# *HALF YEARLY REPORT*

# ISHAQ TEXTILE MILLS LIMITED

**DECEMBER 31, 2018**
**(UN-AUDITED)**

# COMPANY INFORMATION

| | | |
|---|---|---|
| **Board of Directors** | Mrs. Nazma Amer | Chairperson |
| | Mr. Aizad Amer | Chief Executive Officer |
| | Mrs. Zareen Akhtar | Director |
| | Mr. Anns Amer | Director |
| | Ms. Yusra Amer | Director |
| | Mr. Abdul Rauf | Director |
| | Syed Khalid Ali | Director |
| **Audit Committee** | Mr. Abdul Rauf | Chairman |
| | Ms. Yusra Amer | Member |
| | Syed Khalid Ali | Member |
| **HR and Remuneration Committee** | Syed Khalid Ali | Chairman |
| | Mr. Abdul Rauf | Member |
| | Mr. Anns Amer | Member |

**Chief Financial Officer**
Mr. Muhammad Saqib Ehsan

**Company Secretary**
Mr. Tahir Shahzad

**Auditors**
Riaz Ahmad and Company
Chartered Accountants
560-F, Raja Road, Gulistan Colony,
Faisalabad

**Bankers**
Bank Al Habib Limited
Habib Metropolitan Bank Limited
Al-Baraka Bank (Pakistan) Limited
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
National Bank of Pakistan

**Share Registrar**
Corplink (Private) Limited
Wings Arcade, 1-K, Commercial, Model Town, Lahore

**Registered Office& Mills**
35 Kilometer, Sheikhupura Road,
Tehsil Jaranwala, Faisalabad

# DIRECTORS' REVIEW TO THE SHAREHOLDERS

The Directors of the Company are pleased to present their un-audited condensed interim financial information of the Company for the half year ended December 31, 2018. The comparative financial results of the company are reproduced hereunder:

| | Half year ended | |
|---|---|---|
| | 31 December 2018 | 31 December 2017 |
| **CONTINUING OPERATIONS:** | | |
| REVENUE | 937,142 | 700,655 |
| COST OF SALES | (902,950) | (684,625) |
| GROSS PROFIT | 34,192 | 16,030 |
| DISTRIBUTION COST | (957) | (1,463) |
| ADMINISTRATIVE EXPENSES | (19,885) | (16,794) |
| OTHER EXPENSES | (213) | (1,689) |
| OTHER INCOME | 6,994 | 6,338 |
| FINANCE COST | (16,092) | (14,758) |
| PROFIT / (LOSS) BEFORE TAXATION | 4,039 | (12,336) |
| TAXATION | (25,351) | (6,943) |
| LOSS AFTER TAXATION | (21,312) | (19,279) |
| LOSS PER SHARE - BASIC AND DILUTED (RUPEES) | (2.21) | (2.00) |

## REVIEW OF OPERATING RESULTS

During the period under review revenue was Rupees 937.142 million as compared to Rupees 700.655 million of corresponding period. Cost of sales was Rupees 902.950 million as compared to Rupees 684.625 million of corresponding period. The company earned gross profit of Rupees 34.192 million as compared to Rupees 16.030 million of the corresponding period. However the Company incurred loss after taxation of Rupees 21.312 million as compared to loss after taxation of Rupees 19.279 million of the corresponding period.

## FUTURE OUTLOOK

Pakistan Textile industry has been under pressure to compete internationally due to high cost of doing business. The Government support in the form of availability of energy at reduced prices, and release of funds against tax refunds is imperative for industry to compete internationally. Moreover the management of your Company is enhancing its production capacity and every possible effort is being made to curtail and keep its expenses to a minimum level to earn a maximum profitability so that the shareholders can get returns on their investments.

## ACKNOWLEDGEMENT

The Board places on record its appreciation for the cooperation, commitment, and hard work extended to the Company by the customers, suppliers, bankers, and all the employees of the Company.

