



SHAMS TEXTILE MILLS LIMITED

## HALF YEARLY REPORT

31 December 2018

(Un-Audited)



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## COMPANY INFORMATION

## Board of Directors

Muhammad Anwar	(Chairman)
Asif Bashir	
Adil Bashir	
Khurram Mazhar Karim	
Muhammad Shafiq Gill	(Nominee: NIT)
Shahid Arshad	
Sharik Bashir	

## Chief Executive Officer

Khalid Bashir

## Chief Financial Officer

Farooq Ahmad

## Company Secretary

Tariq Javed

## Audit Committee

Khurram Mazhar Karim	(Chairman)
Muhammad Anwar	(Member)
Asif Bashir	(Member)

## Human Resource &amp; Remuneration Committee

Asif Bashir	(Chairman)
Muhammad Anwar	(Member)
Khurram Mazhar Karim	(Member)

## Share Registrar

Corptec Associates (Pvt) Ltd.  
503-E, Johar Town, Lahore.

## Auditors

Riaz Ahmad & Company  
Chartered Accountants

## Bankers

Allied Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
The Bank of Punjab  
United Bank Limited  
Habib Metropolitan Bank Limited

## Registered Office

7-B-3, Aziz Avenue, Gulberg-5, Lahore  
Ph: +92-423-576 0379, 576 0382  
Fax: +92-423-576 0376  
Email: [info@shams.com.pk](mailto:info@shams.com.pk)  
Web: [www.shams.com.pk](http://www.shams.com.pk)

## Project Locations

Kotla Kahloon, District Nankana Sahib, Punjab  
3-KM, Faisalabad Road, Chiniot, Punjab

## INDEPENDENT AUDITOR'S REVIEW REPORT

### Report on review of Condensed Interim Financial Statements

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of SHAMS TEXTILE MILLS LIMITED 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 the condensed interim financial statements for the half year then ended (here-in-after referred to as the "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 half year ended 31 December 2018.

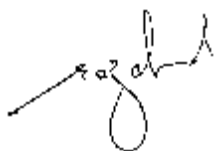
#### Scope of Review

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 review report is Mubashar Mehmood.



RIAZ AHMAD & COMPANY  
Chartered Accountants

Lahore

Date: 27 February 2019

## DIRECTORS' REPORT

The Directors are pleased to present their report on the operational results of the Company for the half year ended December 31, 2018.

GENERAL REVIEW

The Company has achieved lower results as compared to the correspondence period. This is due to a weaker global textile market for our product. The major customers for exports of our products has showed a lower growth and hence a lower offtake for our product. The price in the export market has also continuous to show a declining trend.

On the cost side we have continued to suffer because of higher energy cost, recently the government has revised the energy cost of both gas and electricity lower resulting in some relief. This may reflect on the working of your company on the remaining of the financial year.

As usual production in Pakistan of our basic raw material has failed to meet the requirement of the textile industry. Prices have hence a higher trend due to this. The quality too has been inferior. The management is considering import of cotton to meet part of its requirement for the remaining period of the current year.

The Pakistan Textile Industry in general continues to be depressed. A large number of units have closed down with little or no chance of revival. The Government has taken stop gap measures to give some sort of package to the industry but implementation is poor. The Export rebates announced have not been paid as fast as they should be resulting in huge funds being tied up affecting working capital requirements. Similarly, large funds are blocked in sales tax refunds with little chance of improvement in receiving these refunds.

FINANCIAL SUMMARY:

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Rupees in thousand)			
SALES	2,299,724	2,273,910	1,300,771	1,309,866
COST OF SALES	(2,220,467)	(2,180,857)	(1,267,354)	(1,234,692)
GROSS PROFIT	79,257	93,053	33,417	75,174
OPERATING COST	(46,101)	(48,771)	(22,939)	(22,196)
OTHER INCOME	5,910	17,699	3,216	10,465
FINANCE COST	(19,111)	(24,023)	(11,430)	(11,974)
PROFIT BEFORE TAXATION	19,955	37,958	2,264	51,469
TAXATION	(38,411)	(35,935)	(25,970)	(23,884)
(LOSS)/PROFIT AFTER TAXATION	(18,456)	2,023	(23,706)	27,585


Future Outlook:

Overall we are not expecting any fast turnaround for the Textile Industry in general and apart from the few units the rest will continue to struggle. Your Company Inshallah expects to show improve results for the balance period of current year.

