

**2nd Quarter &
Half Year Accounts
Period Ended**

**December 31st
2018**

(REVIEWED)



J. A. Textile Mills Limited

COMPANY INFORMATION

Board of Directors

Chair Person:	Mrs. Rukhsana Begum
Chief Executive:	Mr. Imran Zahid
Directors:	Mr. Zahid Anwar
	Mrs. Rukhsana Begum
	Ms. Quratul-Ain Zahid
	Mr. Muhammad Ali
	Mr. Riaz Ahmed
	Mr. Liaqat Ali Qamar

Audit Committee:

Chairman:	Mr. Muhammad Ali
Member:	Mr. Riaz Ahmed
Member:	Ms. Quratul-Ain Zahid

Human Resources & Remuneration (HR&R) Committee:

Chairman:	Mr. Liaqat Ali Qamar
Member:	Mr. Imran Zahid
Member:	Mr. Riaz Ahmed

Company Secretary: Mr. Ajmal Shabab

Chief Financial Officer: Mr. Zia Ullah Khan Dilawar

Head of Internal Audit: Mr. Muhammad Umer Farooq

Auditors: KrestonHyder Bhimji & Company, Chartered Accountants

Banks: Al Baraka Islamic Bank B.S.C. (E.C.)
Dubai Islamic Bank Pakistan Limited
JS Bank Limited
National Bank of Pakistan
United Bank Limited

Legal Advisor: Mr. Zia-ul-Haq (Advocate)

Registered Office: JK House, 32-W, Susan Road, Madina Town, Faisalabad

Share Registrar Office: HameedMajeed Associates (Private) Limited
1st Floor, H.M House, 7-Bank Square, Lahore.

Mills: 29-KM, Sheikhpura Road, Faisalabad

Web Site: www.jatml.com

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Board of Directors are pleased to present condensed interim financial statements of the company for the 2nd quarter and half year ended December 31, 2018.

Financial Results

Operating Indicators	Half Year Ended December 31, 2018 Rupees	Half Year Ended December 31, 2017 Rupees
Sales	602,103,963	558,618,667
Gross profit	12,363,751	16,484,742
Pretax profit	8,577,633	11,660,290
Provision for taxation	(4,884,787)	(10,480,821)
Profit per share	0.29	0.09

During the period ended, the gross profit of the company has been decreased as compared to corresponding period of last year.

Regarding the auditor's reservation of going concern relating to note 1.2 of condensed interim financial statements, the management of the company is making strenuous efforts, optimal production strategies and effective cost controls to improve the profitability of the company. The management positively looks forward to counter all challenges and is firmly committed to deliver the best possible results and will continue to meet our objectives and goals. Based upon these aspects and continuing financial support from directors and associates, the financial statements have been prepared on going concern basis.

There is no material change in position of ongoing litigation and other matters related to court as reported in the Directors' report to the shareholders for the year ended June 30, 2018.

Transactions with related parties are carried out at arm's length. The prices are determined in accordance with comparable uncontrolled price method.

We would like to express our appreciation for the dedication and hard work put in by the entire team at J. A. Textile Mills Limited and all its partners within the country and all across the world.

For and on behalf of the Board of Directors

**FEBRUARY 27, 2019
FAISALABAD**


IMRAN ZAHID
Chief Executive

ڈائریکٹرز رپورٹ برائے حصص یافتگان

آپ کے بورڈ آف ڈائریکٹرز کو دوسری سہ ماہی 31 دسمبر 2018 کو ختم ہونے والے ششماہی سال کے کمپنی کے غیر آڈٹ شدہ مالیاتی اسٹیٹمنٹ پیش کرتے ہوئے نہایت صبر و تحمل سے مدد فرمائی ہے۔

مالیاتی نتائج	
ششماہی سال کا اختتام	ششماہی سال کا اختتام
31 دسمبر 2017	31 دسمبر 2018
روپے	روپے
558,618,667	602,103,963
16,484,742	12,363,751
11,660,290	8,577,633
(10,480,821)	(4,884,787)
0.9	0.29

