

**Half
Yearly
Report**

IDEAL SPINNING MILLS LIMITED



IdealGroup

**CONDENSED INTERIM
FINANCIAL INFORMATION**

**Half Yearly Report
(UN-AUDITED)
31 December, 2018**



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. 17 th 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, 4 th Floor, Business Centre, Mumtaz Hassan Road, Karachi. www.idealsm.com |
| FACTORY: | 35-K.M Sheikhpura 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 | <u>31.12.2018</u> | <u>31.12.2017</u> |
|---|-----------------------------|--------------------------|
| | (RUPEES IN THOUSAND) | |
| Revenue | 1,523,214 | 1,320,984 |
| Cost of sales | <u>(1,358,703)</u> | <u>(1,213,331)</u> |
| 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 | <u>(50,489)</u> | <u>(48,709)</u> |
| Profit/ (Loss)before taxation | 31,800 | (1,642) |
| Taxation | (535) | 10,819 |
| Profit after taxation | <u>31,265</u> | <u>9,177</u> |
| Earnings per share-basic and diluted (Rupees) | <u>3.15</u> | <u>0.93</u> |

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.

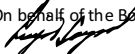
FURTHER EXPANSION

With Almighty ALLAH's 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.

Faisalabad
February 25, 2019

On behalf of the Board

(Amjad Saeed)
Chief Executive Officer

حصہ داران کیلئے ڈائریکٹرز کی رپورٹ

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

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

اللہ تعالیٰ 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 پُر امید ہے۔

بزنس آؤٹ لک:

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 روٹی اور پولیوسٹر فائبر کی قیمتیں بہت زیادہ ہیں KIBOR کی شرح بڑھنے کے باعث مالیاتی اخراجات میں اضافہ ہوا ہے۔ دھاکے 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

کارکردگی کا جائزہ:

رب تعالیٰ کے فضل کرم سے کمپنی کی مالی کارکردگی قابل تعریف ہے۔ آمدنی 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 خالص 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۔

بروجسٹ میں توسیع۔

اللہ تعالیٰ کے فضل و کرم سے انتظامیہ کی جانب سے سینٹرل اور لوہڑ بڑھانے کا منصوبہ پزیر فرمور ہے۔

کاوشوں کا اعتراف

بورڈ آف ڈائریکٹرز اپنے حصہ داروں، بنگرز 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 (hereinafter 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 Liaquat Ali Panwar.

RIAZ AHMAD & COMPANY

Chartered Accountants

 Riaz Ahmad & Co.

Faisalabad

Date: February 25, 2019.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| EQUITY AND LIABILITIES | NOTE | Un-Audited | | Audited | |
|--|------|------------------|--------------|--------------|--------------|
| | | 31 December 2018 | 30 June 2018 | 30 June 2018 | 30 June 2018 |
| SHARE CAPITAL AND RESERVES | | 200,000 | 200,000 | | |
| Authorized share capital 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 | | 121,209 | 121,209 | | |
| Equity portion of shareholders' loans | | 100,577 | 100,577 | | |
| Surplus on revaluation of freehold land | | (28,013) | (57,608) | | |
| Accumulated loss | | 534,773 | 505,178 | | |
| TOTAL EQUITY | | | | | |
| LIABILITIES | | | | | |
| NON-CURRENT LIABILITIES | | | | | |
| Long term financing | 3 | 305,697 | 344,816 | | |
| Deferred income tax liability | | - | 3,278 | | |
| Staff retirement gratuity | | 70,600 | 62,187 | | |
| | | 376,306 | 407,281 | | |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | | 352,782 | 221,691 | | |
| Undivided dividend | | 978 | 464 | | |
| Accrued mark-up | | 24,214 | 13,561 | | |
| Short term borrowings | | 913,825 | 425,747 | | |
| Current portion of long term financing | 3 | 201,063 | 208,769 | | |
| Provision for taxation | | 10,807 | 15,097 | | |
| | | 1,507,669 | 888,029 | | |
| TOTAL LIABILITIES | | 1,879,975 | 1,295,310 | | |
| CONTINGENCIES AND COMMITMENTS | 4 | | | | |
| TOTAL EQUITY AND LIABILITIES | | 2,414,748 | 1,809,288 | | |

| ASSETS | NOTE | Un-Audited | Audited |
|-------------------------------------|------|------------------|--------------|
| | | 31 December 2018 | 30 June 2018 |
| 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 | | 138,913 | 142,049 |
| Cash and bank balances | | 20,205 | 6,383 |
| | | 1,289,481 | 705,780 |
| TOTAL ASSETS | | 2,414,748 | 1,809,288 |

