

Interim Financial Report
half year ended
December 31, 2018
(Un-audited)



Sally Textile Mills Limited

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Company Information

Board Of Directors

Mian Iqbal Salahuddin	Chief Executive Officer
Mst. Munira Salahuddin	
Mian Yousaf Salahuddin	
Mian Asad Salahuddin	
Mian Sohail Salahuddin	
Sheikh Abdul Salam	
Syed Abid Raza Zaidi	
Usman Shahid	

Audit Committee

Sheikh Abdul Salam	Chairman
Mian Asad Salahuddin	Member
Mian Sohail Salahuddin	Member
Syed Abid Raza Zaidi	Secretary

Human Resources & Remuneration Committee

Sheikh Abdul Salam	Chairman
Mst. Munira Salahuddin	Member
Mian Sohail Salahuddin	Member

Chief Financial Officer

Mr. Hasan Shahnawaz

Company Secretary

Syed Abid Raza Zaidi

Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Bankers

National Bank Of Pakistan
Silk Bank Limited
The Bank of Punjab
Meezan Bank Limited
Habib Bank Limited

Registered Office

4-F, Gulberg II, Lahore.
Phones : (042) 35754371, 35754373
E-mail : sallytex@hotmail.com
Fax : (042) 35754394

Mills

Muzaffargarh Road, Jauharabad
Phones: (0454) 720645, 720546, 720311

Directors' Review

The Directors of **Sally Textile Mills Limited** ("the Company") present the 2nd quarter report of the Company for the period ended 31st December 2018.

Overview

The Textile spinning industry in the Pakistan is facing severe difficulties. The government has not taken appropriate steps to improve the viability of this sector; until and unless major steps are not taken, actual revival of this sector will not be possible.

Performance review

During the period under review, mill operations had been shut down due to negative viability. As evident from our accounts, during second quarter, there was no business conducted.

The financial results in a summarized form are given hereunder:

Description	Six months ended December 31, 2018 <i>Rupees '000'</i>	Six months ended December 31, 2017 <i>Rupees '000'</i>
Turnover-net	111,745	1,105,358
Gross (Loss)/Profit	(118,432)	39,742
Loss before tax	(139,349)	(45,863)
Loss after tax	(140,746)	(59,680)

Loss per share

Loss per share of your company for the 2nd quarter ended December 31, 2018 is Rs. (16.04) as compared to Rs. (6.80) for the comparative quarter ended December 31, 2017.

Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians, staff and workers who have vigorously to meet the target. Your directors also extend their appreciation to the company's banker, buyers and suppliers for their cooperation.

For and on behalf of the board



MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Date: **February 27, 2019**
Lahore.

ڈائریکٹر ان رپورٹ

معزز ممبران: اسلام و علیکم

آپ کی کمپنی صلی ٹیکسٹائل ملز لمیٹڈ کے ڈائریکٹر ان سال رواں کے چھ ماہی بمطابق 31 دسمبر 2018ء کے نظر ثانی شدہ حسابات پیش کر رہے ہیں۔ پاکستانی ٹیکسٹائل سیکٹر میں بہتری کے امکانات محسوس کیے جا رہے ہیں اندرونی اور بیرونی خرید و فروخت کے بارے میں انکوائریز ابتدائی مراحل میں شروع ہو چکی ہیں۔ تاہم ابھی نتائج ظاہر نہیں ہو پارہے۔

روپے کی مالیت میں گراوٹ بھی اسی سیکٹر میں بہتری کی توقع کا حامل ہو سکتی ہے تاہم سیاست کے بدترین حالات ملک کے مجموعی کاروبار پر اثر انداز ہو رہے ہیں۔

کارکردگی:

دورانِ دوسری سہ ماہی منفی رجحانات کی بنا پر کمپنی کی پیداوار اور کاروبار معطل کر دیا گیا ہے، جو موجودہ حسابات میں دیکھا جاسکتا ہے۔