اس ششماہی میں کمپنی کے مجموعی منافع میں پچھلے ششماہی کی نسبت کمی واقع ہوئی ہے۔

گوئنگ کنسرن کے متعلق آڈیٹرز کے تحفظات، جن میں شدہ درمیانی مدت کے مالیاتی نتائج کے نوٹ نمبر 1.2 کی بابت کمپنی کے منافع کو بہتر بنانے کیلئے کمپنی کی انتظامیہ مسلسل کوششیں کر رہی ہے۔ پیداوار بڑھانے کی حکمت عملی اور لاگت کنٹرول کرنے کے موثر طریقوں پر عمل کیا جا رہا ہے۔ کمپنی کی انتظامیہ مثبت انداز میں آنے والے تمام چیلنجوں کا مقابلہ کرنے کیلئے تیار ہے اور ممکنہ بہترین نتائج فراہم کرنے کیلئے پختہ ارادہ رکھتی ہے اور اپنے مقاصد اہداف کو پورا کرنے کیلئے کوششیں جاری رہیں گی۔ ان پہلوؤں، ڈائریکٹرز اور ایسوسی ایٹس کی مسلسل مالی امداد کی بنیاد پر یہ مالیاتی اسٹیٹمنٹس گوئنگ کنسرن بنیادوں پر بنائی گئی ہے۔

30 جون 2018 کو ختم ہونے والے سال کی ڈائریکٹرز رپورٹ برائے حصص یافتگان میں جو مقدمات اور دیگر امور رپورٹ کئے گئے ان میں کوئی تبدیلی نہیں ہوئی ہے۔

متعلقہ پارٹیز کے ساتھ لین دین آرم لینتھ بنیادوں پر کیا گیا اور قیمتوں کا تعین کمپنریبل ان کنٹرولڈ پرائس میٹھڈ کی بنیاد پر کیا گیا۔

ہم چاہے ٹیکسٹائل ملز لینڈ کی پوری ٹیم اور اس کے تمام شرائط داروں ملک کے اندر اور دنیا بھر میں کی انتھک محنت کی تعریف کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

27 فروری 2019

فیصل آباد

محمد زبیر
چیف ایگزیکٹو آفیسر

J A TEXTILE MILLS LIMITED

CHAIRMAN'S REVIEW

We are pleased to present the financial results of the company, we are confident that our business will continue adding to sustainable growth to achieve better results during the current year as compared to corresponding half year of last year and rise in other avenues of business will further add value to the net worth of the company.

The management remains committed to maintain focus on sustaining the financial performance of the company. We thank our shareholders, customers, bankers and staff for their support and trust in the company.

In the end, I would like to appreciate the board of directors for their commitment, hardworking and continued efforts towards the improvement of the company.

For and on behalf of the Board of Directors



**FAISALABAD
FEBRUARY 27, 2019**

**RUKHSANA BEGUM
Chairperson BOD**

جے اے ٹیکسٹائل ملز لمیٹڈ

چیئر پرسن کا جائزہ

مہتر پرین کھن کے الیکٹریٹیٹی کر ہے ہیں۔ ہم اس بات پر یاسیدہ ہیں کہ کھن اس سال ترقی کی جانب گامزن رہے گی۔ اور پچھلے سال کی نسبت اس سال بہتر کی حاصل کرنے کیلئے کامیاب کے بہترین طریقے اختیار کریں گے۔

انکسپ ان سٹیل میں ہلیم ہے کہ آپ کی کھن کی مالی کارکردگی کو برقرار رکھنے کے معاملے پر خصوصی فوہ مرکز رکھے گی۔ ہم اپنے خصیہ افغان، سٹیلز اور سٹیل کے فٹرز کو اور بھی بھگتد اور اسار کھن کو حاصل ہوا۔
آر سی سی ہوا آف ڈائریکٹرز کا بھی مشورہ ہا کرنا چاہتی ہیں جن کی طرف سے ہر سال کے دوران قیمتی شراکت اور باہمیائی فراہم کی جاتی رہی۔

بورڈ کی طرف سے



رعسانہ بیگم

چیئر پرسن، بورڈ آف ڈائریکٹرز

27 فروری 2019

لیصل آباد۔

**INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF
J. A. TEXTILE MILLS LIMITED
REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **J. A. 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 changes in equity, condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the condensed interim financial statements). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim statement of profit or loss and the condensed interim statement of 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 half year ended December 31, 2018.

