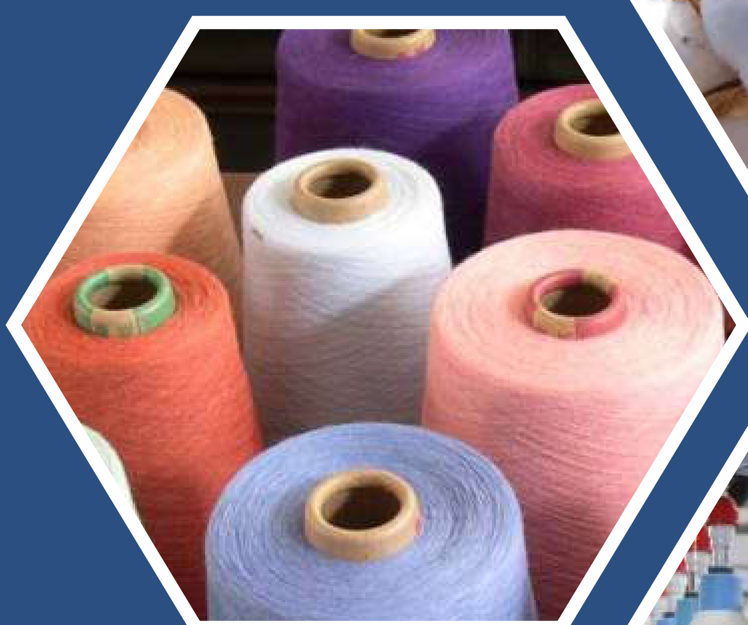
HIRA TEXTILE MILLS LIMITED



Annual Report | 2021

HIRA TEXTILE MILLS
LIMITED

CONTENTS

Company Information	02
Notice of Annual General Meeting	03
Vision And Mission Statements	05
Chairperson's Review	06
Directors Report	08
Six Years Financial Summery	16
Pattern of Share Holding	17
Statement of Compliance with the Code of Corporate Governance	19
Independent Auditor's Review Report	21
Independent Auditor's Report	22
Statement of Financial Position	26
Statement of Profit or Loss	28
Statement of Comprehensive Income	29
Statement of Changes in Equity	30
Statement of Cash Flow	31
Notes to and Forming Part of Financial Statements	32
Proxy Form	75

COMPANY INFORMATION

CHAIRPERSON

Mrs. Shahnaz Umar

CHIEF EXECUTIVE

Mr. Mohammad Mahboob

BOARD OF DIRECTORS

Mrs. Shahnaz Umar	*(Non-Executive / Chairperson)*
Mr. Mohammad Mahboob	*(Executive Director / Chief Executive Officer)*
Mrs. Sadiya Umair	*(Non-Executive)*
Mr. Muhammad Tariq	*(Non-Executive)*
Mr. Saeed Ahmed Khan	*(Executive Director)*
Mr. Shaukat Nazir Malik	*(Non-Executive / Independent Director)*
Mrs. Zainab Malik	*(Non-Executive / Independent Director)*

AUDIT COMMITTEE

Mr. Shaukat Nazir Malik	*Chairman*
Mr. Muhammad Tariq	*Member*
Mrs. Zainab Malik	*Member*

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Zainab Malik	*Chairperson*
Mrs. Sadiya Umair	*Member*
Mr. Mohammad Mahboob	*Member*

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Saeed Ahmad Khan

AUDITORS

M/S Rahman Sarfaraz Rahim Iqbal Rafiq
(Chartered Accountants)
Member of Russell Bedford International

72-A, Faisal Town, Lahore.

TAX ADVISER

Tipu Associates
97/8-B, Babar Block, New Garden Town, Lahore.

LEGAL ADVISER

Salman Akram Raja.
Raja Mohammad Akram & Co.,
Advocates & Legal Consultants
33-C Main Gulberg Lahore.

REGISTRAR OF THE COMPANY

Vision Consulting Ltd.
3 – C , 1st floor, LDA Flats, Lawrance Road Lahore.
Ph: + 92 42 36283096-97

REGISTERED OFFICE

8-Km, Manga Raiwind Road, Raiwind, District Kasur.
Ph: + 92 42 35392305-07 , Fax: + 92 42 35392308
W: www.hiratex.com.pk

MILLS

8 KM Manga Raiwind Road Raiwind District Kasur.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 30th annual general meeting of the members of Hira Textile Mills Limited will be held on Thursday, October 28, 2021 at 10.00 AM at 44-E/1, Gulberg-III, Lahore, to transact the following:

1. To confirm the minutes of the last General Meeting.
2. To receive and adopt the audited accounts of the company for the year ended on June 30, 2021 together with the Directors and auditor's reports thereon.
3. To consider appointment of external audits for the financial year ending June 30, 2022.
4. To transact any other business with the permission of the Chair.

(By the order of the Board)

Saeed Ahmad Khan
Company Secretary

Lahore: October 07, 2021

Notes

1- A member entitled to attend and vote at the General Meeting may appoint any person as proxy to attend and vote instead of him/her. No person other than a member shall act as proxy. The instrument appointing a proxy and the power of attorney or other Authority (if any) under which it is signed or a notarially certified copy of such power or authority, in order to be valid, must be deposited at the registered office of the company at least 48 hours before the time of the meeting and must be duly stamped, singed and witnessed.

2- Any individual beneficial owner of CDC entitle to attend and vote at this meeting, must bring his/her original CNIC or passport, account and participants. ID numbers to prove his/her identity and incase of proxy it must enclose an attested copy of his/her CNIC of passport. Representatives of corporate members should bring the usual documents requires for such purpose.

3- In terms of sub section 1(b) of Section 134 of the Companies Act, 2017, Members can also attend and participate in the AGM through video conference facility, if members residing the vicinity, collectively holding 10% or more shareholding, provide their consent in writing, to participate in the AGM through video conference at least ten (10) days prior to date of AGM. After receiving the consent of the members in aggregate 10% or more shareholding, the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of the AGM along with complete information necessary to enable them to access such facility.

5- The audited financial statements of the company for the year ended June 30, 2021 have been placed at the website: www.hiratex.com.pk

6- Shareholders are requested to immediately notify change in address. If any to the company share register M/s. Vision Consulting Ltd. 3-C, 1st floor, LDA Flats, Lawrence Road Lahore. And also furnish attested photocopy of their CNIC as per listing regulation, if not provided earlier.

حرا ٹیکسٹائل ملز لیمیٹڈ

اطلاع سالانہ اجلاس عام

بذریعہ نوٹس ہذا مطلع کیا جاتا ہے کہ حرا ٹیکسٹائل ملز لیمیٹڈ کے حصص داران کا تیسواں (30th) سالانہ اجلاسِ عام 28 اکتوبر 2021ء (بروز جمعرات) بوقتِ صبح 10:00 بجے کمپنی کے دفتر 1/44-E گلبرگ-3، لاہور میں درج ذیل امور کی انجام دہی کے لئے منعقد ہوگا۔

1- پچھلے سالانہ اجلاسِ عام کی کاروائی کی توثیق۔

2- 30 جون 2021ء کو مختتمہ سال کے لئے ڈائریکٹرز اور آڈیٹرز کی رپورٹ مع آڈٹ شدہ حسابات کی وصولی اور منظوری

3- 30 جون 2022ء کو مختتمہ سال کے لئے کمپنی کے بیرونی آڈیٹرز کا تقرر اور انکے مشاہرے کا تعین۔

4- چیئرپرسن کی اجازت سے دیگر امور کی انجام دہی۔

بحکم بورڈ

لاہور

7 اکتوبر 2021ء

سعید احمد خان

کمپنی سیکرٹری

نوٹس:

1- اجلاس ہذا میں شرکت اور ووٹ دینے کا اہل ممبر اپنی بجائے شرکت اور ووٹ دینے کے لئے کسی دوسرے ممبر کو اپنا پراکسی مقرر کر سکتا ہے۔ پراکسیاں تا آنکہ مؤثر ہو سکیں اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ دفتر میں لازماً پہنچ جائیں۔

2- سی ڈی سی (CDC) کے حصہ داروں سے التماس ہے کہ اجلاس میں شرکت کے وقت پیش کرنے کے لئے اپنا اصل شناختی کارڈ، اکاؤنٹ نمبر یا پاسپورٹ ساتھ لائیں۔

3- حصص یافتگان اجلاس میں بذریعہ وڈیولنک سہولت شریک ہو سکتے ہیں کمپنی کو اجلاس کے انعقاد سے کم از کم دس روز قبل کسی دوسرے شہر میں مقیم دس فیصد یا زائد شیئر ہولڈرز کی جانب سے بذریعہ ویڈیولنک اجلاس میں شرکت کی خواہش موصول ہونے کی صورت میں کمپنی متعلقہ مقام پر وڈیولنک سہولت کا اہتمام کرے گی اور کمپنی اجلاس کے انعقاد سے کم از کم پانچ دن پہلے ویڈیولنک سہولت کے مقام سے ممبران کو مطلع کرے گی۔

4- کمپنی کے آڈٹ شدہ مالیاتی حسابات برائے سال مختتمہ 30 جون 2021ء کمپنی کی ویب سائٹ www.hiratex.com.pk پر چسپاں کر دیئے گئے ہیں۔

5- حصص یافتگان سے درخواست ہے کہ وہ اپنے پتہ میں تبدیلی سے متعلق اطلاع فوری طور پر کمپنی کے رجسٹرار میسرز وژن کنسلٹنگ لیمیٹڈ-C-3-فرسٹ فلور۔ ایل ڈی اے فلیٹس لارنس روڈ لاہور کو دیں۔ اسکے علاوہ جنھوں نے اپنے شناختی کارڈ کی کاپیاں مہیا نہیں کیں ہیں وہ بھی اپنے شناختی کارڈ کی مصدقہ کاپی بھجیں۔

VISION STATEMENT

A dynamic profitable and professionally managed successful business organization.

MISSION STATEMENT

Hira Textile Mills Ltd is committed to the highest standards of integrity, honesty, openness and professionalism in all of its activities whenever they are undertaken.

We, the Management Team of HTML are striving to improve the quality of yarn by continuously improving its manufacturing facilities. We are committed to positioning the Company at the apex of the industry by satisfying our valued customers, archiving superior returns for shareholders, by providing congenial work environment where the employees feel part of the organization and be a good corporate citizen by fulfilling our social responsibilities.

CHAIRPERSON'S REVIEW

It gives me pleasure to present you the annual review of the audited financial statement for the year ended June 30, 2021 and the overall performance of Board. I would take this opportunity to invite you for 30th Annual General Meeting of the Company.

Review of the Company's Performance

Due to decrease in sales during this financial year, performance of the company in term of profitability is in alarming position. The global slowdown due to COVID-19 Corona Virus pandemic started closing down economies through lock downs as a means to control the spread of virus. The company faced this period diligently. Day by day competition from neighboring countries is increasing. Margins have been squeezed and it appears that they will be further compressed in time to come. I would like to appreciate the efforts of the management towards cost reduction, better utilization of capacities and product development. During the current year debt restructuring have been carried out with one bank and draft agreement for restructuring has been completed with two banks has been finalized. After implementation of restructuring, significant milestone for the company would be achieved. The Company has to work harder to compete with increasing competition. Plans of the Company should yield better efficiencies and reduce production cost.

The Board is aware of the importance of its role in achieving objectives of the Company. The Board acknowledges its responsibility for corporate & financial reporting Framework and is committed to good Corporate Governance. Board is devoted and focused towards Company's value and mission. All the significant issue throughout the year were presented before The Board and its committees to strengthen and formulize the corporate decision making process and partially all the related party transactions were approved by the Board on the recommendation of audit committee.

The Board has prepared and approved the Director's report is published with the quarterly and annual financial statements of the company and the content of the Directors report are in accordance with the requirement of applicable law and regulations. The Board ensured that the adequate system of internal control is in place and has been effectively implemented and monitored.

The Board of Directors met four times during the year to review the overall performance, appraise financial results and overall effectiveness of the role played by the Board in achieving the company's objectives. Meeting agendas and supporting papers were provided in timely manner for the Board meeting. Attendance of Board members in Board and committee meeting has been satisfactory. Board members do have the suitable knowledge, variety of expertise and experience that is required to successfully govern the business. Individual Board members are committed to perform for the betterment of the company. Areas of planning, risk management, policy development, budgeting, reporting, monitoring and approval have been appropriately given time and discussed with better outcomes.

On behalf of the Board, I appreciate the support of all financial institution. I express gratitude to our valued customers. It is hard work and dedication of all our employees that have made such results possible.

Lahore: October 06, 2021

Mrs. Shahnaz Umar
(Chairperson)

چیئرپرسن کی جائزہ رپورٹ

30 جون 2021ء کوختم ہونے والے سال کے لیے آڈٹ شدہ مالی حسابات پر سالانہ جائزہ رپورٹ اور بورڈ کی مجموعی کارکردگی کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتی ہوں۔ اس موقع سے فائدہ اٹھاتے ہوئے میں آپ کو کمپنی کی سالانہ تیسویں میٹنگ میں شرکت کی دعوت دیتی ہوں۔

فروخت میں کمی کی وجہ سے کمپنی کومنافع بخش ہونے کے معاملہ میں ایک خطرناک صورتحال کا سامنا ہے۔اس کمپنی کوبھی پوری دنیا کی طرح کرونا۔19 کی عالمی وباءاوراس کے نتیجے میں معاشی سست روی کی وجہ سے ایک مشکل سال کا سامنا کرنا پڑا۔کمپنی نے اس مدت کا بڑی تندہی سے سامنا کیا۔ہمسایہ ممالک کے ساتھ کاروباری مسابقت میں اضافہ ہورہا ہے جس کی وجہ سے کاروباری منافع سکڑ رہا ہے اور ایسا محسوس ہوتا ہے کہ اس میں مزید وسعت ہوگی۔میں مینجمنٹ کی اخراجات میں کمی لانے،استعداد کار کا بہتر استعمال کرنے اور مصنوعات کی ترقی کے لئے کاوشوں کو سراہتی ہوں۔اس سال کے دوران کمپنی نے ایک بینک کے ساتھ ری سٹرکچرنگ کروائی اور دو بینکوں کے ساتھ ری سٹرکچرنگ کے معاملات طے پا گئے ہیں۔اس ریسٹرکچرنگ کی بدولت کمپنی اپنے اہداف حاصل کرنے میں کامیاب ہوجائے گی۔کمپنی کے جاری منصوبوں کی تکمیل کے لیے اسے انتھک کوشش کرنا ہوگی جس کی بدولت کمپنی کی استعداد کار میں بہتری اور یوں پیداوار کی لاگت میں کمی واقع ہوگی۔

بورڈ کمپنی کے مقاصد کے حصول کیلئے اپنے کردار سے بخوبی واقف ہے۔بورڈ کارپوریٹ گورننس اور مالیاتی ساخت کی رپورٹنگ کے سلسلہ میں اپنی ذمہ داریوں کوتسلیم کرتا ہے اور کارپوریٹ گورننس کی بہتر تکمیل کے لئے پُرعزم ہے۔بورڈ نے کمپنی کے مشن کی تکمیل پر اپنی پوری توجہ صرف کی ہوئی ہے اور اس کیلئے پوری طرح سرشار ہے۔سال بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے روبرو کاروباری فیصلہ سازی کے عمل کومظبوط بنانے کیلئے پیش کیے گئے اور خاص طور پر کمپنی کی طرف سے کیے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آڈٹ کمیٹی کی سفارشات پر بورڈ نے منظوری دی۔

بورڈ نے اس بات کوبھی یقینی بنایا ہے کہ مجلس نظماء کی رپورٹ کمپنی کی سہ ماہی اور سالانہ مالیاتی حسابات کے ساتھ شائع ہو اور مجلس نظماء کی رپورٹ کا مواد قابلِ اطلاق قوانین اور قواعد وضوابط کے مطابق ہو۔بورڈ نے اس بات کوبھی یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور اس کی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی رہے۔

بورڈ آف ڈائریکٹرز نے سال کے دوران مجموعی کارکردگی کا جائزہ لینے کیلئے مالیاتی نتائج کی تشخیص اور بورڈ کے ذریعے کمپنی کے مقاصد کے حصول میں ادا کردہ کردار کی مجموعی کارکردگی ماپنے کے لیے چار ملاقاتیں کیں۔بورڈ کے اجلاسوں کے لیے میٹنگ ایجنڈے اور معاون کاغذات بروقت وصول کیے گئے۔بورڈ اور اس کی دیگر کمیٹیوں کے ممبران کی حاضری تسلی بخش رہی۔بورڈ کے ممبران متنوع پسِ منظر رکھنے والے انتہائی تجربہ کار اور کاروبار کو کامیابی سے چلانے کا وسیع تجربہ رکھتے ہیں۔بورڈ ممبران انفرادی طور پر بھی کمپنی کی بہتری کیلئے پُرعزم ہیں۔بورڈ میٹنگز میں منصوبہ بندی کے عمل اور ادارہ کو لاحق خطرات، پالیسی ڈیویلپمنٹ، تخمینہ سازی اور مالیاتی ساخت کی نگرانی اور منظوری پر معقول طریقے سے بحث وتمحیص کی جاتی ہے۔

بورڈ کی جانب سے میں مالیاتی اداروں کے تعاون کو قدر کی نگاہ سے دیکھتی ہوں۔میں معزز صارفین کا تہہ دل سے شکریہ ادا کرتی ہوں اور اپنے تمام ملازمین کا بھی جنکی شب وروز محنت کی بدولت بہتر نتائج ممکن ہو سکے۔

6 اکتوبر 2021ء

مسزشہنازعمر

(چیئرپرسن)

DIRECTORS REPORT TO THE MEMBERS

The Board of Directors feels pleasure in presenting the Company's Audited financial statements together with the auditor's report thereon for the year ended on June 30, 2021

Financial Statements have been endorsed by the Chief Executive Officer and the Chief Financial Officer in accordance with the Code of corporate Governance, having been recommended for approval by the Audit Committee of the Board and approved by the Board of Directors for presentation.

Company Performance

Following are the operating & Financial results:-

(Rupees in Million)

	2021	2020
Net Sale	**1,473.014**	1,463.374
Gross (Loss)	**(134.193)**	(66.415)
Share of (Loss) of Hira Terry	-	(68.867)
(Loss)/Profit before taxation	**(220.279)**	(291.199)
Provision for taxation	**47.716**	(12.590)
(Loss) for the year	**(172.563)**	(303.789)
(Loss)/Earning per Share	**(1.99)**	(3.51)

Third and fourth wave of Covid-19 global pandemic virus has adversely impacted the business of the company. Our company bore after tax loss of Rs. 172.563 million as compared to loss of Rs. 303.789 million during the corresponding period. Loss per share for the year is Rs. 1.99 as compared to loss per share of Rs. 3.51 during the corresponding previous year. Gross loss for the year under review is 9.11% as compared to loss of 4.54%. The main reason for increase in gross loss is recognisation of GIDC arrears Rs. 73.9 million as expanse. Administrative expenses decreased 2.91% of sales to 2.45% of sales. Finance cost decreased by 31.90% over the last year.

