

**IDREES**

**TEXTILE MILLS LIMITED**

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



## COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	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
<b>AUDIT COMMITTEE</b>	Ms. Azra Yaqub Vawda - Chairperson Syed Masud Arif - Member Mr. Rizwan Idrees Allawala - Member Syed Shahid Sultan - Secretary
<b>HUMAN RESOURCE &amp; REMUNERATION COMMITTEE</b>	Syed Masud Arif - Chairman Mr. Rizwan Idrees Allawala - Member Ms. Azra Yaqun Vawda - Member
<b>COMPANY SECRETARY</b>	Syed Shahid Sultan
<b>CHIEF FINANCIAL OFFICER</b>	Mr. Muhammad Jawaid
<b>AUDITORS</b>	M/s. Yousuf Adil Chartered Accountants
<b>BANKERS</b>	National Bank of Pakistan Bank Alfalah Limited Habib Metropolitan Bank Ltd. Meezan Bank Ltd. Bank of Punjab Ltd. BankIslami Pakistan Ltd. Askari Bank Ltd. Dubai Islamic Bank Pakistan Ltd. Samba Bank Limited Silk Bank Ltd.
<b>REGISTERED OFFICE</b>	6-C, Ismail Centre, 1st Floor, Central Commercial Area, Bahadurabad, Karachi - 74800.
<b>MILLS</b>	Kot Shah Mohammad, Tehsil Nankana, District Nankana, Punjab. <a href="http://www.idreestextile.com">www.idreestextile.com</a>
<b>SHARES REGISTRAR</b>	M/S. JWAFS 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 اسرار نیل  
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 ہولڈرز 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 فروختگی 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 ریشوں / فلا مینٹس 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) ORA Home LLC 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 سیز 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 تو انائی 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، تو انائی کی اصلاح، کارکردگی میں اضافہ اور وسائل کی اصلاح کے ذریعہ کاروباری ترقی کے لئے پرعزم ہے۔

 **YOUSUF ADIL****Yousuf Adil**  
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## INDEPENDENT AUDITOR'S REVIEW REPORT

**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**Place:** Karachi**Date:** March 02, 2022**UDIN:** RR202110057H8fFnC5MW

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



	Note	December 31, 2021 (Un-audited)	June 30, 2021 (Audited)
		(Rupees)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,085,848,152	2,046,046,950
Long-term deposits		2,887,987	2,887,987
		<b>2,088,736,139</b>	2,048,934,937
<b>Current assets</b>			
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
		<b>2,598,329,270</b>	2,181,204,721
<b>Total assets</b>		<b>4,687,065,409</b>	4,230,139,658
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Share capital and reserves</b>			
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
<b>Capital reserves</b>			
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
<b>Total equity</b>		<b>2,226,720,906</b>	2,086,613,543
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
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
		<b>470,330,037</b>	486,873,124
<b>Current liabilities</b>			
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
		<b>1,990,014,466</b>	1,656,652,991
<b>Total liabilities</b>		<b>2,460,344,503</b>	2,143,526,115
<b>Total equity and liabilities</b>		<b>4,687,065,409</b>	4,230,139,658

**CONTINGENCIES AND COMMITMENTS**

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

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



	Note	Half-year Ended		Quarter Ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
----- (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		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>159,960,163</b>	<b>23,598,695</b>	<b>86,591,119</b>	<b>13,987,546</b>
<b>Earnings per share - basic and diluted (Rupees)</b>		<b>8.06</b>	<b>1.19</b>	<b>4.36</b>	<b>0.70</b>

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)	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>334,105,027</u>	<u>178,432,499</u>
<b>(Increase) / decrease in current assets</b>		
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)
	<u>(400,768,844)</u>	<u>269,056,637</u>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payable	104,175,220	(133,660,050)
	<u>(296,593,624)</u>	<u>135,396,587</u>
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)
<b>Net cash (used in) / generated from operating activities</b>	<u>A (60,120,636)</u>	<u>177,284,278</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)
<b>Net cash used in investing activities</b>	<u>B (78,584,549)</u>	<u>(65,604,007)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)	-
<b>Net cash used in financing activities</b>	<u>C (61,192,791)</u>	<u>(15,547,126)</u>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<u>(199,897,976)</u>	<u>96,133,145</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>(1,206,649,734)</u>	<u>(1,619,656,905)</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>15 (1,406,547,710)</u>	<u>(1,523,523,760)</u>

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
<b>Total comprehensive income for the period</b>					
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	-
<b>Transactions with related parties / owners</b>					
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
<b>Balance as at July 1, 2021</b>	<b>198,528,000</b>	<b>910,719,758</b>	<b>25,813,862</b>	<b>951,551,923</b>	<b>2,086,613,543</b>
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	159,960,163	159,960,163
Other comprehensive income	-	-	-	-	-
	-	-	-	159,960,163	159,960,163
<b>Transfer from surplus on revaluation of property, plant and equipment on account:</b>					
- 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	-	-	-	-	-
<b>Transactions with related parties / owners</b>					
Unwinding of discount on long-term loan from related parties	8	-	(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)
<b>Balance as at December 31, 2021</b>	<b>198,528,000</b>	<b>885,844,394</b>	<b>20,854,796</b>	<b>1,121,493,716</b>	<b>2,226,720,906</b>

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:

<b>Karachi</b>	<b>Purpose</b>
6-C, Ismail Centre, 1st floor, Central Commercial Area, Bahadurabad	Head Office
<b>Nankana Sahib</b>	<b>Purpose</b>
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,                      June 30,  
2021                                      2021  
(Un-audited)                      (Audited)  
----- (Rupees) -----

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

5. **STOCK-IN-TRADE**

	Note		
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
		<u>1,379,791,233</u>	<u>1,090,119,992</u>

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
		<u>251,648,559</u>	<u>159,520,907</u>
Less: provision for doubtful receivables		<u>(4,824,973)</u>	<u>(4,824,973)</u>
		<u>246,823,586</u>	<u>154,695,934</u>

7. **OTHER FINANCIAL ASSETS**

Term deposit receipts	7.1	<u>108,925,328</u>	<u>97,094,620</u>
-----------------------	-----	--------------------	-------------------

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.

