



Saif Group

Half Yearly Report
(Un-audited)
31 December, 2018

Certified ISO 9001:2008
Certified ISO 14001:2004



Saif Textile Mills Limited

ENTITY RATING OF SAIF TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Osman Saifullah Khan	Chairman/ Director
Hoor Yousafzai	Director
Assad Saifullah Khan	Director
Jehannaz Saifullah Khan	Director
Faisal Saifullah Khan	Director
Rana Muhammad Shafi	Director
Muhammad Danish	Director
Zaheen-ud-Din-Qureshi	Chief Executive

AUDIT COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

HR & REMUNERATION COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Fahad Talal

HEAD OF INTERNAL AUDIT

Meesam Habib Butt

LEGAL ADVISOR

Dr. Pervez Hassan
Hassan & Hassan, Advocates
Salahuddin Saif & Aslam
(Attorney's at Law)

AUDITORS

M/s Shinewing Hameed Chaudhri & Co.
Chartered Accountants
HM House, 7-Bank Square, Lahore

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Soneri Bank Limited
Summit Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

City Centre Plaza
3rd Floor Plot # 40 Main Bank Road
Saddar Rawalpindi
Telephone: +92-51-5700824-5700825-26
Fax: +92-51-5700829
Email: stm@saifgroup.com

REGISTERED OFFICE

APTMA House, Tehkal Payan, Jamrud
Road, Peshawar
Telephone: +92-91-5843870, 5702941
Fax: +92-91-5840273
Email: peshawar@saifgroup.com

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
HM House, 7-Bank Square, Lahore
Telephone: +92-42-37235081-37235082
Fax: +92-42-37358817
Email: info@hmaconsultants.com

MILLS

Industrial Estate, Gadoon Amazai, District
Swabi
Telephone: +92-0938-270313, 270429
Fax: +92-0938-270514
Email: stmgdn@saifgroup.com

CYBER

www.saiftextile.com

DIRECTORS' REVIEW REPORT

Dear Shareholders,

On behalf of the Board, it gives me pleasure to present the Company's financial statements reviewed by the Auditors for the half year ended December 31, 2018. Our commentary on the salient features of the Company's performance follows below.

Company's turnover grew by 4% over corresponding period last year (Rs 3,938 million in HY19 vs Rs 3,799 million HY18). Your company posted a gross profit of Rs 483.28 million (Gross Margin: 12.27%) in the period under review as compared to a gross profit of Rs 389.97 million (Gross Margin: 10.26%) for the corresponding period last year. However, despite improved operating profitability, there was a loss before tax of Rs 21.99 million (as compared to profit of Rs 12.14 million for the corresponding period last year) due to increase in borrowing cost owing mainly to the rising KIBOR rates. There was also adverse impact of devaluation of PKR causing exchange loss of Rs 82.00 million on account of foreign currency loan facility availed by the Company.

Future Outlook

Textile sector in Pakistan has been losing competitiveness in the region due to higher cost of doing business here. While, the recent steps taken by the Government of Pakistan for zero-rated sectors will improve the situation, the inflationary pressures (both on the operating and financing costs) will continue to dampen sector profitability. Despite these challenges, the Management of your Company is committed to achieve sustainable results in remaining period of the year and is exploring different avenues for generating revenue by working on value-added products and by upgrading the existing setup.

We would like to conclude with the customary, but very much heartfelt, appreciation for the support of our valued customers and our banking partners. We would also like to highlight the hard work put in by the members of our corporate family. We look forward to the same dedication and cooperation in the days ahead. We will continue to look at ways to create value for all shareholders.

for and on behalf of the Board



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director

Place: Islamabad
Dated: 26 February, 2019

ڈائریکٹر جائزہ رپورٹ

محترم شیئر ہولڈرز

بورڈ ہذا کی جانب سے یہ میرے لئے خوشی کا امر ہے کہ میں آڈیٹرز کی نظر ثانی شدہ کمپنی کی مالیاتی گوشوارہ برائے اختتامی نصف سال دسمبر 2018، 31 پیش کر رہا ہوں کمپنی کی کارکردگی کے اہم خدو خال کے بارے میں ہماری توضیح درج ذیل ہے۔

