

BIBOJEE GROUP



Half Yearly Accounts December, 2020

Janana De Malucho Textile
Mills Limited

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COMPANY'S PROFILE

| | | |
|--|--|--|
| BOARD OF DIRECTORS | MR. RAZA KULI KHAN KHATTAK LT. GEN. (RETD.) ALI KULI KHAN KHATTAK, Chief Executive MR. AHMAD KULI KHAN KHATTAK MRS. SHAHNAZ SAJJAD AHMAD MR. GOHAR AYUB KHAN BRIG. (RETD) ABDUL SAMAD KHAN COL. (RETD) SYED YUNUS ALI RAZA | Chairman |
| AUDIT COMMITTEE | BRIG. (RETD) ABDUL SAMAD KHAN MR. AHMAD KULI KHAN KHATTAK COL. (RETD) SYED YUNUS ALI RAZA | Chairman Member Member |
| HUMAN RESOURCE & REMUNERATION COMMITTEE | COL. (RETD) SYED YUNUS ALI RAZA LT. GEN. (RETD.) ALI KULI KHAN KHATTAK MR. AHMAD KULI KHAN KHATTAK MRS. SHAHNAZ SAJJAD AHMAD | Chairman Chief Executive/ Member Member Member |
| CHIEF FINANCIAL OFFICER | MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS Sr. Gen. Manager Finance & Corporate Affairs | |
| COMPANY SECRETARY | MR. ABID RAZA, B.Com, APFA, Affiliate (ICAP) | |
| HEAD OF INTERNAL AUDIT | MR. RAEES KHAN, CIA(Pak) | |
| AUDITORS | SHINewing HAMEED CHAUDHRI & CO., Chartered Accountants | |
| BANKERS | NATIONAL BANK OF PAKISTAN THE BANK OF KHYBER MEEZAN BANK LIMITED UNITED BANK LIMITED BANK ALFALAH LIMITED | |
| LEGAL ADVISOR | HASSAN & HASSAN (ADVOCATES) PAAF BUILDING, 7 D, KASHMIR ROAD, LAHORE | |
| TAX CONSULTANTS | M. NAWAZ KHAN & CO. GROUND FLOOR, FARRAH CENTRE, 2-MOZZANG ROAD, LAHORE | |
| REGISTRARS & SHARES REGISTRATION OFFICE | VISION CONSULTING LIMITED 3-C, LDA FLATS, 1ST FLOOR, LAWRENCE ROAD, LAHORE TEL. 042-36283096-97, FAX. 042-36312550 EMAIL: info@vcl.com.pk | |
| REGISTERED OFFICE & MILLS | HABIBABAD, KOHAT (KPK) TEL. 0922 - 862161 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk, janana_textile@hotmail.com WEB SITE: www.jdm.com.pk | |

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS

On behalf of the Board of Directors, we are pleased to present the Directors' Review along with the condensed interim financial statements of the Company for the 2nd quarter & half year ended 31st December 2020 duly reviewed by the External Auditors.

FINANCIAL HIGHLIGHTS

During the current period your Company has reported the following results:

| | Quarter Ended | | Half Year Ended | |
|---------------------------------|------------------------------------|---------------|------------------|---------------|
| | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2020 | Dec. 31, 2019 |
| | ----- Rs. in thousand ----- | | | |
| Sales-net | 1,390,174 | 1,038,517 | 2,540,982 | 1,390,083 |
| Gross profit | 178,820 | 114,795 | 259,810 | 133,284 |
| Profit from operations | 150,803 | 88,558 | 212,064 | 85,826 |
| Profit / (loss) before taxation | 162,320 | 36,159 | 206,005 | (2,224) |
| Profit / (loss) after taxation | 124,078 | (11,591) | 155,239 | (21,927) |
| | ----- Rupees ----- | | | |
| Earnings/(loss) per share | 25.93 | (2.42) | 32.44 | (4.58) |

The turnover of the Company has increased by Rs.1,150.899 million as compared to half year ended 31st December, 2019. This is due to the reason that yarn markets have remained quite active and stable after lifting of the lockdown imposed due to of Coronavirus (Covid-19) pandemic which had resulted in accumulation of yarn worth Rs.531.554 million. However, when the lockdown was lifted the economic activity started to revive which helped the Company to achieve this turnover. The Company, in the period under review, has earned profit before tax amounting to Rs.206.005 million and profit after tax of Rs.155.239 million in comparison with loss before tax amounting to Rs.2.224 million and loss after tax amounting to Rs.21.927 million respectively, in the previous comparative period.

We would also like to inform the members of the Company that the merger of Babri Cotton Mills Ltd. with the Company is in process. The Competition Commission of Pakistan has granted its approval for the merger of both the Companies. The BOD has called an extra ordinary general meeting (EOGM) of the Company on 13 March 2021, in order to get the approval of members on the decision of the BOD to merge / amalgamate both the Companies. After the approval from members a petition shall be filed with the High Court for its approval.

GENERAL MARKET CONDITION

The textile industry has shown phenomenal growth in the current six months. The textile exports increased by 7.79pc to \$7.442bn in Jul.-Dec. 2020 against \$6.904bn in the corresponding period last year. The imports into the country during the period under review also increased by 5.72pc by growing from \$23.195bn last year to \$24.521bn during the first half of current fiscal year. The country's trade deficit increased by 6.44pc during July-December, as compared to the corresponding period of last year.

FUTURE OUTLOOK

There are few challenges that are likely to hinder and negatively impact the textile industry growth. These challenges include energy affordability cost, shortage of quality raw material, foreign exchange volatility and above all, the inconsistent short term and long-term policies of the Government. The current cotton crop of Pakistan is not only scarce but is of poor quality as well which can only produce 20/s to 30/s count.

In July 2019, the government had announced to provide energy at subsidized tariffs as part of the government's incentive package for export sectors in order to help reduce the production costs so that a competitive edge may be gained in the international markets in terms of prices. However, the Govt. decided to withdraw the incentive package, approved by the Economic Coordination Committee and it was further decided that the subsidy given since January, 2019 shall also be recovered. However, on the outcry of the five export-oriented sectors, the Govt. took back its decision and decided to provide the power at subsidized tariff for the financial year 2020-21 also. In January-21, an announcement was made about the decision of the Govt. to disconnect the supply of gas to industries, which took the industries by surprise. This step of the Govt. shall adversely affect the industry resulting in closure of local and export industry which is going to result in de-industrialization, massive unemployment, and a swift fall in exports.

Textile, the single largest contributor to Pakistan's exports with existing sizeable investments in state-of-the-art machinery and high efficiency generation, has over USD \$2 billion worth of investments for expansion and modernization in the pipeline. The potential losses thus accruing due to such policy measure are phenomenal. On the contrary, the industry can avail substantial economic benefit from enhanced exports if the gas supply is continued. In other words, even if the approach to shift industry to grid electricity reaps long run benefits, a pre-requisite to implement the same is a meticulous plan to substantially improve grid electricity for a stable, sustained, uninterrupted continuous supply of electricity to textile sector at regionally competitive tariffs.

