

ANJUM TEXTILE MILLS
(PVT.) LTD.

Audit Report 2021

INDEPENDENT AUDITOR'S REPORT

To the members of ANJUM TEXTILE MILLS (PVT.) LTD. Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of ANJUM TEXTILE MILLS (PVT.) LTD. (the Company), which comprise the statement of financial position as at June 30, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the *Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditors' Report thereon

Management is responsible for the other information. The other information comprises the information in the directors' report, but does not include the financial statements of the company and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Offices at Lahore, Faisalabad, Islamabad, Karachi & Peshawar

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

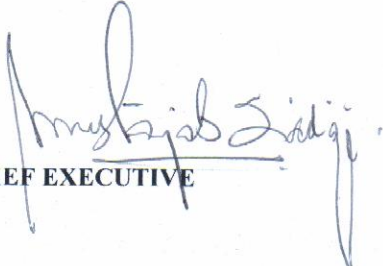
The engagement partner on the audit resulting in this independent auditors' report is Muhammad Amin (FCA).


Zahid Jamil
Chartered Accountants
Place: Faisalabad
Date: September 02, 2021

**ANJUM TEXTILE MILLS (PVT.) LTD.
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021**

	NOTES	2021 RUPEES	2020 RUPEES
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	825,152,031	870,467,286
Right-of-use assets	6	5,243,516	10,634,395
Long term deposits	7	7,191,050	6,241,150
		837,586,597	887,342,831
CURRENT ASSETS			
Stores and spares	8	49,280,235	46,634,196
Stock in trade	9	297,480,123	419,798,537
Trade debts	10	587,734	133,689
Loans and advances	11	34,537,563	14,799,867
Deposits and prepayments	12	2,608,996	3,539,503
Tax refunds due from the Government	13	14,854,358	14,075,402
Cash and bank balances	14	63,455,210	86,905,107
		462,804,219	585,886,301
		1,300,390,816	1,473,229,132
EQUITY & LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
2,000,000 (2020: 2,000,000) Ordinary shares of Rs. 100/- each		200,000,000	200,000,000
Issued, subscribed & paid up	15	200,000,000	200,000,000
Capital reserves			
Surplus on revaluation of operating fixed assets	16	314,339,552	334,824,439
Revenue reserves			
Unappropriated profit		262,850,431	169,735,648
		777,189,983	704,560,087
NON CURRENT LIABILITIES			
Long term financing	17	39,763,723	87,533,471
Lease liabilities	18	-	1,513,260
Deferred liabilities	19	81,721,636	104,523,263
		121,485,359	193,569,994
CURRENT LIABILITIES			
Trade and other payables	20	67,697,960	96,338,629
Mark-up accrued on loans	21	9,010,386	16,505,312
Short term financing	22	264,301,873	440,355,869
Current portion of non current liabilities	23	60,705,255	21,899,241
		401,715,474	575,099,051
CONTINGENCIES & COMMITMENTS			
	24	-	-
		1,300,390,816	1,473,229,132

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE



DIRECTOR

ANJUM TEXTILE MILLS (PVT.) LTD.
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 RUPEES	2020 RUPEES
Sales	25	2,210,441,855	1,516,838,328
Cost of sales	26	<u>2,023,076,006</u>	<u>1,441,567,818</u>
Gross profit		187,365,849	75,270,510
Operating expenses			
Administrative	27	<u>56,512,902</u>	<u>48,971,098</u>
Operating profit		130,852,947	26,299,412
Other income	28	1,508,682	2,380,692
Other charges			
Finance cost	29	47,090,550	78,935,985
Workers' profit participation fund		4,263,554	-
Workers' welfare fund		1,588,383	61,597
		<u>52,942,487</u>	<u>78,997,582</u>
Profit / (loss) before taxation		79,419,142	(50,317,478)
Taxation	30	<u>(11,780,744)</u>	<u>(2,737,448)</u>
Net profit / (loss) for the year		<u><u>67,638,398</u></u>	<u><u>(53,054,926)</u></u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ANJUM TEXTILE MILLS (PVT.) LTD.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	NOTE	2021 RUPEES	2020 RUPEES
Net profit / (loss) for the year		67,638,398	(53,054,926)
Other comprehensive income / (loss)			
Items that will not be reclassified to profit & loss:			
Remeasurement gain of defined benefit liability-net of tax		4,991,498	2,047,483
Total comprehensive income / (loss) for the year		<u>72,629,896</u>	<u>(51,007,443)</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE

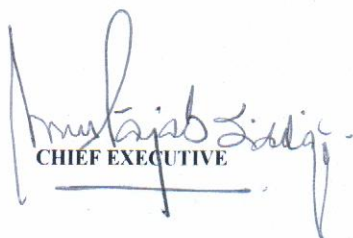


DIRECTOR

**ANJUM TEXTILE MILLS (PVT.) LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021**

PARTICULARS	SHARE CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	TOTAL
		REVALUATION SURPLUS ON OPERATING FIXED ASSETS	UNAPPROPRIATED PROFIT	
Rupees				
Balances as on July 01, 2019	200,000,000	357,396,001	198,171,529	755,567,530
Net loss for the year	-	-	(53,054,926)	(53,054,926)
Other comprehensive income for the year - net of tax	-	-	2,047,483	2,047,483
Total comprehensive income for the year	-	-	(51,007,443)	(51,007,443)
Transfer to unappropriated profit in respect of incremental depreciation for the year - net of tax	-	(22,571,562)	22,571,562	-
	-	(22,571,562)	22,571,562	-
Balances as on June 30, 2020	200,000,000	334,824,439	169,735,648	704,560,087
Net profit for the year	-	-	67,638,398	67,638,398
Other comprehensive income for the year - net of tax	-	-	4,991,498	4,991,498
Total comprehensive income for the year	-	-	72,629,896	72,629,896
Transfer to unappropriated profit in respect of incremental depreciation for the year - net of tax	-	(20,484,887)	20,484,887	-
	-	(20,484,887)	20,484,887	-
Balances as on June 30, 2021	200,000,000	314,339,552	262,850,431	777,189,983

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE



DIRECTOR

**ANJUM TEXTILE MILLS (PVT.) LTD.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2021**

	2021 RUPEES	2020 RUPEES
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	79,419,142	(50,317,478)
Adjustments of non cash / non operating items		
Depreciation	66,662,664	72,358,411
Depreciation on right of use asset	1,650,879	2,658,599
Finance cost	47,090,550	78,935,985
Staff retirement benefit - gratuity	14,749,081	15,845,758
Workers' welfare fund	1,588,383	61,597
Workers' profit participation fund	4,263,554	-
Gain on sale of operating fixed assets	(39,897)	(264,128)
Earned finance income	(180,285)	(1,081,764)
	<u>135,784,929</u>	<u>168,514,458</u>
Operating profit before working capital changes	215,204,071	118,196,980
Changes in working capital		
(Increase) / decrease in current assets		
Stores and spares	(2,646,039)	(1,647,339)
Stock in trade	122,318,414	(156,879,220)
Trade debts	(454,045)	11,920,448
Loans & advances	(19,737,696)	7,479,420
Trade deposits & short term prepayments	930,507	(800,956)
Tax refunds due from the Government	(375,589)	24,167,467
(Decrease) / increase in current liabilities		
Trade and other payables	(35,712,321)	40,121,596
	<u>64,323,231</u>	<u>(75,638,584)</u>
Cash generated from operations	279,527,302	42,558,396
Taxes paid	(33,633,713)	(28,291,422)
Workers' profit participation fund paid	-	(285,863)
Staff retirement benefit - gratuity paid	(10,048,600)	(4,431,490)
Finance cost paid	(54,585,476)	(79,084,621)
	<u>(98,267,789)</u>	<u>(112,093,396)</u>
Net cash generated from / (used in) operating activities	181,259,513	(69,535,000)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	(6,512,662)	(3,026,415)
Capital work in progress	(11,126,850)	(1,543,746)
Proceeds from sale of operating fixed assets	72,000	270,000
Long term deposits	(949,900)	(27,240)
Net cash used in investing activities	(18,517,412)	(4,327,401)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Short term financings	(176,053,996)	139,800,134
Lease liabilities	(3,225,603)	(3,366,509)
Long term financings	(6,912,399)	(38,510,377)
Net cash (used in) / generated from financing activities	(186,191,998)	97,923,248
Net (decrease) / increase in cash and cash equivalents (A+B+C)	(23,449,897)	24,060,847
Cash and cash equivalents at the beginning of the year	86,905,107	62,844,260
Cash and cash equivalents at the end of the year	<u>63,455,210</u>	<u>86,905,107</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.


CHIEF EXECUTIVE



DIRECTOR

ANJUM TEXTILE MILLS (PVT.) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. STATUS AND ACTIVITIES

Anjum Textile Mills (Private) Limited was incorporated in Punjab, Pakistan as on April 12, 1984 as a private limited company under the repealed Companies Ordinance, 1984 (Now Companies Act, 2017). The registered office of the company is situated at west canal road, adjacent Faisal Garden, Faisalabad, in the Province of Punjab. The manufacturing unit of the company is situated at 42 KM Sheikhpura road, Faisalabad, in the Province of Punjab, Pakistan. The principal business of the company is manufacture and sale of yarn.

1.2. Impact Of COVID-19

Although the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak of COVID-19 a "Public Health Emergency of International Concern" on January 30, 2020. It emerged in Pakistan in March 2020 and resulted in country wide lockdowns that had several financial and operational implications for business at large. The operations of the Company remained temporarily suspended in the previous financial year from March 2020 to May 2020 during the Lockdowns. However, the operations started again after the implementation of SOPs issued by the Government. The Company remained up to date in all its financial commitments. As of release date of these financial statements, there has been no specifically materially quantifiable impact of COVID-19 on the Company's financial condition or results of operations.

2. BASIS OF PREPARATION

2.1. Basis of measurement

These financial statements have been prepared on the basis of "historical cost" convention except certain property, plant and equipment items carried at revaluation and employee retirement benefits carried at present value. Moreover, these financial statements have been prepared on accrual basis except for cash flow statement.

2.2. Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards.
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and the directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.3. Functional and presentation currency

These financial statements are presented in Pakistan Rupee which is functional and presentational currency of the Company. Figures are rounded off to the nearest rupee unless otherwise specified.

2.4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In process of applying the Company's accounting policies, the management has made following estimates and judgements which are significant to financial statements:

Useful lives, residual values and depreciation method of property, plant and equipment – Note 5

Measurement of defined benefit obligation-Key actuarial assumptions - Note 19.2.5

Recognition and measurement of provisions and contingencies - Note 24

Recognition of deferred tax and estimation of income tax provisions -Note 19.1 and 30.

Provisions for stores and spares -Note 3.16 and 8.

Provisions for stock in trade - Note 3.9 and 9.

Impairment of financial assets and non financial assets other than inventories - Note 3.2 and 3.19 (iv)

Right of use asset and related lease liability - Note 3.2, 3.3, 6 and 18.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

3.1. Standards, amendments to approved accounting standards effective in current year

New and amended standards and interpretations mandatory for the first time for the financial year beginning July 1, 2020:

IAS 1 & 8 Definition of material

Effective date:

January 1, 2020

Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on April 1, 2020 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

3.1.1. Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on April 1, 2020 and have not been early adopted by the Company:

(a) IFRS 16 Leases – Rent concessions

Effective date:

June 1, 2020

Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors.

(b) IAS 37 Onerous contracts

Effective date:

January 1, 2022

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in

(c) IAS 16 Proceeds before an asset's intended use

Effective date:

January 1, 2022

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

3.2. Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work in progress are stated at cost / revaluation less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount less accumulated impairment in value, if any. Capital work-in-progress is stated at cost less accumulated impairment in value, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

A revaluation surplus is recorded in other comprehensive income (OCI) and presented as a separate part of equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognized in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance in revaluation surplus in respect of same assets. The revaluation reserve is not available for distribution to the Company's shareholders.

Right-of-use assets

Right of use assets are initially measured at cost being the present value of lease payments, initial direct costs, any lease payments made at or before the commencement of the lease as reduced by any incentives received. These are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Capital work in progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Capital work-in-progress is stated at cost less any impairment loss.

Depreciation

Depreciation on property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is de-recognized. Depreciation is charged to statement of profit or loss applying the reducing balance method. Depreciation on building, plant & machinery, electric equipment & office equipment is charged to cost of goods manufactured and the rest is charged to administrative depreciation.

Residual value and the useful life of assets are reviewed at each financial year end and if expectations differ from previous estimates the change is accounted for as change in accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in statement of profit or loss in the year the asset is de-recognized.

Impairment

The Company assesses at each statement of financial position date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the statement of profit or loss.

3.3. Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used. Subsequently these are increased by interest, reduced by lease payments and remeasured for lease modifications, if any.

Liabilities in respect of short term and low value leases are not recognized and payments against such leases are recognized as expense in profit or loss.

3.4. Operating leases / Ijarah

Assets held under Ijarah financing are accounted for using the guidelines of Islamic Financial Accounting Standard-2 (IFAS 2), "Ijarah". The assets are not recognized on the Company's statement of financial position and payments made under Ijarah financing are recognized in the statement of profit or loss on a straight line basis over the term of the Ijarah.

3.5. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are charged to current year income.

3.6. Trade debts

Trade debts are initially measured at their transaction price under IFRS 15 and subsequently measured at amortized cost less any allowance for expected credit losses (ECL).

3.7. Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in the future.

3.8. Allowance for Expected Credit Losses (ECL)

Allowance for expected credit losses (ECLs) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

3.9. Stock in trade

These are valued at lower of cost and net realizable value.

Cost is determined on the following basis :-

Raw and packing material	- on average cost
Goods in transit	- at invoice value plus other charges incurred thereon.
Work in process	- at estimated manufacturing cost including appropriate production overheads
Finished goods	- at average manufacturing cost including appropriate production overheads
Scrap	- at net realizable value

3.10. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks in current, savings and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11. Trade & Other Payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

3.12. Staff retirement benefit

Gratuity

The Company operates a defined benefit plan of unfunded gratuity scheme covering all permanent employees. Provision is made annually on the basis of actuarial recommendation to cover the period of service completed by employees using Projected Unit Credit Method. All remeasurement adjustments are recognized in other comprehensive income as they occur.

The amount recognized in the statement of financial position represents the present value of defined benefit obligation as adjusted for remeasurement adjustments.

3.13. Provisions

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

3.14. Taxation

Current

Provision for current taxation is based on taxable income at the current tax rates after taking into account applicable tax credits, rebates and exemptions available under the law. Current year's taxation is charged under section 113 and section 169 read with section 153(1A) & 154 of The Income Tax Ordinance 2001.

Deferred

Deferred tax is accounted for using the liability method for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for the financial reporting purpose. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release 27 of Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date.

The company also recognizes deferred tax liability on surplus on revaluation of assets which is adjusted against the related surplus as per the requirements of revised IAS 12 "Income Taxes".

3.15. Revenue recognition

Revenue from contracts with customers for sale of yarn,waste and scrap:

The Company recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step-1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step-2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step-3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step-4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step-5: Recognize revenue when (or as) the Company satisfies a performance obligation.

Mentioned below are different revenue streams of the Company and their terms of recognition of revenue after satisfying all the five steps of revenue recognition in accordance with IFRS 15.

Sales of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation and recognized at a point of time. Revenue is recognized when goods are dispatched to customers. It is the time when control (significant risk and rewards) relating to ownership of goods and control over these goods has been transferred to the buyer.

Presentation and disclosure requirements

As required for the financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

3.16. Store and spares

These are valued at lower of weighted average cost and net realizable value, except items in transit, which are stated at invoice amount plus other charges paid thereon. Provision for slow moving, damaged and obsolete items are charged to statement of profit or loss. Value of items is reviewed at each statement of financial position date to record provision for any slow moving items, damaged and obsolete items.

Net realizable value signifies the selling price in the ordinary course of business less estimated cost necessarily to be incurred in order to make the sale, which is generally equivalent to the estimated replacement cost.

3.17. Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.18. Foreign currency transactions

Transactions in currencies other than Pak Rupee are recorded at the rates of exchange prevailing on the date of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Exchange differences are included in current income. All non-monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transaction.

3.19. IFRS 9 Financial instruments

Financial instruments: assets

i) Classification & measurement of Financial Instrument

Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects; the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the solely payments of principal and interest ('SPPI') test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The Company determines the classification at initial recognition.

Financial assets at amortized cost

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

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

Financial assets at FVTOCI

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

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

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

Financial assets at fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test. Derivatives are classified as FVTPL as they do not meet the SPPI criteria.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair value basis.

The Company defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ii) Initial Recognition

At initial recognition, an entity shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

iii) Subsequent Measurement

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of debt instruments classified as fair value through other comprehensive income are recognized as other comprehensive income until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized as other comprehensive income is recognized in the statement of profit or loss. Any premium or discount paid on the purchase of securities held at amortized cost is amortized through the statement of profit or loss using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Company establishes fair value by using appropriate valuation techniques.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Company has either transferred substantially all of the risks and rewards of ownership or the Company deems that it no longer retains control of the risks and rewards of ownership.

iv) Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments measured at amortized cost or FVTOCI
- lease receivables; and
- loan commitments and financial guarantee contracts issued.

Under IFRS 9, no impairment loss is recognized on equity investments. IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month Expected Credit Loss (ECL) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade debts have been grouped based on days overdue.

Financial instruments: liabilities

i) Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

ii) Subsequent Measurement

Financial liabilities are subsequently measured at amortized cost.

iii) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

3.20. Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.21. Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised until their realisation become virtually certain.

3.22. Deferred grant

The company has obtained long term financing facility under State Bank Of Pakistan Refinance scheme for payment of wages and salaries to the Workers and Employees of Business Concerns (' Refinance Scheme'). It carries markup at SBP rate of 3% p.a., which is below prevailing market- rate. The government's underlying objective for introducing the said Refinance Scheme for the businesses is to support the employment of workers in the face of economic challenges posed by the spread of novel coronavirus (COVID- 19).

The Refinance Scheme shall be considered as the transfer of resources from government as reflected by below-market markup rate on the loans obtained under the Refinance Scheme. The said transfer shall be accounted for as Government grant in accordance with the circular # 11 of 2020 issued by the Institute Of Chartered Accountants Of Pakistan (ICAP).

Government grants are first recognized in the statement of financial position and then subsequently accounted for in the statement of profit or loss on the systematic basis over the periods in which the company recognises as expense the related cost for which the grants were intended to compensate.

	NOTE	2021 RUPEES	2020 RUPEES
5. Property, plant and equipment			
Operating fixed assets	5.1	819,302,920	868,923,540
Capital work in progress	5.2	5,849,111	1,543,746
		<u>825,152,031</u>	<u>870,467,286</u>

5.1. Operating fixed assets

2021											
Particulars	Cost				Rate (%)	Depreciation					Net book value as at 30 June 2021
	As at 01 July 2020	Additions	Disposals	As at 30 June 2021		As at 01 July 2020	For the year	Adjustment	Disposal	As at 30 June 2021	
Freehold land	-----Rupees-----										
- Cost	109,390,500	-	-	109,390,500		-	-	-	-	-	109,390,500
Buildings on freehold land	248,604,922	6,821,485	-	255,426,407	5	27,938,992	11,061,719	-	-	39,000,711	216,425,696
Plant and machinery	610,750,000	-	-	610,750,000	10	132,532,750	47,821,725	-	-	180,354,475	430,395,525
Electric installations and appliances	67,700,000	1,285,805	-	68,985,805	10	14,690,900	5,412,375	-	-	20,103,275	48,882,530
Factory equipment	488,725	-	-	488,725	10	355,388	13,334	-	-	368,722	120,003
Furniture and fixtures	1,935,431	2,842,192	-	4,777,623	10	988,429	214,926	-	-	1,203,355	3,574,268
Office equipment	903,559	880,463	-	1,784,022	10	472,925	125,871	-	-	598,796	1,185,226
Computers	1,344,240	808,652	-	2,152,892	30	1,068,481	282,969	-	-	1,351,450	801,442
Vehicles	20,638,205	8,345,550	(153,485)	28,830,270	20	14,784,177	1,729,745	3,910,000	(121,382)	20,302,540	8,527,730
	1,061,755,582	20,984,147	(153,485)	1,082,586,244		192,832,042	66,662,664	3,910,000	(121,382)	263,283,324	819,302,920

2020										
Particulars	Cost				Rate (%)	Depreciation				Net book value as at 30 June 2020
	As at 01 July 2019	Additions	Disposals	As at 30 June 2020		As at 01 July 2019	For the year	Disposal	As at 30 June 2020	
	-----Rupees-----									
Freehold land										
- Cost	109,390,500	-	-	109,390,500		-	-	-	-	109,390,500
Buildings on freehold land	248,604,922	-	-	248,604,922	5	16,324,996	11,613,996	-	27,938,992	220,665,930
Plant and machinery	610,750,000	-	-	610,750,000	10	79,397,500	53,135,250	-	132,532,750	478,217,250
Electric installations and appliances	67,700,000	-	-	67,700,000	10	8,801,000	5,889,900	-	14,690,900	53,009,100
Factory equipment	488,725	-	-	488,725	10	340,573	14,815	-	355,388	133,337
Furniture and fixtures	1,872,231	63,200	-	1,935,431	10	889,112	99,317	-	988,429	947,002
Office equipment	874,559	29,000	-	903,559	10	425,345	47,580	-	472,925	430,634
Computers	1,260,110	84,130	-	1,344,240	30	968,327	100,154	-	1,068,481	275,759
Vehicles	17,868,020	2,850,085	(79,900)	20,638,205	20	13,400,806	1,457,399	(74,028)	14,784,177	5,854,028
	1,058,809,067	3,026,415	(79,900)	1,061,755,582		120,547,659	72,358,411	(74,028)	192,832,042	868,923,540

	NOTE	2021 RUPEES	2020 RUPEES
5.1.1. Depreciation for the year has been allocated as follows;			
Cost of goods manufactured	26.1	64,309,153	70,653,961
Administrative	27	2,353,511	1,704,450
		<u>66,662,664</u>	<u>72,358,411</u>

5.1.2. Forced Sales Value (FSV) of land and buildings is Rs. 295.385 million, plant and machinery and electric appliances is Rs. 576.682 million as per last revaluation at June 30, 2018.

5.1.3. Had there been no revaluation the related figures of freehold land, building on freehold land, plant & machinery and electric installations and appliances as on June 30, 2021 would have been as follows:

Year	2021			2020		
Particulars	Cost	Accumulated depreciation	WDV	Cost	Accumulated depreciation	WDV
Freehold	-----Rupees-----					
Land	11,806,287	-	11,806,287	11,806,287	-	11,806,287
Building	228,337,235	94,352,431	133,984,804	221,515,750	80,479,115	141,036,635
Plant and machinery	650,265,508	369,765,321	280,500,187	650,265,508	338,598,634	311,666,874
Electric installation and appliances	82,332,821	50,214,743	32,118,078	81,047,016	45,360,263	35,686,753
Total	972,741,851	514,332,495	458,409,356	964,634,561	464,438,012	500,196,549

		2021 RUPEES	2020 RUPEES
5.2. Capital work in progress	NOTE		
Building:			
Opening balance		1,543,746	-
Additions during the year		11,126,850	1,543,746
Capitalized during the year		(6,821,485)	-
Closing Balance		<u>5,849,111</u>	<u>1,543,746</u>
6. Right-of-use Assets			
Vehicles:			
Cost			
Opening balance		16,594,000	-
Impact of initial application of IFRS 16		-	16,594,000
As at July 01,		<u>16,594,000</u>	<u>16,594,000</u>
Transfer during the year to owned asstes		(7,650,000)	-
Total		<u>8,944,000</u>	<u>16,594,000</u>
Accumulated depreciation			
Opening balance		5,959,605	-
Impact of initial application of IFRS 16		-	3,301,006
Charge during the year at the rate of 20%	6.1.	1,650,879	2,658,599
Transfer adjustment to owned assets		(3,910,000)	-
Closing balance		<u>3,700,484</u>	<u>5,959,605</u>
Total		<u>5,243,516</u>	<u>10,634,395</u>
6.1	The depreciation is charged to administrative expenses.		
7. Long term deposits			
Considered good			
Securities			
Electricity		6,192,510	6,192,510
Telephone and mobiles		21,400	21,400
WASA		27,240	27,240
Lease key money		949,900	-
		<u>7,191,050</u>	<u>6,241,150</u>
8. Stores and spares			
Stores		16,608,332	18,877,136
Spares		23,785,452	21,915,250
Loose tools		4,039,947	4,062,517
Packing material		4,846,504	1,779,293
		<u>49,280,235</u>	<u>46,634,196</u>
8.1.	Most of the items of stores, spares and loose tools are of interchangeable nature and can be used as machine spares or consumed as stores. Accordingly, it is not practicable to distinguish stores from spares until their actual usage.		
9. Stock in trade	NOTE	2021 RUPEES	2020 RUPEES
Raw material		265,519,234	376,186,601
Work in process		16,105,704	12,483,121
Finished goods	9.1.	15,855,185	31,128,815
		<u>297,480,123</u>	<u>419,798,537</u>

- 9.1. Finished goods comprising of fabric amounting to Rs. 1,773,419/- (2020: Rs.2,854,388/-) are at net realizable value.
- 9.2. Stock in trade amounting to Rs. 247.18 million (2020: Rs. 410.56 million) at ruling market rates were pledged as security with the banks.

	NOTE	2021 RUPEES	2020 RUPEES
10. Trade debts			
Considered good			
Local - unsecured		587,734	133,689
11. Loans & advances			
Considered good			
Advances			
Staff			
Against salary	11.1	7,718,055	6,119,206
Against expenses		6,134,697	5,430,089
Supplies & services		17,769,291	3,243,498
Letter of credit		2,364,718	7,074
Purchase of vehicle		550,802	-
		34,537,563	14,799,867
11.1. The amount is interest free and maximum amount outstanding in respect of advances to key management personnel in any month was Rs.8,103,475/- (2020: Rs.6,197,991/-)			
12. Deposits and prepayments			
Prepayments			
Bank guarantee commission		241,055	113,519
Insurance		2,053,586	2,797,364
Subscription		113,221	100,570
Utilities		51,134	-
Deposits			
Ijarah		-	528,050
Against fuel		150,000	-
		2,608,996	3,539,503
13. Tax refunds due from the Government			
Income tax		7,211,992	6,808,625
Sales tax		7,642,366	7,266,777
		14,854,358	14,075,402
14. Cash and bank balances			
Cash in hand		49,451,041	57,719,075
Cash with banks			
- in current accounts		14,004,169	29,186,032
		63,455,210	86,905,107
15. Issued, subscribed and paid up share capital			

2021 (Number of shares)	2020 (Number of shares)		2021 (Rupees)	2020 (Rupees)
1,800,000	1,800,000	Ordinary shares of Rs. 100 each fully paid in cash	180,000,000	180,000,000
200,000	200,000	Ordinary shares of Rs. 100 each issued as fully paid bonus shares	20,000,000	20,000,000
2,000,000	2,000,000		200,000,000	200,000,000

	NOTE	2021 RUPEES	2020 RUPEES
16. Surplus on revaluation of operating fixed assets			
Balance as on July 01,		431,725,377	463,516,309
Transferred to unappropriated profit on account of Incremental depreciation for the year		(28,851,953)	(31,790,932)
		(28,851,953)	(31,790,932)
		402,873,424	431,725,377
Less: Related deferred tax liability			
Opening balance		96,900,938	106,120,308
Transferred to unappropriated profit on account of Incremental depreciation		(8,367,066)	(9,219,370)
		88,533,872	96,900,938
Closing balance		314,339,552	334,824,439

16.1. It represents surplus on revaluation of freehold land, building thereon, plant & machinery and electric installation & appliances on present market values basis that was carried out by an independent valuer M/S Arch Lattice as at March 09, 2018. Previous valuation was carried out by Material design Services (Pvt) Ltd. as at March 14, 2012.

16.2 The revaluation surplus on property, plant and equipment is a capital reserve and is not available for distribution to the shareholders of the company in accordance with section 241 of the Companies Act, 2017.

	NOTE	2021 RUPEES	2020 RUPEES
17. Long term financing			
Secured - Under mark-up arrangements			
From banking companies			
Bank Alfalah Limited - Term Finance- I & II	17.1	31,514,215	87,533,471
National Bank of Pakistan - Refinance for salaries	17.2	8,249,508	-
	17.3. & 17.4.	39,763,723	87,533,471

17.1 Term finance-I carries markup at the rate of 6 month KIBOR + 2% p.a. (2020: 6 month KIBOR + 2% p.a.). It is secured against 1st exclusive charge of Rs. 530 million over the entire fixed assets of the company. It is payable in 60 monthly installments of Rs.3,551,604/- each that started from February 13, 2015. It was rescheduled and the total tenor was increased by two years with effect from October 15, 2016. The rescheduled installments started from October 15, 2018. It was further deferred as per BPRD circular no. 13 of 2020 due to the impact of COVID-19 and the total tenor has been increased by one year with effect from April 13, 2020. The deferred installment started from March 15, 2021.

Term finance-II was obtained on September 30, 2016 amounting to Rs. 67 million, under same mark up and same securities as mentioned above for TF-I. It is payable in 60 monthly installments of Rs. 1,116,667/- each that started from January 11, 2017. It was further deferred as per BPRD circular no. 13 of 2020 due to the impact of COVID-19 and the total tenor has been increased by one year with effect from April 13, 2020. The deferred installment started from March 31, 2021.

17.2 In order to offset the financial impact of payment of Salaries & Wages during the mills closure due to COVID-19 Pandemic from March to June 2020, the company obtained Rs. 34.354 million of SBP Refinance which carries markup at SBP rate for active taxpayer i.e., 3 % p.a. (in case of bank's funds involved, 3MK + 4.50 % p.a. to be applied) through National Bank of Pakistan. It is secured against ranking charge of Rs.152 million on fixed assets of the company along with existing cash finance and personal property of director. It is repayable in 8 quarterly installments in 2.5 years including a grace period of 6 months starting from October 2020.

17.3 These loans are further secured by personal guarantees of all the directors.

17.4 Reconciliation of liabilities arising from long term financings is as follows :

	NOTE	2021 RUPEES	2020 RUPEES
Opening balance		106,206,556	144,716,933
Obtained during the year		34,354,000	-
Recognized as grant		(3,571,134)	-
Paid / adjusted during the year		(39,626,413)	(38,510,377)
		97,363,009	106,206,556
Payable within one year		(57,599,286)	(18,673,085)
Closing balance		39,763,723	87,533,471

18. Lease Liabilities

Opening balance		4,739,416	8,105,925
Accrued interest during the year		442,982	1,162,091
		5,182,398	9,268,016
Paid during the year		(3,668,585)	(4,528,600)
		1,513,813	4,739,416
Over due amount		-	(899,780)
Current portion shown under current liabilities		(1,513,813)	(2,326,376)
		-	1,513,260

18.1 Reconciliation of minimum lease payments and their present value is given below:

Particulars	2021 (Rupees)			2020 (Rupees)		
	Minimum lease payments	Finance cost of future periods	Present value of minimum lease payments.	Minimum lease payments	Finance cost of future periods	Present value of minimum lease payments.
Payable within one year	1,597,680	83,867	1,513,813	3,559,200	333,044	3,226,156
Payable after one year but not more than five years	-	-	-	1,594,845	81,585	1,513,260
Total	1,597,680	83,867	1,513,813	5,154,045	414,629	4,739,416

18.2 It represents finance obtained against vehicle under finance lease liability. The purchase option is available to the company on payment of last installment and surrender of deposit paid under the agreement. The liability represents total minimum lease payments discounted at the rate of 3 month KIBOR + 5.50% (2020: 6 month KIBOR + 6% and 3 month KIBOR + 5.5%). There is no major restriction imposed by leasing company.

	NOTE	2021 RUPEES	2020 RUPEES
19. Deferred liabilities			
Deferred taxation	19.1	36,988,548	56,399,369
Staff retirement benefits - gratuity	19.2	44,394,096	48,123,894
Deferred grant	19.3	338,992	-
		81,721,636	104,523,263

19.1. Deferred taxation

Deferred tax			
Opening balance		56,399,369	75,770,063
Deferred tax liability reversed during the year related to:			
Profit and loss account		(21,449,602)	(20,206,990)
Statement of comprehensive income			
-Staff retirement benefit		2,038,781	836,296
Closing balance	19.1.1	36,988,548	56,399,369

	NOTE	2021 RUPEES	2020 RUPEES
19.1.1. Deferred tax liability			
Accelerated tax depreciation		153,900,288	166,513,173
Right of use asset		1,520,620	-
		155,420,908	166,513,173
Deferred tax assets			
Provision for gratuity		(13,280,288)	(13,955,929)
Lease liability		(439,006)	(1,374,431)
Excess of minimum tax liability over normal tax liability		(69,781,123)	(41,826,637)
Carried forward losses		(34,931,943)	(52,956,807)
		(118,432,360)	(110,113,804)
Net deferred tax liability		36,988,548	56,399,369
Deferred tax liability recognized		36,988,548	56,399,369
19.2. Staff retirement benefits - gratuity			
Amount recognized in the balance sheet			
Present value of defined benefit obligation	19.2.1.	44,394,096	48,123,894
19.2.1. Present value of defined benefit obligation			
Present value of defined benefit obligation		48,123,894	39,593,405
Current service cost		10,430,168	10,355,944
Past service cost		714,948	163,497
Interest cost on defined benefit obligation		3,603,965	5,326,317
Benefits due but not paid		(1,400,000)	-
Benefits paid		(10,048,600)	(4,431,490)
Remeasurement gain on obligation		(7,030,279)	(2,883,779)
		44,394,096	48,123,894
19.2.2. Expenses to be charged to P&L			
Current service cost		10,430,168	10,355,944
Past service cost		714,948	163,497
Interest cost on defined benefit obligation		3,603,965	5,326,317
		14,749,081	15,845,758
19.2.3. Total remeasurements chargeable in other comprehensive income			
Remeasurements:			
Actuarial loss from changes in financial assumptions		44,399	(148,580)
Experience adjustments		(7,074,678)	(2,735,199)
		(7,030,279)	(2,883,779)
19.2.4. Changes in net liability			
Statement of financial position Liability		48,123,894	39,593,405
Expense chargeable to P&L		14,749,081	15,845,758
Remeasurements (gain) chargeable in other comprehensive income		(7,030,279)	(2,883,779)
Benefits due but not paid		(1,400,000)	-
Benefits paid		(10,048,600)	(4,431,490)
		44,394,096	48,123,894
19.2.5. Significant actuarial assumptions			
Discount rate		10.00% p.a.	8.5% p.a.
Expected rate of increase in salary		9.00% p.a.	7.50% p.a.
Average expected remaining working life time of employees		7 years	4 years
19.2.6. Year end sensitivity analysis (\pm 100 bps) on defined benefit obligation			

NOTE	2021 RUPEES	2020 RUPEES
Discount rate + 100 bps	41,415,906	45,400,968
Discount rate - 100 bps	47,811,952	51,258,073
Salary increase + 100 bps	47,811,952	51,258,073
Salary increase - 100 bps	41,364,429	45,353,306

The average duration of the defined benefit obligation is 7 years.

19.2.7. Expected payment to the obligation for next year is Rs. 6,789,037/-

19.3. Deferred grant

State Bank of Pakistan introduced a temporary Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns to support payments of salaries wages under economic challenges due to COVID-19.

The company has availed this facility from National Bank of Pakistan. The loan carries the markup at SBP rate + 3%. However, the effective interest rate is calculated as 12% and the loan has been recognized at the present value. The differential markup has been recognized as government grant which will be amortized to interest income over the tenor of the facility.

	NOTE	2021 RUPEES	2020 RUPEES
Opening balance		-	-
Grant recognized during the year		3,571,134	-
Amortization of grant	29.	(1,639,986)	-
		1,931,148	-
Less: current portion of deferred grant		(1,592,156)	-
		338,992	-

The grant was conditional upon the fact that the Company would not terminate any employee for a period of three months from the date of receipt of loan which was duly met .

20. Trade and other payables

Creditors		742,014	49,957,986
Advances from customers		766,093	21,003,302
Accrued charges		32,261,689	16,799,023
Income tax payable		-	790,238
Sales tax payable		26,676,227	7,607,795
Staff retirement benefit fund - Gratuity		1,400,000	-
Workers welfare fund payable		1,588,383	-
Workers' profit participation fund	20.1	4,263,554	-
Current portion of unearned lease finance income		-	180,285
		67,697,960	96,338,629

20.1. Workers' profit participation fund

Payable at the beginning of the year		-	285,863
Charge for the year		4,263,554	-
		4,263,554	285,863
Paid to workers during the year		-	(285,863)
Payable at the end of the year		4,263,554	-

21. Mark-up accrued on loans

Long term financing		-	3,656,647
Short term financing		9,010,386	12,848,665
		9,010,386	16,505,312

22. Short term financing

Secured

From banking companies

Under mark-up arrangements Limit

Cash finance (Pledge)	500 M (2020: 600 M)	22.1	221,444,827	370,356,143
Cash finance (Hypo)	70 M (2020: 70 M)	22.2	42,857,046	69,999,726
			264,301,873	440,355,869

- 22.1 These carry mark-up at the rate of 1 month KIBOR + 1.75% (2020: 1 months KIBOR + 1.75%) for Bank Alfalah Limited and 3 months KIBOR + 1.75% (2020: 3 months KIBOR + 1.75%) for National Bank of Pakistan. These are secured against pledge of stocks as mentioned in note no. 9.2.
- 22.2 These carry mark-up at the rate of 1 month KIBOR + 2% (2020: 1 months KIBOR + 2%) for Bank Alfalah Limited and 3 months KIBOR + 2% (2020: 3 months KIBOR + 2%) for National Bank of Pakistan. These are secured against hypothecation of Rs. 335 million current assets of the company. Cash finance from National Bank of Pakistan is further secured by personal property of the director.
- 22.3 Loans are further secured against personal guarantees of all the directors.
- 22.4 Total unavailed limits as at balance sheet date are Rs. 305.699 million (2020: Rs. 229.644 million).
- 22.5 Reconciliation of liabilities arising from short term financings is as follows:

	NOTE	2021 RUPEES	2020 RUPEES
Balance as at July 01,		440,355,869	300,555,735
Obtained during the year		2,261,159,108	2,129,026,221
		2,701,514,977	2,429,581,956
Paid / adjusted during the year		(2,437,213,104)	(1,989,226,087)
Balance as at June 30,		264,301,873	440,355,869

23. Current portion of non current liabilities

Long term financing	17.4	57,599,286	18,673,085
Liabilities against assets subject to finance lease	18	1,513,813	3,226,156
Deferred grant	19.3	1,592,156	-
		60,705,255	21,899,241

24. Contingencies & commitments

24.1. Contingencies

a. Bank guarantee - SNGPL	16,622,600	9,122,600
b. Bank guarantee - FESCO	2,384,000	2,384,000
c. Bank guarantee - SBP	-	3,500,000

d. The Honorable Lahore High Court, Lahore has disposed off the constitutional petition on June 17, 2021 regarding unlawful levy / recovery of enhanced Gas Infrastructure Development Cess (GIDC) from July 2012 to March 2015 amounting to Rs. 9.034 million along with late payment surcharge and referred the case back to Executive Committee formed by SNGPL. As per the legal opinion, the instant case of the company is on merit as being an industrial consumer, Sui Northern Gas Pipelines Ltd (SNGPL) cannot recover the unpaid Cess under the first proviso of Section 8 of GIDC Act, 2015. The related provision is not provided for in these financial statements.

e. The company is in dispute with Sui Northern Gas Pipelines Ltd. (SNGPL) against the alleged demand of arrears of gas bill on three months average basis of Rs. 9,563,011/- for the month of January, 2017 during which the installed gas meter did not record reading as a result of malfunction. The company has challenged the whole demand raised as hypothetically high and without taking consideration of winter gas disruptions and consumption of WAPDA power source. The company deposited an amount of Rs. 8,574,071/- under protest against the said demand in the preceeding years and charged to the expense account during the year 2017. The decision of the review committee of SNGPL was not in the favor of the company, and it filed appeal before OGRA, Lahore. On December 29, 2017, OGRA, Lahore decided in favor of the company on the ground that the demand for arrears by SNGPL was not justified. On March 07, 2018, SNGPL filed an appeal before OGRA, Islamabad against the order issued in favor of the company. The company filed its reply on March 15, 2018 to the appeal present before OGRA, Islamabad. The last hearing was conducted on February 20, 2019 and the matter is pending for further hearing before the competent authority. The remaining amount is not provided for in these financial statements.

	NOTE	2021 RUPEES	2020 RUPEES
24.2. Commitments			
Letter of credit		7,604,476	1,679,789
24.3. At the year end the commitment against Ijarah lease falls due as follows:			
Within one year		-	712,876
25. Sales			
Local			
-Yarn		2,573,108,825	1,766,860,938
-Waste		17,350,543	13,120,534
Less : Sales Tax		(376,391,532)	(258,629,786)
		2,214,067,836	1,521,351,686
Less : Commission		(3,625,981)	(4,513,358)
		2,210,441,855	1,516,838,328
26. Cost of sales			
Cost of goods manufactured	26.1	2,007,802,376	1,457,866,439
Finished goods			
Opening stock		31,128,815	14,830,194
Closing stock	26.1.5	(15,855,185)	(31,128,815)
		15,273,630	(16,298,621)
Cost of sales		2,023,076,006	1,441,567,818
26.1. Cost of goods manufactured			
Raw material consumed	26.1.1	1,375,680,367	999,077,725
Fuel and power		287,713,121	192,802,395
Salaries, wages & benefits	26.1.4	199,393,355	144,040,445
Packing & other material	26.1.2	24,077,217	15,995,421
Store & spares consumed	26.1.3	51,837,781	30,135,323
Repair & maintenance		2,884,476	1,645,731
Insurance		4,456,939	4,825,871
Depreciation		64,309,153	70,653,961
Other materials, services & overheads		1,072,550	880,698
		2,011,424,959	1,460,057,570
Work in process			
Opening stock		12,483,121	10,291,990
Closing stock		(16,105,704)	(12,483,121)
		(3,622,583)	(2,191,131)
Cost of goods manufactured		2,007,802,376	1,457,866,439
26.1.1. Raw material consumed			
Purchases including direct expenses			
Cotton		742,974,857	738,849,345
Polyester		522,038,143	398,617,848
		1,265,013,000	1,137,467,193
Stock			
Opening		376,186,601	237,797,133
Closing		(265,519,234)	(376,186,601)
		110,667,367	(138,389,468)
		1,375,680,367	999,077,725

	NOTE	2021 RUPEES	2020 RUPEES
26.1.2. Packing material consumed			
Purchases including direct expenses		27,144,428	15,914,903
Stock			
Opening		1,779,293	1,859,811
Closing		(4,846,504)	(1,779,293)
		(3,067,211)	80,518
		24,077,217	15,995,421
26.1.3. Store & spares consumed			
Purchases including direct expenses		51,416,609	31,863,180
Stock			
Opening		44,854,903	43,127,046
Closing		(44,433,731)	(44,854,903)
		421,172	(1,727,857)
		51,837,781	30,135,323

26.1.4 It includes provision for staff retirement benefit - gratuity amounting to Rs. 13,274,173/- (2020: Rs. 14,261,182/-)

26.1.5 It includes an amount of Rs 1,082,929/- (2020: Rs. 267,256/-) in respect of write down of inventories to net realizable value.

27. Administrative

Directors' remuneration	27.1	14,400,000	13,950,000
Salaries & benefits	27.1. & 27.2	21,151,175	16,289,774
Communications		446,426	395,182
Electricity		413,729	336,323
Insurance		1,446,420	1,274,935
Printing and stationery		149,230	109,267
Vehicle running and maintenance		4,562,385	2,999,311
Repair and maintenance		431,355	270,930
Staff travelling		84,190	111,825
Entertainment		909,801	548,906
Rent, rates & taxes		4,251,458	2,935,370
News paper & periodicals		6,180	6,760
Auditors' remuneration	27.3	575,000	550,000
Legal & professional		503,570	625,890
Charity & donation	27.4	919,000	890,000
Depreciation		2,353,511	1,704,450
Depreciation on right of use asset		1,650,879	2,658,599
Sales tax expense		416,720	283,617
Ijarah rentals		712,876	2,142,940
Others		1,128,997	887,019
		56,512,902	48,971,098

27.1. Directors' remuneration

	2021				2020			
	CEO	Director	Executives	Total	CEO	Director	Executives	Total
No. of persons	1	1	5	7	1	1	5	7
	----- Rupees -----							
Remuneration for services	9,272,727	3,818,182	10,474,848	23,565,757	9,090,909	3,590,909	8,644,839	21,326,657
Medical allowance	927,273	381,818	1,047,485	2,356,576	909,091	359,091	864,484	2,132,666
	10,200,000	4,200,000	11,522,333	25,922,333	10,000,000	3,950,000	9,509,323	23,459,323

27.1.1. Chief Executive Officer and director of the company are provided with company maintained vehicles.

27.1.2. Executive means an employee whose basic salary exceeds Rs. 1.2 million (2020: Rs. 1.2 million) during the year.

27.2. It includes provision for staff retirement benefit - gratuity amounting to Rs. 1,474,908/- (2020: Rs. 1,584,576/-).

27.3. Auditor remuneration includes the following:

	NOTE	2021 RUPEES	2020 RUPEES
Statutory audit fee		575,000	550,000
27.4. No director or his spouse had any interest in the donees' fund.			
28. Other Income			
Other than financial assets			
Scrap sale	28.1	1,288,500	1,034,800
Gain on sale of operating fixed assets		39,897	264,128
Earned lease finance income		180,285	1,081,764
		1,508,682	2,380,692
28.1. Scrap sale			
Gross sale		1,507,545	1,210,716
Less: sales tax		(219,045)	(175,916)
		1,288,500	1,034,800
29. Finance cost			
Bank charges & commission		2,218,041	2,444,685
Lease finance charges		442,982	1,162,091
Mark-up on secured loans			
- on long term financings		10,328,394	17,278,693
- on short term financings		34,101,133	58,050,516
		47,090,550	78,935,985
30. Taxation			
Current		33,230,346	22,835,797
Prior year		-	108,641
Deferred		(21,449,602)	(20,206,990)
		11,780,744	2,737,448

30.1 The relationship between tax expenses and accounting profit has not been presented in these financial statements as the company's current year taxation is based on minimum taxation under the Income Tax Ordinance, 2001.

31. Financial instruments- Fair values and risk management

31.1. Accounting classification

The following table shows the carrying amounts of financial assets and financial liabilities by categories.

	NOTE	2021 RUPEES	2020 RUPEES
Financial assets:			
Financial assets at amortized cost			
Long term deposits		7,191,050	6,241,150
Trade debts		587,734	133,689
Loans and advances		7,718,055	6,119,206
Cash and bank balances		63,455,210	86,905,107
		78,952,049	99,399,152
Financial liabilities:			
Financial liabilities at amortized cost			
Long term financings		97,363,009	106,206,556
Lease liabilities		1,513,813	4,739,416
Trade and other payables		63,943,484	75,155,042
Markup accrued on loan		9,010,386	16,505,312
Short term financings		264,301,873	440,355,869
		436,132,565	642,962,195

32. Financial risk management

The company has exposure to the following risks from the use of its financial instruments:

- Credit risk and concentration of credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

32.2.1. Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The maximum exposure to credit risk at the reporting date is as follows:

	2021 RUPEES	2020 RUPEES
Long term deposits	7,191,050	6,241,150
Trade debts	587,734	133,689
Loans and advances	7,718,055	6,119,206
Bank balances	14,004,169	29,186,032
	<u>29,501,008</u>	<u>41,680,077</u>

Due to the Company's long standing relations with counter parties and after giving due consideration to their financial standing, the management do not expect non performance by these counter parties on their obligations to the company.