کمپنی ہذا کا کاروباری حجم میں گزشتہ سال کے مقابلے میں 4% کا اضافہ ہوا (مبلغ 3,938 ملین روپے بانسبت مبلغ 3,799 ملین روپے) آپ کی کمپنی نے گزشتہ تقابلی سال کے مجموعی منافع مبلغ 389.97 ملین روپے کے مقابلے میں زیر جائزہ مدت میں مجموعی منافع مبلغ 483.28 ملین روپے (مجموعی تناسب: 12.27%) حاصل کیا تاہم منافع کی شرح میں بہتری کے باوجود ٹیکس سے قبل نقصان مبلغ 21.99 ملین روپے کا ہوا (گزشتہ تقابلی سال کے مجموعی منافع مبلغ 12.14 ملین روپے کی نسبت) ہے جس کی وجہ قرضے کی لاگت میں اضافہ ہے جس میں سے اہم کا بھر (KIBOR) ریٹ میں اضافہ ہے۔ پاکستانی کرنسی میں کمی سے بھی برے اثرات مرتب ہوئے ہیں جس کی وجہ سے کمپنی ہذا کا فارن کرنسی قرضہ کی سہولت حاصل کرنے کی بنا پر آکسیجن نقصان مبلغ 82.00 ملین روپے ہوا ہے۔

مستقبل کا نقطہ نظر

پاکستان میں ٹیکسٹائل کی صنعت کو یہاں کاروبار کی زیادہ لاگت کی وجہ سے علاقے میں مقابلے کی دوڑ میں نقصان کا سامنا کرنا پڑ رہا ہے جبکہ زیور بیڈیشیوں کیلئے حکومت پاکستان کے حالیہ اٹھائے گئے اقدامات سے حالات میں بہتری آئی گی افراط زر میں دباؤ (آپریننگ اور مالیاتی لاگت دونوں پر) نے شعبے کی منافع کی شرح میں مسلسل کمی کر رہا ہے۔ ان چیلنجوں کے باوجود، آپ کی کمپنی کی انتظامیہ نے سال ہذا کے باقی ماندہ مدت میں دیرپا نتائج حاصل کرنے کا عہد کیا ہے اور محاصل اوصولیات پیدا کرنے کیلئے اضافی قدری مصنوعات پر کام کر کے اور موجودہ سیٹ اپ کو بہتر بنا کر مختلف ذرائع کا کھوج لگایا جا رہا ہے۔

ہم روایات کے مطابق اس کا اختتام کرتے ہیں مگر دل کی گہرائی کے ساتھ اپنے صارفین اور بیکنگ شراکت داروں کو خراج تحسین پیش کرتے ہیں۔ ہم اپنے کارپوریٹ فیملی ممبران کے سخت کاوشوں کو بھی خراج تحسین پیش کرتے ہیں۔ ہم آئندہ آنے والے دنوں میں اسی لگن اور تعاون کی امید کرتے ہیں اور اپنے تمام شیئر ہولڈرز کے اقدار میں بہتری پیدا کرنے کیلئے مختلف طریقوں کے متلاشی رہیں گے۔

Asad S Ishaq

اسد سیف اللہ
ڈائریکٹر

سید

جناب ذین الدین قریشی
چیف ایگزیکٹو

بمقام: اسلام آباد

تاریخ: 26 فروری، 2019

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF SAIF TEXTILE MILLS LIMITED, REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Saif Textile Mills Limited (the Company) as at December 31, 2018 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months 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 of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 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 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 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.

Emphasis of Matter

Without qualifying our conclusion, we draw your attention to the note 10.1.3 to the interim financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.1,320.285 million.

The engagement partner on the review resulting in this independent auditors' review report is Mr. Nafees ud din.

Shinewing Hameed Chaudhri & Co.

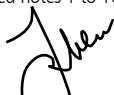
**SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
LAHORE: 26 February 2019**