In summary, the government's proposal to suspend gas supply to captive is misinformed and may do more harm than good, at least in the notable future. There are numerous benefits of utilizing gas in captive, including (i) high efficiency, (ii) reliability, unlike grid electricity (iii) no theft, (iv) less burden on national exchequer (there are no financial subsidies) and (v) no drain on foreign reserves. At the same time, prioritizing energy efficiency and directing more efforts towards the same can help reap significant gains. Other South Asian countries like Bangladesh are already promoting efficient use of existing resources, both on the supply and demand side. Pakistan can learn much from their example and endeavors to maintain energy efficiency benchmarks at international standards to save gas and tackle shortages in the short term. Under the existing circumstances, this seems to be the only viable option if Pakistan aims to resolve the perils and problems plaguing the gas sector without compromising the interests and economic contribution of industrial sectors.

COMMENTS ON “EMPHASIS OF MATTER” PARAGRAPH IN THE AUDITOR’S REPORT

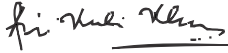
The GIDC issue has been currently challenged in the Peshawar High Court (PHC) as well as OGRA as the Company, being a spinning unit and producing raw material for weaving sector has not passed on burden of GIDC to its customers. The Company has never made any provision of GIDC expense in its accounts which is conclusive proof that GIDC effect has not been passed on to the consumer. The yarn market is not a regulated market i.e., textile units are price takers not the price makers, therefore, spinning sector could not add GIDC in their prices and certainly has not collected the same from its customers. The PHC in its order dated 16-09-2020 has referred the case to OGRA and has asked them to hear the pleas of Textile sector and give decision on this point of Law.

The Company, has also filed another petition in PHC and PHC has granted stay order against recovery of GIDC. The lawyers hired by KPTMA have said that we have a strong and reasonable case, so we are hopeful that decisions from PHC and OGRA will be in the favor of the Company and the spinning industry.

ACKNOWLEDGMENT

The Board places on record its appreciation for the support of its bankers who have constantly facilitated the Company in financially difficult times and to all other stakeholders in their ongoing support to the Company. The hard work and diligence of the Company’s senior management and the production workers is also commendable. We look forward to same dedication and cooperation from them in the future as well.

On behalf of the Board of Directors



Lt. Gen. (Retd.) Ali Kuli Khan Khattak
Chief Executive Officer



Ahmad Kuli Khan Khattak
Director

Dated: February 28, 2021

جانانہ دی مالوچو ٹیکسٹائل ملز لمیٹڈ
ڈائریکٹرز کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے، 31 دسمبر 2020 چھ ماہ کی ختم ہونے والی مدت پر کمپنی کے آڈیٹرز کے زیر نظر ثانی شدہ مالیاتی رپورٹ پیش کرنے میں خوشی محسوس کرتے ہیں۔
کارکردگی کا جائزہ۔

ہم آپ کو بتاتے ہوئے خوشی محسوس کرتے ہیں کہ آپ کی کمپنی کی مالیاتی نتائج کے اہم جھلکیاں مندرجہ ذیل ہیں۔

| -----چھ ماہی----- | | -----سہ ماہی----- | |
|---------------------------|---------------|-------------------|---------------|
| 31 دسمبر 2019 | 31 دسمبر 2020 | 31 دسمبر 2019 | 31 دسمبر 2020 |
| -----روپے ہزاروں میں----- | | | |
| 1,390,083 | 2,540,982 | 1,038,517 | 1,390,174 |
| 133,284 | 259,810 | 114,795 | 178,820 |
| 85,826 | 212,064 | 88,558 | 150,803 |
| (2,224) | 206,005 | 36,159 | 162,320 |
| (21,927) | 155,239 | (11,591) | 124,078 |
| -----روپے----- | | | |
| (4.58) | 32.44 | (2.42) | 25.93 |

کمپنی کے کل مال کی فروخت میں گزشتہ سال کے پچھلے چھ ماہ کے مقابلے 1,150.899 ملین روپے سے زیادہ کا اضافہ ہوا ہے۔ اس کی وجہ یہ ہے کہ گورنارٹس (کوویڈ-19) کی وبا کی وجہ سے لاک ڈاؤن کے خاتمے کے بعد سوت کی منڈی کافی سرگرم اور مستحکم رہی ہے اس لاک ڈاؤن کے نتیجے میں 531.554 ملین روپے کا سوت جمع ہو گیا تھا۔ تاہم، جب لاک ڈاؤن کو ختم کیا گیا تو معاشی سرگرمیاں بحال ہونا شروع ہو گئیں جس سے کمپنی کو اس کے کاروبار کو ترقی دینے میں مدد ملی۔ رپورٹ کے تحت، کمپنی نے ٹیکس سے پہلے 206.005 ملین روپے منافع حاصل کیا ہے اور ٹیکس کے بعد منافع 155.239 ملین روپے ہے جبکہ گزشتہ نصف سال کے پچھلے تقابلی مدت میں ٹیکس سے پہلے 2.224 ملین روپے نقصان ہوا تھا اور ٹیکس کے بعد خسارہ 21.927 ملین روپے تھا۔ ہم کمپنی کے ممبروں کو یہ بھی بتانا چاہیں گے کہ باہری کرائن ملز لمیٹڈ کا کمپنی میں ضم ہونے کا عمل جاری ہے۔ مسابقتی کمیشن آف پاکستان نے دونوں کمپنیوں کے انضمام کے لئے منظوری دے دی ہے۔ بورڈ آف ڈائریکٹرز نے دونوں کمپنیوں کو ضم کرنے کے بورڈ آف ڈائریکٹرز کے فیصلے پر ممبروں کی منظوری حاصل کرنے کے لئے، 13 مارچ 2021 کو کمپنی کا ایک اضافی عام جزل اجلاس (ای او جی ایم) طلب کیا ہے۔ ممبروں کی منظوری کے بعد دونوں کمپنیوں کو ضم کرنے کی منظوری کے لئے ایک درخواست بائی کورٹ میں دائر کی جائے گی۔