Scope of review

We conducted our review in accordance with the 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 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 interim financial statements are not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Matter of emphasis

Without qualifying our conclusion;

- a) We draw attention of the members to the contents of note 1.2 to the annexed financial statements, which indicates that its accumulated loss stands at Rs. 202.357 million against the paid up share capital of Rs. 126.012 million as at December 31, 2018 and as of that date, the Company's current liabilities exceeded its current assets by Rs. 85.76 million. Although the Company has earned net profit of Rs. 3.693 million during the current period but these factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.
- b) we draw attention of the members to the contents of note 7.1.1 to the annexed interim financial information, which indicates that the Company has filed appeal before the Supreme Court of Pakistan against the decision of the Lahore High Court, Lahore for remitting back the case to Banking Court - II, Faisalabad for necessary calculations and verification of payments to the tune of Rs. 26.890 million, which had originally been decided in favour of the Company. The management of the company is affirmative that the case will be decided in its favour. However, the ultimate outcome of the matter cannot presently be determined with any degree of certainty.

The engagement partner on the review resulting in this independent auditor's report is **Khalid Muhammad**.

DATE: February 27, 2019
FAISALABAD



KRESTON HYDER BHIMJI & CO.
Chartered Accountants

J. A. TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	NOTE	Unaudited December 31, 2018	Audited June 30, 2018
[R U P E E S]			
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital		<u>200,000,000</u>	<u>200,000,000</u>
20,000,000 ordinary shares of Rs.10 each			
Issued, subscribed and paid up capital		126,011,600	126,011,600
12,601,160 ordinary shares of Rs. 10 each, fully paid in cash			
Accumulated loss		(202,337,429)	(209,641,063)
Surplus on remeasurement of investments available for sale to fair value		(49,975)	(30,951)
Surplus on revaluation of property, plant and equipment	5	201,375,891	204,986,679
Loan from related parties	6	<u>133,519,720</u>	<u>125,926,743</u>
		<u>258,519,807</u>	<u>247,253,008</u>
NON CURRENT LIABILITIES			
Deferred liability		64,148,105	66,789,618
CURRENT LIABILITIES			
Trade and other payables		243,624,337	214,800,560
Unclaimed dividend		443,720	443,720
Current portion of long term financing		-	4,000,000
		<u>244,068,057</u>	<u>219,244,280</u>
CONTINGENCIES AND COMMITMENTS			
	7	-	-
		<u>566,735,969</u>	<u>533,286,906</u>
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	391,000,789	398,352,788
Long term deposits		<u>17,427,380</u>	<u>17,427,380</u>
		<u>408,428,169</u>	<u>415,780,168</u>
CURRENT ASSETS			
Stores and spares		6,583,344	9,125,475
Stock in trade		124,857,616	90,766,858
Trade debts		278,706	6,056,856
Advances, prepayment and other receivables		1,214,004	1,365,325
Short term investment	9	322,505	341,529
Tax refunds due from Government		7,686,707	6,838,519
Cash and bank balances		<u>17,364,918</u>	<u>3,012,176</u>
		<u>158,307,800</u>	<u>117,506,738</u>
		<u>566,735,969</u>	<u>533,286,906</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A. TEXTILE MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018**

