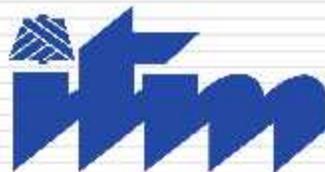


IDREES

TEXTILE MILLS LIMITED

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED
DECEMBER, 2020
(UN-AUDITED)



BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Syed Shahid Sultan

CHIEF FINANCIAL OFFICER

Mr. Muhammad Jawaid

AUDITORS

M/s. Yousuf Adil
Chartered Accountants

**HUMAN RESOURCE &
REMUNERATION
COMMITTEE**

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

BANKERS

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

REGISTERED OFFICE

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

**SHARES REGISTRAR
MILLS**

M/S. JWAFS Registrar Services (Pvt) Ltd.
Kol Shah Mohammad,
Tehsil Nankana,
District Nankana,
Punjab.
www.idreestextile.com

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

DIRECTORS' REPORT

The Directors are pleased to present the Condensed Interim Financial Statements of your Company for the half year ended December 31, 2020 duly reviewed by the external auditors.

FINANCIAL AND OPERATIONAL OVERVIEW

The principal activity of the Company is manufacturing, processing and sale of yarn and fabric. 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. 1,732 million as compared to Rs. 1,758 million in the same period of last year. Gross profit amounted to Rs. 182 million compared to Rs. 162 million for the corresponding period and profit after tax amounted to Rs. 24 million against Rs. 19 million in the comparable period. Earnings per share amounted to Rs. 1.19 as against Re. 0.98 in the same period of last year. By the grace of Allah, the Company's profitability has fairly improved in the half year under review. Decline in financial cost has positively contributed to the bottom-line of your Company. The second wave of Covid-19 pandemic continued to disrupt the global economy, but fortunately, Pakistan's economy has been able to recover in the past few months which is a welcome sign for businesses in the country. On the other hand inflation remains high, causing reduction in the consumers' purchasing power. Heavy sales tax on the textile chain has escalated the prices of textile goods and is also responsible for liquidity crunch in the textile chain.

FUTURE OUTLOOK

The effects of second wave of Covid-19 are gradually fading out and the economy is expected to grow in coming period. Demand of our yarn from China is also picking up which is favourable for the Company. Any further cut in the interest rate and energy tariff shall be of great benefit for the textile industry. The government should also consider restoration of Sales Tax Zero Rated regime for the textile chain to improve cash flows and cost reduction. Tax credit u/s. 65B must be restored as an incentive for new investments. With a noticeable increase in online retailing, the demand for our textile products is likely to pick up. The economic damages of the pandemic have started to reverse and we are witnessing improvements in consumer's confidence in the economy. In order to stabilize the cost of production and increase the purchasing power of consumers, the government must bring down the rate of inflation which has sharply increased in the recent past. The government is expected to announce the Textile Policy 2020-2025 shortly with a target of USD 20 billion plus for textile exports by the year 2025. The textile industry is anxiously waiting for the announcement as Pakistan, being the fourth largest producer and third largest consumer of cotton, is poised to benefit from such policy stimulus. The directors of your Company have decided to undertake BMR/expansion of the mill, to improve operational efficiencies and production capacity, with an estimated cost of Rs. 800 million. To safeguard the interest of all the stakeholders, your Company's management remains committed to business growth and optimization of resources.

BOARD OF DIRECTORS

The total number of Directors are seven as per the following:

- a. Male: 6
- b. Female: 1

The Composition of Board as follows:

| Category | Names |
|----------------------------|----------------------------------------------------------------------------------------------|
| a) Independent Director | i. Mr. Masud Arif ii) Mr. 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 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 highly appreciates the valuable services rendered by the employees.