عمومی مارکیٹ کی حالت

ٹیکسٹائل انڈسٹری نے حالیہ چھ ماہ غیر معمولی نمو کی ہے۔ جولائی سے دسمبر 2020 میں ٹیکسٹائل کی برآمدات 7.79% اضافے سے 7.442 ملین ڈالر ہو گئیں۔ جبکہ گزشتہ سال کی اسی مدت میں ٹیکسٹائل کی برآمدات 6.904 ملین ڈالر تھیں۔ زرخیز دورانیہ کے دوران ملک میں درآمدات میں بھی گزشتہ مالی سال کی پہلی ششماہی کے دوران 23.195 ملین ڈالر سے بڑھ کر 24.521 ملین ڈالر ہوئی جو کہ 5.72% کا اضافہ ہوا ہے۔ گزشتہ سال کے اسی عرصے کے مقابلے میں جولائی تا دسمبر کے دوران ملک کے تجارتی خسارے میں 6.44 فیصد اضافہ ہوا تھا۔ تاہم، چونکہ معاشی استحکام کے اقدامات کے اثرات میں تیزی آ رہی ہے، صنعتی شعبے نے معاشی حالات کے نشیب و فراز میں کام کو جاری رکھا ہے۔ کاروباری اداروں اور صارفین میں مجموعی طور پر اعتماد و ترور رہا، کیونکہ انہوں نے اپنی خریداری کی طاقت کو بچانے کے لئے جدوجہد کی۔ مجموعی طور پر، بڑے پیمانے پر مینوفیکچرنگ کے اندر متعدد صنعتوں نے ان پٹ لاگتوں کے بڑھنے کے ساتھ اپنی خام مال کے سٹاک کو برقرار رکھنے کی جدوجہد کی۔ مجموعی مارجن میں غیر معمولی کمی اور فنانسنگ لاگت میں اضافے کی وجہ سے پیشتر کمپنیوں نے اپنے کاروبار کو محدود کیا ہے۔

مستقبل کا نقطہ نظر

کچھ چیلنجز ہیں جو ٹیکسٹائل انڈسٹری کی نمو میں رکاوٹ اور منفی طور پر اثر انداز ہونے کا امکان رکھتے ہیں۔ ان چیلنجوں میں توانائی کے قابل برداشت لاگت، معیاری خام مال کی کمی، انفراسٹرکچر کی رکاوٹیں، مہارت کی نشوونما میں رکاوٹیں، زرمبادلہ کے اتار چڑھاؤ اور سب سے بڑھ کر یہ کہ حکومت کی متنازعہ فیصل مدنی اور طویل مدتی پالیسیاں شامل ہیں۔ پاکستان کی موجودہ کزن کی فیصلہ نہ صرف کم ہوئی ہے بلکہ ناقص معیار کی بھی ہے جو صرف 20s/20s تک کے دوھا کہ بنانے میں استعمال ہو سکتی ہے۔

جولائی 2019 میں، حکومت نے برآمداتی مشعوں کے لئے حکومت کے مراعات پیکج کے حصے کے طور پر سبسڈی والے نرخوں پر توانائی فراہم کرنے کا اعلان کیا تھا تا کہ پیداوار اور لاگت کو کم کیا جاسکے تا کہ قیمتوں کے لحاظ سے بین الاقوامی منڈیوں میں مسابقتی برتری حاصل ہو سکے۔ تاہم، حکومت معاشی رابطہ کمیٹی کے ذریعہ منظور شدہ مراعات پیکج کو واپس لینے کا فیصلہ کیا گیا، اور یہ بھی فیصلہ کیا گیا کہ جنوری، 2019 کے بعد سے دی جانے والی سبسڈی کو وصول کیا جائے گا۔ تاہم، برآمد پر پٹی پانچ شعبوں کے احتجاج کے بعد حکومت نے مرعانی پیکج کو مالی سال 2020-21 تک بڑھانے کا فیصلہ کیا۔ جنوری

میں، حکومت کے فیصلے کے بارے میں ایک اعلان کیا گیا۔ جو صنعتوں کو گیس کی فراہمی منقطع کرنے کے لئے تھا، جس نے صنعتوں کو حیرت میں ڈال دیا۔ حکومت کا یہ اقدام مقامی اور برآمدی صنعت کی بندش کے نتیجے میں اس صنعت کو بری طرح متاثر کرے گا جس کے نتیجے میں غیر صنعتی، بڑے پیمانے پر بے روزگاری اور برآمدات میں تیزی سے کمی واقع ہوگی۔

ملکی برآمدات میں ٹیکسٹائل انڈسٹری کا کلیدی کردار ہے اعلیٰ کارکردگی کی پیداوار حاصل کرنے کے لیے انڈسٹری نے جدید ترین مشینری کے حصول کے لئے 2 ارب ڈالر سے زیادہ کی سرمایہ کاری کی ہے۔ اس طرح کے پالیسی اقدام کی وجہ سے ہونے والے ممکنہ نقصانات غیر معمولی ہیں۔ اس کے برعکس، اگر گیس کی فراہمی جاری رکھی جاتی ہے تو یہ صنعت بہتر برآمدات سے خاطر خواہ اقتصادی فائدہ اٹھا سکتی ہے۔ دوسرے لفظوں میں، یہاں تک کہ اگر گڈ سے صنعت کو بجلی کی فراہمی منقطع ہو تو اس پر عمل درآمد کرنے سے پہلے ٹیکسٹائل کے شعبے کو مستحکم، پائیدار، بااعتماد بجلی کی فراہمی کے لئے گڈ کی بجلی کو کافی حد تک بہتر بنانا ہوگا نیز یہ کہ علاقائی طور پر مسابقتی نرخوں پر بجلی فراہم کی جائے تو طویل المدت فوائد حاصل ہوں گے۔

اس کا خلاصہ یہ کہ حکومت کی جانب سے انڈسٹری کو گیس کی فراہمی معطل کرنے کی تجویز کو غلط سمجھا گیا ہے اور کم از کم قابل ذکر مستقبل میں اس پالیسی سے زیادہ نقصان پہنچ سکتا ہے انڈسٹری میں گیس کیا استعمال کے بے شمار فوائد ہیں، جس میں (i) اعلیٰ کارکردگی، (ii) گڈ کی بجلی کے برعکس قابل اعتماد بجلی (iii) چوری نہیں، (iv) قومی خزانے پر کم بوجھ (کوئی مالی سبسڈی نہیں ہے) اور (v) غیر ملکی ذخائر پر کوئی اثر نہیں ہوگا۔ ایک ہی وقت میں، توانائی کی کارکردگی کو ترجیح دینا اور اسی طرف زیادہ کوششیں کرنے سے اہم فوائد حاصل کرنے میں مدد مل سکتی ہے۔ بلکہ بدیش جیسے دوسرے جنوبی ایشین ممالک پہلے ہی موجودہ وسائل کے سہاٹی اور طلب کے لحاظ سے موثر استعمال کو فروغ دے رہے ہیں۔ گیس کو بچانے اور قبیل مدت میں قلت سے نمٹنے کے لیے بین الاقوامی معیار بر توانائی کی کارکردگی کے معیار کو برقرار رکھنے کے لیے پاکستان ان کی مثال اور کوششوں سے بہت کچھ سیکھ سکتا ہے۔ موجودہ حالات میں، یہ ایک واحد قابل عمل آپشن معلوم ہوتا ہے، اگر پاکستان صنعتی شعبوں کے مفادات اور معاشی شراکت پر سمجھوتہ کیے بغیر گیس کے شعبے کو درپیش خطرات اور پریشانیوں کو حل کرتا ہے۔