NOTE	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	[R U P E E S]		[R U P E E S]	
Sales-net	602,103,963	558,618,667	352,687,879	290,928,208
Cost of sales	(589,740,212)	(542,133,925)	(344,997,654)	(274,913,787)
Gross profit	12,363,751	16,484,742	7,690,225	16,014,421
Operating expenses				
Distribution cost	(122,775)	(51,040)	(76,270)	(51,040)
Administrative expenses	(5,470,228)	(4,843,238)	(2,842,938)	(2,564,810)
Other expenses	-	(613,699)	-	(613,699)
Finance cost	(11,729)	(22,273)	(8,356)	(10,888)
	(5,604,732)	(5,530,250)	(2,927,564)	(3,240,437)
Operating profit/(loss)	6,759,019	10,954,492	4,762,661	12,773,984
Other income	1,818,614	705,798	1,818,614	705,798
Profit before taxation	8,577,633	11,660,290	6,581,275	13,479,782
Taxation				
Current	(7,526,300)	(6,982,733)	(4,408,599)	(3,636,602)
Deferred	2,641,513	(3,498,088)	2,081,780	(4,083,262)
	(4,884,787)	(10,480,821)	(2,326,819)	(7,719,864)
Profit for the period	3,692,846	1,179,469	4,254,456	5,759,918
Earnings per share - basic and diluted	0.29	0.09	0.34	0.46

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A. TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended		Quarter ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	[R U P E E S]		[R U P E E S]	
Profit for the period	3,692,846	1,179,469	4,254,456	5,759,918
Other comprehensive income/(loss) for the period:				
Items that may be reclassified subsequently to profit or loss				
Unrealized loss on changes in fair value of investment	(19,024)	(34,359)	(19,024)	(34,359)
Gain realised on disposal of short term investment	-	(128,989)	-	(128,989)
	(19,024)	(163,348)	(19,024)	(163,348)
Items that will not be reclassified subsequently to profit or loss				
Surplus on revaluation of property, plant and equipment - net of deferred tax	-	24,709,391	-	24,709,391
Impairment of revalued property, plant and equipment - net of deferred tax	-	(14,391,855)	-	(14,391,855)
	-	10,317,536	-	10,317,536
Total comprehensive income for the period	3,673,822	11,333,657	4,235,432	15,914,106

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A. TEXTILE MILLS LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

	Share capital	Accumulated loss	Surplus on remeasurement of investments available for sale to fair value	Surplus on revaluation of property, plant and equipment	Loan from related parties	Total
	[R U P E E S]					
Balance as at July 01, 2017	126,011,600	(247,075,140)	120,989	201,952,923	-	80,210,372
Profit for the period	-	1,179,469	-	-	-	1,179,469
Other comprehensive income/(loss) for the period	-	-	(163,348)	10,317,536	-	10,154,188
Total comprehensive income for the period	-	1,179,469	(163,348)	10,317,536	-	11,333,657
Incremental depreciation on revalued property, plant and equipment for the period	-	5,099,204	-	(5,099,204)	-	-
Tax effect on incremental depreciation	-	(1,529,762)	-	1,529,762	-	-
Loan from chief executive, directors and members reclassified into equity	-	-	-	-	134,632,263	134,632,263
Balance as at December 31, 2017	<u>126,011,600</u>	<u>(243,126,229)</u>	<u>(34,359)</u>	<u>208,701,017</u>	<u>134,632,263</u>	<u>226,184,292</u>
Balance as at July 01, 2018	126,011,600	(209,641,063)	(30,951)	204,986,679	125,926,743	247,253,000
Profit for the period	-	3,692,846	-	-	-	3,692,846
Other comprehensive income for the period	-	-	(19,024)	-	-	(19,024)
Total comprehensive income for the period	-	3,692,846	(19,024)	-	-	3,673,822
Incremental depreciation on revalued property, plant and equipment for the period	-	5,014,984	-	(5,014,984)	-	-
Tax effect on incremental depreciation	-	(1,404,196)	-	1,404,196	-	-
Loan obtained from related parties	-	-	-	-	7,935,000	7,935,000
Repayment of loan from related parties	-	-	-	-	(342,023)	(342,023)
Balance as at December 31, 2018	<u>126,011,600</u>	<u>(202,337,429)</u>	<u>(49,975)</u>	<u>201,375,891</u>	<u>133,519,720</u>	<u>258,519,807</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

