



***Half Yearly Accounts December 31, 2018  
(Un-Audited)***





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## COMPANY INFORMATION

### CHAIRPERSON

Mrs. Shahnaz Umar

### CHIEF EXECUTIVE

Mr. Omer Aziz Mian

### BOARD OF DIRECTORS

Mrs. Shahnaz Umar

Mr. Omer Aziz Mian

Mrs. Sadiya Umair

Mr. Mohammad Mahboob

Mr. Mohammad Tariq

Mr. Saeed Ahmad Khan

Mr. Shaukat Nazir Malik ( Independent Director )

### AUDIT COMMITTEE

Mr. Shaukat Nazir Malik

Chairman

Mr. Mohammad Mahboob

Member

Mr. Mohammad Tariq

Member

### HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Sadiya Umair

Chairperson

Mr. Omer Aziz Mian

Member

Mr. Saeed Ahmad Khan

Member

### COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Saeed Ahmad Khan

### AUDITORS

M/S Rahman Sarfaraz Rahim Iqbal Rafiq. ( Chartered Accountants)

Member of Russell Bedford International.

House No 72-A, Faisal Town, Lahore

### TAX ADVISER

M/S Tipu Associates

### LEGAL ADVISER

Salman Akram Raja.

Raja Mohammad Akram & Co., Advocates & Legal Consultants

33-C Main Gulberg Lahore.

### REGISTRAR OF THE COMPANY

Vision Consulting Ltd.

3 – C , 1st floor, LDA Flats, Lawrance Road Lahore

Ph: + 92 42 36283096-97

### REGISTERED OFFICE

44-E-I, Gulberg III, Lahore

Ph: + 92 42 3571 4191-94 , Fax: + 92 42 3571 0048

W: www.hiratex.com.pk

### MILLS

8 KM Manga Raiwind Road Raiwind District Kasur.



## Directors' Report

The Directors are pleased to present the reviewed financial statements of the Company for the half-year ended December 31, 2018.

Following are the Operating financial results of the Company.

	Six months ended 31 December 2018	Six months ended 31 December 2017
	<i>Rupees</i>	<i>Rupees</i>
Sales - Net	<b>1,131,899,823</b>	1,391,884,778
Gross profit (Loss)	<b>(93,863,025)</b>	(16,439,675)
Operating Profit (Loss)	<b>(118,099,804)</b>	(48,474,280)
Share of profit of Associate	<b>(70,035,173)</b>	22,171,535
Profit/ (Loss) after Tax	<b>(288,176,100)</b>	(158,810,610)
(Loss) / Earning per Share	<b>(3.33)</b>	(1.83)

### Review of business during this period and Future outlook

The Company's sales are Rs.1131.899 million as compared to Rs.1391.885 million during the corresponding period of last year showing a decrease of 18.65%. Gross Loss for the period is Rs.93.863 million as compared to the gross loss of Rs.16.439 million in the corresponding period. The increase in Gross Loss is mainly due to low yarn prices and high cost of production. Loss from operations is Rs.118.099 million as compared to Gross Loss of Rs. 48.474 million in the corresponding period. The increase in loss is attributed to increase in Gross Loss. After tax loss is Rs. 288.176 million as compared to loss of Rs. 158.10 million in the corresponding period. M/S Hira Terry Mills Limited has contributed loss of Rs. 70,035 million showing decrease of profit by Rs. 92.206 million over the last corresponding period. In the second quarter of the year, the profit of Hira Terry has decreased due to decrease in margins for its products. (Loss)/ Earnings per share for the six month period are Rs. (3.33) as compared to Rs. (1.83) during the corresponding period of last year.

Obstacles in growth are ever increasing cost of production and stiff competition in international market. Margins have been squeezed and it appears that they will be further compressed. Steps are being taken to reduce operational cost. Future outlook for spinning segment of textile sector is expected to remain tough due to slump in yarn prices coupled with sharp increase in RLNG prices as well as other costs. However the management of the company is putting its best efforts forward by taking severe cost cutting measures to increase the profit margins and to improve the margins further through better production and marketing strategies in the remaining six months of the year.

