercial Area,
Bahadurabad, Karachi - 74800 (Pakistan)

A MEMBER OF THE



ALLAWALAGROUP