Due to the above factors, the Company faced severe liquidity crisis due to which it was unable to make timely repayments of loans and interest/mark-up thereon. Four banks have filed recovery suits against the Company in Lahore High Court. Similarly the Company has also filed recovery claims against four banks in Lahore High Court.

The management is concerned about the profitability of the company for the coming year due to severy financial crises. However the management is putting its best efforts to maximize company's profit and taking all measures to cope with these challenges.

The Company has shifted its product mix from manufacturing of coarse count yarn to fine count yarn. This will lead to lower cost of raw material (primarily cotton) and reduction in manpower requirements, reduction in per spindle cost through savings in energy costs as well as upto 60% savings in labour costs. This, coupled with a company-wide cost-cutting drive, is expected to provide the much needed breathing room in terms of liquidity.

Capital Expenditures

The Company spent Rs. 72.390 million on purchase of one rotor machine having 288 Rotors and Rs. 23.857 on major overhauling of gas generator and other electric installments.

Dividend

Due to Loss of the company and circumstances discussed above, the Board of Directors has not recommended dividend for the year ended June 30, 2021.

Related Parties

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled prices method. The company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of Pakistan Stock exchanges. On recommendation of audit committee the Board has approved related party transactions and transfer pricing policy in line with Company's Act. 2017, the Listed Companies Code of Corporate Governance Regulations 2017 and Companies Related Parties Transactions and Maintenance of Related Records Regulations, 2018, in its meeting held on February 26, 2019.

Financial Statements Audit and Auditors Report

We have not received responses to our requests for direct confirmations from bankers of the Company for debt finances amounting to Rs. 1,751.43 million and accrued interest thereon amounting to Rs. 395.73 million. We were unable to satisfy ourselves by alternative means concerning these liabilities as at 30 June 2021 and the related interest expense for the year ended 30 June 2021. Material adjustments to these transactions and balances may be required.

Accrued interest pertaining to short term borrowings from a banking company reported in the annexed financial statements are not in agreement with responses to our requests for direct confirmation from the bankers of the Company. As a result, current liabilities as at 30 June 2021 are understated by Rs. 9.59 million on account of accrued interest.

As referred to in note 11 to the annexed financial statements, the Company was unable to make timely repayments of long term finances and interest thereon. As a result, the Company breached provisions of long term financing agreements with MCB Bank Limited (see note 11.2 to the annexed financial statements.), National Bank of Pakistan (see note 11.3 to the annexed financial statements.) and Habib Bank Limited (see note 11.5 to the annexed financial statements.) whereby the entire liability under these agreements has become payable on demand. International Accounting Standard 1 'Presentation of Financial Statements' requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current. However, the Company continues to classify these finances as non-current liabilities. Had these been classified as current liabilities, the total current liabilities of the Company as at 30 June 2021 would have been higher by Rs. 822.876 million.

We have not received response to our request for direct confirmation from Hira Terry Mills Limited, a related party for transactions and balances amounting to Rs. 131.698 million and Rs. 184.224 million respectively. We were unable to satisfy ourselves by alternative means concerning these transactions and balances. Material adjustments to these transactions and balances with the related party may be required.

As referred to in note 22 to the annexed financial statements, the Company has presented extracts of the financial position and performance of Hira Terry Mills Limited, an associate, on the basis of financial statements that are neither audited nor authenticated by the Board of Directors of the Associate. In the absence of audited/authenticated financial statements of associate we were unable to satisfy ourselves regarding these extracts.As referred to in note 2.2 to the annexed financial statements, the Company has incurred gross loss of Rs. 134.193 million and loss after tax of Rs. 172.563 million during the year ended 30 June 2021. As at 30 June 2021, the Company has accumulated losses of Rs. 1,960.983 million. Its current liabilities exceed current assets by Rs. 1,077.059 million. The Company has not been able to make timely repayments of its debt finances and interest thereon. The providers of debt finances have filed recovery suits against the Company for Rs. 1,790.161 million. All short termborrowing facilities availed by the Company stand expired. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. While the Company has prepared and presented the annexed financial statements on going concern basis based on the factors explained in note 2.2, we consider that in the absence of any favourable settlement with the providers of debt finances, ability to obtain further financing and revival of its operations, the Company may not be able to settle its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of annexed financial statements is not appropriate and adjustments may be required to the amounts reported in the financial statements. The financial statements do not disclose this fact.

We give below our opinion on the qualified matters;

1- Due to long overdue liabilities outstanding in banks and the Company's account has been shifted to bank's SAM department/or in the court. Normally banks never respond to the direct confirmation request from the auditors.

2- The difference relates to accrued interest on short term borrowings from a banking company with which the Company has reached a settlement subsequent to the year end. The liability recognized for accrued interest is based on the amount settled with the banking company for the same. The excess liability of Rs. 9.59 million has not been recognized as the same is no longer payable.

3- The recovery of these finances is subjudice to Lahore High Court. The management intends to carry out restructuring negotiations with these bankers the results of which cannot be ascertained at this stage. Accordingly, the management has classified these liabilities as non-current.

4- The annexed financial statements have been prepared, ongoing concern basis, based on the following:

   a. The managment of the company has entered into negotiation with the providers of debt finances for restructuring of long term and short term debt including accrued interest thereon. The management successfully negotiated restructuring of short term debt and long term finances, including accrued interest thereon with Faysal Bank Limited, whereby liabilities amounting to Rs. 186.703 million were converted into diminishing musharakah facilities (see note 11.4) with a grace period upto December 2020 and accrued interest amounting to Rs. 47.826 million was deferred (see note 14) with repayments commencing from December 2026.

Further during the year, National Bank of Pakistan proposed a restructuring arrangement whereby the outstanding principal of long term finances and short term borrowings is proposed to be converted into new demand finances with upto two years grace period while accrued interest together with future interest on new demand finances is proposed to be settled in instalments after the adjustment of principal liabilities. The management has accepted the proposal and the restructuring arrangement is being finalized accordingly.

Subsequent to the reporting period, the Company has signed a restructuring agreement with Bank Alfalah Limited whereby short term borrowings amounting to Rs. 198.192 million have been converted into a long term finance while payment of accrued interest amounting to Rs. 44.503 million has been scheduled to be paid in twenty four instalments after the settlement of principal liability.

b. The management is vigorously contesting the recovery suits filed by providers of debt finances. Further, the Company has filed countersuits claiming an aggregate recovery of 1,576.351 million (see note 20.1).

c. The Company has continued financial support of its directors and sponsors. Upto 30 June 2021, the directors and sponsors of the Company has provided financial support amounting to Rs. 537.539 million .

d. The Company has shifted its product mix from manufacturing of coarse count yarn to fine count yarn. This will lead to lower cost of raw material (primarily cotton) and reduction in manpower requirements, reduction in per spindle cost through savings in energy costs as well as up to 60% savings in labour costs. This, coupled with a company-wide cost-cutting drive, is expected to provide the much needed breathing room in terms of liquidity.

ISO 9001 – 2008 Certification

The company continues to operate the high standard of quality and had obtained latest version of certification, which is renewed every year. The quality control certification will help to build up trust of new and old customers.

Environments, Health and Safety

The Company maintains safe working conditions without risk to the health of all employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their living facilities.

Future Plans

Although the performance of the company is not satisfactory during the year and the future market situation is changing to adversely due to decrease in the yarn prices. The management is formulating multi-dimensional strategy to tackle all these issues. We are focusing on diversification of our product range along with value addition and consolidating our efforts on quality improvements.

Corporate & Financial Reporting Frame Work

As required by the Code of Corporate Governance, Directors are pleased to report that:

i. The financial statements prepared by the management of the Company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.

ii. Proper books of account of the Company have been maintained.

iii. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv. International Finance Reporting Standards (IFRS) as applicable in Pakistan have been followed in preparation of financial statements. Any departures therefrom has been adequately disclosed and explained.

v. The system of internal control is sound and has been effectively implemented and monitored.

vi. There are no doubts upon the Company's ability to continue as a going concern.

vii. Operating and financial data and key ratio of six years are annexed.

viii. The value of investment of contributory provident fund as at June 30, 2021 amount to Rs. 6.041 Million.

ix. The pattern of shareholding as at June 30, 2021 is annexed.

x. No trade in the shares of the company were carried out by Directors, CEO, CFO, Company secretary, their spouses and minor children, during year 2020-2021.

Board Meeting

During the year under review Five (5) meetings were held. Attendance by each Director is as follows:

Name of Director	Attendance
Mrs. Shahnaz Umar	4 (Four)
Mr. Mohammad Mahboob	5 (Five)
Mrs. Mohammad Tariq	5 (Five)
Mrs. Sadiya Umair	5 (Five)
Mr. Shaukat Nazir Malik - *Independent Director*	4 (Four)
Mr. Saeed Ahmed Khan	5 (Five)
Mrs. Zainab Malik - *Independent Director*	4 (Four)

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Audit Committee

The Board of Directors in compliance with the code of corporate governance has established an audit committee which is fully functional. The committee comprises three members. Chairman of the committee is an Independent non-executive director. During the year four (4) meetings of Audit Committee were held. Attendance by each Director is as follows.

Name of Director	Attendance
Mr. Shaukat Nazir Malik (Chairman)	4 (Four)
Mr. Muhammad Tariq	4 (Four)
Mrs. Zainab Malik	4 (Four)

Human Resource Committee

In compliance with the code of Corporate Governance, the Board of Directors has constituted a Human Resource Committee (HR Committee) whose members consist of three Directors of whom two are non-executive directors appointed by the Board of Directors. During the year one (1) meetings of HR committee of the Board were held – attendance by each Director is as follows:

Name of Director	Attendance
Mrs. Zainab Malik (Chairperson)	1 (One)
Mr. Muhammad Mahboob	1 (One)
Mrs. Sadiya Umair	1 (One)

Auditors

The present auditors Rahman Sarfaraz Rahim Iqbal Rafiq (Chartered accountants), retire at the conclusion of the annual general meeting and being eligible and has offered themselves for reappointment for the financial year ending June 30, 2022

Acknowledgements

Continued diligence and devotion of the staff and workers of the company and good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their thanks to the bankers and other stakeholders for their continued support to the company.

On Behalf of the Board

MRS. SHAHNAZ UMAR
(Director/ Chairperson)

MOHAMMAD MAHBOOB
(Director/Chief Executive Officer)

Lahore: October 06, 2021

حرا ٹیکسٹائل ملز لمیٹڈ

ممبران کے لیئے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کمپنی کے سالانہ 30 جون 2021ء کو ختم ہونے والے سال کے لئے نظر ثانی شدہ مالیاتی حسابات اور اس پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ کوڈ آف کارپوریٹ گورننس کے تحت کمپنی کے حسابات تصدیق شدہ منجانب چیف ایگزیکٹو آفیسر اور چیف فنانشل آفیسر اور جسکی بورڈ آڈٹ کمیٹی نے سفارش کی اور بورڈ آف ڈائریکٹرز نے پیش کرنے کی اجازت دی۔

کمپنی کی کارکردگی:

کمپنی کے آپریٹنگ مالیاتی نتائج درج ذیل ہیں:۔

	سال 2021ء	سال 2020ء
	ملین روپے	ملین روپے
فروخت	1,473.014	1,463.374
مجموعی (نقصان)	(134.193)	(66.415)
حرا ٹیری کے (نقصان)/ منافع کا حصہ	-	(68.867)
قبل از ٹیکس (نقصان)	(220.279)	(291.199)
ٹیکس	47.716	(12.590)
بعد از ٹیکس (نقصان)/ منافع	(172.563)	(303.789)
فی شیئر (نقصان)/ آمدنی (EPS)	(1.99)	(3.51)

کورونا۔19 کی عالمی بیماری کی تیسری اور چوتھی لہر کمپنی کے کاروبار پر بری طرح اثر انداز ہوئی ہے۔ کمپنی کو بعد از ٹیکس 172.563 ملین کا نقصان ہوا ہے۔ جبکہ پچھلے سال اسی مدت کے دوران 303.789 ملین روپے کا نقصان ہوا تھا۔ اس سال کا فی شیئر نقصان 1.99 روپے ہے جبکہ پچھلے سال فی شیئر نقصان 3.51 روپے تھا۔ زیر جائزہ سال کے دوران مجموعی نقصان گزشتہ سال کے نقصان 4.54 کے مقابلہ میں 9.11 فیصد رہا ہے۔ مجموعی نقصان میں اضافہ کی بنیادی وجہ جی آئی ڈی سی کے 73.9 ملین روپے کے بقایاجات کو اس سال کے اخراجات میں شامل کرنا ہے انتظامی اخراجات فروخت کے 2.91 فیصد سے کم ہو کر 2.45 فیصد تک ہو گئے۔ مالی لاگت میں گزشتہ سال سے 31.90 فیصد کمی ہوئی۔

اوپر دیئے گے عوامل کی وجہ سے کمپنی کو شدید مالی بحران کا سامنا ہے اور اسی وجہ سے کمپنی اپنے قرضہ جات اور مارک اپ کی بروقت ادائیگی نہ کر سکی۔ چار بینکوں نے کمپنی کے خلاف عدم ادائیگی کی وجہ سے لاہور ہائی کورٹ میں کیسز بھی کر دیئے ہیں۔ اسی طرح کمپنی نے بھی ان چار بینکوں پر ریکوری کلیم کے کیسز لاہور ہائی کورٹ میں کیئے ہیں۔

کمپنی انتظامیہ کو آنے والے سال میں دھاگے کی مانگ میں کمی اور مسلسل بڑھتی ہوئی پیداواری لاگت نیز کپاس کی بڑھتی ہوئی قیمتیں اور کپاس کی پیداوار کی غیر یقینی کیفیت اور دھاگے کی غیر یقینی قیمتوں کی وجہ سے سخت سال دکھائی دے رہا ہے۔ تاہم انتظامیہ اپنی تمام صلاحیت بروئے کار لاتے ہوئے کمپنی کے منافع میں بہتری کیلئے کوشاں ہے۔

کمپنی نے اپنی مصنوعات کو موٹے دھاگے سے باریک دھاگے میں تبدیل کر لیا ہے جس کی وجہ سے خام مال کی قیمت میں کمی اور مزدوروں کی تعداد اور 60% اخراجات میں کمی، فی سپنڈل اخراجات میں کمی کے ساتھ، بجلی کی لاگت میں بھی کمی واقع ہوگی اور یوں کمپنی اپنے اخراجات میں کمی کی بدولت اپنے مالیاتی بحران پر قابو پانے کے لئے پر امید ہے۔

کیپٹل اخراجات:

کمپنی نے امسال ایک عدد مشین جو کہ 288 روٹرز پر مشتمل ہے، اوپن اینڈ قسم کا دھاگہ بنانے کے لیے خریدی۔ اس مشین کی خریداری اور مشینوں کی اوور ہالنگ پر 72.39 ملین خرچ ہوئے ہیں۔ اس کے علاوہ گیس انجن اور بجلی کی دیگر تنصیبات پر 23.857 ملین روپے خرچ ہوئے ہیں۔

منافع منقسمہ:

بورڈ آف ڈائریکٹرز نے مختتمہ سال 30 جون 2021ء کیلئے کمپنی کے نقصان میں ہونے کی بناء پر کوئی منافع تجویز نہیں کیا۔

متعلقہ پارٹیز:

متعلقہ پارٹیوں کے درمیان لین دین قابل رسائی قیمتیں مقرر کر کے کیا گیا۔ کمپنی پاکستان اسٹاک ایکسچینج کی لسٹنگ ضابطے میں موجود قیمتوں کے تعین کے بہترین طریقوں پر عمل پیرا ہے۔ آڈٹ کمیٹی کی شفارشات پر بورڈ نے متعلقہ پارٹیوں کے درمیان لین دین قابل رسائی قیمتوں کے تعین کے بارے میں کمپنیز ایکٹ 2017 لسٹیڈ کوڈ آف مینٹیننس آف ریلیٹڈ ریکارڈ ریگولیشنز 2018 کی رہنمائی کی روشنی میں تبادلے کی قیمتوں

کے بارے میں پالیسی کی منظوری اپنے اجلاس منعقدہ 26 فروری 2019ء میں دی ہے۔

مالی حسابات کا آڈٹ اور آڈیٹرز کی رپورٹ:

کمپنی کے مالی حسابات پر آڈیٹرز نے اپنی رپورٹ کچھ تبدیلیوں کے ساتھ درج ذیل امور کے بارے میں اپنا منفی نقطہ نظر دیا ہے۔

کمپنی کے بینکرز نے 1,751.43 ملین روپے واجب الاداصل زر اور 395.73 ملین روپے سود کی مد میں مالی واجبات کی آڈیٹرز کو براہ راست تصدیق نہیں کی اور نہ ہی کوئی جواب دیا ہے۔ اس لیے 30 جون 2021ء کو واجب الادا ادائیگیوں کے بارے میں اپنے آپ کو کسی اور ذرائع سے مطمئن کرنے کے قابل نہیں ہیں۔ اور یوں ان ٹرانزیکشنز اور بیلنسز کے لیے بڑی ایڈجسٹمنٹ درکار رہیں۔ واجب الاداصل زر اور سود کی جو رقم ان مالی حسابات میں دی گئی ہے وہ کمپنی کے بینکرز کی طرف سے واجب الادا سود کی مد میں 9.59 ملین روپے رواں سال میں ادائیگیوں کی مد میں کم دکھائی گئی ہے۔