چھ ماہی مالیاتی نتائج درج ذیل ہیں:-

Description	Six months ended December 31, 2018 Rupees '000'	Six months ended December 31, 2017 Rupees '000'
Turnover-net	111,745	1,105,358
Gross (Loss)/Profit	(118,432)	39,742
Loss before tax	(139,349)	(45,863)
Loss after tax	(140,746)	(59,680)

انٹہار تشکر:

ڈائریکٹر ان، کمپنی کی ذمہ داران، کارگیروں اور محنت کشوں کی کاوشوں کو تحسین کی نگاہ سے دیکھتے ہیں۔

دیگر کرم فرماؤں، مالیاتی اداروں، خام مال کے مہیا کنندگان، خریدار اور واسطہ یا بالواسطہ خدمات دینے والوں کو خراج تحسین پیش کرتے ہیں۔

والسلام

منجانب بورڈ



میاں اقبال صلاح الدین

چیف ایگزیکٹو آفیسر

لاہور

27 فروری 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SALLY TEXTILE MILLS LIMITED Report on review of Interim Financial Statements

Introduction

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

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 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.

Basis for Adverse Conclusion

The Company has incurred gross loss of Rs. 140.746 million and loss after tax of Rs 397.81 million. As at June 30, 2018 the Company has accumulated losses of Rs. 878.663 million as at reporting date. Its current liabilities exceed its current assets by Rs. 638.733 million. The Company has been unable to repay its debt finances and interest/mark-up thereon on due dates. As a result debt finances amounting to Rs. 858.371 million and interest/mark-up amounting to Rs. 80.709 million are overdue as at December 31, 2018. The production facilities of the Company have remained closed during period and substantially entire stock in trade is pledged with the providers of debt finances and thus not available to the Company for sales. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the company may not be able to discharge its liabilities and realize its assets in the normal course of business. We consider that in the absence of any favourable settlement with the providers of debt finances, ability to obtain further financing and revival of its operations, the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of annexed interim financial statements is not appropriate and adjustments may be required to the recorded asset amounts and classification of liabilities. The financial statements do not disclose this fact.

Adverse Conclusion

Our review indicates that, because of the fact that Company's use of going concern assumption in the preparation of annexed interim financial statements is not appropriate, as described in the preceding paragraph, these 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 review report is **ZUBAIR IRFAN MALIK**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Lahore: February 27, 2019

Place: LAHORE

Condensed Interim Statement of Financial Position

as at December 31, 2018

	Note	December 31, 2018	June 30, 2018
		<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
20,000,000 (June 30, 2018: 20,000,000) ordinary shares of Rs. 10 each		200,000	200,000
Issued, subscribed and paid-up capital		87,750	87,750
Surplus on revaluation of property, plant and equipment		223,903	226,965
Accumulated loss		(878,663)	(740,979)
TOTAL EQUITY		(567,010)	(426,264)
LOAN FROM SPONSORS - UNSECURED	6	607,210	536,883
NON-CURRENT LIABILITIES			
Long term finances - <i>secured</i>		79,166	127,083
Employees retirement benefits		98,517	102,176
Deferred taxation		77,391	77,391
		255,074	306,650
CURRENT LIABILITIES			
Trade and other payables		373,695	405,775
Unclaimed dividend		1,010	1,010
Short term borrowings	7	722,660	723,643
Accrued interest/markup/profit		113,169	64,104
Current portion of non-current liabilities		231,667	183,750
		1,442,201	1,378,282
TOTAL LIABILITIES		1,697,275	1,684,932
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		1,737,475	1,795,551

The annexed notes from 1 to 18 form an integral part of these interim financial statements.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 27, 2019

Condensed Interim Statement of Financial Position

as at December 31, 2018

	Note	December 31, 2018	June 30, 2018
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	922,763	945,928
Long term deposits - <i>unsecured, considered good</i>		11,244	11,244
		934,007	957,172
CURRENT ASSETS			
Stores, spares and loose tools		31,480	80,723
Stock in trade		565,440	600,447
Trade debts		122,374	100,054
Advances, deposits, prepayments and other receivables		70,515	42,603
Current taxation		11,815	12,330
Cash and bank balances		1,844	2,222
		803,468	838,379
TOTAL ASSETS		1,737,475	1,795,551