The Directors wish to express their appreciation to the staff & workers of the Company for their dedication & devotion displayed in the success & sales growth of the company

On behalf of the Board

**Mrs. Shahnaz Umer**  
(Chairperson)

**Omer Aziz Mian**  
(Chief Executive Officer)

Lahore  
February 26, 2019

ڈائریکٹر 31 دسمبر 2018 کو ختم شدہ ششماہی کے لئے آڈیٹرز سے جائزہ شدہ مالیاتی معلومات پیش کرتے ہوئے خوش محسوس کرتے ہیں۔  
کمپنی کے عملی مالیاتی نتائج درج ذیل ہیں۔

مختصرہ ششماہی 31 دسمبر 2018	مختصرہ ششماہی 31 دسمبر 2017
روپے	روپے
1,131,899,823	1,391,884,778
(93,863,025)	(16,439,675)
118,099,804	(48,474,280)
(70,035,173)	22,171,535
(288,176,100)	(158,810,610)
(3.33)	(1.83)

اس مدت کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

کپیتی کی زیر جائزہ مدت کے دوران فروخت شدہ مال کی مالیت 1131.899 ملین روپے ہے جبکہ پچھلے سال اسی مدت کے دوران فروخت شدہ مال کی مالیت 1,391.885 ملین روپے تھی۔ جوگزشتہ سال سے 18.65 فیصد کم نکلا کر رہی ہے۔ زیر جائزہ مدت کے دوران مجموعی نقصان 93.863 ملین روپے رہا جبکہ پچھلے سال اسی مدت کے دوران مجموعی نقصان 16.439 ملین روپے تھا۔ مجموعی نقصان میں اضافہ کی بنیادی وجہ دھماکے کی قیمت میں کمی اور پیداواری اخراجات کا زیادہ ہونا ہے۔ کمپنی کا پرنٹیشنل نقصان 118.099 ملین روپے رہا جو کہ پچھلے سال اسی مدت کے دوران اپرنٹیشنل نقصان 48.474 ملین روپے تھا۔ اپرنٹیشنل نقصان میں اضافہ کی وجہ مجموعی نقصان میں اضافہ ہے۔ بعد از ٹیکس نقصان 288.176 ملین روپے ہے جبکہ پچھلے سال اسی مدت میں بعد از ٹیکس نقصان 158.10 ملین روپے تھا۔ موجودہ نقصان میں میسرز امیر ٹریڈنگ کا نقصان 70.035 ملین روپے بھی شامل ہے۔ سال کی دوسری سہ ماہی میں حرائق کی وجہ سے نقصان کی وجہ اس کے اشیاء کے مارجن میں کمی ہے۔ رواں ششماہی کے لئے فی حصص آمدن (نقصان) - (3.33) روپے ہے۔ جبکہ پچھلے سال کی اسی مدت کے دوران فی حصص آمدن (نقصان) (1.83) روپے تھا۔

مسلسل بڑھتی ہوئی پیداواری الاگت اور عالمی منڈی میں سخت مسابقت نمونیں رکاوٹ کا باعث ہیں۔ مارجن سکڑتے جا رہے ہیں اور ایسا لگتا ہے کہ یہ مزید کم ہونگے۔ اپریٹل الاگت میں کمی کے لئے اقدامات اٹھائے جا رہے ہیں۔ ٹیکنیکل کی صنعت کے اسپیشلگ سیکٹر کے کاروباری حالات دھماکے کی قیمتوں میں مندی کے ساتھ ایل اے آر جی (LRNG) اور دوسری قیمتوں میں تیزی سے اضافی وجہ سے سخت مشکل دکھائی دے رہے ہیں۔ تاہم کمپنی کی انتظامیہ بقیہ دوسری شعبہ جاتی میں بہتر منافع کے حصول کے لئے اور پیداواری الاگت میں کمی لانے کے لئے سخت اقدامات اٹھانے کے ساتھ ساتھ بہتر پیداوار اور مارکیٹنگ حکمت عملی کے ذریعے اپنی تمام تر صلاحیتوں کو بروئے کار لاتے ہوئے اس میں بہتری کے لئے پُر امید ہے۔ ڈائریکٹرز، کمپنی کے عمل کارکنان کی اپنے کام کی لگن اور ایثار کے لئے جو انھوں نے کمپنی کی جہاز کے لئے کی ہیں جو تحسین کی نظر سے دیکھتے اور سراہتے ہیں۔