مالیاتی حساب کے نوٹ نمبر 11 کے مطابق کمپنی اس قابل نہیں ہے کہ وہ اپنے طویل مدتی قرضے اور سود بروقت ادا کر سکے اور یوں کمپنی نے طویل مدتی قرضوں کی ادائیگی کے معاہدوں کو توڑا ہے ان معاہدوں میں MCB بینک لیمیٹڈ (نوٹ نمبر 11.2) نیشنل بینک آف پاکستان (نوٹ نمبر 11.3) حبیب بینک لیمیٹڈ (نوٹ نمبر 11.5)۔ اور یوں ان قرضوں کی فوری طور پر ادائیگی کرنا ہوگی۔ اس سلسلہ میں انٹرنیشنل اکاؤنٹنگ سٹینڈرڈ۔1 (مالی حسابات کو پیش کرنا) کے متعلق بیان کرتا ہے کہ اگر کوئی ادارہ دورانِ سال کسی بھی وقت طویل مدتی ادائیگی کے معاہدے کو توڑتا ہے تو یہ طویل مدتی واجب الادا ادائیگیاں فوری طور پر کرنا ہوں گی اور اسے رواں مدتی ذمہ داری تصور کیا جائیگا۔ تاہم کمپنی اس رقم کو طویل مدتی واجب الادا ادائیگیوں میں شمار کرتی ہے۔ اگر ان طویل مدتی واجب الادا ادائیگیوں کو رواں مدتی واجب الادا ادائیگیوں میں شمار کیا جائے تو 30 جون 2021ء کو ختم ہونے والے سال میں 822.876 ملین روپے کی رقم رواں واجب الادا ادائیگیوں کی مد میں زیادہ ہوگی۔

تعلق دار کمپنی حرا ٹیری نے 131.698 ملین کے کاروبار اور 184.224 ملین کے بیلنس کے متعلق آڈیٹرز کو براہ راست کوئی جواب نہیں دیا ہے۔ ہم ان ٹرانزیکشنز اور بیلنسز کو کسی اور ذرائع سے تصدیق نہیں کر سکتے اور یوں ان کے لیے بڑی ایڈجسٹمنٹ درکار رہے۔

کمپنی نے تعلق دار کمپنی کا نفع ونقصان اور دیگر جامع آمدن کا حصّہ اپنے حساب کتاب میں شمار کیا ہے وہ نہ تو آڈٹ شدہ ہے اور نہ ہی کمپنی کے بورڈ آف ڈائریکٹرز سے تصدیق شدہ ہیں۔ (نوٹ نمبر 22)

نوٹ نمبر 2.2 کے مطابق کمپنی نے 30 جون 2021ء کو ختم ہونے والے سال کے دوران مجموعی نقصان 134.193 ملین روپے اور بعد از ٹیکس نقصان 172.563 ملین روپے ظاہر کیا ہے۔ کمپنی کے کل نقصان کی رقم اس مدت تک 1,960.983 ملین روپے ہو چکی ہے۔ اسکے موجودہ واجبات اسکے موجودہ اثاثہ جات سے 1,077.059 ملین روپے زیادہ ہیں جس کی وجہ سے کمپنی اپنا سود/مارک اپ اور اپنے قرضہ جات کی ٹائم پر ادائیگیاں نہ کر سکی کمپنی کو قرضہ مہیا کرنے والوں نے کمپنی سے 1,790.161 ملین روپے کی وصولی کے لئے کیسز داخل کر دیئے ہیں۔ اور تمام رواں مدتی قرض کی سہولیات ختم ہو چکی ہیں۔ یہ کمپنی کے رواں دواں ہونے پر شبہات کو جنم دے رہے ہیں اور کمپنی ان ادائیگیوں کے معمول کے کاروباری حالات میں ادا کرنے کی صلاحیت نہیں رکھتی۔ ہم سمجھتے ہیں کہ کمپنی قرضہ دینے والے اداروں سے معاملات طے کیے بغیر اپنا معمول کا کاروبار جاری رکھنے اور اپنے کاروباری آپریشنز کو بحال رکھنے کے قابل نہ ہوگی اور گوئنگ کنسرن کی بنیاد پر کمپنی کے مالی حسابات کی تیاری مناسب نہ ہوگی اور کمپنی کے مالی حسابات اس حقیقت کو ظاہر نہیں کرتے۔

آڈیٹرز کے اعتراضات پر ہم اپنا درج ذیل نقطہ نظر پیش کرتے ہیں۔

1- بینکوں کے بقایاجات کی عدم ادائیگی کی بنا پر کمپنی کے حسابات بینکوں کے (SAM) نامی ادارے یا کورٹ میں منتقل کر دئے ہیں۔ عام طور پر بینک ایسے معاملات میں آڈیٹرز کو براہ راست کوئی جواب نہیں دیتے۔

2- واجب الادا سود میں فرق ایک بینک سے قلیل مدتی واجب الادا قرض کی ادائیگی کے سلسلہ میں معاملات طے پا جانے کی وجہ سے ہے۔ اس سلسلہ میں قلیل مدتی سود کی رقم پر معاملات طے پا گئے ہیں اس لیے 9.59 ملین روپے سے زائد رقم کی سود کی ادائیگی جو کہ اس سال قابلِ ادا نہیں ہے کو ان حسابات میں شمار نہیں کیا ہے۔

3- بینکوں کی ریکوری سے متعلق معاملات لاہور ہائی کورٹ میں چل رہے ہیں۔ انتظامیہ بینکوں سے ریسٹرکچرنگ سے متعلق مذاکرات کر رہی ہے اور اس مرحلہ پر ان مذاکرات کے نتائج کا تعین نہیں کیا جا سکتا اور اس طرح کمپنی نے ان واجبات کو طویل مدتی واجبات کی مد میں لیا ہے۔

4- رواں دواں صلاحیت کو قائم رکھنے کے لئے درج ذیل اقدامات کئے گئے ہیں۔

الف۔ کمپنی کی انتظامیہ کمپنی کو قرضہ مہیا کرنیوالوں سے طویل مدتی اور کم مدتی قرضوں کی ادائیگیوں کی بشمول سود/مارک اپ کی ادائیگی کے سلسلہ میں بات چیت کر رہی ہے اس سلسلے میں کمپنی کی انتظامیہ نے اس سال فیصل بینک کے ساتھ کامیاب مذاکرات کے ذریعے اپنے قرضوں کی ریسٹرکچرنگ کرائی ہے جس کے مطابق کم مدتی قرضوں کی رقم 186.703 ملین روپے کو طویل مدتی مشارکہ (نوٹ نمبر 11.4) قرض میں بدل دیا ہے جس میں رعایتی مدت دسمبر 2020ء تک کی دی گئی ہے اور قابلِ ادا سود 47.826 ملین روپے کے سود کی ادائیگی کو بینک نے ملتوی کر دیا ہے اور اس کی ادائیگی 2026ء سے شروع ہوگی (نوٹ نمبر 14)۔

مزید براں اس سال کے دوران نیشنل بینک آف پاکستان نے ریسٹرکچرنگ کا ایک منصوبہ پیش کیا ہے جس کے مطابق طویل مدتی اور قلیل مدتی قرض کو یکجا کر کے ایک ڈیمانڈ فنانس بنایا گیا ہے جس کے مطابق دو سال کی رعایتی مدت دی گئی ہے اور قابل ادا سابقہ سود اور مستقبل کے سود کی ادائیگی اقساط میں کی جائے گی اور ان اقساط کی ادائیگی اصل زر کی ادائیگی کے بعد شروع ہوگی کمپنی نے نیشنل بینک کے تجویز کردہ منصوبہ کو قبول کر لیا ہے۔

رپورٹنگ مدت کے بعد کمپنی نے بینک الفلاح سے بھی ایک ریسٹرکچرنگ پر معاہدہ کر لیا ہے۔ جس کے مطابق 198.192 ملین کا قلیل مدتی قرض کو طویل مدتی قرض بنا دیا گیا ہے۔ جبکہ قابلِ ادا سود 44.503 ملین روپے کی ادائیگی اصل زر کی ادائیگی کے بعد 24 اقساط میں ادا کرنا ہوں گی۔

ب۔ کمپنی اپنی پوری ذمہ داری کے ساتھ قرضہ دینے والے اداروں کی طرف سے دائر کردہ کیسز کو لڑ رہی ہے۔مزید براں کمپنی نے بھی ان بینکوں کے خلاف 1576.351 ملین کی ریکوری کے کیسز دائر کیے ہیں (نوٹ نمبر 20.1)۔

پ۔ کمپنی کو اسکے ڈائریکٹرز اور سپونسرز کی طرف سے قرض کی شکل میں مسلسل مدد جاری ہے۔30 جون 2021ء تک اسکے ڈائریکٹرز/ سپونسرز نے طویل اور قلیل مدتی قرضوں کی صورت میں 537.539 ملین روپے کمپنی کو دیئے اس طرح قرضہ دینے والے ان ڈائریکٹرز/ سپورٹرز نے قرض پر سود/مارک اپ ہمیشہ معاف کیا ہے۔

ج۔کمپنی نے اپنی مصنوعات کو موٹے دھاگے سے باریک دھاگے میں تبدیل کرلیا ہے،جس کی وجہ سے خام مال کی قیمت کمی اور مزدوروں کی تعداد اور 60% اخراجات میں کمی۔فی سپنڈل اخراجات میں کمی کے ساتھ۔ بجلی کی لاگت میں بھی کمی واقع ہوگی اور یوں کمپنی اپنے اخراجات میں کمی کی بدولت اپنے مالیاتی بحران پر قابو پانے کے لئے پر امید ہے۔

آئی ایس او 9001:2008 کی سرٹیفکیشن:

کمپنی کوالٹی کے اعلی معیار پر کام جاری رکھتی ہے اور سرٹیفکیشن کا ورژن حاصل کر چکی ہے۔کوالٹی کنٹرول سرٹیفکیٹس سے نئے اور پرانے گاہکوں کا اعتماد تعمیر کرنے میں مدد ملتی ہے۔

ماحول،صحت اور تحفظ:

کمپنی اپنے ملازمین اور عوام کی صحت کے لیئے خطرات سے بچنے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔انتظامیہ نے سال بھر اپنی تمام کاروائیوں میں محفوظ ماحول کو برقرار رکھا ہے اور مسلسل ان کی حفاظت اور زندگی کی سہولیات کو بہتر بنایا ہے۔

مستقبل کے منصوبے:

اگرچہ کمپنی کی کارگردگی سال کے دوران اطمینان بخش نہیں رہی لیکن منڈی کی صورتحال دھاگے کی قیمتوں میں کمی کی وجہ سے حوصلہ افزا نہیں ہے انتظامیہ نے اس صورتحال سے نمٹنے کے لئے ہمہ جہتی تدابیر اختیار کرنے کا منصوبہ بنایا ہے۔ہم اپنی پوری توجہ اپنی پیداوار کو ویلیو ایڈیشن پیداوار میں تبدیل کرنے اور کوالٹی میں بہتری لانے پر مامور کیئے ہوئے ہیں۔کمپنی نے اس سال کے دوران نئی مصنوعات کو متعارف کرانے کا منصوبہ بنایا ہے۔

کارپوریٹ گورنس کے ضابطہ کی تعمیل:

بورڈ آف کارپوریٹ گورننس کے تحت کمپنی کے ڈائریکٹرز رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔

کارپوریٹ گورننس کے ضابطہ کے مطابق،ڈائریکٹرز بخوشی بیان کرتے ہیں:

i- کمپنی کی انتظامیہ کی طرف سے تیار کردہ،مالیاتی حسابات،اس کے امور،آپریشنز کے نتائج،نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتا ہے۔

ii- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

iii- مالی حسابات کی تیاری میں مناسب "اکاؤنٹنگ پالیسیوں" کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

vi- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ (IFRS) کے معیارات کی پیروی کی گئی ہے،اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

v- "اندرونی کنٹرول" کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

iv- کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔

iiv- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی شماریات منسلک ہے۔

iiiv- کنٹری بیوٹری پروڈینٹ فنڈ کی مالیت 30 جون 2021ء کے خاتمہ پر 6.041 ملین روپے رہی۔

xi- 30 جون 2021ء کو شیئر ہولڈنگ کا پیٹرن منسلک ہے۔

x- مالی سال کے اختتام پر کمپنی مالی حالت کو متاثر کرنے والی کوئی منفی مادی تبدیلیاں اور وعدے جن کا تعلق اس بیلنس شیٹ سے ہو وقوع پذیر نہیں ہوئے ہیں۔

ix- 2020-2021 کمپنی کے حصص میں اس کے ڈائریکٹرز،سی ای او،سی ایف او،کمپنی سیکرٹری اور ان کے زوج اور نابالغ بچوں کی طرف سے کوئی تجارت نہیں کی گئی ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس:

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

نام	تعداد حاضری
مسز شہناز عمر	4 (چار)
محمد محبوب	5 (پانچ)
محمد طارق	5 (پانچ)

نام	تعداد حاضری
مسز سعدیہ عمیر	5 (پانچ)
شوکت نذیر ملک (آزاد ڈائریکٹر)	4 (چار)
سعید احمد خان	5 (پانچ)
مسز زینب ملک	4 (چار)

جو ڈائریکٹرز بورڈ کے چند اجلاسوں پر حاضر نہ ہو سکے ان کی غیر حاضری کو چھٹی قرار دیا گیا۔

آڈٹ کمیٹی:

کارپوریٹ گورننس کے ضابطہ کی تعمیل میں بورڈ آف ڈائریکٹر نے آڈٹ کمیٹی تشکیل دی ہے جو کہ مکمل طور پر کام کر رہی ہے۔ کمیٹی تین ممبران پر مشتمل ہے۔
کمیٹی کے چیئرمین ایک آزاد ڈائریکٹر ہیں دوران سال آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	حاضری
جناب شوکت نذیر ملک	4 (چار)
جناب محمد طارق	4 (چار)
مسز زینب ملک	4 (چار)

ہیومن ریسورس کمیٹی:

کوڈ آف کارپوریٹ گورننس کی تعمیل کرتے ہوئے بورڈ آف ڈائریکٹر نے ایک ہیومن ریسورس کمیٹی تشکیل دی ہے جو کہ تین ممبران پر مشتمل ہے جس میں دو ڈائریکٹر نان ایگزیکٹو ہیں۔ دوران سال ہیومن ریسورس کمیٹی کا ایک اجلاس منعقد ہوا۔ ہر ڈائریکٹر کا حاضری درج ذیل ہے۔

ڈائریکٹر کا نام	حاضری
محترمہ زینب ملک (چیئرپرسن)	1 (ایک)
محترمہ سعدیہ عمیر	1 (ایک)
محترم محمد محبوب	1 (ایک)

آڈیٹرز:

موجودہ آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق۔ چارٹرڈ اکاؤنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر مالی سال جون 2022ء کے تقرر کیلئے خود کو پیش کرتے ہیں۔

اعتراف:

کمپنی کے عملے اور کارکنان کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز بینکرز اور دیگر حصہ داروں کا بھی کمپنی کی مسلسل حمایت پر شکریہ ادا کرتے ہیں۔

منجانب بورڈ:

مسز شہناز عمر	محمد محبوب
(ڈائریکٹر/چیئرپرسن)	(ڈائریکٹر/چیف ایگزیکٹو آفیسر)

لاہور۔ 6 اکتوبر 2021ء

FINANCIAL SUMMARY

Amount Rs.(000)

	2021	2020	2019	2018	2017	2016
Net Sales	1,473,014	1,463,374	2,645,989	2,171,757	3,361,275	3,523,396
Cost of Sales	(1,607,207)	(1,529,789)	(3,707,501)	(2,325,426)	(3,106,262)	(3,188,731)
Gross profit	**(134,193)**	**(66,415)**	**(1,061,512)**	**(153,669)**	**255,013**	**334,666**
Administration Expenses	(36,053)	(42,630)	(35,938)	(47,838)	(53,669)	(63,862)
Selling Expences	(39)	(36)	(2,893)	(12,364)	(41,175)	(36,677)
Operating Profit	**(170,285)**	**(109,081)**	**(1,100,343)**	**(213,872)**	**160,169**	**234,127**
Other Operating Income	54,271	45,920	30,229	3,327	876	5,715
Profit before Interest & Taxation	**(116,014)**	**(63,161)**	**(1,070,114)**	**(210,545)**	**161,045**	**239,842**
Other Operating Expenses	(484)	(415)	(763)	(14)	(207)	(1,596)
Financial & Other Charges	(113,286)	(166,352)	(220,936)	(205,016)	(219,556)	(228,410)
Notional interest	9,505	7,597	-	-	-	-
Share of profit Hira Terry Mills Ltd.	-	(68,868)	(567,992)	(124,970)	102,676	91,565
Profit before Taxation	**(220,279)**	**(291,199)**	**(1,859,805)**	**(540,544)**	**43,958**	**101,400**
Provision for Taxation	47,716	(12,590)	(156,037)	(6,425)	(36,503)	(7,862)
Profit after Taxation (Net Profit)	**(172,563)**	**(303,789)**	**(2,015,842)**	**(546,969)**	**7,456**	**93,537**

Financial Position

	2021	2020	2019	2018	2017	2016
Current Assets	702,508	815,828	1,164,764	2,257,623	2,627,405	2,255,468
Current Liabilities	1,750,326	1,776,007	2,459,510	2,280,329	2,951,446	2,464,531
Operating Fixed Assets	3,162,598	2,295,738	2,380,082	2,506,220	2,545,357	2,574,458
Right of Use	58,446	62,260	66,459	-	-	-
Total Assets	3,973,223	3,221,975	3,713,199	5,434,614	5,967,465	5,514,606
Net Capital Employed	3,381,941	1,884,871	1,718,746	3,662,236	3,545,253	3,050,075
Long Term Debts	1,217,999	1,141,249	1,122,338	1,127,709	426,044	466,125
Share Holder,s Equity	627,840	68,982	(97,439)	1,947,860	2,497,864	1,945,237
Surplus on Revaluation on Fixed Assets	1,159,043	438,903	465,057	507,951	529,235	451,377
Break -up Value Per Share (Rupees)	7.25	0.80	(1.13)	22.50	28.85	22.47
Number of shares	86,577,920	86,577,920	86,577,920	86,577,920	86,577,920	86,577,920

Financial Ratios Analysis (Annualized)

	2021	2020	2019	2018	2017	2016
Current Ratio	0.40	0.46	0.47	0.99	0.89	0.92
Total Debt to Total Assets	30.66	35.42	30.23	20.75	7.14	8.45
Acid -Test Ratio	14.52	27.03	35.31	15.98	16.55	17.26
Debt Equity	94:06	94:06	110:(10)	37:63	15:85	19:81
Debt Coverage Ratio	(0.77)	(0.31)	(3.82)	(0.93)	0.46	0.94
Leverage Ratio	5.33	45.71	(39.11)	1.79	1.39	1.83
Interest Coverage Ratio	2.94	2.75	9.42	3.64	0.80	1.44
Fixed Assets Turnover	0.46	0.62	1.08	0.87	1.32	1.37
Total Assets Turnover	0.37	0.45	0.71	0.40	0.56	0.64
Per Share Results & returns						
Earning per Share	(1.99)	(3.51)	(23.28)	(6.32)	0.09	1.08
Return on Capital employed- net	(5.10)	(16.12)	(117.29)	(14.94)	0.21	3.07
Gross Profit to Sales	(9.11)	(4.54)	(40.12)	(7.08)	7.59	9.50
Operating Profit To Sales	(11.56)	(7.45)	(41.59)	(9.85)	4.77	6.64
Net Income to Sale (Profit margin)	(11.71)	(20.76)	(76.18)	(25.19)	0.22	2.65
Return on Assets (ROA)	(4.34)	(9.43)	(54.29)	(10.06)	0.12	1.70

