COMPANY INFORMATION

CHAIRMAN:	Mr. Mohammad Saeed
CHIEF EXECUTIVE OFFICER:	Mr. Amjad Saeed
DIRECTORS:	Mrs. Robina Amjad Mr. Omer Saeed Mr. Ahsan Saeed Mr. Khizer Saeed Mr. Muhammad Asif (Nominee NIT)
AUDIT COMMITTEE:	
CHAIRMAN	Mr. Ahsan Saeed
MEMBER	Mr. Muhammad Saeed
MEMBER	Mr. Muhammad Asif
H.R. & REMUNERATION COMMITTEE:	
CHAIRMAN	Mr. Ahsan Saeed
MEMBER	Mr. Muhammad Saeed
MEMBER	Mr. Khizer Saeed
CHIEF FINANCIAL OFFICER: (Acting)	Mr. TAUQEER AHMAD TAIFOOR
COMPANY SECRETARY:	Mr. Muhammad Nadeem
SHARE REGISTRAR:	F. D. Registrar Services (SMC-Pvt.) Ltd. 17th Floor, Saima Trade Tower-A, I.I.Chundrigar Road, Karachi.
AUDITORS:	M/s Riaz Ahmad & Company Chartered Accountants
BANKERS:	Bank Alfalah Limited Al-Baraka Bank (Pakistan) Ltd. Bank Al-Habib Ltd. Habib Metropolitan Bank Ltd. The Bank of Punjab
REGISTERED OFFICE :	Room No 404 & 405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi. www.idealsm.com
FACTORY:	35-K.M Sheikhupura Road, Tehsil Jaranwala, Distt. Faisalabad.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors feel pleasure in submitting unaudited financial statements of your Company for the Half Year ended 31 December 2018.

FINANCIAL RESULTS	31.12. 2018	31.12.2017
	(RUPEES IN THOUSAND)	
Revenue	1,523,214	1,320,984
Cost of sales	(1,358,703)	(1,213,331)
Gross profit	164,511	107,653
Distribution cost	(27,265)	(14,582)
Administrative expenses	(68,085)	(47,524)
Other expenses	(1,799)	(127)
Other income	14,927	1,647
Finance cost	(50,489)	(48,709)
Profit/ (Loss)before taxation	31,800	(1,642)
Taxation	(535)	10,819
Profit after taxation	31,265	9,177
Earnings per share-basic and diluted (Rupees)	3.15	0.93

By the Blessings of Almighty ALLAH your company achieved Revenue growth of 15.31%, After Tax Profit of Rs.31.265 Million as compared to profit of Rs.9.177 Million from the comparable period of last year. Your management is optimistic about same results in future, if other factors remain same.

BUSINESS OUTLOOK:

Textile Industry is facing massive difficulties in doing business as cost of every input is increasing day by day. Raw cotton and Polyester Fiber prices are very high as compared to last year. Finance cost has increased due to rising Kibor rates. Increase in sale price is not in same proportionate as increase in cost of inputs. Therefore margins are squeezing.

PERFORMANCE REVIEW:

With the Almighty ALLAH's blessings, financial performance of the company is commendable. Earnings per share increased to Rs.3.15 from Rs.0.93 per share. Company achieved gross margin of 10.80% as compared to 8.14%, which is very good considering the facts cited above. Operational performance of the company was admirable and achieved production targets with exceptional Quality.

FURTHER EXPANSION

With Almighty ALLAH' blessings management has planned to increase spindles and looms inshallah.

ACKNOWLEDGEMENT

The Board offers thanks to our shareholders and bankers for their continued support and trust in the company. The Board acknowledges the efforts and devotion of staff and workers for the company which led to achieve milestones for the company and hopes these will continue in the years to come.