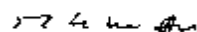
ACKNOWLEDGEMENTS:

We would take this opportunity to thank all our shareholders and partners for their valued support and our employees for their dedication. We would also like to thank the Board of Directors for their guidance and advice at all times.

For and On behalf of Board of Directors



Khalid Bashir  
Chief Executive



Muhammad Anwar  
Director

February 27, 2019  
Lahore

## ڈائریکٹر رپورٹ

ڈائریکٹر ششماہی 31 دسمبر 2018ء کے مالیاتی نتائج بخوشی پیش کرتے ہیں۔

عمومی جائزہ:

کمپنی نے پچھلے دورانیہ کے مقابلے میں کم نتائج حاصل کیے ہیں۔ یہ ہماری مصنوعات کے لیے ایک کمزور عالمی ٹیکسٹائل کی وجہ سے ہے۔ ہمارے اہم برآمدی گاہکوں کیلئے ہماری مصنوعات نے کم ترقی کی ہے۔ برآمدی مارکیٹ میں قیمتوں میں مسلسل کمی کارخانہ دیکھنے میں آ رہا ہے۔ لاگت کی طرف ہم توانائی کے زیادہ اخراجات کی وجہ سے تکلیف دہ رہے ہیں۔ حال ہی میں توانائی میں حکومتی ریلیف کے نتیجے میں گیس اور بجلی دونوں کی لاگت میں کمی نظر آ رہی ہے، جس کا اثر مالی سال کے بقیہ عرصے میں آپ کی کمپنی کی کارکردگی میں نظر آ سکتا ہے۔ ہمیشہ کی طرح پاکستان میں ہمارے بنیادی خام مال کی پیداوار ٹیکسٹائل انڈسٹری کی ضرورت کو پورا کرنے میں ناکام رہی ہے جس کی وجہ سے قیمتوں میں اضافے کا رجحان رہا ہے اور کوآلٹی کا معیار بھی کمتر ہے۔ انتظامیہ موجودہ سال کی باقی مدت کیلئے اپنی ضرورت کو پورا کرنے کیلئے کپاس کی درآمد پر غور کر رہی ہے۔

پاکستان میں ٹیکسٹائل کی صنعت عمومی طور پر متاثر ہے۔ بڑی تعداد میں یونٹ کسی حد تک بند ہو چکے ہیں اور ان کی بحالی کا کوئی امکان نہیں۔ حکومت نے ٹیکسٹائل صنعت کو کچھ کچھ دیئے ہیں جن کی وجہ سے یونٹ بند ہونے کا عمل کسی حد تک رک چکا ہے مگر ان پر عمل درآمد پورے طریقے سے نہیں کیا جاتا۔ برآمدی چھوٹ وقت پر نہیں دی جا رہی جس کی وجہ سے ٹیکسٹائل صنعت کی بڑی رقم پھنس چکی ہے اور اسی طرح میگزینکس میں رقم پھنسی ہوئی ہے جس کی بہت کم امید ہے کہ واپس مل جائیں۔