On behalf of the Board

FAISALABAD
Dated: February 27, 2019

(Amis Amer)
Director

# حصص یافتگان کے لئے ڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز انتہائی مسرت کے ساتھ اپنی کمپنی کی غیر آڈٹ شدہ 31 دسمبر 2018 کو ختم ہونے والی ششماہی تک کی مالیاتی کارکردگی پیش کر رہے ہیں۔

## مالیاتی نتائج:

| | 31 دسمبر 2018 | 31 دسمبر 2017 |
|---|---|---|
| | (رقم ہزاروں میں) | ( رقم ہزاروں میں) |
| آمدن | 937,142 | 700,655 |
| فروخت کی لاگت | (902,950) | (684,625) |
| مجموعی نفع | 34,192 | 16,030 |
| تقسیم کی لاگت | (957) | (1,463) |
| انتظامیہ اخراجات | (19,885) | (16,794) |
| دیگر اخراجات | (213) | (1,689) |
| دیگر آمدن | 6,994 | 6,338 |
| مالیاتی لاگت | (16,092) | (14,758) |
| ٹیکس سے پہلے نفع/(نقصان) | 4,039 | (12,336) |
| ٹیکس | (25,351) | (6,943) |
| ٹیکس کے بعد نقصان | (21,312) | (19,279) |
| نقصان فی حصہ | (2.21) | (2.00) |

## کاروائی کے نتیجہ کا جائزہ:

دورانِ جائزہ ششماہی آمدن مبلغ 937.142 ملین میں ہوئی۔ جبکہ اس کے مقابل پچھلے سال کی ششماہی آمدن مبلغ 700.655 ملین تھی فروخت کی لاگت مبلغ 902.950 ملین ہے۔ جبکہ اس کے مقابل پچھلے سال کی ششماہی میں فروخت کی لاگت مبلغ 684.625 ملین تھی۔ کمپنی کو اس مالی سال کی پہلی ششماہی میں 34.192 ملین کا نفع ہوا۔ جبکہ اس کے مقابل پچھلے سال کی ششماہی میں مبلغ 16.030 ملین کا نفع ہوا تھا۔ تاہم کمپنی کو اس ششماہی میں ٹیکس کے بعد مبلغ 21.312 ملین کا نقصان جب کہ اس کے مقابل پچھلے سال کی ششماہی میں مبلغ 19.279 ملین کا نقصان ہوا تھا۔

## مستقبل کا خاکہ:

پاکستان کی ٹیکسٹائل انڈسٹری مقابلۃً بہت زیادہ دباؤ میں ہے۔ کیونکہ کاروبار کو چلانے کے لیے اس کی لاگت بہت زیادہ آ رہی ہے۔ بین الاقوامی مقابلے کے لیے بہت ضروری ہے کہ گورنمنٹ کم قیمت پر توانائی کی فراہمی میں مدد کرے اور ٹیکس ریفنڈز میں پھنسی ہوئی رقم واپس کرے۔ مزید برآں، آپ کی کمپنی کی انتظامیہ اپنی پروڈکشن بڑھانے کی صلاحیت میں اضافہ کر رہی ہے اور اخراجات کم کر کے منافع بڑھانے کی ہر ممکن کوشش کر رہی ہے تا کہ حصص داران اپنی سرمایہ کاری کا منافع حاصل کر سکیں۔

## اعتراف:

بورڈ اپنے گاہکوں، سپلائرز، بنکرز، اور ملازموں کے تعاون، عزم اور محنت کی تعریف کرتا ہے اور اسے اپنے ریکارڈ میں لاتا ہے۔

منجانب بورڈ آف ڈائریکٹرز

انس عامر

ڈائریکٹر

فیصل آباد

مورخہ 27 فروری 2019

# INDEPENDENT AUDITOR'S REVIEW REPORT

## To the members of Ishaq Textile Mills Limited

## Report on review of Condensed Interim Financial Statements

### Introduction

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

### Scope of Review

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

### Conclusion

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

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

**RIAZ AHMAD & COMPANY**
**Chartered Accountants**

Riaz Ahmad & Co.