The annexed notes from 1 to 18 form an integral part of these interim financial statements.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 27, 2019

Condensed Interim Statement of Profit or Loss (Un-audited)

for the six month period ended December 31, 2018

	Note	Six month ended		Three month ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		Rupees '000	Rupees '000	Rupees '000	Rupees '000
Sales - net	10	111,745	1,105,358	-	581,983
Cost of sales	11	(188,432)	(1,065,616)	(38,246)	(559,968)
Gross profit		(76,687)	39,742	(38,246)	22,015
Selling and distribution expenses		(1,742)	(5,326)	(517)	(3,086)
Administrative and general expenses		(20,262)	(24,408)	(11,863)	(13,240)
		(22,004)	(29,734)	(12,380)	(16,326)
Other income		9,948	117	7,042	117
Operating (loss)/profit		(88,743)	10,125	(43,584)	5,806
Finance cost		(49,178)	(41,616)	(29,083)	(20,554)
Notional interest		(1,327)	(12,861)	8,614	(4,568)
Other charges		(101)	(1,511)	74	(846)
Loss before taxation		(139,349)	(45,863)	(63,979)	(20,162)
Taxation	12	(1,397)	(13,817)	(250)	(8,583)
Loss after taxation		(140,746)	(59,680)	(64,229)	(28,745)
Loss per share - basic and diluted		(16.04)	(6.80)	(7.32)	(3.28)

The annexed notes from 1 to 18 form an integral part of these interim financial statements.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 27, 2019

Condensed Interim Statement of Comprehensive Income (Un-audited)

for the six month period ended December 31, 2018

	Six month ended		Three month ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Other comprehensive loss after taxation	-	-	-	-
Loss after taxation	(140,746)	(59,680)	(64,229)	(28,745)
Total comprehensive loss	(140,746)	(59,680)	(64,229)	(28,745)

The annexed notes from 1 to 18 form an integral part of these interim financial statements.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 27, 2019

Condensed Interim Statement of Cash Flows (Un-audited)

for the six month period ended December 31, 2018

	December 31, 2018	December 31, 2017
	<i>Rupees '000</i>	<i>Rupees '000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(139,349)	(45,863)
Adjustments for non-cash and other items		
Interest/markup/profit on borrowings	49,064	41,158
Notional interest	1,327	12,861
Provision for employees retirement benefits	207	1,562
Gain on disposal of property, plant and equipment	(5,537)	-
Depreciation	20,931	22,108
	65,992	77,689
Operating profit before changes in working capital	(73,357)	31,826
Changes in working capital		
Stores, spares and loose tools	49,243	(23,298)
Stock in trade	35,007	115,117
Trade debts	(22,320)	(19,684)
Advances, deposits, prepayments and other receivables	(27,912)	(29,782)
Trade and other payables	(32,080)	(73,730)
	1,938	(31,377)
Net cash (used in)/generated from operations	(71,419)	449
Payments for:		
Employees retirement benefits	(3,866)	(1,982)
Interest/markup/profit on borrowings	1	(25,483)
Income tax	(882)	(2,351)
Net cash used in operating activities	(76,166)	(29,367)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(342)	(106)
Proceeds from disposal of property, plant and equipments	8,113	-
Net cash generated from/(used in) investing activities	7,771	(106)

December 31, 2018

December 31, 2017

Rupees '000

Rupees '000

CASH FLOWS FROM FINANCING ACTIVITIES

Net (decrease)/increase in short term borrowings	(983)	4,120
Loan from sponsors obtained	69,000	26,000
Net cash generated from financing activities	68,017	30,120
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(378)	647
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,222	5,639
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,844	6,286

The annexed notes from 1 to 18 form an integral part of these interim financial statements.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 27, 2019