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

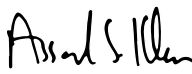
AS AT DECEMBER 31, 2018

	Note	Un-audited 31 December, 2018 (Rupees in thousand)	Audited 30 June, 2018
Assets			
Non-Current Assets			
Property, plant and equipment	5	5,064,448	4,991,596
Intangible assets		8,176	9,485
Long term loans		16,744	12,282
Long term deposits		10,422	9,553
		5,099,790	5,022,916
Current Assets			
Stores, spare parts and loose tools		284,292	278,387
Stock-in-trade	6	2,380,625	1,835,839
Trade debts		1,242,024	1,268,412
Loans and advances		64,635	95,407
Short term prepayments		3,126	896
Other receivables		72,313	79,914
Investments		4,499	5,081
Deposit for shares	7	-	-
Taxation - net		342,240	324,309
Taxes refunds due from Government		90,315	74,638
Cash and bank balances		31,152	18,800
		4,515,221	3,981,683
		9,615,011	9,004,599
Equity and Liabilities			
Share Capital and Reserves			
Authorized capital			
30,000,000 ordinary shares of Rs.10 each		300,000	300,000
Issued, subscribed and paid up capital			
26,412,880 ordinary shares of Rs.10 each		264,129	264,129
Reserves		265,981	265,981
Unappropriated profit		1,048,710	1,097,183
Surplus on Revaluation of Property, Plant and Equipment		757,213	774,625
Total Shareholders' equity		2,336,033	2,401,918
Non-Current Liabilities			
Sub-ordinated loan		695,500	608,000
Long term financing	8	1,350,038	1,220,781
Liabilities against assets subject to finance lease		22,092	22,885
Long term deposits		8,800	6,847
Staff retirement benefits - gratuity		140,070	117,523
Deferred taxation - net		97,212	102,937
		2,313,712	2,078,973
Current Liabilities			
Trade and other payables		643,464	659,052
Unclaimed dividend		9,105	8,330
Accrued mark-up		305,235	235,829
Short term borrowings	9	3,696,241	3,299,165
Current portion of non-current liabilities		311,221	321,332
		4,965,266	4,523,708
Contingencies and commitments			
	10	9,615,011	9,004,599

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



ZAHEUN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME(UN-AUDITED)

FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Quarter ended		Six months period ended	
	31 Dec., 2018	31 Dec., 2017	31 Dec., 2018	31 Dec., 2017
	(Rupees in thousand)			
Sales - net	11 2,049,962	2,054,485	3,938,037	3,799,440
Cost of sales	(1,820,075)	(1,832,685)	(3,454,755)	(3,409,469)
Gross profit	229,887	221,800	483,282	389,971
Distribution cost	(39,876)	(48,608)	(75,025)	(80,507)
Administrative expenses	(54,467)	(50,625)	(104,486)	(97,173)
Other income	5,799	6,554	11,476	12,967
Other expenses	(2,883)	(3,443)	(4,883)	(5,243)
Profit from operations	138,460	125,678	310,364	220,015
Finance cost	(145,870)	(92,772)	(249,883)	(184,582)
	(7,410)	32,906	60,481	35,433
Exchange fluctuation loss	(65,599)	(23,247)	(82,471)	(23,284)
(Loss) / profit before taxation	(73,009)	9,659	(21,990)	12,149
Taxation	(21,736)	8,827	(24,085)	8,460
(Loss) / profit after taxation	(94,745)	18,486	(46,075)	20,609
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / profit	(94,745)	18,486	(46,075)	20,609

----- Rupees -----

(Loss) / earning per share

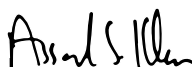
- basic and diluted

(3.59)	0.70	(1.74)	0.78
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The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

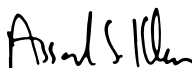
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Note	Six months period ended	
		31 December, 2018	31 December, 2017
		(Rupees in thousand)	
Cash flow from operating activities	12	(102,966)	381,793
Cash flow from investing activities			
Additions to property, plant and equipment		(200,910)	(228,092)
Sale proceeds of operating fixed assets / insurance claims received		313	13,051
Net cash used in investing activities		(200,597)	(215,041)
Cash flow from financing activities			
Long term financing			
- obtained		465,636	133,932
- repaid		(347,438)	(210,981)
Liabilities against assets subject to finance lease - net		153	7,051
Short term borrowings - net		397,076	96,521
Dividend paid		(19,035)	(21,984)
Finance cost paid		(180,477)	(168,614)
Net cash generated from / (used in) financing activities		315,915	(164,075)
Net increase in cash and cash equivalents		12,352	2,677
Cash and cash equivalents - at beginning of the period		18,800	27,019
Cash and cash equivalents - at end of the period		31,152	29,696