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

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

| | NOTE | Un-Audited 31 December 2018 | Audited 30 June 2018 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| **Authorized share capital** | | | |
| 10 000 000 (30 June 2018: 10 000 000) ordinary shares of Rupees 10 each | | 100,000 | 100,000 |
| **Issued, subscribed and paid up share capital** | | 96,600 | 96,600 |
| **Directors' loans** | | 360,000 | 360,000 |
| **Capital reserves** | | | |
| Premium on issue of shares reserve | | 17,250 | 17,250 |
| Equity portion of shareholders' loans | | 44,778 | 44,778 |
| Surplus on revaluation of property, plant and equipment and investment properties - net of deferred income tax | | 282,728 | 282,631 |
| **Accumulated loss** | | (73,543) | (53,970) |
| **Total equity** | | 727,813 | 747,289 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred income tax liability | | 55,155 | 43,470 |
| Staff retirement gratuity | | 14,941 | 12,144 |
| Long term security deposit | | 4,000 | 4,000 |
| | | 74,096 | 59,614 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 225,785 | 159,243 |
| Unclaimed dividend | | 746 | 746 |
| Accrued mark-up | | 9,142 | 8,221 |
| Short term borrowings | | 529,143 | 388,244 |
| Provision for taxation | | 10,754 | 17,364 |
| | | 775,570 | 573,818 |
| **TOTAL LIABILITIES** | | 849,666 | 633,432 |
| **CONTINGENCIES AND COMMITMENTS** | 3 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 1,577,479 | 1,380,721 |

| | NOTE | Un-Audited 31 December 2018 | Audited 30 June 2018 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 4 | 811,015 | 821,059 |
| Investment properties | | 120,381 | 120,381 |
| Long term deposits and prepayments | | 3,899 | 3,813 |
| | | 935,295 | 945,253 |
| **CURRENT ASSETS** | | | |
| Stores, spare parts and loose tools | | 46,728 | 42,546 |
| Stock in trade | | 386,341 | 189,654 |
| Trade debts | | 64,987 | 68,642 |
| Loans and advances | | 67,848 | 81,767 |
| Short term deposits and prepayments | | 3,626 | 1,539 |
| Other receivables | | 47,434 | 40,495 |
| Short term investment | | 5,500 | - |
| Current portion of long term investment | | - | 6,061 |
| Cash and bank balances | | 19,720 | 4,764 |
| | | 642,184 | 435,468 |
| **TOTAL ASSETS** | | 1,577,479 | 1,380,721 |

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

Nazima Amer

**NAZIMA AMER**
**Director**

**ANNS AMER**
**Director**

**Muhammad Saqib Ehsan**
**Chief Financial Officer**

## 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 | | 937,142 | 700,655 | 403,131 | 378,562 |
| COST OF SALES | 5 | (902,950) | (684,625) | 402,897 | (367,779) |
| GROSS PROFIT | | 34,192 | 16,030 | 234 | 10,783 |
| DISTRIBUTION COST | | (957) | (1,463) | (654) | (1,031) |
| ADMINISTRATIVE EXPENSES | | (19,885) | (16,794) | (8,780) | (7,708) |
| OTHER EXPENSES | | (213) | (1,689) | (213) | (1,689) |
| OTHER INCOME | | 6,994 | 6,338 | 3,583 | 3,304 |
| FINANCE COST | | (16,092) | (14,758) | (10,370) | (9,004) |
| PROFIT / (LOSS) BEFORE TAXATION | | 4,039 | (12,336) | (16,200) | (5,345) |
| TAXATION | | (25,351) | (6,943) | (5,860) | 4,196 |
| LOSS AFTER TAXATION | | (21,312) | (19,279) | (22,060) | (1,149) |
| LOSS PER SHARE - BASIC AND DILUTED (RUPEES) | | (2.21) | (2.00) | (2.28) | (0.12) |