Muhammad Idrees Allawala
Chairman

Karachi: February 25, 2021



S. M. MANSOOR ALLAWALA
Chief Executive

آپ کی کمپنی کے ڈائریکٹران 31 دسمبر 2020 کو ختم ہونے والی ششماہی کے آڈیٹر کے جائزہ شدہ مالیاتی گلوگوارے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

عملی اور مالیاتی کارکردگی کا جائزہ

کمپنی کی بنیادی سرگرمی دھاگے اور کپڑے کی پیداوار اور فروختگی سے زیر جائزہ مدت میں کاروباری سرگرمیوں میں کوئی اہم تبدیلی نہیں ہے۔ زیر جائزہ مدت میں خالص فروخت کی مالیت 1,732 ملین روپے جبکہ تقابلی مدت میں 1,758 ملین روپے رہی مجموعی منافع 182 ملین روپے رہا جبکہ تقابلی مدت میں 162 ملین روپے تھا جبکہ بعد از ٹیکس منافع 24 ملین روپے تھا جبکہ تقابلی مدت میں 19 ملین روپے تھا فی حصص منافع زیر جائزہ مدت میں 1.19 روپے جبکہ تقابلی مدت میں 0.98 روپے تھا۔ اللہ کا فضل سے کمپنی کے منافع میں زیر جائزہ 6 ماہ کے دوران کافی بہتری آئی ہے۔ مالیاتی لاگت میں کمی نے کمپنی کے حتمی منافع پر مثبت اثر ڈالا ہے۔ کوڈ 19 کی دوسری اہر عالمی معیشت کو درہم برہم کرتی رہی لیکن خوش قسمتی سے پاکستان کی معیشت پچھلے کچھ ماہ سے بحالی کے قابل ہو گئی ہے جو کہ ملک میں کاروباری اداروں کے لئے خوش آئند علامت ہے دوسری طرف افراد ذہبت زیادہ ہے جس سے صارفین کی قوت خرید میں کمی واقع ہوئی ہے ٹیکسٹائل پر بھاری سیلز ٹیکس نے ٹیکسٹائل مصنوعات کی قیمت میں اضافہ کر دیا ہے اور ٹیکسٹائل چین میں لیکویڈیٹی کے مسائل کا بھی ذمہ دار ہے۔

مستقبل پر نظر

کوڈ 19 کی دوسری اہر کے اثرات ختم ہونے جا رہے ہیں اور آنے والے وقت میں معیشت کی ترقی کی توقع کی جا رہی ہے چین میں ہمارے دھاگہ کی مانگ میں اضافہ ہو رہا ہے جو کمپنی کے لئے مثبت / سازگار ہے۔ ٹیکسٹائل کے لئے سو کی شرح اور توانائی کے نرخوں میں مزید کٹوتی بہت فائدے مند ہوگی۔ حکومت کو ٹیکسٹائل چین کی بحالی کے لئے سیلز ٹیکس زیر و روٹ کی بحالی پر بھی غور کرنا چاہیے تاکہ نقد بہاؤ اور لاگت میں کمی کی جاسکے۔ ٹیکس کریڈیٹس زبردفعہ B-65 کو نئی سرمایہ کاری کی ترغیب کے طور پر بحال کیا جانا چاہیے۔ آن لائن خورد و فروشی میں قابل ذکر اضافے کے ساتھ ساری ٹیکسٹائل مصنوعات کی طلب میں اضافے کا امکان ہے۔ وبائی امراض کے معاشی نقصانات نے درست ہونا شروع کر دیا ہے اور ہم معیشت پر صارفین کے اعتماد میں بہتری دیکھ رہے ہیں۔ پیداوار کی لاگت کو مستحکم کرنے اور صارفین کی قوت خرید بڑھانے کے لئے حکومت کو افراط زر کی شرح کو نیچے لانا ہوگا جو ماضی قریب میں تیزی سے بڑھی ہے توقع کی جا رہے ہے حکومت ٹیکسٹائل پالیسی 2020-2025 کا اعلان جلد ہی کرے گی اور ٹیکسٹائل ایکسپورٹ کا حدف 20 بلین ڈالریا زیادہ متعین کرے گی۔ ٹیکسٹائل انڈسٹری بے چینی سے اس اعلان کا اظہار کر رہی ہے کہ پاکستان کپاس کا چوتھا بڑا پیداواری اور تیسرا بڑا صارف ہونے کی وجہ سے اس پالیسی سے فائدہ اٹھانے کو تیار ہے۔ آپ کی کمپنی کے ڈائریکٹرز نے آپریشنل افادیت اور پیداواری صلاحیت میں بہتری لانے کے لئے مل میں BMR/توسیع کا کام کرنے کا فیصلہ کیا ہے جس کی لاگت تخمینہ 800 ملین روپے ہے۔ کمپنی کے تمام اسٹیک ہولڈر کے مفادات کے تحفظ کاروبار کی ترقی اور ٹیکسٹائل کی اصلاح کے لئے انتظامیہ پر عزم ہے۔