آڈیٹر کی رپورٹ میں دیئے گئے اعتراض کا جواب

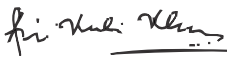
جی آئی ڈی سی کے معاملے کوئی الحال پتہ اور ہائی کورٹ کے ساتھ ہی اور اگر میں بھی چیلنج کیا گیا ہے، بطور کمپنی، جو ایک سوت بنانے والی یونٹ ہے اور سوت کے شعبے کے لئے عام مال کی تیاری میں اپنے صارفین پر جی آئی ڈی سی کے بوجھ نہیں ڈالا ہے۔ کمپنی نے بھی اپنے کھاتوں میں جی آئی ڈی سی اخراجات کی کوئی رقم بھی شامل نہیں کی ہے جو اس بات کا حتمی ثبوت ہے کہ جی آئی ڈی سی اثر صارفین کو نہیں دیا گیا ہے۔ سوت کی منڈی ایک ریگولیٹڈ مارکیٹ نہیں ہے، یعنی ٹیکسٹائل یونٹ قیمت لینے والے ہیں لیکن وہ قیمتوں کو بنانے والے نہیں ہیں، لہذا، سوت کا شعبہ اپنی قیمتوں میں جی آئی ڈی سی کو شامل نہیں کر سکتا ہے اور یقینی طور پر اس نے اپنے صارفین سے جی آئی ڈی سی جمع نہیں کیا ہے۔ پتہ اور ہائی کورٹ نے 16/09/2020 کے اپنے حکم میں گیس کو اوگرا سے رجوع کیا ہے اور ان سے ٹیکسٹائل سیکٹر کی درخواستوں کی سماعت اور قانون کے اس نکتے پر فیصلہ دینے کو کہا ہے۔

کمپنی نے پتہ اور ہائی کورٹ میں ایک اور درخواست بھی دائر کی ہے اور پتہ اور ہائی کورٹ نے جی آئی ڈی سی کی وصولی کے خلاف حکم امتناعی منظور کر لیا ہے۔ کے پی ٹی ایم اے کی خدمات حاصل کرنے والے وکلاء نے کہا ہے کہ ہمارا ایک مضبوط اور معقول کیس ہے، لہذا ہمیں امید ہے کہ پتہ اور ہائی کورٹ اور اوگرا کے فیصلے کمپنی اور سوت کی صنعت کے حق میں ہوں گے۔

اعتراف

بورڈ آف ڈائریکٹرز کمپنی کے بینکاروں کی قدر کرتا ہے جو کہ مسلسل کمپنی کی مالی مشکلات میں بروقت مدد کرتے ہیں۔ اسکے علاوہ کمپنی کی انتظامیہ اور کارکنوں کی محنت کو بے مثال مشکل حالات میں بہتر نتائج حاصل کرنے پر شاباش دیتا ہے۔ اور امید کرتا ہے کہ مستقبل میں تمام کارکنان اسی لگن اور محنت سے کام کرتے رہیں گے۔

تاریخ: 28 فروری 2021 کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے



لجسٹریٹ جرنل (ریٹائر) علی قلی خان تنک
چیف ایگزیکٹو آفیسر



احمد قلی خان تنک
ڈائریکٹر

**Independent Auditors' Review Report to the Members of
Janana De Malucho Textile Mills Limited**

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Janana De Malucho Textile Mills Limited** (the Company) as at December 31, 2020 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2019 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2020.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 16.3 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.302.914 million demanded by Sui Northern Gas Pipelines Ltd. Our review report is not modified in respect of this matter.

The engagement partner on the review resulting in this independent auditors' review report is Nafees ud din.

Shinewing Hameed Chaudhri & Co

**SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS**


LAHORE;

Dated: February 28, 2021

Condensed Interim Statement of Financial Position as at December 31, 2020

| | | Dec. 31, 2020 Un-audited | July 01, 2020 Audited (Restated) | July 01, 2019 Audited (Restated) |
|--|------|--------------------------------|---|---|
| -----Rupees in thousand----- | | | | |
| Assets | | | | |
| Non-current assets | | | | |
| | Note | | | |
| Property, plant and equipment | 6 | 3,355,844 | 3,174,164 | 3,123,417 |
| Investments in Associated Companies | 7 | 243,115 | 243,115 | 312,921 |
| Loans to employees | | 231 | 100 | 232 |
| Security deposits | | 1,543 | 1,543 | 1,395 |
| | | 3,600,733 | 3,418,922 | 3,437,965 |
| Current assets | | | | |
| Stores, spares and loose tools | 8 | 70,382 | 65,197 | 64,057 |
| Stock-in-trade | 9 | 785,257 | 1,406,119 | 1,000,589 |
| Trade debts - unsecured, considered good | | 5,151 | 9,909 | 20,003 |
| Advances to employees | | 1,076 | 1,432 | 1,478 |
| Advance payments | | 21,536 | 9,985 | 7,998 |
| Trade deposits and prepayments | 10 | 7,682 | 928 | 614 |
| Due from an Associated Company | | 0 | 4,851 | 0 |
| Other receivables | 11 | 14,286 | 849 | 726 |
| Sales tax refundable | | 0 | 29,996 | 47,492 |
| Income tax refundable, advance tax and tax deducted at source | | 66,310 | 92,967 | 96,010 |
| Cash and bank balances | | 11,024 | 11,160 | 5,130 |
| | | 982,704 | 1,633,393 | 1,244,097 |
| Total assets | | 4,583,437 | 5,052,315 | 4,682,062 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Authorised capital | | 200,000 | 200,000 | 200,000 |
| Issued, subscribed and paid-up capital | | 47,848 | 47,848 | 47,848 |
| Capital reserves | | | | |
| - capital redemption | | 6,694 | 6,694 | 6,694 |
| - tax holiday | | 350 | 350 | 350 |
| - share premium | | 11,409 | 11,409 | 11,409 |
| - revaluation surplus on property, plant and equipment | 12 | 2,365,369 | 2,373,502 | 2,294,376 |
| Revenue reserves | | | | |
| - general reserve | | 371,530 | 371,530 | 371,530 |
| - unappropriated profit | | 592,418 | 446,749 | 485,152 |
| | | 3,395,618 | 3,258,082 | 3,217,359 |
| Shareholders' equity | | | | |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Lease liabilities | | 2,918 | 3,541 | 0 |
| Long term finances | | 4,022 | 0 | 0 |
| Staff retirement benefits - gratuity | | 64,410 | 58,738 | 55,574 |
| Deferred taxation | 13 | 247,341 | 234,729 | 204,888 |
| | | 318,691 | 297,008 | 260,462 |
| Current liabilities | | | | |
| Trade and other payables | 14 | 392,445 | 334,397 | 345,941 |
| Unclaimed dividends | | 284 | 294 | 294 |
| Accrued mark-up | | 9,904 | 32,023 | 18,351 |
| Short term finances | | 422,869 | 1,085,758 | 799,867 |
| Current portion of non-current liabilities | | 4,284 | 2,243 | 0 |
| Taxation | 15 | 38,150 | 41,318 | 38,595 |
| Preference shares redemption account | | 1,192 | 1,192 | 1,193 |
| | | 869,128 | 1,497,225 | 1,204,241 |
| Total liabilities | | 1,187,819 | 1,794,233 | 1,464,703 |
| Contingencies and commitments | 16 | | | |
| Total equity and liabilities | | 4,583,437 | 5,052,315 | 4,682,062 |