The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



ZAAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

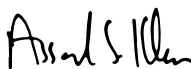
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Reserves		Unappropriated profit	Surplus on revaluation of property, plant and equipment	Total	
	Capital reserve	Revenue reserve				
(Rupees in thousand)						
Balance as at July 01, 2017	264,129	115,981	150,000	1,049,296	693,647	2,273,053
Transaction with owners						
Cash dividend for the year ended June 30, 2017 at the rate of Re.1 per share	-	-	-	(26,413)	-	(26,413)
Total comprehensive income for the six months period ended December 31, 2017	-	-	-	20,609	-	20,609
Surplus on revaluation of property, plant and equipment realised during the period						
- net of deferred taxation	-	-	-	15,406	(15,406)	-
- on account of incremental depreciation for the period	-	-	-	674	(674)	-
- upon sale of revalued assets	-	-	-	16,080	(16,080)	-
Balance as at December 31, 2017	264,129	115,981	150,000	1,059,572	677,567	2,267,249
Balance as at July 01, 2018	264,129	115,981	150,000	1,097,183	774,625	2,401,918
Transaction with owners						
Cash dividend for the year ended June 30, 2018 at the rate of Re.0.75 per share	-	-	-	(19,810)	-	(19,810)
Total comprehensive loss for the six months period ended December 31, 2018	-	-	-	(46,075)	-	(46,075)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation for the period- net of deferred taxation	-	-	-	17,412	(17,412)	-
Balance as at December 31, 2018	264,129	115,981	150,000	1,048,710	757,213	2,336,033

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) is a Public Limited Company incorporated in Pakistan on December 24, 1989 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

- 1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

Sawabi	Purpose
Industrial Estate, Gadoon Amazai	Mills / factory
Peshawar	
APTMA House, Tehkal Payan, Jamrud Road	Registered office
Rawalpindi	
City centre, Main Bank Road, Saddar Cantt	Head office
Karachi	
2nd Floor, The Plaza, Block-9, Clifton	Marketing office

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where the provision of and directives issues 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.

- 2.1.2 These condensed interim financial statements do not include all the information and

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

disclosures as required in an annual audited financial statements, and these should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2018. These condensed interim financial information is being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

2.2 New standards, amendments to approved accounting standards and interpretations that are effective during the period and are relevant to the Company

2.2.1 During the period, the Company has adopted following new standards / interpretations:

- IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- IFRS 9, 'Financial Instruments' which is effective for the annual period beginning on July 01, 2018. IFRS 9 sets out requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today.

2.3 Accounting policies

All the accounting policies and the methods of computation adopted in the preparation of this condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2018, except for the change specified in note 3 below.

3. CHANGE IN ACCOUNTING POLICY

3.1 IFRS 15 'Revenue from Contracts with Customers'

3.1.1 Following the application of IFRS 15, the Company policy for revenue recognition under different contracts with customers stands amended as follows:

Sale of goods

The Company sold its products in separately identifiable contracts. The contracts entered into with the customers generally includes one performance obligation i.e. the provision of goods to the customer.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

Revenue from local sale of goods is recognised when the Company satisfies a performance obligation under a contract by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from the export sale of goods is recognised at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.

3.1.2 Effect of change in accounting policy

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entity to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The above mentioned revised policy do not have any significant impact on these condensed interim financial statements as the revised policy do not have an impact on the timing or the amount of revenue recognition from the contracts with customers.

3.2 IFRS 9 'Financial Instruments'

Following the application of IFRS 9, the Company policy for financial instrument stands amended as follows:

3.2.1 Financial assets

The Company classifies its financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

3.2.2 Initial recognition and measurement of financial assets

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date i.e. the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Gains and losses arising on financial assets at amortised cost and financial assets at fair value through profit or loss are recognised in profit or loss. Interest calculated under effective interest method, dividend, impairment and foreign exchange gains and losses on financial assets at fair value through other comprehensive income are also recognised in profit or loss. Gains and losses from changes in fair value of financial assets at fair value through other comprehensive income are recognised in

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FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

other comprehensive income and, in case of debt instruments, are reclassified to profit or loss on derecognition or reclassification. Gain and losses on derecognition of equity instruments are reclassified to unappropriated profit with in statement of changes in equity.

3.2.3 Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3.2.4 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

3.2.5 Impairment of financial assets

The adoption of IFRS 9 has also changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL. For this purpose, the management, after conducting an exercise to assess the impairment of its financial assets, has concluded that it is in compliance with the requirements of the new accounting standard.