On behalf of the Board

(Amjad Saeed)
Chief Executive Officer

Faisalabad
February 25, 2019

حصہ داران کیلئے ڈائریکٹرز کی رپورٹ

آپ کے ڈائریکٹرز 31 دسمبر 2018 کو ختم ہونے والے نصف سال کے لئے آپ کی کمپنی کے غیر آڈٹ شدہ نتائج پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج	31-12-2017	31-12-2018
	(رقم ہزاروں میں)	
ریونیو	1,320,984	1,523,214
کاسٹ آف سیل	(1,213,331)	(1,358,703)
گراس منافع	107,653	164,511
ڈسٹری بیوشن اخراجات	(14,582)	(27,265)
انتظامی اخراجات	(47,524)	(68,085)
متفرق اخراجات	(127)	(1,799)
دیگر آمدن	1,647	14,927
فنانشل اخراجات	(48,709)	(50,489)
ٹیکس کے بغیر منافع / نقصان	(1,642)	31,800
ٹیکس	10,819	(535)
خالص منافع ٹیکس کے بعد	9,177	31,265
منافع فی حصہ بنیادی	0.93	3.15

اللہ تعالی کی مہربانی سے آپ کی کمپنی کے محاصل میں 15.31% بڑھوتری ہوئی ٹیکس کی ادائیگی کے بعد 31.265 ملین روپے کا منافع ہوا۔ جبکہ گزشتہ سال کے اسی عرصہ کا منافع 9.177 ملین تھا مستقبل میں آپ کی انتظامیہ اس سے بھی بہتر نتائج حاصل کرنے کے لئے پُرامید ہے۔

<u>بزنس آؤٹ لک:</u>

کاروبار کرنے میں ٹیکسٹائل انڈسٹری بڑے پیمانے پر دشواریوں کا سامنا کر رہی ہے کیونکہ ان پٹ کی لاگت روزانہ بڑھ رہی ہے۔ گزشتہ سال کے مقابلے میں روئی اور پولیسٹر فائبر کی قیمتیں بہت زیادہ ہیں KIBOR کی شرح بڑھنے کے باعث مالیاتی اخراجات میں اضافہ ہوا ہے۔ دھاگے کی قیمت فروخت میں اضافہ اس تناسب سے نہیں ہوا جس تناسب سے ان پٹ کی لاگت میں اضافہ ہوا ہے جسکی وجہ سے منافع کا مارجن کم ہو رہا ہے

<u>کارکردگی کا جائزہ:</u>

رب تعالی کے فضل کرم سے کمپنی کی مالی کارکردگی قابل تعریف ہے۔ آمدی فی حصہ 0.93 روپے سے بڑھ کر 3.15 روپے فی حصہ ہوئی ہے۔ اوپر بیان کیے گئے عوامل کے باوجود کمپنی نے 10.80 فی صد خام منافع حاصل کیا ہے۔ جو کہ گزشتہ سال کے اسی عرصہ میں 8.14 فی صد تھا۔ کمپنی کی آپریشنل کارکردگی قابل قدر ہے اور بہترین معیار کے ساتھ پیداواری اہداف حاصل کیے ہیں۔

پروجیکٹ میں توسیع۔

اللہ تعالی کے فضل وکرم سے انتظامیہ کی جانب سے سپنڈل اور لومز بڑھانے کا منصوبہ زیر غور ہے۔

کاوشوں کا اعتراف

بورڈ آف ڈائریکٹرز اپنے حصے داروں، بنکرز اور مالیاتی اداروں کے اعتماد اور مسلسل سپورٹ کا شکریہ ادا کرتا ہے۔ بورڈ کمپنی کے سٹاف اور ورکرز کی انتھک کوشش کا اعتراف کرتا ہے جن کی وجہ سے کمپنی نے موجودہ کامیابیاں حاصل کیں۔ ہمیں امید ہے کہ کامیابیوں کا یہ سلسلہ آنے والے سالوں میں بھی جاری رہے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے

امجد سعید

چیف ایگزیکٹو آفیسر

فیصل آباد

25 فروری 2019ء

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Ideal Spinning Mills Limited

Report on review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of IDEAL SPINNING MILLS LIMITED ("the Company") as at 31 December 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to condensed interim financial statements for the six-month period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2018 and 31 December 2017 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six-month period ended 31 December 2018.

Scope of Review

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

Conclusion

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

The engagement partner on the review resulting in this independent auditor's report is Liaqat Ali Panwar.

RIAZ AHMAD & COMPANY
Chartered Accountants

Riaz Ahmad & Co.