INFORMATION UNDER CLAUSE XVI(J) OF THE CODE CORPORATE GOVERNANCE
As at June 30, 2021

Description	Shares Held	%
Director, Chief Executive Officer, and their Spouse,and minor children.		
MRS. SHAHNAZ UMAR	5,725,854	6.6135
MR. MOHAMMAD MAHBOOB	500	0.0006
MRS. SADIYA UMAIR	5,637,933	6.5120
MR. MOHAMMAD TARIQ	500	0.0006
MRS. ZAINAB MALIK (INDEPENDENT DIRECTOR)	500	0.0006
MR. SAEED AHMED KHAN	2,420	0.0028
MR. SHAUKAT NAZIR MALIK (INDEPENDENT DIRECTOR)	967	0.0011
	11,368,674	**13.13**
Associated Companies, undertakings and related parties. Adamjee Insurance Co.	**-**	-
Banks, Development Finance Institutions, Non Banking Financial Instuitions.		-
Joint Stock Cpmpanies	**3,264,818**	3.77
Modarabas / P.FUND	**27,500**	0.03
Govt. Institution	**72,567**	0.08
General Public	**71,844,361**	82.98
Local		-
Foreign	Nil	-
	86,577,920	**100.00**

Shareholders holding 5% or more

MR. MUHAMMAD UMAR VIRK	23,563,258	27.22
MRS. UMAIRA OMAR	8,603,922	9.94
MRS. SHAHNAZ UMAR	5,725,854	6.61
MRS. SADIYA UMAIR	5,637,933	6.51

HIRA TEXTILE MILLS
LIMITED

Pattern of Shareholding
As at June 30, 2021

FORM 34

INCORPORATION No. 0023196

Share Holders	Shareholding From		Shareholding To	Total Shares Held
139	1	-	100	3,873
192	101	-	500	81,888
301	501	-	1000	255,570
638	1001	-	5000	1,866,564
262	5001	-	10000	2,113,224
130	10001	-	15000	1,702,369
70	15001	-	20000	1,290,819
63	20001	-	25000	1,515,368
39	25001	-	30000	1,104,637
31	30001	-	35000	1,050,600
25	35001	-	40000	973,796
18	40001	-	45000	779,500
38	45001	-	50000	1,869,115
3	50001	-	55000	163,500
15	55001	-	60000	885,000
8	60001	-	65000	498,716
10	65001	-	70000	682,407
9	70001	-	75000	668,567
9	75001	-	80000	707,000
7	85001	-	90000	614,450
3	90001	-	95000	281,500
21	95001	-	100000	2,093,500
7	100001	-	105000	716,048
2	105001	-	110000	216,500
3	110001	-	115000	344,000
5	115001	-	120000	593,500
3	120001	-	125000	374,063
1	125001	-	130000	130,000
4	135001	-	140000	557,500
3	145001	-	150000	447,000
2	150001	-	155000	309,500
1	155001	-	160000	160,000
1	165001	-	170000	170,000
2	175001	-	180000	359,000
3	185001	-	190000	561,775
1	190001	-	195000	194,480
2	205001	-	210000	417,000
1	210001	-	215000	212,000
1	230001	-	235000	235,000
1	235001	-	240000	237,750
2	245001	-	250000	500,000
1	285001	-	290000	288,500
1	290001	-	295000	295,000
1	305001	-	310000	306,000
1	315001	-	320000	318,500
1	375001	-	380000	377,000
1	380001	-	385000	382,500
1	455001	-	460000	457,500
1	480001	-	485000	481,500
1	485001	-	490000	486,000
4	495001	-	500000	2,000,000
3	595001	-	600000	1,800,000
1	600001	-	605000	602,250
1	605001	-	610000	606,500
1	675001	-	680000	679,000
1	785001	-	790000	790,000
1	965001	-	970000	966,000
1	1105001	-	1110000	1,107,022
1	1965001	-	1970000	1,966,602
1	5635001	-	5640000	5,637,933
1	5725001	-	5730000	5,725,854
1	8600001	-	8605000	8,603,922
1	11180001	-	11185000	11,180,186
1	12380001	-	12385000	12,383,072
2110				**86,577,920**

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

The Company has compiled with the requirements of the Regulations in the following manner: -

1. The total number of directors are 07 as per the following:

   a. Male: 04
   b. Female: 03

2. The composition of Board is as follows:

   a) Independent Directors: 02 as named hereunder:

   i. Mr. Shaukat Nazir Malik
   ii. Mrs. Zainab Malik

   b) Non-executive Directors: 03 as named hereunder:

   i. Mrs. Shahnaz Umar
   ii. Mrs. Sadiya Umair
   iii. Mr. Mohammad Tariq

   c) Executive Directors: 02 as named hereunder:

   i. Mr. Mohammad Mahboob – Chief Executive Officer
   ii. Mr. Saeed Ahmad Khan

   d) Female Directors: 03 as named hereunder:

   i. Mrs. Shahnaz Umar
   ii. Mrs. Sadiya Umair
   iii. Mrs. Zainab Malik

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairperson and, in her absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board;

8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The company has not arranged training programs for its directors during the year due to COVID-19. However, the company has planned training program for its directors in accordance with the requirements of PSX regulations. Three Directors who had completed their training had resigned and inducted new directors who have 14 years education and vast business experience in finance, accounts and corporate.

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below:

    a) Audit Committee:

    i. Mr. Shaukat Nazir Malik (Chairman)
    ii. Mrs. Zainab Malik
    iii. Mr. Mohammad Tariq

    b) HR and Remuneration Committee:

    i. Mrs. Zainab Malik (Chairperson)
    ii. Mrs. Sadiya Umair
    iii. Mr. Mohammad Mahboob

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:-

    a) Audit Committee: 04 meetings held during the year ended June 30, 2021

    b) HR and Remuneration Committee: 01 meeting held during the year ended June 30, 2021

15. The Board has set-up an effective internal Audit function. The staff is considered to be suitably qualified and experienced for the purpose and is fully conversant with the policies and procedures of the company;

15. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

17. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been compiled with, except as explained at Sr. 19;

18. The Company, currently has two elected independent directors out of total seven directors on the Board. Both the independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations under which hereby fulfill the necessary requirements; therefore, not warrant the appointment of a third independent director. Accordingly, the fraction has not been rounded up as one under regulation 6(1).

19. We confirm that all other requirements of the Regulations have been complied with except for the requirement that the position of Chief Financial officer and Company Secretary has been held by the same person. The management is of the view, that the current CFO and Company Secretary is suitably qualified and professionally capable to act and fulfill the duties and responsibilities of both the roles. In addition, it is also a cost effective measure that is in the better interest of the shareholders of the Company, therefore hiring a separate person for both position is not feasible.

For and on behalf of the Board

MRS. SHAHNAZ UMAR
(CHAIRPERSON)

Lahore: October 06, 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of HIRA TEXTILE MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ['the Regulations'] prepared by the Board of Directors of **HIRA TEXTILE MILLS LIMITED** ['the Company'] for the year ended **30 June 2021** in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **30 June 2021**.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Reference	
Paragraph 20	As per Regulation 24, same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company. The offices of chief financial officer and company secretary are held by same person.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: ***06 October 2021***

INDEPENDENT AUDITOR'S REPORT

To the members of HIRA TEXTILE MILLS LIMITED
Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of **HIRA TEXTILE MILLS LIMITED** ['the Company'], which comprise the statement of financial position as at **30 June 2021**, 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, because of the significance of the matters discussed in the 'Basis for Adverse Opinion' section of our report, the annexed 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 do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

We have not received responses to our requests for direct confirmations from bankers of the Company for debt finances amounting to Rs. 1,751.43 million and accrued interest thereon amounting to Rs. 395.73 million. We were unable to satisfy ourselves by alternative means concerning these liabilities as at 30 June 2021 and the related interest expense for the year ended 30 June 2021. Material adjustments to these transactions and balances may be required.

Accrued interest pertaining to short term borrowings from a banking company reported in the annexed financial statements are not in agreement with responses to our requests for direct confirmation from the bankers of the Company. As a result, current liabilities as at 30 June 2021 are understated by Rs. 9.59 million on account of accrued interest.

As referred to in note 11 to the annexed financial statements, the Company was unable to make timely repayments of long term finances and interest thereon. As a result, the Company breached provisions of long term financing agreements with MCB Bank Limited (see note 11.2 to the annexed financial statements.), National Bank of Pakistan (see note 11.3 to the annexed financial statements.) and Habib Bank Limited (see note 11.5 to the annexed financial statements.) whereby the entire liability under these agreements has become payable on demand. International Accounting Standard 1 'Presentation of Financial Statements' requires that if an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current. However, the Company continues to classify these finances as non-current liabilities. Had these been classified as current liabilities, the total current liabilities of the Company as at 30 June 2021 would have been higher by Rs. 822.876 million.

We have not received response to our request for direct confirmation from Hira Terry Mills Limited, a related party for transactions and balances amounting to Rs. 131.698 million and Rs. 184.224 million respectively. We were unable to satisfy ourselves by alternative means concerning these transactions and balances. Material adjustments to these transactions and balances with the related party may be required.

As referred to in note 22 to the annexed financial statements, the Company has presented extracts of the financial position and performance of Hira Terry Mills Limited, an associate, on the basis of financial statements that are neither audited nor authenticated by the Board of Directors of the Associate. In the absence of audited/authenticated financial statements of associate we were unable to satisfy ourselves regarding these extracts.

As referred to in note 2.2 to the annexed financial statements, the Company has incurred gross loss of Rs. 134.193 million and loss after tax of Rs. 172.563 million during the year ended 30 June 2021. As at 30 June 2021, the Company has accumulated losses of Rs. 1,960.983 million. Its current liabilities exceed current assets by Rs. 1,077.059 million. The Company has not been able to make timely repayments of its debt finances and interest thereon. The providers of debt finances have filed recovery suits against the Company for Rs. 1,790.161 million. All short term borrowing facilities availed by the Company stand expired. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. While the Company has prepared and presented the annexed financial statements on going concern basis based on the factors explained in note 2.2, we consider that in the absence of any favourable settlement with the providers of debt finances, ability to obtain further financing and revival of its operations, the Company may not be able to settle its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of annexed financial statements is not appropriate and adjustments may be required to the amounts reported in the financial statements. The financial statements do not disclose this fact.

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 Auditor's 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 adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
1. Valuation of stock in trade	
Stock in trade amounts to Rs 403 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade. The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales contract in hand and historically realized sales prices. The significance of the balance coupled with the judgment involved has resulted in the valuation of stock in trade being identified as a key audit matter. The disclosures in relation to stock in trade are included in note 25 to the annexed financial statements.	To address the valuation of stock in trade, we assessed historical costs recorded in the stock in trade valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to stock in trade. We also assessed management's determination of the net realizable value of stock in trade by performing tests on the sales prices secured by the Company for similar or comparable items of stock in tradecluding trade receivables and inventory provisioning;
2. Litigation and claims	
As disclosed in note 20 to the annexed financial statements, the Company is involved in litigation in respect of various matters including Gas Infrastructure Development Cess and recovery claims by various banks.	Our audit procedures included the following: • Assessed management's processes to identify new possible litigations, obligations and changes in existing obligations through inquiries from management and review of the minutes of meetings of the Board of Directors and Audit Committee.

Key audit matter	How our audit addressed the matter
Given the nature of contingencies, the assessment of the existence of the present legal or constructive obligation, analysis of the probability of the related payments and analysis of a reliable estimate, requires significant management's judgements to ensure appropriate accounting and disclosures. These judgements can change over time as new facts emerge and the case progresses. Therefore, we have identified this matter as a key audit matter.	• Reviewed of the relevant information including case proceedings, legal opinions related industry information and correspondences in respect of the ongoing litigations. • Obtained confirmation from the legal counsel of the Company to evaluate the status of the pending litigations and view point of the Company's legal counsel thereon. • Examined legal and professional expenses to confirm that all pending legal matters are identified and disclosed. • Re-computed the amounts of obligations and recorded liabilities based on available underlying information and confronted parameters. • Assessed the appropriateness of the related disclosures made in the accompanying financial statements in light of IAS 37 'Provisions and Contingencies'.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's 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.

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 a 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 are 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 user 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.
- 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 auditor's 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 auditor's 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

a) except for the possible effects of matters explained in 'Basis of Adverse Opinion' section of our report:

   i. proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

   ii. 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;

b) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

c) 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 auditor's report is **ZUBAIR IRFAN MALIK**.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: ***06 October 2021***

HIRA TEXTILE MILLS
L I M I T E D

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	30-Jun-21	30-Jun-20
		Rupees	Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	6	**870,000,000**	870,000,000
Issued share capital	7	**865,779,200**	865,779,200
Share premium	8	**82,500,000**	82,500,000
Revaluation reserve	9	**1,159,043,059**	438,903,099
Retained earnings		**(1,960,982,734)**	(1,799,700,701)
Loan from directors and sponsors	10	**481,500,000**	481,500,000
TOTAL EQUITY		**627,839,525**	68,981,598
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	11	**1,185,703,559**	1,136,343,968
Lease liabilities	12	**3,054,544**	4,904,925
Employees retirement benefits	13	**24,070,720**	14,876,450
Deferred interest	14	**44,019,291**	-
Deferred taxation	15	**308,969,197**	220,860,514
		1,565,817,311	1,376,985,857
CURRENT LIABILTIES			
Trade and other payables	16	**610,292,969**	558,699,716
Unclaimed dividend		**2,757,216**	2,757,216
Short term borrowings	17	**713,162,339**	809,279,436
Accrued interest	18	**385,832,537**	366,899,587
Current portion of non-current liabilities	19	**67,521,455**	38,371,166
		1,779,566,516	1,776,007,121
TOTAL LIABILITIES		**3,345,383,827**	3,152,992,978
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		**3,973,223,352**	3,221,974,576

The annexed notes from 1 to 57 form an integral part of these financial statemements.

DIRECTOR/CHAIRPERSON **CHIEF FINANCIAL OFFICER** **CHIEF EXECUTIVE**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*21*	**3,162,598,067**	2,295,738,076
Right-of-use assets	*22*	**58,445,537**	62,259,751
Long term investments	*23*	**-**	-
Long term deposits	*24*	**49,672,044**	48,148,652
		3,270,715,648	2,406,146,479
CURRENT ASSETS			
Stores and spares		**37,948,244**	37,366,947
Stock in trade	*25*	**402,628,302**	288,798,084
Trade receivables	*26*	**93,665,169**	184,206,555
Advances and other receivables	*27*	**134,637,795**	252,842,646
Advance income tax/income tax refundable	*28*	**25,787,668**	42,997,856
Cash and bank balances	*29*	**7,840,526**	9,616,009
		702,507,704	815,828,097
TOTAL ASSETS		**3,973,223,352**	3,221,974,576

The annexed notes from 1 to 57 form an integral part of these financial statemements.

DIRECTOR/CHAIRPERSON | CHIEF FINANCIAL OFFICER | CHIEF EXECUTIVE

HIRA TEXTILE MILLS
L I M I T E D

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
Revenue from contracts with customers - *net*	*30*	**1,473,014,253**	1,463,373,950
Cost of sales	*31*	**(1,607,207,368)**	(1,529,789,245)
Gross loss		**(134,193,115)**	(66,415,295)
Selling and distribution expenses	*32*	**(38,999)**	(36,410)
Administrative expenses	*33*	**(36,053,333)**	(42,629,685)
		(36,092,332)	(42,666,095)
Other income	*34*	**54,271,033**	45,920,000
Operating loss		**(116,014,414)**	(63,161,390)
Finance cost	*35*	**(113,286,084)**	(166,351,700)
Notional interest	*11.7.1*	**9,505,100**	7,596,916
Other charges	*36*	**(483,708)**	(415,273)
		(220,279,106)	(222,331,447)
Share of loss of associate	*23*	**-**	(68,867,548)
Loss before taxation		**(220,279,106)**	(291,198,995)
Provision for taxation	*37*	**47,716,021**	(12,589,576)
Loss after taxation		**(172,563,085)**	(303,788,571)
Loss per share - *basic and diluted*	*38*	**(1.99)**	(3.51)

The annexed notes from 1 to 57 form an integral part of these financial statemements.

DIRECTOR/CHAIRPERSON	CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Note	30-Jun-21	30-Jun-20
		Rupees	Rupees
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligation	13.3	**(2,780,999)**	(706,366)
Taxation related to remeasurements of defined benefit obligation		**540,943**	135,397
		(2,240,056)	(570,969)
Revaluation surplus recognised during the year	9	**887,733,868**	-
Deferred tax adjustment on revaluation reserve			
- recognised during the year	9	**(122,202,772)**	-
- attributable to change in proportion of income taxable under final tax regime	9	**(31,870,028)**	(10,719,908)
		733,661,068	(10,719,908)
Share of other comprehensive loss of associate - *unrealized*		**-**	-
		731,421,012	(11,290,877)
Items that may be reclassified subsequently to profit or loss		**-**	-
Other comprehensive income/(loss)		**731,421,012**	(11,290,877)
Loss after taxation		**(172,563,085)**	(303,788,571)
Total comprehensive income/(loss)		**558,857,927**	(315,079,448)

The annexed notes from 1 to 57 form an integral part of these financial statemements.