KHB


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

J. A. TEXTILE MILLS LIMITED

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018**

NOTE	Half year ended	
	December 31, 2018	December 31, 2017
	[R U P E E S]	
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,577,633	11,660,290
Adjustments for non cash and other items		
Depreciation	9,092,632	9,475,573
Profit on deposit accounts	(456,028)	(213,375)
Profit on deposit with SNGPL	(324,269)	(357,913)
Gain on disposal of property, plant and equipment	(1,021,633)	-
Profit on short term investment	-	(129,175)
Workers profit participation fund	-	613,699
Finance cost	11,729	22,273
Operating cash used in before working capital changes	15,880,064	21,071,372
Changes in working capital		
(Increase)/decrease in current assets		
Stores and spares	2,542,131	(226,822)
Stock in trade	(34,090,758)	(27,615,387)
Trade debts	5,778,150	(328,440)
Advances, prepayments and other receivables	223,599	3,787,008
Tax refunds due from Government	(728,935)	(433,012)
Increase in current liabilities		
Trade and other payables	28,823,777	23,879,139
	2,547,964	(937,514)
Cash generated from operations	18,428,028	20,133,858
Finance cost paid	(11,729)	(22,273)
Income tax paid	(7,645,553)	(5,810,655)
Profits on deposits with SNGPL received	251,991	-
Profits on deposit accounts received	456,028	205,016
Security deposit paid	-	(5,000)
Net cash generated from operating activities	11,478,765	14,500,946
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Addition in property, plant and equipment	(1,919,000)	(1,816,214)
Sale proceed on disposal of property, plant and equipment	1,200,000	-
Net cash used in investing activities	(719,000)	(1,816,214)
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(4,000,000)	(5,111,000)
Loan from related parties - net	7,592,977	7,534,984
Net cash generated from financing activities	3,592,977	2,423,984
Net increase in cash and cash equivalents	(a+b+c) 14,352,742	15,108,716
Cash and cash equivalents at the beginning of the period	3,012,176	3,777,508
Cash and cash equivalents at the end of the period	17,364,918	18,886,224

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

 CHIEF EXECUTIVE

 CHIEF FINANCIAL OFFICER

 DIRECTOR

J. A. TEXTILE MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

1. THE COMPANY AND ITS OPERATIONS

1.1 J.A. Textile Mills Limited (the Company) was incorporated in Pakistan on 25 May, 1987 under the repealed Companies Ordinance, 1984 (now Companies Act 2017). The shares of the company are listed on Pakistan Stock Exchange. The Mill is situated at 29-KM, Sheikhpura Road, Faisalabad in the province of Punjab and the registered office of the Company is situated at JK House, 32-W, Susan Road, Madina Town, Faisalabad. The principal business activity of the Company is manufacturing and sale of yarn.

1.2 Going concern assumption

The Company has accumulated loss of Rs. 202.337 million (June 30, 2018: Rs. 209.641 million) as against issued, subscribed and paid up capital of Rs. 126.012 million and its current liabilities exceeded its current assets by Rs. 85.76 million (June 30, 2018: Rs. 101.738 million) as at December 31, 2018. These factors indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and the Company may be unable to realize its assets and discharge its obligations in the normal course of business.

In spite of the huge accumulated losses and negative current ratio, the management of the Company is making its strenuous efforts, optimal production strategies and effective cost controls to improve the profitability of the Company. The balancing and modernization of plant and machinery in previous years, improvement in future industry situation and better production efficiency has resulted in profit for the period. The management positively looks forward to counter all challenges and is firmly committed to deliver the best possible results and will continue to meet its objectives and goals as it is also evident from the current period results. Based upon these aspects and continuing financial support from directors and associates, the financial statements have been prepared on going concern basis.