Faisalabad
Date: Februray 25, 2019.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	NOTE	Un-Audited 31 December 2018	Audited 30 June 2018
		(RUPEES IN THOUSAND)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
20 000 000 (30 June 2018: 20 000 000) ordinary shares of Rupees 10 each		200,000	200,000
Issued, subscribed and paid up share capital		99,200	99,200
Sponsors' loans		241,800	241,800
Capital reserves			
Equity portion of shareholders' loans		121,209	121,209
Surplus on revaluation of freehold land		100,577	100,577
Accumulated loss		(28,013)	(57,608)
TOTAL EQUITY		534,773	505,178
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	3	305,697	341,816
Deferred income tax liability		-	3,278
Staff retirement gratuity		70,609	62,187
		376,306	407,281
CURRENT LIABILITIES			
Trade and other payables		352,782	224,691
Unclaimed dividend		978	464
Accrued mark-up		24,214	13,561
Short term borrowings		913,825	425,447
Current portion of long term financing	3	201,063	208,769
Provision for taxation		10,807	15,097
		1,503,669	888,029
TOTAL LIABILITIES		1,879,975	1,295,310
CONTINGENCIES AND COMMITMENTS	4		
TOTAL EQUITY AND LIABILITIES		2,414,748	1,800,488

	NOTE	Un-Audited 31 December 2018	Audited 30 June 2018
		(RUPEES IN THOUSAND)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,138,819	1,092,789
Long term loans		78	97
Long term deposits and prepayments		1,810	1,822
Deferred income tax asset		4,560	-
		1,145,267	1,094,708
CURRENT ASSETS			
Stores, spare parts and loose tools		41,196	41,158
Stock-in-trade		838,146	323,286
Trade debts		122,240	110,003
Loans and advances		86,199	82,482
Short term deposits and prepayments		2,582	419
Other receivables		158,913	142,049
Cash and bank balances		20,205	6,383
		1,269,481	705,780
TOTAL ASSETS		2,414,748	1,800,488

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

TAUQEER AHMAD TAIFOOR
CHIEF FINANCIAL OFFICER
(ACTING)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	NOTE	HALF YEAR ENDED		QUARTER ENDED	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		(RUPEES IN THOUSAND)			
REVENUE		1,523,214	1,320,984	705,875	662,963
COST OF SALES	6	(1,358,703)	(1,213,331)	(626,838)	(590,806)
GROSS PROFIT		164,511	107,653	79,037	72,157
DISTRIBUTION COST		(27,265)	(14,582)	(13,862)	(8,356)
ADMINISTRATIVE EXPENSES		(68,085)	(47,524)	(32,922)	(23,120)
OTHER EXPENSES		(1,799)	(127)	(154)	(55)
OTHER INCOME		14,927	1,647	8,943	309
FINANCE COST		(50,489)	(48,709)	(31,149)	(32,883)
PROFIT / (LOSS) BEFORE TAXATION		31,800	(1,642)	9,893	8,052
TAXATION		(535)	10,819	8,140	19,326
PROFIT AFTER TAXATION		31,265	9,177	18,033	27,378
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		3.15	0.93	1.82	2.76

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

TAUQEER AHMAD TAIFOOR
CHIEF FINANCIAL OFFICER
(ACTING)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(RUPEES IN THOUSAND)			
		Restated		Restated
PROFIT AFTER TAXATION	31,265	9,177	18,033	27,378
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Surplus on revaluation of freehold land	-	15,411	-	15,411
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Other comprehensive income for the period	-	15,411	-	15,411
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,265	24,588	18,033	42,789