3.2.6 Effect of change in accounting policy

The application of IFRS 9 do not have any significant impact on these condensed interim financial statements of the Company.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments and estimates made by the management in the preparation of this condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended June 30, 2018

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

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5. PROPERTY, PLANT AND EQUIPMENT	Un-audited 31 December, 2018	Audited 30 June, 2018
	(Rupees in thousand)	
Operating fixed assets	5,062,823	4,908,370
Capital work-in-progress	1,625	565
Stores to be capitalised currently in transit	-	82,661
	5,064,448	4,991,596
5.1 Operating fixed assets - tangible		
Book value at beginning of the period / year	4,908,370	4,471,486
Additions during the period / year	282,511	552,367
Surplus on revaluation during the period / year	-	146,561
Disposals costing Rs. 0.833 million (June 30, 2018: Rs.74.325 million) - at net book value	(312)	(20,158)
Depreciation charge for the period / year	(127,746)	(241,886)
Book value at end of the period / year	5,062,823	4,908,370
5.1.1 Additions to operating fixed assets, including transfer from capital work-in-progress, during the period / year:		
Buildings on leasehold land	86,587	79,789
Plant & machinery	143,198	424,950
Generators	43,528	14,112
Electric installations	2,101	1,033
Air conditioning equipment	677	918
Furniture & fixtures	-	5,260
Office equipment	1,255	7,884
Telephone installations	507	471
Weighing scales	-	70
Vehicles:		
- owned	-	1,303
- leased	4,658	16,577
	282,511	552,367
6. STOCK-IN-TRADE		
Raw materials	1,232,339	1,049,151
Work-in-process	170,143	210,201
Finished goods	978,143	576,487
	2,380,625	1,835,839
7. DEPOSIT FOR SHARES		

There has been no change in the status of the Company's complaint filed before the Wafaqi Muhtasib for recovery of this deposit along with penalty since the date of preceding annual audited financial statements of the Company for the year ended June 30, 2018.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

8. LONG TERM FINANCING - Secured

	Un-audited 31 December, 2018	Audited 30 June, 2018
	(Rupees in thousand)	
Balance at beginning of the period / year	1,534,606	1,341,764
Add: disbursements during the period / year	465,636	661,126
Less: repayments made during the period / year	(347,437)	(468,284)
Balance at end of the period / year	1,652,805	1,534,606
Less: current portion grouped under current liabilities	302,767	313,825
	1,350,038	1,220,781

8.1 The Company, during the current period, obtained a demand finance facility of Rs.131 million from Sindh Bank Limited. The principal balance is repayable in 14 equal quarterly installments commenced October, 2018. This finance facility carries mark-up at the rate of 3-months KIBOR + 2.5% and is secured against ranking charge over all present and future fixed and current assets of the Company for Rs.441 million.

8.2 Except for the above, all other term and conditions of the long term financing are the same as disclosed in audited annual financial statements of the Company for the year ended June 30, 2018. Effective mark-up rates charged, during the current period, ranged from 5% to 11.09% (June 30, 2018: 5% and 8.89%) per annum.

9. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.522 billion (June 30, 2018: Rs.4.072 billion) and are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current period, carried mark-up at the rates ranging from 6.95% to 11.57% (June 30, 2018: 6.54% to 7.96%) per annum and are expiring on various dates by October, 2019.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 The Company had imported textile plant & machinery availing exemption from customs duty and sales tax on import thereof under SROs 554(1)/98 and 987(1)/99. In case conditions of the aforementioned SROs are violated, the amounts of customs duty and sales tax exempted aggregating Rs.151.014 million shall be recoverable by the Customs Authorities along with penalties under section 202 of the Customs Act, 1969.

10.1.2 Guarantees aggregating Rs.218.203 million (June 30, 2018: Rs.213.203 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

10.1.3 The Company had challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was

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FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of December, 2018, has raised GIDC demands aggregating Rs.1,320.285 million which are payable in case of an adverse judgment by the SCP. No provision with respect to these GIDC demands has been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

10.2 Commitments

	Un-audited 31 December, 2018	Audited 30 June, 2018
	(Rupees in thousand)	
- letters of credit for purchase of raw materials	374,316	142,378
- letters of credit for capital expenditure	268,110	-

11. SALES - Net

11.1 Detail of the Company's revenue from contracts with customers is as follows:

	Quarter ended		Six months period ended	
	31 Dec., 2018	31 Dec., 2017	31 Dec., 2018	31 Dec., 2017
	(Rupees in thousand)			
Own manufactured goods (local)				
Yarn	1,851,848	1,716,806	3,555,093	3,070,243
Surgical cotton	5,299	5,403	8,059	7,760
Waste	18,754	23,161	33,784	33,732
	1,875,901	1,745,370	3,596,936	3,111,735
Own manufactured goods (export)				
Yarn	76,217	100,331	154,009	235,558
Surgical cotton	54,320	60,474	115,746	144,820
	130,537	160,805	269,755	380,378
Trading activities:				
Yarn	43,524	143,406	65,185	301,082
Raw material	-	4,904	6,161	6,245
	43,524	148,310	71,346	307,327
	2,049,962	2,054,485	3,938,037	3,799,440