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



AMIR SAEED
CHIEF EXECUTIVE OFFICER



OMAR 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 | <u>31,265</u> | <u>24,588</u> | <u>18,033</u> | <u>42,789</u> |

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 CHANGES IN EQUITY (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

| | SHARE CAPITAL | SPONSORS' LOANS | RESERVES | | | TOTAL RESERVES | TOTAL EQUITY | |
|--|---------------|-----------------|--------------------------------------|---|-----------|----------------|--------------|---------|
| | | | Equity portion of shareholders' loan | CAPITAL | | | | |
| | | | | 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 | (57,606) | 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.


AMIR SAEED
CHIEF EXECUTIVE OFFICER


OMER SAEED
DIRECTOR


TAQEEER AHMAD TAFOOR
CHIEF FINANCIAL OFFICER
(ACTING)


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

| | HALF YEAR ENDED | |
|---|-----------------------------|---------------------|
| | 31 December 2018 | 31 December 2017 |
| | (RUPEES IN THOUSAND) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash used in operations | 7 | (282,315) |
| Finance cost paid | | (67,254) |
| Income tax paid | | (29,416) |
| Staff retirement gratuity paid | | (8,427) |
| Net decrease in long term deposits and prepayments | | (3,947) |
| Net decrease in long term loans | | 12 |
| | | 50 |
| | | 19 |
| Net cash used in operating activities | | <u>(327,394)</u> |
| | | <u>(113,986)</u> |
| 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 | <u>13,822</u> | <u>30,356</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 6,383 | 8,666 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>20,205</u> | <u>39,022</u> |

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)

**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 statutory 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 (RUPEES IN THOUSAND) | 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) |
| | <u>-</u> | <u>121,662</u> |

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

| | Effect on accumulated loss (RUPEES IN THOUSAND) | Effect on total equity |
|--|--|-----------------------------------|
| 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) |
| | <u>(58,035)</u> | <u>504,751</u> |

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 |
| | <u>1,138,819</u> | <u>1,092,789</u> |

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 |
| | <u>1,167,420</u> | <u>1,187,835</u> |
| Less: Book value of deletions during the period / year (Note 5.1.2) | 67 | 8,202 |
| | <u>1,167,353</u> | <u>1,179,633</u> |
| Less: Depreciation charged during the period / year | 46,465 | 91,647 |
| | <u>1,120,888</u> | <u>1,087,986</u> |

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 |
| | <u>79,434</u> | <u>257,854</u> |

5.1.2 Book value of deletions during the period / year

| | | |
|---------------------|-----------|--------------|
| Plant and machinery | - | 4,941 |
| Vehicles | 67 | 3,261 |
| | <u>67</u> | <u>8,202</u> |

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 | - |
| | <u>17,931</u> | <u>4,803</u> |

6. COST OF SALES

| | (Un-audited) | | | |
|---|----------------------------------|---------------------|---------------------|---------------------|
| | Half year ended | | Quarter ended | |
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 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 |
| | <u>1,376,163</u> | <u>1,231,061</u> | <u>662,249</u> | <u>620,552</u> |
| Work-in-process | | | | |
| Opening stock | 33,204 | 20,110 | 26,774 | 23,309 |
| Closing stock | (38,403) | (22,609) | (38,403) | (22,609) |
| | <u>(5,199)</u> | <u>(2,499)</u> | <u>(11,629)</u> | <u>700</u> |
| 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) |
| | <u>(12,261)</u> | <u>(15,231)</u> | <u>(23,782)</u> | <u>(30,446)</u> |
| | <u>1,358,703</u> | <u>1,213,331</u> | <u>626,838</u> | <u>590,806</u> |