ششماہی		سہ ماہی		(مبلغ ملین میں)	
31 دسمبر 2018ء	31 دسمبر 2017ء	31 دسمبر 2017ء	31 دسمبر 2018ء	31 دسمبر 2017ء	31 دسمبر 2018ء
2,299,724	2,273,910	1,300,771	1,309,866	فروخت	
(2,220,467)	(2,180,857)	(1,267,354)	(1,234,692)	فروخت کی لاگت	
79,257	93,053	33,417	75,174	خام منافع	
(46,101)	(48,771)	(22,939)	(22,196)	آپریٹنگ خرچہ	
5,910	17,699	3,216	10,465	دیگر آمدنی	
(19,111)	(24,023)	(11,430)	(11,974)	فنانسئل خرچہ	
19,955	37,958	2,264	51,469	ٹیکسیشن سے پہلے (نقصان)	
(38,411)	(35,935)	(25,970)	(23,884)	ٹیکسیشن کے لیے پروڈیون	
(18,456)	2,023	(23,706)	27,585	ٹیکسیشن کے بعد (نقصان)	

### مستقبل کے امکانات:

مجموعی طور پر ٹیکسٹائل صنعت میں کسی خاص بہتری کی توقع نہیں ہے کچھ ٹیکسٹائل یونٹس کے علاوہ باقی یونٹس بقاء کی جدوجہد میں جاری رہیں گے۔ آپ کی کمپنی ایسے ہی مالیاتی نتائج اگلے ششماہی عرصہ میں بھی دے گی۔

### اظہار تشکر:

ہم اس موقع پر اپنے تمام حصص داروں، شراکت داروں کے تعاون اور اپنے ملازمین کے کام کرنے کو سراہتے ہیں۔ ہم بورڈ آف ڈائریکٹر کا ان کی رہنمائی اور ان کے مشوروں کا شکریہ ادا کرتے ہیں۔

محمد انور

محمد انور

ڈائریکٹر

خالد بشیر

خالد بشیر

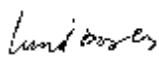
چیف ایگزیکٹو

27 فروری 2019ء

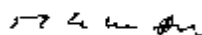
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
As At 31 December 2018

	Un Audited 31 December 2018 Note	Audited 30 June 2018 (Rupees in thousands)
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized share capital 25,000,000 (30 June 2018: 25,000,000) ordinary shares of Rupees 10 each	250,000	250,000
Issued, subscribed and paid up share capital		
8,640,000 (30 June 2018: 8,640,000) ordinary shares of Rupees 10 each	86,400	86,400
Reserves	714,340	718,028
Accumulated loss	(177,660)	(123,360)
<b>Total equity</b>	<b>623,080</b>	<b>681,068</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long term financing	4 20,569	27,103
Deferred income tax liability	34,100	21,163
	54,669	48,266
<b>CURRENT LIABILITIES</b>		
Trade and other payables	721,846	657,409
Accrued mark-up	3,948	3,035
Short term borrowings	391,941	322,772
Current portion of long term financing	13,067	25,567
Unclaimed dividend	5,081	3,838
	1,135,883	1,012,618
<b>Total liabilities</b>	<b>1,190,552</b>	<b>1,060,884</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	5 -	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,813,632</b>	<b>1,741,952</b>

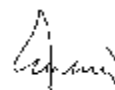
The annexed notes form an integral part of this condensed interim financial information.



Chief Executive



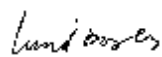
Director



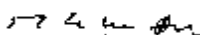
Chief Financial Officer



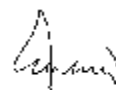
		Un Audited 31 December 2018 Note	Audited 30 June 2018 (Rupees in thousands)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	857,693	890,604
Long term investments		47,179	-
Long term security deposits		1,576	1,576
		906,448	892,180
<b>CURRENT ASSETS</b>			
Stores and spare parts		52,407	65,276
Stock-in-trade		602,596	336,358
Trade debts		81,329	180,720
Advances		5,421	54,772
Short term prepayments		4,196	-
Other receivables		48,062	52,899
Short term investments		-	50,867
Sales tax refundable		55,470	44,870
Taxation - net		52,996	59,250
Cash and bank balances		4,707	4,760
		907,184	849,772
<b>TOTAL ASSETS</b>		<b>1,813,632</b>	<b>1,741,952</b>