2. STATEMENT OF COMPLIANCE

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

The cumulative figures for the half year ended December 31, 2018 presented in these condensed interim financial statements have been subjected to limited scope review by the auditors, as required under section 237 of the Companies Act, 2017. These condensed interim financial statements do not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The significant accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2018.
- 3.2** There are certain IFRSs, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2018. These are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in these condensed interim financial statements.
- 3.3** Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected annual profit or loss.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

- 4.1** The preparation of this condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.
- 4.2** During the preparation of these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited annual financial statements of the Company for the year ended June 30, 2018.

	Unaudited December 31, 2018	Audited June 30, 2018
NOTE	[R U P E E S]	
5. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Opening balance	204,986,679	201,952,923
Add: Surplus arise on revaluation of property, plant and equipment	-	35,299,130
Less: Related effect of deferred tax liability	-	(10,589,739)
	-	24,709,391
Less: Impairment of revalued property, plant and equipment	-	(20,554,324)
Add: Related effect of deferred tax liability	-	6,166,297
	-	(14,388,027)
Incremental depreciation on revalued property, plant and equipment transferred to accumulated loss	5,014,984	10,410,869
Related effect of deferred tax liability	(1,404,196)	(3,123,261)
	3,610,788	7,287,608
	<u>201,375,891</u>	<u>204,986,679</u>

The Company's freehold land, building on freehold land, plant and machinery, power generators, electric installations and factory equipments were revalued by M/S Yousaf Adil Saleem & Co. Chartered Accountants as on September 30, 1998 and by M/S Nizamy Associates as on June 30, 2007 and June 30, 2012 and M/S Amir Evaluators & Consultants as on December 31, 2017. Revaluation of freehold land was carried out at market value and building on freehold land, plant and machinery, power generators, electric installations and factory equipments on depreciated replacement values.

The fair valuation of the revalued assets are considered to represent a level 2 valuation based on significant non-observable inputs being the location and condition of the assets. The fair values are subject to change owing to change in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. The basis of revaluation for items of these fixed assets were as follows:

The revaluation of freehold land was based on inquiries from real estate agents and property dealers in near vicinity of freehold land. Different revaluation methods and exercises were adopted according to experience, location and other usage of freehold land considering all the relevant factors. The methodology for valuation adopted was based on International Valuation Standards. Valuation of building on freehold land was based on assessment of current construction cost of building having equivalent area and similar specifications using prevailing yardsticks for assessing cost of construction on per unit area basis. The cost thus arrived was adjusted to account for the age of building in comparison with useful service life of structure. For the purpose of valuation of plant and machinery, power generators, electric installations and factory equipments the historical values were appreciated and depreciated accordingly. Due consideration was given to the devaluation of Pakistani rupee and average escalation in the world market, adequate obsolescence factor was also applied.

6. LOAN FROM RELATED PARTIES

Chief executive, directors and members	6.1	<u>133,519,720</u>	<u>125,926,743</u>
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6.1 This represents interest free loan from Chief executive, directors and members of the company, repayable at the discretion of the company. However, in light of guidance provided in Technical Release - 32 (Accounting Directors Loan) issued by the Institute of Chartered Accountants of Pakistan, this loan has been grouped as part of equity.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

7.1.1 The Faysal Bank Limited filed a suit against the Company for recovery of Rs. 48.560 million on 21 September 2001 before Banking Court - II, Faisalabad. The Banking Court - II, Faisalabad ordered against the bank vide its judgment dated 4 November 2002. However, the bank filed an appeal before the Lahore High Court (LHC), Lahore, against the decision of Banking Court - II, Faisalabad for recovery of Rs. 18.726 Million (principal 45.616 minus payment as per bank 26.890). The High court enhanced the liability at Rs. 56.845 million and allowed to adjust Rs. 26.890 million already paid by the Company as per statement of accounts of the bank and established Rs. 29.955 million as recoverable from the Company after adjustment of already paid amount alongwith cost of funds vide judgment dated 6 July 2010. Regarding contention of payment between bank and Company the LHC has remitted this matter to the banking court for deputation of chartered accountants for verification of payment by the company to the bank.