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

Nazima Amer

| | | |
|---|---|---|
| NAZIMA AMER | ANNS AMER | Muhammad Saqib Ehsan |
| Director | 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 AFTER TAXATION | (21,312) | (19,279) | (22,060) | (1,149) |
| OTHER COMPREHENSIVE INCOME | | | | |
| **Items that will not be reclassified subsequently to profit or loss** | - | - | - | - |
| **Items that may be reclassified subsequently to profit or loss** | - | - | - | - |
| Other comprehensive income for the period | - | - | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | (21,312) | (19,279) | (22,060) | (1,149) |

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

Nazima Amer

NAZIMA AMER
Director

ANNS AMER
Director

Muhammad Saqib Ehsan
Chief Financial Officer

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

| | SHARE CAPITAL | DIRECTORS' LOANS | RESERVES – CAPITAL RESERVES: Premium on issue of shares | RESERVES – CAPITAL RESERVES: Equity portion of shareholders' loan | RESERVES – CAPITAL RESERVES: Surplus on revaluation of property, plant and equipment and investment properties - net of deferred income tax | RESERVES – CAPITAL RESERVES: Sub total | RESERVES: ACCUMULATED LOSS | RESERVES: TOTAL | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|
| | ----- | ----- | ----- | ----- | (RUPEES IN THOUSAND) | ----- | ----- | ----- | ----- |
| Balance as at 30 June 2017 - (Audited) | 96,600 | 360,000 | 17,250 | 44,778 | 287,053 | 349,081 | (53,322) | 295,759 | 752,359 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | - | - | - | - | (2,980) | (2,980) | 2,980 | - | - |
| Surplus transferred to accumulated loss on account of disposal of property, plant and equipment - net of deferred income tax | - | - | - | - | (18) | (18) | 18 | - | - |
| Loss for the half year ended 31 December 2017 | - | - | - | - | - | - | (19,279) | (19,279) | (19,279) |
| Other comprehensive income for the half year ended 31 December 2017 | - | - | - | - | - | - | - | - | - |
| Total comprehensive loss for the half year ended 31 December 2017 | - | - | - | - | - | - | (19,279) | (19,279) | (19,279) |
| Balance as at 31 December 2017 - (Un-audited) | 96,600 | 360,000 | 17,250 | 44,778 | 284,055 | 346,083 | (69,603) # | 276,480 | 733,080 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | - | - | - | - | (3,018) | (3,018) | 3,018 | - | - |
| Impact of change in deferred income tax rate | - | - | - | - | 1,594 | 1,594 | - | 1,594 | 1,594 |
| Profit for the half year ended 30 June 2018 | - | - | - | - | - | - | 11,676 | 11,676 | 11,676 |
| Other comprehensive income for the half year ended 30 June 2018 | - | - | - | - | - | - | 939 | 939 | 939 |
| Total comprehensive profit for the half year ended 30 June 2018 | - | - | - | - | - | - | 12,615 | 12,615 | 12,615 |
| Balance as at 30 June 2018 - (Audited) | 96,600 | 360,000 | 17,250 | 44,778 | 282,631 | 344,659 | (53,970) | 290,689 | 747,289 |
| Adjustment on adoption of IFRS 9 (Note 2.3.1) | - | - | - | - | - | - | (1,130) | (1,130) | (1,130) |
| Adjusted total equity as at 01 July 2018 | 96,600 | 360,000 | 17,250 | 44,778 | 282,631 | 344,659 | (55,100) | 289,559 | 746,159 |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred income tax | - | - | - | - | (2,869) | (2,869) | 2,869 | - | - |
| Impact of change in deferred income tax rate | - | - | - | - | 2,966 | 2,966 | - | 2,966 | 2,966 |
| Loss for the half year ended 31 December 2018 | - | - | - | - | - | - | (21,312) | (21,312) | (21,312) |
| Other comprehensive income for the half year ended 31 December 2018 | - | - | - | - | - | - | - | - | - |
| Total comprehensive loss for the half year ended 31 December 2018 | - | - | - | - | - | - | (21,312) | (21,312) | (21,312) |
| Balance as at 31 December 2018 - (Un-audited) | 96,600 | 360,000 | 17,250 | 44,778 | 282,728 | 344,756 | (73,543) | 271,213 | 727,813 |