Condensed Interim Statement of Changes in Equity (Un-audited)

for the six month period ended December 31, 2018

	Share capital	Capital reserve	Revenue reserves	
	Issued subscribed and paid-up capital Rupees '000	Surplus on revaluation of property, plant and equipment Rupees '000	Accumulated loss Rupees '000	Total equity Rupees '000
Balance as at June 30, 2017 - Audited	87,750	230,270	(343,635)	(25,615)
Comprehensive loss				
Loss after taxation	-	-	(59,680)	(59,680)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(59,680)	(59,680)
Transaction with owners				
Incremental depreciation	-	1,247	(1,247)	-
Balance as at December 31, 2017 - Un-audited	87,750	231,517	(404,562)	(85,295)
Balance as at January 01, 2018 - Un-audited	87,750	231,517	(404,562)	(85,295)
Comprehensive loss				
Loss after taxation	-	-	(338,261)	(338,261)
Other comprehensive loss	-	1,187	(3,895)	(2,708)
Total comprehensive loss	-	1,187	(342,156)	(340,969)
Incremental depreciation		(5,739)	5,739	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2018 - Audited	87,750	226,965	(740,979)	(426,264)
Balance as at July 01, 2018 - Audited	87,750	226,965	(740,979)	(426,264)
Comprehensive loss				
Loss after taxation	-	-	(140,746)	(140,746)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(140,746)	(140,746)
Incremental depreciation	-	(3,062)	3,062	-
Transaction with owners	-	-	-	-
Balance as at December 31, 2018 - Un-audited	87,750	223,903	(878,663)	(567,010)

The annexed notes from 1 to 18 form an integral part of these interim financial statements.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 27, 2019

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended December 31, 2017

1 LEGAL STATUS AND OPERATIONS

Sally Textile Mills Limited ['the Company'] is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 4 F, Gulberg II, Lahore. The manufacturing facility, including the power generation unit, is located at Joharabad District Khushab in the Province of Punjab.

2 BASIS OF PREPARATION

The interim financial statements are un-audited and has been presented in condensed form and do not include all the information as is required to be provided in a full set of annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

This interim financial statements have been subjected to limited scope review by the auditors of the company, as required by the Companies Act, 2017 under section 237. The comparative condensed interim statement of financial position as at June 30, 2018 and the related notes to the interim financial statements are based on audited financial statements. The comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and related notes to the condensed interim financial statements for the six month period ended December 31, 2017 are based on unaudited, reviewed interim financial statements. The condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended December 31, 2018 and December 31, 2017 are neither audited nor reviewed.

2.1 Statement of compliance

These 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 comprises of:

- International Accounting Standard 34 - Interim Financial Reporting, issued by 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.

2.2 Basis of measurement

These interim financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value/amortized cost and employees retirement benefits at present value. In these interim financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Appropriateness of the going concern assumption

The Company has been facing operational losses due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred loss after taxation of Rs. 140.746 million during the period ended June 30, 2018. As at June 30, 2018, the Company has accumulated losses of Rs. 878.663 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 638.733 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

- a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.
- b) The Company has continued financial support of its sponsors in the form of interest free loans. During the period, the sponsors provided financial support amounting to Rs. 69 million in the form of long term interest free loans. Further, the sponsors have extended the repayment tenor of long term loans provided by them to June 30, 2021 (see note 6).

Notes to the Condensed Interim Financial Information (Un-audited) *for the six months period ended December 31, 2017*

2.4 Judgments, estimates and assumptions

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.5 Functional currency

These interim financial statements are prepared in Pak Rupees which is the Company's functional currency.

2.6 Date of authorisation for issue

These interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 27, 2019.

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

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

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customer.

- Identify the contract with customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognized revenue when (or as) the entity satisfies a performance obligation.

Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended December 31, 2017

Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

	Effective date (reporting period / year ended on or after)
IFRS 9 - Financial Instruments (2014)	June 30, 2019
	Effective date (annual periods beginning on or after)
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019

Notes to the Condensed Interim Financial Information (Un-audited) for the six months period ended December 31, 2017

	Effective date (annual periods beginning on or after)
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020
Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:	
IFRS 1 - First Time Adoption of International Financial Reporting Standards	
IFRS 14 - Regulatory Defferal Accounts	
IFRS 17 – Insurance contracts (2017)	

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 - Financial Instruments

Finalised version of IFRS 9 - Financial Instruments: *Recognition and Measurement* which contains accounting requirement for financial instruments, replacing IAS 39 - Financial Instruments: *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2018.

	Note	December 31, 2018 Rupees '000 (Un-Audited)	June 30, 2018 Rupees '000 (Audited)
6 LOAN FROM SPONSORS - UNSECURED			
Loan from sponsors	6.1	819,000	750,000
Less: unamortized notional interest		(211,790)	(213,117)
		607,210	536,883

- 6.1** This loan has been obtained from sponsors of the Company and is unsecured and interest free. The loan is payable by June 30, 2021. The loan has been carried at amortized cost which has been determined using a discount rate of 9.85%, being the average effective borrowing rate of the Company. This Loan subordinate to long term and short term finances obtained from various banking institutions.

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended December 31, 2017

7 SHORT TERM BORROWINGS

The aggregate available short term funded facilities amounts to Rs. 775 million (June 30, 2017: Rs. 775 million) out of which Rs. 52.34 million (June 30, 2017: Rs. 56.56 million) remained unavailed as at the reporting date.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2018.

8.2 Commitments

8.2.2 The Company is committed to pay Rs. 220,000 for every month it occupies the office premises owned by the directors of the Company.

	Note	December 31, 2018	June 30, 2018
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
9 FIXED ASSETS			
Operating fixed assets	9.1	922,763	945,928
Capital work in progress		-	-
		<u>922,763</u>	<u>945,928</u>

	Note	December 31, 2018	June 30, 2018
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
9.1 Operating fixed assets			
Net book value at the beginning of the period/year		945,928	982,493
Additions during the period/year			
Plant & machinery		-	5,435
Electric installations		-	81
Office equipment		-	160
Furniture and fixtures		-	49
Vehicles		342	-
		342	5,725
Transfer from capital work in progress		-	2,356
Net book value of assets disposed during the period/year		(2,576)	(320)
Depreciation for the period/year		(20,931)	(44,326)
Net book value at the end of the period/year		<u>922,763</u>	<u>945,928</u>

		Six month ended		Three month ended	
Note	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	

10 SALES - NET

Local

Yarn	110,790	1,086,762	-	572,853
Waste	955	18,596	-	9,130
	<u>111,745</u>	<u>1,105,358</u>	<u>-</u>	<u>581,983</u>

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended December 31, 2017

	Note	Six month ended		Three month ended	
		December 31, 2017	December 31, 2017	December 31, 2018	December 31, 2017
		Rupees '000	Rupees '000	Rupees '000	Rupees '000
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
11 COST OF SALES					
Raw material consumed		75,710	754,322	13,481	404,687
Stores, spares and loose tools consumed		1,895	27,269	591	10,622
Salaries, wages and benefits		45,700	94,581	9,801	41,093
Power and fuel		10,220	182,233	2,309	111,044
Insurance		2,269	4,245	14	2,010
Vehicle running and maintenance		305	523	89	226
Depreciation		19,864	20,723	10,021	9,808
Others		1,435	2,696	970	1,480
		157,398	1,086,592	37,276	580,970
Work in process					
As at beginning of the period		26,829	26,552	-	26,593
As at end of the period		-	(26,540)	-	(26,540)
		26,829	12	-	53
		184,227	1,086,604	37,276	581,023
Finished goods					
As at beginning of the period		113,100	157,991	109,865	157,924
As at end of the period		(108,895)	(178,979)	(108,895)	(178,979)
		4,205	(20,988)	970	(21,055)
		188,432	1,065,616	38,246	559,968
12 PROVISION FOR TAXATION					
Current taxation	12.1	(1,397)	(13,817)	(250)	(8,583)
Deferred taxation	12.2	-	-	-	-
		(1,397)	(13,817)	(250)	(8,583)

12.1 Provision for taxation has been made under section 113 of the Income Tax Ordinance, 2001.

12.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Mian Iqbal Salahuddin	Key management personnel	Chief executive officer	17.59%
Ms. Munira Salahuddin	Key management personnel	Director	18.38%
Mian Asad Salahuddin	Key management personnel	Director	17.71%
Mian Yousaf Salahuddin	Key management personnel	Director	17.59%
Mian Sohail Salahuddin	Key management personnel	Director	0.08%
Sheikh Abdul Salam	Key management personnel	Director	0.03%
Syed Abid Raza Zaidi	Key management personnel	Director	0.03%

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended December 31, 2017

Transactions with sponsors are limited to provision of interest free loans to the Company and rental payments for office premises used by the Company. Details of transactions and balances with related parties is as follows:

		Six months ended	
		December 31, 2018	December 31, 2017
		Rupees '000	Rupees '000
		(Un-Audited)	(Un-Audited)
13.1	Transactions with related parties		
	Nature of relationship	Nature of transaction	
	Key management personnel	Short term employee benefits	3,250 3,990
	Sponsors	Borrowings obtained	69,000 26,000
		Rent paid	1,320 1,320
		December 31, 2018	June 30, 2018
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
13.2	Balances with related parties		
	Nature of relationship	Nature of balances	
	Key management personnel	Short term employee benefits	592 535
	Sponsors	Long term loan	819,000 750,000
		Borrowings	123 1,015
14	FINANCIAL INSTRUMENTS		
The carrying amounts of the Company's financial instruments by class and category are as follows:			
14.1	Financial assets		
	Cash in hand	415	79
	Loans and receivables		
	Long term deposits	11,244	11,244
	Trade debts	122,374	100,054
	Advances to employees	-	6,038
	Security deposits	-	1,613
	Insurance claims receivable	1,922	1,922
	Bank balances	1,429	2,222
		136,969	123,093
		137,384	123,172
14.2	Financial liabilities		
	Financial liabilities at amortized cost		
	Loan from sponsors	607,210	536,883
	Long term finances	310,833	83,333
	Short term borrowings	722,660	723,643
	Accrued interest/markup/profit	113,169	64,104
	Trade creditors	138,494	138,665
	Accrued liabilities	104,052	116,370
	Unclaimed dividend	1,010	1,010
		1,997,428	1,664,008

Notes to the Condensed Interim Financial Information (Un-audited) for the six months period ended December 31, 2017

15 FAIR VALUE MEASUREMENTS

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

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

15.1 Financial Instruments

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all the financial instruments to approximate their fair values.

15.2 Assets and liabilities other than financial instruments.

15.2.1 Recurring fair value measurements

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

	Level 1	Level 2	Level 3	December 31, 2018	June 30, 2018
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
				(Un-Audited)	(Audited)
Freehold land	-	142,835	-	142,835	142,835
Buildings on freehold land	-	-	191,808	191,808	196,726
Plant and machinery	-	-	536,408	536,408	550,162
Electric installation	-	-	37,107	37,107	38,058
Laboratory equipment	-	-	3,577	3,577	3,765
Fire fighting equipment	-	-	718	718	756

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 7.142 million (June 30, 2018: Rs. 7.142 million).
Buildings on freehold land	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 9.59 million (June 30, 2018: Rs. 9.836 million).

Notes to the Condensed Interim Financial Information (Un-audited)

for the six months period ended December 31, 2017

	Valuation technique	Significant inputs	Sensitivity
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of plant and machinery by Rs. 26.82 million (June 30, 2018: Rs. 27.508 million).
Electric installation	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of electric installation by Rs. 1.86 million (June 30, 2017: Rs. 1.9 million).
Laboratory equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of laboratory equipment by Rs. 178,850 (June 30, 2017: Rs. 188,250).
Fire fighting equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of fire fighting equipment by Rs. 35,910 (June 30, 2017: Rs. 37,800).

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

15.2.2 Non-recurring fair value measurements

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

Notes to the Condensed Interim Financial Information (Un-audited) *for the six months period ended December 31, 2017*

16 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period that may require adjustment of and/or disclosure in these interim financial statements.

17 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

18 GENERAL

18.1 There are no other significant activities since June 30, 2018 affecting the interim financial statements.

18.2 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.

18.3 Figures have been rounded off to the nearest thousand rupees.

Notes

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Notes

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