Having been aggrieved by the decision of the Honourable Lahore High Court, Lahore, the Company filed an appeal before the Supreme Court of Pakistan. The management of the company has optimistic opinion that the case will be decided in its favour on the pretext that due relief had already been given by the apex court in identical cases.

7.1.2 An employee of the company has filed a suit for the claim of reinstatement of his services and dues which has been decided by the Labour Court No.4, Faisalabad in appellant's favour vide order dated 29 October 2009. The Company has filed an appeal before Punjab Labour Appellate Tribunal against the decision of Labour Court. In compliance with the order of Punjab Labour Appellate Tribunal payment of Rs. 119,774 as 50% of employee's dues have been deposited with Appellate Authority. Consequently, the Punjab Labour Appellate Tribunal, Lahore after hearing the arguments has set aside the impugned order of Labour Court No. 4, Faisalabad vide order dated 27 April 2015 and remanded back to the lower Court with a direction to decide the Appellant Company's application wherein it is alleged that the respondent is unfit to work. However, the management of the Company has optimistic opinion that the Company is at sound footing and prima facie the case is expected to be decided in its favour. The amount under litigation is not material, therefore, no provision has been made in the financial statements.

7.1.3 By virtue of Finance Act, 2017, Section 5A of the Income Tax Ordinance, 2001 (the 'Ordinance') was amended. As per the revised provision, a tax equal to 7.5 percent of accounting profit for the year is required to be levied on every listed company, other than a scheduled bank and modaraba, if distribution of cash dividend or bonus shares of at least 40 percent of the accounting profit after tax for the year is not made within six months of its end of the year. The management of the Company is of the view that this amendment is opposed to the principles of economic growth and therefore, has intention to challenge the amendment before the Honorable Lahore High Court, Lahore. It is worthwhile to mention here that constitutional Petitions on this issue have already been filed by various companies before the Honorable Sindh High Court, challenging the tax and the Honorable Court has granted stay orders to those companies in respect of levy of the aforesaid tax.

Further, through the Finance Act, 2018 the said rate of 7.5% has been reduced to 5% and limit of 40% has been reduced to 20%. However, such distribution has to be made only through cash as the words "bonus shares" have also been omitted.

Accordingly, a provision amounting to Rs. 2,904,979/- for the year ended June 30, 2017 and 2018 has not been made in these financial statements in respect of the additional tax liability for non-compliance of the provisions of section 5A of the Ordinance. The management expects a favourable outcome in this respect.

7.2 Commitments

There are no significant commitments at the reporting date which need to be disclosed in these condensed interim financial statements.

	Unaudited December 31, 2018	Audited June 30, 2018
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8.2 Depreciation charge for the period/year has been allocated as under:

Cost of sales	8,958,099	18,837,721
Administrative expenses	134,533	351,000
	<u>9,092,632</u>	<u>19,188,721</u>

[R U P E E S]

9. SHORT TERM INVESTMENT

Available for sale

NAFA Islamic Asset Allocation Fund	<u>322,505</u>	<u>341,529</u>
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9.1 These have been valued by using published net asset value (NAV) as at December 31, 2018. The number of units held by the Company are 22,015,9670 units (June 30, 2018: 22,015,9670 units).