Chief Executive



Director



Chief Financial Officer

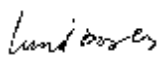
# SHAMS TEXTILE MILLS LIMITED

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (Un-Audited)

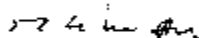
For The Half Year Ended 31 December 2018

	Note	HALF YEAR ENDED		QUARTER ENDED	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		(Rupees in thousand)			
REVENUE		2,299,724	2,273,910	1,300,771	1,309,866
COST OF SALES	7	(2,220,467)	(2,180,857)	(1,267,354)	(1,234,692)
GROSS PROFIT		79,257	93,053	33,417	75,174
DISTRIBUTION COST		(10,056)	(16,706)	(6,062)	(7,026)
ADMINISTRATIVE EXPENSES		(34,995)	(30,417)	(16,758)	(13,856)
OTHER EXPENSES		(1,050)	(1,648)	(119)	(1,314)
		(46,101)	(48,771)	(22,939)	(22,196)
		33,156	44,282	10,478	52,978
OTHER INCOME		5,910	17,699	3,216	10,465
PROFIT FROM OPERATIONS		39,066	61,981	13,694	63,443
FINANCE COST		(19,111)	(24,023)	(11,430)	(11,974)
PROFIT BEFORE TAXATION		19,955	37,958	2,264	51,469
TAXATION		(38,411)	(35,935)	(25,970)	(23,884)
(LOSS) / PROFIT AFTER TAXATION		(18,456)	2,023	(23,706)	27,585
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)		(2.14)	0.23	(2.74)	3.19

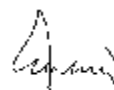
The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)

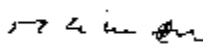
For The Half Year Ended 31 December 2018

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Rupees in thousand)			
(LOSS) / PROFIT AFTER TAXATION	(18,456)	2,023	(23,706)	27,585
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Deficit arising on remeasurement of investments at fair value through other comprehensive income	(3,688)	-	(93)	-
Items that may be reclassified subsequently to profit or loss:				
Reclassification adjustment for gain included in profit or loss	-	(8,394)	-	(8,394)
Deficit arising on remeasurement of available for sale investments to fair value	-	(8,028)	-	(1,957)
	-	(16,422)	-	(10,351)
Other comprehensive loss for the period - net of tax	(3,688)	(16,422)	(93)	(10,351)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(22,144)	(14,399)	(23,799)	17,234

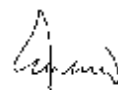
The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-Audited)**  
For The Half Year Ended 31 December 2018

	SHARE CAPITAL	Reserves						Accumulated Loss	TOTAL EQUITY	
		Capital		Revenue		Total reserves				
		Premium on issue of right shares	Fair value reserves	Fair Value reserve FVTOCI Investments	Sub total		General reserve			
										(Rupees in thousands)
Balance as at 30 June 2017 (Audited)	86,400	86,400	43,695	-	130,095	600,000	730,095	(224,544)	591,951	
Profit for the half year ended 31 December 2017	-	-	-	-	-	-	-	2,023	2,023	
Other comprehensive loss for the half year ended 31 December 2017	-	-	(16,422)	-	(16,422)	-	(16,422)	-	(16,422)	
Total comprehensive loss for the half year ended 31 December 2017	-	-	(16,422)	-	(16,422)	-	(16,422)	2,023	(14,399)	
Balance as at 31 December 2017 (Un-audited)	86,400	86,400	27,273	-	113,673	600,000	713,673	(222,521)	577,552	
Profit for the half year ended 30 June 2018	-	-	-	-	-	-	-	99,161	99,161	
Other comprehensive income for the half year ended 30 June 2018	-	-	4,355	-	4,355	-	4,355	-	4,355	
Total comprehensive income for the half year ended 30 June 2018	-	-	4,355	-	4,355	-	4,355	99,161	103,516	
Balance as at 30 June 2018 (Audited)	86,400	86,400	31,628	-	118,028	600,000	718,028	(123,360)	681,068	
Adjustment on adoption of IFRS 9 (Note 3.2.1)	-	-	(31,628)	31,628	-	-	-	(4,470)	(4,470)	
Adjustment on adoption of IFRS 15 (Note 3.2.2)	-	-	-	-	-	-	-	(11,070)	(11,070)	
Adjusted total equity as at 01 July 2018	86,400	86,400	-	31,628	118,028	600,000	718,028	(138,900)	665,528	
Transaction with owner - Dividend for the year ended 30 June 2018 @ Rs 2.35 per share	-	-	-	-	-	-	-	(20,304)	(20,304)	
Loss for the half year ended 31 December 2018	-	-	-	-	-	-	-	(18,456)	(18,456)	
Other comprehensive loss for the half year ended 31 December 2018	-	-	-	(3,688)	(3,688)	-	(3,688)	-	(3,688)	
Total comprehensive loss for the half year ended 31 December 2018	-	-	-	(3,688)	(3,688)	-	(3,688)	(18,456)	(22,144)	
Balance as at 31 December 2018 (Un-audited)	86,400	86,400	-	27,940	114,340	600,000	714,340	(177,660)	623,080	