بورڈ کی ساخت

مندرجہ ذیل تفصیل کے مطابق ڈائریکٹران کی تعداد 7 ہے

| ڈائریکٹروں کی تعداد | تفصیل |
|-------------------------|-----------------------|
| 6 | مرد |
| 1 | خواتین |
| سید مسعود عارف | انڈین پیڈنٹ ڈائریکٹر |
| مسز عذرا یعقوب واڈا | |
| محمد ادریس اللہ والا | نان ایگزیکٹو ڈائریکٹر |
| رضوان ادریس اللہ والا | |
| محمد اسرائیل | |
| ایس ایم منصور اللہ والا | ایگزیکٹو ڈائریکٹر |
| عمیر ادریس اللہ والا | |

نان ایگزیکٹو ڈائریکٹران کے لئے معاوضہ کی پالیسی

نان ایگزیکٹو اور انڈین پیڈنٹ ڈائریکٹران صرف اجلاس میں شرکت کی فیس کے حقدار ہیں

اظہار تشکر

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

کراچی

فروری ۲۵، ۲۰۲۱

منجانب بورڈ

چیرمین ڈائریکٹران

چیف ایگزیکٹو

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, 2020, 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 statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

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.

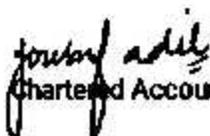
Conclusion

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 half year ended December 31, 2020 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 quarter ended December 31, 2020 and December 31, 2019 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, 2020.

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


Chartered Accountants

Place: Karachi
Date: February 25, 2021

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020



| | Note | December 31, 2020 (Un-audited) | June 30, 2020 (Audited) |
|----------------------------------------------------------------------|------|--------------------------------------|-------------------------------|
| | | (Rupees) | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 1,674,347,190 | 1,662,696,972 |
| Long-term deposits | | 24,757,505 | 26,665,335 |
| | | <u>1,699,104,695</u> | <u>1,689,362,307</u> |
| Current assets | | | |
| Stores, spares and loose tools | | 44,301,720 | 47,580,982 |
| Stock-in-trade | 5 | 1,270,324,202 | 1,536,057,914 |
| Trade debts | | 762,297,190 | 782,098,181 |
| Loans and advances | | 55,731,482 | 67,718,460 |
| Deposits and short-term prepayments | | 7,013,499 | 7,928,309 |
| Other receivables | | 78,875,188 | 66,431,892 |
| Other financial assets | 6 | 86,094,620 | 73,746,320 |
| Cash and bank balances | | 40,703,610 | 16,400,305 |
| | | <u>2,345,341,511</u> | <u>2,601,962,163</u> |
| Total assets | | <u>4,044,446,206</u> | <u>4,291,324,470</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| 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 | | <u>198,528,000</u> | <u>198,528,000</u> |
| Capital reserves | | | |
| Surplus on revaluation of property, plant and equipment - net of tax | | 612,358,415 | 633,848,096 |
| Equity portion of loan from related parties | | 30,605,178 | 33,588,069 |
| Revenue reserves | | 781,497,810 | 731,526,824 |
| | | <u>1,622,989,403</u> | <u>1,597,480,789</u> |
| Total equity | | <u>1,622,989,403</u> | <u>1,597,480,789</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term finance | 7 | 176,594,835 | 153,556,474 |
| Lease liability | | 16,376,461 | 28,145,710 |
| Deferred tax liability | | 174,191,013 | 183,503,681 |
| Retirement benefit obligation | | 53,591,731 | 48,768,743 |
| | | <u>420,754,040</u> | <u>413,973,608</u> |
| Current liabilities | | | |
| Trade and other payables | | 263,687,848 | 397,347,898 |
| Accrued mark-up | | 34,416,282 | 68,008,376 |
| Short-term borrowings | 8 | 1,564,227,370 | 1,638,057,210 |
| Current portion of long-term finance | 7 | 89,442,593 | 99,356,884 |
| Current portion of lease liability | | 21,862,416 | 31,798,102 |
| Unclaimed dividend | | 2,424,865 | 2,424,885 |
| Provision for taxation | | 24,841,369 | 43,168,418 |
| | | <u>2,000,702,763</u> | <u>2,279,862,073</u> |
| Total liabilities | | <u>2,421,456,803</u> | <u>2,693,835,681</u> |
| Total equity and liabilities | | <u>4,044,446,206</u> | <u>4,291,324,470</u> |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 9 | | |

