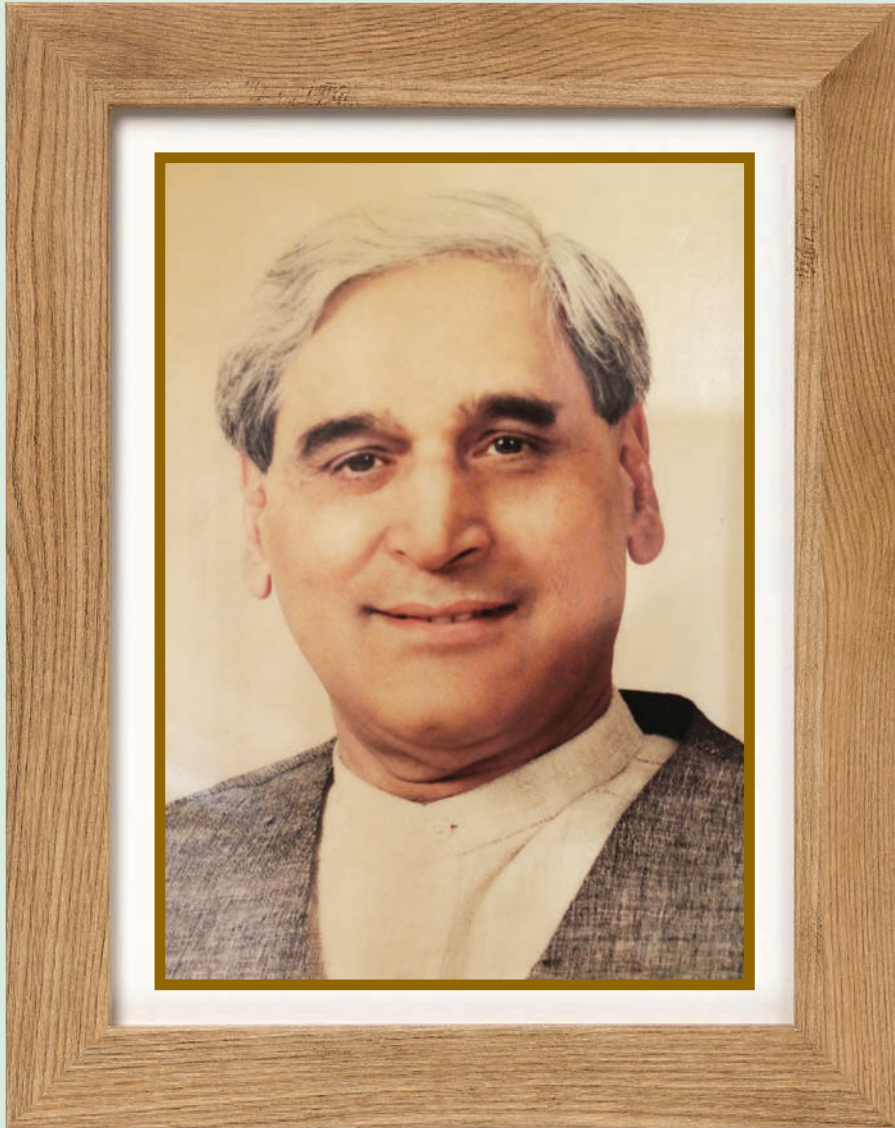




# ANNUAL REPORT 2020

**ISLAND TEXTILE  
MILLS LIMITED**





Mr. Anwar Ahmed Tata, the Founder and Chairman of Tata Pakistan, passed away peacefully at the age of 84 on 9th July 2020.

Mr. Tata will not only be remembered for having embarked on a journey to start his own Textile Mill but also for his honest work ethics.

Mr. Tata was a visionary. He will always be remembered as a strong, successful businessman who carried Tata Group of Companies forward to tremendous heights. Mr. Tata came from humble beginnings and started his long term relationship with the textile sector in 1969 with a small embroidery unit. He sustained his business with hard work, integrity, entrepreneurship, leadership and motivated many around him. He was not only an industrialist but also a philanthropist.

Mr. Tata not only wanted to see his own industry/business grow but also strived for the betterment of the society and industry as a whole. He touched the lives of many and left behind extraordinary memories.

At Tata Pakistan, we will continue to follow in his footsteps and draw inspiration from his vision and his principles.





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## COMPANY PROFILE & BUSINESS AT A GLANCE

Island Textile Mills Limited (ITML) is one of the three premier textile spinning Companies of TATA PAKISTAN Textile Group set up with 45,984 spindles producing a range of yarn catering to both domestic and international customers. ITML has capability to process around 50 million pounds of cotton to produce 36 million pounds of yarn with revenues of approximately Rs 7 Billion. ITML also has a credible export pedigree with a footprint in 19 countries.

ITML was incorporated in Pakistan in 1970 and is quoted on the Pakistan Stock Exchange, has an equity base of Rs 3.5 Billion.

ITML is a proud recipient of numerous accolades including 5<sup>th</sup> Employer of the Year Award by Employer's Federation of Pakistan (EFP) and Corporate Philanthropy Award by Pakistan Center for Philanthropy (PCP).

With a keen focus on health, safety & environment, ITML is a reputable corporate social responsible company. The Company had developed in late 1990's Quality Management System based on ISO-9001 standard and since then maintaining it as base Management System across TATA PAKISTAN and integrating the requirement of other international and national standards on Occupational Health Safety, Environment Management and Energy Management Systems. Maintaining Certification on "OEKO Tex Standard 100"; Global Organic Textile Standard (GOTS), Organic Content Standard (OCS) and Global Recycled Standard (GRS) to manufacture its products according to the standards our customers expect.

ITML is self-reliant as far as energy is concerned and continuously utilizes a mix of energy sources to have the most cost effective energy mix.

ITML ensures reliable and trustworthy partners in its supply chain hence maintaining membership with world renowned names in textile like International Cotton Association (ICA), Cotton USA (CA) and Better Cotton Initiative (BCI).

ITML has the capability to produce the following type of yarns

- 100% COTTON CARDED KNITTING & WEAVING YARNS
- 100% COTTON COMBED KNITTING & WEAVING YARNS
- 100% COTTON COMBED COMPACT KNITTING & WEAVING YARNS
- 100% COTTON CARDED WEAVING SIRO YARNS
- 100% COTTON COMBED COMPACT WEAVING SIRO YARNS
- 100 % COTTON CARDED SLUB YARNS
- COTTON / PLOYESTER BLEND CARDED & COMB YARN FOR KNITTING & WEAVING
- COTTON / TENCIL BLEND CARDED FOR WEAVING YARN
- COTTON / MODAL BLEND CARDED FOR WEAVING YARN

For further information please visit our website [www.tatapakistan.com](http://www.tatapakistan.com)



## GROUP INFORMATION

### TATA GROUP

TATA PAKISTAN is a large well respected conglomerate in Pakistan with diversified interests in textiles, food and power generation. The group's activities started in 1969 and since then has expanded into textile spinning business and has established itself as a premier brand. In recent years it has expanded into Food business and energy businesses. TATA PAKISTAN has sizable exports and contributes valuable foreign exchange to the national exchequer.

### TATA TEXTILE MILLS LIMITED (TTML)

TTML is a public limited company incorporated in 1987 and listed on Pakistan Stock Exchange and is a modern spinning unit consisting of 44,400 Spindles setup for the manufacturing of Cotton Yarn. The TATA Brand quickly became the standard for the yarn market. TTML main office is located in Textile Plaza Karachi and its manufacturing facility is located in Muzaffargarh which is close to Multan. Management is continuously striving to diversify its product line and lately has added dual, slub and Lycra range of yarns. Management is taking further initiative with "Green Compact" to enhance the production. To conserve energy consumption management is introducing high fuel efficient Gas generators and is exploring the implementing a 1 MW solar project of to further control the increasing cost of Power.

### SALFI TEXTILE MILLS LIMITED (STML)

STML is a public limited company incorporated in Pakistan in 1968 and is listed on Pakistan Stock Exchange. Its corporate office is located in Textile Plaza, Karachi and the manufacturing facility is located at Landhi Industrial Estate in the Province of Sindh. With the incorporation of STML TATA PAKISTAN gained a foothold in the Synthetic Yarn Market in 4 subsequent decades of successful operation. In 2005 a complete renovation of STML was carried out and capacity enhanced to 36,708 Spindles with latest machinery thereby increasing the spinning production capacity by 100%.

### TATA ENERGY LIMITED (TEL)

TEL was incorporated in 1994 as a Public Company Limited. The principal activity of the company is generation and supply of electric power. The corporate office of the Company is situated at Textile Plaza, Karachi. TEL's power generation capacity is installed at two locations in the years 1995 and 1998 respectively. The first one is situated at Landhi Industrial Area supplying electrical power to Salfi Textiles Mills Limited and Tata Best Foods Ltd. The second one is situated at Kotri Industrial Area supplying Electrical power to Island Textiles Mills Limited. The overall annual power generation capacity at both locations is more than 10 megawatts which will meet the growing needs of expansion of future years, through non-interrupted supply of power with fuel efficient and reliable operation through latest cutting edged technologies.

### TATA BEST FOODS LIMITED (TBFL)

After three decades of performing exceptionally well in Textile domain, the company decided to diversify and branch out in Food business. TBFL's principal activity is processing of meat at its internationally approved facility located at Landhi, Karachi to prepare, process, preserve, pack and market meat and related products for export and local sale to restaurants, hotel chains and grocery stores. TBFL is a manufacturer-cum-exporter and playing a vital role in the modernization of the meat industry in Pakistan besides contributing valuable foreign exchange to the economy.

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Mazhar Valjee - Chairman  
Mr. Shahid Anwar Tata - Chief Executive  
Mr. Bilal Shahid Tata - Executive Director  
Mr. Adeel Shahid Tata - Non Executive Director  
Miss Samar Shahid Tata – Non Executive Director  
Mr. Farooq Advani - Independent Director  
Mr. Muhammad Jawaid Iqbal - Independent Director

### AUDIT COMMITTEE

Mr. Farooq Advani- Chairman  
Mr. Adeel Shahid Tata – Member  
Miss Samar Shahid Tata - Member  
Mr. Ghazanfer Yaseen - Secretary

### HR & REMUNERATION COMMITTEE

Mr. Farooq Advani - Chairman  
Mr. Shahid Anwar Tata - Member  
Mr. Adeel Shahid Tata - Member  
Miss Samar Shahid Tata- Member  
Mr. Farooq Kasam - Secretary

### CHIEF FINANCIAL OFFICER

Mr. Haseeb Hafeezuddeen

### COMPANY SECRETARY

Mr. Muhammad Hussain

### INTERNAL AUDITOR

Mr. Ghazanfer Yaseen

### AUDITORS

M/s. Deloitte Yousuf Adil  
Chartered Accountants

### BANKERS

Askari Bank Limited  
Bank Alfalah Limited  
Dubai Islamic Bank Pakistan Limited  
Faysal Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Summit Bank Limited  
The Bank of Punjab  
Pak Oman Investment Company Limited

### LEGAL ADVISOR

Ameen Bandukda & Co. Advocates

### REGISTERED OFFICE

6th Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel# 32412955-3 Lines 32426761-2-4  
Fax# 32417710  
Email: itm.corporate@tatapakistan.com

### FACTORY LOCATION

A/12, S.I.T.E. Kotri  
District Jamshoro (Sindh)

### SHARE REGISTRAR

CDC Share Registrar Services Limited  
CDC House, 99-B  
Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal Karachi  
Tel# (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053

### WEB

[www.tatapakistan.com](http://www.tatapakistan.com)

## PROFILE OF DIRECTORS

### Mazhar Valjee

Chairman

Mazhar Valjee retired as CEO of Thal Limited in July 2019 after having served over two decades on the Board of (the formerly) Thal Jute Mills Limited and the present Thal Limited as Executive Director, CEO and non-executive Director. He has also served as CEO of Indus Motor Company Limited, Pakistan Jute and Synthetics Limited, Habib Metro Pakistan (Pvt.) Limited, Makro Habib Pakistan Limited and has headed several other businesses of the House of Habib (HOH). Outside HOH, he has served as CEO of Schneider Electric Pakistan (former Areva T&D Pakistan).

Mazhar Valjee has been an active member of advisory and professional bodies that include the Indigenization Committee of the Engineering Development Board, Energy committee of the OICCI, the Pakistan Jute Mills Association, the Pakistan German Business Forum, Pakistan France Business Alliance, AIESEC, Young Presidents Organization and of Deaf Reach.

He acquired business education from the IBA, Karachi and executive education from the Stanford-NUS program and the Yale School of Management.



### Shahid Anwar Tata

Chief Executive

Mr. Shahid Anwar Tata holds a Bachelor's degree in Commerce and has been with the family textile spinning business since Graduation. He is serving as Director and CEO for Tata Pakistan Group which comprises of three independent publically listed spinning mills, a power producing company and a food processing business. He is also serving as a Board Member of Textile Institute of Pakistan (TIP) and as a Vice Chairman of National Textile Foundation, Pakistan.

With over 30 years of experience and in-depth knowledge of textile business Mr. Shahid Anwar Tata is constantly striving and inspiring his team of professionals to embrace modern technology for greater efficiency, produce quality products while maintaining a fair and equitable treatment towards staff and workers.

He has a strong desire to contribute back to the society and is actively involved in philanthropy and supports many institutions in health and education sectors such as, Bait-ul-Sukoon Cancer Hospital, Indus Hospital, The Citizen Foundation, Pakistan and as an independent director at Karam Ceramics Ltd.





## **Adeel Shahid Tata**

Director

Mr. Adeel Shahid Tata is Finance graduate from Bentley College U.S.A. and has spent more than 10 years managing the textile business. He provides a new style of management to the group. He is dynamic and passionate about his work and brings freshness to the style of business. Further he has also done number of professional courses in supply chain, cotton management, risk management, creative thinking and maintains several professional memberships like APTMA, YPO, etc. to stay current with ways of working and technology.



## **Bilal Shahid Tata**

Director

Mr. Bilal Shahid Tata holds a Master's Degree in Business Administration from Cardiff University, UK. He has more than 10 years of experience in Business Management and is well versed in finance and strategy. He is also serving as a CEO of Tata Best Foods Limited which is a state of the art Meat Processing unit setup in Karachi for the purpose of processing meat for Export and Domestic markets supplying high quality hygienic meat products. He has been instrumental in conceptualizing and setting up of this business and has been leading it from day one.



## Farooq Advani

Director

Mr. Farooq Advani brings with him over 45 years' of experience of business and financial management in the Textile manufacturing, Power and Food businesses. He is a Fellow Member of Institute of Chartered Accountant of Pakistan (ICAP).

He worked for thirty years with Tata Pakistan in the areas of Accounts, Corporate Affairs, Sales Tax, Income Tax, HR, IT, Cost & Budget and Insurance. He has also served as the Director on the Board of Listed & unlisted Companies, Company Secretary, Chief Financial Officer, Head of Cost & Budget, Head of Information Technology and Project director of ERP Implementation.

He has Core Competencies in Financial Analysis, Audit Compliance, Internal Control, Operating & Working Capital Management, Cash-flow Management and Modeling, Business Valuation, Cross Functional Team Leadership, Decision Making & Risk Analysis.



## Samar Shahid Tata

Director

Ms. Samar Shahid Tata is the new face of Tata Group. She holds a Master Degree Developmental Psychology from Columbia University New York. She has considerable experience to the field of education and has worked on several projects and served with the following organizations Haque Academy, Karachi, Pakistan, Social and Emotional Development, Teachers College, Columbia University, Chase Lab, Teachers College, Columbia University, Karachi American School Alumni Production Association, Karachi, Pakistan, Brandeis Child and Adolescent Development Lab, Brandeis University, Waltham, MA, Karwan-e-Hayat: Institute for Mental Health, Karachi, Pakistan, War Against Rape, Karachi, Global Brigades- Public Health, Tegucigalpa, Honduras and Citizens' Archive of Pakistan, Karachi.



## Muhammad Jawaid Iqbal

Director

Mr. Jawaid Iqbal was a senior corporate banker and worked at major banks in Pakistan for about two decades before retiring from banking and starting his own business. Currently he is the Chief Executive Officer of Providus Capital (Pvt.) Ltd., which makes investments in Pakistan's public and private markets.

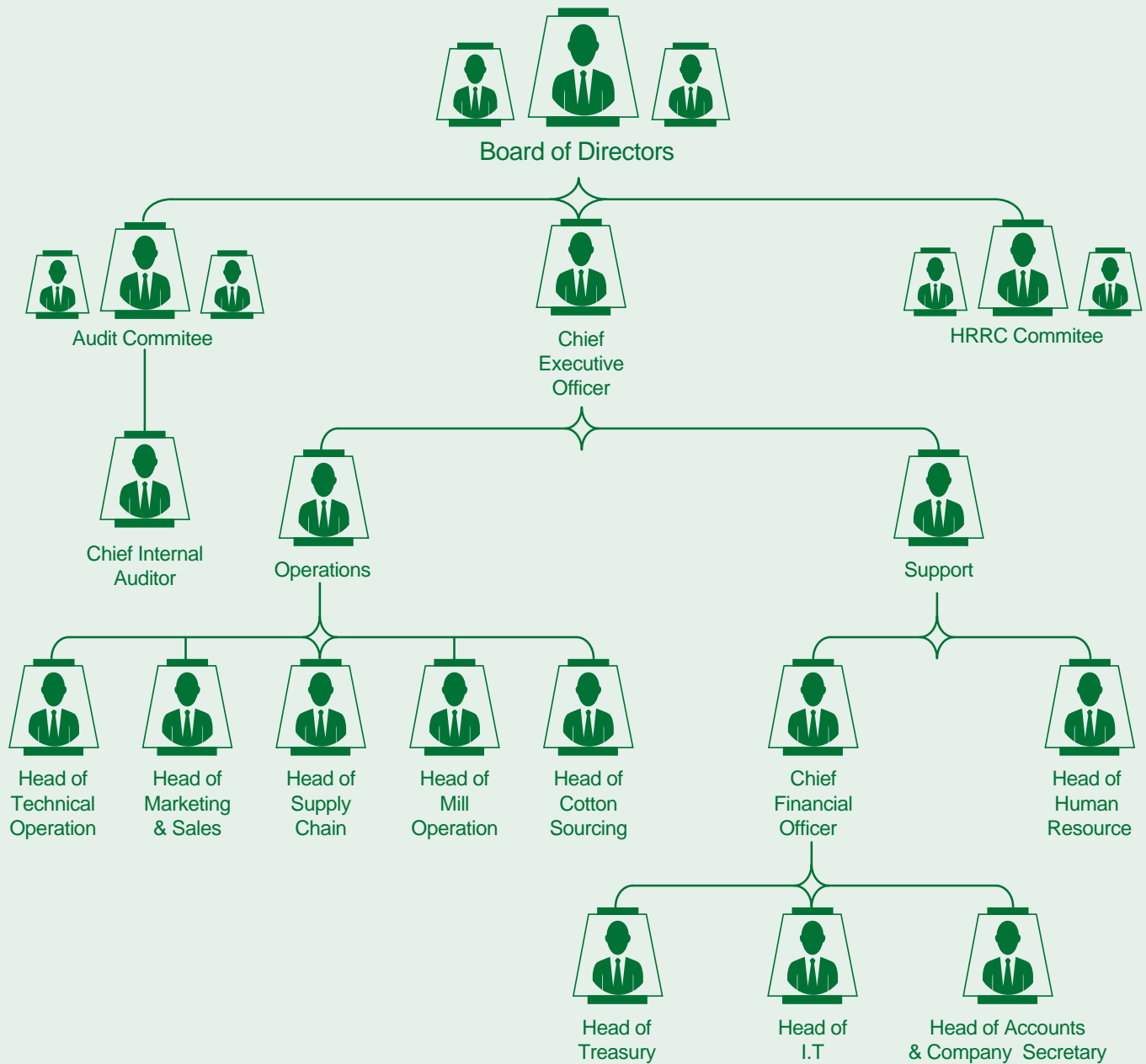
He has served on boards of many companies including Hub Power, Fatima Fertilizer, Atlas Power, Allied Asset Management and Cyan Limited. He has also served as the President of the CFA Society of Pakistan from 2009 to 2013.

Mr. Jawaid is a CFA charter holder and has a Master's degree in Business Administration. He completed the Associate Management Program of Harvard Business School in 2013.





## ORGANIZATIONAL CHART



## VISION STATEMENT

We envision our credibility as one of the World's leading companies known for its values, principally honest business practices and optimum quality standards in diversified product range with sustained growth.

## MISSION STATEMENT

We shall remain committed to exceeding the highest expectations of our customers. We strive for the production of best quality yarns for high value products.

## CULTURE

We are one team that is encouraging and supportive which is committed to the success of our clients. We pursue excellence through continuous improvement and effective, efficient execution. We are accountable for decisions we make are responsive and collaborate to achieve the best result. We communicate honestly creating an open, transparent, and trust-based environment. We care and have respect for our people, our clients and our community and we all lead by example, every day.

## VALUES

A Commitment to

- Ethical Practices
- Produce with Efficient Technology
- Build Strong Communities
- Innovative and Quality Products
- Help Those Less Fortunate
- Respect People and Laws



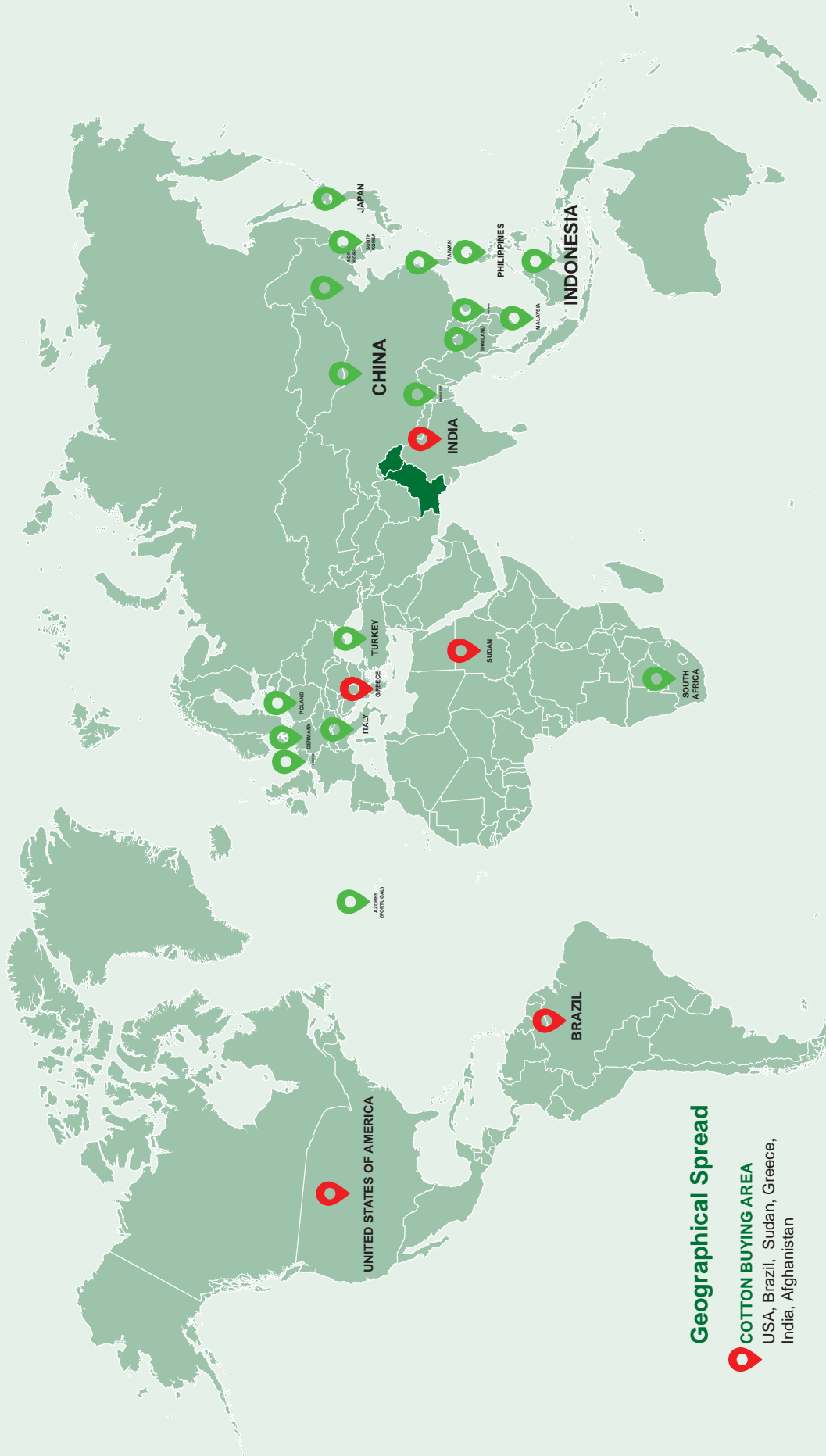
## STRATEGIC OBJECTIVES

- To remain an ethical Company.
- Ensure a fair return to shareholders.
- Retain our reputation as the quality leader in our markets.
- To capitalize on export opportunities and leverage them to take advantage of economies of scale.
- To acquire and invest in modern technology to increase productivity and operational excellence while reducing costs to competitive with international markets.
- Maintain focus on CSR, environmental and safety management in order to reap corporate benefits as good corporate citizen & employer.
- Provide proper working conditions, training and development of personnel aligned to the strategic needs of the company.

## OUR VALUES

- Company takes pride in uncompromising integrity through each individual's effort towards quality product for our customers and sizable contributions to the National Exchequer.
- Company is honest and ethical in its dealings at all times through compliance with the applicable laws & regulations.
- Company endeavors to exceed the expectation of all stakeholders.
- Company encourages its employees to be creative and seek innovative solutions.
- Company values the self-esteem of all stakeholders be it employees, suppliers, customers or shareholders.
- Company believes in fairness to all stakeholders.
- Company is committed to promote coherent culture, diversity, effective team work, open communication, feedback and performance evaluation sustain equity and transparency of employees, which supplements mutual trust and respect among employees and with management.
- Company has established itself as a quality product supplier

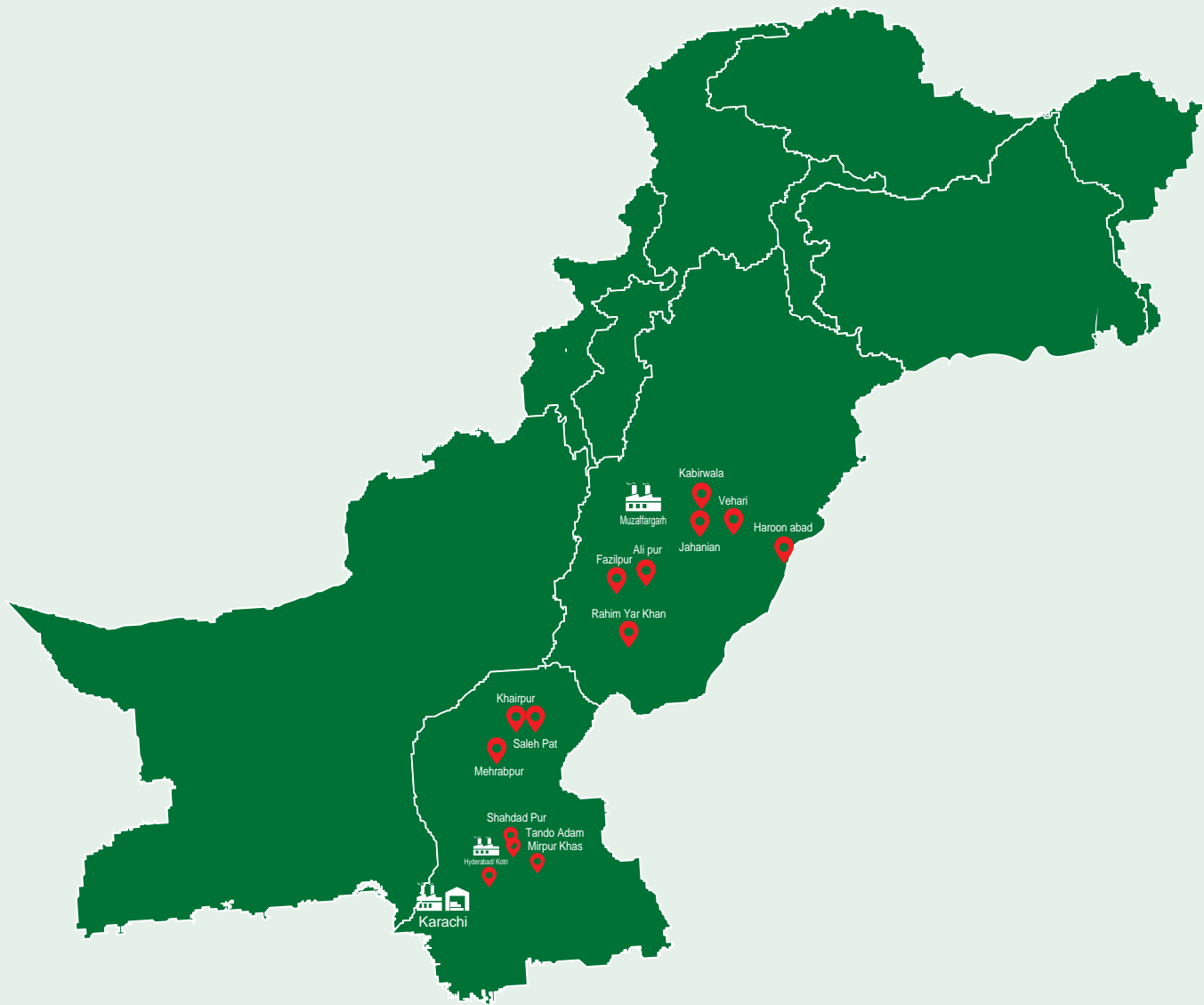
*CORE VALUES*



## Geographical Spread

**COTTON BUYING AREA**  
USA, Brazil, Sudan, Greece, India, Afghanistan


**YARN SALES**  
China, Japan, Hong Kong, Korea, Taiwan, Bangladesh, Thailand, Philippines, Vietnam, Portugal, Poland, Belgium, Indonesia, Malaysia, Italy, South Africa, Germany, Amsterdam Turkey.






**COTTON BUYING AREA**

**PUNJAB:** Ali Pur, Kabiwala, Khanewal, Fazilpur, Haroonabad, Jahania, Lodhran, Vehari, R.Y.Khan  
**SINDH:** Tandoadam, Sanghar, Khairpur, Mehrabpur, Salehpat, Kotri, Mirpurkhas, Shahdadpur

**HEAD OFFICE:**

 Karachi, Pakistan

**MANUFACTURING LOCATIONS**

 Landhi Industrial Area, Karachi  
 Kotri Industrial Area, Jamshoro  
 Khanpur, Muzaffargarh



## OUR ROAD TO SUCCESS

The sponsors of the company started off with a humble embroidery unit, called Naveena Industries in late 1960's and now five decades later it has grown into a multi-unit yarn spinner under the umbrella of TATA PAKISTAN which enjoys considerable market position and repute. After steadily growing in the domestic market, we expanded into the international market and quickly became a supplier of choice for leading textile manufacturers. We have climbed the ladder of success by setting higher targets and achieving our goals with patience and consistency.

**2020**

In Island-01, we are planning to replace the old machinery with the new ones, new auto doffing ring frames with link type auto cone machines. So by this modification will save energy, man power and also improve the production quality. In Island-02, also planning to install chiller in ring department for process improvement.

**2019**

2019 is the year of Artificial Intelligence, Uster Sentinel (End down Monitoring) installed in Tata and Salfi Textile Mills. Pinter Caipo Slub and Slub-Lycra attachments are installed in Tata Textile Mills which is one of the specialized yarn of TATA group. New Savio Auto Winder is inducted in Tata Textile Mills to improve the quality of core yarns. Bobbin sorting machines and new cards are inducted in Island Textile Mills which is one step forward toward automation.

**2018**

Japanese HFO 6MW power plant installed in Tata Textile Mills as a backup of WAPDA. As we are a big producer of Slub yarn, hence slub modification installed in Salfi Textile Mills. Also installed Bar Code System for Packing in Salfi Textile Mills. Recive 5th employer of the year award from Employer Federation of Pakistan.

**2017**

Construction of new residential colony for worker at Salfi Textile Mills. Purchase of 15 kanal land for 132KV grid station at Tata Textile Mills. Dual core attachments are installed in Tata Textile Mill which also one of the crtial quality yarn that we are producing. Installation of 4 Italian Roving frames in Tata textile Mills. Latest Uster Tester-6 instrument is

installed in Island Textile Mills for quality analysis.

**2016**

As compact yarn demand is increases day by day, Suessen Compact system is installed on 9072 spindles in Tata Textile Mills. Latest 3 Spanish Roving frames Electro Jet installed in Salfi Textile Mills and replace the old ones.

**2015**

Inauguration of 2nd unit of Island Textile Mills Limited, Consisting of 26784 Spindles is the only state of the art Reiter Spinning Mill of Pakistan.

**2014**

The ground breaking of the 2nd unit of Island Textile Mills Ltd. held as a strategic expansion plan. Salfi Textile Mills Ltd. achieved OEKO TEX Standard 100 Certification and Tata Textile Mills Ltd. successfully passed the Corporate Social Responsibility Audit by SGS Pakistan.

**2013**

Became a Member of "Better Cotton Initiative (BCI)". Tata Best Foods achieved certification on "Global Standard for Food Safety" (BRC) and "Halal Food Management System" by Bureau Veritas Pakistan and SGS Pakistan respectively. All the Legacy System based Operations at Tata Pakistan got completely upgraded to ERP Systems.

**2012**

Tata Best Food Ltd. started business operations. Machinery Upgradation – Installed latest Uster Quantum 3 clearers and Trutzschler Securomat. Now Tata Textile Mills Ltd. has become the only company in Pakistan with this technology.

**2011**

The state of the art Tata Pakistan Corporate Office at 6th Floor of Textile Plaza, Karachi became functional after its renovation.

**2009**

Tata Textile Mills Limited achieved OEKO TEX Standard 100 Certification. Tata Best Food Ltd. Initiated commercial business of Halal Meat Trading with U.A.E.

**2008**

Ground Breaking of Tata Best Foods Ltd processing facility held in Karachi.

**2007**

The production capacity of Salfi Textile Mills Limited got enhanced by 100%.

**2005**

Tata Textile Mills Ltd. became the first Usterized Textile Mills in Pakistan. Achieved Supima Certifications. Completed renovation of Salfi Textile Mills Karachi having 36,324 Spindles with latest machinery.

**2004**

Tata Textile Mills Limited, Unit 2 with 25,200 Spindles & producing 100% US Cotton yarns started production.

**1999**

All the Associated Companies of Tata Pakistan Group received Corporate ISO-9002 Certification and is complying and maintaining its Management System based on ISO-9001.

**1997**

Tata Textile Mills Limited received ISO-9002 Certification being the first Spinning Mill in Pakistan to get this certification.

**1991**

Tata Textile Mills Limited, Muzaffargarh a most modern Spinning Unit, Consisting of 19,200 Spindles, is setup for the manufacturing of cotton yarn. Its "Tata Brand" quickly became the standard for the yarn in the spinning industry.

**1983**

Acquired a large spinning unit i.e. Salfi Textile Mills Limited, Karachi – Sindh. With its acquisition, the company gained a foothold in the synthetic yarn market.

**1981**

The company took over the management of a running spinning unit i.e. Island Textile Mills limited, Kotri, Sindh and quickly established a name in the spinning of cotton yarns.

**1973**

Dada Enterprises, a tannery business was acquired in Pakistan . At present, it's a leading exporter of Leather and Leather Garments.

**1969**

Naveena Industries an embroidery unit was acquired in Pakistan.





## SWOT ANALYSIS

S

### STRENGTHS

- Strong controls environment and corporate governance
- Five decades of business and spinning experience and strong market reput for quality products
- Ethical business practices
- Self-power generation capability
- Excellent relationships with banks and business community
- Experienced technical staff
- State-of-the-art production facilities
- Merger will allow economies of scale and synergy

W

### WEAKNESSES

- Size of spinning capacity smaller compared to Chinese rivals
- Labor intensive operations
- Access to financing
- Lower level of manufacturing automation
- Commodity which is affected by business cyclicity
- Major portion of cost of sales can be impacted by cotton volatility
- Lack of vertical integration
- Dependence on few particular countries for sales

O

### OPPORTUNITIES

- Devaluation of Rupee makes us more competitive in International. markets.
- Cheaper financing for new projects and BMR Vertical integration into weaving and garments
- Expand into untapped markets with value added innovative products
- Develop innovative product range utilizing experienced technical staff
- Greater MIS & manufacturing automation for efficiencies and faster decision making.

T

### THREATS

- Higher cost of doing business (energy, taxes, inflation)
- Slow and stuck up tax refunds curtails on liquidity.
- Speculative cotton trade
- Cotton crop yield low due to natural disasters
- Supreme Court's decision to make Industry pay for GIDC
- Trade wars leading to uncertainty over export orders
- Curtailed liquidity due to higher local sales.
- Fluctuating exchange rates

## STEEPLES ANALYSIS

We believe following Social, Technological, Environmental, Economic, Political, Ethical and Seasonality factors impact Tata's business environment.

### SOCIAL

- > High population growth rate
- > Reducing per capita income
- > Growing middle class
- > Increasing demand for cotton clothing

### TECHNOLOGICAL

- > Need to invest in new technology to keep cost of production competitive with industry.
- > Seed R&D slow in Pakistan resulting in cotton crop being 30% lower than demand.

### ENVIRONMENTAL

- > Cotton is totally recyclable
- > Adverse climatic conditions affecting cotton crop.
- > Scarcity of water

### ETHICAL

- > Tax evasion & questionable business activities in Pakistan
- > Inaccurate declarations of imports & under invoicing in Pakistan
- > Bribe and 'connection' culture in Pakistan

### POLITICAL

- > Uncertainty about government policies
- > Lack of implementation and very slow progress of tax reforms in Pakistan
- > Govt. announces tax refunds however, FBR very slow to refund.
- > Improvement in law and order situation in Pakistan
- > Growing Chinese influence
- > Harsh economic circumstances due to IMF package have increased cost of living

### LEGAL

- > Import barriers in international market
- > Anti-dumping rules in international market & intensified international trade measures
- > Inadequate tariff protection and incentives to promote exports
- > Slow court procedures in Pakistan holds up tax refunds
- > Constant legal battle to keep Govt. at bay – GIDC ruling does not apply to all industries across the board.

### ECONOMIC

- > Reduction in interest rates to benefit Corporates.
- > Low cost financing for green field projects and BMR
- > Sharp and sudden devaluation impacts input cost of raw materials.
- > Harsh economic measures have slowed economy and reduced GDP
- > Slowdown in China shifting production to Pakistan
- > Increasing tariff barriers in export markets
- > Regional exchange rate fluctuation
- > Increasing minimum wage and labor costs
- > Volatile commodity prices

### SEASONALITY

- > Purchase of cotton crop August to Dec puts high demand on working capital
- > Exports slow down during Chinese new year holidays
- > Not able to full benefit of devaluation as foreign buyers expects discounts

## Calendar Of Corporate Events

Notable Events For The Financial Year	
BOD Meeting for approval of Annual Budget – 2019-20	July 10, 2019
BOD Meeting for Yearly Accounts - 2019	October 22, 2019
BOD Meeting for first quarter ended September 30, 2019	October 29, 2019
Annual General Meeting – 2019	November 21, 2019
BOD Meeting for Half year ended December 31, 2019	February 27, 2020
BOD Meeting for approval of Scheme of arrangement of Merger	April 1, 2020
BOD Meeting for third quarter ended March 31, 2020	April 30, 2020

Tentative Dates for Next Financial Year	
BOD Meeting for approval of Annual Budget	September 2, 2020
BOD Meeting for Yearly Accounts – 2020	September 29, 2020
Annual General Meeting - 2020	October 26, 2020
BOD Meeting for first quarter ended September 30, 2020	October 29, 2020
BOD Meeting for Half year ended December 31, 2020	February 26, 2021
BOD Meeting for third quarter ended March 31, 2021	April 29, 2021

## OBJECTIVES AND KEY PERFORMANCE INDICATORS

The Company constantly strives to set and achieve its objectives by implementing strategies which focus on ethics, quality, being fair, being competitive, maintaining good relationships, sustainability, technology improvements, product diversity and seeking growth.

	OBJECTIVES	STRATEGY AND KEY PERFORMANCE INDICATORS
1	Keeping true to providing best corporate governance and ethical way of doing business	<ul style="list-style-type: none"> <li>• Circulation of ethical practice policies among staff and reinforcement of ethical practices across the organization</li> <li>• Abide by the Code of Corporate Governance and new CCG initiatives of SECP.</li> <li>• Ensuring that SOP's, work instructions &amp; job descriptions are aligned with appropriate policies</li> <li>• Zero tolerance towards fraudulent actions</li> </ul>
2	Maintaining a focus on existing core businesses	<ul style="list-style-type: none"> <li>• Making right product available</li> <li>• Price competitiveness</li> <li>• Brand equity &amp; strength</li> <li>• High quality, low cost raw material by utilizing diversified supplier base</li> </ul>
3	Maintain quality of yarn and ensure best quality for customers	<ul style="list-style-type: none"> <li>• Keep International and national Certifications current.</li> <li>• Quality Control &amp; quality assurance</li> <li>• Manufacture according to customer expectations</li> <li>• Ensure worker training and management seminars for latest quality initiatives.</li> <li>• Maintain effective contact with customers and obtain feedback on quality</li> </ul>
4	Maximize sales and identify new markets	<ul style="list-style-type: none"> <li>• Review &amp; monitor relationships with agents/brokers</li> <li>• Constantly reviewing pricing to ensure competitiveness and selling opportunity and shifts in buying patterns</li> <li>• Develop new yarn counts</li> </ul>
5	Develop avenues for future growth businesses in line with our philosophy of innovation, continuous improvement and growth objectives	<ul style="list-style-type: none"> <li>• Development of new products</li> <li>• Investment in new technologies where needed</li> <li>• Developing plans for vertical integration</li> <li>• Assuring availability of appropriate resources (HR, CAPEX, management time etc.)</li> </ul>
6	Maintain and increase manufacturing effectiveness	<ul style="list-style-type: none"> <li>• Identify opportunities for cost reduction</li> <li>• Invest in new technologies to achieve labor, cost and energy efficiencies.</li> </ul>
7	Ensure improvement in all areas of operations be it sales, administration, finance or information technology	<ul style="list-style-type: none"> <li>• Identify automation opportunities</li> <li>• Ensure availability of resources capex, financing, staffing, time etc. to achieve efficiency projects.</li> </ul>
8	Maximize returns to shareholders through the efficient and effective use of financial resources	<ul style="list-style-type: none"> <li>• Make timely sales and collections</li> <li>• Procure fit for purpose, lower cost quality raw materials while keeping holding periods to a minimum.</li> <li>• Efficient use of finances to minimize interest cost.</li> <li>• Earnings per Share</li> <li>• Return on Equity</li> </ul>
9	Suitable human capital management through proper hiring, training, appraisals and counselling	<ul style="list-style-type: none"> <li>• Timely appraisals and performance feedbacks</li> <li>• Develop appropriate training for all staff levels</li> <li>• Reduce safety incidents</li> <li>• Appropriate succession planning for key positions</li> </ul>

## Stakeholder Engagement

Good relationships are maintained with all the stakeholders through effective and timely communication besides having a customer-centric approach.

Stakeholders	Why they are Important	Nature of Engagement	Frequency
Shareholders	<ol style="list-style-type: none"> <li>1. They Own the Company</li> <li>2. They expect a return on their investment</li> <li>3. Decisions are made that increase shareholder value</li> </ol>	<ol style="list-style-type: none"> <li>1. AGM</li> <li>2. EOGM's</li> <li>3. Interim Reports</li> <li>4. Annual Reports</li> <li>5. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Annually</li> <li>2. If/when needed</li> <li>3. Quarterly</li> <li>4. Annually</li> <li>5. Continuously available</li> </ol>
Customers	<ol style="list-style-type: none"> <li>1. They buy our products which drives our revenues</li> <li>2. They expect quality and drive demand for our products</li> <li>3. They are our business partners</li> </ol>	<ol style="list-style-type: none"> <li>1. Direct relationships</li> <li>2. Customer gatherings</li> <li>3. Satisfaction surveys</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous</li> <li>2. Regularly</li> <li>3. Annually</li> <li>4. Continuously available</li> </ol>
Employees	They deliver Tata's success and Company could not function without them.	<ol style="list-style-type: none"> <li>1. Interaction with management</li> <li>2. Appraisals</li> <li>3. Employees events</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Daily</li> <li>2. Annual/semi-annual</li> <li>3. Regularly</li> <li>4. Continuously available</li> </ol>
Suppliers	Reliable and reasonable provision of raw materials determines our ability to supply finished goods	<ol style="list-style-type: none"> <li>1. Direct relationships</li> <li>2. Meetings</li> <li>3. Trade shows</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Daily</li> <li>2. Regularly</li> <li>3. Regularly</li> <li>4. Continuously available</li> </ol>
Government Bodies	Determine trade policies that could positively or negatively impact Tata	<ol style="list-style-type: none"> <li>1. Issue specific meetings / discussion / correspondence</li> <li>2. Submission of statutory returns and reports</li> <li>3. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. As required</li> <li>2. As required</li> <li>3. Continuously available</li> </ol>
Conditions affects our operations	<ol style="list-style-type: none"> <li>1. Provide manpower for our operations</li> <li>2. Their living</li> <li>3. Our CSR initiatives are also aimed towards them</li> </ol>	<ol style="list-style-type: none"> <li>1. Education and Schooling</li> <li>2. Health facility</li> <li>3. Mosque</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous</li> <li>2. Continuous</li> <li>3. Continuous</li> <li>4. Continuously available</li> </ol>
Banks	Provision of finance and trade facilities	<ol style="list-style-type: none"> <li>1. Direct relationships</li> <li>2. Meetings</li> <li>3. Financial reporting</li> <li>4. Websites</li> </ol>	<ol style="list-style-type: none"> <li>1. Regular</li> <li>2. As needed</li> <li>3. Periodic</li> <li>4. Continuously available</li> </ol>

## RISK & OPPORTUNITY REPORT

Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
<b>Financial Risk</b>	Devaluation of PKR against foreign currencies may negatively impact Company's financial performance	High	External	<ul style="list-style-type: none"> <li>Ensuring a balanced ratio between export &amp; domestic sales as needed</li> <li>Appropriate hedging instruments such as forward cover &amp; currency options if/when needed</li> <li>Sourcing a greater share of raw cotton locally within the country</li> <li>The Company mainly meets its working capital requirements through short-term financing facilities. In order to mitigate the risk of rising interest rates, management minimizes working capital requirements, negotiates prevailing market rates and maintains an efficient portfolio of sources of funds</li> </ul>
	Payment defaults by customers	Low	External	Credit worthiness is assessed for each customer and credit limits are assigned according to our credit policy
<b>Financial Opportunity</b>	Devaluation of PKR could make exports more competitive in international markets & provide opportunities for inventory gain	High	External	Maintaining an opportunistic position and supply flexibility to take advantage of devaluing PKR to increase exports to certain export markets





Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
<b>Operational Risk</b>	Employee turnover amongst senior management positions	Medium-Low	Internal	Strong succession planning & HR policies, employee engagement initiatives, workplace satisfaction surveys, training/development, rotational policies and compensation audits are in place.
	Volatility in the international/Local price of Cotton	High	External	Well versed and dedicated procurement department, buying experience along with a diversified supplier base and large volumes keep the company relatively insulated from volatility in cotton prices.
	Energy shortage in Pakistan	High	External	Tata has its own power generation capability. Management utilizes all energy sources to keep the energy mix cost at lowest level.
	Work place incidents injuries & safety	Medium	Internal	The Company has formulated and implemented a 'safety and security policy' throughout its manufacturing and administrative facilities. Moreover, all assets are insured through reputable institutions in order to safeguard assets against any unforeseen event of damage, fire, the , act of terrorism etc.
<b>Commercial Risk</b>	Increased competition between local and international suppliers of the product.	Medium	External	The Company believes that its years of experience, quality, research and development, brand image and customer loyalty are success factors to sustain it even in this fast shifting global economic scenario.



Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
Strategic Risk	Economic and Political stability of the country	High	External	The Company believes in an open and transparent relationship with the Government, regulator and other political stakeholders. As part of the larger industry, Company through its representatives, provide valuable suggestions to the regulator, particularly during the budgetary process through APTMA. We regularly monitor economic and legal impacts of Government policies and political actions on the Company as well as the textile industry.
	Shift in production technologies may make Tata's processes obsolete and its product and prices non-competitive in local and/or international markets	Medium	External	Tata strongly believes in introducing new technologies to achieve production efficiencies and reduce cost and stay aligned to the international market.

## Risk Management

The management of the company follow the rigorous approach to risk management which is essential to running a successful and sustainable business. The Board of directors of the company are closely connected to effective risk management. Risk assessment, reporting and control help to enhance governance and control policies, to keep company aligned with its objectives. Our board member have diversified skills, knowledge and experience which enable them to identify and manage the key risks that are likely to arise. They also steer the culture of an organization which promotes an appropriate balance between risk and opportunities.

## Potential Opportunities

Pakistan is one of those countries where upper middle class and middle class population forms majority. This factor opens up the opportunity to sell knitted wear and garments to the local mainstream population of the country. The ever so competitive local and international market has made it difficult for companies to sustain. This provides our Company the opportunity to acquire smaller players of the market and increase its market share and economic efficiencies.

## Key sources of uncertainty

- Adverse impact of policies formed by the regulators
- Natural catastrophes such as heavy rains and floods that could destroy local cotton crop
- Adverse interest rate and exchange rate movements

## Political Instability

The political conditions in this year were not stable on account of new government, as there was uncertainty about the future government and its policies.

Stable political situation in the country improves the overall business performance, investor confidence and also encourages foreigners to deal with some of the prestigious companies in the country, which may have impact on Company's share price.

## Exchange Rate

Tata has to import the cotton from various countries and its direct export has constrained to 23% from 80%, through which the entity is exposed to exchange rate risk. Any favorable or unfavorable movement in exchange rates might affect the company's profitability and hence, affect the share price. The company has also adopted effective strategies to minimize the risk of exchange rates.

## Interest Rate

The Company's Finance Cost is 7.4% percent of the turnover. Any adverse interest rate movement might affect the company's profitability and hence, affect the share price.

## Availability of Raw Material

The Company's performance is largely dependent upon the availability of raw material, which is highly sensitive to seasonal fluctuations. Thus, any negative or positive change in the crop yield will dampen the Company's performance and influence the share price.

## CODE OF CONDUCT

The Code of Conduct is equally applicable on employees as well as the Board of Directors of the Company. The Company constantly endeavors to do the following.

### 1. HONEST AND ETHICAL CONDUCT

- a. The company expect all the employees, Officers and Directors to act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, while working at the Company's premises, at offsite locations, at Company's sponsored business and social events, and/or at any other place where the Directors/Officers represent the Company. We consider honest conduct to be conduct that is free from fraud and/or deception. We consider ethical conduct to be conduct conforming to the accepted professional standards of conduct. Ethical conduct includes ethical handling of actual or apparent conflicts of interest as specified below between personal and professional relationships.

### 2. CONFLICTS OF INTEREST

- a. Every employee should conduct his/her personal and business affairs in a manner such that neither a conflict, nor the appearance of a conflict, arises between those interests and the interests of the company.
- b. An employee should avoid any situation in which he or she, or a family member, might profit personally either (directly or indirectly), from the company's facilities, its products, or company's relationships with its vendors or customers.
- c. An employee should not permit himself/herself (or members of his / her family) to be obligated (other than in the course of normal business relationships) to any organization or individual with whom the company has a business relationship.
- d. In case an employee is offered or receives something of value which he/she believes may be impermissible under this Code, he / she should disclose the matter.
- e. All employees shall avoid any kind of bribery, extortion and all other forms of corruption.
- f. Conflict of interest shall be avoided and promptly disclosed where they exist and guidance should be sought from superiors.

### 3. COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS

- a. All employees, officers and Directors must comply with all applicable governmental laws, rules and regulations. Directors/Officers must acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to recognize potential dangers, and to know when to seek advice from the Finance and/or Legal Advisor /Legal Counsel. Violations of applicable governmental laws, rules and regulations may subject Directors/Officers to individual criminal and/or civil liability. Such individual violations may also subject the Company to civil and/or criminal liability and/ or the loss of business.

### 4. MISCELLANEOUS

- a. All employee shall maintain the confidentiality of confidential information of the Company or that of

any customer, supplier or business associate of the Company to which Company has a duty to maintain confidentiality, except when disclosure is authorized or legally mandated.

- b. All employee shall deal fairly with customers, suppliers and competitors. They should not take unfair advantage of anyone through manipulation, concealment, abuse of confidential, proprietary or trade secret information, misrepresentation of material facts, or any other unfair dealing-practices.
- c. All employee should protect Company's assets and property and ensure its efficient use. Theft, carelessness, and waste of the Company's assets and property have a direct impact on the Company's profitability. Company's assets should be used only for legitimate business purposes.
- d. Any question or interpretation under this Code of Ethics and Business Conduct will be handled by the Board or any person /committee authorized by the Board of the Company. The Board of Directors or any designated person/committee has the authority to waive compliance with this Code of business conduct. The person-seeking waiver of this Code shall make full disclosure of the particular circumstances to the Board or the designated person/ committee.
- e. This Code of conduct is not intended to and does not create any rights for any employee, customer, client, supplier, competitor, shareholder or any other person or entity.
- f. If any employee or Directors who knows of or suspects of a violation of applicable laws, rules or regulations or Code of conduct, he/she must immediately report the same to the Board of Directors or any designated person/committee thereof. Such person should as far as possible provide the details of suspected violations with all known particulars relating to the issue.
- g. Violations of Code of Ethics will result in disciplinary action, which may even include termination of services of the officer and disqualification from being a Board Member. The Company's Board or any Committee/person designated by the Board for this purpose shall determine appropriate action in response to violations.







## CHAIRMAN'S REVIEW

### Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual results of the company for the year ended June 30, 2020.

It was a sad year for the Tata Group as during the year our beloved Chairman, Mr. Anwar Ahmed Tata passed away, marking the end of an era. Mr. Anwar Tata (late) had played a prominent role in the development and progress of the textile industry in Pakistan. He is appreciated for his efforts to grow and develop the Tata Industrial Group, which has provided employment opportunities in the country. We have lost a real jewel whose services will be always remembered. While the dynamism and vision of the Chairman is irreplaceable, however the CEO and the Directors of the Company remain committed to growing it profitably.

I would like to take this opportunity to appreciate the Federal and Provincial Governments, the State bank of Pakistan and the private sector banking institutions for adapting pragmatic fiscal and monetary policies that provided much needed relief to the private sector during the lockdown.

The pandemic had added to the woes of the recent slowdown in the economy. The management of the company is however resolved in taking measures to take on the challenges to bring about improvements.

### Financial Results

The tough economic condition in the year resulted in a Pre-Tax Loss of Rs 281.74 Million (2019 Pre-Tax Profit of Rs.226.46 Million). Factors that contributed to the loss were the US-China Trade dispute that affected yarn and cotton prices adversely; the forced lockdown and ceasing of operations in March due to the COVID -19 Pandemic that caused the sales of the company to plummet. The frequent unexpected devaluation of Pak Rupee affecting the cost of imported cotton, the harsh measures taken by Government to control economy by escalating interest rates. All of the above was compounded by higher borrowing by the company to support higher inventories and higher receivable days.

### Outlook

The COVID Pandemic related relief measures introduced by the Government and State Bank of Pakistan which include reduction in mark up rates, deferral of payment of long term loans and loans to pay salaries for a period of 6 months will greatly help to improve liquidity and will help to lower borrowing cost in the next fiscal year. The textile industry has rebounded with production running at full capacity on the back of improved orders being received from the downstream sectors. At the same time the selling prices have improved while stability is expected in the international prices of raw material.

Profitability is expected to improve due to expected reduction in borrowing costs as the company shifts its focus towards local procurement of cotton, reduced holding periods of raw material, lower interest rates and relatively stable exchange rates.

The Company has filed a merger petition with the High Court of Sindh to allow to merge its other group companies namely Salfi Textile Mills Ltd, Island Textile Mills Ltd and Tata Energy Ltd into Tata Textile Mills Ltd that will transform the Company into one with an asset and turnover base of Rs. 26 Billion and Rs. 25 Billion respectively. This larger size of balance sheet will give Tata Group greater visibility and allow it better operational and cost synergies.



## Board performance and effectiveness

An annual evaluation of the Board performance was conducted in compliance with the requirement of the Code of Corporate Governance and the Companies Act, 2017. The purpose of this evaluation is to ensure that the Board performance is measured in the context of overall corporate objectives and governance structure of the Company. The Board, during the year, played a pivotal role in steering the Company forward in a progressively challenging landscape. Through the commitment and effective oversight of the Directors, your Company ensured transparency of corporate governance and compliance.

The sad demise of Mr. Anwar Ahmed Tata in July 2020 left a void that will be hard to fill. I am honored to be invited to join the Board as an independent non-executive Director and to step into the shoes of an industry pioneer, to Chair the Board of the Company as of July 24th, 2020 and July 28th, 2020 respectively.

I along with the Board acknowledge the valuable contributions made by the outgoing Directors and on behalf of the Board, I wish to acknowledge the contribution of all our employees in the success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other stakeholders for their continued confidence and support.



**MAZHAR VALJEE**  
**CHAIRMAN**

**Karachi:**

**Date: September 29, 2020**

## DIRECTORS' REPORT TO THE MEMBERS

The Directors' of the Company are pleased to present their report along with the 51<sup>st</sup> Annual report of the company and the audited Financial Statements of the Company for the year ended June 30, 2020.

### BUSINESS ENVIRONMENT

The business environment was extremely challenging throughout the year. The government and SBP led domestic containment policies, resulting currency devaluations and increase in policy rate had an impact to reduce demand and increase input costs. This was followed by US-China trade conflict and recessionary pressures in China which had a negative impact on cotton prices and consequently on yarn selling prices. The outbreak of Covid Pandemic in March 2020 significantly stalled business activity resulting from cancelled and deferred orders from importing countries which impacted our downstream sales/collections and production was stalled for a month resulting in underutilization of spindle capacity.

### PAKISTAN'S ECONOMY

The provisional GDP growth rate for FY 2019-20 is estimated at -0.38% against 1.9% during the preceding year. The manufacturing sector was particularly affected, with growth in Large Scale Manufacturing (LSM) contracting by 10.17%. Before the onset of the Coronavirus pandemic, a large-scale industry had been struggling to pass on the cumulative gas price increase and PKR depreciation that it had been subject to during the preceding years. Furthermore, the high cost of capital, reduction in PSDP and condition of CNIC disclosure on purchases of Rs. 50,000 and above resulted in a severe contraction in demand from end users at the same time. The stringent post-IMF policy measures implemented by the government had started to reflect in better macroeconomic indicators at the beginning of Q3, including falling current account and fiscal deficits, however, the added burden of the lockdown in late Q3 have brought a new set of economic challenges. Nonetheless the government and SBP's timely initiatives to protect the livelihoods of people and businesses were welcomed. The Rs. 1.24 trillion fiscal stimulus package, construction package, reduction in policy rate, refinance scheme for payment of wages and salaries at subsidized rates and loan deferral were timely decisions and the need of the hour.

With Corona virus infection rates largely in decline, we are hopeful that despite the tough conditions the government will continue to pursue sustainable policies. Documentation of the economy and enhancing the tax base continue to be painful undertakings, however, the country as a whole and the organized sector in particular stand to benefit from such measures in the long run. Furthermore, the reduction in duties on imported raw materials announced in Budget 2020- 21 is positive for the industry and will allow for the conservation of cash flow and capital formation in the year ahead. The Government's revised GDP growth target of 2.1% for FY 2020-21 will be a formidable challenge for all stakeholders, however, we remain hopeful that falling Coronavirus case rates and vigilance with regards to SOP's will set us on the right trajectory. Initiatives such as the construction package, LTFF financing for green field projects and BMR and other water and energy distribution projects announced by the government shall also provide avenues for growth ahead.

On the economic front on account of short fall in tax revenues fiscal deficit is likely to be higher. Current account has contracted significantly to USD 2.9 Billion driven by reduction in imports and modest growth in worker remittances. Assistance from IMF and other multilateral agencies have provided much needed relief and as a result State Bank of Pakistan (SBP) reserves have improved to almost US\$ 19 Billion. Inflation is

down to 10.74% and is lower than the level in March and together with impact of Covid helped to convince SBP to lower the discount rate to help businesses stimulate economic growth.

## TEXTILE INDUSTRY CHALLENGES

Although the Government of Pakistan and the State Bank of Pakistan have been very responsive to the plight of businesses faced with the downturn caused by the Covid Pandemic by offering to deferring loan repayments and reducing interest rates however, government has been very slow to respond to most of the other long standing issues being faced by the industry which relate to refund of taxes, removal of zero rating for textile sector, increase in power cost, threat of Gas Infrastructure Development Cess (GIDC) payment and lack of development efforts to attend to the rapidly declining yield and quality of cotton crops in Pakistan. Collectively, all these factors are damaging the textile sector's ability to grow and its ability to earn valuable foreign exchange.

### Raw Material:

While Pakistan is among the leading cotton producing countries (ranked 5th in the world behind India, USA, China and Brazil) its production is falling year on year. Pakistan's 2014/ 2015 crop size was 14.81 million bales which reduced to 29.7 million bales in 2015/2016 and over the years reduced further to 8.5 million bales in 2019 /2020. Now, if the weather situation remains normal, it is estimated Pakistan crop size to be around 9 million bales in 2020/2021. Pakistan is therefore forced to depend on imported cotton to meet its needs of approximately 14 million bales for its textile mills'. The Government of Pakistan and the Textile Ministry needs to invest heavily in seed technology and work closely with farmers to bring them up to date with modern farming techniques to enhance the output of major cash crop across the cotton growing areas of the country, which will in turn immensely boost the economy of Pakistan.

There is a serious reduction in availability of raw material in the country as the local cotton crop production numbers are not looking good. However, international cotton prices are expected to remain relatively stable given China-US trade conflict and Covid impacted demand therefore during this period of uncertainty the Company will for one do its utmost to place reliance on local cotton and remain cautious and operate efficiently with minimum raw material and finished goods inventory.

### Taxes

Government and FBR are slowly refunding the newest refunds but are extremely slow to clear the refund back log from prior years which are funded with borrowed funds and this affects the liquidity of businesses. Similarly, Textile Industry pleaded with the Government to reinstate last year's withdrawal of zero rating enjoyed by the textile sector and resulting imposition of 17 percent Sales Tax which has disruptive effect on local yarn sales and sucks out scarce liquidity from the industry.

### Cost of Energy

The cost of energy in Pakistan is higher as compared to the regional countries making us uncompetitive. The Government's recent decision to increase cost of electricity from 7.5 cents to 9.0 cents will increase our un-competitiveness. At a time when the industry is still recovering from the Covid pandemic, the Government and the Supreme Court have decided to make Industries pay for the GIDC which will further increase costs

of the Textile industry. Our Industry is different from others as it did not collect any Cess unlike Fertilizer and CNG which collected Cess but did not pass it on to the Government, hence the Textile Industry has decided to file a review petition in the Supreme Court and contest this and based on legal advice we are confident of a positive outcome.

## COMPANY RESULTS

The Company posted net sales of Rs. 6,749 million, with a decrease of 10.69% over last year, earning a Gross Profit of Rs. 693 million. Your Company had posted a Loss before Tax of Rs. 282 million due to multiple factors including Covid Pandemic which resulted in loss of sales, forced shut down of operations, US-China Trade dispute affecting yarn and cotton prices, devaluations of Pak Rupee during the year which affected the cost of imported cotton and increase in interest expense due to higher rate and higher borrowing significantly increased financial charges by 5% to Rs.497 Million (2019 Rs. 473Million). Further due to unfair tax laws, the Company is liable to pay minimum tax on turn over and consequently, the Company had posted a Loss after Tax of Rs. 361 million. Loss per share was Rs.721.27. The operating profit was lower than last year by Rs 510 million on account of substantial reduction in sales hit by the Covid Pandemic.

Cost of goods sold for the year was Rs. 6,056 million was 7.48% lower due to reduction in sales however the real cost was higher due to higher priced cotton accumulated during the buying season was impacted first by US-China Trade dispute and then later by the Covid Pandemic which lowered demand for cotton and which resulted in loss of sales, forced shut down of operations, affecting yarn and cotton prices.

Selling, distribution and Administration expenses were in line with last year's primarily due to lower selling expenses as Sales were down 5.38 million lbs. due to Covid.

Other Operating charges were Rs 223 million (2019: Rs 70 million) due to exchange losses on imported cotton incurred due to sudden devaluations and unallocated Plant shut down costs becoming period costs. The Company had decided to place reliance on imported cotton which were purchased at higher prices and were 1st impacted by reducing prices due to trade conflicts and corona virus and secondly due to Rupee devaluation

Financial charges were Rs. 497 Million up 5% over last year's level due to consecutive hikes in policy rate and higher borrowing to support working capital as collections stalled due to Covid Pandemic.

Volumes	June-2020	June-2019	Variation
	Rupees in million		%
Sales	6,749	7,557	(10.69)
Cost of Sales	(6,056)	(6,546)	(7.48)
Gross Profit	693	1,012	(31.45)
Distribution, Admin & other	(477)	(312)	52.88
Finance Cost	(497)	(473)	5.07
(Loss)/Profit before taxation	(282)	226	(224.33)
(Loss)/Profit after Taxation	(361)	185	(295.65)
(Loss)/Earnings Per Share	(721.27)	369.46	(295.22)

## Capital Structure

Debt to equity ratio on June 30, 2020 was 59:41 compared to 56:44 as on June 30, 2019. The Increase was mainly to support temporary increase in Working Capital requirement and deferral of long term loans under the Covid incentives offered by SBP.

## Dividends

The Board of Directors in its meeting held on September 29, 2020 has not recommended a dividend for the year ended June 30, 2020 given the financial results and liquidity shortage.

## PACRA RATING

Based on the latest available PACRA ratings review conducted as of current year, Island Textile Mills achieved a rating of A2 for Short Term and BBB+ for Long Term.

## AUDITORS

The present auditors M/s Deloitte Yousuf Adil, Chartered Accountants retire and offer themselves for re-appointment. They have confirmed achieving satisfactory QCR rating from Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of International Federation of Accountants (IFAC) as adopted by ICAP. The Board of Directors has recommended their re-appointment as auditors of the company for the year ending June 30, 2021, at a fee to be mutually agreed.

## PATTERN OF SHAREHOLDING

Information on the pattern of holding is annexed.

## HUMAN RESOURCES

### Industrial Relations

We recognize our employees as our most valuable assets. The management therefore ensures a harmonious working relationship with employees and strives to provide a congenial working environment both at head office and in the factories. Importance is placed on maintaining a good work-life balance. The management also ensures compliance with all employment laws and labor legislations. In turn, employees work hard towards the achievement of their targets without disputes.

### Long Service Awards

Long service awards are provided to recognize and reward devotion and loyalty of employees who have a long tenure with the company.

### Gratuity

The company provides terminal benefit to employees in the form of non-contributory defined-benefit gratuity scheme. The value of the Gratuity liability at the end of the year was Rs.118.09 million.



## Training

Training is essential for improving the competencies of employees so that they are able to help the company achieve its objectives. Keeping this in view, various technical and soft-skills training programs were conducted during FY 2019-20 which include Industrial Electrician, General Fitter and Instrumentation and Automation Electrician course conducted by UNDP for technical staff at the mills. Training for communication skills, negotiation skills, emotional intelligence, anti-harassment and stress management were provided to various employees at the Corporate Office and Mills. Diploma on Cotton Grading and Classification by Karachi Cotton Association was completed by members of our cotton sourcing team.

## Health Safety & Environment

The Company endeavors to keep its work force, infrastructure & operations safe and secure and encourages healthy work environment and practices. During the year awareness sessions & drills are carried out consistently to remain abreast with latest development in HSE, ensure compliance with legal requirements and manage HSE challenges. In addition to this, regular performance reviews are convened at appropriate levels covering following items: Use of Personal Protective Equipment (PPE's), Regular Drills, Awareness & Training Sessions, HSE Monitoring / Audit Reports, Results of Environmental Test Reports, Incident/Accident Reporting and Confirmation of Regulatory Compliance and HSE Performance Report to Executive Management on Quarterly basis by EVP Technical Operations.

## Corporate Social Responsibility

The Company realizes its responsibility towards the society and strives to contribute in various areas by improving the economic conditions of the people, protecting the environment through our initiatives and friendly policies and contributing in the well-being of the humanity in general. In this regard, the Company has consistently shown commitment to make education more easily available and to provide financial support for students. Another goal is make health care more accessible without any discrimination, to all patients regardless of their ability to pay. In addition to the above, the Company has been and is constantly engaged in number of philanthropic activities in areas of Education and Sports, Health Care Services and General Financial Aid.

As COVID-19 is a big health and safety issue during the year, the management took various measures to mitigate the risk. These included regular awareness sessions, provision of hand sanitizers at different areas within the premises, temperature monitoring at entrances, regular disinfection of the premises and instruction to staff to wear mask at all times as well as practice social distancing.

## Financial data and Graphs

Highlights of the operating/financial data and graphs are presented in the financial highlight section.

## Corporate Governance Matters

All matters pertaining to the Policy, Board and Governance are addressed in the Corporate Governance Section and considered to be part of the Directors' Report.

## Chairman's Review

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Directors' report.

## Acknowledgement

We would like to extend our sincere gratitude to healthcare workers, essential service providers and the entire Tata team for managing and controlling the spread of COVID-19 during the year. With one of the toughest years on record coming to a close, it is important here to look back and reflect. During FY 2019-20, we have witnessed, raw material price volatility due to trade conflicts and raw material price increases due to impact of rupee devaluation, shrinking domestic GDP and lastly falling sales due to COVID-19 pandemic. Company has incurred a significant loss after many years due to many factors occurring all together however, we ensured that our values were not violated, and we dealt with the challenges in a compassionate manner. During the lockdown period, we refrained from laying off staff and the Company Team has worked tirelessly towards financial security of the Company despite the difficult financial climate that the country is facing. Finally, we thank all other stakeholders including our esteemed customers, suppliers and bankers for their commitment to the Company and look forward to sharing more successes with them in the coming years.

### FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



**SHAHID ANWAR TATA**  
CHIEF EXECUTIVE



**ADEEL SHAHID TATA**  
DIRECTOR

**Karachi:**

**Date: September 29, 2020**

## CORPORATE GOVERNANCE

### Governance Framework

The main philosophy of business followed by the sponsors of Tata Pakistan for the last 30 years has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board and implemented throughout the company to enhance the economic and social values of all stakeholders of the company. Our Governance strategy is to ensure that the Company follows the direction defined by its Core Values, current regulatory framework and industry best practices. The Board, discharges its responsibilities as defined by the “Code of Corporate Governance” (CCG), listing requirements of Pakistan Stock Exchange Limited (PSX) and the Corporate Financial Reporting Framework of Securities & Exchange Commission of Pakistan (SECP). Our approach towards corporate governance ensures ethical behavior, transparency, accountability in all that we do and to attaining a fair value for the shareholders.

### Compliance Statement

Living up to its standards, the Board of Directors has, throughout the year 2019-20, complied with the Code of Corporate Governance, the listing requirements of the Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan (SECP). The Directors confirm that the following has been complied with:

- a) The financial statements for the year ended June 30, 2020 present fairly its state of affairs,, the results of its operations, cash flows and changes in equity;
- b) Proper books of accounts of the company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements for the year ended June 30, 2020 and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been disclosed and explained;
- e) The systems of internal control are sound in design and has been effectively implemented and monitored. The Internal Audit function is based on a combined system led by the Chief Internal Auditor supported by in-house staff as well as M/s BDO Pakistan, Chartered Accountants;
- f) There are no doubts about the Company’s ability to continue as a going concern;
- g) There has been no material departure from the best practices of corporate governance as per regulations.

### The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The Board was headed by Chairman Mr. Anwar Tata (Late), a Non- Executive Director and out of 7 directors, 2 are independent directors. The current Board composition reflects a good mix of experience, backgrounds, skills and qualifications. All directors have many years of experience, and are fully aware of their duties and

responsibilities under the Code of Corporate Governance. At present, four (4) Directors have acquired the formal Directors Training Certificates, while two (2) directors got exemptions from SECP on meeting criteria, all directors possess sufficient skills and experience of Board as described in the Code of Corporate Governance. To further its role of providing oversight and strategic guidelines to the company, the Board has formulated role and responsibilities of Chairman and Chief Executive Officer. The Board has constituted two Sub Committees, namely Board Audit Committee (BAC) and Human Resources & Remuneration Committee (HR&RC). The composition, role and responsibilities of the Committees are clearly defined in their respective Terms of References.

All the Board members are given appropriate documents in advance of each meeting which normally includes a detailed analysis of business and matters, where the Board will be required to make a decision or give its approval. During the year 2019-20, the Board had four (6) meetings during this year. The average attendance of the directors in Board meetings during the year was 74%.

The Board of Directors has complied with the Code of Corporate Governance, the listing requirements of Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan.

### Board Evaluation

As required by the Listed Companies (Code of Corporate Governance) Regulations 2019 the Board has developed a mechanism for evaluation of performance of the Board of Directors. During the year a comprehensive questioner was circulated among all members of the Board for evaluation of performance of the Board of Directors.

The Board Performance Evaluation will be considered the following process:

- Each Board Member will be asked to complete the Evaluation Questioners Form by selecting the appropriate rating that most closely reflects his performance and the Board's as a whole related to each practice
- The Human Resource and Remuneration Committee (consist of director, detail is below) will review the performance of each Director and a Board as whole.
- In addition to Board Members completing the form as a self-evaluation, Human Resource and Remuneration Committee may ask individuals who interact with the Board Members to provide feedback.
- The result of all Board Members will be consolidated into a summarized document for discussion and review by the Board of Directors.
- The Performance of Board will be reviewed twice in a year and the result will be compiled for year as whole.

### Changes in the Board

During the year, Elections of directors were carried out and majority of directors remain the same except one director i.e. Mr. Muhammad Waris Magoon was elected in place of Mr. Muhammad Naseem.



Subsequent to year end, two casual vacancy occurred in the Board which were filled within 90 days with the appointment of Mr. Mazhar Valjee as Director in place of Mr. Anwar Ahmed Tata (who passed away) and Mr. Muhammad Jawaid Iqbal in place of Mr. Muhammad Waris Magoon (who resigned).

### Composition of Board

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The current Board composition reflects a good mix of experience, diversity in backgrounds, skills and qualifications. All directors have many years of experience, and are fully aware of their duties and responsibilities under the Code of Corporate Governance. The composition of the Board is in compliance with the requirements of the Code of (Corporate Governance) regulations, 2019 applicable on listed entities which is given below:

Total number of Directors

a)	Male	6
b)	Female	1

Composition:

i.	Independent Directors	2
i.	Executive Directors	2
iii.	Non-Executive Director	3

The names of the directors as at June 30, 2020 are as follows

1)	Mr. Anwar Ahmed Tata(Late)	Director / Chairman
2)	Mr. Shahid Anwar Tata	Director / Chief Executive Officer
3)	Mr. Adeel Shahid Tata	Director
4)	Mr. Bilal Shahid Tata	Director
5)	Mr. Farooq Advani	Director
6)	Miss Samar Shahid Tata	Director
7)	Mr. Muhammad Waris Magoon	Director

### Committees of the Board

The Board has constituted two sub committees namely Audit Committee and Human Resource & Remuneration Committee. The role and responsibilities of the Committees are clearly defined in their respective Terms of Reference. The composition of both committees are disclosed as follows:

#### Audit Committee

Mr. Farooq Advani	Chairman
Mr. Adeel Shahid Tata	Member
Miss Samar Shahid Tata	Member

### Human Recourse and Remuneration Committee

Mr. Farooq Advani	Chairman
Mr. Shahid Anwar Tata	Member
Mr. Adeel Shahid Tata	Member
Miss Samar Shahid Tata	Member

### Detail of Board and its Committee Meetings

During the year under review, six Board of Directors Meetings, five Audit Committee Meetings and three Human Resource & Remuneration committee meeting were held. The attendance of the directors is as follow:

Name of Director	Number of Meeting Attended		
	Board Meeting	Audit Committee	Human Resource & Remuneration Committee
Mr. Anwar Ahmed Tata (Late)	-	N/A	N/A
Mr. Shahid Anwar Tata	6	N/A	3
Mr. Adeel Shahid Tata	5	5	3
Mr. Bilal Shahid Tata	6	1	N/A
Mr. Muhammad Naseem*	2	2	N/A
Mr. Farooq Advani	6	5	3
Miss Samar Shahid Tata	5	2	2
Mr. Muhammad Waris Magoon **	1	N/A	N/A

(Leave of absence was granted to the Directors who could not attend the Meetings due to their pre-occupations)

\* Term Expire

\*\* Newly Elected

### Directors' Remuneration

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of the Directors. In this regard, the Board of Directors have developed a comprehensive Remuneration policy for Non-executive and Independent Directors of the Company in accordance with the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2019. Non-executive directors including the independent director are entitled only for fee for attending the meetings.

### Directors' Training

The Directors of the Company are adequately trained to perform their duties and are aware of their powers and responsibilities under the Companies Act, 2017 and the Regulations of PSX Rule Book.

### Detail of Share Trading

Apart from the following transactions, Directors, Chief Financial Officer, Company Secretary, Head of Internal Audit, other Executives and their spouse(s) and minor children did not carry out any transaction in the shares of the company during the year.

Name of Director	Opening Balance (July 1, 2019)	Purchase/ Gift	Sale / Gift	Closing Balance (June 30, 2020)
Mr. Anwar Ahmed	134,747	-	134,247	500
Mr. Shahid Anwar	186,747	134,247	-	320,994
M. Waris Magoon	-	100	-	100

## Role and Responsibilities of the Chairman and CEO

The Board of Directors provides the overall direction for the Company operations and provides oversight for various policies and monitors the management in the light of operational and financial plans. The roles of Board and the Chief Executive Officer have been clearly defined where the Board is responsible for strategic guidance and providing directions for sustainable business. The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested in him under the Code of Corporate Governance and presides over all Board meetings. The Chief Executive performs his duties under the powers vested by the law and the Board and recommends and implements the business plans and is responsible for overall control and operation of the Company.

## Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit

The Chief Financial Officer (CFO) and the Head of Internal Audit possess the requisite qualification and experience as prescribed in the Code of Corporate Governance. The Company Secretary possesses the requisite qualification and experience as prescribed in the Companies Act, 2017. The appointment, remuneration and terms and conditions of employment of CFO, the Company Secretary and the Head of Internal Audit were determined by the Board of Directors. The removal of CFO and Company Secretary whenever applicable is made with the approval of Board of Directors.

## Business Philosophy & Best Corporate Practice

We believe in ethical practices, sustainable manufacturing processes, transparent reporting to the shareholders and in the best practices of Corporate Governance to ensure success and better results for all stakeholders. The Board members actively participate in the meetings to provide guidance concerning the company's business activities, operational plans, review corporate operations and formulate and review all significant policies. The Board firmly adheres to the best ethical practices and fully recognizes its responsibilities for protection and efficient utilization of company assets for legitimate business objectives and compliance with laws and regulations. The Chairman ensures that the discussions held during the Board meetings and the consequent decisions arising are duly recorded and circulated to all the directors within 14 days. The CFO and the Company Secretary attended all the meetings of the Board as required by the Code of Corporate Governance. All periodic financial statements and other working papers for the consideration of the

Board/ Committees are circulated to the directors well before the meetings so as to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held six meetings, agendas of which were duly circulated at least a week before the meetings.

### **Timely Communication of Financial results**

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual Financial Statements, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within the time limit as defined in Companies Act 2017. Periodic financial statements of the Company are circulated to Directors duly endorsed by the CEO and the CFO. Half-yearly and annual accounts are initialed by the external auditors before presenting it to the Audit Committee and the Board of Directors for approval.

### **Risk & Opportunity Management**

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, to economically minimize, monitor and control the impact of such risks and maximize the realization of opportunities. Management periodically reviews major financial and operating risks faced by the business. The Audit Committee is responsible for the Risk Management. Despite the facts that the Company's financial performance during the year was not encouraging as compared to last year and yet some uncertainties remain resulting from level of cotton production in the country, local and international cotton pricing, international yarn pricing, impact of trade wars between US and China and exchange rate fluctuations may have an impact on the future financial results of the Company. For more details on risk & opportunity management, refer risk & opportunity report on page no. 20.

### **Internal Control Framework**

The Company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are documented in manuals.

The Board Audit Committee has been entrusted with the main responsibility of Internal Controls. The Audit Committee receives the Audit reports by the Internal and External auditors, and after detailed deliberations, and suggesting improvements, periodic reports are submitted to the Board of Directors. The Company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management practices for the purpose of achieving clear and quantifiable commitments. The Company has posted a qualified employee as Head of Internal Audit, who is being assisted by in-house executives to carry out the Internal Control functions.



The management has placed an explicit internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate these risks.

### **Whistleblowing & Speak-up Policy**

The Company is committed to do business in ethical and compliance manner. For the purpose, Company has implemented whistle blower policy to encourage the employees and other parties (customers and vendors etc.) to report without any fear of retaliation, an unethical behaviors, malpractices, wrongful conduct, fraud, violation of the company's policies & values, violation of law by any employee.

### **Corporate Social Responsibility**

The Company. is committed to achieving tangible, sustainable fulfillment of its corporate social responsibility. During the year under review the Company contributed Rs.3 million in health, welfare and well-being of the poor people of the country.

Our role as a corporate citizen is as important to us as satisfaction of our customers and earning a fair return for our shareholders. We are committed to work for the betterment and prosperity of our stakeholders. Management has endeavored to provide a safe and healthy work atmosphere by adopting practices and creating working conditions which are safe and healthy for our employees, vendors, contractors, suppliers and customers.

### **Sustainability Measures**

All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behavior, and energy conservation are an integral part of our business model. We also believe that employees are most critical in the progress, growth and sustainability of any organization.

### **Engaging Stakeholders & Transparency**

Development of stakeholders' relationship is of significant importance for the company. Building "stakeholder's engagement", compliance with regulatory requirements and terms and conditions are one of the main business principles by which we abide. To bring an accurate understanding of the company's management policies and business activities to all its stakeholders, it strives to make full disclosure of all material information to all stakeholders by various announcements on its website, to the Stock Exchange and other sources available to help investors to make informed decisions. It encourages full participation of the members in the Annual General Meetings by sending corporate results and sufficient information following the prescribed timeline so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships and trust with shareholders and investors. Our stakeholders include but

are not limited to customers, employees, government, shareholders, suppliers, local communities and bankers.

### Policy for Investor Grievances

The Company has an “Investor Relation Policy” that sets out principles for providing shareholders and prospective investors with necessary information to allow them to make well informed investment decisions and ensure a level playing field.

Investor grievances and complaints are very important and are properly reviewed to minimize the recurrence of similar issues in future. The following principles are adhered to with regards to investor grievances:

- a) Investors are treated fairly at all times.
- b) Complaints raised are dealt with in a courteous and timely manner.
- c) Various modes of communication like email, telephone, meetings and raising matters at the Annual General Meeting are available to investors to raise grievances.
- d) Queries and complaints are treated fairly and efficiently.
- e) Employees work in good faith and without prejudice towards the interest of the creditors.
- f) Detailed company information regarding financial highlights, investor information, and other requisite information specified under the relevant regulations has been placed on the corporate website of the company which is updated on regular basis.

### Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 50th Annual General Meeting of the Company held on November 21, 2019, no significant issues were raised.

### Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on June 30, 2020 is annexed.

Mechanism for Providing Information and Recommendation to the Board

### Formal Reporting Line

The current organization/structure of the Company consists of various departments/divisions, each of which is led by a divisional head. These divisional heads are responsible for their respective divisions and the Board can have access to them.

## Employees

Employees are encouraged to express their views and forward their suggestions. We follow an open door policy and employees are free to send emails, phone or even talk directly to the CEO. The employees can give suggestions, grievances and concerns or raise any matter related to the Company. In case the matter is of significant nature, the same is addressed in the meetings of the Managing Committee, the Board of Directors or the relevant Board Committees. The Company also has a speak-up policy to enable employees to raise serious concerns to the management regarding the business or Company without fear and repercussions. The CEO also meets the all departmental and divisional heads on frequent basis through which they are provided an opportunity to express their concerns and suggestions directly to the CEO. These meeting are aimed at capturing free and first hand suggestions.

## Shareholders

Every year the Annual General Meeting of shareholders is held in accordance with the requirements of the Companies' Act 2017 which is attended by the Board, CEO, Company Secretary, CFO and the senior management of the Company. The interactive session with the shareholders allows the shareholders to ask questions on financial, economic, social and other issues and also give suggestions and recommendations. The CEO/Chairman responds to all questions. The Company has also provided contact details of all relevant personals for general and specific queries on its website.

## Managing Conflict of Interest

As per the Code of Corporate Governance, the Company circulates the Code of Conduct to all employees and Directors. Further, the Directors and key employees are reminded of insider trading and to avoid dealing in shares during closed period. Every Director is required to bring to the attention of the Board complete details regarding any material transaction which has a conflict of interest for prior approval of the Board. The interested Directors neither participate in discussions nor vote on such matters. The complete details of all transactions with related parties are provided to the Board for approval. These transactions are also fully disclosed in the annual financial statement of the Company.

## Safety of company records

The Company has a proper "Document & Record Control Policy" for retaining, maintaining and retrieving administrative control of all documents and data that relate to the Company and has taken the following concrete measures to ensure safety/security of the records. All important documents such as, minutes and proceedings of the Board & its sub-committees, annual general meetings, statutory certificates, title documents of the company's property and all other important communications and records are kept in a secure safe. All other important accounting records are outsourced with a record management company.

## Human Resources (HR) Management

A comprehensive set of policies has been implemented to cover all aspects related to HR. The main focus of the policies is to train, motivate and retain valuable human assets for the future growth of the Company. In order to maintain continuity of the business operations, particularly at senior management and key managerial levels, a Well-defined Succession Policy is in practice.

## Information Technology (I.T) Policy

A well-defined Information Technology Policy is place to help achieve efficient and effective use of I.T resources for the company so as to establish priorities, strategy delivery, increase productivity and deliver right services to users. The I.T Steering Committee comprising of CEO, COO, CFO and Head of Departments who are responsible for taking major I.T decisions. The I.T Head is responsible for ensuring communication of I.T security policies to all users of Group Companies. Further, Internal Audit is responsible for monitoring compliance of I.T policies. The Policy on Information Technology is focused upon information security, human resource security, access control, information system acquisition development and maintenance, business continuity management, incident management, website and ERP.

## Report of the Audit Committee on adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended June 30, 2020 and reports that:

The company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Pakistan Stock Exchange, Code of Corporate Governance, Company's Code of Conduct and Values and the international best practices of governance throughout the year.

The company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the company.

Appropriate accounting policies have been consistently applied except those disclosed in financial statements. Applicable accounting standards were followed in preparation of the financial statements of the company on a going concern basis for the financial year ended June 30, 2020, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.

The Chief Executive Officer and the Chief Financial Officer of the company have reviewed the financial statements, the Chairman and Board of Director's Report of the company. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.

Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the requirement of Companies Act 2017.

The financial statements comply with the requirements of the Fourth Schedule of the Companies Act 2017 and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.

All direct and indirect trading in and holdings of the company's shares by Directors and executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such transactions have been disclosed.

### INTERNAL AUDIT FUNCTION

The internal control framework was effectively implemented by appointing Head of Internal Audit in compliance of the Code of Corporate Governance. The Head of internal audit functionally reports to the Chairman of the Board Audit Committee and administratively to the Chief executive officer

The company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.

The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting



objectives, safeguarding of the assets of the company and the shareholders wealth through effective financial, operational and compliance controls and risk management at all levels within the company.

Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

## EXTERNAL AUDITORS

The statutory auditors of the company, Deloitte Yousuf Adil, Chartered Accountants, have completed their audit of the company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended June 30, 2020 and shall retire on the conclusion of the 34rd Annual General Meeting for the year 2020.

The final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.

The Audit firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.

Being eligible for re-appointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending June 30, 2021 on terms & remuneration negotiated by the Chief Executive Officer.



**Farooq Advani**  
Chairman  
Board Audit Committee

**Karachi**

**Dated: September 29, 2020**



Investment  
Value at Year  
and

339 970  
56 969  
817  
58  
6

373 967  
804 029  
1 296 731  
1 859 317  
2 499 808  
3 227 076  
4 050 935  
R 28 331

Start a  
Com

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

**Name of Company:** Island Textile Mills Limited

**Year ended:** June 30, 2020

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

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

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

2. The composition of board is as follow:

Category	Names
Independent Director	Mr. Muhammad Waris Magoon
	Mr. Farooq Advani
Non-Executive Directors	Mr. Anwar Ahmed Tata (Chairman) (Late)
	Mr. Adeel Shahid Tata
	Miss Samar Shahid Tata (Female)
Executive Directors	Mr. Shahid Anwar Tata (CEO)
	Mr. Bilal Shahid Tata

To restrict total number of directors to 7 as fixed by the board, non-executive directors are rounded up and independent directors are rounded down. Two independent directors were appointed and fraction of 0.33 was not rounded up to ensure compliance of appointment of female directors and restriction with reference to executive director is not breached.

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 dates 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 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 Chairman and, in his 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 of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. During the year SECP issued exemption certificate to Mr. Anwar Ahmed Tata (Late) and Mr. Shahid Anwar Tata.

10. The Board has approved appointment of Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. Chief Financial Officer and Chief Executive Officer duly endorse the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
  - a. Audit Committee
    - i. Mr. Farooq Advani -Chairman
    - ii. Mr. Adeel Shahid Tata -Member
    - iii. Miss Samar Shahid -Member
  - b. HR and Remuneration Committee
    - i. Mr. Farooq Advani -Chairman
    - ii. Mr. Shahid Anwar Tata -Member
    - iii. Mr. Adeel Shahid Tata -Member
    - iv. Miss Samar Shahid -Member
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 of the committee were as following:
  - a. Audit Committee - Quarterly
  - b. HR and Remuneration Committee - Annual
15. The Board has set up an effective internal audit function supervised by a qualified Head of Internal Audit who is considering suitably experienced for the purpose and is conversant with the policies and procedures of the company. During the year some of the internal audit activities were outsourced to professional firm who provided the services under supervision of Head of Internal Audit.
16. 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 (ICAP) 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 ICAP and that they and their 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.
17. 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.
18. We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the regulations have been complied with.

**ON BEHALF OF THE BOARD OF DIRECTORS**



**MAZHAR VALJEE**  
**CHAIRMAN**



**SHAHID ANWAR TATA**  
**CHIEF EXECUTIVE**

**Karachi**

**Dated: September 29, 2020**

## KEY OPERATING AND FINANCIAL DATA

RATIOS		2020	2019	2018	2017	2016	2015
<b>PROFITABILITY RATIOS</b>							
Gross Profit Ratio	%	10.27	13.39	14.55	7.90	3.87	5.32
Net (Loss) / Profit to sales	%	(5.34)	2.44	7.30	0.22	(5.13)	(2.87)
EBITDA Margin to sales	%	7.50	12.02	15.03	8.89	1.25	5.81
Operating leverage ratio	%	6.47	(0.20)	(10.07)	(16.03)	5.88	1.80
Return on Equity	%	(10.23)	4.24	19.08	0.71	(14.38)	(3.31)
Return on capital employed	%	3.94	11.01	15.22	8.12	(1.73)	(0.23)
<b>LIQUIDITY RATIOS</b>							
Current Ratio	Times	1.02	1.03	1.13	0.95	1.12	1.32
Quick/Acid test Ratio	Times	0.35	0.39	0.43	0.37	0.54	0.44
Cash on current liabilities	Times	0.03	0.01	0.01	0.01	0.02	0.11
Cash flow from operations to sales	Times	0.08	0.13	0.15	0.11	0.05	0.03
<b>INVESTMENT / MARKET RATIOS</b>							
(Loss)/Earning per Shares	Rs	(721.27)	369.46	920.15	25.03	(435.98)	(114.63)
Price/Earning ratio	Times	(2.00)	5.79	1.30	33.40	(2.17)	(6.45)
Price to Book ratio	%	20.48	24.58	24.88	23.64	31.17	21.35
Dividend Yield ratio	%	0.00	0.23	0.42	0.00	0.53	0.68
Dividend Payout ratio	%	0.00	1.35	0.54	0.00	(1.15)	(4.36)
Dividend Cover ratio	Times	0.00	73.89	184.03	0.00	(87.20)	(22.93)
Cash Dividend per Share	Rs	-	5.00	5.00	-	5.00	5.00
Book Value per Share as at June 30th	Rs	7,053.51	8,705.37	4,822.39	3,536.40	3,031.90	3,461.46
Market Value per Share as at June 30th	Rs	1,444.82	2,139.99	1,200.00	835.91	945.00	739.00
<b>CAPITAL STRUCTURE RATIOS</b>							
Financial Leverage ratio	Times	1.07	1.02	1.89	2.58	2.83	2.09
Weighted average cost of debt	%	11.33	9.74	6.62	6.62	7.54	5.08
Debt to equity ratio	Times	59:41	56:44	68:32	74:26	76:24	71:29
Interest Cover / Time Interest earned ratio	Times	0.43	1.48	2.29	1.16	(0.26)	(0.67)
<b>ACTIVITY / TURNOVER RATIOS</b>							
Total Assets Turnover ratio	Times	0.79	0.76	0.85	0.83	0.66	0.34
Fixed Assets Turnover ratio	Times	1.25	1.21	1.42	1.27	0.98	0.49
No. of days in Inventory	Days	121	124	124	98	91	231
No. of days in Receivables	Days	32	41	38	32	29	23
No. of days in Payables	Days	47	26	17	17	38	51
Operating cycle	Days	108	139	145	114	80	199
Inventory Turnover Ratio	Times	3.01	2.94	2.94	3.74	4.00	1.58
Debtors Turnover Ratio	Times	11.38	8.70	9.46	11.10	12.48	15.97
Return on assets	%	(4.24)	1.87	6.17	0.18	(3.40)	(0.97)



## COMMENTS ON SIX YEARS ANALYSIS ON THE PERFORMANCE OF THE COMPANY

### ECONOMIC SLOW DOWN AND COVID 19

Pakistan's economy has been in decline due to fiscal and economic measures taken by the Government and State bank of Pakistan during the past two years and the textile spinning industry has been impacted by the US-China trade conflict December 2019 onwards and Covid pandemic March 2020 onwards combined effect of these have had a myriad impacts including high interest cost, recession and resulting reduced demand, shift from exporting to more local sales to identify a few. As a result, an analysis of ratio's over the period under review makes the current year quite incomparable.

### STATEMENT OF FINANCIAL POSITION

Over the previous five years, the asset base of the Company elevated due to investment in property, plant and equipment, stock-in-trade and trade debtors however, during current year the asset base reduced mainly due to no new Investment in fixed assets and pointed reduction in stocks and receivables to minimize working capital utilization and reduce financing cost.

The shareholder's equity consists of share capital, reserves and revaluation surplus, pursuant to a change as per Companies Act, 2017. Equity which had been increasing over the past five years due to earnings and revaluation surplus reduced in the current year due to loss resulting from highly abnormal conditions arising from high interest rates, Covid pandemic and changes in demand and supply patterns.

The non-current liabilities of the Company which had been reducing over the past six years as per the repayment schedule following plant modernization however, non-current liabilities remained in line with last year due to loan repayment deferrals obtained based on Covid related incentives offered by the SBP. The current liabilities also reduced due to lower working capital requirement from stocks and receivables.

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

While the turnover of the company has grown 13% over the average of past four years pursuant to an increase in selling prices but declined this year by 11% as volumes took a hit due to economic challenges, demand reduction and production shut downs resulting from Covid pandemic. Cost of Sales was impacted by the sudden exchange devaluations increased the cost of imported raw materials consequently impacted amount and rate of gross margin.

Administrative, selling and distribution expenses have increased 6% over last year mainly due to increase and salaries and wages and increase in export related expenses.

Finance cost increased by 5% mainly on account of consistent hikes in the Policy rate by SBP which was part of several unprecedented measures being taken by the Government over the past two years to manage the economy under direction of IMF. short-term running finance remained pretty much at last years level only reducing marginally resulted in high finance cost which was required to support working capital.

Other operating expenses increased significantly due to unallocated expenses resulting from forced plant shut down during the pandemic and exchange losses from frequent rupee devaluations on import of raw materials.

The impact of the afore-stated, together with taxes resulted into a significant loss for the current year.

## **CASHFLOW ANALYSIS**

The Company's BMR is financed mainly from long-term borrowing and the working capital requirement is fulfilled through short term running finance from reputable banks. The Company generated significant cash flow from its operating activities by effectively utilizing its working capital with reduction in stocks, trade debts and increase in trade payables from delay in payments to suppliers to conserve cash during Covid pandemic. The cash used in investing activities comprises mainly for minor BMR. The financing activities of the Company comprises mainly for long-term and short term repayments before Covid.

## **RATIO ANALYSIS**

### **PROFITABILITY RATIOS**

The Company achieved a reduced gross profit of Rs.693 million due to reduced sales on account of Covid pandemic and escalation in imported raw material costs due to frequent devaluations.

### **INVESTMENT / MARKET RATIOS**

The loss per share is Rs.721.27 which has been the lowest in the last six years as the bottom line was severely impact by reduced sales, raw material cost escalations, inventory write downs due to reduced demand and plant shut downs resulting from Covid pandemic and higher financing cost.

### **LIQUIDITY RATIOS**

The current ratio was in line with last year helped by efficient utilization of working capital requirements.

### **CAPITAL STRUCTURE RATIOS**

The gearing level of the Company demonstrated an upward trend mainly due to deferral of long term loans under SBP Covid relaxations and loss for the current year which reduced equity.

### **ACTIVITY/ TURNOVER RATIOS**

The operating cycle reduced to 108 days compared to average of last five years due to efficient management of working capital i.e. Stock and receivable days on hand both reduced while Payable days were higher at 47 days versus 26 days last year to conserve cash and payments being made only to critical suppliers.

## Analysis of the Financial Position

	2020	2019	2018	2017	2016	2015
	----- Rupees in million -----					
Property, plant and equipment	5,407	5,646	3,986	4,197	3,983	3,719
Other non current assets	5	592	453	312	361	343
Current assets	3,098	3,652	3,015	2,369	2,069	1,828
<b>Total assets</b>	<b>8,509</b>	<b>9,890</b>	<b>7,454</b>	<b>6,877</b>	<b>6,414</b>	<b>5,890</b>
Shareholders' equity	3,527	4,353	2,411	1,768	1,516	1,731
Non current liabilities	1,953	2,003	2,378	2,614	3,048	2,777
Current portioin of long term financing	17	600	361	569	-	-
Short term borrowings	1,966	2,148	1,903	1,571	1,286	974
Other current liabilities	1,046	786	401	356	565	408
<b>Total equity &amp; liabilities</b>	<b>8,509</b>	<b>9,890</b>	<b>7,454</b>	<b>6,877</b>	<b>6,414</b>	<b>5,890</b>
<b>Vertical Analysis</b>				<b>Percentage</b>		
Property, plant and equipment	63.5	57.1	53.5	61.0	62.1	63.1
Other non current assets	0.1	6.0	6.1	4.5	5.6	5.8
Current assets	36.4	36.9	40.5	34.4	32.3	31.1
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Shareholders' equity	41.5	44.0	32.4	25.7	23.6	29.4
Non current liabilities	23.0	20.3	31.9	38.0	47.5	47.2
Current portioin of long term financing	0.2	6.1	4.9	8.3	-	-
Short term borrowings	23.1	21.7	25.5	22.8	20.0	16.5
Other current liabilities	12.3	8.0	5.4	5.2	8.8	6.9
<b>Total equity &amp; liabilities</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Horizontal Analysis</b>				<b>Percentage</b>		
Property, plant and equipment	(4.2)	41.7	(5.0)	5.4	7.1	315.1
Other non current assets	(99.2)	30.6	45.3	(13.8)	5.5	12.0
Current assets	(15.2)	21.1	27.3	14.5	13.2	93.1
<b>Total assets</b>	<b>(14.0)</b>	<b>32.7</b>	<b>8.4</b>	<b>7.2</b>	<b>8.9</b>	<b>174.1</b>
Shareholders' equity	(19.0)	80.5	36.4	16.6	(12.4)	(1.3)
Non current liabilities	(2.5)	(15.8)	(9.0)	(14.2)	9.7	2,294.3
Current portioin of long term financing	(97.2)	66.1	100.0	-	-	-
Short term borrowings	(8.5)	12.9	21.2	22.2	100.0	-
Other current liabilities	33.1	96.0	12.7	(37.0)	38.3	46.4
<b>Total equity &amp; liabilities</b>	<b>(14.0)</b>	<b>32.7</b>	<b>8.4</b>	<b>7.2</b>	<b>8.9</b>	<b>174.1</b>

## Analysis of the Profit or Loss

	2020	2019	2018	2017	2016	2015
----- Rupees in million-----						
Revenue from contract with customers - net	6,749	7,557	6,303	5,708	4,248	1,998
Cost of sales	(6,056)	(6,546)	(5,386)	(5,257)	(4,083)	(1,892)
<b>Gross profit</b>	<b>693</b>	<b>1,012</b>	<b>917</b>	<b>451</b>	<b>164</b>	<b>106</b>
Administration, selling and distribution expenses	(255)	(241)	(208)	(167)	(164)	(106)
Other operating expenses	(223)	(70)	(54)	(10)	(35)	(5)
Other operating income	1	(1)	75	82	(44)	(6)
<b>Operating profit/(loss) before financing cost</b>	<b>216</b>	<b>700</b>	<b>729</b>	<b>356</b>	<b>(79)</b>	<b>(10)</b>
Finance cost	(497)	(473)	(319)	(305)	(306)	(15)
<b>Profit/(loss) before taxation</b>	<b>(282)</b>	<b>226</b>	<b>410</b>	<b>50</b>	<b>(385)</b>	<b>(26)</b>
Taxation	(79)	(42)	50	(38)	167	(32)
<b>Profit/(loss) after taxation</b>	<b>(361)</b>	<b>185</b>	<b>460</b>	<b>13</b>	<b>(218)</b>	<b>(57)</b>

### Vertical Analysis

	Percentage					
Revenue from contract with customers - net	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(89.7)	(86.6)	(85.5)	(92.1)	(96.1)	(94.7)
<b>Gross profit</b>	<b>10.3</b>	<b>13.4</b>	<b>14.6</b>	<b>7.9</b>	<b>3.9</b>	<b>5.3</b>
Administration, selling and distribution expenses	(3.8)	(3.2)	(3.3)	(2.9)	(3.9)	(5.3)
Other operating expenses	(3.3)	(0.9)	(0.9)	(0.2)	(0.8)	(0.2)
Other operating income	0.0	(0.0)	1.2	1.4	(1.0)	(0.3)
<b>Operating profit/(loss) before financing cost</b>	<b>3.2</b>	<b>9.3</b>	<b>11.6</b>	<b>6.2</b>	<b>(1.9)</b>	<b>(0.5)</b>
Finance cost	(7.4)	(6.3)	(5.1)	(5.4)	(7.2)	(0.8)
<b>Profit/(loss) before taxation</b>	<b>(4.2)</b>	<b>3.0</b>	<b>6.5</b>	<b>0.9</b>	<b>(9.1)</b>	<b>(1.3)</b>
Taxation	(1.2)	(0.6)	0.8	(0.7)	3.9	(1.6)
<b>Profit/(loss) after taxation</b>	<b>(5.3)</b>	<b>2.5</b>	<b>7.3</b>	<b>0.2</b>	<b>(5.1)</b>	<b>(2.9)</b>

### Horizontal Analysis

	Percentage					
Revenue from contract with customers - net	(10.7)	19.9	10.4	34.4	112.6	2.5
Cost of sales	(7.5)	21.5	2.5	28.7	115.8	12.2
<b>Gross profit</b>	<b>(31.5)</b>	<b>10.3</b>	<b>103.3</b>	<b>174.3</b>	<b>54.8</b>	<b>(59.6)</b>
Administration, selling and distribution expenses	6.0	15.6	24.5	1.9	55.1	(19.1)
Other operating expenses	216.9	29.3	424.3	(70.1)	657.2	(64.7)
Other operating income	(186.9)	(101.1)	(9.3)	(285.7)	626.6	(118.0)
<b>Operating profit/(loss) before financing cost</b>	<b>(69.2)</b>	<b>(4.0)</b>	<b>105.0</b>	<b>(551.1)</b>	<b>662.1</b>	<b>(106.8)</b>
Finance cost	5.1	48.4	4.4	(0.1)	1,879.0	(29.8)
<b>Profit/(loss) before taxation</b>	<b>(224.4)</b>	<b>(44.8)</b>	<b>716.4</b>	<b>(113.1)</b>	<b>1,390.9</b>	<b>(119.7)</b>
Taxation	89.0	(183.8)	(231.9)	(122.7)	(628.5)	8.7
<b>Profit/(loss) after taxation</b>	<b>(295.2)</b>	<b>(59.9)</b>	<b>3,575.6</b>	<b>(105.7)</b>	<b>280.3</b>	<b>(156.2)</b>

## Analysis of the Cash Flow

	2020	2019	2018	2017	2016	2015
	----- Rupees in million -----					
Net cash generated/(used in) from operating activities	804	148	4	(233)	(335)	(827)
Net cash (outflows)/inflows from investing activities	(62)	(27)	(14)	(51)	(455)	(2,694)
Net cash inflows/(outflows) from financing activities	(818)	7	(96)	194	336	3,321
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(76)</b>	<b>128</b>	<b>(106)</b>	<b>(90)</b>	<b>(454)</b>	<b>(200)</b>

### Vertical Analysis

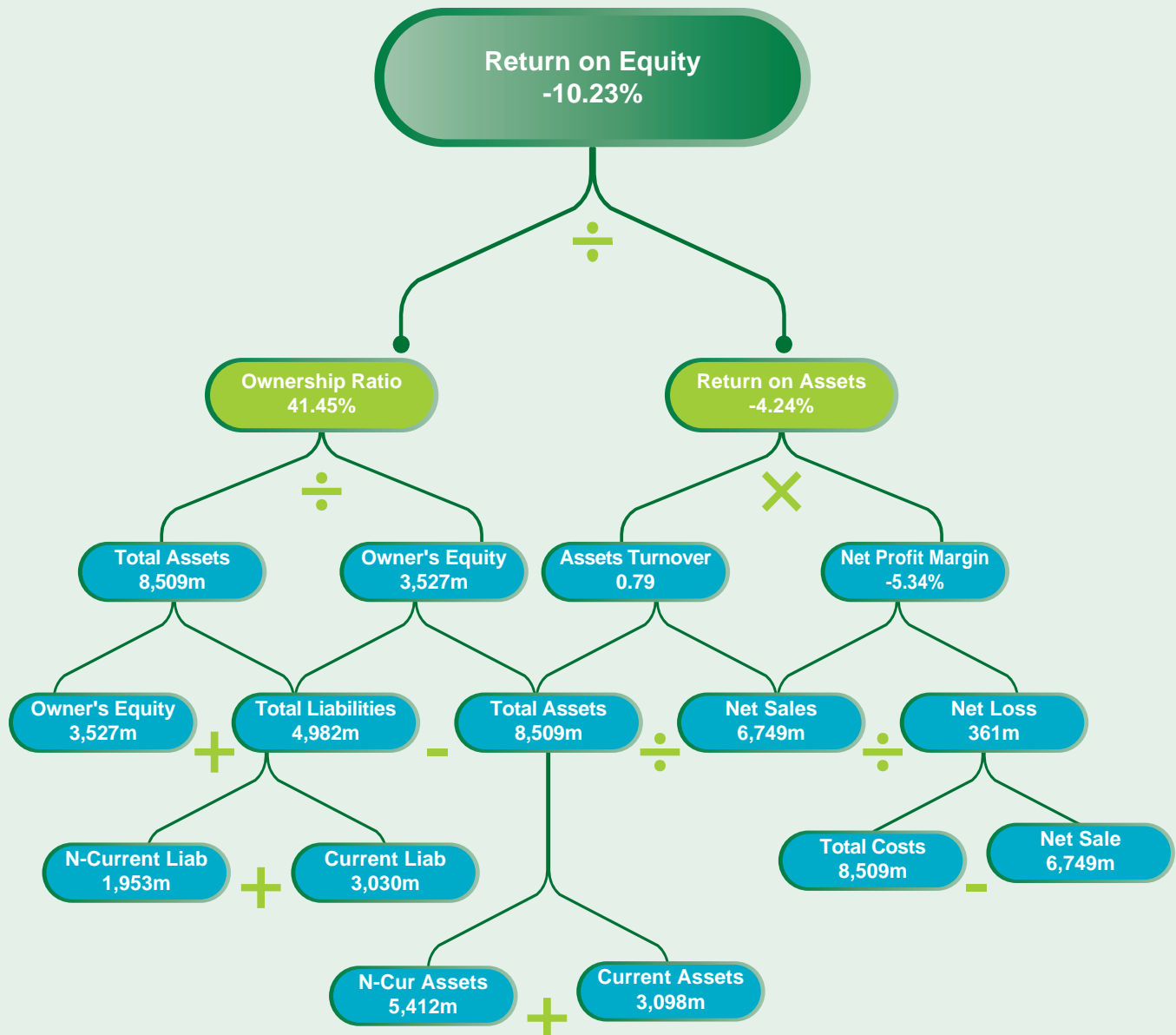
		Percentage				
Net cash (used in)/generated from operating activities	(1,051.9)	115.5	(3.6)	256.6	73.8	415.1
Net cash (outflows)/inflows from investing activities	81.2	(21.3)	12.8	56.6	100.2	1,351.9
Net cash inflows/(outflows) from financing activities	1,070.7	5.8	90.8	(213.2)	(74.0)	(1,666.9)
<b>Net increase in cash and cash equivalents</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Horizontal Analysis

		Percentage				
Net cash (used in)/generated from operating activities	441.5	3,754.3	(101.7)	(30.4)	(59.5)	1,116.2
Net cash (outflows)/inflows from investing activities	126.5	101.3	(73.6)	(88.7)	(83.1)	(1,860.6)
Net cash inflows/(outflows) from financing activities	(11,024.7)	(107.8)	(149.7)	(42.3)	(89.9)	(1,659.4)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(159.4)</b>	<b>(221.2)</b>	<b>16.7</b>	<b>(80.0)</b>	<b>127.9</b>	<b>55.7</b>



## DuPont Analysis

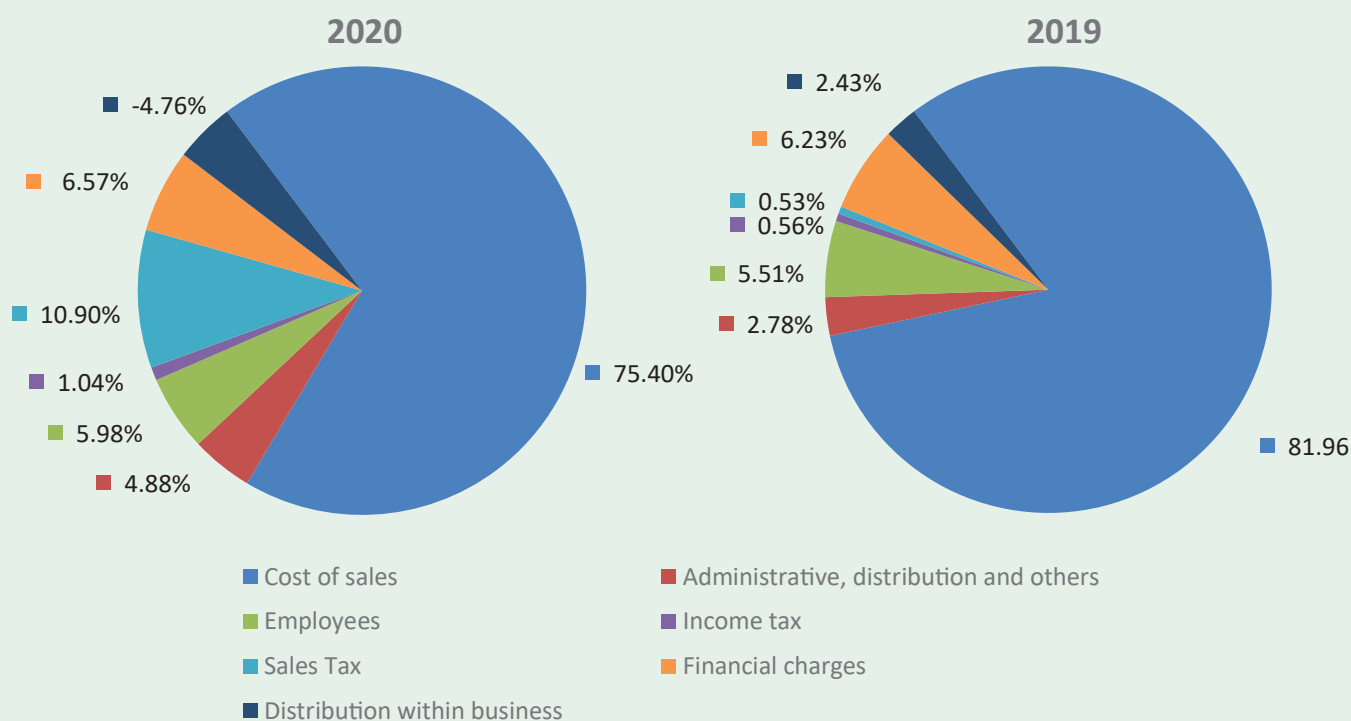


## Statement of Value Additions and its Distribution

	2020		2019	
	Rs. In '000'	%	Rs. In '000'	%
<b>Wealth generated</b>				
Sales including sales tax	7,575,102	99.99%	7,596,378	100.01%
Other operating income	714	0.01%	(822)	-0.01%
	<b>7,575,816</b>	<b>100.00%</b>	<b>7,595,557</b>	<b>100.00%</b>

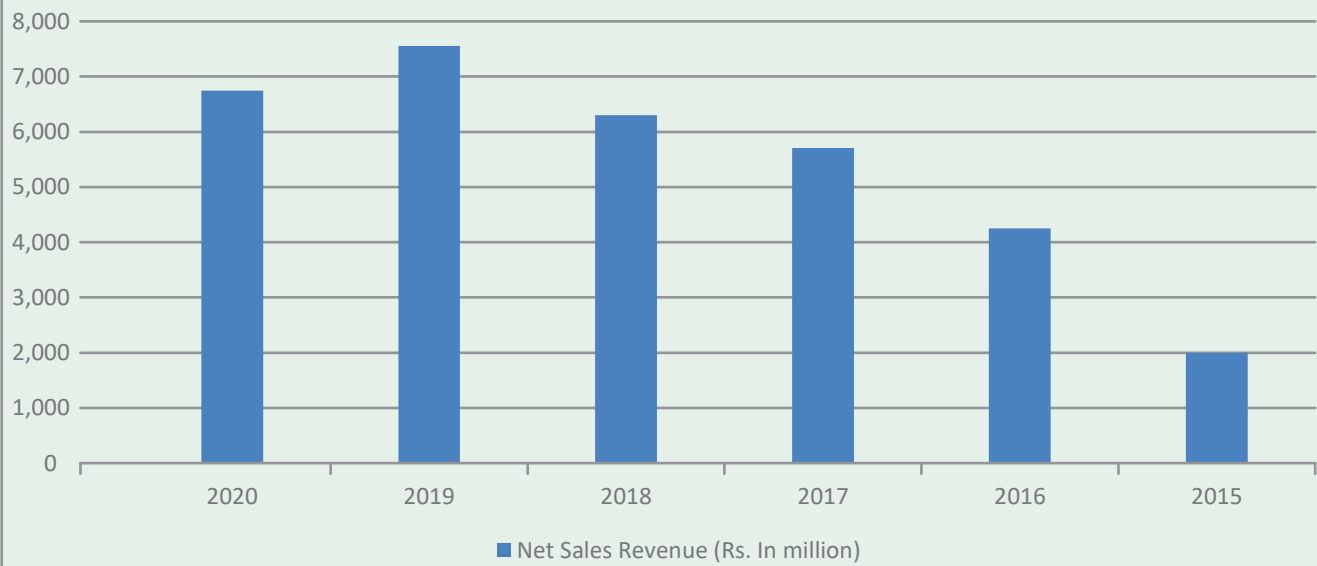
### Wealth distribution

Cost of sales	5,712,116	75.40%	6,227,189	81.96%
Administrative, distribution and others	369,534	4.88%	210,918	2.78%
Employees	452,788	5.98%	418,687	5.51%
Income tax	78,896	1.04%	41,736	0.56%
Sales Tax	825,703	10.90%	39,135	0.53%
Financial charges	497,416	6.57%	473,162	6.23%
Distribution within business	(360,636)	-4.76%	184,729	2.43%
	<b>7,575,816</b>	<b>100.00%</b>	<b>7,595,557</b>	<b>100.00%</b>

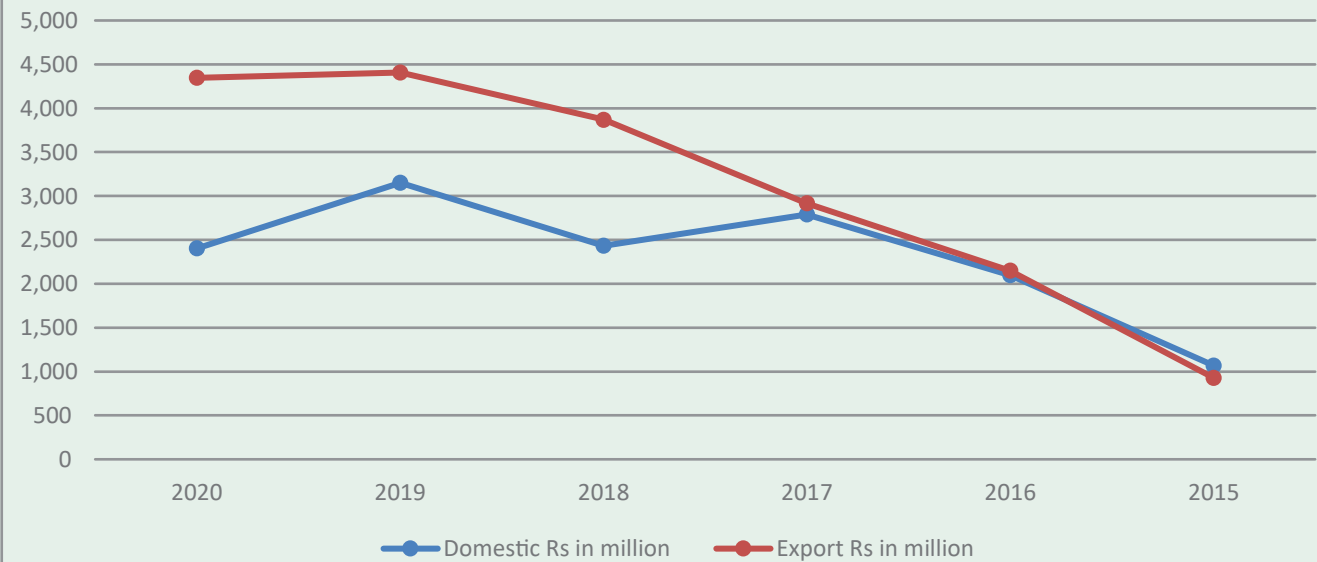


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### Net Sales Revenue

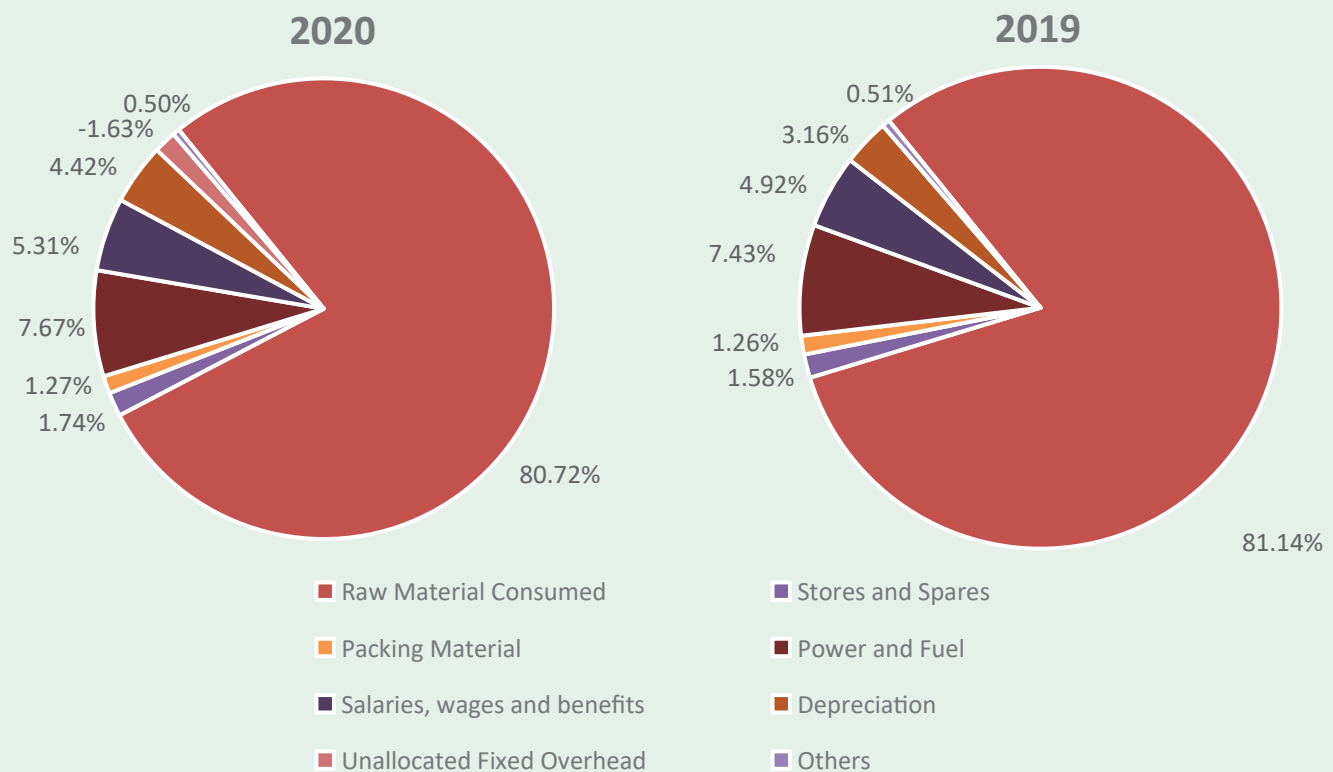


### Sales Breakup



## Analysis of Costs

	2020		2019	
	Rs. In '000'	%	Rs. In '000'	%
Raw Material Consumed	5,222,109	80.72%	5,248,622	81.14%
Stores and Spares	112,349	1.74%	102,199	1.58%
Packing Material	81,856	1.27%	81,215	1.26%
Power and Fuel	496,198	7.67%	480,538	7.43%
Salaries, wages and benefits	344,216	5.31%	318,449	4.92%
Depreciation	286,032	4.42%	204,250	3.16%
Unallocated Fixed Overhead	(105,606)	-1.63%	-	0.00%
Others	32,527	0.50%	33,277	0.51%
<b>Total</b>	<b>6,469,681</b>	<b>100.00%</b>	<b>6,468,550</b>	<b>100.00%</b>



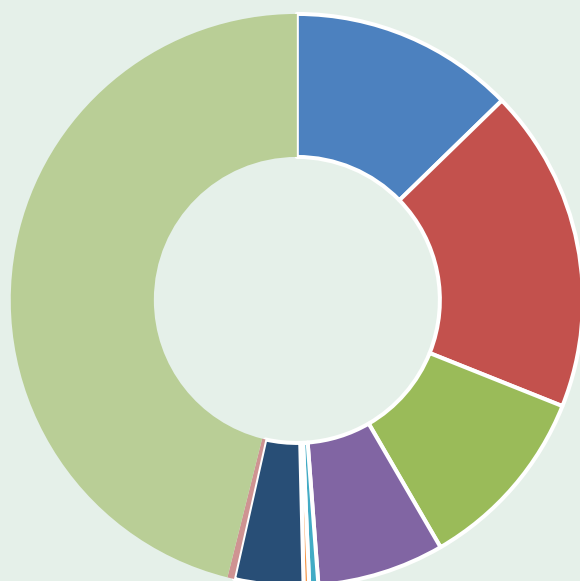
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## CONVERSION COST

Salaries, wages and benefits
Electricity, gas and water
Depreciation and amortisation
Operational supplies and consumables
Insurance
Repairs and maintenance
Unallocated Fixed Overhead
Others
<b>Total</b>

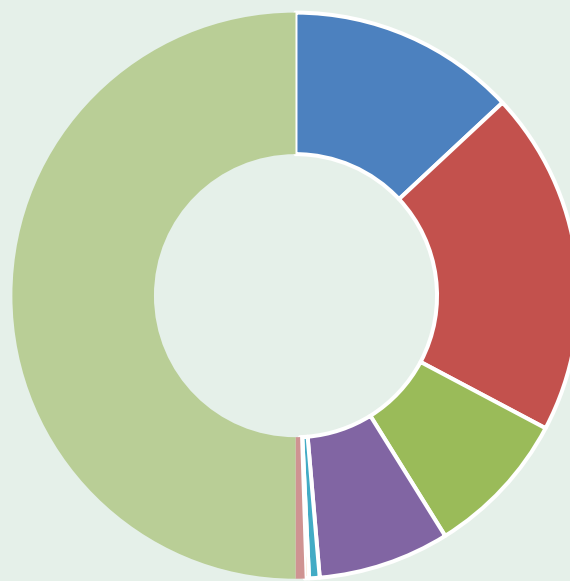
2020	2019
...Rs in Million ...	...Rs in Million ...
344	318
496	481
286	204
194	183
14	15
9	6
(106)	-
10	13
<b>1,248</b>	<b>1,220</b>

2020 ...Rs in Million ...



- Salaries, wages and benefits
- Depreciation and amortisation
- Insurance
- Unallocated Fixed Overhead

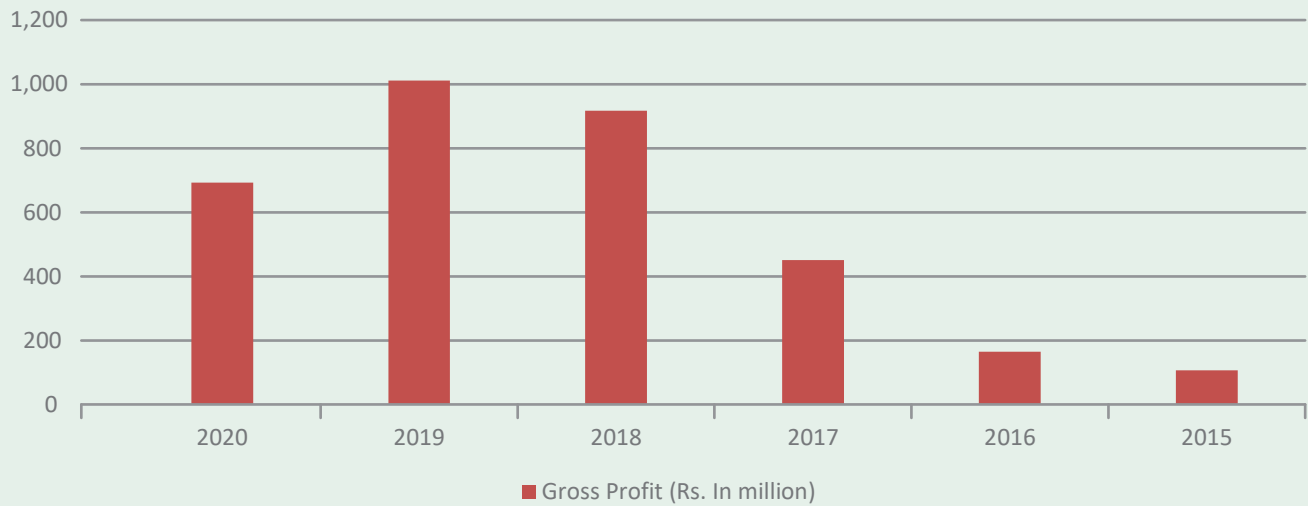
2019 ...Rs in Million ...



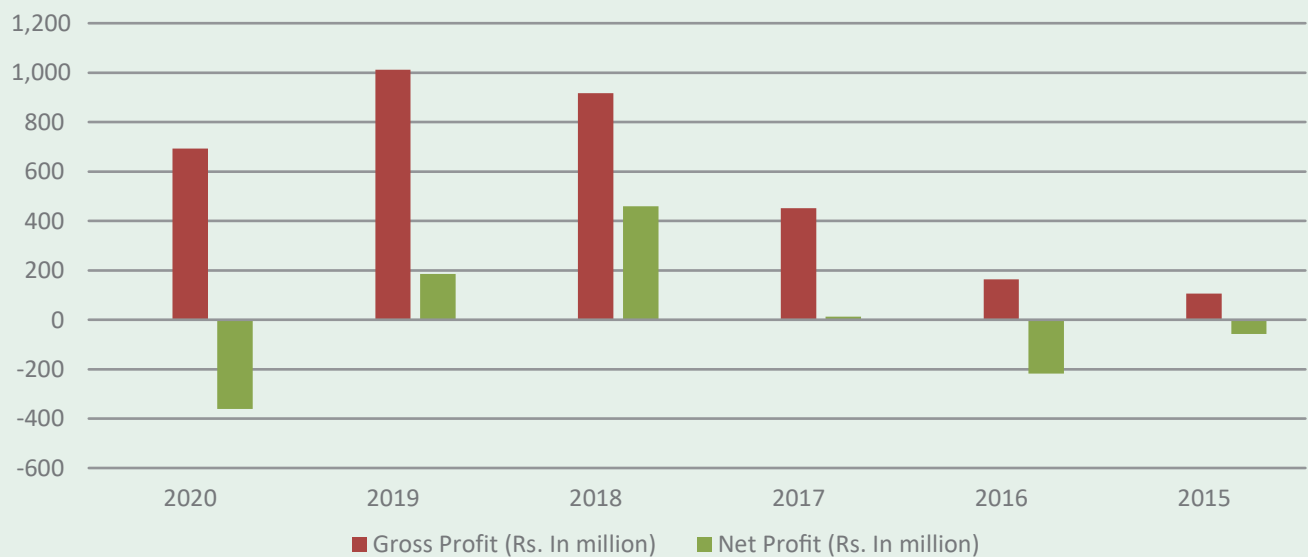
- Electricity, gas and water
- Operational supplies and consumables
- Repairs and maintenance
- Others



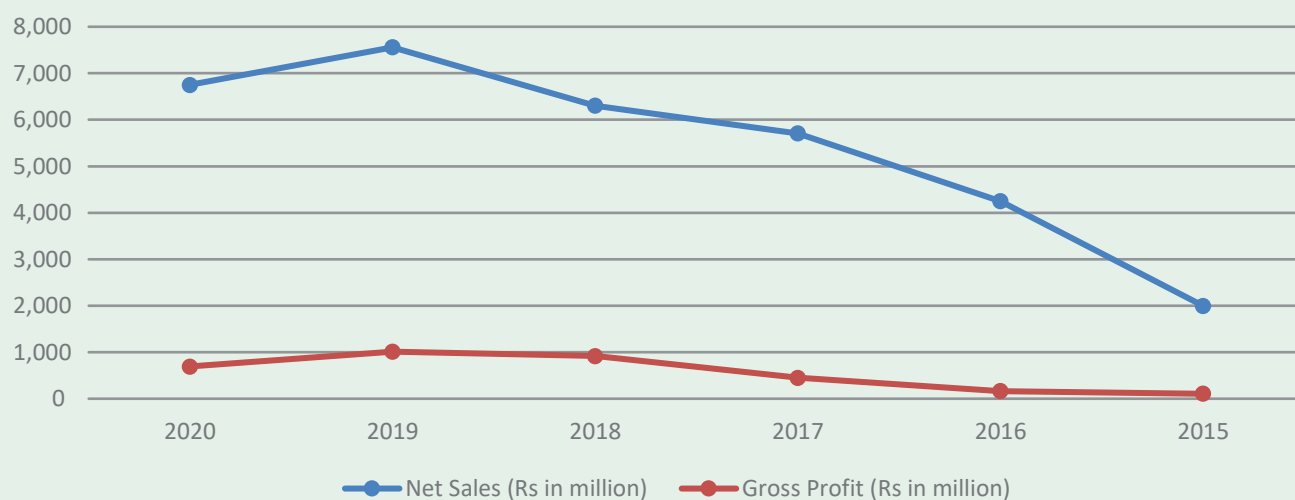
### Gross Profit



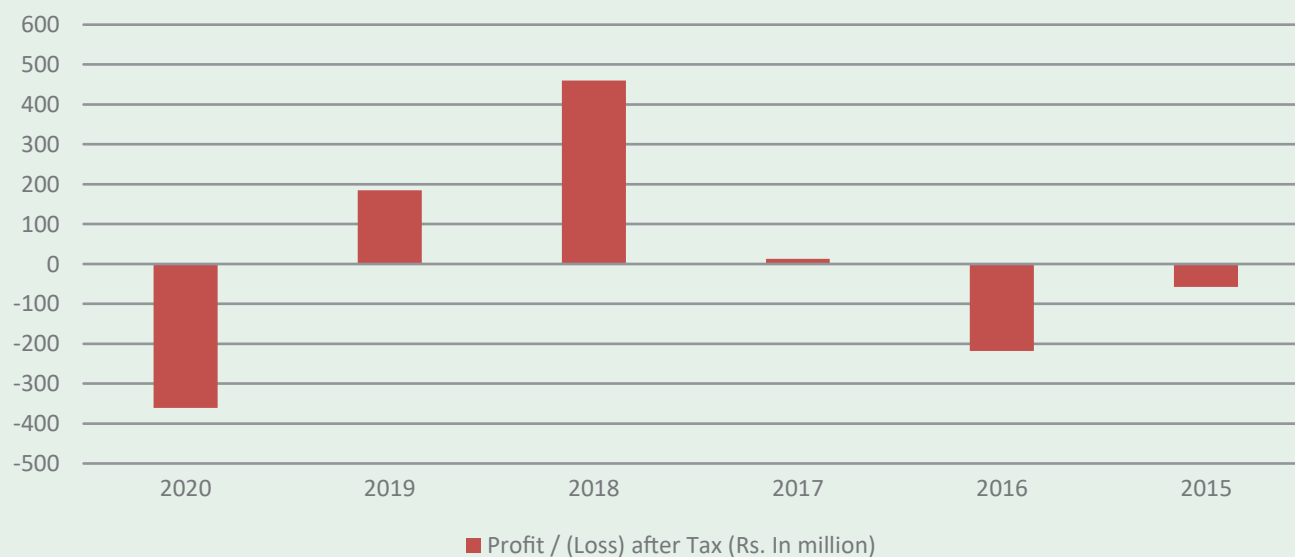
### Gross & Net Profit

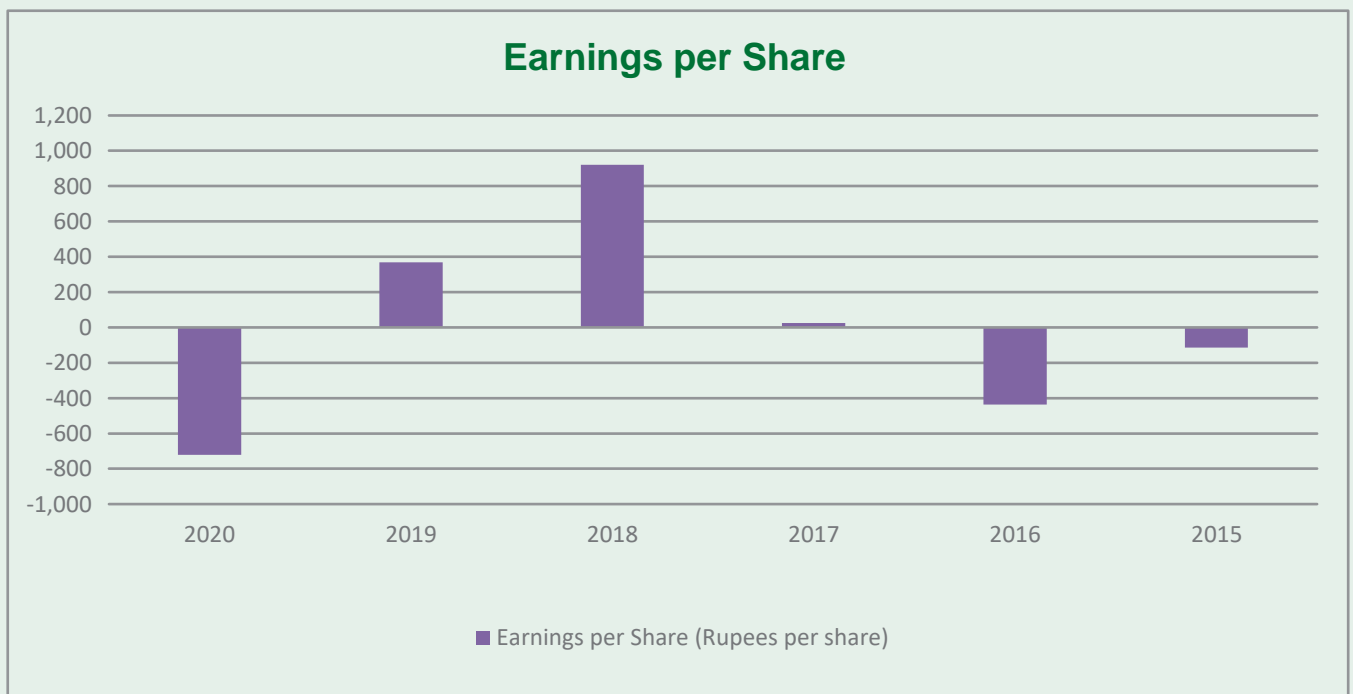
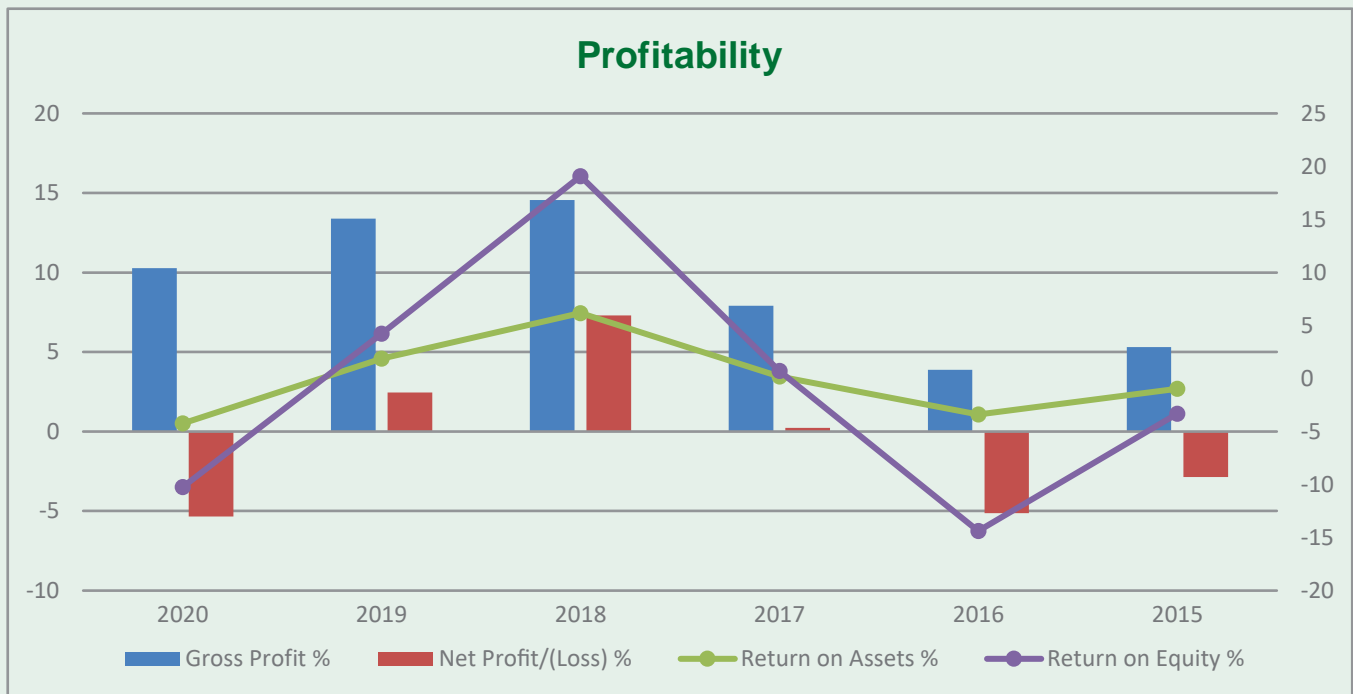


### Net Sales and Gross Profit

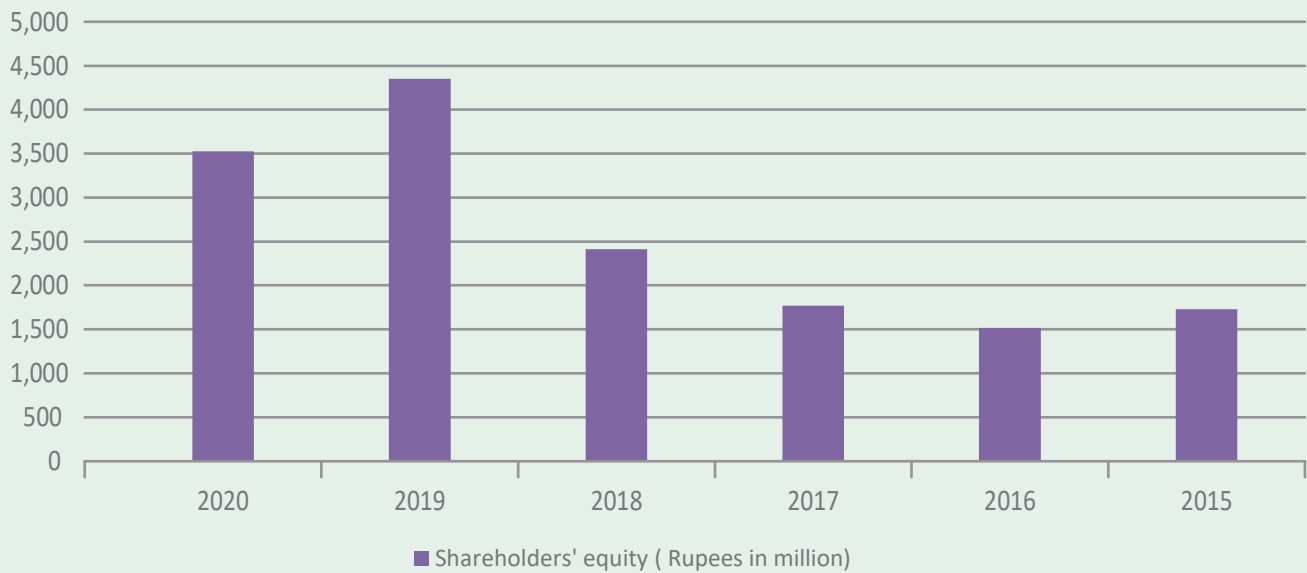


### Profit / (Loss) after Tax

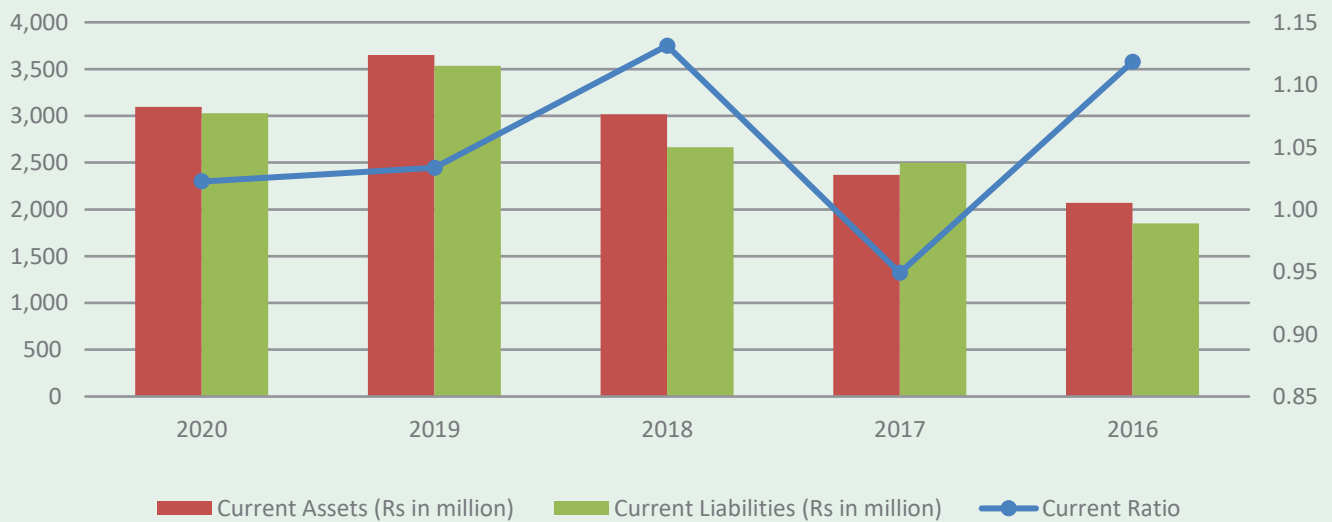




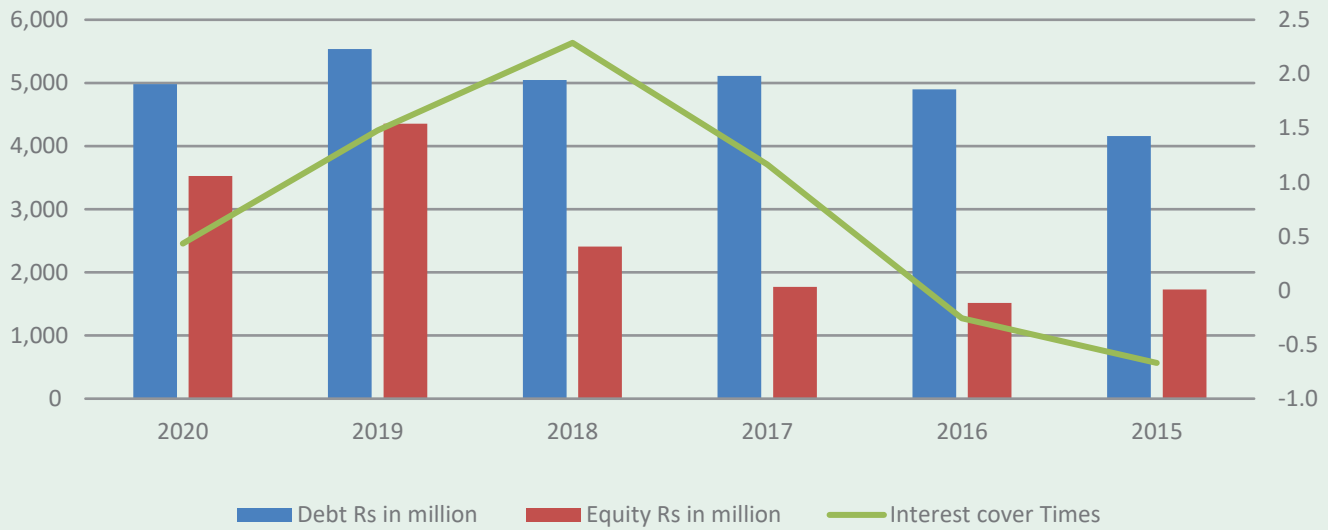
### Shareholders equity



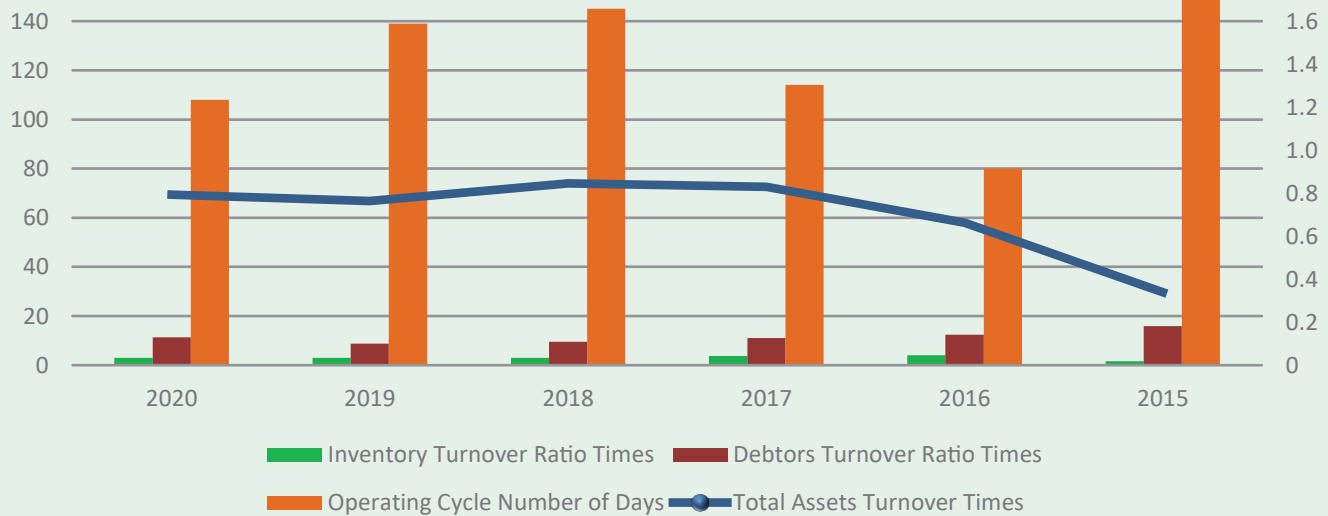
### Current Assets, Current Liabilities & Current Ratio



### Debt Management & Interest Cover Ratio



### Asset Management Ratio





## PATTERN OF SHAREHOLDING

AS AT JUNE 30, 2020

NO. OF SHAREHOLDERS	SHARE-HOLDING FROM	TO	TOTAL SHARES HELD
366	1	100	17,034
36	101	500	9,105
4	501	1000	3,620
9	1001	5000	22,067
1	35001	40000	35,530
1	40001	45000	40,600
1	50001	55000	51,050
1	320001	325000	320,994
<b>419</b>			<b>500,000</b>

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDER	SHARES HELD	PERCENTAGE
Directors, their Spouse(s) and Minor Children	9	382,491	76.50
Public Sector companies & Corporations	2	150	0.03
Mutual Funds	2	76,130	15.23
Others	6	3,070	0.61
General Public	400	38,159	7.63
	<b>419</b>	<b>500,000</b>	<b>100.00</b>

### DETAIL CATEGORIES OF SHAREHOLDERS

	No. of Shareholders	Shares Held
<b>DIRECTORS, THEIR SPOUSE(S) &amp; MINOR CHILDREN</b>		
Mr. Anwar Ahmed Tata (Late) ( Chairman )	1	500
Mr. Shahid Anwar Tata ( Chief Executive )	1	320,994
Mr. Adeel Shahid Tata ( Director )	1	3,447
Mr. Bilal Shahid Tata ( Director )	1	2,500
Mr. Muhammad Waris Magoon ( Director )	1	100
Mr. Farooq Advani ( Director )	1	100
Miss Samar Shahid Tata ( Director )	1	100
Mrs. Parveen Anwar (W/o of Mr. Anwar Ahmed Tata)	1	51,050
Mrs. Saiqa Shahid (W/o of Mr. Shahid Anwar Tata)	1	3,700
	<b>9</b>	<b>382,491</b>

**DETAIL CATEGORIES OF SHAREHOLDERS  
AS AT JUNE 30,2020**

**PUBLIC SECTOR COMPANIES AND  
CORPORATIONS**

Investment Corporation of Pakistan

No. of Shareholders	Shares Held
2	150

**MUTUAL FUNDS**

CDC - Trustee AKD Opportunity Fund  
CDC - Trustee Golden Arrow Stock Fund

1	35,530
1	40,600
<b>2</b>	<b>76,130</b>

**OTHERS**

Fateh Textile Mills Ltd.  
Maan Securities (Private) Limited  
Yasir Mahmood Securities (Pvt) Ltd.  
Fikrees (Private) Limited  
Everfresh Farms (Pvt.) Limited  
MRA Securities Limited - MF

1	50
1	20
1	350
1	920
1	350
1	1,380
<b>6</b>	<b>3,070</b>

**GENERAL PUBLIC**

Local

<b>400</b>	<b>38,159</b>
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Grand Total

<b>419</b>	<b>500,000</b>
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**Shareholders Holding 5% or more**

Mr. Shahid Anwar Tata ( CEO)  
Mrs. Parveen Anwar(W/o of Mr. Anwar Tata)  
CDC - Trustee AKD Opportunity Fund  
CDC - Trustee Golden Arrow Stock Fund

Shares Held	Percentage
320,994	64.20
51,050	10.21
35,530	7.11
40,600	8.12

## Notice of Annual General Meeting

Notice is hereby given that the 51st Annual General Meeting of the Shareholders of Island Textile Mills Limited will be held on Monday, the October 26, 2020 at 2:30 p.m. at 5th Floor, Textile Plaza, M. A. Jinnah Road, Karachi to transact the following businesses:

### ORDINARY BUSINESS

1. To confirm the minutes of the last Extra Ordinary General Meeting held on September 24, 2020.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2021. The present auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants, retiring and being eligible, have offered themselves for reappointment.

### SPECIAL BUSINESS

#### Ordinary Resolution

4. To consider and pass the following ordinary resolutions:
  - a) "RESOLVED that the transactions carried out in normal course of business with associated companies as disclosed in Note No. 37 of the audited financial statements for the year ended June 30, 2020 be and are hereby ratified and approved."
  - b) "RESOLVED that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2021 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."
5. To transact any other ordinary business or businesses with the permission of the Chairman.

Statement under section 134(3) of the Companies Act, 2017 pertaining to the Special Business is being annexed.

By Order of the Board of Directors



Muhammad Hussain  
Company Secretary

Karachi:  
Dated: October 5, 2020

## 1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from October 19, 2020 to October 26, 2020 (both days inclusive). Transfer received in order at the office of Share Register, M/s CDC Share Registrar Service Limited, CDC, House, 99-B, Block S.M.C.H.S., Main Shahra-e-Faisal, Karachi by the close of business on October 16, 2020 will be considered in time to attend and vote at the meeting.

## 2. Participation in the Annual General Meeting electronically and appointing proxies

- i. Due to Covid-19 situation, members are encouraged to attend the AGM through Video link or by consolidating their attendance through proxies. The shareholders who wish to attend the AGM through video link are requested to get themselves registered by sending their particulars (Name, Folio Number, Cell Number and e-mail address) at the designated e-mail address (itm.corporate@tatapakistan.com). Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.
- ii. Members entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order, must be received at the Company's Registered Office duly stamped and signed not later than 48 hours before the time of the meeting.
- iii. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove identity and in case of proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the Board of Directors' resolution/power of attorney with specimen signature of the nominee.

## 3. Change of Address and other (if any)

Members are requested to notify their change of address, Zakat declaration (CZ-50) and tax exemption certificate (if any) immediately to Company's Share Registrar M/s CDC Share Registrar Service Limited.

## 4. Payment of Cash Dividend Electronically (Mandatory)

Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.

5. **CNIC / NTN** Pursuant to the directive of the Securities Exchange Commission of Pakistan (SECP), CNIC of members are mandatorily required to be mentioned on Tax/ Zakat certificate. Members are therefore requested to submit a copy of their valid CNIC (if not already provided) to Company's Share Registrar M/s CDC Share Registrar Service Limited.

6. **Unclaimed Dividends and Bonus Shares** Shareholders, who by any reason, could not claim their

dividend or bonus shares or did not collect their physical shares, are advised to contact Company's Share Registrar M/s CDC Share Registrar Services Limited to collect/ enquire about their unclaimed dividend or pending shares, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

- 7. E-Voting** Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.
- 8. Video Conference** Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the information to the Share Registrar Office of the Company i.e. Messrs. CDC Share Registrar Services Limited, CDC House, 99-B, Shahr-e Faisal, Karachi PABX No. (+9221) 111-111-500 and email [info@cdcpak.com](mailto:info@cdcpak.com)
- 9. Circulation of Annual Audited Accounts via Email/CD/SUB/DVD or any other Media** SECP through its SRO 470(1)2016, dated May 31, 2016, has allowed companies to circulate the Annual Reports to its member through CD/DVD/USB at their registered addresses. Any member requiring printed copy of Annual Report 2020 may send a request

Pursuant to SECP SRO 787(I)/2014 dated September 08, 2014 and under section 223(6) of the Companies Act 2017, circulation of Annual Report and Notice of AGM has been allowed in electronic format through email.

In compliance with the above shareholders are requested to give their consent to our Shares Registrar, M/s CDC Share Registrar Services Limited at CDC House, 99-B, Block-B, S.M.C.H.S, Shahr-e-Faisal, Karachi to update our record.

#### **10. Placement of Financial Accounts on Website**

Pursuant to the notification of the SECP S.R.O. 1196(I)/2019 dated October 03, 2019, the financial statements of the Company have been placed on the Company's website at [www.tatapakistan.com](http://www.tatapakistan.com).

#### **Statement under Section 134(3)(B) of the Companies Act, 2017**

This statement is annexed to the notice of Annual General Meeting of the members of Salfi Textile Mills Ltd. to be held on October 26, 2020 and sets out the material facts concerning the following Special Business to be transacted at the meeting for approval of members.



### Ordinary Resolution

1. Agenda Item No. 4(a) of the Notice – Transactions carried out with associated companies during the year ended June 30, 2020 to be passed as an Ordinary Resolution.

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 15 of Listed Companies Code of Corporate Governance Regulations 2019.

During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions carried out during the financial year ended June 30, 2020 with associated companies shown in note No. 37 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

2. Agenda Item No. 4(b) of the Notice – Authorization to the Chief Executive Officer for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2021 to be passed as an Ordinary Resolution.

The Company is expected to be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore, such transactions with associated companies have to be approved by the shareholders.

In order to comply with the provisions of clause 15 of Listed Companies Code of Corporate Governance Regulations 2019, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2021.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.



**Deloitte Yousuf Adil**  
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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ISLAND 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 **Island Textile Mills Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of Regulation 36 of the Regulations.

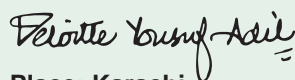
The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight 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 transactions. 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 June 30, 2020.

**Chartered Accountants**



**Place: Karachi**

**Date: September 29, 2020**

Member of  
Deloitte Touche Tohmatsu Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLAND TEXTILE MILLS LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Island Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 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 opinion.

#### Emphasis of Matter

We draw attention to Note 1.2 of the financial statements, which describes the amalgamation of Island Textile Mills Limited (the Company), Salfi Textile Mills Limited (SALT) and Tata Energy Limited (TEL) into Tata Textile Mills Limited (TATM). Our opinion is not modified in respect of this matter.

#### 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.



Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
<b>1. Revenue Recognition</b>	
<p>The Company is engaged in manufacturing and sale of yarn. Revenue recognition policy has been explained in notes 4.16, and the related amounts of revenue recognized during the year are disclosed in note 26 to the financial statements.</p> <p>The Company generates revenue from sale of goods to domestic as well as export customers.</p> <p>Revenue from the local (including indirect exports) and export sales is recognized when control of goods is transferred to the customer.</p> <p>We identified revenue recognition as key audit matter since it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized on point in time basis i.e. When control of goods is transferred to the customer, in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtained understanding and evaluate design and implementation of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on transfer of control of goods to the customer;</li> <li>assessed appropriateness of the Company's accounting policies for revenue recognition in light of applicable accounting and reporting standards;</li> <li>checked on a sample basis whether the recorded local and export sales transactions were based on actual transfer of control of goods to the customer;</li> <li>tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.</li> </ul>
<b>2. Valuation of stock in trade</b>	
<p>Stock-in-trade has been valued following an accounting policy as stated in note 4.4 and the related value of stock-in-trade is disclosed in note 10 to the financial statements. Stock-in-trade forms material part of the Company's assets comprising of around 24% of total assets.</p> <p>The valuation of finished goods within stock-in-trade at cost has different components, which includes judgment in relation to the allocation of overheads costs, which are incurred in bringing the finished goods to its present location and condition. Judgments are also involved in determining the net realizable value (estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale) of stock-in-trade items in line with accounting policy.</p> <p>Due to the above factors, we have considered the valuation of stock in trade as key audit matter.</p>	<p>Our audit procedures to address the valuation of stock-in-trade, included the following:</p> <ul style="list-style-type: none"> <li>obtained an understanding of mechanism of recording purchases and valuation of stock-in-trade;</li> <li>tested on a sample basis purchases with underlying supporting documents;</li> <li>verified on test basis, the weighted average calculations of raw material stock as per accounting policy;</li> <li>ensured that the fixed overheads have been appropriately embedded in the cost of goods manufactured and any unallocated fixed overheads have been reflected as other operating expense in the statement of profit or loss;</li> <li>verified the calculations of the actual overhead cost and checked allocation of labor and overhead cost to the finished goods and work in process;</li> </ul>

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Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>obtained an understanding of management's process for determining the net realizable value and checked: <ul style="list-style-type: none"> <li>future selling prices by performing a review of sales close to and subsequent to the year-end; and</li> <li>determination of cost necessary to make the sales; and</li> </ul> </li> <li>checked the calculations of net realizable value of itemized list of stock-in-trade, on selected sample and compared the net realizable value with the cost to ensure that valuation of stock-in-trade is in line with the accounting policy.</li> </ul>
<b>3. Impact of COVID-19</b>	
<p>The global political and economic uncertainties resulting from the COVID-19 pandemic along with the government's guidelines and decision to prevent the further spread of the hazardous out-break has resulted in significant volatility and business disruption at global level. The Company, being no exception, was also affected by the pandemic due to which the Company was forced to curtail the operations in the last quarter.</p> <p>The Company has taken various measures to absorb the impact and revive the operations level which have been disclosed in note 2.3 to the financial statements.</p> <p>We have identified the impact of COVID-19 as key audit matter due to the significance of its effects on the Company's operations and financing.</p>	<p>Our audit procedures to assess the identified key audit matter included the following:</p> <ul style="list-style-type: none"> <li>Re-performing and assessing the impairment testing of current assets (including Stock-in-trade, Stores and spares, trade receivable and other receivables) carried out by managements as at year end;</li> <li>Reviewing correspondence relating to the salary loan obtained under SBP's Refinance scheme and assessment of recognition criteria adopted by the management in comparison with the requirements of IAS-20: Deferred Grants and ICAP's circular addressing the recognition and accounting for the salary loans issued by SBP to cope with the impact of COVID-19 through-out the country. Further, we also ensured that related covenants have been breached during the year.</li> <li>Reviewing the correspondence related to the deferments of loans allowed by the designated banks.</li> <li>We have performed recalculation of the salaries for the months of May 2020 and June 2020 to check the impact of pay cut on salaries of the employees and also reviewed the Board approval for the same.</li> <li>Subsequently checked the sales for the months of July 2020 and August 2020 to validate the management's forward looking modulations for appropriately forecasting the sales for the subsequent months.</li> </ul>



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## 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 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. When we read the annual report, if we conclude that there is a material misstatement of therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under law. 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 the 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 users taken on the basis of these financial statements.

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

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

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- 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:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

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



**Chartered Accountants**

**Date: September 29, 2020**

**Place: Karachi**

Member of  
Deloitte Touche Tohmatsu Limited



*Financial Statements*  
*for the year ended June 30, 2020*



## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

ASSETS	Note	2020	2019
NON-CURRENT ASSETS		Rupees	Rupees
Property, plant and equipment	5	5,406,861,469	5,646,123,442
Intangible assets	6	3,253,614	796,715
Investment in associates	7	-	584,987,982
Long-term investments	8	-	4,400,000
Long-term deposits		1,433,682	1,433,682
		5,411,548,765	6,237,741,821
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	29,320,907	43,422,904
Stock-in-trade	10	2,013,961,470	2,229,104,660
Trade debts	11	593,024,715	868,462,268
Loans and advances	12	253,997,466	389,148,245
Short-term prepayments		2,057,477	979,027
Other receivables	13	6,655,555	8,824,405
Other financial assets	14	46,971,781	34,340,781
Sales tax refundable		67,450,336	56,995,604
Cash and bank balances	15	84,140,255	21,118,860
		3,097,579,962	3,652,396,754
<b>TOTAL ASSETS</b>		8,509,128,727	9,890,138,575
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	16	5,000,000	5,000,000
Reserves		900,591,481	900,591,481
Unappropriated profit		503,795,423	889,738,101
Surplus on revaluation of property, plant and equipment	17	2,117,367,457	2,557,353,003
		3,526,754,361	4,352,682,585
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities	18	165,943,810	305,593,158
Long-term finance	20	1,784,977,823	1,697,330,740
Deferred grant	21.	1,853,429	-
		1,952,775,062	2,002,923,898
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	837,475,302	557,742,289
Unclaimed dividend		1,098,995	1,039,712
Short-term borrowings	23	1,966,300,664	2,148,499,144
Interest / mark-up accrued on borrowings	24	126,038,157	155,041,156
Current portion of long-term finance	20	13,427,672	599,999,998
Current portion of deferred grant	21.	3,409,822	-
Provision for income tax		81,848,692	72,209,793
		3,029,599,304	3,534,532,092
<b>TOTAL EQUITY AND LIABILITIES</b>		8,509,128,727	9,890,138,575
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes from 1 to 45 form an integral part of these financial statements.



**SHAHID ANWAR TATA**  
CHIEF EXECUTIVE



**HASEEB HAFEEZUDDEEN**  
CHIEF FINANCIAL OFFICER



**ADEEL SHAHID TATA**  
DIRECTOR

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----- Rupees -----	2019
Revenue from contract with customers - net	26	6,749,399,038	7,557,243,473
Cost of goods sold	27	(6,056,331,751)	(6,545,638,425)
Gross profit		693,067,287	1,011,605,048
Distribution cost	28	(124,644,916)	(115,504,280)
Administrative expenses	29	(130,592,084)	(125,324,963)
Other operating expenses	30	(222,868,936)	(70,326,840)
Finance cost	31	(497,415,565)	(473,161,530)
		(975,521,501)	(784,317,613)
Share of loss from associates - net of tax	7	(4,427,671)	(8,702,333)
Other income	32	5,141,719	7,880,410
		714,048	(821,923)
(Loss) / profit before taxation		(281,740,166)	226,465,512
Taxation	33	(78,895,905)	(41,736,362)
(Loss) / profit for the year		(360,636,071)	184,729,150
<b>Other comprehensive income for the year:</b>			
<b>Items that will not be reclassified subsequently through profit or loss</b>			
Remeasurement gain / (loss) on defined benefit plan	18.1.4	2,869,653	(843,475)
Less: deferred tax thereon	19	(318,818)	104,675
Adjustment of surplus on revaluation of property plant and equipment due to change in tax rate		27,768,775	-
Surplus on revaluation of land, buildings, electric installations and plant and machinery of associates		-	143,737,462
Less: deferred tax thereon		-	(21,560,619)
Surplus on revaluation of land, buildings, electric installations and plant and machinery on owned assets		-	1,852,456,645
Less: deferred tax thereon		-	(217,962,618)
		30,319,610	1,755,932,070
Company's share in remeasurement gain on associates' defined benefit plan	7	-	154,700
Less: deferred tax thereon	19	-	(23,205)
		-	131,495
Other comprehensive income		30,319,610	1,756,063,565
<b>Total comprehensive income for the year</b>		(330,316,461)	1,940,792,715
<b>Earnings per share - basic and diluted</b>	34	(721.27)	369.46

The annexed notes from 1 to 45 form an integral part of these financial statements.



SHAHID ANWAR TATA  
CHIEF EXECUTIVE



HASEEB HAFEEZUDDEEN  
CHIEF FINANCIAL OFFICER



ADEEL SHAHID TATA  
DIRECTOR

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----- Rupees -----	2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(281,740,166)	226,465,512
Adjustments for:			
Depreciation	5.2	290,494,378	208,404,223
Amortisation	6	343,073	226,957
Provision for staff gratuity	18.1.5 & 18.1.12	34,293,117	29,875,854
Provision for compensated absences		8,569,706	7,402,176
Finance cost	31	497,415,565	473,161,530
Loss / (gain) on sale of property, plant and equipment	32	20,848	(836,550)
Share of loss from associates	7	4,427,671	8,702,333
Charge for doubtful debts	29	-	2,018,364
Operating cash flows before change in working capital		553,824,192	955,420,399
(Increase) / decrease in current assets			
Stores, spares and loose tools		14,101,997	(5,420,911)
Stock-in-trade		215,143,190	(397,263,856)
Trade debts		275,437,553	(204,104,927)
Loans and advances		32,054,267	31,869,698
Short term prepayments		(1,078,450)	717,903
Other receivables		2,168,850	48,525,931
Sales tax refundable		(10,454,732)	(4,295,539)
Increase in current liabilities			
Trade and other payables		279,733,013	254,422,783
<b>Cash generated from operations</b>		<b>1,360,929,880</b>	<b>679,871,481</b>
Finance cost paid		(526,418,564)	(414,865,301)
Staff gratuity paid		(12,041,357)	(10,697,876)
Compensated absences paid		(7,763,115)	(7,231,744)
Income taxes paid		(11,100,032)	(98,678,333)
Net cash generated from operating activities		<b>803,606,812</b>	<b>148,398,227</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment		(51,259,322)	(16,822,913)
Additions to intangible assets		(2,799,972)	(417,006)
Proceeds from disposal of plant and equipment	5.4	6,066	1,515,500
Purchase of investments		(12,631,000)	(12,672,470)
Dividend received		-	1,167,398
Proceed from long term investment		4,400,000	-
Long-term deposits		-	(141,894)
Net cash used in investing activities		<b>(62,284,228)</b>	<b>(27,371,385)</b>



	Note	2020 ----- Rupees -----	2019
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term finances	20.6	(493,661,992)	(361,340,870)
Short term borrowings obtained - net	23.5	(322,041,865)	371,336,473
Dividend paid		(2,440,717)	(2,507,997)
Net cash (used in) / generated from financing activities		(818,144,574)	7,487,606
Net (decrease in) / increase in cash and cash equivalents (A+B+C)		(76,821,990)	128,514,448
<b>Cash and cash equivalents at beginning of the year</b>		<b>(657,510,708)</b>	<b>(786,025,156)</b>
<b>Cash and cash equivalents at end of the year</b>	35	<b>(734,332,698)</b>	<b>(657,510,708)</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.



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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2020

	Issue, subscribed and paid up capital	Revenue reserves				Capital reserve	
		Share capital	General reserve	Other reserve	Company's share in other comprehensive income of associates	Unappropriated profit	Revaluation surplus
Note	Rupees						
	5,000,000	900,000,000	591,481	(1,320,821)	677,913,363	829,008,941	2,411,192,964
Balance as at July 01, 2018							
Profit for the year	-	-	-	-	184,729,150	-	184,729,150
Other comprehensive income for the year							
Surplus on revaluation of land, building, electric installations and plant and machinery - net of tax	-	-	-	-	-	1,634,494,027	1,634,494,027
Company's share in associates on							
Surplus on leasehold land, buildings on leasehold land and plant and machinery - net of tax	-	-	-	-	-	122,176,843	122,176,843
Remeasurement gain of defined benefit plan - net of tax	-	-	-	-	(738,800)	-	(738,800)
Company's share in unrealised loss on remeasurement of associates' investments as fair value through profit or loss - net of tax	-	-	-	-	-	-	-
Company's share in remeasurement gain on associates' defined benefit plan - net of tax	-	-	-	131,495	-	-	131,495
	-	-	-	131,495	(738,800)	-	(607,305)
Transferred from surplus on revaluation of property, plant and equipment on account of:							
-incremental depreciation	-	-	-	-	25,397,063	(25,397,063)	-
-disposal	-	-	-	-	-	-	-
Add: Adjustment of surplus on revaluation of property plant and equipment due to change in tax rate	-	-	-	-	-	3,285,553	3,285,553
Company's share in associates' surplus on revaluation of land, buildings, electric installations and plant and machinery on account of:	-	-	-	-	25,397,063	(22,111,510)	3,285,553
-incremental depreciation	-	-	-	-	-	(6,126,651)	-
-disposal	-	-	-	-	-	-	-
Less: Adjustment of surplus on revaluation of property plant and equipment due to change in tax rate in associate	-	-	-	-	-	(88,647)	(88,647)
	-	-	-	-	6,126,651	(6,215,298)	(88,647)
Transaction with owners							
Final cash dividend for the year ended June 30, 2019 @ Rs. 5 per share	-	-	-	-	(2,500,000)	-	(2,500,000)
Balance as at June 30, 2019	5,000,000	900,000,000	591,481	(1,189,326)	890,927,427	2,557,353,003	4,352,682,585

	Issued, subscribed and paid up capital	Revenue reserves			Capital reserve	
		General reserve	Other reserve	Company's share in other comprehensive income of associates	Unappropriated profit	Revaluation surplus
	Share capital					Total
Rupees						
Note						
<b>Total comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(360,636,071)	-
						(360,636,071)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation						
	-	-	-	-	103,442,232	(103,442,232)
Add: Adjustment of surplus on revaluation of property, plant & equipment due to change in tax rate						
	-	-	-	-	-	27,768,775
						27,768,775
Remeasurement gain of defined benefit plan - net of tax						
	-	-	-	-	2,550,835	-
						2,550,835
<b>Transaction with owners</b>						
Final cash dividend for the year ended June 30, 2020 @ Rs. 5 per share	-	-	-	-	(2,500,000)	-
						(2,500,000)
<b>Specie dividend:</b>						
-reversal of associates revaluation surplus	-	-	-	-	-	(364,312,089)
-disposal of investment in Associates	-	-	-	1,189,326	(87,965,000)	(86,775,674)
-change in value of investment due to specie dividend	-	-	-	-	(42,024,000)	(42,024,000)
<b>Balance as at June 30, 2020</b>	<b>5,000,000</b>	<b>900,000,000</b>	<b>591,481</b>	<b>-</b>	<b>503,795,423</b>	<b>2,117,367,457</b>
						<b>3,526,754,361</b>

The annexed notes from 1 to 45 form an integral part of these financial statements.



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**ADEEL SHAHID TATA**  
DIRECTOR

## Notes to the Financial Statements For the year ended June 30, 2020

### 1. General information

#### 1.1 The Company and its operations

Island Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan on May 20, 1970 under the Companies Ordinance, 1984 (repealed by The Companies' Act 2017) and listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 6th floor, Textile Plaza, M.A. Jinnah Road, Karachi, in the Province of Sindh

The principal activity of the Company is manufacturing and sale of yarn.

The Company's manufacturing facilities are located at Kotri Industrial Estate, in province of Sindh

#### 1.2 Amalgamation of Salfi Textile Mills Limited (SALT), Island Textile Mills Limited (ILMT the Company) and Tata Energy Limited (TEL) into Tata Textile Mills Limited.

The Company, along with TATA Textile Mills Limited (TATM), Salfi Textile Mills Limited (SALT) and Tata Energy Limited (TEL), has decided to amalgamate under the Sections 279 to 283 and 285 of the Companies Act, 2017. A scheme of arrangement has been approved by the Boards of the respective entities. The Company, subsequent to the year, has filed petition for the approval to the High Court of Sindh and same is expected to be obtained for implementation in the following year.

The terms of the Scheme of Arrangement will result in immediate dissolution without winding up of ILMT, SALT and TEL and all three will be struck off the register of companies maintained by the Securities and Exchange Commission of Pakistan (SECP). All the assets and liabilities along with all other contracts, share certificates, bonds, documents, correspondences, records, agreements and instruments of any nature whatsoever in relation to ILMT, SALT and TEL will be transferred in the name of Tata Textile Mills Limited (TATM) and TATM will solely sustain its legal form as a result of amalgamation

Further, in consideration for the transfer of the entire undertaking of the company SALT and TEL, TATM will issue to all the shareholders of the company SALT and TEL its fully paid-up ordinary shares. The swap ratio calculated based on the financial statement for the period ended December 31, 2019 is in the ratio of 30.2, 5.2 and 6 shares of TATM against each share in the company SALT and TEL respectively. As a result TATM will be transferring a total of 15,100,000, 17,381,364 and 6,187,500 fully paid up ordinary shares of Rs. 10 to the shareholders of the company, SALT and TEL respectively. Subsequent to the year end a general meeting of creditors and an Extra Ordinary General Meeting of shareholders will be held on September 23, 2020 and September 24, 2020 respectively for approval of the Scheme of Merger. These are expected to be last statutory annual financial statements. All assets and liabilities of the Company will be amalgamated at carrying value.

### 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 Standards) 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.
- Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan (ICAP) as notified under the Companies Act, 2017;

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for:

- property, plant and equipment measured at revalued amounts less accumulated depreciation thereon; and
- recognition of certain staff retirement benefits at present value.
- certain financial instruments measured at fair value.

## 2.3 Impact of COVID-19

These financial statements have also been prepared on a going concern basis. Giving the global political and economic uncertainties resulting from the COVID-19 pandemic, the Company has seen significant volatility and business disruption reducing its expected performance in current Year. The Company has already felt the impact of the government's guidelines on lockdown, with its production and sales patterns.

The government's anti covid measures to prevent the further spread of the disease has resulted in a significant decline in sales during the last quarter of the current year as follows:

- i. Local sales have been decreased by a monthly average of 20% in the last quarter as compared to first three quarters; and
- ii. Export sales have been decreased by a monthly average of 54% in the last quarter as compared to first three

The Company was forced to shut down production for 32 days due to lock down restrictions enforced by the government but production was restarted and it took various measures to address the sudden decline in sales by cutting expenses and making arrangements with Banks to pledge its unsold stock to generate necessary working capital. Fortunately, after the initial slow month of April sales started returning in May and June and now the emphasis is on clearing the unsold stocks. Based on customer and market response the Company has estimated its sales for upcoming months.

The company has regained its sales level from July start where sales were 100% of the production for the month. It is expected that the sales for the Company are expected to be higher than production from September to December to clear out accumulated yarn stocks.

Further, the exceptional circumstances, distancing restrictions and lock down has resulted in delayed collection of receipts from outstanding debtors during the last quarter. In order to manage its current cash flow deficits and working capital requirements, the Company has taken the following steps:

- i. The Company has made applications to its designated banks for the deferment of its short-term maturing loans (Exclusive of markup) under Government of Pakistan's COVID-19 Support Programme. The amount of requested deferrals is Rs. 823.31 million have been approved for a period of 6 months starting from June 30, 2020.
- ii. The Company has also made such application against its Long-Term Finance Facilities (LTFFs). These LTFFs are funded by State Bank of Pakistan. The amount of requested deferrals is Rs. 827 million have been approved for a period of 1-1.5 years starting from June 30, 2020.
- iii. The Company has also obtained salary loans under Government of Pakistan's COVID-19 Support Programme to pay off the salaries for the months of April, May and June 2020. The amount of loan obtained under this scheme amounts to Rs. 53.71 million and these are repayable from January 01, 2021 over 1 year onwards.
- iv. The Company has also obtained yarn pledge facilities within its existing facilities as sub limits from various banks
- v. The Company has announced a pay cut ranging from 10% to 30% which have saved approximately Rs. 3.6 million during last quarter of the current year. Further, austerity measures have been taken by the management to reduce non-essential expenses.

As a result, the Company believes that it is well placed to manage its financing and other significant risks satisfactorily and that the Company will be able to operate within the level of its facilities for the foreseeable future. For this reason, the Company considers it appropriate to adopt the going concern basis in its financial statements.

## 2.4 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

## 2.5 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgment that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes:

- Revaluation of certain items of property, plant and equipment (note 4.1)
- Useful lives of property, plant and equipment (note 4.1)
- Useful lives of intangible assets (note 4.2)
- Valuation of stores and spares and stock-in-trade (note 4.3 and 4.4)
- Impairment of financial and non-financial assets (note 4.7)
- Staff retirement benefit - gratuity scheme (note 4.11)
- Taxation (note 4.16)

### 3. Adoption of new and revised Standards

#### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

(Certain annual improvements have also been made to a number of IFRSs)

#### 3.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020



**Effective from accounting period beginning on or after:**

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

(Certain annual improvements have also been made to a number of IFRSs)

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

#### **4. Significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise stated.

##### **4.1 Property, plant and equipment**

###### *Accounting policy*

Property, plant and equipment except free hold land, buildings on freehold land, plant and machinery and electric installations are stated at cost less accumulated depreciation and impairment, if any. While freehold land, building, plant and machinery and electric installations are stated at revalued amount being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses, if any. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the reporting date.

###### *Depreciation method*

Depreciation is charged to income applying the reducing balance method at the rates specified in note 4 of these financial statements. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month preceding the month of disposal. The residual values, depreciation method and assets' useful lives are reviewed and adjusted, if appropriate, at each reporting date.

###### *Subsequent expenditures*

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

###### *Gains and losses on disposals*

Gains and losses on disposal of assets are taken to statement of profit or loss account, and the related surplus on revaluation of property, plant and equipment is transferred directly to unappropriated profits.

###### **Capital work-in-progress**

Capital work-in-progress (CWIP) is stated at cost less any impairment loss, if any. All expenditures connected to specific assets incurred during installation and construction period are carried under CWIP.

## 4.2 Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably.

Costs associated with maintaining computer software programs are generally recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overhead cost. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any, thereon.

Intangible assets with a definite useful life are amortised on a straight line basis over its useful life. Amortization on all additions in intangible assets is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Amortization charge is recognised in the profit and loss account. The rates of amortisation are disclosed in note 6.

## 4.3 Stores, spares and loose tools

These are valued at cost. The cost is determined on moving average basis less allowance for obsolete and slow moving items. Stores and spares in transit are stated at invoice values plus other charges incurred thereon upto the reporting date.

## 4.4 Stock in trade

Stock in trade is stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct Labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## 4.5 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### 4.5.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### A. Trade Debts

Trade debts and other receivables are recognised initially at fair value and subsequently measured at amortised cost less loss allowance, if any. The Company always measures the loss allowance for trade debts at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade debts and other receivables considered irrecoverable are written off.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are adjusted from their respective carrying amounts.

**B. Other financial assets**

Other financial assets are measured at amortised cost as they are held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Others financial assets comprises of Term Deposit Receipts (TDRs).

**C. Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**D. Derecognition of financial assets**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the entity has transferred substantially all risks and rewards of ownership.

**4.5.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective yield method.

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

**A. Bank borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

**B. SBP refinance scheme for salary payments**

Loan obtained under the State Bank of Pakistan (SBP) Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees was initially recognised at its fair value, which is the present value of future cash outflows discounted using the prevailing market interest rate of a similar instrument. The differential between the loan proceeds and fair value is recorded as government grant under IAS 20 "Government Grant" as disclosed in note 4.12.

In subsequent periods, the loan amount would be accreted using the effective interest method. The accreditation would increase the carrying value of the loan with a corresponding effect on the interest expense for the period.

**C. Trade and other payables**

Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

**4.5.3 Derivatives**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to statement of profit or loss account.

#### 4.6 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 4.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and subject to insignificant risk of change in value, and short-term running finances. Running finances under mark-up arrangements are shown with short term borrowings in current liabilities on the statement of financial position.

#### 4.8 Share capital

Ordinary shares are classified as equity and are recorded at their face value.

#### 4.9 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved for distribution to shareholders.

#### 4.10 Surplus on revaluation of fixed assets

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus to retained Earnings.

#### 4.11 Staff retirement benefits

The Company manages two unfunded schemes for its workmen and non-workmen categories, the details of which are as follows:

##### i. *Defined benefit plan - Workmen*

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective schemes. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and charged to 'Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to statement of profit or loss account. and other comprehensive income. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur. The most recent valuation was carried out as at June 30, 2020 using 'Projected Unit Credit Method'. The amount recognised in the statement of financial position represents the present value of defined benefit obligation.

##### ii. *Defined benefit plan - Non workmen*

The Company also maintains an unfunded contributory gratuity scheme for its employees under non-workmen category. Under this scheme, every eligible employee is entitled to receive benefit of one month salary based on last month of each year's service. The Company accounts for liability of each employee at year end and such liability is treated as full and final with respect to that year. In future years, the liability amount is not revised for any increase or decrease in salary.

##### iii. *Compensated absences*

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned based on one gross salary of the employee. Under the policy, leaves of 10 and 14 days for non-workmen and workmen category respectively can be accumulated and carried forward.

#### 4.12 Deferred grant

The benefit of interest rate lower than market rate on borrowings obtained under State Bank of Pakistan (SBP) under Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of the entity, is accounted for as a government grant which is the difference between loan received and the fair value of the loan. The differential amount is recognised and presented in statement of financial position as deferred government grant.

In subsequent periods, the grant shall be amortised over the period of loan and amortisation shall be recognised and presented as reduction of related interest expense.

#### 4.13 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs eligible for capitalization are determined using effective interest rate method.

#### 4.14 Provisions

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

#### 4.15 Taxation

##### *Current*

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise due to assessment framed / finalized during the year.

##### *Deferred*

Deferred tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes after considering, the effects on deferred taxation on the portion of income subject to final tax regime.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carried forward unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirements of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan

#### 4.16 Revenue recognition

Revenue from contracts with customers is recognised at the point in time when the performance obligation is satisfied i.e. control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods

Interest income is recognised on a time proportionate basis using the effective rate of return.

#### 4.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive Potential ordinary shares.

#### 4.18 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker (CODM). The Company considers Chief Executive as its CODM who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment.

#### 4.19 Impairment of non financial asset

The Company assesses at each reporting date whether there is any indication that assets except deferred tax assets and stock in trade may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in statement of profit or loss account. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation surplus.

#### 4.20 Foreign currency transactions and translation

Foreign currency transactions are translated into Pakistan Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated at year end into Pakistan Rupees using the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at reporting date are included in profit and loss account.

	2020	2019
Note	Rupees	

### 5. PROPERTY, PLANT AND EQUIPMENT

Operating assets	5.1	5,406,688,235	5,643,873,093
Capital work-in-progress	5.6	173,234	2,250,349
		<b>5,406,861,469</b>	<b>5,646,123,442</b>



## 5.1 Operating assets

Particulars	Cost / revalued amount at July 01, 2019	Additions	Disposals	Adjustment for accumulated depreciation on revaluation	Revaluation surplus during the year	Cost / revalued amount at June 30, 2020	Accumulated depreciation at July 01, 2019	Depreciation for the year	Accumulated depreciation on disposals	Adjustment for accumulated depreciation on revaluation	Accumulated depreciation at June 30, 2020	Written down value at June 30, 2020	Rate
Rupees													
Leasehold land	219,680,000	-	-	-	-	219,680,000	-	-	-	-	-	219,680,000	-
Buildings on leasehold land													
Mills	1,019,058,101	-	-	-	-	1,019,058,101	-	50,952,905	-	-	50,952,905	968,105,196	5
Other	242,103,936	-	-	-	-	242,103,936	-	12,105,197	-	-	12,105,197	229,998,739	5
Office premises	3,156,699	-	-	-	-	3,156,699	1,162,840	199,386	-	-	1,362,226	1,794,473	10
Plant and machinery	3,880,300,200	46,646,042	-	-	-	3,926,946,242	-	195,580,092	-	-	195,580,092	3,731,366,150	5
Electric installations	210,327,900	-	-	-	-	210,327,900	-	21,032,790	-	-	21,032,790	189,295,110	10
Mills equipment	22,012,009	4,745,500	-	-	-	26,757,509	9,167,428	1,507,200	-	-	10,674,628	16,082,881	10
Computer equipment	25,506,565	1,196,701	(724,475)	-	-	25,978,791	13,980,320	3,635,537	(697,560)	-	16,918,297	9,060,494	30
Furniture and fixtures	45,889,006	748,194	-	-	-	46,637,200	15,715,986	3,068,954	-	-	18,784,940	27,852,260	10
Office equipment	4,600,263	-	-	-	-	4,600,263	2,336,697	226,357	-	-	2,563,054	2,037,209	10
Leasehold improvements	11,286,700	-	-	-	-	11,286,700	5,922,786	534,391	-	-	6,457,177	4,809,523	10
Vehicles	25,041,209	-	-	-	-	25,041,209	16,783,438	1,651,569	-	-	18,435,007	6,606,200	20
<b>June 30, 2020</b>	<b>5,708,942,588</b>	<b>53,336,437</b>	<b>(724,475)</b>	<b>-</b>	<b>-</b>	<b>5,761,554,550</b>	<b>65,069,495</b>	<b>290,494,378</b>	<b>(697,560)</b>	<b>-</b>	<b>354,866,313</b>	<b>5,406,688,235</b>	

## For comparative period

Particulars	Cost / revalued amount at July 01, 2018	Additions	Disposals	Adjustment for accumulated depreciation on revaluation	Revaluation surplus during the year	Cost / revalued amount at June 30, 2019	Accumulated depreciation at July 01, 2018	Depreciation for the year	Accumulated depreciation on disposals	Adjustment for accumulated depreciation on revaluation	Accumulated depreciation at June 30, 2019	Written down value at June 30, 2019	Rate
Rupees													
Leasehold land	123,570,000	-	-	-	96,110,000	219,680,000	-	-	-	-	-	219,680,000	-
Buildings on leasehold land													
Mills	723,728,056	-	-	(86,992,471)	382,322,516	1,019,058,101	53,480,072	33,512,399	-	(86,992,471)	-	1,019,058,101	5
Other	225,766,656	198,334	-	(26,756,582)	42,896,528	242,103,936	16,275,408	10,481,174	-	(26,756,582)	-	242,103,936	5
Office premises	3,156,699	-	-	-	-	3,156,699	941,300	221,540	-	-	1,162,840	1,993,859	10
Plant and machinery	2,947,164,580	15,114,196	-	(353,748,480)	1,271,769,904	3,880,300,200	216,906,568	136,841,912	-	(353,748,480)	-	3,880,300,200	5
Electric installations	194,915,799	-	-	(43,946,596)	59,358,697	210,327,900	27,172,240	16,774,356	-	(43,946,596)	-	210,327,900	10
Mills equipment	21,345,957	666,042	-	-	-	22,012,009	7,793,763	1,373,665	-	-	9,167,428	12,844,581	10
Computer equipment	17,836,531	8,061,809	(391,775)	-	-	25,506,565	11,222,215	3,142,545	(384,440)	-	13,980,320	11,526,245	30
Furniture and fixtures	44,607,231	1,281,775	-	-	-	45,889,006	12,412,730	3,303,256	-	-	15,715,986	30,173,020	10
Office equipment	4,600,263	-	-	-	-	4,600,263	2,085,190	251,507	-	-	2,336,697	2,263,566	10
Leasehold improvements	11,286,700	-	-	-	-	11,286,700	5,329,018	593,788	-	-	5,922,786	5,343,914	10
Vehicles	24,817,225	2,120,064	(1,896,080)	-	-	25,041,209	16,099,802	1,908,101	(1,224,465)	-	16,783,438	8,257,771	20
<b>June 30, 2019</b>	<b>4,342,775,707</b>	<b>27,442,220</b>	<b>(2,287,855)</b>	<b>(511,444,129)</b>	<b>1,852,456,645</b>	<b>5,708,942,588</b>	<b>369,718,306</b>	<b>208,404,223</b>	<b>(1,608,905)</b>	<b>(511,444,129)</b>	<b>65,069,495</b>	<b>5,643,873,083</b>	

## 5.2 Depreciation for the year has been allocated as under:

	Note	2020 Rupees	2019 Rupees
Cost of goods manufactured	27.1	285,693,432	204,090,073
Administrative expenses	29	4,800,946	4,314,150
		<b>290,494,378</b>	<b>208,404,223</b>

## 5.3 Had there been no revaluation the related figures of leasehold land, buildings on leasehold land, plant and machinery and electric installations would have been as follows :

	Cost	June 30, 2020 Accumulated depreciation	Written down value	Cost	June 30, 2019 Accumulated depreciation	Written down value
		Rupees			Rupees	
Leasehold land	1,056,000	-	1,056,000	1,056,000	-	1,056,000
Buildings on leasehold land						
Mills	679,341,520	177,449,073	501,892,447	679,341,520	151,033,681	528,307,839
Others	86,734,280	26,902,815	59,831,465	86,734,280	23,753,790	62,980,490
Plant and machinery	3,177,989,868	849,277,535	2,328,712,333	3,131,343,824	727,521,328	2,403,822,496
Electric installations	161,690,461	69,421,207	92,269,254	161,690,461	59,169,068	102,521,393
	<b>4,106,812,129</b>	<b>1,123,050,630</b>	<b>2,983,761,499</b>	<b>4,060,166,085</b>	<b>961,477,867</b>	<b>3,098,688,218</b>

Valuation of leasehold land, buildings on leasehold land-mills and others, plant and machinery and electric installations was revalued by the independent professional valuer M/S Iqbal Nanjee and Company (Private) Limited as at June 30, 2019 on the basis of market value or depreciated replacement values as applicable. In estimating the fair value of the assets, the highest and best use of the premises is its current use. Revaluation surplus has been credited to equity account to comply with the requirements of International Accounting Standards 16 "Property, Plant and Equipment".

Force sale values of leasehold land, buildings on leasehold land and plant and machinery (including electric installation) is Rs. 175.74 million, Rs. 1,008.93 million and Rs. 3,272.50 million respectively

## 5.4 Disposal of property, plant and equipment

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss)	Mode of disposal	Particular of buyers
			Rupees				
Assets having carrying value less than Rs. 500,000	724,475	697,560	26,915	6,066	(20,848)	Negotiation	Various
<b>June 30, 2020</b>	<b>724,475</b>	<b>697,560</b>	<b>26,915</b>	<b>6,066</b>	<b>(20,848)</b>		
June 30, 2019	2,287,855	1,608,905	678,950	1,515,500	836,550		

### 5.5 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of immovable property	Total Area (In acres)	Covered Area (In sq.ft)
a) A/12 & A/15, S.I.T.E. Kotri, District Jamshoro, Sindh	Manufacturing facility	13.73	598,079

### 5.6 Capital work-in-progress

#### Year ended June 30, 2020

Balance as at July 1, 2019	-	1,625,424	-	2,250,349
Additions during the year	45,711,347	5,769,040	-	51,743,056
Transfer to operating assets	(677,291)	(6,947,800)	-	(53,336,438)
Expense out	(210,303)	(273,430)	-	(483,733)
<b>Balance as at June 30, 2020</b>	<b>-</b>	<b>173,234</b>	<b>-</b>	<b>173,234</b>

#### Year ended June 30, 2019

Balance as at July 1, 2018	182,213	5,330,940	2,054,000	12,869,656
Additions during the year	641,046	6,570,934	21,328	16,655,091
Transfer to operating assets	(198,334)	(11,901,874)	(2,075,328)	(27,274,398)
Balance as at June 30, 2019	624,925	-	-	2,250,349

### 6. INTANGIBLE ASSETS

Particulars	Cost as at July 01, 2019	Additions	Cost as at June 30, 2020	Accumulated amortisation as at July 01, 2019	Amortisation for the year	Accumulated amortisation as at June 30, 2020	Book value as at June 30, 2020	Rate of amortisation
								%
License fee	839,733	2,799,972	3,639,705	835,416	144,308	979,724	2,659,981	20
Bar Code software	993,826	-	993,826	201,429	198,765	400,194	593,632	20
ERP software	4,802,084	-	4,802,084	4,802,083	-	4,802,083	1	
	6,635,643	2,799,972	9,435,615	5,838,928	343,073	6,182,001	3,253,614	

Particulars	Cost as at July 01, 2018	Additions	Cost as at June 30, 2019	Accumulated amortisation as at July 01, 2018	Amortisation for the year	Accumulated amortisation as at June 30, 2019	Book value as at June 30, 2019	Rate of amortisation
								%
License fee	839,733	-	839,733	800,275	35,141	835,416	4,317	20
Bar Code software	576,820	417,006	993,826	9,613	191,816	201,429	792,397	20
ERP software	4,802,084	-	4,802,084	4,802,083	-	4,802,083	1	
	6,218,637	417,006	6,635,643	5,611,971	226,957	5,838,928	796,715	

	2020	2019
<b>Rupees</b>		

Cost of goods manufactured	159,804
Administrative expenses	67,157
	<hr/>
	226,957

## 7. INVESTMENT IN ASSOCIATES

### - on Equity method

	Salfi Textile Mills Limited	Tata Textile Mills Limited	Total 2020	Total 2019
	Rupees			
Opening balance	472,787,358	112,200,624	584,987,982	451,070,521
Share of loss of associates - net of tax	(2,891,700)	(1,535,971)	(4,427,671)	(8,702,333)
Share of unrealized (loss) / gain on remeasurement of investment available-for-sale	-	-	-	-
Adjustment of surplus on revaluation of property plant and equipment due to change in tax rate in associate	-	-	-	(104,971)
Revaluation arising on property, plant and equipment	-	-	-	143,737,463
Remeasurement of defined benefit	-	-	-	154,700
Dividend received	-	-	-	(1,167,398)
	(2,891,700)	(1,535,971)	(4,427,671)	133,917,461
	469,895,658	110,664,653	580,560,311	584,987,982
Less: Disposal of investment as specie dividend	(469,895,658)	(110,664,653)	(580,560,311)	-
Closing balance	-	-	-	584,987,982

	2020	2019
	Rupees	
<b>Salfi Textile Mills Limited</b>		
Number of shares held	-	366,300
Cost of investment (Rupees)	-	1,998,000
Ownership interest	-	10.96%
Market value of investment (Rupees)	-	48,267,351
<b>Tata Textile Mills Limited</b>		
Number of shares held	-	434,798
Cost of investment (Rupees)	-	-
Ownership interest	-	2.51%
Market value of investment (Rupees)	-	11,522,147

- 7.1** During the year, the company distributed its investment in shares of its associate undertakings (i.e. Salfi Textile Mills Limited and Tata Textile Mills Limited) as specie dividend. The distribution was made in the ratio of 1000 : 732 and 1000 : 869 (i.e. for 1,000 of ITML, shareholders will get 732 shares of Salfi Textile Mills Limited and 869 shares of Tata Textile Mills Limited). The transaction do not fall under the scope of IFRIC 17 "Distribution of Non-cash Assets to Owners" as the control of the entity remains with the same parties before and after the distribution and the transaction has been recognised in the statement of changes in equity.

## 8. LONG TERM INVESTMENTS

	Note	2020	2019
		Rupees	
<b>Amortised cost</b>			
Government bonds	8.1	-	4,400,000

- 8.1** This represent 44 government bonds having face value Rs. 100,000 received as refund against sales tax refundable with maturity of three years and carrying markup @ 10% per annum. These bonds have been matured during the year.

	Note	2020 -----Rupees-----	2019
<b>9. STORES, SPARES AND LOOSE TOOLS</b>			
Stores and spares	9.1	30,544,564	43,366,919
Loose tools	9.1	23,063	55,985
Allowance for dead stock	9.2	(1,246,720)	-
		<b>29,320,907</b>	<b>43,422,904</b>

**9.1** Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

	Note	2020 -----Rupees-----	2019
<b>9.2 The movement in provision during the year is as follows:</b>			
Balance at beginning of the year		-	-
Provision recorded during the year		1,246,720	-
Balance at end of the year		<b>1,246,720</b>	-

<b>10. STOCK-IN-TRADE</b>			
Raw material	10.1 & 10.2	1,327,826,468	1,956,459,956
Work-in-process		64,366,496	63,440,915
Finished goods	10.3	597,555,715	202,339,601
Waste		24,212,791	6,864,188
		<b>2,013,961,470</b>	<b>2,229,104,660</b>

**10.1** The above balance is net of provision for write-down of raw materials to their net realisable values aggregating to Rs.9.316 million (2019: Rs. Nil). The write-down pertaining to raw material has been charged to cost of good sold.

**10.2** Raw material includes stock in transit amounting to Rs 121.360 million (2019: Rs 481.37 million).

**10.3** The above balance is net of provision for write-down of inventories to their net realisable values aggregating to Rs.5.339 million (2019: Rs. 0.321 million). The write-down pertaining to finished goods has been charged to cost of good sold.

	Note	2020 -----Rupees-----	2019
<b>11. TRADE DEBTS</b>			
<b>Considered good</b>			
Export - secured	11.1	201,900	124,845,001
Local - unsecured		592,822,815	743,617,267
<b>Considered doubtful</b>			
Local - unsecured		3,041,258	6,798,158
Provision for doubtful debts	11.4	(3,041,258)	(6,798,158)
		-	-
		<b>593,024,715</b>	<b>868,462,268</b>

**11.1** These are secured against letters of credit in favor of the Company.

**11.2** Trade debts are non-interest bearing and are generally on 7 to 120 days credit terms.

**11.3** As at June 30, 2020, trade debts aggregating Rs. 294.336 million (2019: Rs. 656.88 million) were past due for which the Company has reverse the provision of 3.756 million (2019: Rs. 2.02 million).The ageing of these past due trade debts is as follows:



	Note	2020 -----Rupees-----	2019
<b>11.3.1 Ageing of past due but not impaired</b>			
1-30 days		196,214,822	599,543,959
31-90 days		59,407,163	53,040,923
91-120 days		33,332,889	466,800
121 days and above		5,381,430	3,826,340
		<b>294,336,304</b>	<b>656,878,022</b>
<b>11.4 The movement in provision during the year is as follows:</b>			
Balance at beginning of the year		6,798,158	4,779,794
(Reversal of provision) / Charge for the year		(3,756,900)	2,018,364
Balance at end of the year		<b>3,041,258</b>	<b>6,798,158</b>
<b>12. LOANS AND ADVANCES</b>			
Due from employees	12.1	5,742,277	15,668,720
Advance to suppliers		25,043,331	41,332,296
Advance income tax		221,226,593	324,323,157
Advance against letters of credit		1,985,265	7,824,072
		<b>253,997,466</b>	<b>389,148,245</b>
<b>12.1</b> These represent short term interest free loans to employees provided as per Company's policy. These are adjustable against salaries and recoverable within a period of one year.			
	Note	2020 -----Rupees-----	2019
<b>13. OTHER RECEIVABLES</b>			
<b>Considered good</b>			
Rebate on export sales		388,916	3,760,292
Others	13.1	6,266,639	5,064,113
		<b>6,655,555</b>	<b>8,824,405</b>
<b>13.1.</b> This includes security deposit held with Nazir of Sindh High Court in respect of Hyderabad Electric Supply Company quarter tariff.			
	Note	2020 -----Rupees-----	2019
<b>14. OTHER FINANCIAL ASSETS</b>			
<b>Amortised cost</b>			
Term Deposit Receipts	14.1	46,971,781	34,340,781
<b>14.1</b> These carry profit / mark-up rate ranging from 6.60% to 11.35% per annum (2019: 6.60% to 8.35% per annum) and have a maturity period of six months.			
<b>15. CASH AND BANK BALANCES</b>			
	Note	2020 -----Rupees-----	2019
Cash at bank			
In current accounts			
Local currency		76,692,998	14,170,905
Foreign currency		4,656,294	5,627,617
In savings accounts	15.1	81,349,292	19,798,522
		1,520,544	662,167
		82,869,836	20,460,689
Cash in hand		1,270,419	658,171
		<b>84,140,255</b>	<b>21,118,860</b>

15.1 These carry mark-up rate ranging from 6.50% to 11.25% (2019: 4.50% to 10.25%) per annum.

## 16. SHARE CAPITAL

2020	2019		2020	2019
Number of ordinary Shares of Rs. 10 each			-----Rupees-----	
1,000,000	1,000,000	Authorised share capital	10,000,000	10,000,000
500,000	500,000	Issued, subscribed and paid-up capital	5,000,000	5,000,000
		Fully paid in cash		

16.1 There were no movements during the reporting year.

16.2 The Company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

16.3 The Company has no reserved shares for issuance under options and sales contracts.

## 17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

This represents surplus over book value resulting from the revaluation of leasehold land, buildings, plant and machinery and electric installations of both own assets and Company's share in associates surplus.

	Own assets	Company's share in associate's surplus	2020 Total	2019 Total
-----Rupees-----				
Opening balance	2,472,781,910	416,766,517	2,889,548,427	929,595,860
Increase arising on revaluation of property, plant and equipment	-	-	-	1,996,194,107
Transferred to unappropriated profit on account of:				
- incremental depreciation	(103,442,231)	-	(103,442,231)	(31,523,714)
- specie dividend to the owners	-	(364,312,091)	(364,312,091)	-
Related deferred tax liability	(14,655,990)	(52,454,426)	(67,110,416)	(4,717,826)
	(118,098,221)	(416,766,517)	(534,864,738)	1,959,952,567
Closing balance	2,354,683,689	-	2,354,683,689	2,889,548,427
Related deferred tax liability				
Opening balance	279,740,998	52,454,426	332,195,424	100,586,919
Change in tax rate	(27,768,776)	-	(27,768,776)	(3,196,906)
On revaluation surplus arising during the year	-	-	-	239,523,237
- incremental depreciation	(14,655,990)	(52,454,426)	(67,110,416)	(4,717,826)
Closing balance	(237,316,232)	-	(237,316,232)	(332,195,424)
	2,117,367,457	-	2,117,367,457	2,557,353,003

	Note	2020 -----Rupees-----	2019
<b>18. DEFERRED LIABILITIES</b>			
Staff gratuity	18.1	118,093,987	98,711,880
Compensated absences		2,693,312	1,886,721
Deferred taxation	19	45,156,511	204,994,557
		<b>165,943,810</b>	<b>305,593,158</b>
<b>18.1 Staff gratuity</b>			
Workmen	18.1.1	56,074,331	48,507,934
Non-workmen	18.1.12	62,019,656	50,203,946
		<b>118,093,987</b>	<b>98,711,880</b>
<b>18.1.1 Workmen</b>			
The details of the workmen - defined benefit scheme obligation based on actuarial valuations carried out by independent actuary as at June 30, 2020 using the Projected Unit Credit Method, are as follows:			
		2020 -----Rupees-----	2019
<b>Net liability in the statement of financial position</b>			
Present value of defined benefit obligation		56,074,331	48,507,934
<b>18.1.2 Expense recognised in the statement of profit or loss</b>			
Current service cost		14,419,144	11,984,583
Interest cost		5,266,006	3,971,966
		<b>19,685,150</b>	<b>15,956,549</b>
<b>18.1.3 Remeasurement gain recognised in other comprehensive income</b>			
Actuarial (Gain) / losses on defined benefit obligation:			
Experience adjustments		(2,869,653)	843,475
<b>18.1.4 Movement in defined benefit obligation</b>			
Opening defined benefit obligation		48,507,934	38,904,810
Current service cost		14,419,144	11,984,583
Interest cost		5,266,006	3,971,966
Actuarial (gain) / loss		(2,869,653)	843,475
Benefits paid during the year		(9,249,100)	(7,196,900)
Closing defined benefit obligation		<b>56,074,331</b>	<b>48,507,934</b>
<b>18.1.5 Movement in net liability in statement of financial position</b>			
Opening balance of net liability		48,507,934	38,904,810
Add: Charge for the year		19,685,150	15,956,549
Remeasurement gain recognised in other comprehensive income		(2,869,653)	843,475
Less: Payment made during the year		(9,249,100)	(7,196,900)
Closing balance of net liability		<b>56,074,331</b>	<b>48,507,934</b>

### 18.1.6 The principal assumptions used

	2020	2019
Discount rate (% per annum)	9.25	12.00
Expected rate of salary increase (% per annum)	9.25	12.00
Mortality rate	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
Expected withdrawal rate for actuarial assumptions	Moderate	Moderate

### 18.1.7 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	2020	
		Impact on obligation	
		Increase in assumption	Decrease in assumption
		-----Rupees-----	
Discount rate	1%	5,623,160	(6,821,413)
Expected rate of salary increase	1%	(7,312,595)	6,115,941
Mortality rate	1 year	36,137	(35,831)
For comparative period		2019	
		Impact on obligation	
		Increase in assumption	Decrease in assumption
		-----Rupees-----	
Discount rate	1%	(4,864,398)	5,900,965
Expected rate of salary increase	1%	6,325,869	(5,290,686)
Mortality rate	1 year	(31,261)	30,996

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognised within the statement of financial position.

### 18.1.8 The Scheme exposes the Company to the actuarial risks such as:

#### Salary risks

The risks that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

#### Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

#### Longevity risks

The risk arises when the actual lifetime of the retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### 18.1.9 There are no plan assets against defined benefit obligation.

### 18.1.10 The weighted average duration of the defined benefit obligation is 10.463 years (2019: 11.22 years).

### 18.1.11 The expected maturity analysis of undiscounted retirement benefit obligation is as follows:

	2020	2019
	Undiscounted payments	
	-----Rupees-----	
Year 1	4,097,262	3,522,116
Year 2	5,305,514	4,801,846
Year 3	6,229,464	5,807,913
Year 4	6,990,277	6,636,298
Year 5	7,595,739	7,319,239
Year 6 to Year 10	42,188,332	41,811,570
11 years and above	139,679,193	144,173,678

### 18.1.12 Non-workmen

	2020	2019
	-----Rupees-----	
Opening balance	50,203,946	39,785,617
Charge for the year	14,607,967	13,919,305
Transfer during the year	-	-
Payment made during the year	(2,792,257)	(3,500,976)
	62,019,656	50,203,946

## 19. DEFERRED TAXATION

Opening balance	Deferred tax (asset) / liabilities recognised in			Closing balance
	Profit and loss account	Other comprehensive income	Disposal of investment in associates	

-----Rupees-----

Movement for the year ended June 30, 2020

Deferred tax liabilities on taxable temporary differences arising in respect of :

- Property, plant and equipment	196,273,879	(13,143,667)	-	-	183,130,212
- Investment in associate	87,448,500	-	-	(87,448,500)	-
- Surplus on revaluation on property, plant and equipment	279,740,997	(14,655,989)	(27,768,775)	-	237,316,233
- Trade debts - Export and SPO	4,768,871	(2,386,482)	-	-	2,382,389
	568,232,247	(30,186,138)	(27,768,775)	(87,448,500)	422,828,834

Deferred tax assets on deductible temporary differences arising in respect of :

- Provision for doubtful debts	(1,971,466)	1,633,582	-	-	(337,884)
- Provision for dead stock	-	(12,467)	-	-	(12,467)
- Staff gratuity	(12,250,144)	(1,702,296)	318,818	-	(13,633,622)
- Compensated absences	(234,142)	(65,085)	-	-	(299,227)
- Intangible assets	(131,481)	11,403	-	-	(120,078)
- Unabsorbed loss	(348,650,457)	(14,618,588)	-	-	(363,269,045)
	204,994,557	(44,939,590)	(27,449,956)	(87,448,499)	45,156,511

Deferred tax (asset) / liabilities recognised in				
Opening balance	Profit and loss account	Other comprehensive income	Disposal of investment in associates	Closing balance

-----Rupees-----

Movement for the year ended June 30, 2019

Deferred tax liabilities on taxable temporary differences arising in respect of :

- Property, plant and equipment	196,365,739	(91,860)	-	-	196,273,879
- Investment in associate	67,360,877	(1,480,460)	21,568,083	-	87,448,500
- Surplus on revaluation of property, plant and equipment	68,700,586	(3,636,652)	214,677,063	-	279,740,997
- Trade debts - Export and SPO	-	4,768,871	-	-	4,768,871
	332,427,202	(440,101)	236,245,146	-	568,232,247

Deferred tax (asset) / liabilities recognised in				
Opening balance	Profit and loss account	Other comprehensive income	Disposal of investment in associates	Closing balance

.....Rupees.....

Deferred tax assets on deductible temporary differences arising in respect of :

- Provision for doubtful debts	(623,285)	(1,348,181)	-	-	(1,971,466)
- Staff gratuity	(10,370,196)	(1,775,273)	(104,675)	-	(12,250,144)
- Compensated absences	(223,804)	(10,338)	-	-	(234,142)
- Intangible assets	(282,027)	150,546	-	-	(131,481)
- Unabsorbed loss	(311,256,739)	(37,393,718)	-	-	(348,650,457)
Tax credit under Section 65B	(9,671,151)	9,671,151	-	-	-
	-	-	236,140,471	-	204,994,557

Note 2020 2019  
-----Rupees-----

## 20. LONG TERM FINANCE

### From banking companies - secured

Syndicate term finance	20.1	1,364,161,200	1,818,881,600
Syndicate SBP-LTFF facility-1	20.2	248,186,875	307,016,356
Syndicate SBP-LTFF facility-2	20.3	65,807,130	81,405,852
Syndicate SBP-LTFF facility-2	20.4	71,802,855	90,026,930
SBP - Refinance scheme for salary payments		48,447,435	-
		1,798,405,495	2,297,330,738
Less: Current portion			
Syndicate term finance		-	(454,720,400)
Syndicate long term finance-1		-	(125,597,600)
Syndicate long term finance-2		-	(19,681,998)
SBP - Refinance scheme for salary payments		(13,427,672)	-
		(13,427,672)	(599,999,998)
		1,784,977,823	1,697,330,740

- 20.1** It represents amount utilised out of a term finance facility of Rs. 3,000 million obtained from a syndicate of commercial banks. It is secured against first pari passu charge on entire fixed assets of the Company and it is subject to mark-up at the rates of 6 months' KIBOR plus 1.4 % per annum (2019: 6 months' KIBOR plus 1.4 % per annum). It is repayable in 8 years. Mark-up is payable semi annually in arrears and principal in equal semi-annual installments from August 2017.
- 20.2** It represents amount utilised against facility obtained from the agent of the syndicate under a sublimit of Rs. 760 million out of finance facility provided under term finance facility of Rs. 3,000 million as mentioned in note 20.1 above. It is secured against first pari passu charge on entire fixed assets of the Company and it is subject to markup at SBP Refinance Rate of 4.5% per annum plus Bank spread i.e.1.4% (2019:4.5% per annum plus bank spread i.e 1.4%) . The facility is repayable in 7 years.
- 20.3** It represents amount utilised against facility obtained from the agent of the syndicate under a sublimit of Rs. 760 million out of finance facility provided under term finance facility of Rs. 3,000 million as mentioned in note 20.1 above. It is secured against first pari passu charge on entire fixed assets of the Company and it is subject to markup at SBP Refinance Rate of 3% per annum plus Bank spread i.e.1.4% (2019:3% per annum plus bank spread i.e 1.4%) . The facility is repayable in 7 years.
- 20.4** It represents amount utilised against facility obtained from the agent of the syndicate under a sublimit of Rs. 760 million out of finance facility provided under term finance facility of Rs. 3,000 million as mentioned in note 20.1 above. It is secured against first pari passu charge on entire fixed assets of the Company and it is subject to markup at SBP Refinance Rate of 2.0% per annum plus Bank spread i.e.1.5% (2019: 2% per annum plus bank spread i.e 1.5%). The facility is repayable in 7 years.



**20.5** The payment of principal component of these facilities, payable within next 12 months, has been deferred for 1 year as per the directions of State Bank of Pakistan via its Circular Letter NO. 13 of 2020. However, the mark-up on these facilities is not deferred and payable as soon as its due to be paid. Consequently, the maturity date of these facilities have also been extended by 1 year.

## **20.6 Reconciliation of liabilities arising from long term financing activities**

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes, if any. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Cash flows			
	July 1, 2019	Obtained	Repaid	Impact of deferred Grant
				June 30, 2020
	Rupees			
Syndicate term finance	1,818,881,600	-	(454,720,400)	1,364,161,200
Syndicate SBP-LTFF facility-1	307,016,356	-	(58,829,480)	248,186,876
Syndicate SBP-LTFF facility-1	81,405,852	-	(15,598,726)	65,807,126
Syndicate SBP-LTFF facility-2	90,026,930	-	(18,224,072)	71,802,858
Salaries and wages Loan	-	53,710,686	-	(5,263,252)
	-	53,710,686	(547,372,678)	(5,263,252)
				1,798,405,495

	Note	2020	2019
		Rupees	
<b>21. Deferred grant</b>			
Deferred grant against salary loans	21.1	5,263,251	-
Less: Current portion of deferred grant		(3,409,822)	-
		1,853,429	

## **21.1 Movement for the year**

As at July 01, 2019		-	-
Deferred grant recognised during the year for new loans obtained		5,619,424	-
		5,619,424	-
Amortisation for the year		(356,173)	-
As at June 30, 2020	21.2	5,263,251	-

**21.2** Deferred grant relates to the difference between the fair value and actual proceed of salary laon obtained under SBP's Refinance scheme for payment of salaries during the current year. It will be amortised over the period of next two and a half year with an amount equal to the difference between the finance cost charged to profit or loss account and the interest paid at SBP's defined rate as per the scheme. In subsequent periods, the grant will be amortised over the period of loan and amortization will be recognised and presented as reduction of related interest expense.

	Note	2020	2019
		Rupees	
<b>22. TRADE AND OTHER PAYABLES</b>			
Creditors	22.1	573,935,235	117,443,526
Accrued liabilities	22.2	231,532,118	356,721,336
Contract liabilities		7,758,400	51,209,975
Workers' Profit Participation Fund	22.3	-	12,776,623
Workers' Welfare Fund		21,866,895	15,442,120
Withholding income tax		2,382,654	4,148,709
		837,475,302	557,742,289

**22.1** It includes Rs. 119.281 million and Rs 349.742 million (2019: Rs. 69.55 million) payable to an associated undertaking in respect of power charges and purchase of raw material respectively

**22.2** It includes Rs. 131.957 million (2019: Rs. 111.46 million) on account provision for Sindh Development and Infrastructure Cess which was levied by the Excise and Tax Department of Government of Sindh on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was initially challenged by the Company along with other companies in the High Court of Sindh after which several proceedings were held. The High Court of Sindh through its interim order passed on May 31, 2011 ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure cess should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. The management is confident for a favourable outcome however, as a matter of prudence, the Company has paid Rs. 131.957 million ( 50%) of the value of infrastructure cess in cash and recorded liability for the remaining amount.

	Note	2020 -----Rupees-----	2019
<b>22.3 Workers' Profits Participation Fund</b>			
Opening balance		12,776,623	20,628,471
Add: Allocation for the year	30	-	12,776,623
Interest on funds utilised in the Company's business		1,942,747	4,938,117
		14,719,370	38,343,211
Less: Payments made to the fund		(14,719,370)	(25,566,588)
Closing balance		-	12,776,623

**22.4** Interest on funds utilised is charged @ 37.5% (2019: 37.5%).

	Note	2020 -----Rupees-----	2019
<b>23. SHORT TERM BORROWINGS</b>			
<b>From banking companies</b>			
Trust receipt finances	23.1	995,952,711	1,387,619,576
Finances against export	23.2	151,875,000	82,250,000
Running finances	23.3	818,472,953	678,629,568
	23.4	1,966,300,664	2,148,499,144

**23.1** These facilities are subject to markup rate ranging from 9.11% to 15.31% inclusive of one to six months KIBOR per annum (2019: 7.57% to 13.80% inclusive of one to six months KIBOR per annum). These facilities are secured against pledge of imported merchandise, stocks, stores, spares, trust receipts, pari passu charge over current assets, ranking charge over fixed assets of the company.

**23.2** These are subject to ranging from 3.15% to 5.35 inclusive of LIBOR (2019: 3.25% inclusive of LIBOR mark-up rate ). These facilities are secured against pari passu hypothecation charge over stocks and book debts of the Company for Rs. 266.67 Million including 25% margin.

**23.3** These are subject to markup at the rate of ranging from 9.11% to 15.31% inclusive of one to six months KIBOR per annum (2019: 7.42% to 14.30% inclusive of one to six months KIBOR per annum). These facilities are secured against pledge of stock, pari passu charge over current assets and ranking charge over fixed assets of the Company.

**23.4** Total short term borrowing facilities available to the Company from various commercial banks amounted to Rs. 3,053 million (2019: Rs. 3,216 million). Aggregate unavailed short term borrowing facilities are of Rs 1,087 million (2019: Rs.1,069 million).

#### **23.5 Reconciliation of liabilities arising from short term financing activities**

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	July 1, 2019	Cash flows		June 30, 2020
		Obtained	Repaid	
		Rupees		
Trust receipt finances	1,387,619,576	995,952,711	(1,387,619,576)	995,952,711
Finances against export	82,250,000	151,875,000	(82,250,000)	151,875,000
Running finance	678,629,568	818,472,953	(678,629,568)	818,472,953
	<u>2,148,499,144</u>	<u>1,966,300,664</u>	<u>(2,148,499,144)</u>	<u>1,966,300,664</u>

24. INTEREST / MARK-UP ACCRUED ON BORROWINGS	Note	2020	2019
		Rupees	
On secured:			
Long term finance		88,108,064	97,152,396
Short term borrowings		37,930,093	57,888,760
		<u>126,038,157</u>	<u>155,041,156</u>

25. CONTINGENCIES AND COMMITMENTS			
25.1 Contingencies			
Estimated financial impact of labour and workmen compensation cases in court of law		465,136	465,136
25.2 Commitments			
Civil		-	312,495
Letters of credit in respect of purchase of:			
-Raw material		497,183,282	75,066,953
-Spares and machinery		612,703	19,495,420
Bank guarantees	25.3	161,715,236	148,084,236
Bills discounted		419,258,059	275,403,971
Outstanding sales contracts		332,806,495	358,116,885
25.3 This includes bank guarantee related to infrastructure cess for an amount of Rs. 136.8 million (2019: Rs. 128.5 million) refer note 22.2.			

26. REVENUE FROM CONTRACT WITH CUSTOMERS - NET	Note	2020	2019
		Rupees	
Local			
- Yarn		2,430,345,806	2,704,842,595
- Raw material		169,195	111,329,227
- Waste		381,113,327	372,658,191
		<u>2,811,628,328</u>	<u>3,188,830,013</u>
Export			
-Yarn	26.1	1,885,218,830	2,074,003,431
-Yarn (indirect export)		2,870,893,366	2,333,544,750
-Waste		7,362,201	-
		<u>4,763,474,397</u>	<u>4,407,548,181</u>
		<u>7,575,102,725</u>	<u>7,596,378,194</u>
Less: Sales tax		(825,703,687)	(39,134,721)
		<u>6,749,399,038</u>	<u>7,557,243,473</u>

**26.1** Following are the details of sales jurisdiction wise:

**Jurisdiction**

Asia  
Europe

Note	2020	2019
	-----Rupees-----	
	<b>6,734,117,661</b>	7,516,336,980
	<b>15,281,378</b>	40,906,493
	<b>6,749,399,039</b>	7,557,243,473

**27. COST OF GOODS SOLD**

Cost of goods manufactured

27.1 **6,468,755,821** 6,453,328,313

Finished goods (including waste)

Opening stock

Closing stock

<b>209,203,789</b>	190,883,197
<b>(621,768,506)</b>	(209,203,789)
<b>(412,564,717)</b>	(18,320,592)

Cost of manufactured goods

Cost of raw material sold

<b>6,056,191,104</b>	6,435,007,721
<b>140,647</b>	110,630,704
<b>6,056,331,751</b>	6,545,638,425

**27.1 Cost of goods manufactured**

Raw material

27.1.1 **5,222,109,214** 5,248,622,339

Stores and spares

**112,348,796** 102,198,794

Packing material

**81,856,246** 81,214,704

Fuel and power

**496,197,572** 480,538,083

Salaries, wages and benefits

27.1.2 **344,215,997** 318,449,219

Depreciation

5.2 **285,693,432** 204,090,073

Amortisation

6 **338,759** 159,804

Insurance

**13,858,057** 14,644,678

Repairs and maintenance

**8,484,459** 6,033,081

Other overheads

**10,184,495** 12,601,040

Unallocated fixed overheads

27.1.3 **(105,605,625)**  
**6,469,681,402** 6,468,551,815

Work-in-process

Opening stock

Closing stock

<b>63,440,915</b>	48,217,413
<b>(64,366,496)</b>	(63,440,915)
<b>(925,581)</b>	(15,223,502)
<b>6,468,755,821</b>	6,453,328,313

**27.1.1 Raw material consumed**

Opening stock

**1,956,459,956** 1,592,740,192

Purchases - net

**4,593,475,726** 5,612,342,103

Closing stock

10 **6,549,935,682** 7,205,082,295  
**(1,327,826,468)** (1,956,459,956)  
**5,222,109,214** 5,248,622,339

**27.1.2** Salaries, wages and benefits include Rs. 27.16 million (2019: Rs. 26.59 million) in respect of staff retirement benefits

**27.1.3** These represent part of fixed factory overheads (for the months of March, April, May and June 2020) which have not been allocated to cost of goods manufactured as the production during these months was either very minimal or below the average production routine of the company. As per the provisions of IAS-02: Inventory, the apportioned fixed overheads pertaining to such production periods must be charged to other operating expenses rather than cost of goods manufactured.

		2020	2019
	Note	Rupees	
<b>28. DISTRIBUTION COST</b>			
Brokerage and commission		38,337,863	43,018,202
Export expenses		25,139,415	24,347,320
Local freight and handling		39,624,096	29,205,126
Sea freight		10,521,481	8,564,661
Staff salaries and benefits		11,022,061	10,368,971
		<b>124,644,916</b>	<b>115,504,280</b>

## 29. ADMINISTRATIVE EXPENSES

Staff salaries and benefits	29.1	86,591,849	79,749,155
Director's remuneration		10,958,000	10,120,000
Depreciation	5.2	4,800,946	4,314,150
Legal and professional		5,497,143	2,625,313
Rent, rates and taxes		4,090,200	4,090,200
Fees and subscription		2,667,289	2,711,154
Utilities		1,909,457	1,851,497
Travelling and conveyance		4,095,552	2,736,360
Vehicles running		662,785	5,990,473
Printing and stationery		1,244,911	696,543
Postage and telephone		1,877,726	2,072,216
Amortisation	6	4,314	67,157
Auditors' remuneration	29.4	1,105,000	1,075,821
Donation	29.2 & 29.3	3,000,000	3,400,000
Repairs and maintenance		613,963	494,251
Insurance		322,897	331,705
Entertainment		914,322	663,744
Advertisement		216,200	194,200
Bad debt expense		-	2,018,364
Other		19,530	122,660
		<b>130,592,084</b>	<b>125,324,963</b>

**29.1** Salaries and benefits include Rs. 7.31 million (2019: Rs. 6.80 million) in respect of the staff retirement benefits.

**29.2** None of the directors and their spouses had any interest in the donee's fund.

**29.3** Donation charged in these financial statements is paid to the Chiniot Sheikh Society Rs 1.80 million (2019: 1.95 million) and to Islamia Hospital Chiniot Rs 1.20 million (2019: 0.60 million).

		2020	2019
	Note	Rupees	
<b>29.4 Auditors' remuneration</b>			
Annual audit fee		840,000	840,000
Fee of review of:			
- Condensed interim financial information		100,000	100,000
- Compliance with Code of Corporate Governance		30,000	30,000
Certification and other services		135,000	105,821
		<b>1,105,000</b>	<b>1,075,821</b>

## 30. OTHER OPERATING EXPENSES

Worker's welfare fund		3,471,157	3,526,039
Workers' profits participation fund	22.3	-	12,776,623
Realised foreign exchange loss - net		113,771,306	42,409,178
Unrealised foreign exchange loss - net		-	11,615,000
Loss on disposal of property, plant and equipment		20,848	-
Unallocated Fixed overheads	27.1.3	105,605,625	-
		<b>222,868,936</b>	<b>70,326,840</b>

### 31. FINANCE COST

Interest / mark-up on:

-Long-term finance

-Short-term borrowings

Letters of credit discounting charges

Interest on Workers' Profit Participation Fund

Bank charges and commission

	2020	2019
	Rupees	
	248,692,909	227,839,724
	216,082,954	210,708,826
	25,462,513	20,179,973
	1,942,747	4,938,117
	5,234,442	9,494,890
	497,415,565	473,161,530

### 32. OTHER INCOME

Profit on savings accounts

Profit on term deposits receipts

Rental income

Rebate on export sales

Income from sale of store Item

Dividend Income

Gain on disposal of property, plant and equipment

	1,001,164	405,670
	3,740,922	1,537,551
	-	51,425
	175,553	5,049,214
	6,681	-
	217,399	-
	-	836,550
	5,141,719	7,880,410

### 33. TAXATION

Current

- for the year

- for prior year

Deferred

	81,848,692	72,209,793
	41,986,803	672,483
	(44,939,590)	(31,145,914)
	78,895,905	41,736,362

#### 33.1 Relationship between tax expense and accounting profit

The numerical reconciliation between the average tax rate and applicable tax rate has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

- 33.2** As per section 5A of the Income Tax Ordinance 2001, "For tax year 2018 and onwards, a tax shall be imposed at the rate of five percent of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least twenty percent of its after-tax profits within six months of the end of the tax year through cash."

### 34. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company which is based on:

Profit for the year (Rupees)

Weighted average number of ordinary shares outstanding during the year

Earnings per share (Rupees)

	2020	2019
	(360,636,071)	184,729,150
	500,000	500,000
	(721.27)	369.46

### 35. CASH AND CASH EQUIVALENTS

Cash and bank balances

Running / cash finances

	2020	2019
	Rupees	
	84,140,255	21,118,860
	(818,472,953)	(678,629,568)
	(734,332,698)	(657,510,708)



### 36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

36.1 The aggregate amount for the year in respect of remuneration and benefits to the Chief Executive and Executives are as follows:

	2020			2019		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	Rupees					
Managerial remuneration	3,060,000	6,939,000	52,823,638	3,000,000	6,630,000	48,149,131
Bonus / Ex-gratia	250,000	570,000	4,158,754	250,000	500,000	2,359,035
Retirement benefits	300,000	670,000	3,159,239	250,000	570,000	3,617,996
Leave encashment	-	-	-	-	-	1,205,998
Medical	-	-	541,674	-	-	137,932
	-	8,179,000	60,683,305	3,500,000	7,700,000	55,470,092
No. of persons	1	1	15	1	1	13

36.2 The Chief Executive and Directors are also entitled for use of Company maintained cars.

36.3 An amount of Rs. 1.1 million (2019: Rs.0.49 million) has been charged in these financial statements in respect of fee paid to directors for attending board meetings.

### 37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors, key management personnel and their relatives. The Company carries out transactions with various related parties at agreed terms. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with them, other than those which have been disclosed elsewhere in these financial statements, are as follows:

#### 37.1 Name and nature of relationship

##### Associated Companies due to common directorship & common management

- Salfi Textile Mills Limited
- Tata Textile Mills Limited
- Tata Energy Limited
- Tata Best Foods Limited
- Karam Ceramics
- Textile Institute of Pakistan

Textile Institute of Pakistan

		2020	2019
		-----Rupees-----	
Relationship with the party			
Associated undertakings	Purchase of power	422,318,218	422,673,721
	Share of expenses received	8,287,007	2,958,395
	Share of expenses paid	2,570,850	3,529,992
	Sale of Store Items	141,300	156,289
	Sale of Cotton	-	106,885,246
	Dividend received	217,399	1,167,398
	Purchase of raw material	317,947,299	-
	Gowdown Rent	600,000	600,000
Transaction of Key Management Personnel			
Directors	Godown rent	1,200,000	1,200,000
	Office rent	4,090,200	4,090,200
	Meeting Fee	920,000	-
	Dividend paid	1,403,025	1,626,705

### 38. PLANT CAPACITY AND ACTUAL PRODUCTION

	2020	2019
	-----Rupees-----	
Total number of spindles installed	45,984	45,984
Total number of spindles worked	42,225	45,984
Number of shifts per day	3	3
Installed capacity after conversion into 20/s count-kgs	16,701,735	16,701,735
Actual production of yarn after conversion into 20/s count-kgs	16,596,928	18,257,540

### 39. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2020 and 2019 respectively are as follows:

	2020	2019
Average number of employees	1,058	1,099
Number of employees as at June 30	1,045	1,087

### 40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 40.1 Financial Instrument by category

##### Financial assets as per statement of financial position

##### Amortised cost

	2020	2019
	-----Rupees-----	
- Long term deposits	1,433,682	1,433,682
- Trade debts	593,024,715	868,462,268
- Loans and advances	5,742,277	15,668,720
- Other receivables	6,266,639	5,064,113
- Cash and bank balances	82,869,836	21,118,860
- Long term investment	-	4,400,000
- Other financial assets	46,971,781	34,340,781
	736,308,930	950,488,424

##### Financial liabilities as per statement of financial position

##### Financial liabilities measured at amortised cost

	2020	2019
- Long term finance	1,798,405,495	2,297,330,738
- Trade and other payables	805,467,353	474,164,862
- Accrued interest / mark-up on borrowings	126,038,157	155,041,156
- Short term borrowings	1,966,300,664	2,148,499,144
	4,696,211,669	5,075,035,900

#### 40.2 Financial risk management objectives and policies

##### 40.2.1 Financial risk factors

##### Introduction and overview

The Company has exposure to the following risks from financial instruments:

- market risk
- credit risk
- liquidity risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk and fair value of financial instruments.

##### Financial risk factors and risk management framework

The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on internal controls set on different activities of the Company by the Board of Directors. These controls reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Board along with the Company's finance and treasury department oversees the management of the financial risks reflecting changes in the market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate policies and procedures and that the financial risk are identified, measured and managed in accordance with the Company policies and risk appetite.

The Company's principal financial liabilities comprise long-term finances, short-term borrowings, accrued mark-up/interest and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise of trade debts, loans and advances, trade deposits, other receivables, other financial assets and cash and bank balances that arrive directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and price risk), credit risk and liquidity risk.

#### 40.2.2 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

##### (a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exports yarn to foreign customers which exposes it to currency risk. As at June 30, 2020, financial assets include bank balances and debtors in foreign currency amounting to Rs. 4.852 million (2019: Rs. 130.25 million) equivalent to US\$ 0.028 million (2019: US\$ 0.79 million) and financial liabilities include foreign commission payable and finance obtained against export/import amounting to Rs. 155.684 million (2019: Rs. 279.54 million) equivalent to US\$ 0.926 million (2019: US\$ 1.704 million). The average rates applied during the year is Rs. 158.25 (2019: Rs. 136.26/ US \$) and the spot rate as at June 30, 2020 was Rs.168.06/ US\$ (2019: Rs. 164/ US\$).

At June 30, 2020, if the Pakistan Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been lower / higher by Rs 15.39 million (2019: Rs. 14.93 million), mainly as a result of foreign exchange losses/gains on translation of US Dollar-denominated trade debts and accrued expenses.

##### (b) Interest rate risk management

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

The Company's interest rate risk arises from bank deposit accounts, long term finance and short term borrowings amounting to Rs.3.328 billion (financial liabilities on a net basis) (2019: 3.966 billion net financial liabilities). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	Carrying amount	
	2020	2019
	-----Rupees-----	
<b>Variable rate instruments</b>		
Financial assets		
- Savings accounts	1,520,544	662,167
Financial liabilities		
- Syndicate term finance	1,364,161,200	1,818,881,600
- Short term borrowings	1,966,300,664	2,148,499,144
	3,330,461,864	3,967,380,744
	(3,328,941,320)	(3,966,718,577)
<b>Fixed rate instruments</b>		
Financial assets		
- Term deposit receipts	46,971,781	34,340,781
- Government Bonds	-	4,400,000
Financial liabilities		
- Syndicate long-term finance	385,796,860	478,449,138
- SBP - Refinance scheme for salary payments	48,447,435	-
	481,216,076	517,189,919

#### **Cash flow sensitivity analysis for variable rate instrument**

A change of 100 basis points in interest rates at the year end would have increased or decreased the loss for the year and shareholder's equity by Rs. 33.28 million (2019: Rs. 39.67 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2019.

#### **(c) Equity price risk**

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at year end, there are no financial instruments of the Company carried at fair value through profit or loss which are subject to equity price risk. Therefore, a change in market rate at the reporting date would not affect profit or loss of the Company.

#### **40.2.3 Credit risk and concentration of credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Financial assets which are subject to credit risk amounted to Rs. 736.36 million (2019: Rs. 949.82 million).

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and other receivables) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating.

<b>Name of Bank</b>	<b>Credit Rating Short-term</b>	<b>Long-term</b>
Allied Bank Limited	A1+	AAA
Askari Bank Limited	A1+	AA+
Bank Alfalah Limited	A1+	AA+
BankIslami Pakistan Limited	A1	A+
Dubai Islamic Bank Limited	A-1+	AA
Habib Bank Limited	A-1+	AAA
Habib Metropolitan Bank Limited	A1+	AA+
JS Bank Limited	A1+	AA-
MCB Bank Limited	A1+	AAA
Meezan Bank Limited	A-1+	AA+
National Bank of Pakistan	A1+	AAA
Soneri Bank Limited	A1+	AA-
The Bank of Punjab	A1+	AA

#### **Credit risk related to receivables**

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of trade debts, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. At June 30, 2020, the Company had approximately 18 (2019: 17) major customers that owed more than Rs.10 million each and accounted for approximately 67% (2019 : 70%) of local trade debts. Other debts amounting to Rs. 0.2 million (2019 : Rs. 124.85 million) are secured against letters of credit.

#### **Credit risk related to other assets**

Credit risk from other assets primarily relates to Company's investment in term deposits issued by a bank (note 14). The risk is managed through ensuring that such investments are made in instruments issued by reputed banks with good credit ratings. The credit rating of the investee bank is as A1+ and AA++ for short term and long term credit.

#### 40.2.4 Liquidity risk

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans 69% of the Company's debt will mature in less than one year at June 30, 2020 (2019: 62%) based on the carrying value of borrowings reflected in the financial statements.

#### Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables 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. The table includes both interest and principal cash flows.

	Interest Rate %	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
Rupees							
2020							
Trade and other payables		573,935,235	231,532,118	-	-	-	805,467,353
Interest / mark-up accrued on loans		37,930,093	88,108,064	-	-	-	126,038,157
Unclaimed dividend		1,098,995	-	-	-	-	1,098,995
Syndicate term finance	6 months KIBOR plus 1.40% p.a	-	-	-	1,364,161,200	-	1,364,161,200
Syndicate long term finance - Facility 1	5.90%	-	-	-	248,186,875	-	248,186,875
Syndicate long term finance - Facility 1	4.40%	-	-	-	65,807,130	-	65,807,130
Syndicate long term finance - Facility 2	3.50%	-	-	-	71,802,855	-	71,802,855
Salaries and Wages loan				13,427,672	35,019,763	-	48,447,435
Short term borrowings							
Trust receipt finance	9.11% to 15.31% inclusive of one to six months KIBOR per annum		-	995,952,711	-	-	995,952,711
Finance against export	3.15% to 5.35 inclusive of LIBOR		-	151,875,000	-	-	151,875,000
Running finance	9.11% to 15.31% inclusive of one to six months KIBOR per annum		818,472,953	-	-	-	818,472,953
		612,964,323	1,138,113,135	1,161,255,383	1,784,977,823	-	4,697,310,664

	Interest Rate %	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
<b>2019</b>							
Rupees							
Trade and other payables		117,443,526	356,721,336	-	-	-	474,164,862
Interest / mark-up accrued on loans		57,888,760	97,152,396	-	-	-	155,041,156
Unclaimed dividend		1,039,712	-	-	-	-	1,039,712
Syndicate term finance	6 months KIBOR plus 1.40% p.a	-	227,360,200	227,360,200	1,364,161,200	-	1,818,881,600
Syndicate long term finance - Facility 1	5.90%	-	-	102,338,785	204,677,571	-	307,016,356
Syndicate long term finance - Facility 1	4.40%	11,629,407	-	11,629,407	58,147,037	-	81,405,851
Syndicate long term finance - Facility 2	3.50%	8,383,073	2,915,852	8,383,073	70,344,929	-	90,026,927
<b>Short term borrowings</b>							
Trust receipt finance	Six months average of 7.57% to 13.80% inclusive of KIBOR p.a.	-	-	1,387,619,576	-	-	1,387,619,576
Finance against export	3.25% inclusive of LIBOR	-	-	82,250,000	-	-	82,250,000
Running finance	7.42% to 14.30% inclusive of Six months KIBOR p.a	-	678,629,568	-	-	-	678,629,568
		196,384,478	1,362,779,352	1,819,581,041	1,697,330,737	-	5,076,075,608



#### 40.2.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

#### 41. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(b) Fair value estimation

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

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

As at year end, there are no financial instruments carried at fair value which require classification in above mentioned levels.

**41.1** The Company's leasehold land, building on leasehold land, plant and machinery and electric installations are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Company's freehold land, building and plant and machinery and electric installation as at September 30, 2003, June 30, 2012 30 June 2019 were performed by an independent valuer Iqbal A.Nanji & Company (Private) Limited and as at December 31, 2016 by MYK Associates (Private) Limited. The valuers are listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties, plant and machinery. The fair value of the freehold land was determined by ascertaining the current market value of similar land, which is being sold in the near surroundings. The fair value of the buildings on freehold land was determined by carrying out the physical inspection of building with actual measurement and have worked out covered area of each building occupation wise with specification of civil works. The fair value of the plant and machinery and electric installations was determined by verifying the supplier invoices where available or considered the historical cost of machines, after taking into consideration the devaluation of the Pakistan Rupee over the years and the current tariff, further the installation, clearing and transportation cost has been considered to arrive at the reinstatement value. In estimating the fair value of the assets, the highest and best use of the premises is its current use.

Details of Company's leasehold land, building, electric installations, plant and machinery and long-term investment in associates and information about the fair value hierarchy as at end of June 30, 2020 are as follows:

## Non Financial Assets measured at

	June 30, 2020		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Leasehold land	-	-	219,680,000
Buildings on leasehold land	-	-	1,198,103,935
Plant and machinery	-	-	3,731,366,150
Electric installations	-	-	189,295,110
	-	-	5,338,445,195
			5,338,445,195

There were no transfers between levels of fair value hierarchy during the year.

## For comparative period

Details of Company's free hold land, building, electric installations, plant and machinery and long-term investment in associates and information about the fair value hierarchy as at end of June 30, 2019 are as follows:

	June 30, 2019		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Leasehold land	-	-	219,680,000
Buildings on Leasehold land	-	-	1,261,162,037
Plant and machinery	-	-	3,880,300,200
Electric installations	-	-	210,327,900
	-	-	5,571,470,137
			5,571,470,137

## 42. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of shareholders' equity and surplus on revaluation of property, plant and equipment. Shareholders' equity consist of share capital, capital reserve and unappropriated profit. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders or issue new shares. The Company's overall strategy remains unchanged from 2018.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company's target is to achieve a normal return on capital.

The Company is not subject to any externally imposed capital requirements.

The gearing ratio at June 30, 2020 and June 30, 2019 were as follows:

	2020	2019
	-----Rupees-----	
Total debts	3,764,706,159	4,445,829,882
Less: Cash and bank balances	(84,140,255)	(21,118,860)
Net debt	3,680,565,904	4,424,711,022
Total equity	3,526,754,361	4,352,682,585
Adjusted capital	7,207,320,265	8,777,393,607
Gearing ratio	0.51	0.50

#### 43. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on September 29, 2020

#### 44. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

#### 45. GENERAL

Figures have been rounded off to the nearest Rupee.



**SHAHID ANWAR TATA**  
CHIEF EXECUTIVE



**HASEEB HAFEEZUDDEEN**  
CHIEF FINANCIAL OFFICER



**ADEEL SHAHID TATA**  
DIRECTOR

کمپنی نے اپنی دیگر گروپ کمپنیوں سیلفی ٹیکسٹائل، آئی لینڈ ٹیکسٹائل اور ٹاٹا انرجی کو ٹاٹا ٹیکسٹائل میں ضم کرنے کیلئے ہائی کورٹ میں انضمام کی درخواست بھی دائر کر دی ہے جس کی وجہ سے اس کمپنی کو مبلغ 26 بلین اور مبلغ 25 بلین بالترتیب کی ایک اثاثہ اور ٹرن اوور بیس والی کمپنی بنایا جاسکتا ہے جو کہ ٹاٹا گروپ کو زیادہ نمایاں کرے گا اور بہتر آپریشنل اور لاگت کی ہم آہنگی کی اجازت دے گا۔

اگرچہ معاشی ماحول میں آہستہ آہستہ بہتری لانے کی توقع کی جا رہی ہے جبکہ ہماری اہم توجہ منافع بخش کیش فلو کی پیداوار پر مرکوز ہے، قیمتوں میں اضافہ اور ٹاٹا کے اداروں کا کامیاب انضمام ہماری اہم ترجیحات رہیں گی۔

#### بورڈ کی کارکردگی اور تاثیر:

کوڈ آف کارپوریٹ گورننس اور کمپنیز ایکٹ 2017 کے تقاضوں کی تعمیل میں بورڈ کی کارکردگی کا سالانہ تخمینہ لگایا گیا تھا۔ اس تخمینہ کا مقصد یہ یقینی بنانا ہے کہ کمپنی کے مجموعی کاروباری مقاصد اور انتظامی ڈھانچے کے تناظر میں بورڈ کی کارکردگی کی پیمائش یقینی بنائی جائے۔ بورڈ نے اس سال کے دوران کمپنی کو بالکل ترقی چیلنج سے بھرپور راستے پر آگے بڑھانے میں ایک اہم کردار ادا کیا۔ ڈائریکٹرز کے عزم اور موثر نگرانی کے ذریعے آپ کی کمپنی نے کارپوریٹ گورننس اور کمپلائنس کی شفافیت یقینی بنائی۔ بورڈ نے کمپنی کی مجموعی مینجمنٹ اور معاملات کی نگرانی کے لئے اپنا کردار اور ذمہ داریاں ادا کیں اور اپنی امانتی ذمہ داریوں سے بخوبی واقف رہے۔

9 جولائی 2020ء کو ہمارے ہر دلچیز چیئرمین جناب انوار احمد ٹاٹا اس جہانی فانی سے کوچ کر گئے۔ بورڈ ان کے انتقال پر گہرے رنج و غم کے اظہار کو ریکارڈ پر رکھنا چاہتا ہے۔ انہوں نے ٹاٹا گروپ کو زمین سے اٹھا کر اونچائی تک لے جانے کیلئے سخت محنت کی تھی۔ وہ کاروباری برادری میں اپنی کاروباری صلاحیتوں اور دوسروں کی کامیابیوں میں بے لوث مدد کرنے پر مشہور تھے۔ وہ پاکستان کے ایک کامیاب فرسٹ جزییشن کے تاجر کے طور پر ہمیشہ یاد رکھے جائیں گے۔ اگرچہ ان کی جگہ لینا مشکل ہے، جناب مظہر والچی کو 24 جولائی 2020ء کو بورڈ کا ممبر اور 28 جولائی 2020ء سے ہمارا چیئرمین مقرر کیا گیا ہے۔

آخر میں بورڈ کی جانب سے میں کمپنی کی مسلسل کامیابی میں اپنے تمام ملازمین کی شراکت کا اعتراف کرنا چاہتا ہوں۔ میں اپنے شراکت داروں، صارفین، سپلائرز، بینکرز اور دوسرے اسٹیک ہولڈرز کے اعتماد اور ان کی حمایت کیلئے بھی ان کا شکریہ ادا کرنا چاہتا ہوں۔

  
مظہر علی  
چیئرمین

کراچی مورخہ 29 ستمبر 2020ء

## چیرمین کا جائزہ

بورڈ آف ڈائریکٹرز کی جانب سے میں 30 جون 2020ء کو ختم ہونے والے سال کیلئے کمپنی کے سالانہ مالیاتی نتائج پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔

یہ سال ٹائماگروپ کے لئے نہایت ہی افسوسناک سال تھا کیونکہ اس سال ہمارے چیرمین جناب انوار احمد ٹاٹا کا انتقال ہو گیا اور ایک عہد کا خاتمہ ہو گیا۔ انہوں نے پاکستان میں ٹیکسٹائل انڈسٹری کی صنعت کی ترقی میں نمایاں کردار ادا کیا۔ ٹاٹا انڈسٹریل گروپ کی ترقی، ہزاروں ورکرز کو روزگار فراہم کرنے اور پاکستان کی معاشی ترقی میں نمایاں کردار ادا کرنے پر ان کی کاوشوں کو سراہا گیا ہے۔ ہم نے ایک حقیقی زیور کھودیا ہے جن کی خدمات کو طویل عرصہ تک یاد رکھا جائے گا۔ اگرچہ چیرمین کی جگہ کوئی نہیں لے سکتا، ہم ان کے کام کو مزید آگے بڑھانے اور کمپنی کو منافع بخش بنانے کے لئے پرعزم ہیں۔

میں اس موقع پر وفاقی اور صوبائی حکومتوں، اسٹیٹ بینک آف پاکستان اور نجی شعبے کے اداروں کا شکریہ ادا کرنا چاہتا ہوں جنہوں نے نہ صرف کورونا وائرس کے پھیلنے سے لاحق خطرات سے نمٹنے کیلئے جدوجہد کی بلکہ کورونا وائرس کے پھیلاؤ کے سلسلے میں اپنی فعال مالی اور مالیاتی پالیسیوں سے لاک ڈاؤن کے دوران نجی شعبے کو کافی حد تک ریلیف فراہم کیا۔ ایڈجسٹمنٹ کی مدت کے بعد معاشی سرگرمیوں میں کمی واقع ہوئی اور کورونا وائرس کے پھیلنے سے بدقسمتی سے صرف چیلنجز ہی بڑھ گئے ہیں۔ تاہم، مجھے یقین ہے کہ ہمارا عزم اور تبدیلی کے مطابق ڈھلنے کی صلاحیت بالآخر آنے والے سال میں معمول کی حد تک بحال ہو جائے گی۔

### مالیاتی نتائج:

آپ کی کمپنی نے ایک انتہائی مشکل سال کا تجربہ کیا ہے جس کے نتیجے میں امریکہ اور چین کے تجارتی تنازعہ کے باعث سوت اور کپاس کی قیمتوں پر اثر انداز ہونے والے متعدد عوامل کے باعث قبل از ٹیکس خسارہ مبلغ 282 ملین روپے (2019: قبل از ٹیکس منافع مبلغ 226 ملین روپے) کا منافع ہوا۔ اس کے بعد مارچ میں کورونا وائرس کے نتیجے میں فروخت میں خسارہ ہوا اور جبری طور پر آپریشن بند ہو گئے۔ دوران سال پاکستانی روپے کی قدر میں اچانک اور متواتر کمی ہوئی اور حکومت کی جانب سے معیشت پر قابو پانے اور کورونا وائرس کے دوران زیادہ انویسٹریز کی سپورٹ کیلئے زیادہ قرضے لینے اور کسٹمر کے قرضوں اور پالیسیوں کی مجموعی شرح میں اضافہ کیلئے سخت اقدامات کئے گئے جس کے باعث پاکستان میں درآمد شدہ کپاس کی لاگت نے معاشی سست روی کو متاثر کیا۔

### نظریہ اور کئے جانے والے اقدامات:

کورونا وائرس سے متعلق حکومت اور اسٹیٹ بینک آف پاکستان کی جانب سے متعارف کرائے گئے امدادی اقدامات بشمول طویل مدتی قرضہ جات اور 6 ماہ کی مدت کیلئے تنخواہ کے قرضہ جات میں لیکویڈٹی کو بہتر بنانے سے کافی مدد ملے گی اور اگلے مالی سال میں سود کی لاگت کو کم کرنے میں بھی مدد ملے گی۔ اگرچہ کمپنی نے ایک انتہائی مشکل سال کا تجربہ کیا ہے، ٹیکسٹائل کی صنعت اب تیزی کی جانب گامزن ہے کیونکہ کمپنیوں کے پیداواری شعبوں میں قیمتوں میں اضافہ، بین الاقوامی خام مال کی قیمتوں میں متوقع استحکام، کپاس کی مقامی خریداری پر زیادہ توجہ دینے، خام مال کی مقررہ مدت، کم شرح سود اور نسبتاً مستحکم شرح تبادلہ کے ساتھ ساتھ کمپنیوں کے موصول ہونے والے احکامات کی بنیاد پر مکمل طور پر پیداواری عمل سے معاملات میں کافی بہتری آئی ہے اور آنے والے سال میں نمایاں طور پر بہتر کارکردگی کا باعث بنے گی۔

## چیئر مین کا جائزہ:

کمپنی کے ڈائریکٹرز چیئر مین کی جائزہ رپورٹ کی توثیق کرتے ہیں جو کہ ڈائریکٹرز کی رپورٹ کا حصہ ہے۔

## اعتراف:

ہم دوران سال Covid-19 کو پھیلنے سے روکنے اور اس کو کنٹرول کرنے کیلئے ہیلتھ کیئر ورکرز، ضروری سروس فراہم کرنے والوں اور ٹاٹا کی پوری ٹیم کا مخلصانہ طور پر شکریہ ادا کرنا چاہتے ہیں۔ یہاں یہ بات قابل غور ہے کہ یہ ایک مشکل ترین سال تھا۔ مالی سال 2019-20 کے دوران ہم نے دیکھا ہے کہ تجارتی تنازعات کے باعث خام مال کی قیمت میں اتار چڑھاؤ اور روپے کی قدر میں کمی کے باعث خام مال کی قیمت میں اضافہ، گھریلو GDP میں کمی اور آخر میں کورونا وباء کے باعث فروخت میں کمی واقع ہوئی۔ ان عوامل کے باعث ٹاٹا کو کئی سالوں بعد کافی خسارہ ہوا ہے، تاہم ہم نے اس بات کو یقینی بنایا کہ ہمارے اقدار کی خلاف ورزی نہ ہو اور ہم نے چیلنجز سے خوش اسلوبی سے نمٹنا ہے۔ لاک ڈاؤن کے دوران ہم نے عملے کو ملازمت سے خارج نہیں کیا اور ٹاٹا ٹیم نے ملک کو درپیش مشکل مالی ماحول کے باوجود کمپنی کے مالی تحفظ کیلئے انتھک محنت کی۔ آخر میں ہم کمپنی کے ساتھ وابستگی پر اپنے معزز صارفین، سپلائرز اور بینکرز سمیت دیگر تمام اسٹیک ہولڈرز کا شکریہ ادا کرتے ہیں اور آنے والے سالوں میں ان کے ساتھ مزید کامیابیاں بانٹنے کے منتظر ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



عبدل شاہد ٹاٹا  
ڈائریکٹر



شاہد انوار ٹاٹا  
چیف ایگزیکٹو

کراچی مورخہ 29 ستمبر 2020ء



کپاس کے ذرائع کی ٹیم کو کپاس کی شناخت اور درجہ بندی کرنے کی مہارت سے آراستہ کرنے کیلئے انہیں کپاس کی گریڈنگ اور درجہ بندی پر 2 ہفتوں کا ڈپلومہ فراہم کر لیا گیا، یہ تربیت کراچی کاٹن ایسوسی ایشن نے کی۔

### صحت حفاظت اور ماحول:

کمپنی اپنے کام کی قوت، انفراسٹرکچر اور آپریشن کو محفوظ رکھنے کی کوشش کرتی ہے۔ صحت مند کام کے ماحول اور طریقوں کی حوصلہ افزائی کرتی ہے۔ دوران سال شعور، بیداری، تربیت اور مشقوں کو مستقل طور پر آگے بڑھایا گیا ہے تاکہ وہ HSE کی تازہ ترین ترقی کے ساتھ برابر رہیں۔ قانونی تقاضوں کی تعمیل کو یقینی بنانے اور تکنیکی ترقی کی وجہ سے HSE چیلنجز کا انتظام کریں۔ HSE اقدامات، پیشرفت، ترقی اور بہتری کے مواقع کا جائزہ لینے کیلئے مقاصد بیان کئے گئے ہیں۔ کارکردگی کے جائزے درج ذیل تعامل کے ساتھ باقاعدہ طور پر مناسب سطح پر طلب کئے جاتے ہیں: PPE کا استعمال باقاعدہ مشقیں، آگاہی اور تربیت سیشنز، HSE مانیٹرنگ/آڈٹ رپورٹس، ماحولیاتی ٹیسٹ رپورٹس کے نتائج، واقعہ/حادثے کی رپورٹنگ اور ریگولیٹری تعمیل کے استحکام کی توثیق بذریعہ EVP ٹیکنیکل آپریشنز ڈپارٹمنٹ کے ذریعہ سہ ماہی بنیاد پر ایگزیکٹو مینجمنٹ کو کارکردگی کی رپورٹ۔

### کارپوریٹ سوشل ذمہ داری:

ملک میں کارپوریٹ سیکٹر کے سرفہرست کھلاڑیوں میں شامل ہونے کے ناطے ہمیں معاشرے کیلئے اپنی ذمہ داری کا مکمل طور پر احساس ہے۔ ہماری خواہش ہے کہ معاشرے میں لوگوں کے معاشی حالات کو اٹھائیں، اپنے اقدامات اور دوستانہ پالیسیوں کے ذریعہ ماحول کی حفاظت کریں اور عام طور پر انسانیت کی فلاح و بہبود میں اپنا حصہ ڈالیں۔ اسی تناظر میں کمپنی نے تعلیم کے حصول کے خلاف رکاوٹوں کو توڑنے اور اس قوم کے مستقبل کی تعمیر کیلئے مدد کرنے کیلئے مستقل عزم کا اظہار کیا ہے۔ ہمارے ہدف میں ایک ہدف یہ بھی ہے کہ تمام مریضوں کو ان کی ادائیگی کی اہلیت سے قطع نظر بغیر کسی امتیاز کے، صحت کی دیکھ بھال کو قابل رسائی بنا کر معیاری صحت کا نظام مرتب کریں۔ مذکورہ بالا کے علاوہ کمپنی تعلیم اور کھیلوں، ہیلتھ کیئر سروسز اور جنرل فنانشل ایڈ کے شعبوں میں متعدد مخیر خدمات انجام دے رہی ہے اور مستقل طور پر مصروف عمل ہے۔

دوران سال Covid-19 کے باعث صحت اور حفاظت ایک بڑا مسئلہ رہا لہذا انتظامیہ نے اس خطرے کو کم کرنے کیلئے مختلف اقدامات کئے ہیں۔ ان میں باقاعدگی سے آگاہی سیشنز، احاطے کے اندر مختلف علاقوں میں ہینڈ سینیٹائزرز کی فراہمی، داخلی راستوں پر درجہ حرارت کی نگرانی، احاطے میں باقاعدہ طور پر جراثیم کا خاتمہ اور عملے کو ہر وقت ماسک پہننے کے ساتھ ساتھ سماجی فاصلہ کی مشق بھی شامل تھی۔

### مالیاتی ڈیٹا اور گرافس:

آپریٹنگ/مالیاتی ڈیٹا اور گراف کی تفصیلات مالی سیکشن میں پیش کی گئی ہیں۔

### کارپوریٹ گورننس کے معاملات:

آپ کے پڑھنے کی سہولت کیلئے پالیسی، بورڈ اور گورننس سے متعلق تمام معاملات کارپوریٹ گورننس سیکشن میں پیش کئے جاتے ہیں اور انہیں ڈائریکٹرز کی رپورٹ کا حصہ سمجھا جاتا ہے۔

## آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز میسرز ڈیلوئیٹ یوسف عادل چارٹرڈ اکاؤنٹینٹس ہیں جو کہ سبکدوش ہو رہے ہیں اور اہل ہونے کی حیثیت سے خود کو دوبارہ تقرری کے لئے پیش کرنے کے اہل ہیں۔ انہوں نے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان (ICAP) سے اطمینان بخش QCR کی درجہ بندی حاصل کرنے اور ICAP کے ذریعہ بین الاقوامی فیڈریشن آف اکاؤنٹینٹس (IFAC) کے ضابطہ اخلاق کے رہنما اصولوں کی تعمیل کی تصدیق کی ہے۔ بورڈ آف ڈائریکٹرز نے باہمی اتفاق رائے کے تحت میسرز ڈیلوئیٹ یوسف عادل چارٹرڈ اکاؤنٹینٹس کو بطور آڈیٹرز مالیاتی سال 30 جون 2021 کیلئے انہی شرائط و ضوابط اور اجرت پر دوبارہ تقرر کرنے کیلئے سفارش پیش کی ہے۔

## شیئر ہولڈنگ کا اسلوب:

شیئر ہولڈنگ کے اسلوب کی معلومات سالانہ رپورٹ کے ساتھ منسلک ہیں۔

## ہیومن ریسورسز:

### صنعتی تعلقات:

ہم اپنے ملازمین کو اپنا قیمتی اثاثہ تسلیم کرتے ہیں۔ لہذا انتظامیہ ملازمین کے ساتھ پر امن تعلقات کو یقینی بناتی ہے اور ہیڈ آفس اور فیکٹریوں میں کام کرنے کے لئے سازگار ماحول مہیا کرنے کی کوشش کرتی ہے۔ کام اور زندگی کے درمیان توازن کو برقرار رکھنے پر اہمیت دی جاتی ہے۔ انتظامیہ روزگار کے تمام قوانین اور مزدور قانون سازی کی تعمیل کو بھی یقینی بناتی ہے۔ اس کے نتیجے میں ملازمین بغیر کسی تنازعہ کے اپنے اہداف کے حصول کیلئے سخت محنت کرتے ہیں۔

## طویل خدمات کے سلسلے میں ایوارڈز:

طویل خدمت کے ایوارڈز ان ملازمین کی عقیدت اور وفاداری کو پہچاننے اور انعام دینے کیلئے فراہم کئے جاتے ہیں جن کا کمپنی کے ساتھ طویل عرصہ ہوتا ہے۔

## گرہجیوٹی:

یہ کمپنی ملازمین کو غیر شرائط دار تعریفی فوائد گرہجیوٹی اسکیم کی شکل میں حتمی فائدہ فراہم کرتی ہے۔ سال کے آخر میں گرہجیوٹی واجبات کی مالیت 118.09 ملین روپے تھی۔

## تربیت:

ملازمین کی صلاحیتوں کو بہتر بنانے کیلئے تربیت ضروری ہے تاکہ وہ کمپنی کو اس کے مقاصد کے حصول میں مدد کر سکیں۔ اس بات کو مد نظر رکھتے ہوئے مالیاتی سال 2019-20 کے دوران تربیت کی ضرورت کے تجزیہ کے نتائج کو مد نظر رکھتے ہوئے UNDP کی جانب سے ملز کے ٹیکنیکی عملے کے لئے مختلف ٹیکنیکی اور مہارتیں جس میں انڈسٹریل الیکٹریشن، جنرل فٹ اور انسٹرومنٹیشن اینڈ آٹومیشن الیکٹریشن کورسز کے تربیتی پروگرامز کا انعقاد کیا گیا۔ کارپوریٹ آفس اور ملز میں مختلف ملازمین کو مواصلات کی مہارت، گف وشنید کی مہارت، جذباتی ذہانت، انسدادی طور پر ہراساں کرنے اور تناؤ کے انتظام کی تربیت دی گئی تھی۔ ہماری

مالیاتی چارجز مبلغ 497 ملین روپے رہے جو کہ گزشتہ سال کے مقابلے میں 5 فیصد زیادہ تھے یہ اضافہ پالیسی کی شرح میں لگاتار اضافے اور کورونا وباء کے باعث رکے ہوئے ورکنگ کیپٹل کی اعانت کیلئے زیادہ قرضے لینے کے باعث ہوا۔

تناسب فیصد میں	جون 2019	جون 2020	
فروخت	7,557	6,749	(10.69)
فروخت کی قیمت	(6,546)	(6,056)	(7.48)
مجموعی منافع	1,012	693	(31.45)
ڈسٹری بیوشن، ایڈمن و دیگر	(312)	(477)	52.88
مالیاتی قیمت	(473)	(497)	5.07
قبل انگیس (خسارہ) / منافع	226	(282)	(224.33)
بعد از انگیس (خسارہ) / منافع	185	(361)	(295.65)
(خسارہ) / آمدنی فی شیئر	369.46	(721.27)	(295.22)

#### سرمایہ کی ساخت:

30 جون 2020 کو ڈیبٹ ایکوٹی کا تناسب 59:41 تھا جس کا موازنہ 30 جون 2019 کی ایکوٹی 56:44 سے کیا جاسکتا ہے۔ یہ اضافہ بنیادی طور پر ورکنگ کیپٹل کی ضرورت میں عارضی اضافے اور اسٹیٹ بینک کے ذریعہ پیش کردہ Covid مراعات کے تحت طویل مدتی قرضوں کے التوا کی حمایت کے باعث ہوا۔

#### ڈویڈنڈز:

بورڈ آف ڈائریکٹرز نے 29 ستمبر 2020ء کو اپنی منعقدہ میٹنگ میں مالی نتائج اور لیکوئڈٹی کی قلت کے پیش نظر 30 جون 2020ء کو ختم ہونے والے سال کیلئے ڈویڈنڈ کی سفارش نہیں کی ہے۔

#### PACRA ریٹنگ:

PACRA کی ریٹنگ کے تحت آئی لینڈ ٹیکسٹائل ملز نے مختصر مدتی مالیاتی ریٹنگ A2 اور طویل مدتی مالیاتی ریٹنگ BBB+ حاصل کی ہے۔

ٹیکسٹائل کے شعبے میں گزشتہ سال کی صفر کی درجہ بندی سے دستبرداری بحال کی جائے اور اس کے نتیجے میں 17 فیصد سیلز ٹیکس ہٹایا جائے جس سے مقامی یارن کی فروخت پر خلل پڑتا ہے اور صنعت سے فاضل لیکویٹیڈی خارج ہو جاتی ہے۔

### توانائی کی لاگت:

ریجنل ممالک کے مقابلے میں پاکستان میں توانائی کی لاگت زیادہ ہے جس سے ہمیں مقابلہ کا سامنا نہیں کرنا پڑتا۔ حکومت کی جانب سے توانائی کی لاگت کو 7.5 سینٹس سے بڑھا کر 9.0 سینٹس کرنے کا حالیہ فیصلہ ہماری غیر مسابقت کو بڑھائے گا۔ ایسے وقت میں جب صنعت کو رونا سے ریکور ہو رہی ہے، حکومت اور سپریم کورٹ نے GIDC کے لئے صنعتوں کو ادائیگی کرنے کا فیصلہ کیا ہے جس سے ٹیکسٹائل کی صنعت کے اخراجات میں مزید اضافہ ہوگا۔ ہماری صنعت دوسروں سے مختلف ہے کیونکہ اس نے کھاد اور CNG کی مد میں کوئی سیس جمع نہیں کیا جس نے سیس جمع کیا لیکن حکومت کو نہیں دیا۔ لہذا ٹیکسٹائل انڈسٹری نے فیصلہ کیا ہے کہ وہ سپریم کورٹ میں نظر ثانی کی درخواست دائر کرے گی اور اس کا سامنا کرے گی اور قانونی مشورے کی بنیاد پر ہمیں مثبت نتائج کی امید ہے۔

### کمپنی کے نتائج:

کمپنی نے گزشتہ سال کے مقابلے میں 10.69 فیصد کمی ساتھ مبلغ 6,749 ملین روپے کی مجموعی فروخت کیس اور مبلغ 693 ملین روپے کا مجموعی منافع حاصل کیا۔ دوران سال آپ کی کمپنی کو کورونا وباء سمیت متعدد عوامل کے باعث مبلغ 282 ملین روپے قبل از ٹیکس خسارہ ہوا جس کے نتیجے میں فروخت میں خسارہ، آپریشنز کا جبری شٹ ڈاؤن، کپاس اور سوت کی قیمتوں پر اثر انداز ہونے والا امریکہ چین تجارتی تنازعہ، دوران سال پاکستانی روپے کی قدر میں کمی کے باعث درآمد شدہ کپاس کی لاگت متاثر ہوئی اور شرح سود اور قرض لینے کے باعث سود کے اخراجات میں اضافہ سے مالیاتی چارجز 5 فیصد بڑھ کر مبلغ 497 ملین روپے (2019 میں مبلغ 473 ملین روپے) ہو گئے۔ مزید غیر مناسب ٹیکس قوانین کے باعث کمپنی ٹرن اوور پر کم سے کم ٹیکس ادا کرنے کی ذمہ دار ہے اور اس کے نتیجے میں کمپنی کو مبلغ 361 ملین روپے کا بعد از ٹیکس خسارہ ہوا۔ فی شیئر خسارہ مبلغ 721.27 روپے ہوا۔ کورونا وباء سے متاثرہ فروخت میں خاطر خواہ کمی کے سبب آپریٹنگ منافع گزشتہ سال کے مقابلے میں 510 ملین روپے کم رہا۔

دوران سال فروخت ہونے والے سامان کی لاگت مبلغ 6,056 ملین روپے رہی جو کہ 7.48 فیصد کم تھی کیونکہ خریداری کے سیزن میں کپاس زیادہ قیمت پر حاصل ہوئی جو کہ سب سے پہلے امریکہ اور چین کے تجارتی تنازعہ سے متاثر ہوئی اور اس کے بعد کورونا وباء نے کپاس کی طلب کو کم کیا اور اس کے نتیجے میں فروخت میں نقصان ہوا اور آپریشن کے جبری شٹ ڈاؤن کے باعث سوت اور کپاس کی قیمتوں پر اثر پڑا۔ فروخت، ڈسٹری بیوشن اور انتظامی اخراجات کی لاگت پچھلے سال کے مقابلے میں کم رہی کیونکہ کورونا کے باعث فروخت کے اخراجات کم ہونے کی وجہ سے فروخت 5.38 lbs تھی۔

دیگر آپریٹنگ چارجز مبلغ 223 ملین روپے (2019: مبلغ 70 ملین روپے) رہے جو کہ قیمتوں میں اچانک کمی اور غیر متوقع طور پر پلانٹ بند ہونے کے باعث درآمد شدہ کپاس پر ہونے والے خسارہ کی وجہ سے لاگت کے اخراجات ہیں۔ کمپنی نے درآمد شدہ کپاس پر انحصار کرنے کا فیصلہ کیا تھا جو کہ زیادہ قیمتوں پر خریدی گئی تھی اور تجارتی تنازعات اور کورونا وباء اور دوسرے روپے کی قدر میں کمی کے باعث پہلی بار متاثر ہوئی

ٹیکس محصولات میں مختصر کمی کے باعث معاشی طور پر مالی خسارہ زیادہ ہونے کا امکان ہے۔ کریڈٹ اکاؤنٹ میں نمایاں طور پر 2.9 بلین امریکی ڈالر کا معاہدہ ہوا جس کی وجہ سے درآمدات میں کمی اور ورکر ریٹینس میں معمولی اضافہ ہوا۔ IMF اور دیگر متعلقہ ایجنسیوں کی امداد نے ضرورت سے زیادہ ریلیف فراہم کیا اور اس کے نتیجے میں اسٹیٹ بینک آف پاکستان (SBP) کے ذخائر بہتر ہو کر 19 بلین امریکی ڈالر ہو گئے۔ افراط زر کم ہو کر 10.74 فیصد رہ گئی جو کہ مارچ کی سطح سے کم ہے اور کورونا وباء کے اثرات کے ساتھ اسٹیٹ بینک آف پاکستان کو ڈسکاؤنٹ ریٹ کی شرح کم کرنے پر قائل کرنے میں مدد ملی تاکہ کاروباری افراد کو معاشی نمو کو تیز کرنے میں مدد مل سکے۔

### ٹیکسٹائل انڈسٹری کے چیلنجز:

اگرچہ حکومت پاکستان اور اسٹیٹ بینک آف پاکستان قرضوں کی واپسی کو موخر کرنے اور سود کی شرح کو کم کرنے کی پیشکش کے ذریعہ کورونا کی وجہ سے پائے جانے والے بحران کے باعث پیش آنے والے کاروباری بحران کے سلسلے میں کافی فکر مند ہیں، تاہم ٹیکسوں کی واپسی، ٹیکسٹائل کے شعبے کے لئے صفر کی درجہ بندی کو ختم کرنے، بجلی کی لاگت میں اضافہ، گیس انفراسٹرکچر ڈویلپمنٹ سیس (GIDC) کی ادائیگی کا خطرہ اور پاکستان میں کپاس کی فصلوں کی تیزی سے کم ہونے والی پیداوار اور معیار کے حصول کے لئے ترقیاتی کوششوں کی کمی سے متعلق صنعتوں کو درپیش دیگر طویل المیعاد مسائل حل کرنے میں حکومت سست روی کا مظاہرہ کر رہی ہے۔ مجموعی طور پر یہ تمام عوامل ٹیکسٹائل کے شعبے کی نمو اور اس کے قیمتی زر مبادلہ حاصل کرنے کی صلاحیت کو نقصان پہنچا رہے ہیں۔

### خام مال:

اگرچہ کپاس کی پیداوار کرنے والے ممالک (انڈیا، امریکہ، چین اور برازیل) میں پاکستان پانچویں نمبر پر ہے اس کی پیداوار ہر سال کم ہو رہی ہے۔ لہذا پاکستان اپنی ٹیکسٹائل ملز کی تقریباً 14 ملین بیلز کی ضروریات پوری کرنے کیلئے درآمدی کپاس پر انحصار کرنے پر مجبور ہے۔ حکومت پاکستان اور وزارت ٹیکسٹائل کو زیادہ سے زیادہ بیج کی ٹیکنالوجی میں سرمایہ کاری کرنے اور کسانوں کے ساتھ مل کر کام کرنے کی ضرورت ہے تاکہ وہ جدید کاشتکاری کے جدید ٹیکنیکیوں سے ملک میں کپاس کی کاشت کرنے والے بڑے علاقوں میں پیداوار میں اضافہ کر سکیں جس کے نتیجے میں پاکستان کی معیشت کو فروغ ملے گا۔

ملک میں خام مال کی دستیابی میں شدید کمی واقع ہوئی ہے کیونکہ مقامی کپاس کی فصل کی پیداوار اچھی نہیں ہے۔ تاہم توقع کی جا رہی ہے کہ چائنا اور امریکہ کے تجارتی تنازعہ اور کورونا وائرس کے باعث طلب پر اثر پڑا ہے جس کی وجہ سے کپاس کی بین الاقوامی قیمتیں نسبتاً مستحکم رہیں گی۔ لہذا اس غیر یقینی صورتحال کے دوران کمپنی اپنی کوشش کرے گی کہ وہ مقامی کپاس پر انحصار کرے اور محتاط رہے اور کم سے کم خام مال اور تیار سامان کی انوینٹری کے ساتھ موثر انداز میں پیداوار کرے۔

### ٹیکسز:

حکومت اور FBR دھیرے دھیرے نئے قرضہ جات کی واپسی کر رہے ہیں لیکن گزشتہ سالوں سے قرض کی واپسی کے لاگ کو کلیئر کرنے کیلئے انتہائی سست ہیں جن کو قرض لینے والے فنڈز سے مالی مدد ملتی ہے اور اس سے کاروبار کی لیکویڈٹی متاثر ہوتی ہے۔ اسی طرح ٹیکسٹائل انڈسٹری نے حکومت سے گزارش کی ہے کہ

## ممبران کیلئے ڈائریکٹر کی رپورٹ

کمپنی کے ڈائریکٹر 30 جون 2020ء کو ختم ہونے والے سال کیلئے کمپنی کی 51 ویں سالانہ رپورٹ اور کمپنی کے آڈٹ شدہ مالیاتی حسابات کے ساتھ اپنی رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### کاروباری ماحول:

یہ سال کاروباری لحاظ سے انتہائی مشکل رہا۔ حکومت اور اسٹیٹ بینک نے مقامی کنٹینمنٹ پالیسیز اختیار کیں جس کے نتیجے میں کرنسی کی قدر میں کمی ہوئی اور پالیسی کی شرح میں اضافے کا اثر طلب کو کم کرنے اور ان پٹ لاگت میں اضافے پر پڑا۔ امریکہ اور چین کے تجارتی تنازعات کے باعث چین کو دباؤ کا سامنا کرنا پڑا جس کا منفی اثر کپاس کی قیمتوں اور اس کے نتیجے میں سوت کی فروخت کی قیمتوں پر پڑا۔ مارچ 2020ء میں کورونا وائرس کے پھیلاؤ کے باعث درآمدی ممالک کے منسوخ اور موخر احکامات کے نتیجے میں کاروباری سرگرمیاں تعطل کا شکار ہوئیں جس کے باعث ہماری فروخت/ وصولیاں متاثر ہوئیں اور ایک ماہ کیلئے پیداوار میں رکاوٹ پیدا ہوئی جس کے نتیجے میں اسپنڈل صلاحیت کم ہو گئی۔

### پاکستان کی معیشت:

مالیاتی سال 2019-2020 میں ملکی جی ڈی پی میں 1.9 فیصد کے مقابلے میں 0.38 فیصد کا تخمینہ لگایا گیا۔ مینوفیکچرنگ (ایل ایس ایم) کے معاہدے میں بڑے پیمانے پر 10.17 فیصد اضافے سے پیداواری شعبہ خاص طور پر متاثر ہوا۔ کورونا وائرس کے آغاز سے قبل صنعت بڑے پیمانے پر گیس کی قیمت میں اضافے اور پاکستانی روپے کی قدر میں کمی کیلئے مسلسل کوششیں کر رہی تھی جو کہ گزشتہ سالوں کے دوران رہی تھی۔ مزید یہ کہ سرمایہ کی زیادہ قیمت، PSDP میں کمی اور ایک ہی وقت میں 50,000 روپے اور اس سے زائد رقم کی خریداری پر شناختی کارڈ کی شرط کے نتیجے میں صارفین کی طلب میں شدید کھنچاؤ پیدا ہوا۔ حکومت کی جانب سے IMF کے سخت اقدامات نے سہ ماہی کی شروعات میں بہتر معاشی حالات کی عکاسی کرنا شروع کر دی تھی جس میں موجودہ اکاؤنٹ اور مالی خسارے میں کمی شامل تھی، تاہم، سہ ماہی کے آخر میں لاک ڈاؤن کا اضافی بوجھ سے ایک نئے معاشی چیلنج کا سامنا کرنا پڑا۔ بہر حال لوگوں کے روزگار اور کاروبار کو بچانے کیلئے حکومت اور اسٹیٹ بینک کے بروقت اقدامات کا خیر مقدم کیا گیا۔ مبلغ 1.24 ٹریلین مالیاتی پیکیج، تعمیراتی پیکیج، پالیسی کی شرح میں کمی، اجرتوں کی ادائیگی کیلئے ری فنانس اسکیم اور سبسڈی والے نرخوں پر تنخواہ اور قرض ملتوی کرنے کے فیصلے وقت کی اہم ضرورت تھے۔

کافی حد تک کورونا وائرس کے انفیکشن میں کمی کے ساتھ ہم امید کرتے ہیں کہ سخت حالات کے باوجود حکومت مستحکم پالیسیاں جاری رکھے گی۔ معاشی دستاویزات اور ٹیکس کی بنیاد کو بڑھانا تکلیف دہ اقدام ہے۔ تاہم ملک اور خاص طور پر منظم سیکٹر مجموعی طور پر طویل عرصے میں اس طرح کے اقدامات سے مستفید ہونے کیلئے تیار ہے۔ مزید برآں بجٹ 2020-21 میں اعلان کردہ درآمد شدہ خام مال پر ڈیوٹی میں کمی اس صنعت کے لئے مثبت ہے اور اس سے اگلے سال میں کیش فلو اور سرمایہ کی تشکیل کے تحفظ کی اجازت ہوگی۔ مالیاتی سال 2020-21 کیلئے تمام اسٹیک ہولڈرز کیلئے حکومت کی نظر ثانی شدہ GDP کی شرح نمو 2.1 فیصد ایک زبردست چیلنج ہوگی۔ تاہم ہم امید کرتے ہیں کہ کورونا وائرس کیس میں کمی اور SOP کے حوالے سے عملدرآمد ہمیں صحیح راہ پر گامزن کرے گا۔ حکومت کی طرف سے اعلان کردہ گرین فیلڈ منصوبوں کیلئے تعمیراتی پیکیج، LTFF فنانسنگ اور BMR اور پانی اور توانائی کی تقسیم کے دیگر منصوبوں جیسے اقدامات بھی مستقبل میں ترقی کے مواقع فراہم کریں گے۔

# Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_, being a Member of Island Textile Mills Limited, holder of \_\_\_\_\_, Ordinary Share(s) as per Register Folio No \_\_\_\_\_ hereby Appoint Mr. \_\_\_\_\_, having CNIC No. \_\_\_\_\_ as my/our proxy in my/our absence to attend and vote for me/us, and on my/our behalf at the Annual General Meeting of the company to be held on October 26, 2020 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

Signature across Rs.5  
Revenue Stamp

Witness 1 \_\_\_\_\_

Witness 2 \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

CNIC # \_\_\_\_\_

CNIC # \_\_\_\_\_

## NOTES:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not member of the company qualified to vote except that a corporation being a member may appoint a person who is not a member.
2. 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 that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.
3. CDC Shareholders or their Proxies should bring their original CNICs or Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detail procedure is given in Notes to the Notice of AGM.

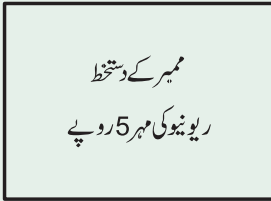


## پراکسی فارم (مختار نامہ)

میں / ہم \_\_\_\_\_ کا / کی \_\_\_\_\_  
 بحیثیت رکن آئی لینڈ ٹیکسٹائل ملز لمیٹڈ اور حامل \_\_\_\_\_ عام حصص برطبق رجسٹرڈ فو لیو نمبر \_\_\_\_\_  
 بذریعہ ہذا محترم / محترمہ \_\_\_\_\_ کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 مورخہ 26 اکتوبر 2020ء

کو اپنے / ہمارے ایماء پر: \_\_\_\_\_  
 منعقد ہونے والے کمپنی کے سالانہ اجلاس عام میں حق رائے وہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار نامہ (پراکسی) مقرر کرتا  
 ہوں / کرتے ہیں۔

آج بروز: ..... بتاریخ: ..... 2020 کو میرے / ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔



گواہان

گواہان

-2

-1

دستخط: \_\_\_\_\_

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

نام: \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: \_\_\_\_\_

نوٹ:

- 1- پراکسی تقرری کے آلات تقرر کرنے والے کے دستخط یا اس کے باقاعدہ بااختیار وکیل کے تحریری اجازت نامہ، یا اگر تقرر کرنے والا کارپوریشن ہے تو عام مہر یا ایک آفیشل دستخط کے تحت یا ایسے بااختیار وکیل کے دستخط ہوں گے۔ جو کمپنی کا رکن نہیں ہے اسے پراکسی مقرر نہیں کیا جائے گا سوائے ایک کارپوریشن کے جو ووٹ ڈالنے کے لئے ایک غیر رکن شخص کو پراکسی مقرر کر سکتی ہے۔
- 2- پراکسی اور مختار نامہ یا دیگر اتھارٹی (اگر کوئی ہوں) تقرری کے آلات، جس کے تحت یہ دستخط شدہ ہو یا اس مختار نامہ کی نوخریلی مصدقہ کاپی، کمپنی کے دفتر میں کم از کم 48 (اڑتالیس) گھنٹے قبل اجلاس جس میں ووٹ دینے کے مقاصد کے لئے انسٹرومنٹ میں نامزد شخص کی جمع کروایا جائے گا، بصورت دیگر پراکسی کا انسٹرومنٹ کارآمد تصور نہ ہوگا۔
- 3- سی ڈی سی حصص یافتگان یا ان کے پراکسیز کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ مع پارٹیشنٹ (شرکت) آئی ڈی نمبر اور اکاؤنٹ نمبر اپنی شناخت کی سہولت کے لئے اپنے ہمراہ لانا چاہئے۔ تفصیلی طریقہ کار نوٹس AGM کے نوٹ میں دیا گیا ہے۔



**HEAD OFFICE :**

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**MILLS :**

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Distt. Jamshoro, Pakistan.

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