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

AMJAD SAEED	OMER SAEED	TAUQEER AHMAD TAIFOOR
CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER (ACTING)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	SHARE CAPITAL	SPONSORS' LOANS	RESERVES				TOTAL RESERVES	TOTAL EQUITY
			CAPITAL			ACCUMULATED LOSS		
			Equity portion of shareholders' loan	Surplus on revaluation of freehold land	Sub total			
	(RUPEES IN THOUSAND)							
Balance as at 30 June 2017 - (Audited)	99,200	161,800	121,209	85,166	206,375	(61,147)	145,228	406,228
Profit for the half year ended 31 December 2017	-	-	-	-	-	9,177	9,177	9,177
Other comprehensive income for the half year ended 31 December 2017	-	-	-	15,411	15,411	-	15,411	15,411
Total comprehensive income for the half year ended 31 December 2017	-	-	-	15,411	15,411	9,177	24,588	24,588
Balance as at 31 December 2017 - (Un-audited) - restated	99,200	161,800	121,209	100,577	221,786	(51,970)	169,816	430,816
Loss for the half year ended 30 June 2018	-	-	-	-	-	(3,958)	(3,958)	(3,958)
Other comprehensive loss for the half year ended 30 June 2018	-	-	-	-	-	(1,680)	(1,680)	(1,680)
Total comprehensive loss for the half year ended 30 June 2018	-	-	-	-	-	(5,638)	(5,638)	(5,638)
Sponsors' loans received during the period	-	80,000	-	-	-	-	-	80,000
Balance as at 30 June 2018 - (Audited)	99,200	241,800	121,209	100,577	221,786	(57,608)	164,178	505,178
Adjustment on adoption of IFRS 9 (Note 2.3.1)	-	-	-	-	-	(427)	(427)	(427)
Adjusted total equity as at 01 July 2018	99,200	241,800	121,209	100,577	221,786	(58,035)	163,751	504,751
Transaction with owners:								
Final dividend for the year ended 30 June 2018 at the rate of Rupee 0.75 per share	-	-	-	-	-	(1,243)	(1,243)	(1,243)
Profit for the half year ended 31 December 2018	-	-	-	-	-	31,265	31,265	31,265
Other comprehensive income for the half year ended 31 December 2018	-	-	-	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2018	-	-	-	-	-	31,265	31,265	31,265
Balance as at 31 December 2018 - (Un-audited)	99,200	241,800	121,209	100,577	221,786	(28,013)	193,773	534,773

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

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

TAUQEER AHMAD TAIFOOR
CHIEF FINANCIAL OFFICER
(ACTING)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	HALF YEAR ENDED 31 December 2018	HALF YEAR ENDED 31 December 2017
		(RUPEES IN THOUSAND)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	7	(282,315)	(67,254)
Finance cost paid		(29,416)	(31,169)
Income tax paid		(11,747)	(8,427)
Staff retirement gratuity paid		(3,947)	(7,271)
Net decrease in long term deposits and prepayments		12	50
Net decrease in long term loans		19	85
Net cash used in operating activities		(327,394)	(113,986)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		70	854
Capital expenditure on property, plant and equipment		(92,562)	(48,948)
Net cash used in investing activities		(92,492)	(48,094)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(53,941)	(30,046)
Dividend paid		(729)	-
Short term borrowings - net		488,378	222,482
Net cash from financing activities		433,708	192,436
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,822	30,356
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		6,383	8,666
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		20,205	39,022

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

AMJAD SAEED	OMER SAEED	TAUQEER AHMAD TAIFOOR
CHIEF EXECUTIVE OFFICER	DIRECTOR	CHIEF FINANCIAL OFFICER (ACTING)

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

1. THE COMPANY AND ITS OPERATIONS

Ideal Spinning Mills Limited (the Company) is a public limited company incorporated in Pakistan on 08 June 1989 under the Companies Ordinance, 1984 (Now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn, cloth and hosiery products. The Company's registered office is situated at Room No. 404-405, 4th Floor, Business Centre, Mumtaz Hassan Road, Karachi.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

a) Statement of compliance

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

- International Accounting Standard (IAS) 34 'Interim Financial Reporting', issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

ii) These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2018. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and section 237 of the Companies Act, 2017. The figures of condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2018 and 31 December 2017 have not been reviewed by the statuary auditors of the Company, as they have reviewed the accumulated figures for the half years ended 31 December 2018 and 31 December 2017.

b) Accounting policies and computation methods

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2018 except for the changes in accounting policies as stated in Note 2.3 to these condensed interim financial statements.

2.2 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements in conformity with the approved accounting standards 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company’s accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements for the year ended 30 June 2018.

2.3 CHANGES IN ACCOUNTING POLICIES DUE TO APPLICABILITY OF CERTAIN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Following changes in accounting policies have taken place effective from 01 July 2018:

2.3.1 IFRS 9 'Financial Instruments'

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'Expected Credit Loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measure expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior period results.