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements

CHAIRMAN / DIRECTOR

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

| | Note | Half-year Ended | | Quarter Ended | |
|--------------------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| (Rupees) | | | | | |
| Sales - net | 10 | 1,731,682,924 | 1,757,548,576 | 930,612,529 | 891,798,725 |
| Cost of sales | 11 | (1,549,693,408) | (1,595,555,501) | (822,213,462) | (799,912,140) |
| Gross profit | | 181,989,516 | 161,993,075 | 108,399,067 | 91,886,585 |
| Distribution cost | | (13,607,934) | (12,154,781) | (8,494,866) | (8,401,865) |
| Administrative expenses | | (39,802,309) | (42,225,966) | (21,562,799) | (23,043,149) |
| | | (53,410,243) | (54,380,747) | (30,057,665) | (31,445,014) |
| | | 128,579,273 | 107,612,328 | 78,341,402 | 60,441,571 |
| Finance cost | | (86,784,018) | (109,327,800) | (39,368,693) | (51,361,460) |
| Other operating expenses | 12 | (7,490,315) | (13,120,616) | (6,270,294) | (3,416,185) |
| | | 34,304,940 | (15,436,088) | 32,702,415 | 5,663,926 |
| Other income | 13 | 5,075,532 | 7,249,329 | 3,222,203 | 5,961,266 |
| Profit / (loss) before taxation | | 39,380,472 | (8,186,759) | 35,924,618 | 11,625,192 |
| Taxation | | | | | |
| Current | | (24,641,369) | (23,194,934) | (14,305,081) | (12,392,331) |
| Prior | | (453,076) | 2,210,212 | (349,304) | 2,210,212 |
| Deferred | | 9,312,668 | 48,292,209 | (7,282,687) | 31,914,034 |
| | | (15,781,777) | 27,307,487 | (21,937,072) | 21,731,915 |
| Profit after taxation | | 23,598,695 | 19,120,728 | 13,987,546 | 33,357,107 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the period | | 23,598,695 | 19,120,728 | 13,987,546 | 33,357,107 |
| Earnings per share - basic and diluted (Rupees) | | 1.19 | 0.96 | 0.70 | 1.68 |

The annexed notes from 1 to 19 form an integral part of these condensed interim financial statements.



CHAIRMAN / DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

| Half - year Ended | |
|----------------------|----------------------|
| December 31, 2020 | December 31, 2019 |
| (Rupees) | |

A. CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---------------------------------------------------------------------------------|---------------|---------------|
| Profit / (loss) before taxation | 39,380,472 | (8,186,759) |
| Adjustments for: | | |
| Depreciation | 45,274,421 | 44,382,417 |
| Provision for retirement benefit obligation | 8,754,680 | 8,565,597 |
| Gain on sale of property, plant and equipment | (1,761,102) | (4,811,655) |
| Finance cost | 81,901,208 | 105,463,836 |
| Finance cost on unwinding of discount on long-term finance from related parties | 4,882,810 | 4,463,964 |
| Operating cash flows before working capital changes | 178,432,499 | 149,877,400 |
| (Increase) / decrease in current assets | | |
| Stores, spares and loose tools | 3,279,262 | 1,103,264 |
| Stock-in-trade | 267,733,712 | 451,096,025 |
| Trade debts | 19,800,981 | (88,232,303) |
| Loans and advances | (10,228,642) | (4,417,164) |
| Deposits and short-term prepayments | 914,810 | (4,870,856) |
| Other receivables | (12,443,496) | (14,746,699) |
| Increase / (decrease) in current liabilities | | |
| Trade and other payable | (133,660,050) | 145,762,717 |
| | 135,396,587 | 475,694,984 |
| Cash generated from operations | 313,829,086 | 625,572,384 |
| Finance cost paid | (111,207,234) | (122,838,415) |
| Retirement benefit obligation paid | (3,931,700) | (3,053,768) |
| Income tax paid | (21,405,874) | (12,372,526) |
| Net cash generated from operating activities | A 177,284,278 | 487,307,875 |

B. CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|----------------------------------------------------------|----------------|-------------|
| Purchase of property, plant and equipment | (61,883,537) | (2,602,242) |
| Proceed from disposal of property, plant and equipment | 6,720,000 | 10,890,999 |
| Long term deposits | 1,907,830 | (4,331,275) |
| Other financial asset - net | (12,348,300) | 673,625 |
| Sales tax refund bond | - | 14,700,000 |
| Net cash (used in) / generated from investing activities | B (65,604,007) | 19,331,107 |

C. CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|-------------------------------------------------------------|--------------------|-----------------|
| Repayment of long-term finance | (43,855,821) | - |
| Proceeds from long-term finance | 54,000,000 | 19,009,571 |
| Lease rental paid - net | (25,691,305) | 3,043,365 |
| Net cash (used in) / generated from in financing activities | C (15,547,126) | 22,052,936 |
| Net increase in cash and cash equivalents (A+B+C) | 96,133,145 | 528,691,718 |
| Cash and cash equivalents at the beginning of the period | (1,619,656,905) | (1,586,673,502) |
| Cash and cash equivalents at the end of the period | 14 (1,523,523,760) | (1,057,981,784) |

The annexed notes from 1 to 19 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 HALF YEAR ENDED DECEMBER 31, 2020



| | 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 | |
| Note | (Rupees) | | | | |
| Balance as at July 1, 2019 | 198,528,000 | 636,590,008 | 44,580,488 | 775,173,993 | 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 | - |
| | - | (14,007,801) | - | 14,007,801 | - |
| Transactions with related parties | | | | | |
| Unamortized portion of Interest free Loan | - | - | 12,847,403 | - | 12,847,403 |
| Balance as at December 31, 2019 | 198,528,000 | 622,582,207 | 57,427,591 | 808,302,522 | 1,686,840,620 |
| 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 | | | | | |
| Fair value effect of interest free loan provided by related parties | 7 | - | - | 1,901,919 | 1,901,919 |
| Unwinding of discount on long-term loan from related parties | 7 | - | - | (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 |

The annexed notes from 1 to 19 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 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, 2020. 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, 2020 have been extracted from the audited financial statements of the Company for the year ended June 30, 2020, whereas, the comparatives in the condensed interim statement of profit or loss, condensed interim statement of 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, 2019.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except that obligations in respect of certain staff retirement benefits are carried at present value of defined benefit obligation and loan from directors are carried at present value.

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, 2020.

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, 2020.

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 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, 2020. 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 statements.

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, 2020.

| Half Year December 31, 2020 | | Half Year December 31, 2019 | |
|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Additions | Disposals carrying value | Additions | Disposals carrying value |
| (Un-audited) | | (Un-audited) | |
| ----- (Rupees) ----- | | | |

4. Property, plant and equipment

- owned

Plant and machinery
Factory building
Office equipment
Vehicles
Furniture & fixture

| | | | |
|-------------------|---------------------|------------------|--------------------|
| 59,619,292 | - | 1,642,378 | (1,872,999) |
| 19,354 | - | 358,966 | - |
| 279,654 | - | 354,000 | - |
| 1,965,237 | (12,805,871) | 153,998 | (4,206,345) |
| - | - | 92,900 | - |
| 61,883,537 | (12,805,871) | 2,602,242 | (6,079,344) |
| 61,883,537 | (12,805,871) | 2,602,242 | (6,079,344) |

- 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 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.
- 7.3 During the period ended December 31, 2020, the Company obtained further loan from directors amounting to Rs. 6 million. 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 10% per annum, the fair value of loan estimated at Rs. 4.10 million as at Dec 31, 2020. The difference between the gross proceeds and the fair value of the loan is recognized in equity.

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.

During the year, the Company has repaid loan amounting to Rs. 34.48 million to directors and their close family members.

| December 31, 2020 (Un-audited) | June 30, 2020 (Audited) |
|--------------------------------------|-------------------------------|
| ----- (Rupees) ----- | |

B. SHORT-TERM BORROWINGS

From banking companies - secured

| | | |
|--------------------------------------------|----------------------|----------------------|
| Running finance | 534,845,986 | 518,062,837 |
| Cash finance | 579,357,031 | 291,345,726 |
| Finance Against Imported Merchandise (FIM) | 450,024,353 | 828,648,647 |
| | 1,564,227,370 | 1,638,057,210 |

- 8.1 Facilities for running finance, cash finance, FIM and Murahaba are available from various commercial banks up to Rs. 3,300 million (June 30, 2020: Rs. 3,300 million). These facilities are subject to markup at the rates of 3 month KIBOR plus 1.00% to 2.5% (June 30, 2020: 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. 1,736 million (June 30, 2020: Rs. 1,666 million).