10. COST OF SALES

	Note	Half year ended		Quarter ended	
		December 31,	December 31,	December 31,	December 31,
		2018	2017	2018	2017
		[R U P E E S]		[R U P E E S]	
Raw material consumed	10.1	447,034,665	383,096,718	271,864,014	192,223,879
Stores and spares consumed		13,833,003	6,588,253	7,893,981	2,502,255
Packing material consumed		8,757,664	9,969,404	5,096,135	4,832,335
Salaries and wages		54,378,792	55,075,285	29,706,832	27,297,956
Retirement benefits		1,534,028	1,198,253	573,320	615,103
Fuel and power		78,635,033	77,287,421	47,098,498	39,547,814
Repairs and maintenance		1,858,140	720,127	448,600	610,698
Postage and telecommunication		35,728	49,492	23,140	36,572
Vehicles running and maintenance		214,365	266,631	130,279	147,516
Depreciation	8.2	8,958,099	9,300,074	4,487,046	4,667,647
Others		496,854	528,246	252,882	252,733
		<u>615,736,371</u>	<u>544,079,904</u>	<u>367,574,727</u>	<u>272,734,508</u>
Work in process					
Opening balance		6,293,971	9,648,040	5,318,870	8,658,925
Closing balance		(10,716,330)	(7,345,455)	(10,716,330)	(7,345,455)
		<u>(4,422,359)</u>	<u>2,302,585</u>	<u>(5,397,460)</u>	<u>1,313,470</u>
Cost of goods manufactured		<u>611,314,012</u>	<u>546,382,489</u>	<u>362,177,267</u>	<u>274,047,978</u>
Finished goods					
Opening balance		26,361,742	9,105,627	30,755,929	14,220,000
Closing balance		(47,935,542)	(13,354,191)	(47,935,542)	(13,354,191)
		<u>(21,573,800)</u>	<u>(4,248,564)</u>	<u>(17,179,613)</u>	<u>865,809</u>
		<u>589,740,212</u>	<u>542,133,925</u>	<u>344,997,654</u>	<u>274,913,287</u>

10.1 RAW MATERIAL CONSUMED

Opening balance	56,869,352	26,421,193	15,488,063	38,588,494
Purchases	452,637,984	410,108,005	318,848,621	207,067,865
	509,507,336	436,529,198	334,336,684	245,656,359
Closing balance	(62,472,670)	(53,432,480)	(62,472,670)	(53,432,480)
	<u>447,034,666</u>	<u>383,096,718</u>	<u>271,864,014</u>	<u>192,223,879</u>

11. RELATED PARTY TRANSACTIONS

The related parties comprise associated undertakings, directors, members, key management personnel and retirement benefit fund. The Company in the normal course of business carries out transactions with these related parties. Transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements, are as follows:

Party	Nature of relationship	Nature of transactions	Half year ended	
			December 31,	December 31,
			2018	2017
			[R U P E E S]	
Employees provident fund trust	Trustees	Company's contribution to the fund	1,905,605	1,292,511
Mr. Zahid Anwar	Director	Loan obtained	7,935,000	7,935,000
Mr. Imran Zahid	Chief executive	Repayment of loan	65,000	134,948
Mr. Zahid Anwar	Director	Repayment of loan	120,000	100,000
Mr. Zeeshan Zahid	Member	Repayment of loan	120,000	120,000
Miss Qurat Ul Ain	Director	Repayment of loan	37,023	35,068
Miss Noor Ul Ain	Member	Repayment of loan	-	10,000

12. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

12.1 Financial risk factors

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

There have been no significant changes in the risk management policies since the year end.

These condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2018.

12.2 Fair value measurement of financial instruments

The carrying values of all financial assets and liabilities reflected in these condensed interim financial statements are a reasonable approximation of their fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities [Level 1].
- 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 2].
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) [Level 3].

	Level 1	Level 2	Level 3	Total
	[R U P E E S]			
Financial assets measured at fair value				
December 31, 2018				
Short term investment	322,505	-	-	322,505
June 30, 2018				
Short term investment	341,529	-	-	341,529

13. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 27 FEB 2019 by the Board of Directors of the Company.

14. GENERAL

14.1 In order to comply with the requirements of International Accounting Standard 34 'Interim Financial Reporting', corresponding figures in the condensed interim statement of financial position comprise of balances as per the audited annual financial statements of the Company for year ended June 30, 2018 and the corresponding figures in the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows comprise of balances of comparable period as per the condensed interim financial statements of the Company for the half year ended December 31, 2017.

14.2 Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR