



Interim Financial Report
half Year ended
December 31, 2017
(Un-audited)

Sally Textile Mills Limited

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Company Information

Board Of Directors

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

Audit Committee

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

Human Resources & Remuneration Committee

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

Chief Financial Officer

Mr. Hasan Shahnawaz

Company Secretary

Syed Abid Raza Zaidi

Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Bankers

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

Registered Office

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

Mills

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

Directors' Review

The Directors of Sally Textile Mills Limited ("the Company") present the Half Yearly report of the Company for the period ended 31st December 2017.

Overview

Pakistani Textile Sector has started to witness some activity. During the period under review, textile market has witnessed export and local sales inquiries. This however, has not started to translate into concrete sales. Depreciating Rupee against the Dollar will provide some relief to this sector – conversely political uncertainty is dampening overall business outlook for the medium term.

Performance review

Your company posted after tax loss of Rs. (59.680) million. The Company sales turnover of Rs. 1,105.358 million as compared to Rs. 526.764 million for the same period last year which shows an increase of Rs. 578.59 million. Owing to the lack of timely and favorable government policies to rescue this sector, the Company posted gross Profit of Rs. 39.742 million as compared to Rs. 43.660 million during the corresponding period last year. The Directors of the company are committed to the business and in line with their commitment they have injected over Rs. 2,600 Million as additional sponsors loan to the company. The Directors are firm in their resolve to continue running the mill operations as evident from the injection of funds into this business.

The financial results in a summarized form are given hereunder:

Description	Six months ended December 31, 2017 Rupees '000'	Six months ended December 31, 2016 Rupees '000'
Turnover-net	1,105,358	526,764
Gross (Loss)/Profit	39,742	43,660
Loss before tax	(45,863)	(12,670)
Loss after tax	(59,680)	(17,938)

Acknowledgement

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

For and on behalf of the board



MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Date: **February 26, 2018**
Lahore.

ڈائریکٹران رپورٹ

معزز ممبران: اسلام و علیکم

آپ کی کمپنی صلی ٹیکسٹائل ملز لمیٹڈ کے ڈائریکٹران سال رواں کے چھ ماہی بمطابق 31 دسمبر 2017ء 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 اکتواؤریز 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:

کمپنی اور ملک کے مجموعی حالات کو مد نظر رکھتے ہوئے ڈائریکٹران نے کمپنی کی بہتری کی خاطر ایک خطیر رقم مالیت 2,600 ملین کمپنی کو ادا کیے تاکہ کاروبار کو استحکام دیا جاسکے۔

چھ ماہی مالیاتی نتائج درج ذیل ہیں:-

Description	Six months ended December 31, 2017 Rupees '000'	Six months ended December 31, 2016 Rupees '000'
Turnover-net	1,105,358	526,764
Gross (Loss)/Profit	39,742	43,660
Loss before tax	(45,863)	(12,670)
Loss after tax	(59,680)	(17,938)

اظہار تشکر:

ڈائریکٹران، 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

لاہور

میاں اقبال صلاح الدین

26 فروری 2018

چیف ایگزیکٹو آفیسر

Auditors' report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Sally Textile Mills Limited** ("the Company") as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of profit or loss and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the three months period ended December 31, 2017 of the condensed interim profit and loss account and condensed interim statement of profit or loss and other comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months 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 information consist 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 information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 2.3 to the condensed interim financial information which refers to the fact that the Company has incurred loss after taxation of Rs. 59.68 million during the six months period ended December 31, 2017. As at December 31, 2017, the Company has accumulated losses of Rs. 279.122 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 198.847 million. These factors indicate material uncertainty that raise doubts about the Company's ability to continue as a going concern and the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. However, this condensed interim financial information has been prepared on going concern basis for reasons explained in note 2.3. Our conclusion is not qualified in respect of this matter.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ

Chartered Accountants

Engagement Partner: IRFAN REHMAN MALIK

Lahore: February 26, 2018

Condensed Interim Balance Sheet (Un-audited)
as at December 31, 2017

	<i>Note</i>	December 31, 2017	June 30, 2017
		<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, 2017: 20,000,000) ordinary shares of Rs. 10 each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital		87,750	87,750
Accumulated loss		(279,122)	(218,195)
TOTAL EQUITY		<u>(191,372)</u>	<u>(130,445)</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		106,077	104,830
LOAN FROM SPONSORS - UNSECURED	6	447,927	409,066
NON-CURRENT LIABILITIES			
Long term finances - <i>secured</i>		237,500	222,917
Employees retirement benefits		96,709	97,129
Deferred taxation		78,403	78,403
		412,612	398,449
CURRENT LIABILITIES			
Trade and other payables		524,449	598,179
Short term borrowings	7	722,848	718,728
Accrued interest/markup		37,635	21,960
Current portion of non-current liabilities		104,167	118,750
		1,389,099	1,457,617
TOTAL LIABILITIES		<u>1,801,711</u>	<u>1,856,066</u>
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		<u>2,164,343</u>	<u>2,239,517</u>

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Lahore
Date : February 26, 2018


MIAN IQBAL SALAHUDDIN
Chief Executive

	Note	December 31, 2017 Rupees '000 (Un-Audited)	June 30, 2017 Rupees '000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	962,847	984,849
Long term deposits - <i>unsecured, considered good</i>		11,244	11,244
		974,091	996,093
CURRENT ASSETS			
Stores, spares and loose tools		107,926	84,628
Stock in trade		877,104	992,221
Trade debts		104,863	85,179
Advances, deposits, prepayments and other receivables		75,966	46,184
Current taxation		18,107	29,573
Cash and bank balances		6,286	5,639
		1,190,252	1,243,424
TOTAL ASSETS		2,164,343	2,239,517



MIAN YOUSAF SALAHUDDIN
Director

Condensed Interim Profit and Loss Account (Un-audited) for the six months period ended December 31, 2017

	Note	Six months ended		Three months ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>
Sales - net	10	1,105,358	526,764	581,983	300,055
Cost of sales	11	(1,065,616)	(483,104)	(559,967)	(269,998)
Gross profit		39,742	43,660	22,015	30,057
Selling and distribution expenses		(5,326)	(4,480)	(3,086)	(3,006)
Administrative and general expenses		(24,408)	(23,369)	(13,240)	(13,139)
		(29,734)	(27,849)	(16,326)	(16,145)
Other income		117	1,469	117	1,469
Operating profit		10,125	17,280	5,806	15,381
Finance cost		(41,616)	(42,329)	(20,554)	(19,278)
Notional interest		(12,861)	12,753	(4,568)	18,584
Other charges		(1,511)	(374)	(846)	(253)
(Loss)/profit before taxation		(45,863)	(12,670)	(20,162)	14,434
Taxation	12	(13,817)	(5,268)	(8,583)	(3,001)
(Loss)/profit after taxation		(59,680)	(17,938)	(28,745)	11,433
(Loss)/earnings per share - basic and diluted		(6.80)	(2.04)	(3.28)	1.30

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YUSAF SALAHUDDIN
Director

Lahore
Date : February 26, 2018

Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (Un-audited)
for the six months period ended December 31, 2017

	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	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>				
Decremental depreciation	(1,247)	(479)	(1,247)	(479)
Other comprehensive loss before taxation	(1,247)	(479)	(1,247)	(479)
Taxation	-	-	-	-
Other comprehensive income after taxation	(1,247)	(479)	(1,247)	(479)
(Loss)/profit after taxation	(59,680)	(17,938)	(28,745)	11,433
Total comprehensive (loss)/income	(60,927)	(18,417)	(29,992)	10,954