9. CONTINGENCIES AND COMMITMENTS

- 9.1 In August 2013, the Oil and Gas Regulatory Authority (OGRA) vide its S.R.O. # 726(I)/2015 notified the sale price for sale of natural gas at Rs. 573.28/MMBTU for captive power consumption (CPP) with immediate effect. Subsequent to the said S.R.O., the Company received gas bills at Rs. 573.28/MMBTU, being considered as CPP by the utility company. The Company, considering itself as industrial consumer paid gas charges at the rate applicable before August 2013 on the basis of the stay order obtained from the Court.

Subsequently, on September 1, 2015, OGRA vide its S.R.O. # 876(I)/2015 notified the price for sale of natural gas at Rs. 600/MMBTU for industrial consumers and on captive power consumption, with effect from September 1, 2015. Aggrieved by the notification, the Company filed a suit in the Lahore High Court contending that the mandatory procedures as laid down in the OGRA Ordinance, 2002 and Rules made thereunder were not fulfilled while issuing the notification. Hence, the Company paid / accrued gas charges at rates applicable before the above S.R.O. # 726(I)/2015 on the basis of stay orders obtained from Lahore High Court, Multan bench, from time to time, until November 2015.

From December 2015, the gas company has started supplying imported Liquefied Natural Gas (LNG) resulting in the change in rates over which no dispute has been raised by the Company.

During the period, the OGRA issued a decision on July 6, 2020, whereby, the Company (the petitioner) was directed to pay the outstanding amount to the utility company within 30 days period from the date of decision. In response to the above decision, a writ petition numbered 35355 of 2020 was filed before the honourable Lahore High Court by the Company against which a stay order has been issued on October 8, 2020, which suspended the OGRA's decision till next hearing.

- 9.2 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, Section 8 (2) (1st proviso) of the legislature has explicitly facilitated the industrial sector narrating that the cess shall not be collected from industrial sector as it has not been collected by the Gas companies in terms of GIDC Act 2011 and the GIDC Ordinance 2014. Further, while comparing two categories i.e. industrial and domestic consumers, the Honorable Court has specifically stated that GIDC shall be applicable only on those companies which have passed the burden on to its consumers/clients (Clause 37 of Judgement). Management maintains that since the Company has not passed on the burden to its consumers/clients, it is not liable to pay Cess, by whatever name charged.

During the period, a writ petition No. 42176 / 2020 was filed by All Pakistan Textile Mills Association (APTMA), where the Company is 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 the period, the gas company started billing for GIDC to the Company against which payment is being made by the Company based on the order issued by Honorable Lahore High Court against the aforementioned writ petition. Pursuant to the order, the Company is making payment which is applicable to industrial consumers and for the difference between the amount charged to industrial consumers and captive power consumers, post-dated cheques are being issued by the Company in favour of the gas company. For the amount relating to the payment of GIDC based on the actual calculation prior to 2015, the decision is still pending till the next hearing.

- 9.3 Except as disclosed above, there has been no significant change in contingencies as disclosed in 24.1.3 to the annual audited financial statements of the Company for the year ended June 30, 2020.

9.4 **Commitments**

Letters of credit opened and outstanding for import of:

- raw material
- stores and spares

| December 31, 2020 (Un-audited) | June 30, 2020 (Audited) |
|--------------------------------------|-------------------------------|
| ----- (Rupees) ----- | ----- |

| | |
|------------------|------------|
| 576,943,717 | 56,112,000 |
| 6,249,274 | - |

Half-year Ended

| December 31, 2020 (Un-audited) | December 31, 2019 |
|--------------------------------------|----------------------|
| ----- (Rupees) ----- | ----- |

10. **SALES - NET**

- Yarn
- Export
- Local

| | |
|----------------------|---------------|
| 230,674,628 | 493,587,886 |
| 1,586,326,680 | 1,238,576,329 |
| 1,817,001,308 | 1,732,164,215 |

- Raw material - Local
- Cotton / viscose
- Waste

| | |
|----------------------|---------------|
| 67,396,984 | 162,446,637 |
| 116,928,704 | 85,626,420 |
| 2,001,326,996 | 1,980,237,272 |