The annexed notes form an integral part of these condensed interim financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive



Ahmad Kuli Khan Khattak
Director


Amin-ur-Rasheed
Chief Financial Officer

**Condensed Interim Statement of Profit or Loss & Other
Comprehensive Income (Un-audited)
For the Quarter and Six Months Period Ended December 31, 2020**

| | Note | Quarter ended | | Six months period ended | |
|--|------|------------------|------------------|-------------------------|------------------|
| | | Dec. 31, 2020 | Dec. 31, 2019 | Dec. 31, 2020 | Dec. 31, 2019 |
| ----- Rupees in thousand ----- | | | | | |
| Sales - net | | 1,390,174 | 1,038,517 | 2,540,982 | 1,390,083 |
| Cost of sales | | 1,211,354 | 923,722 | 2,281,172 | 1,256,799 |
| Gross profit | | 178,820 | 114,795 | 259,810 | 133,284 |
| Distribution cost | | 7,406 | 6,590 | 12,166 | 11,282 |
| Administrative expenses | | 23,240 | 19,664 | 38,785 | 35,520 |
| Other expenses | | 0 | 526 | 0 | 1,764 |
| Other income | | (2,629) | (543) | (3,205) | (1,108) |
| | | 28,017 | 26,237 | 47,746 | 47,458 |
| Profit from operations | | 150,803 | 88,558 | 212,064 | 85,826 |
| Finance cost | | 6,186 | 29,989 | 23,762 | 65,640 |
| | | 144,617 | 58,569 | 188,302 | 20,186 |
| Share of profit / (loss) of Associated Companies - net | | 17,703 | (22,410) | 17,703 | (22,410) |
| Profit / (loss) before taxation | | 162,320 | 36,159 | 206,005 | (2,224) |
| Taxation | | | | | |
| - current | 15 | 20,888 | 15,577 | 38,150 | 20,851 |
| - prior year | 15 | 4 | (3,406) | 4 | (3,406) |
| - deferred | 13 | 17,350 | 35,579 | 12,612 | 2,258 |
| | | 38,242 | 47,750 | 50,766 | 19,703 |
| Profit / (loss) after taxation | | 124,078 | (11,591) | 155,239 | (21,927) |
| Other comprehensive income | | | | | |
| Surplus arisen upon revaluation of property, plant and equipment | | 0 | 129,429 | 0 | 129,429 |
| Deferred taxation | | 0 | (23,176) | 0 | (23,176) |
| | | 0 | 106,253 | 0 | 106,253 |
| Total comprehensive income for the period | | 124,078 | 94,662 | 155,239 | 84,326 |
| ----- Rupees ----- | | | | | |
| Earnings / (loss) per share | | 25.93 | (2.42) | 32.44 | (4.58) |

The annexed notes form an integral part of these condensed interim financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive


Ahmad Kuli Khan Khattak
Director


Amin-ur-Rasheed
Chief Financial Officer


**Condensed Interim Statement of Changes in Equity (Un-audited)
For the Six Months Period Ended December 31, 2020**

| Share capital | Reserves | | | | | | Total |
|---------------|--------------------|-------------|---------------|--|---------|-----------------------|-------|
| | Capital | | | | Revenue | | |
| | Capital redemption | Tax holiday | Share premium | Revaluation surplus on property, plant and equipment | General | Unappropriated profit | |

----- Rupees in thousand -----

| | | | | | | | | |
|--|---------------|--------------|------------|---------------|------------------|----------------|----------------|------------------|
| Balance as at June 30, 2020 (audited) (as previously reported) | 47,848 | 6,694 | 350 | 11,409 | 2,373,502 | 371,530 | 484,006 | 3,295,339 |
| Effect of retrospective restatement of deferred taxation on impairment loss on investments (note 5) | 0 | 0 | 0 | 0 | 0 | 0 | (37,257) | (37,257) |
| Balance as at July 01, 2020 - restated | 47,848 | 6,694 | 350 | 11,409 | 2,373,502 | 371,530 | 446,749 | 3,258,082 |
| Total comprehensive income for the period ended December 31, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 155,239 | 155,239 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation | 0 | 0 | 0 | 0 | (10,079) | 0 | 10,079 | 0 |
| Share of revaluation surplus on property, plant and equipment of Associated Companies | 0 | 0 | 0 | 0 | 1,946 | 0 | 0 | 1,946 |
| Effect of items directly credited in equity by Associated Companies | 0 | 0 | 0 | 0 | 0 | 0 | (19,649) | (19,649) |
| Balance as at December 31, 2020 (un-audited) | 47,848 | 6,694 | 350 | 11,409 | 2,365,369 | 371,530 | 592,418 | 3,395,618 |
| Balance as at June 30, 2019 (audited) (as previously reported) | 47,848 | 6,694 | 350 | 11,409 | 2,294,376 | 371,530 | 514,546 | 3,246,753 |
| Effect of retrospective restatement of deferred taxation on impairment loss on investments (note 5) | 0 | 0 | 0 | 0 | 0 | 0 | (29,394) | (29,394) |
| Balance as at July 01, 2019 - restated | 47,848 | 6,694 | 350 | 11,409 | 2,294,376 | 371,530 | 485,152 | 3,217,359 |
| Total comprehensive income for the period ended December 31, 2019 | 0 | 0 | 0 | 0 | 106,253 | 0 | (21,927) | 84,326 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation for the period - net of deferred taxation | 0 | 0 | 0 | 0 | (9,508) | 0 | 9,508 | 0 |
| Share of revaluation surplus on property, plant and equipment of Associated Companies | 0 | 0 | 0 | 0 | (1,776) | 0 | 0 | (1,776) |
| Effect of items directly credited in equity by Associated Companies | 0 | 0 | 0 | 0 | 0 | 0 | 28,206 | 28,206 |
| Balance as at December 31, 2019 (un-audited) | 47,848 | 6,694 | 350 | 11,409 | 2,389,345 | 371,530 | 500,939 | 3,328,115 |

The annexed notes form an integral part of these condensed interim financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive



Ahmad Kuli Khan Khattak
Director


Amin-ur-Rasheed
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)
For the Six Months Period Ended December 31, 2020

| | Six months period ended | |
|--|-------------------------|------------------|
| | Dec. 31, 2020 | Dec. 31, 2019 |
| | (Rupees in thousand) | |
| Cash flows from operating activities | | |
| Profit for the period - before taxation and share of profit / (loss) | | |
| on investments in Associated Companies | 188,302 | 20,186 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation on operating fixed assets | 40,698 | 41,185 |
| Depreciation on right of use assets | 1,073 | 0 |
| Staff retirement benefits - gratuity (net) | 5,672 | 5,923 |
| Finance cost | 23,762 | 65,640 |
| Profit before working capital changes | 259,507 | 132,934 |
| Effect on cash flows due to working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | (5,185) | 2,426 |
| Stock-in-trade | 620,862 | (8,495) |
| Trade debts | 4,758 | 6,070 |
| Loans and advances to employees | 225 | 467 |
| Advance payments | (11,551) | 1,904 |
| Trade deposits and prepayments | (6,754) | (15,217) |
| Due from Associated Company | 4,851 | (2,221) |
| Other receivables | (13,437) | (2,866) |
| Sales tax refundable | 29,996 | 47,492 |
| Increase in trade and other payables | 58,048 | 232,475 |
| | 681,813 | 262,035 |
| Cash generated from operations | 941,320 | 394,969 |
| Taxes paid | (14,665) | (13,526) |
| Net cash generated from operating activities | 926,655 | 381,443 |
| Cash flows from investing activities | | |
| Fixed capital expenditure | (223,451) | (11,683) |
| Security deposits | 0 | (148) |
| Net cash used in investing activities | (223,451) | (11,831) |
| Cash flows from financing activities | | |
| Lease liabilities | 572 | 6,764 |
| Long term finances - net | 4,868 | 0 |
| Short term finances - net | (662,889) | (313,414) |
| Finance cost paid | (45,881) | (56,385) |
| Dividend paid | (10) | 0 |
| Net cash used in financing activities | (703,340) | (363,035) |
| Net (decrease) / increase in cash and cash equivalents | (136) | 6,577 |
| Cash and cash equivalents - at beginning of the period | 11,160 | 5,130 |
| Cash and cash equivalents - at end of the period | 11,024 | 11,707 |

The annexed notes form an integral part of these condensed interim financial statements.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive


Ahmad Kuli Khan Khattak
Director


Amin-ur-Rasheed
Chief Financial Officer

**Notes to the Condensed Interim Financial Statements (Un-audited)
For the Six Months Period Ended December 31, 2020**

1. Legal status and operations

Janana De Malucho Textile Mills Ltd. (the Company) was incorporated in Pakistan as a Public Company in the year 1960 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of yarn. The Company's mills and its registered office are located at Habibabad, Kohat.

2. Basis of preparation

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, "Interim financial reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual audited financial statements of the Company as at and for the year ended June 30, 2020.

2.3 The comparative condensed interim statements of financial position presented in these condensed interim financial statements have been extracted from the audited financial statements of the Company for the year ended June 30, 2020 and June 30, 2019, whereas the comparative condensed interim statement of profit or loss & other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been extracted from the un-audited condensed interim financial statements for the period ended December 31, 2019.

2.4 These condensed interim financial statements are un-audited and are being submitted to the shareholders as required by the listing regulations of Pakistan Stock Exchange Ltd. vide section 237 of the Companies Act, 2017.

2.5 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except for the Company's liability under defined benefit plan (gratuity), which is determined on the present value of defined benefit obligations determined by an independent actuary, liabilities against assets subject to finance lease at present value of minimum lease payments and property, plant and equipment at revalued amounts assessed by an independent valuer.

2.6 Functional and presentation currency

These condensed interim financial statements are presented in Pak Rupees, which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise stated.

3. Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended June 30, 2020.

3.1 Changes in accounting standards, interpretations and pronouncements

a) Standards and amendments to approved accounting and reporting standards that are effective

There are certain amendments and interpretations to the accounting and reporting standards, which are mandatory for the Company's annual accounting period commenced on July 01, 2020. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

b) Standards and amendments to approved accounting and reporting standards that are not yet effective

There are certain amendments and interpretations to the accounting and reporting standards, that will be mandatory for the Company's annual accounting periods commencing on or after January 01, 2021. However, these will not have any material impact on the Company's financial reporting and, therefore, have not been disclosed in these condensed interim financial statements.

4. Accounting estimates, judgments and financial risk management

4.1 The preparation of condensed interim financial statements in conformity with accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

4.2 The significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual audited financial statements of the Company as at and for the year ended June 30, 2020.

4.3 The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements as at and for the year ended June 30, 2020.

5. Restatement

The management, during the period, has decided to discontinue recognition of deferred taxation on impairment loss of investments in Associated Companies for fair and better presentation. Accordingly, corresponding figures have been restated retrospectively. The effect of this restatement has been disclosed in the condensed interim statement of changes in equity.

| | | Un-audited Dec. 31, 2020 | Audited June 30, 2020 |
|--|-------------|---|-----------------------------|
| (Rupees in thousand) | | | |
| 6. Property, plant and equipment | Note | | |
| Operating fixed assets - tangible | 6.1 | 3,134,611 | 3,166,183 |
| Right of use assets | 6.2 | 8,833 | 7,981 |
| Advance made for purchase of freehold land | 6.3 | 212,400 | 0 |
| | | <u>3,355,844</u> | <u>3,174,164</u> |
| 6.1 Operating fixed assets - tangible | | | |
| Book value as at June 30, 2020 | | 3,166,183 | |
| Additions during the period: | | | |
| - furniture & fixtures | | 350 | |
| - vehicles | | 8,776 | |
| | | 9,126 | |
| Depreciation charge for the period | | (40,698) | |
| Book value as at December 31, 2020 | | <u>3,134,611</u> | |

| | Un-audited Dec. 31, 2020 (Rupees in thousand) |
|------------------------------------|--|
| 6.2 Right of use assets | |
| Book value as at June 30, 2020 | 7,981 |
| Additions during the period | 1,925 |
| Depreciation charge for the period | (1,073) |
| Book value as at December 31, 2020 | 8,833 |

6.3 The Company, during the period, has entered into an agreement with Babri Cotton Mills Ltd. (BCM- an Associated Company); BCM is an exclusive owner of the area of land measuring 354 marlas and has agreed to sell the said land according to the terms of sale as under:

- a) the price of land is Rs.600,000/- per marla and total consideration is Rs.212.400 million;
- b) the total amount has been paid in advance by the Company;
- c) the Company has taken possession of the area of land and the area is secured with barbed wire;
- d) the Company has purchased this land to construct quarters for its workers;
- e) transfer of land in name of the Company shall be done after completion of all legal formalities; and
- f) the total expenses on the execution of agreement, transfer of land, attorney fees, etc. shall be borne by the Company.