منجانب بورڈ

ب. جوڑو

عمر عزیز میاں  
چیف ایگزیکٹو

A. U. — a

مسز شہناز عمر

چیمبر پرسن

لاہور

26 فروری 2019



## INDEPENDENT AUDITOR'S REVIEW REPORT

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

#### *Introduction*

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

#### *Scope of Review*

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

#### *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.

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

  
**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
 Chartered Accountants



**Engagement Partner: IRFAN RAHMAN MALIK**

**Lahore: February 26, 2019**



## Condensed Interim Statement of Financial Position

as at December 31, 2018

Note	December 31, 2018	June 30, 2018
	Rupees	Rupees
	(Un-audited)	(Audited)
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
<i>Authorized capital</i>		
87,000,000 (June 30, 2018: 87,000,000) ordinary shares of Rs. 10 each	<u>870,000,000</u>	<u>870,000,000</u>
Issued, subscribed and paid up capital	865,779,200	865,779,200
Share premium	82,500,000	82,500,000
Surplus on revaluation of property, plant and equipment	498,533,369	507,951,005
Un-appropriated profit	212,870,961	491,629,425
<b>TOTAL EQUITY</b>	<u>1,659,683,530</u>	<u>1,947,859,630</u>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
Long term finances - Secured	908,449,303	904,109,303
Loan from directors and family members - Unsecured	213,493,000	213,493,000
Liabilities against assets subject to finance lease	7,935,287	10,106,974
Employees retirement benefits	13,835,619	12,154,649
Deferred taxation	66,561,468	66,561,468
	<u>1,210,274,677</u>	<u>1,206,425,394</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	569,790,166	742,032,688
Unclaimed dividend	2,757,216	2,757,216
Short term borrowings	1,327,971,495	1,448,562,373
Accrued interest/markup	123,943,413	65,965,591
Current portion of non-current liabilities	14,289,580	21,010,952
	<u>2,038,751,870</u>	<u>2,280,328,820</u>
<b>TOTAL LIABILITIES</b>	<u>3,249,026,547</u>	<u>3,486,754,214</u>
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>4,908,710,077</u>	<u>5,434,613,844</u>

The annexed notes from 1 to 17 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2019

Chief Executive

Chief Financial Officer

Director





## Condensed Interim Statement of Financial Position

as at December 31, 2018

	Note	December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-audited)	(Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	2,459,369,553	2,506,220,177
Long term investments	8	567,866,150	637,901,323
Long term deposits		32,869,577	32,869,577
		<b>3,060,105,280</b>	<b>3,176,991,077</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		98,936,779	99,238,521
Stock in trade		1,364,361,284	1,725,675,247
Trade debts		155,025,413	83,029,429
Advances, deposits, prepayments and other receivables		119,449,739	192,000,547
Advance income tax		78,400,708	89,407,213
Cash and bank balances		32,430,874	68,271,810
		<b>1,848,604,797</b>	<b>2,257,622,767</b>
<b>TOTAL ASSETS</b>		<b><u>4,908,710,077</u></b>	<b><u>5,434,613,844</u></b>

The annexed notes from 1 to 17 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2019