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

*Chief Executive*  
Chief Executive

*Director*  
Director

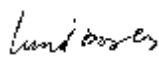
*Chief Financial Officer*  
Chief Financial Officer

# CONDENSED INTERIM STATEMENT OF CASH FLOW (Un-Audited)

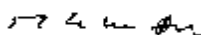
For The Half Year Ended 31 December 2018

		Half Year Ended	
		31 December	31December
		2018	2017
	Note	(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	10,177	210,372
Finance cost paid		(18,195)	(27,882)
Income tax paid		(19,220)	(16,595)
Net cash (used in) / generated from operating activities		(27,238)	165,895
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(7,112)	(15,998)
Proceeds from sale of investments		-	11,548
Dividend received		168	150
Proceeds from sale of property, plant and equipment		3,055	-
Net cash used in investing activities		(3,889)	(4,300)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(19,034)	(36,299)
Short term borrowings - net		69,169	(123,218)
Dividend paid		(19,061)	-
Net cash from / (used in) financing activities		31,074	(159,517)
Net (decrease) / increase in cash and cash equivalents		(53)	2,078
Cash and cash equivalents at the beginning of the period		4,760	4,608
Cash and cash equivalents at the end of the period		4,707	6,686

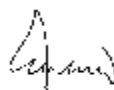
The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive



Director



Chief Financial Officer

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-Audited)

For The Half Year Ended 31 December 2018

### 1. THE COMPANY AND ITS OPERATIONS

Shams Textile Mills Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now the Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. Its registered office is situated at 7-B-III, Aziz Avenue, Gulberg V, Lahore. The Company is engaged in the business of manufacturing, sale and trading of yarn and trading of cloth.

### 2. BASIS OF PREPARATION

2.1 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.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company 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.

### 3. ACCOUNTING POLICIES

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 3.2 to these condensed interim financial statements.

#### 3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

#### 3.2 CHANGES IN ACCOUNTING POLICIES DUE TO APPLICABILITY OF CERTAIN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

##### 3.2.1 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

**SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL INFORMATION (Un-Audited)**  
For The Half Year Ended 31 December 2018

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 measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year 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).

**Investments and other financial assets**

**a) Classification**

From 01 July 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured 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.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

**b) Measurement**

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

**Amortised cost**

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 derecognition is recognised directly in profit or loss and

**SELECTED NOTES TO THE CONDENSED INTERIM  
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presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

**Fair value through other comprehensive income (FVTOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

**Fair value through profit or loss**

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

**Equity instruments**

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

**Fair value through other comprehensive income (FVTOCI)**

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

**Fair value through profit or loss**

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income/ (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

**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 and FVTOCI. 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 lifetime losses to be recognised from initial recognition of the receivables.

**iii. Hedge accounting**

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these condensed interim financial statements as there is no hedge activity carried on by the Company during the period ended 31 December 2018.

**iv. 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:



**SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (Un-Audited)**  
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## Financial assets (01 July 2018)

Financial assets (01 July 2018)	Trade debts categorized as			
	Available for Sales (AFS)	FVTOCI	Loans and receivables	Amortised cost
	Rupees in thousands			
Opening balance (before reclassification)	50,867	-	180,720	-
Adjustment on adoption of IFRS 9:				
- Reclassification of equity investments from available for sale to FVTOCI	(50,867)	50,867	-	-
- Reclassification of trade debts	-	-	(180,720)	180,720
- Recognition of expected life time credit losses on trade debts	-	-	-	(4,470)
Opening balance (after reclassification)	-	50,867	-	176,250

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

## Reserves and equity (01 July 2018)

	Effect on accumulated loss	Effect on fair value reserve of AFS investments	Effect on fair value reserve of FVTOCI investments
Rupees in thousands			
Opening balance (before reclassification)	(123,360)	31,628	-
Adjustment on adoption of IFRS 9 reclassification of fair value reserve of AFS investments to fair value reserve of FVTOCI investments	-	(31,628)	31,628
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts	(4,470)	-	-
Opening balance (after reclassification)	(127,830)	-	31,628

Effect on total equity as a result of adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts is Rupees 4.470 million and there is no effect on total equity as a result of adjustment on adoption of IFRS 9 reclassification of fair value reserve of AFS investments to fair value reserve of FVTOCI investments.

## Equity investments previously classified as available-for-sale

The Company elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, as these investments are not held for trading. As a result, assets with a fair value of Rupees 50.867 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income (FVTOCI) and fair value gains of Rupees 31.628 million were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through other comprehensive income reserve on 01 July 2018.

## Reclassifications of financial instruments on adoption of IFRS 9

As on 01 July 2018, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Carrying amounts		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Rupees in thousand					
Non-current financial assets					
Long term investments	Available for sale	FVTOCI	-	50,867	50,867
Long term security deposits	Loans and receivables	Amortised cost	1,576	1,576	-
Current financial assets					
Trade debts	Loans and receivables	Amortised cost	180,720	176,250	(4,470)
Advances	Loans and receivables	Amortised cost	184	184	-
Other receivables	Loans and receivables	Amortised cost	4,571	4,571	-
Short term investments	Available for sale	FVTOCI	50,867	-	(50,867)
Cash and bank balances	Loans and receivables	Amortised cost	4,760	4,760	-

**SELECTED NOTES TO THE CONDENSED INTERIM  
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For The Half Year Ended 31 December 2018

	Measurement category		Carrying amounts		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	Rupees in thousand		
Non-current financial liabilities					
Long term financing	Amortised cost	Amortised cost	27,103	27,103	-
Current financial liabilities					
Trade and other payable	Amortised cost	Amortised cost	635,480	635,480	-
Accrued mark-up	Amortised cost	Amortised cost	3,032	3,032	-
Short term borrowings	Amortised cost	Amortised cost	322,772	322,772	-
Current portion of long term financing	Amortised cost	Amortised cost	25,567	25,567	-
Unclaimed dividend	Amortised cost	Amortised cost	3,838	3,838	-

**3.2.2 IFRS 15 'Revenue from Contracts with Customers'**

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

**i) Key changes in accounting policies resulting from application of IFRS 15**

The Company recognises revenue as follows:

**Revenue from contracts with customers**

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

**a) Sale of goods**

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Otherwise, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company

**SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (Un-Audited)**  
For The Half Year Ended 31 December 2018

and the Company has an enforceable right to payment for performance completed to date.

b) Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered.

c) Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

d) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

ii) Impacts of adoption of IFRS 15 on these condensed interim financial statements as on 01 July 2018

The following adjustments were made to the amounts recognized in the condensed interim financial statements at 01 July 2018.

