



Sally Textile Mills Limited



**Interim Financial Report
half year ended
December 31, 2019
(Un-audited)**

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Company Information

Board Of Directors

Mian Iqbal Salahuddin	Chief Executive Officer
Mst. Munira Salahuddin	
Mian Yousaf Salahuddin	
Mian Asad Salahuddin	
Mian Sohail Salahuddin	
Muhammad Khalil Latif	
Syed Abid Raza Zaidi	
Usman Shahid	

Audit Committee

Muhammad Khalil Latif	Chairman
Mian Asad Salahuddin	Member
Mian Sohail Salahuddin	Member
Syed Abid Raza Zaidi	Secretary

Human Resources & Remuneration Committee

Muhammad Khalil Latif	Chairman
Mst. Munira Salahuddin	Member
Mian Sohail Salahuddin	Member

Chief Financial Officer

Mr. Hasan Shahnawaz

Company Secretary

Syed Abid Raza Zaidi

Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Bankers

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

Registered Office

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

Mills

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

Directors' Review

The Directors of **Sally Textile Mills Limited** ("the Company") present the half year report of the Company for the period ended 31st December 2019

Overview - Performance review

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

The financial results in a summarized form are given hereunder:

Description	Six months ended December 31, 2019 <i>Rupees '000'</i>	Six months ended December 31, 2018 <i>Rupees '000'</i>
Turnover-net	-	111,745
Gross (Loss)/Profit	(20,142)	(118,432)
Loss before tax	(138,629)	(139,349)
Loss after tax	(138,629)	(140,746)

Loss per share

Loss per share of your company for ended December 31, 2019 is Rs. (15.80) as compared to Rs. (16.04) for the comparative period ended December 31, 2018.

Acknowledgement

Yours directors record with appreciation the resolve of company's limited staff members who are continuing their efforts to manage this present predicament. Your directors also extend their appreciation to all company's stakeholders for their cooperation.

For and on behalf of the board



MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Date: **February 26, 2020**
Lahore.

ڈائریکٹر ان رپورٹ

معزز ممبران: اسلام و علیکم

آپ کی کمپنی صلی ٹیکسٹائل ملز لمیٹڈ کے ڈائریکٹر ان سال رواں کے چھ ماہی بمطابق 31 دسمبر 2019ء کے نظر ثانی شدہ حسابات پیش کر رہے ہیں۔

پاکستانی ٹیکسٹائل سیکٹر میں بہتری کے امکانات محسوس کیے جا رہے ہیں اندرونی اور بیرونی خرید و فروخت کے بارے میں انکوائریز ابتدائی مراحل میں شروع ہو چکی ہیں۔ تاہم ابھی نتائج ظاہر نہیں ہو پارہے۔

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

کارکردگی:

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

چھ ماہی مالیاتی نتائج درج ذیل ہیں:-

Description	Six months ended December 31, 2019 Rupees '000'	Six months ended December 31, 2018 Rupees '000'
Turnover-net	-	111,745
Gross (Loss)/Profit	(20,142)	(118,432)
Loss before tax	(138,629)	(139,349)
Loss after tax	(138,629)	(140,746)

اظہار تشکر:

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

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

والسلام

منجانب بورڈ



میاں اقبال صلاح الدین

چیف ایگزیکٹو آفیسر

لاہور

26 فروری 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We were engaged to reviewed the accompanying condensed interim statement of financial position of **SALLY TEXTILE MILLS LIMITED** ['the Company'] as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows , condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the “interim financial statements”). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures for the three-month period ended December 31, 2019 of the condensed interim statement of profit or loss, condensed interim statement of comprehensive income have not been reviewed as we were required to review only cumulative figures for the six-month period ended on that date.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information performed by the Independent Auditor of the Entity.” A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. However, because of the matters described in the Disclaimer of Conclusion section of our report, we were unable to conduct significant review procedures that we considered necessary to express a conclusion on these interim financial statements.

Basis for Disclaimer of Conclusion

The Company has not provided us access to its books of account and other information which were necessary for the purpose of our review. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded elements making up the condensed interim statement of financial position, 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.

Disclaimer of Conclusion

Due to the significance of the matters described in the Basis for Disclaimer of Conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying interim financial statements. Accordingly, we do not express a conclusion on these interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is **ZUBAIR IRFAN MALIK**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Lahore: February 26, 2020

Place: LAHORE

Condensed Interim Statement of Financial Position

as at December 31, 2019

	Note	December 31, 2019	June 30, 2019
		<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
20,000,000 (June 30, 2019: 20,000,000) ordinary shares of Rs. 10 each		200,000	200,000
Issued, subscribed and paid-up capital		87,750	87,750
Surplus on revaluation of property, plant and equipment		222,115	222,616
Accumulated losses		(1,190,535)	(1,052,407)
TOTAL EQUITY		(880,670)	(742,041)
LOAN FROM SPONSORS	7	656,613	617,899
NON-CURRENT LIABILITIES			
Long term finances		-	-
Employees retirement benefits		101,907	101,907
Deferred taxation		63,192	63,192
		165,099	165,099
CURRENT LIABILITIES			
Trade and other payables		461,953	459,033
Unclaimed dividend		1,010	1,010
Short term borrowings		722,538	722,659
Accrued interest/markup		261,313	181,558
Current portion of non-current liabilities		310,833	310,833
		1,757,647	1,675,093
TOTAL LIABILITIES		1,922,746	1,840,192
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		1,698,689	1,716,050

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

Lahore
Date : February 26, 2020


MIAN IQBAL SALAHUDDIN
Chief Executive


HASAN SHAHNAWAZ
Chief Financial Officer


MIAN YUSAF SALAHUDDIN
Director

Condensed Interim Statement of Financial Position

as at December 31, 2018

	Note	December 31, 2019	June 30, 2019
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	880,616	899,999
Long term deposits		11,244	11,244
		891,860	911,243
CURRENT ASSETS			
Stores, spares and loose tools		80,623	80,623
Stock in trade		565,440	565,440
Trade debts		95,465	96,583
Advances, deposits, prepayments and other receivables		51,680	47,862
Current taxation		13,202	11,797
Cash and bank balances		419	2,502
		806,829	804,807
TOTAL ASSETS		1,698,689	1,716,050

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



MIAN IQBAL SALAHUDDIN
Chief Executive



HASAN SHAHNAWAZ
Chief Financial Officer



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 26, 2020

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

for the six month period ended December 31, 2019

	Note	Six month ended		Three month ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees '000	Rupees '000	Rupees '000	Rupees '000
Sales - net	10	-	111,745	-	-
Cost of sales	11	(20,142)	(188,432)	(10,038)	(38,246)
Gross loss		(20,142)	(76,687)	(10,038)	(38,247)
Selling and distribution expenses		-	(1,742)	-	(517)
Administrative and general expenses		(9,516)	(20,262)	(5,067)	(11,863)
		(9,516)	(22,004)	(5,067)	(12,380)
Other income		-	9,948	-	7,042
Operating loss		(29,658)	(88,743)	(15,105)	(43,585)
Finance cost		(80,257)	(49,178)	(41,916)	(29,081)
Notional interest		(28,714)	(1,327)	(13,907)	8,614
Other charges		-	(101)	-	74
Loss before taxation		(138,629)	(139,349)	(70,928)	(63,978)
Taxation	12	-	(1,397)	-	(250)
Loss after taxation		(138,629)	(140,746)	(70,928)	(64,228)
Loss per share - basic and diluted		(15.80)	(16.04)	(8.08)	(7.32)

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

Lahore
Date : February 26, 2020


MIAN IQBAL SALAHUDDIN
Chief Executive


HASAN SHAHNAWAZ
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

for the six month period ended December 31, 2019

	Six month ended		Three month ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
<i>Items that will not be reclassified to profit or loss</i>	-	-	-	-
Other comprehensive income before taxation	-	-	-	-
Taxation	-	-	-	-
Other comprehensive income after taxation	-	-	-	-
Loss after taxation	(138,629)	(140,746)	(70,928)	(64,228)
Total comprehensive loss	(138,629)	(140,746)	(70,928)	(64,228)

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

Lahore
Date : February 26, 2020


MIAN IQBAL SALAHUDDIN
Chief Executive


HASAN SHAHNAWAZ
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

Condensed Interim Statement of Cash Flows (Un-audited)

for the six month period ended December 31, 2019

	Six month ended	
	December 31, 2019	December 31, 2018
	Rupees '000	Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(138,629)	(139,349)
Adjustments for non-cash and other items		
Interest/markup on borrowings	80,257	49,064
Notional interest	28,714	1,327
Provision for employees retirement benefits	-	207
Gain on disposal of property, plant and equipment	-	(5,537)
Depreciation	19,383	20,931
	128,354	65,992
Operating loss before changes in working capital	(10,275)	(73,357)
Changes in working capital		
Stores, spares and loose tools	-	49,243
Stock in trade	-	35,007
Trade debts	1,118	(22,320)
Advances, deposits, prepayments and other receivables	(3,818)	(27,912)
Trade and other payables	2,920	(32,080)
	220	1,938
Net cash used in operations	(10,055)	(71,419)
Payments for:		
Employees retirement benefits	-	(3,866)
Interest/markup on borrowings	(502)	1
Income tax	(1,405)	(882)
Net cash used in operating activities	(11,962)	(76,166)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	-	(342)
Proceeds from disposal of property, plant and equipments	-	8,113
Net cash generated from investing activities	-	7,771

	Six month ended	
	December 31, 2019	December 31, 2018
	Rupees '000	Rupees '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease in short term borrowings	(121)	(983)
Loan from sponsors obtained	10,000	69,000
Net cash generated from financing activities	9,879	68,017
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,083)	(378)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,502	2,222
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	419	1,844

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

Lahore
Date : February 26, 2020


MIAN IQBAL SALAHUDDIN
Chief Executive


HASAN SHAHNAWAZ
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

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

for the six month period ended December 31, 2019

	Share capital	Capital reserve	Revenue reserves	
	Issued subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Accumulated (loss)	Total equity
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
Balance as at June 30, 2018 - Audited	87,750	226,965	(740,979)	(426,264)
Comprehensive loss				
Loss after taxation	-	-	(140,746)	(140,746)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(140,746)	(140,746)
Incremental depreciation	-	(3,062)	3,062	-
Transaction with owners	-	-	-	-
Balance as at December 31, 2018 - Un-audited	87,750	223,903	(878,663)	(567,010)
Balance as at January 01, 2019 - Un-audited	87,750	223,903	(878,663)	(567,010)
Comprehensive loss				
Loss after taxation	-	-	(175,031)	(175,031)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(175,031)	(175,031)
Incremental depreciation	-	(1,286)	1,286	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2019 - Audited	87,750	222,617	(1,052,408)	(742,041)
Balance as at July 01, 2019 - Audited	87,750	222,617	(1,052,408)	(742,041)
Comprehensive loss				
Loss after taxation	-	-	(138,629)	(138,629)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(138,629)	(138,629)
Incremental depreciation	-	(502)	502	-
Transaction with owners	-	-	-	-
Balance as at December 31, 2019 - Un-audited	87,750	222,115	(1,190,535)	(880,670)

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

Lahore
Date : February 26, 2020


MIAN IQBAL SALAHUDDIN
Chief Executive


HASAN SHAHNAWAZ
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

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

for the six months period ended December 31, 2019

1 REPORTING ENTITY

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

Pakistan Stock Exchange has placed the Company on defaulter segment during the year with effect from February 07, 2019.

2 BASIS OF PREPARATION

The interim financial statements are un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2019.

This interim financial information has been subjected to limited scope review by the auditors of the company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2019 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account, interim statement of profit or loss and other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the six months period ended December 31, 2018 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2019 and December 31, 2018 are neither audited nor reviewed.

2.1 Statement of compliance

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

- International Accounting Standard 34 - Interim Financial Reporting, issued by International Accounting Standards Board [IASB] as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017

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

2.2 Appropriateness of the going concern assumption

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

As a result, the Company has incurred gross loss of Rs. 20.142 million and loss after taxation of Rs. 138.629 million during the period ended December 31, 2019. As at December 31, 2019, the Company has accumulated losses of Rs. 1190.535 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 950.818 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these interim financial statements have been prepared on going concern basis based on the following:

- (a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.
- (b) The Company has continued financial support of its sponsors in the form of interest free loans. During the period, the sponsors provided financial support amounting to Rs. 10 million in the form of long term interest free loans.

2.2 Basis of measurement

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

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

for the six months period ended December 31, 2019

2.3 Judgments, estimates and assumptions

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

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

2.4 Functional currency

This financial information is prepared in Pak Rupees which is the Company's functional currency.

2.5 Date of authorisation for issue

This interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 26, 2020.

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

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

3.1 IFRS 16 - Leases (2016)

IFRS 16 - Leases (2016) specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company has elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on July 01, 2019. This is disclosed in note 5.

3.2 IFRIC 23 - Uncertainty over Income Tax Treatments

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

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

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

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

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

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

3.4 Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)

IFRS 9 - Financial Instruments have been amended regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

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

for the six months period ended December 31, 2019

3.5 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)

IAS 28 - Investments in Associates and Joint Ventures have been amended to clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

3.6 Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The annual improvements have made amendments to the following standards:

- **IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23 - Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

3.7 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

	Effective date (annual periods beginning on or after)
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures)	January 01, 2020
Other than afore-mentioned standards, interpretations and amendments, IASB has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:	
IFRS 1 - First Time Adoption of International Financial Reporting Standards	
IFRS 14 - Regulatory Deferral Accounts	
IFRS 17 – Insurance contracts (2017)	

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

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

for the six months period ended December 31, 2019

5 CHANGE IN ACCOUNTING POLICY

As indicated in note 3 above, the group has adopted IFRS - 16 Leases retrospectively from July 01, 2019, but has not restated comparatives for the reporting period ended June 30, 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on July 01, 2019. There is no impact, however, on the amounts reported in these interim financial statements.

6 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2019, except of change referred to in note 5.

	<i>Note</i>	December 31, 2019	June 30, 2019
		<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
7 LOAN FROM SPONSORS			
Loan from sponsors	7.1	805,000	795,000
Less: unamortized notional interest		(148,387)	(177,101)
		656,613	617,899

7.1 This loan has been obtained from sponsors of the Company and is unsecured and interest free. The loan is repayable by June 30, 2021. The loan has been carried at amortized cost which has been determined using a discount rate of 9.85%, being the average effective borrowing rate of the Company.

This Loan subordinate to debt finances obtained from National Bank of Pakistan, Silk Bank Limited and Bank of Punjab.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2019.

	December 31, 2019	June 30, 2019
	<i>Rupees '000</i>	<i>Rupees '000</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>

8.2 Commitments

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

	<i>Note</i>	December 31, 2019	June 30, 2019
		<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
9 FIXED ASSETS			
Operating fixed assets	9.1	899,999	899,999
Capital work in progress		-	-
		899,999	899,999

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

for the six months period ended December 31, 2019

	Note	December 31, 2019	June 30, 2019
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
9.1 Operating fixed assets			
Net book value at the beginning of the period/year		899,999	945,929
Additions during the period/year			
Vehicles		-	340
		-	340
Net book value of assets disposed during the period/year		-	(4,914)
Depreciation for the period/year		(19,383)	(41,356)
Net book value at the end of the period/year		880,616	899,999

	Six month ended		Three month ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)

10 SALES - NET

Yarn	-	110,790	-	-
Waste	-	955	-	-
	-	111,745	-	-

	Six month ended		Three month ended	
Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees '000	Rupees '000	Rupees '000	Rupees '000
	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)

11 COST OF SALES

Raw material consumed	-	75,710	-	13,481
Stores, spares and loose tools consumed	-	1,895	-	591
Salaries, wages and benefits	1,059	45,700	533	9,801
Power and fuel	-	10,220	-	2,309
Insurance	-	2,269	-	14
Vehicle running and maintenance	132	305	75	89
Depreciation	18,859	19,864	9,430	10,021
Others	92	1,435	-	970
	20,142	157,398	10,038	37,276

Work in process

As at beginning of the period	-	26,829	-	-
As at end of the period	-	-	-	-
	-	26,829	-	-
	20,142	184,227	10,038	37,276

Finished goods

As at beginning of the period	108,895	113,100	108,895	109,865
As at end of the period	(108,895)	(108,895)	(108,895)	(108,895)
	-	4,205	-	970
	20,142	188,432	10,038	38,246

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

for the six months period ended December 31, 2019

		Six month ended		Three month ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees '000	Rupees '000	Rupees '000	Rupees '000
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
12	PROVISION FOR TAXATION				
	Current taxation	12.1	-	-	(250)
	Deferred taxation	12.2	-	-	-
		-	(1,397)	-	(250)

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

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

13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

		Six months ended	
		December 31, 2019	December 31, 2018
		Rupees '000	Rupees '000
		(Un-Audited)	(Un-Audited)
13.1	Transactions with related parties		
	Nature of relationship	Nature of transaction	
	Key management personnel	Short term employee benefits	- 3,250
	Sponsors	Borrowings obtained	10,000 69,000
		Rent paid	1,320 1,320

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

for the six months period ended December 31, 2019

		December 31, 2019	June 30, 2019
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
13.2	Balances with related parties		
	Nature of relationship	Nature of balances	
	Key management personnel	Short term employee benefits	-
	Sponsors	Long term loan	795,000
		Short term borrowings	121
14	FINANCIAL INSTRUMENTS		
The carrying amounts of the Company's financial instruments by class and category are as follows:			
		December 31, 2019	June 30, 2019
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
14.1	Financial assets		
	Cash in hand	20	29
	Financial assets at amortized cost		
	Long term deposits	11,244	11,244
	Trade debts	95,465	96,583
	Advance to employees	9,864	12,837
	Security deposits	-	1,613
	Insurance claims receivable	1,922	1,922
	Bank balances	399	2,502
		118,894	126,701
		118,914	126,730
		December 31, 2019	June 30, 2019
		Rupees '000	Rupees '000
		(Un-Audited)	(Audited)
14.2	Financial liabilities		
	Financial liabilities at amortized cost		
	Loan from sponsors	684,952	617,899
	Long term finances	310,833	310,833
	Short term borrowings	722,538	722,538
	Accrued interest/markup	261,313	181,558
	Trade creditors	142,412	138,945
	Accrued liabilities	181,933	185,223
	Unclaimed dividend	1,010	1,010
		2,304,990	2,158,005

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

for the six months period ended December 31, 2019

15 FAIR VALUE MEASUREMENTS

15.1 Financial Instruments

15.1.1 Financial instruments measured at fair value

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

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

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

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

15.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

15.2 Assets and liabilities other than financial instruments.

15.2.1 Recurring fair value measurements

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

	Level 1	Level 2	Level 3	December 31, 2019	June 30, 2019
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
				(Un-Audited)	(Audited)
Freehold land	-	142,835	-	142,835	142,835
Buildings on freehold land	-	182,217	-	182,217	186,889
Plant and machinery	-	509,588	-	509,588	522,654
Electric installation	-	35,252	-	35,252	36,155
Laboratory equipment	-	3,219	-	3,219	3,389
Fire fighting equipment	-	646	-	646	680

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

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties.	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 7.142 million (June 30, 2019: Rs. 7.142 million).

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

for the six months period ended December 31, 2019

	Valuation technique	Significant inputs	Sensitivity
Buildings on freehold land	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would results in a significant increase in fair value of buildings by Rs. 9.111 million (June 30, 2019: Rs. 9.344 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of plant and machinery by Rs. 25.479 million (June 30, 2019: Rs. 26.133 million).
Electric installation	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of electric installation by Rs.1.763 million (June 30, 2019: Rs. 1.808 million).
Laboratory equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of laboratory equipment by Rs. 160,965 (June 30, 2019: Rs. 169,437).

Notes to the Condensed Interim Financial Statements (Un-audited) for the six months period ended December 31, 2019

	Valuation technique	Significant inputs	Sensitivity
Fire fighting equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of fire fighting equipment by Rs. 32,319 (June 30, 2019: Rs. 34,020).

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

15.2.2 Non-recurring fair value measurements

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

16 EVENTS AFTER THE REPORTING PERIOD

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

17 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

18 GENERAL

18.1 There are no other significant activities since June 30, 2019 affecting the interim financial information.

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

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

Lahore
Date : February 26, 2020


MIAN IQBAL SALAHUDDIN
Chief Executive


HASAN SHAHNAWAZ
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

Notes

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Notes

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BOOK POST

UNDER POSTAL CERTIFICATE

REGISTERED OFFICE :

4 - F, Gulberg II, Lahore.

Phones : 042 - 35754371, 35754372, 35754373

Fax : 042 - 35754394

E-mail: sallytex@hotmail.com