

# THE KARACHI COTTON ASSOCIATION

(The Cotton Exchange, I.I. Chundrigar Road, Karachi)

## **EXECUTIVE COMMITTEES' REPORT COVERING ACTIVITIES OF THE ASSOCIATION FOR THE YEAR 2020-21 AND AUDITED ACCOUNTS OF THE ASSOCIATION FOR THE YEAR ENDED JUNE 30, 2021**

The Executive Committee is pleased to present their Annual Report covering activities of The Karachi Cotton Association for the year 2020-21 and Audited Accounts for the financial year ended on June 30, 2021.

### **EXECUTIVE COMMITTEE'S REPORT:**

Before discussing the local cotton situation, a brief review of the world cotton situation is presented for the year 2020-21 along with its prospects for the year 2021-22.

### **WORLD COTTON SITUATION (2020-21):**

According to the USDA, the world cotton production in 2020-21 had been declined to 112.42 million bales (480 lbs. each) from 121.40 million bales in 2019-20 due to decline in production in USA, Brazil, Pakistan and Turkey. Production increased in China to 29.50 million bales from 27.25 million bales and Australia to 2.80 million bales from 0.62 million bales.

The world cotton consumption increased to 119.01 million bales from 102.82 million bales in 2020-21. The ending global stocks for 2020-21 declined to 91.78 million bales from 98.16 million bales in 2019-20 i.e. 6.38 million bales lower than the previous year.

The New York Cotton Futures latest delivery month recorded at US¢ 63.53 per lb at the beginning of the season on 03.08.2020 and US¢ 89.83 per lb at the end of the season on 30.07.2021.

### **WORLD COTTON SITUATION ( 2021-22):**

According to the USDA, world cotton production for 2021-22 is estimated to increase to 118.84 million bales (bale of 480 lbs.) from 112.42 million bales in 2020-21. Major increase in cotton production is projected in USA, Brazil, Australia and Turkey where production is estimated to increase to 17.26, 12.50, 4.40 and 3.40 million bales from 14.61, 10.75, 2.80 and 2.90 million bales respectively.

World cotton consumption is estimated to increase to 123.33 million bales in 2021-22 against 119.01 million bales of actual consumption in 2020-21. In China, the cotton consumption is estimated to increase to 41.00 million bales in 2021-22 from 40.0 million bales in 2020-21. World exports for 2021-22 are estimated at 46.25 million bales as against 48.05 million bales in 2020-21.

**Cont'd.../2**

**TARGET OF COTTON PRODUCTION IN PAKISTAN (2020-21):**

The target of cotton production in Pakistan for 2020-21 (in terms of bales of 375 lbs. each) was initially fixed at 10.89 million bales (Punjab 6.00 million bales, Sindh 4.60 million bales, Baluchistan 0.291 million bales and KPK 0.0065 million bales) from an area of 2.31 million hectares.

According to the Arrival Report of the PCGA for the year 2020-21 issued on 3<sup>rd</sup> May.2021, the total arrivals of cotton in ginneries as on 01.05.2021 were 5.65 million bales.

**COTTON PRODUCTION TARGET IN PAKISTAN (2021-22):**

The target of cotton production for 2021-22 was fixed by the Government at 10.50 million bales (Punjab 6.07 million bales, Sindh 4.00 million bales, Baluchistan 0.43 million bales and KPK 0.0042 million bales).

The provinces-wise targets of area and production fixed for 2021-22 are as follows :-

**COTTON AREA AND PRODUCTION TARGETS (2021-22)**

<u>S.No.</u>	<u>Province</u>	<u>Area</u> ( Million hectares)	<u>Production</u> (Million bales)
1.	Punjab	1.61	6.07
2.	Sindh	0.64	4.00
3.	KPK	0.0022	0.00417
4.	Baluchistan	0.07	0.43
<b>Total:</b>		<b>2.3222</b>	<b>10.50</b>

Source: PCCC

**PCGA GINNING FIGURES (2020-21):**

As per report of the Pakistan Cotton Ginners' Association (PCGA), arrivals of seed cotton, (Phutti) in ginneries crop 2020-21 as on May 01, 2021 were 5.65 million bales as shown below:-

**ARRIVALS OF SEED COTTON IN GINNERIES**

<u>Province</u>	<u>2020-21</u> (as on 01.05.2021)	<u>In bales</u> (170 kg)
Punjab	3,509,798	
Sindh	2,136,169	
<b>Total:-</b>	<b>5,645,967</b>	

**SEED COTTON PRICES:**

The monthly average prices of seed cotton as well as lint during 2020-21 are as follows:-

**AVERAGE MARKET PRICE IN RS. PER 40 KGS.  
OF SEED COTTON DURING 2020-21**

<u>S.No.</u>	<u>Month / Market</u>	<u>Hyderabad</u>	<u>RahimYar Kham</u>
1.	July, 2020	3900.00	4148.00
2.	August, 2020	3824.00	4169.00
3.	September, 2020	3815.00	4417.00
4.	October, 2020	4347.00	5184.00
5.	November, 2020	3728.00	4933.00
6.	December, 2020	3600.00	5145.00
7.	January, 2021	---	5591.00
8.	February, 2021	---	5560.00
9.	March, 2021	---	6000.00
		3869.00	5016.00

Source: PCCC

The following table shows month-wise average spot rates in rupees per maund of 37.324 kgs. at the Karachi Cotton Market for the season 2020-21 (Aug.-July):-

**MONTHLY AVERAGE OF THE KCA OFFICIAL SPOT RATES (EX-GIN PRICE) FOR  
BASE GRADE 3 (THREE), STAPLE LENGTH 1-1/16"  
MIC VALUE BETWEEN 3.8 TO 4.9NCL.**

<u>S.No.</u>	<u>Month</u>	<u>(In Rs. per Maund)</u> <u>Monthly Average Ex-gin</u>
1.	August, 2020	8,380.00
2.	September, 2020	8,750.00
3.	October, 2020	9,687.00
4.	November, 2020	9,465.00
5.	December, 2020	9,690.00
6.	January, 2021	10,619.00
7.	February, 2021	11,130.00
8.	March, 2021	12,092.00
9.	April, 2021	11,073.00
10.	May, 2021	11,621.00
11.	June, 2021	12,415.00
12.	July, 2021	12,917.00
Yearly Average based on monthly averages		<b><u>10,653.00</u></b>

**LOCAL MILL CONSUMPTION FOR 2020-21:**

The mill consumption of raw cotton during the year 2020-21 (Aug.-July) as reported by the Textile Commissioners' Organization would be around 16.15 million bales.