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YUSAF SALAHUDDIN
Director

Lahore
Date : February 26, 2018

Condensed Interim Cash Flow Statement (Un-audited)

for the six months period ended December 31, 2017

	December 31, 2017	December 31, 2016
	<i>Rupees '000</i>	<i>Rupees '000</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(45,863)	(12,670)
Adjustments for non-cash and other items		
Interest/markup on borrowings	41,158	42,206
Notional interest	12,861	(12,753)
Provision for employees retirement benefits	1,562	2,000
Depreciation	22,108	23,423
	77,689	54,876
Operating profit before changes in working capital	31,826	42,206
Changes in working capital		
Stores, spares and loose tools	(23,298)	4,889
Stock in trade	115,117	57,148
Trade debts	(19,684)	11,331
Advances, deposits, prepayments and other receivables	(29,782)	(8,371)
Trade and other payables	(73,730)	(28,200)
	(31,377)	36,797
Net cash (used in)/generated from operations	449	79,003
Payments for:		
Employees retirement benefits	(1,982)	(6,200)
Interest/markup on borrowings	(25,483)	(64,486)
Income tax	(2,351)	(6,709)
Net cash generated from/(used in) operating activities	(29,367)	1,608
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(106)	-
Net cash used in investing activities	(106)	-

	December 31, 2017	December 31, 2016
	<i>Rupees '000</i>	<i>Rupees '000</i>

CASH FLOWS FROM FINANCING ACTIVITIES

Long term finances obtained	-	250,000
Repayment of long term finances	-	(8,333)
Net increase/(decrease) in short term borrowings	4,120	(327,240)
Loan from sponsors obtained	26,000	85,150
Net cash generated from/(used in) financing activities	30,120	(423)
NET INCREASE IN CASH AND CASH EQUIVALENTS	647	1,185
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,639	8,062
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6,286	9,247

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

Lahore
Date : February 26, 2018


MIAN IQBAL SALAHUDDIN
Chief Executive


MIAN YUSAF SALAHUDDIN
Director

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

for the six months period ended December 31, 2017

	Issued subscribed and paid-up capital <i>Rupees '000</i>	Accumulated (loss) <i>Rupees '000</i>	Total equity <i>Rupees '000</i>
Balance as at June 30, 2016 - Audited	87,750	(178,786)	(91,036)
Comprehensive loss			
Loss after taxation	-	(17,938)	(17,938)
Other comprehensive loss	-	(479)	(479)
Total comprehensive loss	-	(18,417)	(18,417)
Transaction with owners	-	-	-
Balance as at December 31, 2016 - Un-audited	87,750	(197,203)	(109,453)
Balance as at January 01, 2017 - Un-audited	87,750	(197,203)	(109,453)
Comprehensive loss			
Loss after taxation	-	(19,820)	(19,820)
Other comprehensive loss	-	(1,172)	(1,172)
Total comprehensive loss	-	(20,992)	(20,992)
Transaction with owners	-	-	-
Balance as at June 30, 2017 - Audited	87,750	(218,195)	(130,445)
Balance as at July 01, 2017 - Audited	87,750	(218,195)	(130,445)
Comprehensive loss			
Loss after taxation	-	(59,680)	(59,680)
Other comprehensive income	-	(1,247)	(1,247)
Total comprehensive loss	-	(60,927)	(60,927)
Transaction with owners	-	-	-
Balance as at December 31, 2017 - Un-audited	87,750	(279,122)	(191,372)

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YUSAF SALAHUDDIN
Director

Lahore
Date : February 26, 2018

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

for the six months period ended December 31, 2017

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.

2 BASIS OF PREPARATION

The financial information contained in this interim financial report is 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, 2017.

This condensed 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, 2017 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, 2017 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 month period ended December 31, 2017 and December 31, 2016 are neither audited nor reviewed.

2.1 Statement of compliance

The Companies Act 2017 ('the Act') has been enacted on May 30, 2017, however, Securities and Exchange Commission of Pakistan vide its circular no. 23 of 2017 dated October 04, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements including the interim financial information in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, this interim financial report has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the repealed Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

The financial information contained in this interim report has been prepared under the historical cost convention except for certain financial instruments at fair value/amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Appropriateness of the going concern assumption

The Company has been facing operational losses for the last two year mainly 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 unfavorable 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's incurred loss after taxation of Rs. 59.68 million during the six months period ended December 31, 2017. As at December 31, 2017, the Company has accumulated losses of Rs. 279.122 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 198.847 million. These factors indicate existence of material uncertainty that raise doubts about the Company's ability to continue as a going concern and the Company may not be able to discharge its liabilities and realise its assets in the normal course of business. However, this financial information has been prepared on going concern basis based on the following:

- a) The Company has cancelled the lease of rented production facility which has already started to increase profitability due to reduction in fixed overheads following the cancellation of lease.
- 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. 26 million in the form of long term interest free loans. Further, the sponsors have extended the repayment tenor of long term loans provided by them to June 30, 2021. (see note 6)
- c) The Company has undrawn short term finance facilities of Rs. 52.063 million as at December 31, 2017 (see note 7). The management expects continued support of its bankers in providing financial support to the Company.

2.4 Judgments, estimates and assumptions

The preparation of financial information requires management to make judgments, 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 judgments 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates.

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

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

2.5 Functional currency

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

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

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

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)

IAS 7 - Statement of Cash Flows have been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12 - Disclosure of Interests in Other Entities)

IFRS 12 - Disclosure of Interests in Other Entities have been amended to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

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

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 01, 2018
Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40)	January 01, 2018

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

	Effective date (annual periods beginning on or after)
Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 01, 2019
Companies Act, 2017	January 01, 2018

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 234 of the repealed Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

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

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2017.

	<i>Note</i>	December 31, 2017 <i>Rupees '000</i> <i>(Un-Audited)</i>	June 30, 2017 <i>Rupees '000</i> <i>(Audited)</i>
6 LOAN FROM SPONSORS - UNSECURED			
Loan from sponsors	6.1	636,000	610,000
Less: unamortized notional interest		(188,073)	(200,934)
		<u>447,927</u>	<u>409,066</u>

- 6.1 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 is subordinated to long term and short term borrowings obtained from various banking institutions.

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

7 SHORT TERM BORROWINGS

The aggregate available short term funded facilities amounts to Rs. 775 million (June 30, 2017: Rs. 775 million) out of which Rs. 52.063 million (June 30, 2017: Rs. 56.56 million) remained unavailed as at the reporting date.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2017.

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, 2017	June 30, 2017
		<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
9 FIXED ASSETS			
Operating fixed assets	9.1	960,491	982,493
Capital work in progress		2,356	2,356
		962,847	984,849
9.1 Operating fixed assets			
Net book value at the beginning of the period/year		982,493	1,028,394
Additions during the period/year			
Electric installations		32	31
Office equipment		-	48
Computer and printer		74	-
Furniture and fixtures		-	75
Tools and equipments		-	5
Vehicles		-	1,325
		106	1,484
Transfer from capital work in progress		-	-
Net book value of assets disposed during the period/year		-	(505)
Impairment loss		-	-
Depreciation for the period/year		(22,108)	(46,880)
Net book value at the end of the period/year		960,491	982,493

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

Note	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>
	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>
10 SALES - NET				
Local				
Yarn	1,086,762	379,404	572,853	212,002
Waste	18,596	8,098	9,130	4,727
	1,105,358	387,502	581,983	216,729
Exports				
Yarn	10.1 -	139,262	-	83,326
	1,105,358	526,764	581,983	300,055

10.1 Yarn exports include indirect exports amounting to Rs. nil (2016: Rs. 139,262,000) for the six months period ended December 31, 2017 and Rs. nil (2016: Rs. 83,326,000) for the three months period ended December 31, 2017.

Note	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>
	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>

11 COST OF SALES

Raw material consumed	754,322	383,289	404,687	215,177
Stores, spares and loose tools consumed	27,269	20,059	10,622	11,727
Salaries, wages and benefits	94,581	76,513	41,093	45,583
Power and fuel	182,233	98,737	111,044	59,242
Insurance	4,245	2,180	2,010	1,272
Vehicle running and maintenance	523	1,139	226	589
Depreciation	20,723	21,828	9,808	10,914
Others	2,696	2,158	1,480	1,229
	1,086,592	605,903	580,970	345,733
Work in process				
As at beginning of the period	26,552	45,321	26,593	47,677
As at end of the period	(26,540)	(54,094)	(26,540)	(54,094)
	12	(8,773)	53	(6,417)
	1,086,604	597,130	581,023	339,316
Finished goods				
As at beginning of the period	157,991	173,342	157,924	218,050
As at end of the period	(178,979)	(287,368)	(178,979)	(287,368)
	(20,988)	(114,026)	(21,055)	(69,318)
	1,065,616	483,104	559,967	269,998