Chief Executive

Chief Financial Officer

Director



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

*For the six month period ended 31 December 2018*

	<i>Note</i>	Six month ended		Three month ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
<b>Sales - net</b>	9	1,131,899,823	1,391,884,778	443,413,911	600,035,140
Cost of sales	10	(1,225,762,848)	(1,408,324,453)	(541,158,072)	(666,445,111)
<b>Gross loss</b>		(93,863,025)	(16,439,675)	(97,744,161)	(66,409,971)
Distribution cost		(2,621,276)	(10,656,273)	(707,968)	(2,343,252)
Administrative expenses		(21,867,352)	(24,436,161)	(3,934,942)	(8,329,674)
		(24,488,628)	(35,092,434)	(4,642,910)	(10,672,926)
Other income		(118,351,653)	(51,532,109)	(102,387,071)	(77,082,897)
		251,849	3,057,829	251,849	3,057,829
<b>Operating loss</b>		(118,099,804)	(48,474,280)	(102,135,222)	(74,025,068)
Finance cost		(85,731,168)	(115,821,663)	(27,698,636)	(64,708,368)
Other charges		-	-	-	-
		(203,830,972)	(164,295,943)	(129,833,858)	(138,733,436)
Share of (loss)/profit of associate		(70,035,173)	22,171,535	(51,602,350)	(23,354,000)
<b>Loss before taxation</b>		(273,866,145)	(142,124,408)	(181,436,208)	(162,087,436)
Provision for taxation	11	(14,309,955)	(16,686,202)	(7,517,037)	(9,401,185)
<b>Loss after taxation</b>		(288,176,100)	(158,810,610)	(188,953,245)	(171,488,621)
<b>Loss per share - basic and diluted</b>		(3.33)	(1.83)	(2.18)	(1.98)

*The annexed notes from 1 to 17 form an integral part of these interim financial statements.*

Lahore  
Date : February 26, 2019

Chief Executive

Chief Financial Officer

Director



## Condensed Interim Statement of Comprehensive Income (Un-audited)

*For the six month period ended 31 December 2018*

	Six month ended		Three month ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Other comprehensive income	-	-	-	-
Loss after taxation	(288,176,100)	(158,810,610)	(188,953,245)	(171,488,621)
Total comprehensive loss	<u>(288,176,100)</u>	<u>(158,810,610)</u>	<u>(188,953,245)</u>	<u>(171,488,621)</u>

*The annexed notes from 1 to 17 form an integral part of these interim financial statements.*

Lahore  
Date : February 26, 2019

Chief Executive

Chief Financial Officer

Director



# Condensed Interim Cash Flow Statement (Un-audited)

*For the six month period ended 31 December 2018*

	Six month ended	
	December 31, 2018	December 31, 2017
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(273,866,145)	(142,124,408)
<b>Adjustments for non-cash items</b>		
Interest/markup on borrowings	85,731,168	115,821,663
Gain on disposal of property, plant and equipment	(251,849)	(3,056,479)
Provision for employees retirement benefits	5,000,000	5,000,000
Depreciation	66,034,914	66,011,184
Share of loss/(profit) of associate	70,035,173	(22,171,535)
	226,549,406	161,604,833
<b>Operating (loss)/profit before changes in working capital</b>	<b>(47,316,739)</b>	<b>19,480,425</b>
<b>Changes in working capital</b>		
Stores, spares and loose tools	301,742	23,171,864
Stock-in-trade	361,313,963	(54,498,279)
Trade debts	(71,995,984)	(42,952,376)
Advances, prepayments and other receivables	72,550,808	38,056,128
Trade and other payables	(172,242,522)	230,321,756
	189,928,007	194,099,093
<b>Net cash generated from operations</b>	<b>142,611,268</b>	<b>213,579,518</b>
<b>Payments for</b>		
Interest/markup on borrowings	(27,753,346)	(83,288,446)
Income tax	(3,303,450)	(6,809,013)
Employees retirement benefits	(3,319,030)	(8,585,876)
<b>Net cash generated from operating activities</b>	<b>108,235,442</b>	<b>114,896,183</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(19,550,441)	(55,923,185)
Long term deposits	-	(159,000)
Proceeds from disposal of property, plant and equipment	618,000	5,550,000
<b>Net cash used in investing activities</b>	<b>(18,932,441)</b>	<b>(50,532,185)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	-	(37,757,000)
Repayment of liabilities against assets subject to finance lease	(4,553,059)	(1,076,307)
Net decrease in short term borrowings	(120,590,878)	(5,384,392)
<b>Net cash used in financing activities</b>	<b>(125,143,937)</b>	<b>(44,217,699)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(35,840,936)</b>	<b>20,146,299</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>68,271,810</b>	<b>6,211,703</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>32,430,874</b>	<b>26,358,002</b>