The following table shows month-wise mill consumption of cotton from Aug., 2020 to July, 2021:-

**MILL CONSUMPTION OF COTTON  
FOR 2020-21 (AUG.-JULY)**

<u>S.No.</u>	<u>Month</u>	(Bales of 375 lbs.)
1.	August, 2020	1,343,824
2.	September, 2020	1,342,941
3.	October, 2020	1,343,694
4.	November, 2020	1,342,353
5.	December, 2020	1,345,441
6.	January, 2021	1,344,535
7.	February, 2021	1,342,647
8.	March, 2021	1,347,647
9.	April, 2021	1,348,529
10.	May, 2021	1,348,823
11.	June, 2021	<u>1,349,176</u>
	Total (Aug., 20 - June, 21)	<b><u>14,799,610</u></b>
12.	July, 2021 (T)	1,345,419
	<b>Total based on annualized average:</b>	<b><u>16,145,029</u></b>

Source: Textile Commissioner's Organization

**DISPOSAL OF COTTON IN 2020 - 21:**

According to the PCGA's report, the arrivals of cotton in the ginneries (Crop 2020-21) as on May 01, 2021, were recorded as 5.65 million bales. The total sales of 2020-21 crop to the mills, exporters and the TCP, as on May 01, 2021 were 5.61 million bales which will be seen from the following table:-

**FINAL POSITION OF GINNED / PRESSED BALES AND SALES  
AS ON 01.05.2021**

(In Bales)

	<u>2020-21 crop</u> (as on 01.05.2021)
No. of bales ginned and pressed	5,645,967
<b>Total Sales</b>	<b>5,605,223</b>
- Sales to Mills	5,535,023
- Sales to TCP	----
- Sales to exporters	70,200
- Stock of unsold and unginmed bales.	40,744

**REVIEW OF COTTON CROP (2020-21):**

**TARGETS FOR AREA AND PRODUCTION FOR THE COTTON CROP YEAR 2020-21**

**PROPOSED TARGETS OF COTTON CROP DURING 2020-21:**

Province	Targets 2020-21	
	Area (Million Hectares)	Production (Million Bales)
Punjab	1.60	6.0
Sindh	0.64	4.6
KPK	0.01	0.0065
Balochistan	0.06	0.291
<b>Total</b>	<b>2.31</b>	<b>10.89</b>

Source: Federal Committee on Agriculture.

**TARGETS AND ACHIEVEMENTS OF COTTON AREA AND PRODUCTION: 2020-21**

(Bale=170kg)

Province	Area (million hac.)		Production (million bales)		% age Against Target	
	Target	Achievement	Target	Achievement	Area	Production
Punjab	1.60	1.546	6.0	5.044	96.63	84.07
Sindh	0.64	0.615	4.6	1.862	96.09	40.48
KPK	0.01	0.000216	0.0065	0.000331	2.16	5.09
Balochistan	0.06	0.057	0.291	0.158	95.00	54.30
<b>Total</b>	<b>2.31</b>	<b>2.218</b>	<b>10.89</b>	<b>7.064</b>	<b>96.02</b>	<b>64.87</b>

Source: Provincial Agriculture Crop Reporting Department.

Note: Data given by Sindh, KPK and Balochistan is final while data of Punjab is Provisional.

**REASONS OF DCELINE IN PRODUCTION:-**

**The cotton crop production has been reduced in 2020-21 due to following reasons:-**

1. Substandard, illegal and uncertified seed was big hurdle in achieving cotton production target.
2. High temperature especially in the month of September, which caused loss in flower shedding.
3. Farmers shifted their focus on other crops i.e. Maize, Rice and Sugar cane.
4. Pest attack of White fly and Pink boll worm etc.
5. Higher input prices.
6. Climate change and untimely rains which caused complete damage of 80% in Mirpur Khas Division in Sindh. The total damage of cropped area reported in Sindh was around 27%. Whereas in Punjab it was reported on 8034 acres of cotton area.

**TARGETS FOR AREA AND PRODUCTION  
AND REVIEW FOR THE COTTON CROP YEAR 2021-22.**

Cotton, a major cash crop of Pakistan, is considered the backbone of the national economy; it contributes about 0.6% to GDP and 3.1% of total value addition in agriculture (Pakistan Economic Survey 2020-21). Pakistan is the fifth largest producer, third largest consumer and second largest exporter of cotton yarn in the world. Export of cotton and textile products have a share of 55.1% in overall exports of the country (FBS Report 2020).

**PROPOSED TARGETS OF COTTON CROP DURING 2021-22 SEASON**

Province	Targets 2021-22		
	Area (Million Hectares)	Production (Million Bales)	Yield (kg/hectares)
<b>Punjab</b>	1.61	6.07	641
<b>Sindh</b>	0.64	4.0	1062
<b>KPK</b>	0.0022	0.00417	323
<b>Balochistan</b>	0.07	0.43	1044
<b>Total</b>	<b>2.3222</b>	<b>10.50417</b>	<b>769</b>

Source: Federal Committee on Agriculture.

**SOWING POSITION OF COTTON CROP (2021-22 SEASON)**

(Million Hectares)

Province	Proposed Target 2021-22	Area Sown		% age Against Target	% Change Over Last Year
		2021-22	2020-21		
Punjab (First Estimate)	1.61	1.279	1.546	79.4%	-17.3
Sindh (07.07.2021) Final	0.64	0.592	0.615	93%	-3.7
Baluchistan	0.07	0.064	0.057	91.4%	+12.3
KPK	0.0022	N.A	0.00011	-	-
<b>Total</b>	<b>2.32</b>	<b>1.935</b>	<b>2.218</b>	<b>83.4%</b>	<b>-12.7</b>

Source: Provincial Agriculture Extension & Crop Reporting Service, Departments.