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

| | | |
|---|---|---|
| Nazima Amer | | |
| **NAZIMA AMER** | **ANNS AMER** | **Muhammad Saqib Ehsan** |
| **Director** | **Director** | **Chief Financial Officer** |

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

| | NOTE | Half year ended 31 December 2018 | Half year ended 31 December 2017 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Cash used in operations** | 6 | (89,177) | (175,166) |
| Finance cost paid | | (15,171) | (11,460) |
| Income tax paid | | (9,631) | (5,827) |
| Staff retirement gratuity paid | | (2,080) | (2,048) |
| Net (increase) / decrease in long term deposits and prepayments | | (86) | 36 |
| **Net cash used in operating activities** | | (116,145) | (194,465) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of property, plant and equipment | | 65 | 1,451 |
| Capital expenditure on property, plant and equipment | | (9,984) | (19,977) |
| Profit on long term investments received | | 121 | 114 |
| **Net cash used in investing activities** | | (9,798) | (18,412) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Short term borrowings - net | | 140,899 | 207,104 |
| **Net cash from financing activities** | | 140,899 | 207,104 |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | 14,956 | (5,773) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | | 4,764 | 15,729 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | | 19,720 | 9,956 |

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore these condensed interim financial statements have been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

Nazima Amer

**NAZIMA AMER**
**Director**

**ANNS AMER**
**Director**

**Muhammad Saqib Ehsan**
**Chief Financial Officer**

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

## 1. THE COMPANY AND ITS OPERATIONS

Ishaq Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Its registered office and mills premises are situated at 35 Kilometers Sheikhupura Road, Faisalabad. The principal activity of the Company is manufacturing, sale and trading of yarn and cloth.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

### a) Statement of compliance

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.

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

### c) Accounting policies and computation methods

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

### 2.2 Accounting estimates and judgments

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.

### 2.3 Changes in accounting policies due to applicability of certain International Financial Reporting Standards (IFRSs)

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

### 2.3.1 IFRS 9 "Financial Instruments"

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

The Company has adopted IFRS 9 by generally without restating/reclassifying the prior year results.

**Key changes in accounting policy 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, FVTPL and Fair Value Through Other Comprehensive Income (FVTOCI).

Classification

From 01 July 2018, in compliance with the requirements of this IFRS in these condensed interim financial statements, the categories of financial assets that is i.e. "held-to-maturity" and "loans and receivables" have been changed to "at amortised cost". The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

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

**ii) Impairment**

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

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

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

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

**Financial assets – (01 July 2018)**

| | Held-to-maturity | Loans and receivables | Amortised cost |
|---|---|---|---|
| | --(RUPEES IN THOUSAND)-- | | |
| Opening balance | 6,061 | 81,310 | - |
| Adjustments due to adoption of IFRS 9: | | | |
| Adjustment on adoption of IFRS 9 by reclassifying financial instruments designated as 'Loans and Receivables' and 'Held-to-Maturity' to 'Amortised Cost' | (6,061) | (81,310) | 87,371 |
| Recognition of expected life time credit losses on trade debts | | | (1,130) |
| | - | - | 86,241 |

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

| | Effect on accumulated loss | Effect on total equity |
|---|---|---|
| | (RUPEES IN THOUSAND) | |
| Opening balance | (53,970) | 747,289 |
| Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts | (1,130) | (1,130) |
| | (55,100) | 746,159 |

### 2.3.2 IFRS 15 'Revenue from Contracts with Customers'

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

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

### 2.3.3 Trade and other receivables

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

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

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

## 3. CONTINGENCIES AND COMMITMENTS

### a) Contingencies

i) The Company is contingently liable for Rupees 3.000 million (30 June 2018: Rupees 3.000 million) to Director Excise and Taxation on account of import duty.