DIRECTOR/CHAIRPERSON	CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Capital reserves		Revenue reserves		
	Issued share capital	Share premium	Revaluation reserve	Retained earnings	Loan from directors and sponsors	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Balance as at 01 July 2019	865,779,200	82,500,000	465,056,876	(1,510,775,030)	-	(97,438,954)
Comprehensive income						
Loss after taxation	-	-	-	(303,788,571)	-	(303,788,571)
Other comprehensive loss	-	-	(10,719,908)	(570,969)	-	(11,290,877)
Total comprehensive loss	-	-	(10,719,908)	(304,359,540)	-	(315,079,448)
Surplus on revaluation of property, plant and equipment realised on disposal	-	-	(796,419)	796,419	-	-
Incremental depreciation	-	-	(14,637,450)	14,637,450	-	-
Transaction with owners	-	-	-	-	-	-
Transferred from long term loan from directors and sponsors	-	-	-	-	213,493,000	213,493,000
Transferred from short term borrowings	-	-	-	-	268,007,000	268,007,000
Balance as at 30 June 2020	865,779,200	82,500,000	438,903,099	(1,799,700,701)	481,500,000	68,981,598
Balance as at 01 July 2020	**865,779,200**	**82,500,000**	**438,903,099**	**(1,799,700,701)**	**481,500,000**	**68,981,598**
Comprehensive income						
Loss after taxation	**-**	**-**	**-**	**(172,563,085)**	**-**	**(172,563,085)**
Other comprehensive income/(loss)	**-**	**-**	**733,661,068**	**(2,240,056)**	**-**	**731,421,012**
Total comprehensive loss	**-**	**-**	**733,661,068**	**(174,803,141)**	**-**	**558,857,927**
Incremental depreciation	**-**	**-**	**(13,521,108)**	**13,521,108**	**-**	**-**
Transaction with owners	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at 30 June 2021	**865,779,200**	**82,500,000**	**1,159,043,059**	**(1,960,982,734)**	**481,500,000**	**627,839,525**

The annexed notes from 1 to 57 form an integral part of these financial statemements.

DIRECTOR/CHAIRPERSON **CHIEF FINANCIAL OFFICER** **CHIEF EXECUTIVE**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Note	30-Jun-21	30-Jun-20
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	39	**163,763,142**	99,820,448
Payments for:			
Employees retirement benefits		**(4,810,100)**	(5,277,265)
Finance cost		**(41,528,914)**	(23,746,554)
Income tax		**(496,965)**	103,917
Net cash generated from operating activities		**116,927,163**	70,900,546
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(98,421,827)**	(46,704,590)
Proceeds from disposal of property, plant and equipment		**-**	8,120,000
Long term deposits		**(1,523,392)**	(15,121,811)
Net cash used in investing activities		**(99,945,219)**	(53,706,401)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(16,816,722)**	(14,061,253)
Repayment of lease liabilities		**(1,940,705)**	(839,484)
Net decrease in short term borrowings		**-**	(994,075)
Net cash used in financing activities		**(18,757,427)**	(15,894,812)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,775,483)**	1,299,333
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**9,616,009**	8,316,676
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	40	**7,840,526**	9,616,009

The annexed notes from 1 to 57 form an integral part of these financial statemements.

DIRECTOR/CHAIRPERSON	CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE

HIRA TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 LEGAL STATUS AND OPERATIONS

Hira Textile Mills Limited ['the Company'] is incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), and is listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn. The registered office and manufacturing facility of the Company is situated at 8 K.M. Manga Raiwind Road, District Kasur in the province of Punjab.

1.1 Placement on defaulters segment

The Company has been placed on defaulters segment by Pakistan Stock Exchange.

2 BASIS OF PREPARATION

2.1 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 comprise of:

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

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

2.2 Appropriateness of the going concern assumption

The Company has been facing unfavorable market conditions, depressed yarn prices following weak demand of spun yarn, increase in raw material and production costs resulting in low margins for past few years. As a result, the Company has incurred gross loss of Rs. 134.193 million and loss after taxation of Rs. 172.563 million during the year ended 30 June 2021. As at 30 June 2021, the Company has accumulated losses of Rs. 1,960.983 million as at the reporting date and its current liabilities exceed its current assets by Rs. 1,077.059 million. The Company has failed to make timely repayments of its debt finances and interest thereon due to which lenders have filed recovery suits against the Company. All short term borrowing facilities availed by the Company stand expired. These factors raise doubts about the Company's ability to continue as a going concern and that the Company may not be able discharge its liabilities and realize its assets in normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

a) The managment of the company has entered into negotiation with the providers of debt finances for restructuring of long term and short term debt including accrued interest thereon. The management successfully negotiated restructuring of short term debt and long term finances, including accrued interest thereon with Faysal Bank Limited, whereby liabilities amounting to Rs. 186.703 million were converted into diminishing musharakah facilities (see note 11.4) with a grace period upto December 2020 and accrued interest amounting to Rs. 47.826 million was deferred (see note 14) with repayments commencing from December 2026.

   Further during the year, National Bank of Pakistan proposed a restructuring arrangement whereby the outstanding principal of long term finances and short term borrowings is proposed to be converted into new demand finances with upto two years grace period while accrued interest together with future interest on new demand finances is proposed to be settled in instalments after the adjustment of principal liabilities. The management has accepted the proposal and the restructuring arrangement is being finalized accordingly.

   Subsequent to the reporting period, the Company has signed a restructuring agreement with Bank Alfalah Limited whereby short term borrowings amounting to Rs. 198.192 million have been converted into a long term finance while payment of accrued interest amounting to Rs. 44.503 million has been scheduled to be paid in twenty four instalments after the settlement of principal liability.

b) The management is vigorously contesting the recovery suits filed by providers of debt finances. Further, the Company has filed countersuits claiming an aggregate recovery of 1,576.351 million (see note 20.1).

c) The Company has continued financial support of its directors and sponsors. Upto 30 June 2021, the directors and sponsors of the Company has provided financial support amounting to Rs. 537.539 million .

d) The Company has shifted its product mix from manufacturing of coarse count yarn to fine count yarn. This will lead to lower cost of raw material (primarily cotton) and reduction in manpower requirements, reduction in per spindle cost through savings in energy costs as well as up to 60% savings in labour costs. This, coupled with a company-wide cost-cutting drive, is expected to provide the much needed breathing room in terms of liquidity

The management believes that in view of the afore mentioned, the Company will able to continue as a going concern.

2.3 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis as at the reporting date.

Items	Measurement basis
Financial liabilities	Amortized cost
Financial assets	Fair value/amortized cost
Land, building and plant and machinery	Revalued amount
Employee retirement benefits	Present value

2.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.4.1 Critical accounting judgements

Judgments made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

(a) Business model assessment (see note 5.7.2)

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.

(b) Significant increase in credit risk (see note 44.1.1)

As explained in note 44.1.1, expected credit losses ['ECL'] are measured, based on the Company's risk grading framework, as an allowance equal to 12-month/lifetime ECL for 'performing' assets, or lifetime ECL for assets categorized as 'doubtful' or 'in default'. An asset is categorized as 'doubtful' when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 5.23.1)

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information. When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. If the ECL rates on financial assets carried at amortized cost were higher (lower) by 10%, the loss allowance on those assets would have been higher (lower) by Rs. 9.369 million (2020: Rs. 18.422 million).

(b) Obligation under defined benefit plan (see note 5.6)

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

(c) Taxation (see note 5.18)

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax and tax contingencies. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

(d) Net realizable values of stock in trade (see note 5.5)

The Company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency. The amounts reported in these financial statements have been rounded to the nearest Rupees unless specified otherwise.

2.6 Date of authorization for issue

These financial statements were authorized for issue on 06 October 2021 by the Board of Directors of the Company.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the interim financial statements of the Company other than presentation and disclosures, except as stated otherwise.

3.1 Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

3.2 Definition of a Business (Amendments to IFRS 3 - Business Combinations)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

3.3 Definition of Material (Amendments to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

3.4 Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3.5 Covid-19 - Related Rent Concessions (Amendment to IFRS 16 - Leases)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 17 - Insurance contracts (2017)	01 January 2023
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - Presentation of Financial Statements).	01 January 2023
Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations).	01 January 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment).	01 January 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets).	01 January 2022
Annual Improvements to IFRS Standards 2018–2020.	01 January 2022
Amendments to IFRS 17	01 January 2023
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures, IFRS 4 - Insurance Contracts, IFRS 16 - Leases).	01 January 2021
Disclosure of Accounting Policies (Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2 - Making Materiality Judgements)	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	01 January 2023
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16 - Leases)	01 April 2021
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 - Income Taxes)	01 January 2023

Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 14 - Regulatory Deferral Accounts

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will not have a material impact on the Company's financial statements other than in presentation/disclosures.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Property, plant and equipment

Land, buildings and plant and machinery held for use in the production or supply of goods or services or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses, except for freehold land, which is not depreciated. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land, buildings and plant and machinery is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land, buildings and plant and machinery is recognized as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

All other items or property, plant and equipment (office equipment and fixtures, computer hardware and allied items, vehicles) are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes the cost of material, labour and appropriate overheads directly relating to the construction, erection and installation of the asset and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other assets of the same class, commences when the assets are ready for their intended use.

Depreciation is recognized in profit or loss, using rates specified in note 21, so as to write off the cost or revalued amounts of assets (other than freehold land and assets under construction) over their useful lives, using the reducing balance method, with the exception of computer hardware and allied items, which are depreciated using straight line method over their useful lives, and right-of-use assets, for which the lease does not transfer ownership of the underlying asset to the Company at the end of lease term, which are depreciated over the shorter of lease term and useful lives of the underlying assets, using straight line method.

Depreciation on an item of property, plant and equipment commences from the month in which the item is ready for intended use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Incremental depreciation being the difference between depreciation based on the revalued amounts recognized in profit or loss and depreciation based on the historical cost, net of tax, is reclassified from the revaluation reserve to retained earnings. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising on the disposal or retirement of such items is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

5.2 Leases as 'lessee'

The Company assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for the short-term leases and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

A right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Subsequent to initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized using straight-line method over the shorter of lease term and useful life of the right-of-use asset, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of operating fixed assets. In addition, the right-of-use asset is adjusted for certain remeasurements of the related lease liability.

Lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments included in measurement of lease liability comprise:

- Fixed lease payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequent to initial recognition, lease liability is measured at amortized cost using effective interest method whereby the carrying amount of lease liability is increased to reflect the interest thereon and decreased to reflect lease payments made. Interest is recognized in profit or loss.

Lease liability is remeasured whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the related right-of-use asset, except where the carrying amount of right-of-use asset is reduced to zero. In that case, any adjustment exceeding the carrying amount of the right-of use asset is recognized in profit or loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

5.3 Investment in associates

Investments in associates are accounted for using the equity method of accounting. Under the equity method, an investment in an associate is recognized initially in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate, dividends received and impairment losses, if any. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

5.4 Stores and spares

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

5.5 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Category	Basis of determination of cost
Raw material	Weighted average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

5.6 Employee benefits

5.6.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in statement of profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

5.6.2 Post-employment benefits

(a) Defined benefit plan

The Company operates an unfunded gratuity scheme for all its employees at mill who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to statement of profit or loss with the exception of remeasurements which are recognized in statement of comprehensive income. The amount recognized on statement of financial position represents the present value of defined benefit obligation. The details of the scheme are referred to in note 13 to the financial statements.

(b) Defined contribution plan

The Company operates an approved funded contributory provident fund for its employees at head office who have completed the minimum qualifying period of service as defined under the respective scheme. Equal monthly contributions are made both by the Company and the employees at the rate of 8.33% percent of basic salary and cost of living allowance, where applicable, to cover the obligation. Contributions are charged to statement of profit or loss.

5.7 Financial instruments

5.7.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

5.7.2 Classification

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Company determines the classification of its financial instruments at initial recognition as follows:

(a) Financial assets at amortized cost

These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows 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.

(b) Financial liabilities at amortized cost

These are financial liabilities which are not derivates, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or financial liabilities that arise when transfer of a financial asset does not qualify for derecognition.

5.7.3 Measurement

The particular measurement methods adopted are disclosed in individual policy statements associated with each financial instrument.

5.7.4 Derecognition

A financial asset is derecognized when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Company's obligations specified in the contract expire or a discharged or cancelled.

5.7.5 Off-setting

A financial asset and financial liability is offset and the net amount reported in the statement of financial position if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.8 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.9 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

5.10 Leases as 'lessor'

The Company enters into lease agreements as a lessor with respect to its investment property. The Company also leases out its machinery.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9 - Financial Instruments, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Company applies IFRS 15 – Revenue from Contracts with Customers to allocate the consideration under the contract to each component.

5.11 Ijarah transactions

Ujrah payments under an Ijarah are recognized as an expense in the statements of profit or loss on a straight-line basis over the Ijarah terms unless another systematic basis are representative of the time pattern of the user's benefit, even if the payments are not on that basis.

5.12 Trade and other payables

5.12.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in statement of profit or loss.

5.12.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

5.13 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.14 Trade and other receivables

5.14.1 Financial assets

These are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs, except for trade receivables that do not have a significant financing component, which are measured at undiscounted invoice price. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.14.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

5.15 Contracts with Customers

5.15.1 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue from a contract with customer when the Company satisfies an obligation specified in that contract. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Yarn, Raw cotton, Polyester, Waste	Performance obligations are satisfied when goods are dispatched to the customers. Invoices are generated at that point in time and are usually payable within a period ranging from 30 days to 120 days. There are no customer loyalty programs or warranty provisions. However, some contracts allow for return of goods if those do not meet the requirements or specifications provided in the contract.	Revenue is recognised at a point in time when the goods are dispatched to customers.

5.15.2 Contract assets

Contract assets represent work performed up to the reporting date which has not been invoiced to customers because the related performance obligations remain partially unsatisfied as at the reporting date.

5.15.3 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods or services to the customer.

5.16 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in statement of profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

5.17 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 or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in statement of profit or loss as incurred.

5.18 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in statement of comprehensive income.

5.18.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

5.18.2 Deferred taxation

Deferred tax is accounted for using the' balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.19 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. Interest income on cash and cash equivalents is recognized using effective interest method.

5.21 Segment reporting

Segment reporting is based on the operating segments that are reported in the manner consistent with internal reporting of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Company is a single operating segment based on internal reporting to the Chief Executive Officer of the Company.

5.22 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in statement of profit or loss.

5.23 Impairment

5.23.1 Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade receivables, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.

5.23.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in statement of profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.24 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

6 AUTHORIZED SHARE CAPITAL

30-Jun-21	30-Jun-20		**30-Jun-21**	30-Jun-20
No. of shares	*No. of shares*		***Rupees***	*Rupees*
87,000,000	87,000,000	Ordinary shares of Rs. 10 each	**870,000,000**	870,000,000
87,000,000	87,000,000		**870,000,000**	870,000,000

7 ISSUED SHARE CAPITAL

30-Jun-21	30-Jun-20		**30-Jun-21**	30-Jun-20
No. of shares	*No. of shares*		***Rupees***	*Rupees*
		Ordinary shares of Rs. 10 each		
48,000,000	48,000,000	shares issued for cash	**480,000,000**	480,000,000
38,577,920	38,577,920	shares issued as fully paid bonus shares	**385,779,200**	385,779,200
86,577,920	86,577,920		**865,779,200**	865,779,200

8 **SHARE PREMIUM**

This represents premium on issue of ordinary shares recognized under Section 83(1) of the repealed Companies Ordinance, 1984.

9 **REVALUATION RESERVE**

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
As at beginning of the year	**438,903,099**	465,056,876
Surplus recognized during the year		
Surplus for the year	**887,733,868**	-
Deferred taxation	**(122,202,772)**	-
	765,531,096	-
Incremental depreciation transferred to accumulated profits		
Incremental depreciation for the year	**(16,727,438)**	(17,430,366)
Deferred taxation	**3,206,330**	2,792,916
	(13,521,108)	(14,637,450)
Surplus realised on disposal		
Surplus on the assets disposed off	**-**	(948,381)
Deferred taxation	**-**	151,962
	-	(796,419)
Other adjustments		
Deferred tax adjustment attributable to changes in proportion of income taxation under final tax regime	**(31,870,028)**	(10,719,908)
As at end of the year	**1,159,043,059**	438,903,099

10 **LOAN FROM DIRECTORS AND SPONSORS**

This represents loan obtained from directors and sponsors. The loans are interest free and payable at the discretion of the Company subject to subordination arrangements with providers of debt finances. The details are as follows:

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
As at beginning of the year		**481,500,000**	-
Transferred from long term loan from directors and sponsors		**-**	213,493,000
Transferred from short term borrowings	*17.2*	**-**	268,007,000
As at end of the year		**481,500,000**	481,500,000

11 **LONG TERM FINANCES**

These represent secured long term finances utilized under interest arrangements from banking companies

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
Term Finances ['TF']			
TF - I	*11.1*	**14,806,667**	17,276,667
TF - II	*11.2*	**316,088,000**	316,088,000
TF - III	*11.3*	**466,788,303**	466,788,303
TF - IV	*11.4*	**-**	92,158,000
TF - V	*11.5*	**40,000,000**	40,000,000
TF - VI	*11.6*	**229,453,080**	229,453,080
TF - VII	*11.7*	**11,771,010**	10,899,084
		1,078,907,060	1,172,663,134

	Note	30-Jun-21 Rupees	30-Jun-20 Rupees
Diminishing Musharaka ['DM']			
DM - I	11.8	25,653,278	-
DM - II	11.9	146,703,000	-
		172,356,278	-
		1,251,263,338	1,172,663,134
Current portion presented under current liabilities	19	(65,559,779)	(36,319,166)
		1,185,703,559	1,136,343,968

11.1 TF - I has been obtained from Askari Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and personal guarantees of the Company's Directors. The finance carries interest at 5% per annum (2020: 5% per annum) payable quarterly. The finance is repayable in eight equal quarterly installments with the first installment due in February 2019. An amount of Rs. 1.849 million (2020: Rs. 15.8 million) and Rs. 1.014 million (2020: Rs. 55.711 million) on account of principal and interest is overdue respectively as at the reporting date.

11.2 TF - II has been obtained from MCB Bank Limited on conversion of short term borrowings and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and personal guarantees of the Company's Directors. The finance carries interest at 8% (2020: 8%) per annum, payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in June 2020. An amount of Rs. 79.022 million (2020: Rs. 15.8 million) and Rs. 55.712 million (2020: Rs. 55.711 million) on account of principal and interest is overdue respectively as at the reporting date.

11.3 TF - III has been obtained from National Bank of Limited on conversion of short term borrowings and is secured by charge over operating fixed assets of the Company, personal guarantees of the Company's Directors and pledge of 25% shares of Hira Textile Mills Limited. The finance carries interest at rates ranging from 5% to 8% (2020: 5% to 8%) per annum, payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in June 2020. An amount of Rs. 101.137 million (2020: Rs. 7.77 million) and Rs. 123.307 million (2020: Rs. 77.842 million) on account of principal and interest is overdue respectively as at the reporting date.

During the year, National Bank of Pakistan proposed a restructuring arrangement whereby the outstanding principal of long term finances and short term borrowings is proposed to be converted into new demand finances with upto two years grace period while accrued interest together with future interest on new demand finances is proposed to be settled in instalments after the adjustment of principal liabilities. The management has accepted the proposal and the restructuring arrangement is being finalized accordingly.