7. CASH USED IN OPERATIONS

| | | |
|---------------------------------|--------|---------|
| 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) |
| | <u>(282,315)</u> | <u>(67,254)</u> |

7.1 Working capital changes

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) |
| | <u>(551,222)</u> | <u>(204,263)</u> |
| Increase in trade and other payables | 128,307 | 35,888 |
| | <u>(422,915)</u> | <u>(168,375)</u> |

8. SEGMENT INFORMATION

8.1

| | Spinning | | Weaving | | Socks | | Elimination of inter-segment transactions | | Total - Company | |
|--|---|---|---|---|---|---|---|---|---|---|
| | (Un-audited) Half Year ended 31 December 2018 | (Un-audited) Half Year ended 31 December 2017 | (Un-audited) Half Year ended 31 December 2018 | (Un-audited) Half Year ended 31 December 2017 | (Un-audited) Half Year ended 31 December 2018 | (Un-audited) Half Year ended 31 December 2017 | (Un-audited) Half Year ended 31 December 2018 | (Un-audited) Half Year ended 31 December 2017 | (Un-audited) Half Year ended 31 December 2018 | (Un-audited) Half Year ended 31 December 2017 |
| Revenue | 960,643 | 944,135 | 269,907 | 330,320 | 272,664 | 146,509 | - | - | 1,523,214 | 1,320,988 |
| External | 136,147 | 67,082 | - | - | (136,147) | - | (67,082) | - | - | - |
| Intra segment | 1,095,760 | 911,237 | 269,907 | 330,320 | 272,664 | 146,509 | (136,147) | (67,082) | 1,523,214 | 1,320,988 |
| Cost of sales | (987,841) | (850,681) | (248,492) | (303,325) | (258,517) | (126,407) | (136,147) | (67,082) | (1,388,703) | (1,213,331) |
| Gross profit | 1,083,949 | 60,556 | 41,415 | 26,995 | 14,147 | 20,102 | - | - | 164,511 | 107,655 |
| Distribution cost | (4,007) | (3,955) | (4,134) | (2,728) | (19,124) | (7,919) | - | - | (27,265) | (4,582) |
| Administrative expenses | (8,262) | (27,659) | (13,659) | (10,530) | (18,164) | (9,385) | - | - | (88,085) | (47,524) |
| Other income | (211) | 84 | 2,178 | 240 | 12,960 | 1,323 | - | - | 14,927 | 1,647 |
| Finance cost | (6,973) | (40,360) | (4,429) | (5,951) | (3,088) | (2,392) | - | - | (9,459) | (43,705) |
| Profit / (loss) before taxation and unallocated expenses | 25,496 | (11,270) | 21,371 | 8,026 | (3,269) | 1,729 | - | - | 33,599 | (4,515) |

Unallocated expenses:

Other expenses
Taxation

Profit after taxation

(1,799)
(535)
31,285(127)
1,819
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 |
| Total assets for reportable segments | 1,783,727 | 1,264,031 | 365,606 | 333,305 | 260,855 | 203,352 | 7,410,188 | 1,800,483 |
| Unallocated asset: Deferred income tax asset | - | - | - | - | - | - | 4,550 | - |
| Total assets as per statement of financial position | - | - | - | - | - | - | 2,414,738 | 1,800,483 |
| Total liabilities for reportable segments | 1,438,972 | 883,165 | 177,702 | 208,024 | 252,494 | 185,746 | 1,969,188 | 1,236,935 |
| Unallocated liabilities: Deferred income tax liability Provision for taxation | - | - | - | - | - | - | 10,907 | 3,278 15,087 |
| Total liabilities as per statement of financial position | - | - | - | - | - | - | 1,879,975 | 1,255,310 |

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
(RUPEES IN THOUSAND)

Audited
30 June
2018

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 February 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

Loans and advances

Reclassification to statement of financial position

Property, plant and equipment

Rupees in thousand

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)

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