ii) Guarantees of Rupees 32.273 million (30 June 2018: Rupees 26.888 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Faisalabad Electric Supply Company Limited (FESCO) against electricity connection.

iii) An appeal has been filed by the Company before Commissioner Inland Revenue (Appeals), dated 07 June 2017 against the demand of Rupees 22.378 million (30 June 2018: Rupees 22.378 million) by the tax department regarding disallowance of minimum tax adjustment for the tax year 2011. The related provision is not made in these condensed interim financial statements in view of favorable outcome of the appeal.

iv) The Company has filed appeals in Lahore High Court, Lahore dated 29 August 2016 and 10 August 2017 against the charge of Gas Infrastructure Development Cess (GIDC) and Re-Gasified Liquefied Natural Gas (RLNG) respectively, charged by SNGPL. The related provision of Rupees 27.085 million (30 June 2018: Rupees 21.249 million) and Rupees 10.336 million (30 June 2018: Rupees 8.478) is not accounted for in these condensed interim financial statements in view of favorable outcome of the appeals.

v) An appeal has been filed by the Company before Commissioner Inland Revenue (Appeals), dated 11 June 2018, against the order of Additional Commissioner Inland Revenue for demand of Rupees 6.794 million (30 June 2018: Rupees 14.663 million) by the tax department regarding disallowance of withholding taxes as adopted in income tax return for the tax year 2016. During the year, demand of Rupees 7.869 million was verified form Integrated Tax Management system (ITMS) and tax credit was allowed. However, no provision has been made in these condensed interim financial statements in view of favorable outcome of the appeal.

vi) The Company has filed an appeal before Commissioner Inland Revenue (Appeals) against the order of Additional Commissioner Inland Revenue for demand of Rupees 114.118 million (30 June 2018: Rupees 14.118 million) by the tax department by nullifying the proration of the income between FTR and NTR as adopted by the Company for the tax year 2014. The related provision is not made in these condensed interim financial statements in view of favorable outcome of the appeal.

vii) An appeal has been filed by the Company before Commissioner of Inland Revenue (Appeals), dated 27 October 2018, against the order of Assistant Commissioner Inland Revenue (Withholding Zone) dated 28 September 2018, for demand of Rupees 8.966 million regarding recovery of withholding taxes not deducted along with default surcharge for the tax year 2017. No provision against the aforesaid has been made in these condensed interim financial statements as the management is in the view of favourable outcome.

**b) Commitments**

i) There was no letter of credit for capital expenditure as at 31 December 2018 (30 June 2018: Rupees Nil).

ii) Letters of credit other than for capital expenditure are of Rupees 27.890 million (30 June 2018: Rupees 28.167 million)

| | | Un-audited 31 December 2018 | Audited 30 June 2018 |
|---|---|---|---|
| | | (RUPEES IN THOUSAND) | |
| **4.** | **PROPERTY, PLANT AND EQUIPMENT** | | |
| | Operating fixed assets (Note 4.1) | 811,015 | 818,372 |
| | Capital work-in-progress | - | 2,687 |
| | | 811,015 | 821,059 |
| **4.1** | **Operating fixed assets** | | |
| | Opening book value | 818,372 | 836,982 |
| | Add: Cost of additions during the period / year (Note 4.1.1) | 12,671 | 35,282 |
| | | 831,043 | 872,264 |
| | Less: | | |
| | Book value of assets transferred to investment properties | - | 11,561 |
| | Book value of deletions during the period / year (Note 4.1.2) | 65 | 1,615 |
| | | 65 | 13,176 |
| | | 830,978 | 859,088 |
| | Less: Depreciation charged during the period / year | 19,963 | 40,716 |
| | | 811,015 | 818,372 |
| **4.1.1** | **Cost of additions during the period / year** | | |
| | Buildings on freehold land - mills | - | 5,202 |
| | Plant and machinery | 9,475 | 26,170 |
| | Electric installations / appliances | 122 | 423 |
| | Laboratory equipment | - | 100 |
| | Furniture, fixtures | 110 | - |
| | Computers | - | 101 |
| | Vehicles | 2,964 | 3,286 |
| | | 12,671 | 35,282 |
| **4.1.2** | **Book value of deletions during the period / year** | | |
| | Plant and machinery | - | 879 |
| | Vehicles | 65 | 736 |
| | | 65 | 1,615 |