11.4 TF - IV was obtained from Faysal Bank Limited on conversion of short term borrowings and was secured by charge over operating fixed assets of the Company, personal guarantees of the Company's Directors. The finance carried interest at rates ranging from a fixed rate of 5.6% to three months KIBOR plus 1% (2020: 5.6% to three months KIBOR plus 1%) per annum, payable quarterly. The finance was originally payable in twenty equal quarterly installments with the first installment due in July 2020. During the year, entire outstanding liability amounting to Rs. 178.554 million was converted into diminishing musharakah facilities (see note 11.8 & 11.9). As a result of this arrangement, the payment of accrued interest on TF - IV is deferred. (See note 14).

11.5 TF - V has been obtained from Habib Bank Limited on conversion of short term borrowings and is secured by charge over operating fixed assets of the Company, personal guarantees of the Company's Directors. The finance carries interest at one month KIBOR plus 1% per annum (2020: one month KIBOR plus 1% per annum) payable monthly. The finance is repayable in forty equal monthly installments with the first installment due in April 2020. An amount of Rs. 15 million (2020: Rs. 3 million) and Rs. 1.453 million (2020: Rs. 4.11 million) on account of principal and interest is overdue respectively as at the reporting date.

11.6 TF - VI has been obtained from The Bank of Punjab on conversion of short term borrowing, lease liability and restructuring and is secured by charge over fixed and current assets of the company, existing ownership of leased assets and personal guarantees of Company's Directors. The finance carries interest at the lender's cost of funds, payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in December 2021. During the previous year, the lender allowed payment of interest for the quarters ended 31 March 2020 and 30 June 2020 to be deferred till 31 August 2020 and 30 September 2020 respectively. An amount of Rs. 9.712 million (2020: Rs. 9.561) million on account of interest is overdue as at the reporting date.

11.7 TF - VII represents accrued interest on short term borrowings and lease liability obtained from The Bank of Punjab frozen on the request of the management and converted into long term finance. The finance is secured by charge over current and fixed assets of the Company, existing ownership of leased assets and personal guarantee of the Company's Director. The finance carries no interest. The finance is repayable in four equal quarterly installments with the first installment due in December 2026. The finance has been carried at amortised cost which has been determined using a discount rate of 8%.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
Face value of loan		**18,496,000**	18,496,000
Unamortized notional interest	*11.7.1*	**(6,724,990)**	(7,596,916)
As at end of the year		**11,771,010**	10,899,084

11.7.1 Unamortized notional interest

As at beginning of the year		**7,596,916**	-
Recognized during the year		**(871,926)**	7,596,916
As at end of the year		**6,724,990**	7,596,916

11.8 DM - I has been obtained from Faysal Bank Limited on conversion of TF - IV (see note 11.4) and is secured by charge over operating fixed assets and current assets of the Company, personal guarantees of the Company's Directors. The finance carries interest at 5.6% per annum, payable in equal quarterly installments after the settelment of principal of DM - I and DM - II. The finance is repayable in eight equal quarterly installments with the first installment due in December 2020. An amount of Rs. 0.653 million on account of principal is overdue as at the reporting date.

11.9 DM - II has been obtained from Faysal Bank Limited on conversion of TF - IV (see note 11.4) and is secured by charge over operating fixed assets and current assets of the Company, personal guarantees of the Company's Directors. The finance carries interest at 5.6% per annum, payable in equal quarterly installments after the settelment of principal of DM - I and DM - II. The finance is repayable in twenty eight equal quarterly installments with the first installment due in December 2022.

11.10 For mortgages and charges on assets as security for liabilities, refer to note 47 to the financial statements.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
12 LEASE LIABILITIES			
Present value of minimum lease payments	*12.1 & 12.2*	**5,016,220**	6,956,925
Current portion presented under current liabilities	*12.1 & 12.2*	**(1,961,676)**	(2,052,000)
		3,054,544	4,904,925

12.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at rates ranging from six months KIBOR plus 1.5% per annum (2020 ranging from six months KIBOR plus 1.5% per annum). Lease rentals are payable monthly over a tenor ranging from 4 to 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

During the previous year, lease liabilities amounting to Rs. 14.29 million was converted into a long term finance (TF - VI) (See note 11.6).

12.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
Not later than one year		**2,019,707**	2,468,727
Later than one year but not later than five years		**3,054,545**	5,030,277
Total future minimum lease payments		**5,074,252**	7,499,004
Finance charge allocated to future periods		**58,031**	(542,079)
Present value of future minimum lease payments		**5,132,283**	6,956,925
Not later than one year	*19*	**(1,961,676)**	(2,052,000)
Later than one year but not later than five years		**3,170,607**	4,904,925

13 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its workers who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on statement of financial position represents present value of defined benefit obligation.

	Note	30-Jun-21	30-Jun-20
		Rupees	Rupees
13.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**14,876,450**	9,708,387
Charged to profit or loss for the year	13.2	**11,223,371**	9,738,962
Benefits paid during the year		**(4,810,100)**	(5,277,265)
Actuarial loss arising during the year		**2,780,999**	706,366
As at end of the year		**24,070,720**	14,876,450
Benefits due presented under current liabilities	19	**-**	-
		24,070,720	14,876,450
13.2 Charge to profit or loss			
Current service cost		**10,163,302**	6,659,280
Past service cost		**-**	2,422,800
Interest cost		**1,060,069**	656,882
		11,223,371	9,738,962
13.3 Remeasurements recognized in statement of comprehensive income			
Actuarial loss arising from changes in:			
Demographic assumptions		**-**	-
Financial assumptions		**-**	-
Experience adjustments		**2,780,999**	706,366
		2,780,999	706,366

13.4 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	30-Jun-21	30-Jun-20
Discount rate	**10.25%**	8.50%
Expected rates of increase in salary	**9.25%**	7.50%

13.5 Average duration of the defined benefit obligation

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

13.6 Expected charge to statement of profit or loss for the next financial year

The expected charge to statement of profit or loss for the year ending 30 June 2022 amounts to Rs. 13.429 million.

13.7 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	30-Jun-21		30-Jun-20	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	**+ 1%**	**22,855,330**	+ 1%	13,323,049
	- 1%	**25,351,302**	- 1%	16,797,525
Expected rates of increase in salary	**+ 1%**	**25,350,741**	+ 1%	16,797,525
	- 1%	**22,855,049**	- 1%	13,296,815

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

13.8 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on government bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

14 DEFERRED INTEREST

This represents accrued interest on TF-IV, DM-I and DM-II. Accrued interest on TF-IV is payable in twenty three stepped up quarterly installments with first installment due in December 2020. Accrued interest on DM-I and DM-II is payable, after the settlement of principal liabilities, in fourteen quarterly instalments with the first installment due in June 2026.

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*
As at beginning of the year		**-**	-
Transferred from accrued interest		**54,396,317**	-
		54,396,317	-
Unamortized notional interest	*14.1*	**(10,377,026)**	-
As at end of the year		**44,019,291**	-

14.1 Unamortized notional interest

As at beginning of the year	**-**	-
Recognized during the year	**11,949,176**	-
Amortization for the year	**(1,572,150)**	-
As at end of the year	**10,377,026**	-

15 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	*15.1*	**396,744,390**	313,479,532
Deferred tax asset on deductible temporary differences	*15.1*	**(87,775,193)**	(92,619,018)
		308,969,197	220,860,514

15.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30-Jun-21			
	As at 01-Jul-20	**Recognized in profit or loss**	**Recognized in OCI**	**As at 30-Jun-21**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets	**302,879,038**	**(70,600,185)**	**154,072,800**	**386,351,653**
Right-of-used assets	**10,600,494**	**(207,757)**	**-**	**10,392,737**
Long term investment	**-**	**-**	**-**	**-**
	313,479,532	**(70,807,942)**	**154,072,800**	**396,744,390**
Deferred tax assets				
Employees retirement benefits	**(2,851,531)**	**(1,289,612)**	**(540,943)**	**(4,682,086)**
Impairment allowance for expected credit losses	**(2,268)**	**(2,946)**	**-**	**(5,214)**
Unused tax losses and credits	**(89,765,219)**	**6,677,326**	**-**	**(83,087,893)**
	(92,619,018)	**5,384,768**	**(540,943)**	**(87,775,193)**
	220,860,514	**(65,423,174)**	**153,531,857**	**308,969,197**

	30-Jun-20			
	As at 01-Jul-19	Recognized in profit or loss	Recognized in OCI	As at 30-Jun-20
	Rupees	*Rupees*	*Rupees*	*Rupees*
Deferred tax liabilities				
Operating fixed assets	257,568,443	34,590,687	10,719,908	302,879,038
Right-of-used assets	7,109,983	3,490,511	-	10,600,494
Long term investment	12,641,818	(12,641,818)	-	-
	264,678,426	25,439,380	10,719,908	313,479,532
Deferred tax assets				
Employees retirement benefits	(1,555,602)	(1,160,532)	(135,397)	(2,851,531)
Impairment allowance for expected credit losses	(122,334)	120,066	-	(2,268)
Unused tax losses and credits	(54,745,673)	(35,019,546)	-	(89,765,219)
	(56,423,609)	(36,060,012)	(135,397)	(92,619,018)
	208,254,817	(10,620,632)	10,584,511	220,860,514

15.2 Deferred tax arising from timing differences pertaining to income from business is provided for only that portion of timing differences that represent income taxable under normal provisions of the Income Tax Ordinance, 2001 ['the Ordinance'] as revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 29% (2020: 29%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

15.3 Deferred tax asset on unused tax losses and credits amounting to Rs. 410.663 million and long term investment amounting to Rs. 22.275 million has not been recognized as sufficient taxable profits are not expected to be available in future against which these could be utilized. The deferred tax asset on unused tax losses has been recognized only the extent of unabsorbed tax depreciation losses as these are available for use for an infinite period under the present income tax laws.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
16 TRADE AND OTHER PAYABLES			
Trade creditors		**252,828,164**	182,017,052
Accrued liabilities		**69,993,150**	98,040,223
Advances from customers		**6,089,608**	7,127,586
Gas infrastructure development cess	*16.1*	**73,900,000**	-
Payable to Provident Fund Trust		**1,278,960**	2,467,220
Tax deducted at source		**113,933**	649,896
Sales tax payable		**12,481,735**	26,591,682
Due to related party	*16.2*	**134,387,152**	189,127,049
Workers' Profit Participation Fund		**781,124**	781,124
Workers' Welfare Fund	*16.4*	**2,400,115**	1,958,211
Other payables	*16.3*	**56,039,028**	49,939,673
		610,292,969	558,699,716

16.1 This represents cess levied, through the Gas Infrastructure Development Cess ['GIDC'] Act, 2011 later re-imposed by the Gas Infrastructure Development Cess Act, 2015, the recovery of which has been stayed by the High Court of Sindh. (see note 20.1.2).

16.2 This represents advances obtained from a related party, against rent on assets leased out to the related party under operating lease arrangement.

16.3 This represents current account with a sponsor of the Company and includes amounts reimbursable to the sponsor against expenses paid for on behalf of the Company.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
16.4 Workers' Welfare Fund			
As at beginning of the year		**1,958,211**	1,958,211
Charged to profit or loss for the year	*36*	**441,904**	-
Adjusted during the year		**-**	-
As at end of the year		**2,400,115**	1,958,211
17 SHORT TERM BORROWINGS			
Banking companies	*17.1*	**713,162,339**	809,279,436
Directors and sponsors	*17.2*	**-**	-
		713,162,339	809,279,436
17.1 Banking companies			
These represent short term finances utilized under interest arrangements from banking companies.			
Running finances	*17.1.1*	**413,162,339**	413,162,339
Term loans	*17.1.2*	**300,000,000**	396,117,097
		713,162,339	809,279,436

17.1.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company and personal guarantees of sponsors. These carry interest at 8% per annum (2020: 8% per annum), payable monthly/quarterly. During the year, short term borrowings amounting to nil (2020: Rs. 88.626 million) were converted into long term finances (see note 11.6). As at the reporting date, Rs. 413.162 million (2020: Rs. 413.162 million) and Rs 71.472 million (2020: Rs 62.233 million) on account of principal and interest respectively are over due.

17.1.2 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current, fixed assets of the Company. These carry interest at rates ranging from 5% to 15.13% (2020: 5% to 15.13%) per annum, payable monthly/quarterly. During the year, short term borrowings amounting to Rs. 86.396 million (2020: Rs. 128.8 million) were converted into long term finances (See note 11.4 & 11.6). As at the reporting date, Rs. 300 million (2020: Rs. 300 million) and Rs. 83.447 million (2020: Rs. 95.272 million) on account of principal and interest respectively are over due.

17.1.3 All short term borrowing facilities stand expired as at the reporting date.

17.1.4 Subsequent to the reporting period, the Company has signed a restructuring agreement with Bank Alfalah Limited whereby short term borrowings amounting to Rs. 198.192 million have been converted into a long term finance while payment of accrued interest amounting to Rs. 44.503 million has been scheduled to be paid in twenty four instalments after the settlement of principal liability.

17.2 Loan from directors and sponsors

This represents loan obtained from directors for working capital requirements. Details are as follows:

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*
As at beginning of the year		-	318,090,673
Repaid during the year		-	(144,000)
Reclassified as equity	*17.2.1*	-	(268,007,000)
Reclassified as other payables	*16.3*	-	(49,939,673)
As at end of the year		-	-

17.2.1 During the previous year, these finances were converted into interest free loans (See note 10), to be subordinated to debt finances in the current year, as per mutual agreement between the Company and lending directors and sponsors. Accordingly, these were classified as equity in accordance with the guidance provided in Technical Release - 32 'Accounting for Directors' Loan' issued by the ICAP.

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*
18 ACCRUED INTEREST			
As at beginning of the year		**366,899,587**	242,790,441
Expense for the year	*35*	**112,542,486**	139,941,528
Transferred from short term borrowing		**1,572,097**	
Transferred to deferred interest	*14*	**(54,396,317)**	-
Paid during the year		**(40,785,316)**	(15,832,382)
As at end of the year		**385,832,537**	366,899,587

18.1 During the previous year, accrued interest on long term finances, lease liabilities and short term borrowings amounting to Rs. 18.496 million were converted to long term finances (See note 11.7).

18.2 Accrued interest includes Rs. 366.936 million (2020: 317.166 million) which is overdue as at the reporting date.

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*
19 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances	*11*	**65,559,779**	36,319,166
Lease liabilities	*12*	**1,961,676**	2,052,000
		67,521,455	38,371,166

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 The Company received a demand order in respect of detection bill amounting to Rs. 6.7 million. The Company has filed an appeal before Oil and Gas Regulatory Authority against the said detection bill. The appeal has not been fixed for hearing so far.

20.1.2 The Company vide petition 1085/2021 filed before the High Court of Sindh challenged the recovery of GIDC installments. The High Court of Sindh vide its order dated 03 May 2021 has suspended the recovery of GIDC installments. No further date is fixed for hearing. Further, the Company vide petition 000/2021 dated 27 July 2021 filed before the High Court of Sindh challenged the levy of GIDC on the ground of the Government's failure to comply with the Supreme Court's judgment dated 13 August 2020 in relation to commencement of work on specified projects. Date of hearing is fixed for 01 October 2021.

20.1.3 MCB Bank Limited filed a suit against the Company and others for recovery of Rs. 491.038 million, before the High Court of Lahore vide COS No. 28331/2019. This suit is presently pending adjudication. This case is being vigorously and diligently contested by the Company. Further, the Company has filed a counter suit for recovery of Rs. 908.801 million before the High Court of Lahore vide COS No. 41369/2019.

20.1.4 Bank Alfalah Limited filed a suit against the Company and others for recovery of Rs. 214.991 million, before the High Court of Lahore vide COS No. 35823/2019. This suit is now fixed for arguments. This case is being vigorously and diligently contested by the Company. Further, the Company has filed a counter suit for recovery of Rs. 517.377 million before the High Court of Lahore vide COS No. 64374/2019.

20.1.5 National Bank of Pakistan Limited filed a suit against the Company and others for recovery of Rs. 823.027 million, before the High Court of Lahore vide COS No. 13653/2020. This suit is presently pending adjudication. This case is being vigorously and diligently contested by the Company.

20.1.6 National Bank of Pakistan Limited filed a suit against the Company and others for recovery of Rs. 14.724 million, before the Banking Courts, Lahore dated 14 January 2021. This suit is presently pending adjudication. This case is being vigorously and diligently contested by the Company.

20.1.7 Samba Bank Limited filed a suit against the Company and others for recovery of Rs. 246.381 million, before the High Court of Lahore vide COS No. 1770/2020. This suit is presently pending adjudication. This case is being vigorously and diligently contested by the Company. Further, the Company has filed a counter suit for recovery of Rs. 150.173 million before the High Court of Lahore vide COS No. 25832/2020.

20.1.8 Various banking companies have issued guarantees on behalf of the Company as detailed below:

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
Bank guarantees	**29,542,428**	29,542,428

20.2 Commitments

There are no commitments as at 30 June 2021.

21 PROPERTY, PLANT AND EQUIPMENT

	30-Jun-21											
	COST/REVALUED AMOUNT					DEPRECIATION						Net book value as at 30-Jun-21
	As at 01-Jul-20	Additions	Revaluation	Disposals	As at 30-Jun-21	Rate	As at 01-Jul-20	For the year	Revaluation	Adjustment	As at 30-Jun-21	
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Freehold land	183,480,000	-	466,345,000	-	649,825,000	-	-	-	-	-	-	649,825,000
Buildings	351,035,904	3,414,606	113,938,046	-	468,388,556	5	64,601,133	14,402,811	25,395,802	-	104,399,746	363,988,810
Plant and machinery	1,924,011,323	72,389,885	414,622,034	-	2,411,023,242	5	311,175,823	82,572,009	81,775,410	-	475,523,242	1,935,500,000
Electric installation	172,650,153	18,341,982	-	-	190,992,135	10	102,932,653	7,677,112	-	-	110,609,765	80,382,370
Generator	123,215,005	-	-	-	123,215,005	10	54,996,814	6,821,819	-	-	61,818,633	61,396,372
Power house	172,403,335	3,480,563	-	-	175,883,898	10	104,505,704	6,939,865	-	-	111,445,569	64,438,329
Factory equipment	2,524,088	166,200	-	-	2,690,288	10	1,777,541	84,413	-	-	1,861,954	828,334
Office equipment	1,642,469	361,146	-	-	2,003,615	10	1,157,840	61,678	-	-	1,219,518	784,097
Telephone installation	1,576,022	-	-	-	1,576,022	10	1,150,470	42,555	-	-	1,193,025	382,997
Tarpaulin	382,057	-	-	-	382,057	10	336,158	4,590	-	-	340,748	41,309
Computers	5,968,976	256,295	-	-	6,225,271	10	3,641,594	245,765	-	-	3,887,359	2,337,912
Furniture and fixtures	5,827,898	11,150	-	-	5,839,048	10	3,999,590	183,854	-	-	4,183,444	1,655,604
Vehicles	8,736,447	-	-	-	8,736,447	20	7,440,281	259,233	-	-	7,699,514	1,036,933
	2,953,453,677	98,421,827	994,905,080	-	4,046,780,584		657,715,601	119,295,704	107,171,212	-	884,182,517	3,162,598,067

21.1 Freehold lands of the Company are located at Kasur with an area of 152 Kanal and 18 Marla (2020: 152 Kanal and 18 Marla).