	Note	(Un-audited) December 31, 2021 (Un-audited) ----- (Rupees) -----	(Audited) June 30, 2021 (Audited) -----
<b>8. LONG-TERM FINANCE</b>			
<b>From banking companies (Secured) - At amortised cost</b>			
Term Finance	8.1	<b>95,993,852</b>	110,257,645
Less: Current portion shown under current liabilities		<b>(39,665,887)</b>	(40,209,584)
		<b>56,327,965</b>	70,048,061
Refinance scheme for payment of wages and salaries	8.2	<b>62,812,500</b>	75,375,000
Less: current portion shown in current liabilities		<b>(62,812,500)</b>	(50,250,000)
		-	25,125,000
		<b>56,327,965</b>	95,173,061
<b>From related parties (Unsecured) - At amortised cost</b>			
Opening balance		<b>88,821,737</b>	110,276,320
Receipts during the year		-	6,000,000
Repayments during the year		-	(35,226,790)
Unwinding of discount		<b>4,959,066</b>	9,674,126
Less: Current portion shown under current liabilities		-	-
Less: Fair value adjustment		-	(1,901,919)
	8.3	<b>93,780,803</b>	88,821,737
Less: Current portion shown under current liabilities		<b>(14,894,598)</b>	(14,894,598)
		<b>78,886,205</b>	73,927,139
		<b>135,214,170</b>	169,100,200
Current portion of long-term finance		<b>117,372,985</b>	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
	<b>1,442,312,491</b>	<b>1,215,020,482</b>

- 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)
--	-------------------------------

	<b>766,086,726</b>	599,912,977
	<b>11,916,311</b>	8,858,225
	<b>717,042,338</b>	621,274,797
	<b>1,495,045,375</b>	1,230,045,999

**Half-year Ended**

December 31, 2021 (Un-audited) ----- (Rupees) -----	December 31, 2020
--	----------------------

**11. SALES - NET**

Yarn

- Export
- Local

	<b>141,514,737</b>	230,674,628
	<b>2,388,803,245</b>	1,586,326,680
	<b>2,530,317,982</b>	1,817,001,308

Raw material - Local

- Cotton / viscose
- Waste

	<b>38,105,910</b>	67,396,984
	<b>145,188,907</b>	116,928,704
	<b>2,713,612,799</b>	2,001,326,996

Less:

- Sales tax
- Brokerage and commission

	<b>(377,794,778)</b>	(260,994,758)
	<b>(14,795,912)</b>	(8,649,314)
	<b>2,321,022,109</b>	1,731,682,924

	Half-year Ended	
	December 31, 2021	December 31, 2020
	(Un-audited)	
Note	----- (Rupees) -----	
<b>12. COST OF SALES</b>		
Raw material consumed	1,770,332,324	1,132,927,540
Salaries, wages and benefits	101,305,320	88,728,228
Fuel and power	211,282,911	194,121,631
Depreciation	46,482,699	40,380,305
Stores and spares consumed	28,608,643	31,624,302
Packing material	30,874,730	26,310,287
Insurance	6,000,000	5,000,000
Repairs and maintenance	941,418	1,916,738
Vehicle running and maintenance	966,859	663,051
Other manufacturing overheads	2,625,049	1,816,313
	<b>2,199,419,953</b>	<b>1,523,488,395</b>
Work-in-process		
Opening stock	41,992,838	38,283,787
Closing stock	(51,794,711)	(48,684,649)
	<b>(9,801,873)</b>	<b>(10,400,862)</b>
Cost of goods manufactured	<b>2,189,618,080</b>	<b>1,513,087,533</b>
Finished goods		
Opening stock	106,757,831	145,315,502
Closing stock	(289,547,476)	(163,651,065)
	<b>(182,789,645)</b>	<b>(18,335,563)</b>
Cost of raw material sold	<b>16,972,721</b>	<b>54,941,438</b>
	<b>2,023,801,156</b>	<b>1,549,693,408</b>
<b>13. OTHER OPERATING EXPENSES</b>		
Workers' profit participation fund	10,771,660	2,117,230
Workers' welfare fund	4,241,178	846,892
Exchange Loss	3,560,925	667,751
Infrastructure cess	8,854,829	3,858,442
	<b>27,428,592</b>	<b>7,490,315</b>
<b>14. OTHER INCOME</b>		
Profit on deposits / investment	2,413,789	2,697,800
Gain on disposal of property, plant and equipment	-	1,761,102
Scrap sales	526,730	616,630
Exchange gain	862,324	-
Unwinding of discount on other receivables	6,401,253	-
Others	62,106,338	-
14.1	<b>72,310,434</b>	<b>5,075,532</b>

- 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) -----	
<b>15. CASH AND CASH EQUIVALENTS</b>			
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 (Un-audited)	December 31, 2020 (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 March 01-2022 by the Board of Directors of the Company.



**DIRECTOR**



**DIRECTOR**



**CHIEF FINANCIAL OFFICER**

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