Statement of financial position

	30 June 2018 Reported	Adjustment	30 June 2018 Restated
	Rupees in thousands		
Current assets			
Stock in trade	336,358	71,001	407,359
Trade debts	180,720	(82,653)	98,067
Current liabilities			
Trade and other payables	657,409	(583)	656,826
Equity			
Reserves	594,668	(11,070)	583,598

3.2.3 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. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measuring 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.

	Unaudited December 31, 2018	Audited June 30, 2018
	(Rupees in thousands)	

4. LONG TERM FINANCING - SECURED

Opening balance	52,670	120,502
Add: Obtained during the period / year	-	-
Less: Repaid during the period / year	19,034	67,832
	33,636	52,670
Less: Current portion shown under current liabilities	13,067	25,567
	20,569	27,103

**SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (Un-Audited)**  
For The Half Year Ended 31 December 2018

**5. CONTINGENCIES AND COMMITMENTS**

Contingencies

There is no significant change in the status of contingencies as disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

Commitments

Letters of credit for other than capital expenditures amounted to Rupees 5.79 million (30 June 2018: Rupees 103.383 million).

	Un-audited December 31, 2018	Audited June 30, 2018
	(Rupees in thousands)	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets (Note 6.1)	857,693	887,854
Capital work-in-progress (Note 6.2)	-	2,750
	<b>857,693</b>	<b>890,604</b>
<b>6.1 Operating fixed assets</b>		
Opening book value	887,854	879,749
Add: Cost of additions during the period / year (Note 6.1.1)	9,862	86,746
Less: Book value of deletions during the period / year (Note 6.1.2)	1,561	29
Less: Depreciation charged during the period / year	38,462	78,612
Closing book value	<b>857,693</b>	<b>887,854</b>
<b>6.1.1 Cost of additions</b>		
Plant and machinery	2,595	28,858
Vehicles	7,267	7,009
Residential and other buildings on freehold land	-	50,879
	<b>9,862</b>	<b>86,746</b>
<b>6.1.2 Book value of deletions</b>		
Plant and machinery	235	-
Vehicles	1,326	29
	<b>1,561</b>	<b>29</b>
<b>6.2 Capital work-in-progress</b>		
Advance against purchase of vehicles	-	2,750
	<b>-</b>	<b>2,750</b>

	Un-Audited			
	Half year ended 31 December 2018	31 December 2017	Quarter ended 31 December 2018	31 December 2017
	(Rupees in thousand)			

**7 COST OF SALES**

Raw materials consumed	1,891,403	1,376,013	937,555	719,329
Salaries, wages and other benefits	167,057	151,722	71,094	84,889
Stores and spare parts consumed	50,206	47,652	26,213	24,218
Packing materials consumed	38,194	36,637	18,345	19,209
Repair and maintenance	9,300	11,708	5,008	7,205
Fuel and power	284,117	224,276	142,632	118,281
Insurance	3,631	3,376	1,803	1,697
Other factory overheads	2,852	3,278	1,612	2,007
Depreciation	35,051	37,090	17,543	18,597
	<b>2,481,811</b>	<b>1,891,752</b>	<b>1,221,805</b>	<b>995,432</b>

**SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (Un-Audited)**  
For The Half Year Ended 31 December 2018

	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)			
Work-in-process:				
Opening stock	45,449	33,878	42,294	22,883
Closing stock	(51,173)	(34,485)	(51,173)	(34,485)
	(5,724)	(607)	(8,879)	(11,602)
Cost of goods manufactured	2,476,087	1,891,145	1,212,926	983,830
Finished goods:				
Opening stock	176,788	469,235	486,836	430,385
Closing stock	(432,408)	(179,523)	(432,408)	(179,523)
	(255,620)	289,712	54,428	250,862
	2,220,467	2,180,857	1,267,354	1,234,692

	Un-audited Half Year Ended	
	31 December 2018	31 December 2017
	(Rupees in thousand)	