30-Jun-20

	COST/REVALUED AMOUNT						DEPRECIATION					Net book
	As at 01-Jul-19 *Rupees*	Additions *Rupees*	Revaluation *Rupees*	Disposals *Rupees*	As at 30-Jun-20 *Rupees*	Rate %	As at 01-Jul-19 *Rupees*	For the year *Rupees*	Revaluation *Rupees*	Adjustment *Rupees*	As at 30-Jun-21 *Rupees*	value as at 30-Jun-21 *Rupees*
Freehold land	183,480,000	-	-	-	183,480,000	-	-	-	-	-	-	183,480,000
Buildings	350,525,941	509,963	-	-	351,035,904	5	49,544,598	15,056,535	-	-	64,601,133	286,434,771
Plant and machinery	1,934,691,906	32,110,376	-	(42,790,959)	1,924,011,323	5	261,360,104	84,473,057	-	(34,657,338)	311,175,823	1,612,835,500
Electric installation	164,584,448	8,065,705	-	-	172,650,153	10	95,665,307	7,267,346	-	-	102,932,653	69,717,500
Generator	123,215,005	-	-	-	123,215,005	10	47,417,015	7,579,799	-	-	54,996,814	68,218,191
Power house	166,911,487	5,491,848	-	-	172,403,335	10	97,421,500	7,084,204	-	-	104,505,704	67,897,631
Factory equipment	2,443,756	80,332	-	-	2,524,088	10	1,699,173	78,368	-	-	1,777,541	746,547
Office equipment	1,434,120	208,349	-	-	1,642,469	10	1,116,239	41,601	-	-	1,157,840	484,629
Telephone installation	1,576,022	-	-	-	1,576,022	10	1,103,186	47,284	-	-	1,150,470	425,552
Tarpaulin	382,057	-	-	-	382,057	10	331,058	5,100	-	-	336,158	45,899
Computers	5,816,851	152,125	-	-	5,968,976	10	3,395,436	246,158	-	-	3,641,594	2,327,382
Furniture and fixtures	5,742,006	85,892	-	-	5,827,898	10	3,801,534	198,056	-	-	3,999,590	1,828,308
Vehicles	10,061,047	-	-	(1,324,600)	8,736,447	20	7,927,920	447,142	-	(934,781)	7,440,281	1,296,166
	2,950,864,646	46,704,590	-	(44,115,559)	2,953,453,677		570,783,070	122,524,650	-	(35,592,119)	657,715,601	2,295,738,076

21.2 No disposals were made during the year 30 June 2021. Disposals during the year ended 30 June 2020 are as follows:

	30-Jun-20						
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Plant and machinery							
Doubler Machines	31,865,520	26,710,416	5,155,104	990,000	(4,165,104)	Negotiation	AMS Enterprises, Karachi
Power Generators	10,925,439	7,946,922	2,978,517	6,550,000	3,571,483	Negotiation	Nagina Engineering Works, Lahore
	42,790,959	34,657,338	8,133,621	7,540,000	(593,621)		
Vehicles							
Suzuki Bolan	417,600	388,066	29,534	200,000	170,466	Negotiation	Muhammad Ijaz Butt, Lahore
FAW / XPV	907,000	546,715	360,285	380,000	19,715	Negotiation	Mr. Aman Naeem, Lahore
	1,324,600	934,781	389,819	580,000	190,181		
	44,115,559	35,592,119	8,523,440	8,120,000	(403,440)		

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*

21.3 The depreciation charge for the year has been allocated as follows:

	Note	30-Jun-21	30-Jun-20
Cost of sales	*31*	**116,909,790**	120,074,157
Administrative expenses	*33*	**2,385,914**	2,450,493
		119,295,704	122,524,650

21.4 Most recent valuation of land, buildings and plant and machinery was carried out by an independent valuer Messrs Diamond Surveyors Pakistan as at 30 June 2021. For basis of valuation and other fair value measurement disclosures, refer to note 44.

Had there been no revaluation, the cost, accumulated depreciation and net book value of revalued items would have been as follows:

	30-Jun-21		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Freehold land	**20,113,708**	**-**	**20,113,708**
Buildings	**282,346,463**	**154,916,854**	**127,429,609**
Plant and machinery	**2,657,218,192**	**1,230,696,690**	**1,426,521,502**

	30-Jun-20		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	20,113,708	-	20,113,708
Buildings	278,931,857	148,296,220	130,635,637
Plant and machinery	2,584,828,307	1,157,069,942	1,427,758,365

21.5 As per most recent valuation, forced sale values of freehold land, buildings and plant and machinery are as follows:

	Rupees
Freehold land	**552,351,250**
Buildings	**309,390,489**
Plant and machinery	**1,645,175,000**
	2,506,916,739

21.6 Operating fixed assets include certain assets leased out under operating lease arrangements to a related party. The net book values of these assets as at reporting date are as follows:

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
Freehold land	**27,522,000**	27,522,000
Buildings	**31,835,247**	33,510,787
Plant and machinery	**274,055,285**	288,479,247
	333,412,532	349,512,034

The portion of land and building leased out has not been classified as investment property' under IAS 40 - Investment Property, as the portion leased out cannot be sold separately and the remaining portion held for manufacturing and administrative purposes is not insignificant in relation to total area/value of land and buildings owned by the Company.

22 RIGHT-OF-USE ASSETS

30-Jun-21

	COST					DEPRECIATION				Net book
	As at 01-Jul-20	**Additions**	**Disposals**	**As at 30-Jun-21**	**Rate**	**As at 01-Jul-20**	**For the year**	**Adjustment**	**As at 30-Jun-21**	**value as at 30-Jun-21**
	Rupees	***Rupees***	***Rupees***	***Rupees***	**%**	***Rupees***	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Plant and machinery	**79,402,549**	**-**	**-**	**79,402,549**	**5**	**21,817,644**	**2,879,245**	**-**	**24,696,889**	**54,705,660**
Vehicles	**7,061,025**	**-**	**-**	**7,061,025**	**20**	**2,386,179**	**934,969**	**-**	**3,321,148**	**3,739,877**
	86,463,574	**-**	**-**	**86,463,574**		**24,203,823**	**3,814,214**	**-**	**28,018,037**	**58,445,537**

30-Jun-20

	COST					DEPRECIATION				Net book
	As at 01-Jul-19	Additions	Disposals	As at 30-Jun-20	Rate	As at 01-Jul-19	For the year	Adjustment	As at 30-Jun-20	value as at 30-Jun-20
	Rupees	*Rupees*	*Rupees*	*Rupees*	%	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Plant and machinery	79,402,549	-	-	79,402,549	5	18,786,860	3,030,784	-	21,817,644	57,584,905
Vehicles	7,061,025	-	-	7,061,025	20	1,217,467	1,168,712	-	2,386,179	4,674,846
	86,463,574	-	-	86,463,574		20,004,327	4,199,496	-	24,203,823	62,259,751

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*

22.1 The depreciation charge for the year has been allocated as follows:

Cost of sales	*31*	**3,737,930**	4,115,506
Administrative expenses	*33*	**76,284**	83,990
		3,814,214	4,199,496

23 LONG TERM INVESTMENTS

This represents investment in ordinary shares of Hira Terry Mills Limited ['HTML'] an associate. HTML is incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984. The registered office of the Company is situated at 44-E/1, Gulberg III, Lahore. The principal activity of the Company is manufacturing and sale of towels. The project is located at Manga Raiwind Road, Tehsil and District Kasur in the province of Punjab.

The investment has been accounted for by using equity method. Particulars of investment are as follows:

	30-Jun-21	30-Jun-20
23.1 Hira Terry Mills Limited		
Percentage of ownership interest	**46.90%**	46.90%

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
Cost of investment		
18,450,000 (2020: 18,450,000) fully paid ordinary shares of Rs. 10 each	**184,500,000**	184,500,000
Bonus Issue @ 20%	**36,900,920**	36,900,920
Share of post acquisition losses - *unrealized*	**(221,400,920)**	(221,400,920)
	-	-

23.1.1 Extracts of financial statements of associated company

The assets and liabilities of Hira Terry Mills Limited as at the reporting date and related revenue and profit for the year then ended based on the un-audited financial statements are as follows:

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
Non-current assets	**2,747,950,079**	2,894,224,086
Current assets	**1,416,489,565**	1,715,996,386
Non- current liabilities	**1,287,036,095**	1,520,556,357
Current liabilities	**3,121,552,829**	2,894,113,940
Revenue	**2,055,717,892**	1,172,677,460
Loss for the year	**(182,876,712)**	(663,336,031)
Other comprehensive income	**-**	-
Total comprehensive loss	**(182,876,712)**	(663,336,031)
Break-up value per share	**(5.17)**	4.14
Share of loss - *unrealized*	**-**	(68,867,548)
Share of other comprehensive loss - *unrealized*	**-**	-

23.1.2 The Company's share of losses of associate has exceeded its interest in the associate. Accordingly, recognition of share of further losses has been discontinued.

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*
24 LONG TERM DEPOSITS			
Utility companies and regulatory authorities	*24.1*	**43,857,204**	42,333,812
Financial institutions		**5,814,840**	5,814,840
		49,672,044	48,148,652

24.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
25 STOCK IN TRADE			
Raw material		**177,830,249**	191,704,710
Packing material		**5,974,219**	3,100,836
Work in process		**68,307,503**	43,810,486
Finished goods	*25.1*	**150,516,331**	50,182,052
		402,628,302	288,798,084

25.1 Stock of finished goods include stock of waste valued at Rs. 9.156 million (2020: Rs. 11.305 million). The entire stock of waste is valued at net realizable value.

25.2 Net realizable values of finished goods (yarn stock) were lower than their cost, which resulted in write-down of Rs. 7.532 million (2020: Rs. 6.651 million) which had been charged to cost of sales.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
26 TRADE RECEIVABLES			
Gross amount due	*26.1*	**93,691,973**	184,218,388
Impairment allowance for expected credit losses	*26.2*	**(26,804)**	(11,833)
		93,665,169	184,206,555

26.1 These include Rs. 49.837 (2020: Rs. 23.601) million receivable from a related party against the sale of yarn.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
26.2 Impairment allowance for expected credit losses			
As at beginning of the year		**11,833**	763,478
Recognized during the year	*36*	**26,804**	11,833
Written off during the year	*34*	**-**	(763,478)
Reversed during the year	*34*	**(11,833)**	-
As at end of the year		**26,804**	11,833
27 ADVANCES AND OTHER RECEIVABLES			
Advances to suppliers		**57,069,253**	173,234,619
Advances to employees	*27.1*	**6,573,285**	6,863,169
Advance against sale of vehicle		**450,000**	450,000
Letters of credit		**3,900,000**	-
Sales tax refundable		**35,695,110**	35,714,310
Excise duty refundable		**1,953,431**	1,953,431
Export rebate receivable		**-**	5,630,401
Interest rebate receivable	*27.2*	**28,996,716**	28,996,716
		134,637,795	252,842,646

27.1 These represent advances to employees against future salaries and post employment benefits in accordance with the Company policy.

27.2 These represents interest rebate receivable against reimbursement on account of 5% interest subsidy through notification by Ministry of Commerce and Textile.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*

28 ADVANCE INCOME TAX/INCOME TAX REFUNDABLE

	Note	30-Jun-21	30-Jun-20
Advance income tax/income tax refundable		**47,882,882**	69,261,710
Provision for taxation	*37*	**(22,095,214)**	(26,263,854)
		25,787,668	42,997,856

29 CASH AND BANK BALANCES

	Note	30-Jun-21	30-Jun-20
Cash in hand		**5,402,004**	772,378
Cash at banks			
Current accounts - *local currency*		**2,438,522**	8,843,631
		7,840,526	9,616,009

30 REVENUE FROM CONTRACTS WITH CUSTOMERS - NET

	30-Jun-21			
	Yarn	**Raw cotton, polyester etc.**	**Waste**	**Total**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Local sales	**1,644,698,099**	**14,370,967**	**64,357,610**	**1,723,426,676**
Sales tax	**(238,973,228)**	**(2,088,089)**	**(9,351,106)**	**(250,412,423)**
	1,405,724,871	**12,282,878**	**55,006,504**	**1,473,014,253**

	30-Jun-20			
	Yarn	Raw cotton, polyester etc.	Waste	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*
Local sales	1,688,168,814	-	62,754,811	1,750,923,625
Sales tax	(278,054,237)	-	(9,495,438)	(287,549,675)
	1,410,114,577	-	53,259,373	1,463,373,950

31 COST OF SALES

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*
Raw material consumed	*31.1*	**1,015,856,433**	920,962,912
Packing material consumed		**26,698,460**	23,840,980
Stores and spares consumed		**22,628,581**	27,134,369
Salaries, wages and benefits	*31.2*	**167,223,945**	183,364,753
Insurance		**6,269,932**	6,341,487
Power and fuel		**337,156,709**	265,384,364
Dyes and chemicals		**-**	4,577,536
Depreciation	*21.3 & 22.1*	**120,647,720**	124,189,663
Others		**23,274,006**	7,830,715
Manufacturing cost		**1,719,755,786**	1,563,626,779
Work in process			
As at beginning of the year		**43,810,486**	39,802,358
As at end of the year		**(68,307,503)**	(43,810,486)
		(24,497,017)	(4,008,128)
Cost of goods manufactured		**1,695,258,769**	1,559,618,651

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
Finished goods		
As at beginning of the year	**50,182,052**	20,352,646
As at end of the year	**(150,516,331)**	(50,182,052)
	(100,334,279)	(29,829,406)
Cost of raw material sold	**12,282,878**	-
	1,607,207,368	1,529,789,245

31.1 Raw material consumed

As at beginning of the year	**191,704,710**	188,613,565
Purchased during the year	**1,014,264,850**	924,054,057
Sold during the year	**(12,282,878)**	-
As at end of the year	**(177,830,249)**	(191,704,710)
	1,015,856,433	920,962,912

31.2 These include charge in respect of employees retirement benefits and contribution to provident fund amounting to Rs. 11.223 million and Rs. 1.323 million (2020: Rs. 9.739 million and Rs. 1.466 million) respectively.

	Note	30-Jun-21	30-Jun-20
		Rupees	*Rupees*
32 SELLING AND DISTRIBUTION EXPENSES			
Commission		**6,099**	26,750
Others		**32,900**	9,660
		38,999	36,410
33 ADMINISTRATIVE EXPENSES			
Salaries and benefits	*33.1*	**22,012,754**	23,478,057
Rent, rates and taxes		**364,966**	65,418
Printing and stationery		**166,827**	30,105
Communication		**1,143,455**	1,002,100
Electricity, water and gas		**182,431**	1,121,980
Repair and maintenance		**206,858**	107,910
Vehicles running and maintenance		**2,002,120**	2,312,113
Traveling and conveyance		**733,488**	2,185,285
Legal and professional		**2,330,221**	5,568,007
Auditor's remuneration	*33.2*	**1,215,000**	1,215,000
Fee and subscription		**910,136**	726,375
Entertainment		**51,551**	43,449
Insurance		**1,195,374**	727,571
Depreciation	*21.3 & 22.1*	**2,462,198**	2,534,483
Others		**1,075,954**	1,511,832
		36,053,333	42,629,685

33.1 These include charge in respect of contribution to provident fund amounting to Rs. 0.975 million (2020: Rs. 0.887 million).

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
33.2 Auditor's remuneration		
Annual statutory audit	**600,000**	600,000
Limited scope review	**190,000**	190,000
Review report on corporate governance	**175,000**	175,000
Out of pocket expenses	**250,000**	250,000
	1,215,000	1,215,000

		30-Jun-21	30-Jun-20
		Rupees	*Rupees*
34	**OTHER INCOME**		
	Gain on financial instruments		
	Reversal of impairment allowance for expected credit losses	**11,833**	-
	Others		
	Rental income	**54,259,200**	45,920,000
		54,271,033	45,920,000

34.1 This represents rental income against assets leased out to a related party. (See note 21.6).

		Note	30-Jun-21	30-Jun-20
			Rupees	*Rupees*
35	**FINANCE COST**			
	Interest on borrowings:			
	long term finances	*35.1*	**84,183,597**	91,710,916
	lease liabilities		**-**	1,156,608
	short term borrowings		**28,358,889**	72,453,388
			112,542,486	165,320,912
	Bank charges and commission		**743,598**	1,030,788
			113,286,084	166,351,700

35.1 During the year, interest of Rs. nil (2020: 32.152 million) on long term loans from directors and sponsors has been waived by the lenders on their discretion.

		Note	30-Jun-21	30-Jun-20
			Rupees	*Rupees*
36	**OTHER CHARGES**			
	Loss on financial instruments			
	Impairment allowance for expected credit losses		**26,804**	11,833
	Others			
	Loss on disposal of property, plant and equipment		**-**	403,440
	Workers' Welfare Fund	*16.4*	**441,904**	-
	Donations		**15,000**	-
			456,904	403,440
			483,708	415,273
37	**PROVISION FOR TAXATION**			
	Current taxation			
	for current year	*37.1*	**22,095,214**	26,263,854
	for prior year		**(4,388,061)**	(3,053,646)
			17,707,153	23,210,208
	Deferred taxation	*15*	**(65,423,174)**	(10,620,632)
			(47,716,021)	12,589,576

37.1 Provision for current tax has been made in accordance with section 113 (2020: section 113) of the Income Tax Ordinance 2001 ['the Ordinance']. There is no relationship between the aggregate tax expense and accounting profit and accordingly, no numerical reconciliation has been presented.

37.2 The income tax assessments of the Company up to and including tax year 2020 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance.

		Unit	**30-Jun-21**	30-Jun-20
38	**LOSS PER SHARE - BASIC AND DILUTED**			
	Loss attributable to ordinary shareholders	*Rupees*	**(172,563,085)**	(303,788,571)
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**86,577,920**	86,577,920
	Loss per share	*Rupees*	**(1.99)**	(3.51)

38.1 There is no anti-diluting effect on the basic loss per share of the Company.

		30-Jun-21	30-Jun-20
		Rupees	*Rupees*
39	**CASH GENERATED FROM OPERATIONS**		
	Loss before taxation	**(220,279,106)**	(291,198,995)
	Adjustments for non-cash and other items		
	Finance cost	**113,286,084**	166,351,700
	Loss on disposal of property, plant and equipment	**-**	403,440
	Provision for employees retirement benefits	**11,223,371**	9,738,962
	Depreciation	**123,109,918**	126,724,146
	Notional interest	**(9,505,100)**	(7,596,916)
	Impairment allowance for expected credit losses	**26,804**	11,833
	Reversal of impairment allowance for expected credit losses	**(11,833)**	-
	Share of loss from associate	**-**	68,867,548
		238,129,244	364,500,713
		17,850,138	73,301,718
	Changes in working capital		
	Stores and spares	**(581,297)**	(949,385)
	Stock in trade	**(113,830,218)**	(37,123,185)
	Trade receivables	**90,526,415**	421,098,142
	Advances and other receivables	**118,204,851**	(56,116,286)
	Trade and other payables	**51,593,253**	(300,390,556)
		145,913,004	26,518,730
	Cash generated from operations	**163,763,142**	99,820,448
40	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	**7,840,526**	9,616,009
		7,840,526	9,616,009

41 **TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Hira Terry Mills Limited	Associated company	Investment	0.0000%
Muhammad Umer Virk	Key management personnel	Father of director	27.2800%
Saeed Ahmad Khan	Key management personnel	Director	0.0028%
Muhammad Mehboob	Key management personnel	Director	0.0006%
Shahnaz Umer	Key management personnel	Director	6.6135%
Sadiya Umair	Key management personnel	Director	6.5120%
Umair Umer	Close family member of director	Son of Director	0.0000%
Umaira Umer	Close family member of director	Daughter of Director	9.9400%

Transactions with key management personnel are limited to payment of short term employee benefits and office rent. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an orderly transaction between market participants at the date of transaction. Detail of transactions and balances with related parties is as follows:

			30-Jun-21	30-Jun-20
			Rupees	*Rupees*
41.1	**Transactions with related parties**			
	Nature of relationship	**Nature of transactions**		
	Associated company	Sales	**69,151,951**	24,424,077
		Purchases	**6,800,917**	4,680
		Expenses charged	**1,486,100**	19,920,317
		Rental income	**54,259,200**	45,920,000
		Debit note reversed	**-**	273,373,850
	Sponsors	Interest on borrowings charged	**-**	32,152,046
		Interest on borrowings waived	**-**	32,152,046
	Provident fund trust	Contribution for the year	**2,298,070**	2,352,050
41.2	**Balances with related parties**			
	Nature of relationship	**Nature of balance**		
	Associated company	Advance against rent	**134,387,152**	189,127,049
		Trade receivables	**49,837,129**	23,601,006
	Sponsors	Borrowings	**481,500,000**	481,500,000
		Current account	**56,039,028**	49,939,673
	Key management personnel	Short term employee benefits payable	**1,756,948**	1,164,240
	Provident fund trust	Payable to provident fund trust	**1,278,960**	2,467,220

42 CONTRACTS WITH CUSTOMERS

42.1 Contract balances

The information about receivables and contract liabilities from contracts with customers is as follows:

Nature of balance	Presented in financial statements as	*Note*	**30-Jun-21**	30-Jun-20
			Rupees	*Rupees*
Receivables	Trade receivables	*26*	**93,665,169**	184,206,555
Contract liabilities	Advances from customers	*16*	**6,089,608**	7,127,586
			99,754,777	191,334,141

42.2 Changes in contract liabilities

Significant changes in contract liabilities are as follows:

		30-Jun-21	30-Jun-20
		Rupees	*Rupees*
As at beginning of the year		**7,127,586**	17,435,179
Revenue recognized against contract liability as at beginning of the year		**(7,127,586)**	(17,435,179)
Net increase due to cash received in excess of revenue recognized		**6,089,608**	7,127,586
As at end of the year	*16*	**6,089,608**	7,127,586

42.3 Impairment losses

The Company during the year has recognized Rs. 26,804 (2020: Rs. 11,833) as impairment allowance for expected credit losses on receivables (trade receivables) arising from the Company's contracts with customers. Further, impairment allowance amounting to Rs. 11,833 was reversed during the year on actual recovery. See note 26.2.

43 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

	Note	**30-Jun-21**	30-Jun-20
		Rupees	*Rupees*
43.1 Financial assets			
Cash in hand	*29*	**5,402,004**	772,378
Financial assets at amortized cost			
Long term deposits	*24*	**49,672,044**	48,148,652
Trade receivables	*26*	**93,665,169**	184,206,555
Advances to employees	*27*	**6,573,285**	6,863,169
Bank balances	*29*	**2,438,522**	8,843,631
		157,751,024	248,834,385
43.2 Financial liabilities			
Financial liabilities at amortized cost			
Long term finances	*11*	**1,251,263,338**	1,172,663,134
Lease liabilities	*12*	**5,016,220**	6,956,925
Deferred interest	*14*	**44,019,291**	-
Short term borrowings	*17*	**713,162,339**	809,279,436
Accrued interest	*18*	**385,832,537**	366,899,587
Trade creditors	*16*	**252,828,164**	182,017,052
Accrued liabilities	*16*	**69,993,150**	98,040,223
Other payables	*16*	**56,039,028**	49,939,673
Unclaimed dividend		**2,757,216**	2,757,216
		2,780,911,283	2,688,553,246

44 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company’s exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

44.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

44.1.1 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with credit worthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward?looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade receivables to have low credit risk where the debtor has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Company's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade receivables: Lifetime ECL Other assets: 12-month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Amount is written-off

44.1.2 Maximum exposure to credit risk

Credit risk principally arises from debt instruments held by the Company as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	30-Jun-21	30-Jun-20
		Rupees	Rupees
Financial assets at amortized cost			
Long term deposits	24	**49,672,044**	48,148,652
Trade receivables	26	**93,665,169**	184,206,555
Advances to employees	27	**6,573,285**	6,863,169
Bank balances	29	**2,438,522**	8,843,631
		152,349,020	248,062,007

44.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

	Note	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount	Loss allowance
					Rupees	Rupees
Long term deposits	24	N/A	Performing	12-month ECL	**49,672,044**	**-**
Trade receivables	26	N/A	Performing	Lifetime ECL	**93,691,973**	**26,804**
Advances to employees	27	N/A	Performing	Lifetime ECL	**6,573,285**	**-**
Bank balances	29	A2 - A1+	N/A	12-month ECL	**2,438,522**	**-**
					152,375,824	**26,804**

(a) Long term deposits

Long term deposits comprise security deposits placed with various financial institutions and utility companies. These deposits are placed for an indefinite period without any fixed maturity and will be due for refund only if the Company ceases to use the underlying services. Therefore, no credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

(b) Trade receivables

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade receivables by using internal credit risk gradings. As at the reporting date, trade receivables are considered 'performing' including those past due as there is no significant increase in credit risk in respect of these receivables since initial recognition. The ageing analysis of trade receivables as at the reporting date is as follows:

	30-Jun-21	30-Jun-20
	Rupees	Rupees
Neither past due nor impaired	**85,217,284**	99,563,362
Past due by up to 30 days	**250,000**	66,481,388
Past due by 31 days to 180 days	**7,330,924**	12,542,206
Past due by 181 days or more	**893,765**	5,631,432
	93,691,973	184,218,388

(c) Advances to employees

Advances to employees have been given against future salaries and post-employment benefits. Accordingly, these are considered to have no credit risk.

(d) Bank balances

The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

44.1.4 Concentration of credit risk

There are no significant concentrations of credit risk, except for trade receivables. The Company's two (2020: one) significant customers account for Rs. 52.782 million (2020: Rs. 23.601 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2020: 10%) of trade receivables as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

44.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception advances to employees which are secured against future salaries and post-employment benefits.

44.1.6 Changes in impairment allowance for expected credit losses

The changes in impairment allowance for expected credit losses have been presented in note 36.

44.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

44.2.1 Liquidity risk management

The Company's approach to managing liquidity risk 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 Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. Further, the Company has continued support of its sponsors and in respect of any temporary liquidity shortfalls.

44.2.2 Exposure to liquidity risk

The following presents the Company’s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The analysis have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay and includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

			30-Jun-21		
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	**1,251,263,338**	**1,492,885,663**	**555,299,911**	**541,578,049**	**396,007,703**
Lease liabilities	**5,016,220**	**5,074,252**	**5,074,252**	**-**	**-**
Deferred interest	**44,019,291**	**53,896,317**	**2,000,000**	**10,900,000**	**40,996,317**
Short term borrowings	**713,162,339**	**713,162,339**	**713,162,339**	**-**	**-**
Accrued interest	**385,832,537**	**385,832,537**	**385,832,537**	**-**	**-**
Trade creditors	**252,828,164**	**252,828,164**	**252,828,164**	**-**	**-**
Accrued liabilities	**69,993,150**	**69,993,150**	**69,993,150**	**-**	**-**
Other payables	**56,039,028**	**56,039,028**	**56,039,028**	**-**	**-**
Unclaimed dividend	**2,757,216**	**2,757,216**	**2,757,216**	**-**	**-**
	2,780,911,283	**3,032,468,666**	**2,042,986,597**	**552,478,049**	**437,004,020**

	30-Jun-20				
	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Long term finances	1,180,260,050	1,473,146,488	402,647,791	541,117,162	529,381,535
Lease liabilities	6,956,925	7,499,004	7,499,004	-	-
Deferred interest	-	-	-	-	-
Short term borrowings	809,279,436	809,279,436	809,279,436	-	-
Accrued interest	366,899,587	366,899,587	366,899,587	-	-
Trade creditors	182,017,052	182,017,052	182,017,052	-	-
Accrued liabilities	98,040,223	98,040,223	98,040,223	-	-
Other payables	49,939,673	49,939,673	49,939,673	-	-
Unclaimed dividend	2,757,216	2,757,216	2,757,216	-	-
	2,696,150,162	2,989,578,679	1,919,079,982	541,117,162	529,381,535

44.2.3 Overdue financial liabilities

The Company is facing a temporary liquidity shortfall as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	Principal	**Interest**	**Total**
	Rupees	***Rupees***	***Rupees***
Long term finances	**197,661,909**	**191,196,133**	**388,858,042**
Short term borrowings	**713,162,339**	**175,740,119**	**888,902,458**
	910,824,248	**366,936,252**	**1,277,760,500**

44.3 Market risk

44.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency. The Company is not exposed to currency risk

44.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

(a) Interest rate risk management

The Company manages interest rate risk by analysing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

(b) Interest bearing financial instruments

The effective interest rates for interest bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest bearing financial instruments as at the reporting date are as follows:

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**-**	-
Financial liabilities	**14,806,667**	17,276,667
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**1,248,197,881**	1,169,940,308

(c) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for its fixed rate instruments at fair value

***(d)* Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 12.482 million (2020: Rs. 11.699 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

44.3.3 Other Price risk

Other price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of 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. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

45 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances, liabilities against assets subject to finance lease and loan from directors and family members including current maturity. Total capital employed includes total equity, as shown in the statement of financial position, plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**30-Jun-21**	30-Jun-20
Total debt	*Rupees*	**1,263,004,548**	1,187,216,975
Total equity	*Rupees*	**627,839,525**	68,981,598
Total capital employed		**1,890,844,073**	1,256,198,573
Gearing	*% age*	**66.80**	94.51

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance and subordination of long term loan from directors and sponsors (see note 10).

46 FAIR VALUE MEASUREMENTS

46.1 Financial Instruments

46.1.1 Financial instruments measured at fair value

The Company measures some of its financial assets at fair value. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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 (that is, as prices) or indirectly (that is, derived from prices).

Level 3 — Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

***(a)* Recurring fair value measurements**

There are no recurring fair value measurements as at the reporting date.

***(b)* Non-recurring fair value measurements**

There are no non-recurring fair value measurements as at the reporting date.

46.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

46.3 Assets and liabilities other than financial instruments.

46.3.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	**30-Jun-21**	30-Jun-20
				Rupees	*Rupees*
Freehold land	-	649,825,000	-	**649,825,000**	183,480,000
Buildings	-	363,988,810	-	**363,988,810**	286,434,771
Plant and machinery	-	1,935,500,000	-	**1,935,500,000**	1,612,835,500

For fair value measurements categorized into Level 2 the following information is relevant:

	Valuation technique	**Significant inputs**	**Sensitivity**
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 32.491 million (2020: Rs. 9.174 million).
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in an increase in fair value of buildings by Rs. 18.199 million (2020: Rs. 14.322 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in an increase in fair value of plant and machinery by Rs. 96.775 million (2020: Rs. 80.642 million).

Reconciliation of fair value measurements categorized in Level 2 is presented in note 46.3.1.

There were no transfers between fair value hierarchies during the year.

46.3.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

	30-Jun-21	30-Jun-20
	Rupees	***Rupees***
47 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**3,007,000,000**	3,007,000,000
Charge over fixed assets	**2,744,384,404**	2,744,384,404

48 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	30-Jun-21		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**1,760,004**	**1,456,956**	**7,382,676**
House rent	**639,996**	**800,004**	**1,814,151**
Motor vehicle expenses	**437,125**	**437,816**	**1,256,371**
Utilities	**47,965**	**14,894**	**114,944**
Post employment benefits	**133,284**	**122,124**	**331,114**
	3,018,374	**2,831,794**	**10,899,256**
Number of persons	**1**	**1**	**4**

	30-Jun-20		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	1,760,004	1,456,956	7,382,676
House rent	639,996	800,004	1,814,151
Motor vehicle expenses	437,125	437,816	1,256,371
Utilities	47,965	14,894	114,944
Post employment benefits	133,284	122,124	331,114
	3,018,374	2,831,794	10,899,256
Number of persons	1	1	4

49 NON-CASH FINANCING ACTIVITIES

49.1 During the year, short term borrowings amounting to Rs. 96.177 million (2020: Rs. 346.329 million), lease liabilities amounting to nil (2020: Rs. 14.29 million) and accrued interest amounting to nil (2020: Rs. 18.496 million) were converted into long term finances and accrued interest amounting to Rs. 86.396 million and Rs. 9.72 million as referred to in note 11.4, 11.6, 11.7, 11.8, 11.9, 12.1, 17.1 and 18.1.

49.2 During the previous year, short term borrowings and long term loan from directors and sponsors amounting to Rs. 266.007 million and Rs. 213.493 million were transferred to equity as referred to in note 10 and 17.2.

50 SEGMENT INFORMATION

50.1 The Company is a single reportable segment.

50.2 All non-current assets of the Company are situated in Pakistan.

50.3 All sales of the Company have originated from Pakistan.

51 EMPLOYEES PROVIDENT FUND TRUST

The following information is based on the latest audited financial statements of the Hira Textile Mills Limited Employees Provident Fund for the year ended 30 June 2021.

	Unit	**30-Jun-21**	30-Jun-20
Size of the fund - *total assets*	*Rupees*	**12,081,108**	13,037,284
Cost/fair value of investments	*Rupees*	**9,460,000**	9,600,000
Percentage of investments made	*% age*	**78.30%**	73.63%

The break-up of investments is as follows:

	30-Jun-21		30-Jun-20	
	Rupees	***% age***	*Rupees*	*% age*
Government securities	**7,800,000**	**64.56**	9,300,000	71.33
Interest bearing loans to members	**160,000**	**1.32**	300,000	2.30
Bonus munafa term deposit	**1,500,000**	**12.42**	-	-
	9,460,000	**78.30**	9,600,000	73.63

The Company has complied with all the requirements set out by the provisions of section 218 of the Companies Act, 2017 for investments out of provident fund.

52 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**30-Jun-21**	30-Jun-20
52.1 ***Spinning***			
Production capacity			
Number of spindles installed	*No.*	**47,040**	41,424
Installed capacity after conversion into 20's count	*Kgs*	**15,493,933**	13,510,022
Actual production			
Actual production after conversion into 20's count	*Kgs*	**3,694,080**	4,438,204
52.2 **Dyeing**			
Production capacity			
Installed machines	*No.*	**-**	4
Dyeing capacity	*Kgs*	**-**	150,000
Actual production			
Actual dyeing production	*Kgs*	**-**	53,592

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted. Difference of actual production with installed capacity is in normal course of business. During the previous year, dyeing unit has been leased out to the a related party.

53 MINIMUM LEASE PAYMENTS UNDER OPERATING LEASE

The Company has leased out certain assets under operating lease arrangements to a related party, Hira Terry Mills Limited. Amounts of minimum lease payments receivable under the lease agreement are as follows:

	30-Jun-21	30-Jun-20
	Rupees	*Rupees*
- not later than one year	**58,599,936**	54,259,200
- later than one year but not later than five years	**90,497,710**	149,097,646
- later than five year	**-**	-
	149,097,646	**203,356,846**

54 NUMBER OF EMPLOYEES

	30-Jun-21	30-Jun-20
Total number of employees	**576**	826
Average number of employees	**612**	769

55 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment of and/or disclosure in these financial statements, except for those already disclosed in these financial statements.

56 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

57 GENERAL

Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

DIRECTOR/CHAIRPERSON	CHIEF FINANCIAL OFFICER	CHIEF EXECUTIVE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PROXY FORM

The Company Secretary
Hira Textile Mills Limited
44 E/1 Gulberg III
Lahore.

I / We ____ of ____being a member(s) of Hira Textile Mills Limited, and a holder of ____ Ordinary Shares as per Share Register Folio No. ____ (in case of Central Depository System Account Holder A/C No.__________________ Participant I.D No.__________________) hereby appoint ______________________ of __________________________________ another member of the Company as per Share Register Folio No. ___________ or (Failing him / her_____________________ of ________________________ another member of the Company) as my / our proxy to attend and vote for me / us and on my / our behalf at Annual General Meeting of the Company, to be held on October 28, 2021 (THURSDAY) at 10:00 AM at the 44 E/1 Gulberg III, Lahore.

As witness my hand this ______________________ day of _____________________________ 2021 signed by the said ____ in presence of ____

Witness

Signature

Signature

Affix
Revenue
Stamp

Notes:

a. Proxies, in order to be effective, must be received at the Company's Registered Office / head Office not less than 48 hours before the meeting duly stamped, signed and witnessed.

b. Signature must agree with the specimen signature registered with the Company.

c. In case of Central Depository System Account Holder, an attested copy of identity Card should be attached to this proxy form.

d. No person shall act as proxy unless he is member of the company.

HIRA TEXTILE MILLS
LIMITED

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