*The annexed notes from 1 to 17 form an integral part of these interim financial statements.*

Lahore  
Date : February 26, 2019

Chief Executive

Chief Financial Officer

Director



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

For the six month period ended 31 December 2018

	Share capital	Capital reserves		Revenue reserves	
	Issued subscribed and paid-up capital	Share premium	Surplus on revaluation of property, plant and equipment	Un-appropriated profit	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Balance as at June 30, 2017 - Audited</b>	865,779,200	82,500,000	529,234,822	1,020,350,275	2,497,864,297
<b>Comprehensive loss</b>					
Loss after taxation	-	-	-	(158,810,610)	(158,810,610)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	(158,810,610)	(158,810,610)
<b>Incremental depreciation</b>	-	-	(9,913,417)	9,913,417	-
<b>Transaction with owners</b>	-	-	-	-	-
<b>Balance as at December 31, 2017 - Un-audited</b>	865,779,200	82,500,000	519,321,405	871,453,082	2,339,053,687
<b>Balance as at January 01, 2018 - Un-audited</b>	865,779,200	82,500,000	519,321,405	871,453,082	2,339,053,687
<b>Comprehensive loss</b>					
Loss after taxation	-	-	-	(388,158,643)	(388,158,643)
Other comprehensive loss	-	-	(3,146,991)	111,577	(3,035,414)
<b>Total comprehensive loss</b>	-	-	(3,146,991)	(388,047,066)	(391,194,057)
<b>Incremental depreciation</b>	-	-	(8,223,409)	8,223,409	-
<b>Transaction with owners</b>	-	-	-	-	-
<b>Balance as at June 30, 2018 - Audited</b>	865,779,200	82,500,000	507,951,005	491,629,425	1,947,859,630
<b>Balance as at July 01, 2018 - Audited</b>	865,779,200	82,500,000	507,951,005	491,629,425	1,947,859,630
<b>Comprehensive loss</b>					
Loss after taxation	-	-	-	(288,176,100)	(288,176,100)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	-	(288,176,100)	(288,176,100)
<b>Incremental depreciation</b>	-	-	(9,417,636)	9,417,636	-
<b>Transaction with owners</b>	-	-	-	-	-
<b>Balance as at December 31, 2018 - Un-audited</b>	865,779,200	82,500,000	498,533,369	212,870,961	1,659,683,530

The annexed notes from 1 to 17 form an integral part of these interim financial statements.

Lahore  
Date : February 26, 2019

Chief Executive

Chief Financial Officer

Director



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

## *For the six month period ended 31 December 2018*

### **1 LEGAL STATUS AND OPERATIONS**

Hira Textile Mills Limited [‘the Company’] is incorporated in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017), and is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 44-E/1, Gulberg III, Lahore. The principal activity of the Company is manufacturing and sale of yarn. The manufacturing facility is located at Manga Raiwind Road, Tehsil and District Kasur in the province of Punjab.

### **2 BASIS OF PREPARATION**

The interim financial statements are un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

This interim financial information has been subjected to limited scope review by the auditors of the company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2018 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 months period ended December 31, 2018 and December 31, 2017 are neither audited nor reviewed.

#### **2.1 Statement of compliance**

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

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

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

#### **2.2 Basis of measurement**

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

#### **2.3 Judgments, estimates and assumptions**

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

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

#### **2.4 Functional currency**

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

#### **2.5 Date of authorisation for issue**

This interim financial statements have been approved by the Board of Directors of the Company and authorized for issue on February 26, 2019.



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

### *For the six month period ended 31 December 2018*

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

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

##### **IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customer.

- Identify the contract with customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognized revenue when (or as) the entity satisfies a performance obligation.

##### **Clarifications to IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

##### **IFRIC 22 - Foreign Currency Transactions and Advances Consideration**

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

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

##### **Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)**

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

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

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

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

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

##### **Transfers of Investment Property (Amendments to IAS 40 - Investment Property)**

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.



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

### For the six month period ended 31 December 2018

**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)**

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

	Effective date (reporting period / year ended on or after)
IFRS 9 - Financial Instruments (2014)	June 30, 2019
	Effective date (annual periods beginning on or after)
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
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
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020
Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan [“SECP”]:	
IFRS 1 - First Time Adoption of International Financial Reporting Standards	
IFRS 14 - Regulatory Deferral Accounts	
IFRS 17 – Insurance contracts (2017)	

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

#### IFRS 9 - Financial Instruments

Finalised version of IFRS 9 - Financial Instruments: *Recognition and Measurement* which contains accounting requirement for financial instruments, replacing 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 contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other 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 the measurement of an entity's own credit risk.





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

### For the six month period ended 31 December 2018

- **Impairment:** The 2014 version of 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 event to have occurred before a credit loss is recognised.
- **Hedge accounting:** 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 exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

#### 5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of these interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2018.

	<i>Note</i>	<b>December 31, 2018</b>	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
<b>6 CONTINGENCIES AND COMMITMENTS</b>			
<b>6.1 Contingencies</b>			
Guarantees issued by banks on behalf of the Company		29,542,428	29,542,428
Post dated cheques in favor of Commissioner Inland revenue and collector of customs		7,920,000	7,920,000
		<u>37,462,428</u>	<u>37,462,428</u>
<b>6.2 Commitments</b>			
<b>6.2.1</b> Commitments under irrevocable letters of credit for:			
- purchase of stores, spares and loose tools		4,225,830	67,700,426
- purchase of raw material		-	7,684,133
		<u>4,225,830</u>	<u>75,384,559</u>
<b>6.3</b> The Company has rented office premises under operating lease arrangement with directors. Commitment for payments in future periods under the lease are as follows:			
		<b>December 31, 2018</b>	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
Not later than one year		4,200,000	4,200,000
Later than one year but not later than five years		-	2,100,000
		<u>4,200,000</u>	<u>6,300,000</u>
<b>6.4</b> The total of future minimum ujarah payments under non cancelable Ijarah is as follows:			
		<b>December 31, 2018</b>	June 30, 2018
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-Audited)</i>	<i>(Audited)</i>
Not later than one year		1,934,172	2,013,159
Later than one year but not later than five years		6,769,602	7,736,688
		<u>8,703,774</u>	<u>9,749,847</u>
<b>7 FIXED ASSETS</b>			
<b>Operating fixed assets</b>			
Assets owned by the Company	7.1	2,389,924,443	2,432,964,958
Assets subject to finance lease	7.2	69,445,110	73,255,219
		<u>2,459,369,553</u>	<u>2,506,220,177</u>



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

*For the six month period ended 31 December 2018*

	Note	December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)
<b>7.1 Assets owned by the Company</b>			
Net book value at the beginning of the period/year		2,432,964,958	2,467,783,871
Additions during the period/year			
Buildings on freehold land		-	141,100
Plant and machinery		18,935,896	88,959,258
Electric installation		229,920	4,552,910
Power house		325,825	682,039
Factory equipment		18,400	-
Computers		40,400	28,050
Furniture and fixtures		-	13,200
Vehicles		-	3,366,650
		19,550,441	97,743,207
Transfers from capital work in progress during the period/year		-	4,773,841
Net book value of assets disposed during the period/year		(366,151)	(5,624,514)
Depreciation for the period/year		(62,224,805)	(131,711,447)
Net book value at end of the period		2,389,924,443	2,432,964,958
<b>7.2 Assets subject to finance lease</b>			
Net book value at beginning of the period/year		73,255,219	73,691,534
Additions during the period/year		-	5,194,578
Depreciation for the period/year		(3,810,109)	(5,630,893)
Net book value at end of the period/year		69,445,110	73,255,219

## 8 LONG TERM INVESTMENTS

This represents investment in ordinary shares of Hira Terry Mills Limited, an associated company.