Key changes in accounting policies resulting from application of IFRS 9

i) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, Fair Value Through Profit or Loss (FVTPL), available for sale and held to maturity with the categories such as amortised cost, Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVTOCI).

Classification

From 01 July 2018, The Company classifies its financial assets in the category of 'at amortised cost'. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses.

ii) Impairment

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected life time losses to be recognised from initial recognition of the receivables.

iii) Impacts of adoption of IFRS 9 on these condensed interim financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – (01 July 2018)

	Loans and receivables	Amortised cost
	(RUPEES IN THOUSAND)	
Opening balance	122,089	-
Adjustments due to adoption of IFRS 9:		
Adjustment on adoption of IFRS 9 by reclassifying financial instruments designated as 'Loans and Receivables' to 'Amortised Cost'	(122,089)	122,089
Recognition of expected life time credit losses on trade debts	-	(427)
	-	121,662

The impact of these changes on the Company's accumulated loss and equity is as follows:

	Effect on accumulated loss	Effect on total equity
	(RUPEES IN THOUSAND)	
Opening balance	(57,608)	505,178
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts	(427)	(427)
	(58,035)	504,751

2.3.2 IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligations in contracts with customers are closely related and therefore are discharged over the period of the relationship with relevant customers. Hence, the Company has concluded that it is in compliance with the requirements of the new accounting standard. Moreover there was no impact on the figures of statement of financial position as at 01 July 2018 due to adoption of IFRS 15.

2.3.3 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

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

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	Un-audited 31 December 2018	Audited 30 June 2018
	(RUPEES IN THOUSAND)	
3. LONG TERM FINANCING		
Opening balance	550,585	584,877
Add: Fair value adjustment	10,116	37,750
	560,701	622,627
Less: Repaid during the period / year	53,941	72,042
	506,760	550,585
Less: Current portion shown under current liabilities	201,063	208,769
	305,697	341,816

4. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) Guarantees of Rupees 26.839 million (30 June 2018: Rupees 26.839 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and to Faisalabad Electric Supply Company Limited against electricity connection.

ii) The Company is contingently liable for Rupees 2.812 million (30 June 2018: Rupees 2.812 million) on account of Sindh infrastructure cess not acknowledged in view of pending appeal before appellate authorities since 07 July 2014. The related provision is not made in these condensed interim financial statements in view of expected favourable outcome of the appeal.

iii) The Company is contingently liable for Rupees 4.953 million (30 June 2018: Rupees 4.953 million) on account of appeal against cost of supply of Re-Gasified Liquefied Natural Gas (RLNG) by SNGPL on 09 April 2018. The related provision is not made in these condensed interim financial statements in view of favourable outcome of the appeal.

iv) An appeal was filed by the Company on 29 December 2017 before Appellate Tribunal Inland Revenue against the order of Commissioner Inland Revenue (Appeal) for the sales tax demand of Rupees 1.768 million (30 June 2018: Rupees 1.768 million). No provision has been made in these condensed interim financial statements in view of favourable outcome of the appeal.

v) The Company has not charged further tax under section 3 (1A) of the Sales Tax Act, 1990 on supplies made to unregistered persons amounting to Rupees 5.578 million (30 June 2018: Rupees 3.480 million). The Company filed a Writ Petition No. 81165/2017 dated 19 October 2017 before the Honorable Lahore High Court, Lahore against the recovery of further tax and it is expected to be decided in the favor of the Company.

vi) The Company has challenged, before Honorable Lahore High Court, Lahore, the provisions of SRO 491(1)/2016 dated 30 June 2016 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(1) / 2011 dated 31 December 2011, claim of input sales tax in respect of packing material has been disallowed. The Company filed a Writ Petition No. 96551/2017 dated 03 November 2017 before the Honorable Lahore High Court, Lahore. Consequently, the Company has accounted for input sales tax amounting to Rupees 4.791 million (30 June 2018: Rupees 4.791 million) paid on such items as receivable balance. The Company is confident on positive outcome of the appeal, on the advice of legal counsel.

b) Commitments

i) Letters of credit for capital expenditure are of Rupees 6.960 million (30 June 2018: Rupees 24.526 million).

ii) Letters of credit other than for capital expenditure are of Rupees 52.371 million (30 June 2018: Rupees 29.355 million).