**8. CASH GENERATED FROM OPERATIONS**

Profit before taxation	19,955	37,958
Adjustments for non-cash charges and other items:		
Depreciation	38,462	38,495
Gain on sale of property, plant and equipment	(1,494)	-
Finance cost	19,111	24,023
Gain on sale of investment	-	(9,272)
Reversal of provision for slow moving and obsolete items	-	(5,000)
Dividend income	(168)	(150)
Working capital changes (Note 8.1)	(65,689)	124,318
	10,177	210,372

**8.1 Working capital changes**

(Increase) / decrease in current assets:		
- Stores, spare parts and loose tools	12,869	6,174
- Stock-in-trade	(195,237)	69,756
- Trade debts	12,268	(79,033)
- Advances	49,351	(20,959)
- Short term prepayments	(4,196)	(4,031)
- Other receivables	4,837	(2,045)
- Sales tax refundable	(10,601)	5,049
	(130,709)	(25,089)
Increase in trade and other payables	65,020	149,407
	(65,689)	124,318

**9. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL STATEMENTS**

**(i) Fair value hierarchy**

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

**SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (Un-Audited)**  
For The Half Year Ended 31 December 2018

Recurring fair value measurements At 31 December 2018	Level 1	Level 2	Level 3	Total
Rupees in thousand				

## Financial assets

Investments at fair value through other comprehensive income	47,179	-	-	47,179
Total financial assets	47,179	-	-	47,179

Recurring fair value measurements At 30 June 2018	Level 1	Level 2	Level 3	Total
Rupees in thousand				

## Financial assets

Available for sale financial assets	50,867	-	-	50,867
Total financial assets	50,867	-	-	50,867

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

ii. Valuation techniques used to determine fair values

Specific valuation technique used to value financial instruments was use of quoted market prices.

**10. TRANSACTION WITH RELATED PARTIES**

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

i. Transactions	Un-Audited			
	Half year ended 31 December 2018	31 December 2017	Quarter ended 31 December 2018	31 December 2017
(Rupees in thousand)				
Associated companies				
Sale of goods and services	1,500	1,844	-	1,844
Purchase of goods and services	102	132	50	62
Insurance premium	8,561	8,164	184	841
Rent expense	1,200	1,110	600	600
Dividend paid	6,836	-	6,836	-
Advance against sale of asset	-	100,000	-	100,000
Electricity purchased	1,065	21,976	1,065	10,409

**SELECTED NOTES TO THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (Un-Audited)**  
For The Half Year Ended 31 December 2018

	Un-Audited			
	Half year ended 31 December 2018	31 December 2017	Quarter ended 31 December 2018	31 December 2017
	(Rupees in thousand)			
Other related parties				
Company's contribution to employees' provident fund trust	2,719	2,748	1,346	1,598
Loan obtained from employees' provident fund trust	64,000	-	64,000	-
Loan repaid to employees' provident fund trust	64,000	-	64,000	-
Remuneration of Chief Executive, Director and Executives	15,684	15,814	7,842	7,907

ii. Period end balances	As at 31 December 2018 (Un-audited)		
	Associated Companies	Other related Parties	Total
	(Rupees in thousand)		
Trade and other payables	3,858	86,616	90,474
Trade debts	5,100	-	5,100
Other receivables	325	-	325

	As at 30 June 2018 (Audited)		
	Associated Companies	Other related Parties	Total
	(Rupees in thousand)		
Trade and other payables	332	38,846	39,178
Trade debts	4,052	-	4,052
Short term investments	5,728	-	5,728
Other receivables	2,756	-	2,756

**11. FINANCIAL RISK MANAGEMENT**

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

**12. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was approved by the Board of Directors of the Company and authorized for issue on 27 February 2019.

**13. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", 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.

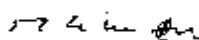
Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

**14. GENERAL**

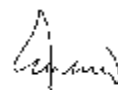
Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



Chief Executive



Director



Chief Financial Officer



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