	December 31, 2018	June 30, 2018
	Rupees	Rupees
	(Un-Audited)	(Audited)
Percentage of ownership interest	46.90%	46.90%
Cost of investment	184,500,000	184,500,000
18,450,000 shares (June 30, 2018: 18,450,000 shares)		
Bonus Issue @ 20%	36,900,920	36,900,920
Share of post acquisition profits	346,465,230	416,500,403
	567,866,150	637,901,323



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

### For the six month period ended 31 December 2018

		Six month ended		Three month ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		Rupees	Rupees	Rupees	Rupees
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
<b>9</b>	<b>SALES - NET</b>				
	Local				
	Yarn	1,082,873,784	993,223,532	423,361,426	479,207,107
	Waste	61,922,576	97,986,690	31,091,916	48,584,710
		1,144,796,360	1,091,210,222	454,453,342	527,791,817
	Sales return	(12,896,537)	(15,234,475)	(11,039,431)	(15,234,475)
		1,131,899,823	1,075,975,747	443,413,911	512,557,342
	Export				
	Yarn - direct	-	304,607,402	-	82,195,332
	Export rebate	-	11,301,629	-	1,952,466
		1,131,899,823	1,391,884,778	443,413,911	596,705,140
<b>10</b>	<b>COST OF SALES</b>				
	Raw material consumed	724,975,364	962,050,956	283,759,513	456,842,249
	Packing material consumed	13,989,822	22,572,565	6,059,226	10,601,763
	Stores, spares and loose tools consumed	20,625,729	20,585,100	12,285,816	11,581,635
	Salaries, wages and benefits	134,922,842	153,171,926	73,065,865	72,181,486
	Insurance	-	9,998,978	(3,817,500)	7,093,477
	Fuel and power	89,282,081	198,493,391	24,663,248	91,942,215
	Dyes and chemicals	17,830,774	16,502,280	6,279,295	8,363,009
	Depreciation	64,714,216	64,690,960	31,863,302	36,953,283
	Other manufacturing overheads	7,210,853	19,597,547	5,514,105	8,824,906
		1,073,551,681	1,467,663,703	439,672,870	704,384,023
	Work in process				
	As at beginning of the period	27,947,507	28,968,189	20,531,783	39,282,422
	As at end of the period	(6,042,254)	(48,555,717)	(6,042,254)	(48,555,717)
		21,905,253	(19,587,528)	14,489,529	(9,273,295)
	Cost of goods manufactured	1,095,456,934	1,448,076,175	454,162,399	695,110,728
	Finished goods				
	As at beginning of the period	361,192,001	257,428,763	317,881,760	268,514,868
	Purchased during the period	-	2,734,705	-	2,734,705
	As at end of the period	(230,886,087)	(299,915,190)	(230,886,087)	(299,915,190)
		130,305,914	(39,751,722)	86,995,673	(28,665,617)
		1,225,762,848	1,408,324,453	541,158,072	666,445,111
<b>11</b>	<b>PROVISION FOR TAXATION</b>				
	Note	Six month ended		Three month ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		Rupees	Rupees	Rupees	Rupees
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)
	Current taxation	11.1 (14,309,955)	(16,686,202)	(7,517,037)	(9,401,185)
	Deferred taxation	11.2 -	-	-	-
		(14,309,955)	(16,686,202)	(7,517,037)	(9,401,185)

11.1 Provision for taxation has been made under section 113 and 154 of the Income Tax Ordinance, 2001.

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



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

### For the six month period ended 31 December 2018

#### 12 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term employee benefits and office rent. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an orderly transaction between market participants at the date of transaction. Detail of transactions and balances with related parties is as follows:

Details of transactions with related parties are as follows:

		Six month ended	
		December 31, 2018	December 31, 2017
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
<b>12.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transaction</b>		
Associated companies	Sales of yarn, dyes and chemicals	239,535,170	344,974,157
	Purchase of towels, dyes, chemicals and stores	-	3,360,044
	Expenses charged	9,823,658	10,293,260
	Interest/markup expense	14,259,056	12,545,598
	Insurance premium paid	3,587,970	-
Sponsors	Interest on borrowings charged	8,464,735	7,060,126
	Interest on borrowings waived	8,464,735	7,060,126
	Office rent	2,700,000	2,700,000
Provident fund trust	Contribution for the period	1,140,500	1,218,966
Key management personnel	Remuneration and other benefits	1,567,500	3,135,000
		December 31, 2018	June 30, 2018
		Rupees	Rupees
		(Un-Audited)	(Audited)
<b>12.2 Balances with related parties</b>			
Associated company	Advances obtained	220,973,126	246,650,448
	Advance obtained against sale of yarn	-	157,117,892
	Insurance payable	-	11,281,981
Sponsors	Borrowings	515,155,373	515,155,373
Key management personnel	Short term employee benefits payable	124,943	555,332
Provident fund trust	Payable to provident fund	614,154	760,770



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

## For the six month period ended 31 December 2018

### 13 FINANCIAL INSTRUMENTS

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

	December 31, 2018	June 30, 2018
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
<b>13.1 Financial assets</b>		
<i>Cash in hand</i>	28,739,092	1,567,530
<i>Loans and receivables</i>		
Long term deposits	32,869,577	32,869,577
Trade debts	155,025,413	83,029,429
Advances to employees	2,680,807	2,991,502
Margin deposits	4,198,946	4,198,946
Bank balances	3,691,782	66,704,280
	198,466,525	189,793,734
	227,205,617	191,361,264
<b>13.2 Financial liabilities</b>		
<i>Financial liabilities at amortized cost</i>		
Long term finances	908,449,303	908,449,303
Loan from directors and family members - <i>Unsecured</i>	213,493,000	213,493,000
Liabilities against assets subject to finance lease	22,224,867	26,777,926
Short term borrowings	1,327,971,495	1,448,562,373
Accrued interest/markup	123,943,413	65,965,591
Trade creditors	182,701,370	234,099,094
Due to jointly controlled entity	263,083,251	246,650,448
Accrued liabilities	114,030,538	82,718,151
Unclaimed dividend	2,757,216	2,757,216
	3,158,654,453	3,229,473,102

### 14 FAIR VALUE MEASUREMENTS

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

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

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

#### 14.1 Financial Instruments

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



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

### For the six month period ended 31 December 2018

#### 14.2 Assets and liabilities other than financial instruments.

##### 14.2.1 Recurring fair value measurements

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

	Level 1	Level 2	Level 3	December 31, 2018	June 30, 2018
				<i>Rupees</i>	<i>Rupees</i>
				<i>(Un-Audited)</i>	<i>(Audited)</i>
Freehold land	-	183,480,000	-	183,480,000	183,480,000
Building on free hold land	-	-	308,901,904	308,901,904	316,822,466
Plant and machinery	-	-	1,674,868,403	1,674,868,403	1,698,483,975

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. 9.17 million (June 30, 2018: Rs. 9.17 million).
Building on free hold 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 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. 15.45 million (June 30, 2018: Rs. 15.84 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 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. 83.74 million (June 30, 2018: Rs. 84.92 million).

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

##### 14.2.2 Non-recurring fair value measurements

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

#### 15 EVENTS AFTER THE REPORTING PERIOD

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



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

### *For the six month period ended 31 December 2018*

#### 16 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 these interim financial statements.

#### 17 GENERAL

17.1 There are no other significant activities since June 30, 2018 affecting the interim financial statements.

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

17.3 Figures have been rounded off to the nearest Rupee.

Lahore  
Date : February 26, 2019

Chief Executive

Chief Financial Officer

Director

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