7. Investments in Associated Companies - Quoted

Babri Cotton Mills Ltd. (BCM)

| | |
|--|----------|
| 587,193 ordinary shares of Rs.10 each - cost - Equity held: 16.08% | 10,873 |
| Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity | 4,703 |
| Share of revaluation surplus on property, plant and equipment | 143,041 |
| Loss for the period - net of taxation | (35,098) |
| Share of other comprehensive loss | (15,321) |
| | 108,198 |

Bannu Woollen Mills Ltd. (BWM)

| | |
|--|----------|
| 731,626 ordinary shares of Rs.10 each - cost - Equity held: 7.70% | 7,697 |
| Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity | 82,596 |
| Share of revaluation surplus on property, plant and equipment | 120,984 |
| Profit for the period - net of taxation | 8,157 |
| Share of other comprehensive loss | (692) |
| | 218,742 |
| | 326,940 |
| Less: impairment loss - BCM | (19,693) |
| BWM | (64,132) |
| | 243,115 |

7.1 Although the Company has less than 20% voting rights in BCM and BWM as at December 31, 2020 and June 30, 2020, these Companies have been treated as Associated Companies by virtue of common directorships.

| 14. Trade and other payables | Un-audited Dec. 31, 2020 | Audited June 30, 2020 |
|--|---|--------------------------------------|
| | (Rupees in thousand) | |
| Creditors | 47,184 | 31,643 |
| Due to an associated company (Babri Cotton Mills Ltd.) | 29,920 | 0 |
| Bills payable against imported stores and spares | 16,949 | 0 |
| Advances from customers - contract liabilities | 40,537 | 13,215 |
| Advance payments | 184 | 184 |
| Accrued expenses | 186,596 | 265,912 |
| Tax deducted at source | 234 | 234 |
| Gratuity payable to: | | |
| - key management personnel | 9,110 | 13,614 |
| - other employees | 4,528 | 5,031 |
| Due to Waqf-e-Kuli Khan | 2,219 | 2,383 |
| Sales tax payable | 54,598 | 0 |
| Workers' welfare fund | 0 | 1,890 |
| Security deposits repayable on demand - interest free | 112 | 112 |
| Others | 274 | 179 |
| | 392,445 | 334,397 |

15. Taxation - net

| | |
|---|-----------------|
| Balance as at June 30, 2020 | 41,318 |
| Add: provision made during the period: | |
| current [minimum tax payable under section 113 of the Income Tax Ordinance, 2001 (the Ordinance)] | 38,150 |
| prior year | 4 |
| | 38,154 |
| | 79,472 |
| Less: payments / adjustments made against completed assessments | (41,322) |
| | 38,150 |

15.1 Income tax return of the Company for tax year 2020 (accounting period ended June 30, 2020) has been filed on December 31, 2020.

15.2 The minimum tax demand under section 113 of the Ordinance relevant to tax years 2010, 2011 and 2012 has been deleted in the amended Finance Act, 2015 as per sub-clause (xx) of clause (11A) in part IV of the second schedule to the Ordinance. The writ petition filed before the Islamabad High Court, therefore, would have no effect on the demand. The Company, therefore, has withdrawn the writ petition on the point of clause added in the Ordinance as clause (xx) of clause (11A) in part IV of the second schedule to the Ordinance. The Company would not be liable for payment of any tax amount for the tax years 2010, 2011 and 2012.

15.3 There has been no significant change during the current period in the status of taxation matters as detailed in note 24 to the audited financial statements of the Company for the year ended June 30, 2020.

16. Contingencies and commitments

16.1 The Sales Tax Department (the Department), vide its judgment dated March 06, 2018, has created sales tax demands of Rs.5.978 million on account of discrepancies pointed out by CREST for which appeal has been decided by the Commissioner Inland Revenue [Appeals-CIR(A)] and remanded-back the issue to the Deputy Commissioner Inland Revenue. The Company, however, has filed an appeal with the Appellate Tribunal Inland Revenue, Lahore against the orders CIR (A), which is pending adjudication.

7.2 Market values of the Company's investments in BCM and BWM as at December 31, 2020 were Rs.25.321 million (June 30, 2020: Rs.30.428 million) and Rs.34.335 million (June 30, 2020: Rs.23.127 million) respectively.

7.3 The management intends to carry-out impairment testing of its investment in BCM as at June 30, 2021 as significant variations in estimates have been observed during the current period since June 30, 2020.

8. Stores, spares and loose tools

Stores and spares inventory valuing Rs.17.022 million (June 30, 2020: Rs.Nil) was in transit as at December 31, 2020.

9. Stock-in-trade

Raw materials inventory valuing Rs.106.408 million (June 30, 2020: Rs.81.306 million) was in transit as at December 31, 2020.

| | Note | Un-audited Dec. 31, 2020 (Rupees in thousand) | Audited June 30, 2020 |
|---|------|--|-----------------------------|
| 10. Trade deposits and prepayments | | | |
| Letters of credit | | 2,137 | 9 |
| Prepayments | | 5,545 | 919 |
| | | <u>7,682</u> | <u>928</u> |
| 11. Other receivables | | | |
| Due from Employees' Provident Fund | | <u>14,286</u> | <u>849</u> |
| 12. Revaluation surplus on property, plant and equipment - net | | | |
| Revaluation surplus on the Company's property, plant & equipment | | 2,101,344 | 2,111,423 |
| Share of revaluation surplus on property, plant and equipment of Associated Companies | 7 | 264,025 | 262,079 |
| | | <u>2,365,369</u> | <u>2,373,502</u> |
| | | Dec. 31, 2020 | July 01, 2020 |
| | | Un-audited | Audited |
| | | (Restated) | (Restated) |
| 13. Deferred taxation - net | | ----(Rupees in thousand)----- | |
| This is composed of the following: | | | |
| Taxable temporary differences arising in respect of: | | | |
| - accelerated tax depreciation allowances | | 182,207 | 184,090 |
| - surplus on revaluation of property, plant and equipment | | 153,446 | 157,565 |
| - lease liabilities | | 718 | 637 |
| | | <u>336,371</u> | <u>342,292</u> |
| Deductible temporary differences arising in respect of: | | | |
| - staff retirement benefits - gratuity | | (22,634) | (22,441) |
| - unused tax losses | | 0 | 0 |
| - minimum tax recoverable against normal tax charge in future years | | (66,396) | (85,122) |
| | | <u>(89,030)</u> | <u>(107,563)</u> |
| | | <u>247,341</u> | <u>234,729</u> |
| | | <u>204,888</u> | |

- 16.2** The Department, vide order dated January 24, 2018 under section 11(3) of the Sales Tax Act, 1990 has created demand of Rs.182.690 million for the period July, 2011 to June, 2013 against which the Company has filed writ petition before the Lahore High Court (LHC) on January 30, 2018, which has declared the order passed by the Department illegal and void ab initio on February 09, 2018. The Department against order of the LHC has filed an appeal on March 27, 2018 before the Supreme Court of Pakistan (SCP), which is pending adjudication.
- 16.3** Gas Infrastructure Development Cess (GIDC) was initially imposed as a levy on gas consumers during the year 2011 vide the GIDC Act, 2011. The said Act was challenged before the Peshawar High Court (PHC), which declared the levy of GIDC unconstitutional. The Government had challenged the PHC's judgment before the Supreme Court of Pakistan (SCP). The SCP had upheld the PHC's decision declaring GIDC a fee and not a tax that could not be introduced through money bill. Soon after the said judgement, GIDC Ordinance, 2014 was promulgated through which GIDC was again imposed. The Ordinance was also given retrospective effect from December 15, 2011. While the Ordinance was still in the field, the Government sought review of the SCP's judgment, which was also dismissed by the SCP.