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

	Note	Six months ended		Three months ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>	<i>(Un-Audited)</i>
12 PROVISION FOR TAXATION					
Current taxation	12.1	13,817	5,268	8,583	3,001
Deferred taxation	12.2	-	-	-	-
		13,817	5,268	8,583	3,001

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 (including chief executive and directors) and sponsors of the Company. 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, 2017	December 31, 2016
		<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Un-Audited)</i>
13.1 Transactions with related parties			
Nature of relationship	Nature of transaction		
Key management personnel	Short term employee benefits	3,990	4,131
Sponsors	Borrowings obtained	26,000	85,150
	Rent paid	1,320	1,320
		December 31, 2017	June 30, 2017
		<i>Rupees '000</i>	<i>Rupees '000</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>

13.2 Balances with related parties

Nature of relationship	Nature of balances		
Key management personnel	Short term employee benefits	592	592
Sponsors	Long term loan	636,155	610,000
	Borrowings	311	686

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

14 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

	December 31, 2017	June 30, 2017
	<i>Rupees '000</i>	<i>Rupees '000</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
14.1 Financial assets		
<i>Cash in hand</i>	2,405	3,701
<i>Loans and receivables</i>		
Long term deposits	11,244	11,244
Trade debts	104,863	85,179
Security deposits	5,746	5,859
Insurance claims receivable	2,422	1,298
Bank balances	3,881	5,639
	128,156	109,219
	130,561	112,919
14.2 Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Loan from sponsors	447,927	409,066
Long term finances	341,667	91,667
Short term borrowings	722,848	718,728
Accrued interest/markup	37,635	21,960
Trade creditors	200,721	249,291
Accrued liabilities	151,079	111,744
Unclaimed dividend	1,010	1,010
	1,902,887	1,603,466

15 FAIR VALUE MEASUREMENTS

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

15.1 Financial instruments measured at fair value

15.1.1 Recurring fair value measurements

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

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

15.1.2 Non-recurring fair value measurements

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

15.2 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.

15.3 Assets and liabilities other than financial instruments.

15.3.1 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, 2017	June 30, 2017
	Rupees '000	Rupees '000	Rupees '000	Rupees '000	Rupees '000
				<i>(Un-Audited)</i>	<i>(Audited)</i>
Freehold land	-	142,835	-	142,835	142,835
Buildings on freehold land	-	199,485	-	199,485	204,600
Plant and machinery	-	559,316	-	559,316	573,657
Electric installation	-	39,010	-	39,010	39,978
Laboratory equipment	-	3,974	-	3,974	4,184
Fire fighting equipment	-	798	-	798	840

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, 2017: Rs. 7.142 million).
Buildings on freehold land	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 9.97 million (June 30, 2017: Rs. 10.230 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 result in a significant increase in fair value of plant and machinery by Rs. 717.071 million (June 30, 2017: Rs. 573.657 million).

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

	Valuation technique	Significant inputs	Sensitivity
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 result in a significant increase in fair value of electric installation by Rs. 49.973 million (June 30, 2017: Rs. 1.999 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 result in a significant increase in fair value of laboratory equipment by Rs. 198,722 (June 30, 2017: Rs. 209,181).
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. 39,000 (June 30, 2017: Rs. 42,000).

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

15.3.2 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 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on February 26, 2018.

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

19 GENERAL

- 19.1 There are no other significant activities since June 30, 2017 affecting the interim financial information.
- 19.2 Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 19.3 Figures have been rounded off to the nearest thousand rupees.



MIAN IQBAL SALAHUDDIN
Chief Executive



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date : February 26, 2018

Notes

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