	Un-audited 31 December 2018	Audited 30 June 2018
	(RUPEES IN THOUSAND)	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 5.1)	1,120,888	1,087,986
Capital work-in-progress (Note 5.2)	17,931	4,803
	1,138,819	1,092,789
5.1 Operating fixed assets		
Opening book value	1,087,986	914,570
Add:		
Cost of additions during the period / year (Note 5.1.1)	79,434	257,854
Effect of surplus on revaluation of freehold land	-	15,411
	1,167,420	1,187,835
Less: Book value of deletions during the period / year (Note 5.1.2)	67	8,202
	1,167,353	1,179,633
Less: Depreciation charged during the period / year	46,465	91,647
	1,120,888	1,087,986
5.1.1 Cost of additions during the period / year		
Buildings on freehold land	4,280	88,633
Plant and machinery	73,073	155,247
Electric installations	386	3,797
Factory equipment	-	104
Office equipment	26	-
Electric appliances	841	626
Computers	714	-
Furniture and fixtures	-	23
Vehicles	114	9,424
	79,434	257,854
5.1.2 Book value of deletions during the period / year		
Plant and machinery	-	4,941
Vehicles	67	3,261
	67	8,202
5.2 Capital work-in-progress		
Buildings on freehold land	12,696	2,828
Plant and machinery	422	422
Advance against Enterprise Resource Planning (ERP)	4,638	1,489
Advance against vehicles	-	64
Electric installations	175	-
	17,931	4,803

6. COST OF SALES

	(Un-audited) Half year ended 31 December 2018	Half year ended 31 December 2017	Quarter ended 31 December 2018	Quarter ended 31 December 2017
	(RUPEES IN THOUSAND)			
Raw materials consumed	858,274	748,775	384,156	366,194
Cost of raw materials sold	-	21,697	-	21,697
Stores, spare parts and loose tools consumed	48,679	44,623	28,186	25,337
Salaries, wages and other benefits	171,061	136,774	86,536	55,288
Fuel and power	176,045	152,853	94,095	76,159
Sizing materials consumed	13,933	15,621	7,024	7,879
Outside processing / conversion and other charges	26,434	36,763	18,202	26,404
Packing materials consumed	32,677	25,817	17,807	14,478
Repair and maintenance	2,975	3,829	2,757	3,212
Insurance	2,134	2,471	1,272	1,364
Other factory overheads	417	338	123	216
Depreciation	43,534	41,500	22,091	22,324
	1,376,163	1,231,061	662,249	620,552
Work-in-process				
Opening stock	33,204	20,110	26,774	23,309
Closing stock	(38,403)	(22,609)	(38,403)	(22,609)
	(5,199)	(2,499)	(11,629)	700
Cost of goods manufactured	1,370,964	1,228,562	650,620	621,252
Finished goods				
Opening stock	109,463	105,293	97,942	90,078
Closing stock	(121,724)	(120,524)	(121,724)	(120,524)
	(12,261)	(15,231)	(23,782)	(30,446)
	1,358,703	1,213,331	626,838	590,806

7. CASH USED IN OPERATIONS

	(Un-audited) Half year ended 31 December 2018	Half year ended 31 December 2017
	(RUPEES IN THOUSAND)	
Profit / (loss) before taxation	31,800	(1,642)
Adjustments for non-cash charges and other items:		
Depreciation	46,465	43,688
Gain on disposal of property, plant and equipment	(3)	(52)
Provision for staff retirement gratuity	12,369	10,418
Finance cost	50,489	48,709
Credit balances written back	(520)	-
Working capital changes (Note 7.1)	(422,915)	(168,375)
	(282,315)	(67,254)

7.1 Working capital changes

	31 December 2018	31 December 2017
Increase in current assets		
Stores, spare parts and loose tools	(38)	(3,575)
Stock-in-trade	(514,860)	(160,907)
Trade debts	(12,664)	(10,111)
Loans and advances	(4,633)	(7,407)
Short term deposits and prepayments	(2,163)	(2,379)
Other receivables	(16,864)	(19,884)
	(551,222)	(204,263)
Increase in trade and other payables	128,307	35,888
	(422,915)	(168,375)

8. SEGMENT INFORMATION

8.1

	Spinning		Weaving		Socks		Elimination of Inter-segment transactions		Total - Company	
	(Un-audited) Half year ended		(Un-audited) Half year ended		(Un-audited) Half year ended		(Un-audited) Half year ended		(Un-audited) Half year ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(RUPEES IN THOUSAND)									
Revenue									-	-
External	960,643	844,155	289,907	330,320	272,664	146,509	-	-	1,523,214	1,320,984
Inter segment	136,147	67,082	-	-	-	-	(136,147)	(67,082)	-	-
	1,096,790	911,237	289,907	330,320	272,664	146,509	(136,147)	(67,082)	1,523,214	1,320,984
Cost of sales	(987,841)	(850,681)	(248,492)	(303,325)	(258,517)	(126,407)	136,147	67,082	(1,358,703)	(1,213,331)
Gross profit	108,949	60,556	41,415	26,995	14,147	20,102	-	-	164,511	107,653
Distribution cost	(4,807)	(3,935)	(4,134)	(2,728)	(19,124)	(7,919)	-	-	(27,265)	(14,582)
Administrative expenses	(36,262)	(27,609)	(13,659)	(10,530)	(18,164)	(9,385)	-	-	(68,085)	(47,524)
Other income	(211)	84	2,178	240	12,960	1,323	-	-	14,927	1,647
Finance cost	(42,973)	(40,366)	(4,429)	(5,951)	(3,088)	(2,392)	-	-	(50,489)	(48,709)
Profit / (loss) before taxation and unallocated expenses	25,496	(11,270)	21,371	8,026	(13,269)	1,729	-	-	33,599	(1,515)
Unallocated expenses:										
Other expenses									(1,799)	(127)
Taxation									(535)	10,819
Profit after taxation									31,265	9,177

8.2 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Socks		Total - Company	
	(Un-audited) 31 December 2018	(Audited) 30 June 2018	(Un-audited) 31 December 2018	(Audited) 30 June 2018	(Un-audited) 31 December 2018	(Audited) 30 June 2018	(Un-audited) 31 December 2018	(Audited) 30 June 2018
	(RUPEES IN THOUSAND)							
Total assets for reportable segments	1,783,727	1,264,031	365,606	333,105	260,855	203,352	2,410,188	1,800,488
Unallocated asset:								
Deferred income tax asset							4,560	-
Total assets as per statement of financial position							2,414,748	1,800,488
Total liabilities for reportable segments	1,438,972	883,165	177,702	208,024	252,494	185,746	1,869,168	1,276,935
Unallocated liabilities:								
Deferred income tax liability							-	3,278
Provision for taxation							10,807	15,097
Total liabilities as per statement of financial position							1,879,975	1,295,310

9. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies / undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions and balances with related parties are as follows:

	(Un-audited)			
	Half year ended		Quarter ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(RUPEES IN THOUSAND)			
i) Transactions				
Associated companies / undertakings				
Fuel purchased	1,184	663	575	326
Rental expense	900	600	450	300
Other related parties				
Loans obtained from directors - net	19,950	93,863	7,300	25,213
Remuneration paid to Chief Executive Officer, Director and Executives	8,260	7,810	3,680	4,115

	Un-audited 31 December 2018	Audited 30 June 2018
	(RUPEES IN THOUSAND)	
ii) Period end balances		
Sponsors' loans	241,800	241,800
Long term financing	263,230	253,114
Trade and other payables	15,029	13,670
Short term borrowings	124,250	104,300

10. DATE OF AUTHORIZATION

These condensed interim financial statements were approved by the Board of Directors of the Company and authorized for issue on Februray 25, 2019.

11. CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made, except for the following:

Reclassification from statement of financial position	Reclassification to statement of financial position	Rupees in thousand
Loans and advances	Property, plant and equipment	1,489

- Chief Financial Officer (CFO) of the Company has resigned since 30 July 2017. However the Board of Directors has appointed acting CFO until the appointment of new CFO.

12. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

AMJAD SAEED
CHIEF EXECUTIVE OFFICER

OMER SAEED
DIRECTOR

TAUQEER AHMAD TAIFOOR
CHIEF FINANCIAL OFFICER
(ACTING)