During May, 2015, the Government had passed the GIDC Act, 2015 whereby GIDC was again imposed on gas consumers. The Company had filed the writ petition before the PHC and challenged the validity of the GIDC Act, 2015. The PHC had dismissed the writ petition of the Company vide its judgment dated May 31, 2017 and declared the GIDC Act, 2015 to be *intra vires* of the Constitution. The Company has preferred an appeal before the SCP against the said judgment of PHC. The SCP vide its detailed judgment dated August 13, 2020 has declared the GIDC Act, 2015 as valid and constitutional. The SCP in its said judgment stated that the Cess under GIDC Act, 2015 is applicable only to those consumers of natural gas, which on account of their industrial or commercial dealings had passed on the GIDC burden to their end customers/clients.

Subsequently, the Company has filed a review petition against the said judgement of the SCP for waiver of the full amount of GIDC Cess on the ground that the Company, being spinning unit and producing raw materials for weaving sector, has not passed on the GIDC burden to its customers. The SCP has dismissed the aforementioned review petition vide its judgment dated November 02, 2020; however, the SCP, in its said judgment, has mentioned that the companies claiming any relief under GIDC Act, 2015 may approach the right forum.

After the SCP's judgment dated August 13, 2020, the Company has received GIDC instalment bills from Sui Northern Gas Pipelines Ltd.(SNGPL). The said GIDC bills have been challenged before the PHC wherein PHC granted stay order and restrained SNGPL from taking any coercive action against the Company and other petitioners. The matter is still pending before the court of law for judgment. The lawyers representing the Company in the subject case are very hopeful for favourable judgment.

SNGPL, along with gas bill for the month of August, 2020, has raised GIDC demands aggregating Rs.380.957 million. The management, during the financial year ended June 30, 2017, has made GIDC provision amounting Rs.78.043 million relating to that year in its books of account based on the adverse judgment of the PHC dated May 31, 2017; balance GIDC provisions aggregating Rs.302.914 million have not been recognised in the books of accounts.

Earlier, during the year 2018, the Company had filed writ petition before the PHC with the plea that the Company did not pass on the GIDC to its end customers and sought relief under Section 8 (2) of the GIDC Act, 2015. The PHC had granted interim relief and refrained SNGPL from recovering the GIDC from the Company. After the SCP's judgment dated August 13, 2020, the PHC had referred the case to OGRA being the relevant authority for determining the fact whether the Company and other petitioners had passed the GIDC burden to their end customers or not. The matter is pending with OGRA for decision.

16.4 Counter guarantee given by the Company to a commercial bank outstanding as at December 31, 2020 was for Rs.85 million (June 30, 2020: Rs.85 million).

| | Un-audited Dec. 31, | Audited June 30, |
|--|--------------------------------|-----------------------------|
| 16.5 Commitments against irrevocable letters of credit outstanding at the period / year-end were for: | 2020 | 2020 |
| | (Rupees in thousand) | |
| - stores and spares | 9,409 | 1,197 |
| - raw materials | 540,264 | 0 |
| | 549,673 | 1,197 |

17. Lease agreement with Babri Cotton Mills Ltd.(BCM)

The Company board of directors, in their meeting held on September 24, 2020, on the offer of BCM decided to take the factory buildings and plant & machinery of BCM on lease. The lease rental is Rs.100,000/- per month and term of lease shall be October 01, 2020 to June 30, 2022. However, both the companies have the option to terminate the lease with one month prior notice. This is a stop gap / interim arrangement till the completion of merger of both the entities.

18. Transactions with Related Parties

18.1 Significant transactions made during the period with related parties were as follows:

| | | Cumulative | |
|--------------------------------------|--|------------------------------|------------------------------|
| Name | Nature of transaction | Jul. - Dec., 2020 | Jul. - Dec., 2019 |
| | | (Rupees in thousand) | |
| Associated Companies | | | |
| Babri Cotton Mills Ltd. | Residential rent received | 532 | 1,064 |
| | Utilities / expenses: | | |
| | - paid | 48,364 | 0 |
| | - recovered | 477 | 77 |
| | Salaries and benefits: | | |
| | - paid | 582 | 0 |
| | - recovered | 2,281 | 1,612 |
| | Purchase of raw cotton | 51,894 | 32,777 |
| | Purchase of stores and spares | 8,998 | 0 |
| | Sale of stores and spares | 2,753 | 0 |
| | Lease rental paid | 300 | 0 |
| | Advance made for purchase of freehold land | 212,400 | 0 |
| | Bannu Woollen Mills Ltd. | Expenses recovered | 62 |
| Salaries and benefits: | | | |
| - paid | | 0 | 275 |
| - recovered | | 1,012 | 1,303 |
| | Sale of raw cotton | 0 | 463 |
| The Universal Insurance Company Ltd. | Salaries & benefits recovered | 1,012 | 1,027 |
| | Expenses recovered | 55 | 50 |
| Gammon Pakistan Ltd. | Rent paid | 150 | 150 |
| Ghandhara Nissan Ltd. | Salaries & benefits recovered | 1,012 | 1,027 |
| | Expenses recovered | 55 | 50 |
| Ghandhara Industries Ltd. | ----- do ----- | 55 | 50 |
| | Salaries & benefits recovered | 1,012 | 1,027 |
| | Purchase of vehicle | 6,334 | 0 |
| Other related parties | | | |
| Employees' Provident Fund | Contribution paid to Provident Fund | 25,386 | 14,217 |
| Key Management Personnel | Salaries & benefits | 71,538 | 64,922 |

18.2 Period-end balance was as follows:

| Un-audited | Audited |
|-----------------------------|----------|
| Dec. 31, | June 30, |
| 2020 | 2020 |
| (Rupees in thousand) | |

(Payable to) / due from Babri Cotton Mills Ltd.

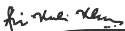
| | |
|------------------------|--------------|
| <u>(29,920)</u> | <u>4,851</u> |
|------------------------|--------------|

19. Corresponding figures

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison; however, except for restatement detailed in note 5, no significant re-classifications / re-statements have been made to these condensed interim financial statements.

20. Date of authorisation for issue

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 28, 2021.


Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive


Ahmad Kuli Khan khattak
Director


Amin-ur-Rasheed
Chief Financial Officer