| | (Un-audited) | | | |
|---|---|---|---|---|
| | Half year ended | | Quarter ended | |
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
| | (RUPEES IN THOUSAND) | | | |
| **5. COST OF SALES** | | | | |
| Raw materials consumed | 627,332 | 431,967 | 257,496 | 227,119 |
| Cost of raw material sold | 10,658 | - | 3,726 | - |
| Loading and unloading charges | 1,800 | 1,361 | 915 | 764 |
| Salaries, wages and other benefits | 85,571 | 62,728 | 42,040 | 34,368 |
| Stores, spare parts and loose tools consumed | 20,084 | 18,886 | 11,028 | 9,768 |
| Packing materials consumed | 13,687 | 13,695 | 5,223 | 7,651 |
| Repair and maintenance | 906 | 556 | 745 | 179 |
| Fuel and power | 131,299 | 97,846 | 72,889 | 53,586 |
| Insurance | 1,222 | 1,499 | 879 | 750 |
| Other factory overheads | 454 | 1,019 | 356 | 489 |
| Depreciation | 18,031 | 18,180 | 9,032 | 9,010 |
| | 911,044 | 647,737 | 404,329 | 343,684 |
| Work-in-process | | | | |
| Opening stock | 14,542 | 2,906 | 18,610 | 10,430 |
| Closing stock | (16,269) | (10,654) | (16,269) | (10,654) |
| | (1,727) | (7,748) | 2,341 | (224) |
| Cost of goods manufactured | 909,317 | 639,989 | 406,670 | 343,460 |
| Finished goods | | | | |
| Opening stock | 17,435 | 39,224 | 20,029 | 35,343 |
| Closing stock | (23,802) | (12,424) | (23,802) | (12,424) |
| | (6,367) | 26,800 | (3,773) | 22,919 |
| Cost of sales - purchased for resale | - | 17,836 | - | 1,400 |
| | 902,950 | 684,625 | 402,897 | 367,779 |

| | Un-audited | |
|---|---|---|
| | Half year ended | |
| | 31 December 2018 | 31 December 2017 |
| | (RUPEES IN THOUSAND) | |
| **6. CASH USED IN OPERATIONS** | | |
| Profit / (loss) before taxation | 4,039 | (12,336) |
| **Adjustments for non-cash charges and other items:** | | |
| Depreciation | 19,963 | 20,106 |
| Loss on sale of property, plant and equipment | - | 120 |
| Provision for staff retirement gratuity | 4,877 | 4,144 |
| Interest / profit on long term investments | (220) | (266) |
| Finance cost | 16,092 | 14,758 |
| Net exchange loss | - | 1,569 |
| Working capital changes (Note 6.1) | (133,928) | (203,261) |
| | (89,177) | (175,166) |
| **6.1 Working capital changes** | | |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | (4,182) | (5,184) |
| Stock in trade | (196,687) | (228,624) |
| Trade debts | 2,525 | 7,305 |
| Loans and advances | 6,240 | (15,101) |
| Short term deposits and prepayments | (2,087) | (1,630) |
| Other receivables | (6,279) | (1,325) |
| | (200,470) | (244,559) |
| Increase in trade and other payables | 66,542 | 41,298 |
| | (133,928) | (203,261) |

| | (Un-audited) | | | |
|---|---|---|---|---|
| | Half year ended | | Quarter ended | |
| | 31 December 2018 | 31 December 2017 | 31 December 2018 | 31 December 2017 |
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| | Un-audited | |
|---|---|---|
| | Half year ended | |
| | 31 December 2018 | 31 December 2017 |
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