For trade debts, credit quality of customers is assessed taking into consideration their financial position and previous dealings and on its basis, individual credit limits are set. The management regularly monitors and reviews customers' credit exposure. The credit risk exposure is limited in respect of bank balances as these are placed with the banks having good credit from international and local credit rating agencies.

The Company's most significant customers are industrial users of yarn. Aging analysis of trade debtors as at balance sheet date is as under:

The age of trade debts	2021 (Rupees)		2020 (Rupees)	
	Gross debts	Impairment	Gross debts	Impairment
Not past due	-	-	-	-
Past due 0 - 365 days	587,734	-	133,689	-
More than 365 days	-	-	-	-
	<u>587,734</u>	<u>-</u>	<u>133,689</u>	<u>-</u>

The credit quality of company's bank balances can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate.

Banks	Rating		Rating agency	2021	2020
	Short term	Long term			
Bank Al-Falah Limited	A-1+	AA+	PACRA	215,964	375,486
National Bank of Pakistan	A-1+	AAA	PACRA	8,664,129	25,202,103
Habib Metropolitan Bank Limited	A-1+	AA+	PACRA	5,020,065	2,751,124
Meeazn Bank Limited	A-1+	AAA	JCR-VIS	87,474	841,783
Habib Bank Limited	A-1+	AAA	JCR-VIS	16,537	15,536
	Total			<u>14,004,169</u>	<u>29,186,032</u>

32.2.2 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
June 30, 2021					
Trade and other payables	63,943,484	63,943,484	63,943,484	-	-
Markup accrued on loans	9,010,386	9,010,386	9,010,386	-	-
Short term financings	264,301,873	264,301,873	264,301,873	-	-
Long term financings	97,363,009	97,363,009	59,191,442	38,171,567	-
Lease liabilities	1,513,813	1,513,813	1,513,813	-	-
Total	436,132,565	436,132,565	397,960,998	38,171,567	-

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
June 30, 2020					
Trade and other payables	75,155,042	75,155,042	75,155,042	-	-
Markup accrued on loans	16,505,312	16,505,312	16,505,312	-	-
Short term financings	440,355,869	440,355,869	440,355,869	-	-
Long term financings	106,206,556	106,206,556	18,673,085	87,533,471	-
Lease liabilities	4,739,416	4,739,416	3,226,156	1,513,260	-
Total	642,962,195	642,962,195	553,915,464	89,046,731	-

32.2.3 Market risk

Market risk means that the future cash flows of a financial instrument will fluctuate because of changes in market prices such as interest rates and foreign exchange rates. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's market risk comprises of two types of risk: interest rate risk and foreign currency risk. The market risks associated with the Company's business activities are discussed as under:

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is not exposed to any significant interest rate except as disclosed in the respective notes. The rate of financing and their maturities are disclosed in the respective notes.

	2021	2020
	----(RUPEES)----	
Floating rate instruments		
Financial liabilities		
Long term financings	97,363,009	106,206,556
Short term financings	264,301,873	440,355,869
Lease liabilities	1,513,813	4,739,416
	<u>363,178,695</u>	<u>551,301,841</u>

Cash flow sensitivity analysis for floating rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been changed as following:

		Changes Interest Rate	Effects on Profit after Tax
Variable-rate instruments	2021	+1%	4,521,514
		-1%	(4,521,514)
Variable-rate instruments	2020	+1%	2,623,520
		-1%	(2,623,520)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Company is exposed to currency risk on foreign creditors. The total foreign currency risk exposure on reporting date in respect of LC commitment amounted to Rs. 7.604 million . (2020: Rs.1.679 million).

At June 30, 2021, had the currency been weakened / strengthened by 5% against the foreign currency with all other variables held constant, profit for the year and equity would have been Rs. Nil (2020: Rs. 0.0596 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of foreign currency denominated trade creditors.

(iii) Equity price risk

Trading and investing in equity securities give rise to equity price risk. The Company is not exposed to any equity price risk.

(iv) Other price risk

Other price risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The effects of changes in fair value of such investments made by Company, on the future profits are not considered to be material in the overall context of these financial statements.

32.3. Determination of fair value

32.3.1 Fair values of financial instrument

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The carrying values of all the financial assets and financial liabilities reported in the financial statements approximate their fair values.

32.3.2 Fair values of non financial instrument

Fair value hierarchy

The different levels have been defined as follows.

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

Details of the Company's revalued assets and information about fair value hierarchy as at June 30, 2021 are as follows:

Particulars	Level 1		Level 2		Level 3	
	2021	2020	2021	2020	2021	2020
-----Rupees-----						
Operating fixed assets						
Freehold						
Land	-	-	109,390,500	109,390,500	-	-
Building	-	-	216,425,696	220,665,930	-	-
Plant and Machinery	-	-	430,395,525	478,217,250	-	-
Electric installation and appliances	-	-	48,882,530	53,009,100	-	-
Total	-	-	805,094,251	861,282,780	-	-

32.4. Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The Company also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings thereon, less cash and bank balances. Capital signifies equity as shown in statement of financial position plus net debt. The gearing ratio as at June 30, is as follows:

	2021 RUPEES	2020 RUPEES
Long term financing	97,363,009	106,206,556
Short term financing	264,301,873	440,355,869
Lease liabilities	1,513,813	4,739,416
Total debt	363,178,695	551,301,841
Less: Cash and bank balances	63,455,210	86,905,107
Net debt	299,723,485	464,396,734
Equity	777,189,983	704,560,087
Capital employed	1,076,913,468	1,168,956,821
Gearing ratio	27.83%	39.73%

33. Plant capacity and actual production

	2021	2020
Number of spindles installed	24,888	24,888
Annual Installed capacity (31/s count)	138,700	138,700
Annual Actual production (31/s count)	127,750	127,750
No. of shifts per day	3	3

33.1. Reason for shortfall

Power load-shedding by utility companies, periodic maintenance and changes in spin plans.

34. Number of employees

Total number of employees as at June 30,
-Staff
-Unit employees

	2021	2020
	20	20
	422	420
	442	440
	2021	2020
	20	20
	418	415

35. Related parties transaction

The related parties comprise directors of the company and key management personnel. The company in the normal course of business carries out transaction with related parties. The transactions with related parties other than those disclosed in relevant notes are as follows;

Relationship with the Company	Nature of transactions	2021 RUPEES	2020 RUPEES
Key management personnel	Rent expense	2,400,000	2,350,000
	Remuneration due to Directors	1,200,000	1,200,000

36. Events after the reporting period

There are no significant activities since June 30, 2021 causing any adjustment or disclosure in the financial statements.

37. General

37.1. Nomenclature of the following account head have been changed in these financial statements for better presentation:

Previous nomenclature

Telephone, mobile and communications
Travelling
Sales tax written off / recovery

Current nomenclature

Communications
Staff travelling
Sales tax expense

37.2. Date of authorization for issue

These financial statements have been authorized for issue by the Board of Directors as on September 02, 2021.

37.3. Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE



DIRECTOR