**REASONS OF DECLINE IN AREA DURING 2021-22 SEASONS**

Substandard and uncertified seed remained main reason for farmer which compelled him to shift his cultivated area to other competing crop. Besides this, there remained shortage of irrigation water in Cotton areas of lower Sindh.

Lack of confidence of Cotton grower in cotton seed verity is big hurdle which become reason of decline in area in 2021-22 reason.

According to Cotton crop Assessment Committee meeting which was held on 1<sup>st</sup> September, 2021 in Islamabad, the total production has been assessed at 8.46 million bales against the largest of 10.5 million bales which is around 20% higher than the production of 7.064 million bales recorded in previous year. This increase is due better climate condition in this season and due to less rainfall.

**EXPORT SALES OF 2020-21 CROP:**

In the marketing year 2020-21 (August-July), the Export Sales of Cotton registered with the Trade Development Authority of Pakistan (TDAP) were approximately 4,000 bales as compared to 56,000 bales registered in the corresponding period last year.

**IMPORTS:**

The imports of cotton during the year 2020-21 were recorded about 870,000 M.T. as compared to 560,000 M.T. recorded during corresponding period last year as per data released by Pakistan Bureau of Statistics, Government of Pakistan. This helped in meeting the requirements of domestic mills.

**COTTON CROP ASSESSMENT COMMITTEE  
MEETINGS 2020 – 21 AND 2021-2022:**

**1<sup>st</sup> MEETING OF COTTON CROP ASSESSMENT COMMITTEE  
FOR 2020 - 21 SEASON HELD ON 02.10.2020 AT ISLAMABAD.**

The Federal Government constituted a Committee on Cotton Crop Assessment for the year 2020-21 to assess the size of the Cotton Crop on a realistic footing so as to make available factual estimates of the Cotton Crop and to avoid confusion. Chairman, the KCA was also included as one of the members of the Committee.

The 1<sup>st</sup> meeting of Cotton Crop Assessment Committee (CCAC) was held on 02.10.2020 in the Committee Room of Ministry of NFSR. The meeting was chaired by Syed Fakhar Imam, Federal Minister for NFS&R, Government of Pakistan. Mr. Muhammad Atif Dada, Chairman, KCA joined meeting via Zoom link along with other Stakeholders. After the meeting, committee issued the following Press Release.

“Pakistan’s cotton sector would surely improve in coming years as effective measures are being taken. This was said by Federal Minister for National Food Security and Research (NFSR), Syed Fakhar Imam on Friday while chairing meeting on Cotton Crop Assessment Committee. He was of the point of view that issues of domestic cotton production are seed quality, absence of new seed technology, heat waves and climate change, cotton leaf curl virus, pink bollworm and white fly.

Punjab said that there is 4% decline in cotton area. Resultantly pest complex has changed. In case of cotton, loss is observed Multan division. Comparatively Bahawalpur and DG Khan is doing better. Punjab assessed production target between 5.30 million bales. Sindh also mentioned that due to heavy rains cotton crop is facing lots of issues. Mirpur Khas and Sanghar has faced crop damage. Sindh gave target of 3 mn bales. KPK gave target of 0.065 million bales and Baluchistan gave target of 0.291 million bales. The total estimated production of the country will be 8.597 million bales.

Pakistan Meteorological Department (PMD) mentioned that for next 6 to 8 week there will be dry weather. FSC&RD mentioned that this year for cotton seed the target area for inspection is 365000 acres and already inspected area is 147000 acres. This year target expectation for cotton seed is 72176 metric tonnes.”

**2<sup>nd</sup> MEETING OF COTTON CROP ASSESSMENT COMMITTEE  
FOR 2020-21 SEASON HELD ON 14.12.2020 AT ISLAMABAD.**

The 2<sup>nd</sup> meeting of Cotton Crop Assessment Committee (CCAC) was held on 14.12.2020 in the Committee Room of NFSR. The meeting was co-chaired by Federal Minister for Food and Security & Research Syed Fakhar Imam.

Mr. Muhammad Atif Dada, Chairman, KCA joined meeting via Zoom link along with other Stakeholders.

Punjab assessed production target between 4.90 million bales. Sindh gave target of 2.50 million. KPK gave target of 0.0065 million bales and Baluchistan gave target of 0.291 million bales. The total estimated production of the country will be 7.70 million bales.

After lengthy discussion on different aspect, the house unanimously agreed the Second estimates of Cotton Crop 2020-21 as below:

<b>Province</b>	<b>Production estimate (Million bales of 170 kg.)</b>
Punjab	4.900
Sindh	2.500
Balochistan & KPK	0.2975
<b>Pakistan</b>	<b>7.70</b>



**1<sup>st</sup> MEETING OF COTTON CROP ASSESSMENT COMMITTEE  
FOR 2021 - 22 SEASON HELD ON 01.09.2021 AT ISLAMABAD.**

The 1<sup>st</sup> meeting of Cotton Crop Assessment Committee (CCAC) was held on 01.09.2021 in the Committee Room of Ministry of NFSR. The meeting was chaired by Syed Fakhar Imam, Federal Minister for NFS&R, Government of Pakistan. Mr. Rizwan Umer, Vice Chairman, KCA joined meeting via Zoom via link along with other Stakeholders. After the meeting committee issued the following Press Release.

“The Meeting of the Cotton Crop Assessment Committee was held on 1st September 2021, under the Chair Syed Fakhar Imam, Federal Minister for National Food Security and Research. Representatives of cotton growers, provincial agriculture departments, associations and senior officials of the NFS&R also attended the meeting. The Minister welcomed the participants and thanked for their participation and invited them all to share their feedback and recommendations for the development of cotton crop in Pakistan.

Fakhar Imam was told that the province of Sindh expects production of 3.5 million bales in this season. He was briefed that the climate in this season has been much better than the last season and due to less rainfall overall production is expected to increase. The production of cotton in Punjab is expected to touch 4.5 million bales at an increase of approximately 8.5% from last year. Overall cotton production is expected to reach 8.46 million bales.

Minister was briefed that the year 2020 saw 398.6mm rainfall which had a devastating impact on the production whereas this year the rainfall was 78.6mm which has improved the prospect of overall production. Furthermore, he was told that the attack of Mealybug and Whitefly and CLCuV remained significant which has adversely affected the production of cotton.