Less:

- Sales Tax
- Brokerage and commission

| | |
|----------------------|----------------------|
| (260,994,758) | (215,552,361) |
| (8,649,314) | (7,136,335) |
| 1,731,682,924 | 1,757,548,576 |

| | Half-year Ended | |
|---------------------------------------------------|----------------------|----------------------|
| | December 31, 2020 | December 31, 2019 |
| | (Un-audited) | |
| | ----- (Rupees) ----- | |
| 11. COST OF SALES | | |
| Raw material consumed | 1,132,927,540 | 1,236,763,736 |
| Salaries, wages and benefits | 88,728,228 | 74,505,866 |
| Fuel and power | 194,121,631 | 180,724,481 |
| Depreciation | 40,380,305 | 39,306,749 |
| Stores and spares consumed | 31,624,302 | 22,386,534 |
| Packing material | 26,310,287 | 22,960,464 |
| Insurance | 5,000,000 | 4,000,000 |
| Repairs and maintenance | 1,916,738 | 1,645,156 |
| Vehicle running and maintenance | 663,051 | 1,346,783 |
| Other manufacturing overheads | 1,816,313 | 2,026,728 |
| | <u>1,523,488,395</u> | <u>1,585,666,497</u> |
| Work-in-process | | |
| Opening stock | 38,283,787 | 26,053,631 |
| Closing stock | (48,684,649) | (41,835,576) |
| | <u>(10,400,862)</u> | <u>(15,781,945)</u> |
| Cost of goods manufactured | 1,513,087,533 | 1,569,884,552 |
| Finished goods | | |
| Opening stock | 145,315,502 | 112,069,188 |
| Closing stock | (163,651,065) | (226,998,537) |
| | <u>(18,335,563)</u> | <u>(114,929,349)</u> |
| Cost of raw material sold | 54,941,438 | 140,600,298 |
| | <u>1,549,693,408</u> | <u>1,595,555,501</u> |
| 12. OTHER OPERATING EXPENSES | | |
| Workers' profit participation fund | 2,117,230 | - |
| Workers' welfare fund | 846,892 | 696,513 |
| Exchange Loss | 667,751 | 10,589,065 |
| Loss from shares trading | - | 170,748 |
| Infrastructure cost | 3,858,442 | 1,664,290 |
| | <u>7,490,315</u> | <u>13,120,616</u> |
| 13. OTHER INCOME | | |
| Profit on deposits / investment | 2,697,800 | 2,437,674 |
| Gain on disposal of property, plant and equipment | 1,761,102 | 4,811,655 |
| Scrap sales | 616,630 | - |
| | <u>5,075,532</u> | <u>7,249,329</u> |

| | | December 31, 2020 (Un-audited) | December 31, 2019 (Un-audited) |
|--------------------------------------|------|--------------------------------------|--------------------------------------|
| | Note | ----- (Rupees) ----- | |
| 14. CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 40,703,610 | 31,145,064 |
| Short-term borrowings | 8 | (1,564,227,370) | (1,089,126,848) |
| | | <u>(1,523,523,760)</u> | <u>(1,057,981,784)</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 freehold 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 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.

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 | Half-year Ended | |
|----------------------------------|-------------------------------------|----------------------|----------------------|
| | | December 31, 2020 | December 31, 2019 |
| | | (Un-audited) | |
| | | ----- (Rupees) ----- | |
| Employee retirement benefit plan | Contribution made to provident fund | 700,572 | 674,466 |
| Key management personnel | Short-term employee benefit | 1,253,041 | 3,810,000 |
| Directors | Unwinding of discount on loan from | 4,882,810 | 4,463,965 |
| | 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.

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. IMPACT OF COVID-19 PANDEMIC ON COMPANY'S OPERATIONS

The World Health Organization has declared COVID-19 (the virus) a global pandemic. With the growing number of cases in Pakistan, the Government of Pakistan has provided directions to take measures to respond to the virus. While the virus has impacted the global economy, the Company's operations and financial results have not been materially impacted. In future also, the Company does not foresee any adverse impact on its operations and financial results.

19. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements has been approved and authorized for issue on February 25, 2021 by the Board of Directors of the Company.



CHAIRMAN / DIRECTOR



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER

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