11.2 All the contacts were under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Un-audited	
	Six months period ended	
	31 December, 2018	31 December, 2017
12. CASH GENERATED FROM OPERATIONS		
(Loss) / profit for the period - before taxation	(21,990)	12,149
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	129,055	118,165
Staff retirement benefits - gratuity (net)	22,547	5,247
Loss / (Gain) on sale of operating fixed assets - net	1	(758)
Finance cost	249,883	184,582
Exchange fluctuation loss on sub-ordinated loan	87,500	27,500
Exchange fluctuation (gain) - net	(5,029)	(4,216)
Adjustment on re-measurement of investments to fair value - net	582	1,068
Profit before working capital changes	462,549	343,737
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(5,905)	(128,360)
Stock-in-trade	(544,786)	11,581
Trade debts	31,417	25,179
Loans and advances	30,772	18,622
Trade deposits and short term prepayments	(2,230)	(1,180)
Other receivables	7,601	29,075
Taxes refundable	(15,677)	100,517
Decrease in trade and other payables	(15,588)	(102)
	(514,396)	55,332
Cash (used in) / generated from operating activities	(51,847)	399,069
Income taxes paid	(47,741)	(17,294)
Long term deposits from employees	1,953	602
Long term loans	(4,462)	(484)
Long term deposits	(869)	(100)
Net cash (used in) / generated from operating activities	(102,966)	381,793

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

	Un-audited 31 December, 2018 (Rupees in thousand)	Audited 30 June, 2018
13. TRANSACTIONS WITH RELATED PARTIES		
13.1 Period / year end balances are as follows:		
Trade and other payables	134,906	140,355
Other receivables	11,824	9,522

13.2 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited Six months period ended	
		31 December, 2018	31 December, 2017
		(Rupees in thousand)	
Associated Companies & Undertakings	Purchase of fixed assets	1,398	1,250
	Sale of fixed assets	-	6,684
	Purchase of goods and services	11,903	201,500
	Dividend paid	8,349	13,097
	Donations	3,000	-
Key management personnel	Remuneration and other benefits	12,175	13,289
Others	Consultancy Charges	9,000	-

14. FINANCIAL RISK MANAGEMENT

14.1 The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2018, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the current period.

This condensed interim financial information does not include all financial risk management information and disclosures as required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statement as at June 30, 2018.

14.2 Fair value estimation

The carrying values of financial assets and liabilities reflected in the financial statements approximate their fair values.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

Financial assets measured at amortised cost		Financial assets at fair value through profit or loss	
Un-audited 31 Dec., 2018	Audited June 30, 2018	Un-audited 31 Dec., 2018	Audited June 30, 2018

(Rupees in thousand)

Financial assets as per statement of financial position

Long term loans	16,744	12,282	-	-
Long term deposits	10,422	9,553	-	-
Trade debts	1,242,024	1,269,412	-	-
Loans and advances	10,025	9,577	-	-
Other receivables	72,313	79,914	-	-
Investments	-	-	4,499	5,081
Bank balances	31,152	18,800	-	-
	1,382,680	1,399,538	4,499	5,081

Financial liabilities measured at amortised cost

Un-audited Dec 31, 2018	Audited June 30, 2017
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(Rupees in thousand)

Financial liabilities as per statement of financial position

Sub-Ordinated loan	695,500	608,000
Long term financing	1,652,805	1,534,606
Liabilities against assets subject to finance lease	30,546	30,392
Long term deposits	8,800	6,847
Trade and other payables	640,911	656,499
Accrued mark-up and interest	305,235	235,829
Short term borrowings	3,696,241	3,299,165
	7,030,038	6,371,338

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2018

15. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim statement of financial position has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2018, whereas, the condensed interim statement of profit or loss, condensed interim statement of cash flows and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial information of the Company for the half year ended December 31, 2017.


16. GENERAL

16.1 This condensed interim financial information was approved by the Board of Directors and authorised for issue on February 26, 2019.

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer



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