Fakhar said that it is imperative that awareness amongst farmers is raised regarding contamination control. He said that through proper chemical sprays the quality and quantity of cotton production can be enhanced. Minister said that the government will be proactive with the provision of quality seed to facilitate farmers. Minister said that the present government after 8 years set intervention price of Rs. 5000 per 40kg, which encouraged the grower to invest in crop management and harvest high yields. Growers from Sindh and Punjab also praised this act of the government and requested to replicate the same in sugarcane and wheat.

Fakhar Imam said that the Government has performed exceptionally well in the last season as Pakistan had the highest production in the top 5 crops including wheat with record production of 27.5 million tonnes. Minister said that the government aims to transform the cotton production as well. He said that the PTI government is supporting the cotton grower in every capacity.

Minister shared that there is a need of paradigm shift in the yield of this crop as it is one of the major factor of production in our industry Minister said that small holders will only be able to grow wheat if the quality inputs are timely available and in the range of farmer's access.

Federal Minister stressed on establishing linkages between the scientists and farmers mainly to minimize the gap between the results of research farm with that of the actual field. Fakhar Imam said that the government wishes to ensure that the concern of all stakeholders are heard and addressed.”

#### **GOVERNMENT NOMINEES ON THE EXECUTIVE COMMITTEE FOR THE YEAR 2020 -21**

As per the requirement of the KCA's Executive Committee, the following officials from the respective Ministries were nominated on the Executive Committee of the KCA for the year 2020-21:-

- i) Ministry of Commerce and Textile (Commerce Division), Government of Pakistan, Islamabad vide their letter dated 12-10-2020 nominated Director, Textile and Clothing Division, Trade Development of Pakistan, Karachi (Mr. Sabz Ali Khan,) to represent the Commerce Division on the Executive Committee of the KCA for the year 2020-21.
- ii) The Finance Division, (External Finance Wing) Government of Pakistan, Islamabad vide their letter dated 12-10-2020 nominated Mr. Shahid Raza, Deputy Secretary, EF (Budget)) to represent the Finance Division on the Executive Committee of the KCA for the year 2020-21.

#### **COTTON EXCHANGE DISPENSARY:**

The Cotton Exchange Dispensary provided medical facilities to the members/ Licensed Cotton Brokers of the KCA including their staff members and staff of the Association and their family members. During the year 2020-21 (July-June), a total No. of **2,301** patients attended the Cotton Exchange Dispensary as compared to 2, 357 patients attended last year and **7,529** units were dispensed to patients as against 7,260 units dispensed during the last year.

Blood Sugar testing facility has also been provided to the patients visiting the Cotton Exchange Dispensary. During the year 2020 - 21, **95** patients availed Blood Sugar testing facility from the Cotton Exchange Dispensary.

**PROGRESS OF KCA's FIBER TESTING LABORATORY:**

The KCA provided facility for testing of cotton through the State of Art Uster HVI 1000 M1000, mostly to exporters at a concessional rate to earn more foreign exchange. During the year 2020-21 (Aug., to July), 701 samples were tested, whereas 1,424 samples were tested during the corresponding period last year i.e. August, 2019 to July, 2020.

05 Samples were also tested through Trash Analyzer during the year 2020-21 i.e. August, 2020 to July, 2021.

**STATUS OF KCA LABORATORY IN CSITC ROUND TRAILS 2020-21:**

The KCA laboratory participated in CSITC Round Trails. Results of CSITC Round Trails on Combined Properties Basis during 2020-2021 are as follows:

Years	CSITC Round Trails No.	Evaluation of KCA's HVI-1000 on Combined properties basis.	Out of Instrument of the World.
2020	3	110	121
2020	4	77	119
2021	1	43	77
2021	2	66	95

**NUMBER OF MEMBERS OF ASSOCIATION AND BROKERS IN 2020 - 21**

The position regarding members of the Association and Licensed Cotton Brokers for the year 2020-21 was as under:-

Strength of Members as on 30-06-2020 161

**Less:**

Ceased to be members 05  
156  
Resigned 01  
**155**

**Add:**

Admission (upto 30-06-2021) 07  
Total strength as on 30-06-2021 **156**

- Strength of Brokers  
- Total strength of licensed Cotton Brokers 320  
- Number of Brokers renewed 296  
- Number of Brokers renewal Pending 05  
- Number of Brokers expired 9  
- Vacant NIL  
- Ceased / Cancelled 10  
- Number of Brokers Licences transferred/fresh issued during the year 2020 -21 (upto 13-09-2021) 02

**THANKS AND GRATITUDE:**

We place on record our deep thanks and gratitude to all members of the Association, members of the various Committees set up by the Executive Committee, as well as, members of the Broker's Advisory Committee for extending their full co-operation, support and assistance in offering their valuable suggestions on all matters relating to the trade. These have helped the Association to carry out its responsibilities and obligations, which resulted in better performance of its functions.

We also place on record our deep thanks and gratitude to members of the Rates Committee for performing their duties carefully to fix spot rate of cotton on daily basis.

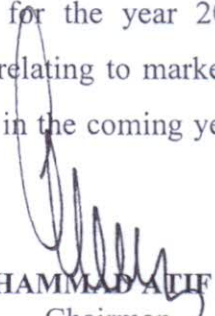
Thanks are due to Federal Minister for National Food Security & Research and Federal Minister for Commerce, Secretary and Joint Secretary, Ministry of National Food Security & Research and Ministry of Commerce, Chief Executive, Secretary, Trade Development Authority of Pakistan, Chairman, FBR and Chairman, TCP for their co-operation and assistance to this Association from time to time in matters concerning cotton trade.

Thanks are due to Cotton Commissioner & Vice-President, PCCC for their valuable guidance on cotton crop monitoring and their support and co-operation extended to this Association from time to time.

The Executive Committee like to place their appreciation on record for the efficient and dedicated services rendered by Mr. Aftab Alam, Secretary General, Mr. Muhammad Ali, Assistant Secretary (Stats), Mr. Hassan Haider, Accounts Officer, Sh. Abdul Qadir Ahmed, BA/MO and other officers and staff of the Association during the year under review.

We are confident that the new Executive Committee for the year 2021-22 would successfully meet the challenges which lay ahead in all matters relating to marketing of cotton and would strive to enhance the image of the Association further in the coming years. We wish them all the success.

The Cotton Exchange  
Karachi: 23.09.2021

  
(MUHAMMAD ATIF DADA)  
Chairman  
The Karachi Cotton Association

\*\*\*\*\*

**THE KARACHI COTTON  
ASSOCIATION**

---

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2021**



## AUDITORS' REPORT TO THE MEMBERS

---

### Opinion

We have audited the annexed financial statements of **The Karachi Cotton Association** (the Company), which comprise the statement of financial position as at June 30, 2021 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in fund, 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, statement of profit or loss, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, the changes in fund 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 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.

### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

#### Report on Other Legal and Regulatory Requirements

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

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

#### Other Matter

The engagement partner on the audit resulting in this independent auditor's report is **Younus Mohiuddin**.

Karachi.

Date: September 16, 2021

  
Tariq Abdul Ghani Maqbool & Co.  
Chartered Accountants 

**THE KARACHI COTTON ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	46,335,644	47,558,685
<b>CURRENT ASSETS</b>			
Investments	5	89,598,619	140,492,776
Stores & spares		142,771	191,397
Advance, deposits, prepayments and other receivables	6	16,999,320	13,390,227
Cash & bank balances	7	86,484,501	29,506,416
		<b>193,225,211</b>	<b>183,580,816</b>
		<b>239,560,856</b>	<b>231,139,501</b>
<b>FUNDS RESERVES AND LIABILITIES</b>			
<b>FUNDS AND RESERVES</b>			
General fund		1,019,049	1,019,049
Un-appropriated profit		165,174,424	153,280,727
		<b>166,193,473</b>	<b>154,299,776</b>
Building development fund	8	11,321,909	12,471,313
<b>NON CURRENT LIABILITIES</b>			
Deferred capital grant	9	26,366,945	30,597,254
Deferred liabilities		1,059,013	1,053,710
Long term deposits	10	8,525,000	8,485,000
		<b>35,950,958</b>	<b>40,135,964</b>
<b>CURRENT LIABILITIES</b>			
TDAP security deposits		4,368,859	6,080,676
Advance from members, brokers & others	11	5,130,665	3,203,478
Accrued and other liabilities	12	13,375,680	12,079,777
Provision for taxation		3,219,313	2,868,518
		<b>26,094,517</b>	<b>24,232,449</b>
		<b>239,560,856</b>	<b>231,139,501</b>

**CONTINGENCIES AND COMMITMENTS**

13

The annexed notes from 1-23 form an integral part of these financial statements.

Chairman

Vice-Chairman

Member

Member

Secretary General



**THE KARACHI COTTON ASSOCIATION  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	<u>2021</u> <i>Rupees</i>	<u>2020</u> <i>Rupees</i>
Income	14	34,590,700	33,045,938
Administrative & General expenses	15	(44,403,146)	(43,972,195)
		<u>(9,812,446)</u>	<u>(10,926,257)</u>
Other income	16	24,932,932	26,803,058
Finance cost		(7,476)	(4,221)
<b>Profit before taxation</b>		<u><b>15,113,010</b></u>	<u><b>15,872,581</b></u>
Taxation	17	(3,219,313)	(2,868,518)
<b>Profit after taxation</b>		<u><b>11,893,697</b></u>	<u><b>13,004,063</b></u>

The annexed notes from 1-23 form an integral part of these financial statements.

  
Chairman

  
Vice-Chairman

  
Member

Member



  
Secretary General

**THE KARACHI COTTON ASSOCIATION  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u> <i>Rupees</i>	<u>2020</u> <i>Rupees</i>
<b>Profit after taxation</b>	<b>11,893,697</b>	<b>13,004,063</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u><u>11,893,697</u></u>	<u><u>13,004,063</u></u>

The annexed notes from 1-23 form an integral part of these financial statements



Chairman



Vice-Chairman



Member

Member



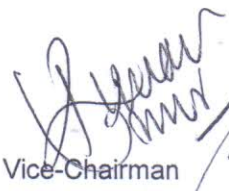
*Aftab Alam*  
Secretary General

**THE KARACHI COTTON ASSOCIATION  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	General fund	Un-appropriated profit	Total
<b>Balance as at June 30, 2019</b>	<b>1,019,049</b>	<b>140,276,664</b>	<b>141,295,713</b>
Total comprehensive income for the year	-	13,004,063	13,004,063
<b>Balance as at June 30, 2020</b>	<b>1,019,049</b>	<b>153,280,727</b>	<b>154,299,776</b>
Total comprehensive income for the year	-	11,893,697	11,893,697
<b>Balance as at June 30, 2021</b>	<b>1,019,049</b>	<b>165,174,423</b>	<b>166,193,473</b>

The annexed notes from 1-23 form an integral part of these financial statements.

  
Chairman

  
Vice-Chairman

  
Member


  
Secretary General

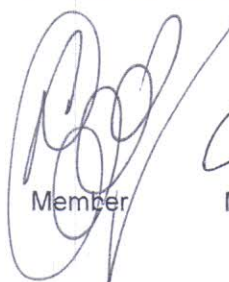
**THE KARACHI COTTON ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021 Rupees	2020 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		15,113,010	15,872,581
<b>Adjustments for:</b>			
Depreciation		6,054,011	6,802,664
Finance cost		7,476	4,221
Amortization of deferred grant		(4,230,309)	(4,976,834)
Amortization of Building development fund		(1,257,990)	(1,385,701)
Provision for gratuity		86,372	84,151
<b>Operating profit before working capital changes</b>		<b>15,772,569</b>	<b>16,401,081</b>
<b>Working capital changes:</b>			
Stores and spares		48,626	(34,725)
Advances, deposits, prepayments and other receivables		(574,443)	1,513,649
Advance from members, brokers and others		1,927,187	(385,481)
Accrued and other liabilities		1,295,903	1,200,355
<b>Cash generated from operations</b>		<b>2,697,273</b>	<b>2,293,798</b>
Income tax paid		(5,903,157)	(5,635,277)
Finance cost paid		(7,476)	(4,221)
Gratuity paid		(81,069)	-
Payments of security Deposits		(1,711,817)	-
Long term deposits		40,000	250,000
<b>Net cash generated from operating activities</b>		<b>10,806,323</b>	<b>13,305,381</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(4,830,970)	(408,483)
Addition to capital work in progress		-	(2,006,847)
Building development fund		108,586	-
Investments - net		50,894,147	(12,673,917)
<b>Net cash used in investing activities</b>		<b>46,171,763</b>	<b>(15,089,247)</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>		<b>56,978,085</b>	<b>(1,783,866)</b>
Cash and cash equivalents at beginning of the year		29,506,416	31,290,278
<b>Cash and cash equivalents at end of the year</b>	7	<b>86,484,502</b>	<b>29,506,416</b>

The annexed notes from 1-23 form an integral part of these financial statements.

  
Chairman

  
Vice-Chairman

  
Member

  
Member

  
Secretary General



## 1 STATUS AND NATURE OF BUSINESS

The Karachi Cotton Association (the Company) was incorporated under the Company Act 1913 (now Companies Act 2017) on April 20, 1933 as a company limited by guarantee. The registered office of the Company is situated at The Karachi Cotton Association Building, I. I. Chundrigar Road, Karachi. The Company is principally engaged in providing services to facilitate cotton trade in the country for the benefit of its members and brokers. The Company also earns rental income by letting out office space to its members and brokers besides providing dispensary services at a nominal fee.

## 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 approved accounting and reporting standards applicable in Pakistan comprise of :

- Accounting standard for Not for profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed .

### 2.2 Functional and presentation currency

The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

### 2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below:

### 3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at amortized cost.

### 3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Normal repairs and maintenance are charged to profit and loss account.

Depreciation is charged to profit and loss account by applying diminishing balance method over the estimated useful life of the assets. Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal requirements etc. Depreciation for the year is charged proportionately from the month of purchase to the month of disposal.

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed and adjusted if appropriate, at each balance sheet date.

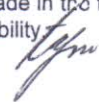
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss arising on derecognition of asset is included in the profit and loss account in the year the asset is derecognized.

### 3.3 Investments- Held to Maturity

Investments with fixed or determinable payments and fixed maturity where management has both positive intent and ability to hold to maturity are classified as held to maturity. Provision for impairment in value, if any, is taken to income currently.

### 3.4 Stores & Spares

These are valued at cost, determined using FIFO method. Provision is made in the financial statements for obsolete and slow moving spares based on management's best estimate regarding their future usability.



### 3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current and saving accounts.

### 3.6 Employees' benefits

#### Unfunded Gratuity scheme

The Company operates an unfunded gratuity scheme for its eligible employees. Provision is made annually to cover the obligations under the scheme based on management estimate.

### 3.7 Provident fund

The Company operates a contributory provident fund for all its regular employees who are eligible for the plan. Equal contributions thereto are made by both the Company and the employees at the rate of 8.33% per annum of basic salary in accordance with the Fund's rules.

### 3.8 Government grant

The Company receives grant from Trade Development Authority of Pakistan, Government of Pakistan, in order to facilitate the operations of the Company. The grant received is used to finance the purchase of assets. The amount of grant received is recognized as liability at inception and subsequently charged as income over the life of depreciable asset.

### 3.9 Taxation

Income tax expense represents current tax expense. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

Deferred income tax is provided in full, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. However, deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

### 3.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### 3.11 Revenue recognition

Revenue is recognized to the extent that is probable that the economic benefit will flow to the Company and the revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable on the following basis :

- . Membership subscription, rental income and parking fee is recognized on accrual basis.
- . Income from investments and bank deposits are recognized on accrual basis.
- . Income from dispensary is recognized on receipt basis.

### 3.12 Impairment

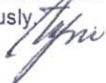
An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation), had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.

### 3.13 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instrument.

### 3.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.





#### 4. PROPERTY, PLANT AND EQUIPMENT

		2021 Rupees	2020 Rupees
Operating assets	(Note 4.1)	46,270,709	45,551,838
Capital work in progress	(Note 4.2)	64,935	2,006,847
		<u>46,335,644</u>	<u>47,558,685</u>

##### 4.1 Operating assets

	COST			Rate	DEPRECIATION			WRITTEN DOWN VALUE AS AT
	As on July 01,2020	Additions	As at June 30, 2021		As on July 01,2020	Charge for the year	As at June 30, 2021	
	-----Rupees-----			%	-----Rupees-----			
Leasehold land	1,993,759	-	1,993,759	1.01	855,226	11,499	866,725	1,127,034
Building on	33,084,123	5,898,072	38,982,195	10	17,172,621	1,659,807	18,832,428	20,149,767
Furniture & fixture	1,970,552	172,540	2,143,092	15	1,294,797	121,024	1,415,821	727,271
Office equipment	49,563,185	663,970	50,227,155	15	22,011,983	4,213,010	26,224,993	24,002,162
Vehicles	995,000	-	995,000	15	744,263	37,611	781,874	213,126
Computers and	613,542	38,300	651,842	30	589,433	11,060	600,493	51,349
June 30, 2021	<u>88,220,161</u>	<u>6,772,882</u>	<u>94,993,043</u>		<u>42,668,323</u>	<u>6,054,011</u>	<u>48,722,334</u>	<u>46,270,709</u>
June 30, 2020	<u>87,811,678</u>	<u>408,483</u>	<u>88,220,161</u>		<u>35,865,658</u>	<u>6,802,664</u>	<u>42,668,322</u>	<u>45,551,838</u>

##### 4.2 Capital work in progress

	2021 Rupees	2020 Rupees
Balance as on July 01	2,006,847	-
Additions during the year	-	2,006,847
Transferred during the year	(1,941,912)	-
Balance as on June 30	<u>64,935</u>	<u>2,006,847</u>

#### 5 INVESTMENTS

##### Term Deposit Receipts

Balance as on July 01	140,492,776	127,818,859
Additions during the year	284,628,229	615,014,640
Accruals for the year	2,109,479	2,861,162
Encashment during the year	(337,631,864)	(605,201,884)
	89,598,619	140,492,776
	<u>(Note 5.1) 89,598,619</u>	<u>140,492,776</u>

5.1 Term deposit receipts carry an effective markup ranging from 6.6% to 11.45% (2020: 12% to 13.65% ) per annum and will mature latest by March 13, 2023.

#### 6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

##### Unsecured considered good

###### Advance:

- income tax	(Note 6.1) 11,921,682	8,887,042
- to staff	867,833	689,636
- against office expenses	424,465	368,965
	13,213,980	9,945,643

###### Deposits:

- clearing house ( office a/c )	1,000	1,000
- security deposits	29,237	29,237
- telephone, telex and other	5,050	5,050
	35,287	35,287

###### Prepayments:

	1,027,379	958,064
--	-----------	---------

###### Other Receivables:

- rent, service & security charges	1,958,290	1,528,832
- building development fund - Recoverable from tenants	-	237,093
- others	764,384	685,308
	2,722,674	2,451,233
	<u>16,999,320</u>	<u>13,390,227</u>

	2021 Rupees	2020 Rupees
<b>6.1 Advance income tax</b>		
Balance as on July 01	8,887,042	5,893,809
Addition during the year	5,903,157	5,635,277
Provision for taxation - last year	(2,868,518)	(2,642,043)
	<u>11,921,682</u>	<u>8,887,042</u>
<b>7 CASH AND BANK BALANCES</b>		
Cash in hand	1,138,683	227,937
Cash at banks:		
- in current accounts	4,023,396	4,568,046
- joint account with TDAP	1,906,615	1,906,615
- in PLS accounts	79,415,807	22,803,818
	85,345,818	29,278,479
	<u>86,484,501</u>	<u>29,506,416</u>
7.1 It includes Term Deposit investment amounting Rs. 65,231,351 included in PLS account maintained with Soneri Bank Limited.		
7.2 This represents the amount received by the Company from TDAP as grant for import of USTER HVI 1000 M1000 (the Fibre Classification and Analysis System). The amount is deposited with the bank in the joint account with TDAP and only be withdrawn on the fulfillment of all the conditions imposed by the TDAP.		
<b>8 BUILDING DEVELOPMENT FUND</b>		
Balance as on July 01	12,471,313	13,857,014
Addition during the year	108,586	-
Amortization for the year	(1,257,990)	(1,385,701)
Balance as on June 30	<u>11,321,909</u>	<u>12,471,313</u>
<b>9 DEFERRED CAPITAL GRANTS</b>		
<b>HVI Machine</b>		
Balance as on July 01	844,321	993,319
Amortization during the year	(126,648)	(148,998)
Balance as on June 30	717,673	844,321
9.1 This represents net book value of HVI machine imported from Switzerland for the purpose of testing cotton samples and quality verification. The amortization is charged at 15% each year over the net book value of asset.		
<b>USTER HVI 1000 M1000</b>		
Balance as on July 01	29,752,933	34,580,769
Received during the year	-	-
Amortization during the year	(4,103,661)	(4,827,836)
Balance as on June 30	25,649,272	29,752,933
	<u>26,366,945</u>	<u>30,597,254</u>
9.2 This represents an amount received from TDAP in respect of import of USTER HVI 1000 M1000 (the Fibre Classification and Analysis System).The amortization is charged at 15% each year over the net book value of asset.		
<b>10 LONG TERM DEPOSITS</b>		
Membership deposits	5,928,000	5,928,000
Brokers security deposits	2,597,000	2,557,000
	<u>8,525,000</u>	<u>8,485,000</u>
<b>11 ADVANCES FROM MEMBERS, BROKERS AND OTHERS</b>		
Rent, license fee & charges	3,074,732	1,258,868
Membership admission & application fee	248,750	164,250
Brokers' security deposits	70,000	40,000
Brokers' license renewal fee	59,750	31,500
Vehicle parking fee	834,620	828,420
Members' Subscription	842,813	880,440
	<u>5,130,665</u>	<u>3,203,478</u>



	2021 <i>Rupees</i>	2020 <i>Rupees</i>
<b>12 ACCRUED AND OTHER LIABILITIES</b>		
Accrued liabilities	10,410,872	8,018,931
Others	2,964,808	4,060,846
	<b>13,375,680</b>	<b>12,079,777</b>

### 13 CONTINGENCIES AND COMMITMENTS

#### Contingencies

- a) The lease of the building of Karachi Cotton Association (KCA) had been expired in 1982. In 2005, KCA pays renewal fee for 99 years amounting to Rs. 1,804,950/- and Ground rent for the period from 1982 till 2005 amounting to Rs. 216,594/-. In response to which City District Government Karachi (CDGK) issued a confirmation letter for acceptance of above payments as full and final. In 2006, CDGK issued a challan of Rs. 5,000,000/- against the additional payment for building lease and ground rent. However, KCA had filed the case in high court via case no. 293/06 against the above additional payment required. The matter fixed on 2-04-2021 for Order, Adjourned, Date-in-Office (Pending). No provision has been made in these financial statements as the management is confident that decision would be made in favour of KCA.

#### Commitments

There were no commitments as at June 30, 2021

	2021 <i>Rupees</i>	2020 <i>Rupees</i>
<b>14 INCOME</b>		
Rent and allied income- net	33,242,767	31,425,871
Membership subscription	959,500	953,000
Income from cotton laboratory	263,806	545,131
Subscription for daily cotton market report	124,627	121,936
	<b>34,590,700</b>	<b>33,045,938</b>

### 15 ADMINISTRATIVE EXPENSES

Salaries and allowances	(Note 15.1)	20,749,997	19,797,336
Repair, maintenance & others		5,580,194	5,692,142
Utility charges		3,231,673	2,563,789
Vehicle parking expenses		302,912	461,690
Laboratory expenses	(Note 15.2)	5,797,874	6,834,894
Dispensary expenses	(Note 15.3)	3,001,886	2,762,993
Traveling & conveyance		105,232	343,510
Fixation of spot rate expenses		698,300	551,600
Printing & Postage		328,320	334,317
Data collection expenses		250,000	250,000
Legal & professional charges		432,594	385,000
Audit fee		187,000	145,800
Entertainment		150,139	167,189
Fee and subscription & donation		417,707	157,500
Vehicle running expenses		285,642	217,006
Insurance		48,871	76,895
Depreciation		1,943,673	1,972,792
Others		327,901	819,635
Cotton Ginning process course expenses (one week)		153,787	-
Cotton grading & classification course expenses (two week)		409,444	438,107
		<b>44,403,146</b>	<b>43,972,195</b>

15.1 This includes Gratuity at Rs.86,372 (2020: Rs. 84151).

### 15.2 LABORATORY EXPENSES

Salaries, Allowances & Others	548,349	591,068
Electricity Charges	390,208	363,833
Advertisement expenses	14,300	-
Printing & Stationery	-	6,595
Repair & maintenance	165,580	171,595
Other Lab. Expenses	271,747	542,336
Insurance	298,063	330,429
Depreciation	4,109,627	4,829,038
	<b>5,797,874</b>	<b>6,834,894</b>

### 15.3 DISPENSARY EXPENSES

	2021 Rupees	2020 Rupees
Salaries, allowances & others	2,547,190	2,265,489
Medicines consumed	395,676	365,587
Instruments consumed	16,080	15,668
Electricity charges	11,598	22,012
General and sanitary expenses.	14,740	560
Printing & stationery	1,330	9,440
Repair, maintenance & replacement	14,560	83,400
Depreciation	712	837
	<u>3,001,886</u>	<u>2,762,993</u>

### 16 OTHER INCOME

<b>Income from financial assets</b>		
Profit on investments	14,971,002	16,677,648
Profit on PLS accounts	1,560,722	2,154,309
<b>Income from non-financial assets</b>		
Vehicle parking fee- net	861,300	871,900
Income for dispensary	1,254,925	289,326
License fee	79,000	77,700
Amortization of building development fund	1,257,990	1,385,701
Amortization of deferred grant	4,230,309	4,976,834
Sale of cotton	243,550	-
ICA training workshop receipts	58,000	-
KCA Cotton training course receipts	174,000	127,500
Others	242,134	242,140
	<u>24,932,932</u>	<u>26,803,058</u>

### 17 TAXATION

Current	(3,219,313)	(2,868,518)
Prior	-	-
	<u>(3,219,313)</u>	<u>(2,868,518)</u>

### 18 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the management under policies approved by the Board of Directors.

#### 18.1 CREDIT RISK

Credit risk represents the risk of financial loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs.176,663,607(2020: Rs. 171,040,796), the financial assets which are subject to credit risk amount to Rs. 175,524,924(2020:Rs.170,812,859) and the details are as follows:

Advances to staff	867,833	689,636
Deposits	35,287	35,287
Other receivables	2,722,674	2,451,233
Short term investments	89,598,619	140,492,776
Cash and bank balances	83,439,203	27,371,864
	<u>176,663,617</u>	<u>171,040,796</u>

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

	Rating		Agency		
	Short term	Long term			
National Bank of Pakistan	A1+	AAA	PACRA	3,729,750	4,295,829
Habib Bank Ltd	A-1+	AAA	JCR-VIS	113,858	144,819
Bank Al-Falah Ltd	A1+	AA+	PACRA	53,771	28,292
Habib Metropolitan Bank Lt	A1+	AA+	PACRA	57,394	25,410
MIB Bank Limited	A1	A	PACRA	-	23,958
Soneri Bank Limited	A1+	AA-	PACRA	79,377,478	22,742,870
Faysal Bank Limited	A1+	AA	PACRA	11,894	11,894
JS Bank Limited	A1+	AA-	PACRA	28,040	28,040
Bank Al-Habib Limited	A1+	AA+	PACRA	65,679	70,787
				<u>83,437,864</u>	<u>27,371,899</u>



## 18.2 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Following are the contractual maturities of the Company's financial liabilities:

	2021		2020	
	Maturity up to one year	Maturity after one year	Maturity up to one year	Maturity after one year
Provision for gratuity	-	1,059,013	-	1,053,710
Long term security deposits	-	8,525,000	-	8,485,000
Security deposit-TDAP	4,368,859	-	6,080,676	-
Advance from members, brokers and others	5,130,665	-	3,203,478	-
Accrued and other liabilities	13,375,680	-	12,079,777	-
	<b>22,875,204</b>	<b>-</b>	<b>21,363,931</b>	<b>9,538,710</b>

## 18.3 MARKET RISK

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The market risk associated with the Company's business activities are discussed under:

### 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. Foreign exchange risk arises from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to foreign exchange risk.

### b) Interest Rate Risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest/ mark-up rates. Sensitivity to interest/ mark-up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

As at the balance sheet date, the interest/ profit bearing financial instruments comprised term deposit receipts with the bank.

If interest rates on variable rate instruments of the Company, at the year end date, fluctuate by 1% higher/ lower with all other variables held constant, profit after taxation for the year would have been Rs. 794,158 (2020: Rs. 228,038) higher/ lower, mainly as a result of higher/ lower markup income/ expense on floating rate investments/ running finance.

### c) Price Risk

Price risk represents 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 interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to price risk.

## 18.4 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate at fair values.

## 18.5 CAPITAL MANAGEMENT

The company does not have any share capital nor it has any borrowings, hence, this disclosure is not presented in the financial statements.

## 19 TRANSACTIONS WITH RELATED PARTIES

Name and Relationship with Related Party	Nature of Transaction	2021	2020
		Rupees	Rupees
Associate: Employees' Provident fund	Contribution for the year	44,816	44,439

## 20 NUMBER OF EMPLOYEES

	2021	2020
Number of employees	31	34
Average number of employees	33	35

21 CORRESPONDING FIGURES

Certain prior year's figures have been reclassified for the purpose of better presentation. Reclassification is as under:

		<u>2020</u>
		<i>Rupees</i>
<b>Reclassified from</b>	<b>Reclassified to</b>	
<b>Administrative expenses</b>	<b>Administrative expenses</b>	
Traveling & conveyance	Fixation of spot rate expenses	<u>551,600</u>

22 DATE OF AUTHORIZATION

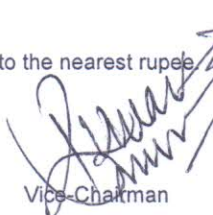
These financial statements have been authorized for issue on 16 SEP 2021 by the Board of Directors of the Company.

23 GENERAL

Figures have been rounded off to the nearest rupee.



Chairman



Vice-Chairman



Member



Secretary General