



*Half Yearly Accounts December 31, 2019
(Un-Audited)*



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COMPANY INFORMATION

CHAIRPERSON

Mrs. Shahnaz Umar

CHIEF EXECUTIVE

Mr. Mohammad Mahboob

BOARD OF DIRECTORS

Mrs. Shahnaz Umar
Mr. Mohammad Mahboob
Mrs. Sadiya Umair
Mr. Mohammad Tariq
Mrs. Zainab Malik (Independent Director)
Mr. Saeed Ahmad Khan
Mr. Shaukat Nazir Malik (Independent Director)

AUDIT COMMITTEE

Mr. Shaukat Nazir Malik	Chariman
Mr. Mohammad Mahboob	Member
Mr. Mohammad Tariq	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mrs. Sadiya Umair	Chairperson
Mr. Mohammad Mahboob	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
97/8-B, Babar Block, Garden Town, Lahore.

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

8 KM Manga Raiwind Road Raiwind District Kasur
Ph: + 92 42 35393402, 35393461
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, 2019.

Following are the Operating financial results of the Company.

	Six months ended 31 December 2019	Six months ended 31 December 2018
	<i>Rupees</i>	<i>Rupees</i>
Sales - Net	693,424,829	1,131,899,823
Gross profit (Loss)	(73,629,010)	(93,863,025)
Operating Profit (Loss)	(75,643,559)	(118,099,804)
Share of profit of Associate	(68,867,548)	(70,035,173)
Profit/ (Loss) after Tax	(275,322,634)	(288,176,100)
(Loss) / Earning per Share	(3.18)	(3.33)

Review of business during this period and Future outlook

The Company's sales are Rs.693.425 million as compared to Rs.1131.899 million during the corresponding period of last year showing a decrease of 38.74%. Gross Loss for the period is Rs.73.629 million as compared to the gross loss of Rs.93.863 million in the corresponding period. The decrease in Gross Loss is mainly due to reduction in labor cost. Loss from operations is Rs.75.643 million as compared to operation Loss of Rs. 118.099 million in the corresponding period. The decrease in loss is attributed due to lease rental income of yarn dyeing section of the company. After tax loss is Rs. 275.322 million as compared to loss of Rs. 288.171 million in the corresponding period. M/S Hira Terry Mills Limited has contributed loss of Rs. 68,867 million showing decrease of loss by Rs. 1.168 million over the last corresponding period. (Loss)/ Earnings per share for the six month period are Rs. (3.18) as compared to Rs. (3.33) 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)

Mr. Mohammad Mahboob
(Chief Executive Officer)

Lahore
February 27, 2020

ڈائریکٹرز رپورٹ

ڈائریکٹرز 31 دسمبر 2019ء کا تختہ ششماہی کے لئے آڈیٹرز سے جائزہ مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

کمپنی کے عملی مالیاتی نتائج درج ذیل ہیں۔

تختہ ششماہی 31 دسمبر 2018ء	تختہ ششماہی 31 دسمبر 2019ء	روپے	روپے	
		1,131,899,823	693,424,829	فرہنگی (Net)
		(93,863,025)	(73,629,010)	مجموعی منافع (نقصان)
		(118,099,804)	(75,643,559)	آپریٹنگ منافع (نقصان)
		(70,035,173)	(68,867,548)	ایسوی اینڈ کمپنی کے منافع کا حصہ
		(288,176,100)	(275,322,634)	منافع (نقصان) بعد از ٹیکس
		(3.33)	(3.18)	آمدن (نقصان) فی شیئر

اس مدت کے دوران کاروبار کا جائزہ اور مستقبل پر نظر

کمپنی کی زیر جائزہ مدت کے دوران فروخت شدہ مال کی مالیت 693,425 ملین روپے ہے جبکہ پچھلے سال اسی مدت کے دوران فروخت شدہ مال کی مالیت 1131.899 ملین روپے تھی۔ جو گزشتہ سال سے 38.71 کم ظاہر کر رہی ہے۔ زیر جائزہ مدت کے دوران مجموعی نقصان 73.629 ملین روپے رہا جبکہ پچھلے سال اسی مدت کے دوران مجموعی نقصان 93.863 ملین روپے تھا۔ مجموعی نقصان میں کمی کی بنیادی وجہ لیبر کی اجرت میں کمی ہے۔ کمپنی کا آپریٹنگ نقصان 75.643 ملین روپے رہا جو کہ پچھلے سال اسی مدت کے دوران آپریٹنگ نقصان 118.099 ملین روپے تھا۔ آپریٹنگ نقصان میں کمی کی وجہ کمپنی کے ڈائمنگ سٹیشن کی لیز سے حاصل شدہ آمدنی ہے۔ بعد از ٹیکس نقصان 275.322 ملین روپے ہے جبکہ پچھلے سال اسی مدت میں بعد از ٹیکس نقصان 288.176 ملین روپے تھا۔ موجودہ نقصان میں میسرز حیرانی ملز لمیٹڈ کا نقصان 68.867 ملین روپے بھی شامل ہے۔ رواں ششماہی کے لئے فی حصص آمدن (نقصان) (3.18) روپے ہے۔ جبکہ پچھلے سال کی اسی مدت کے دوران فی حصص آمدن (نقصان) (3.33) روپے تھی۔

مسلل بڑھتی ہوئی پیداواری لاگت اور عالمی منڈی میں سخت مسابقت نمونوں کا باعث ہیں۔ مارجن سکڑتے جا رہے ہیں اور ایسا لگتا ہے کہ یہ مزید کم ہونگے۔ آپریٹنگ لاگت میں کمی کے لئے اقدامات اٹھائے جا رہے ہیں۔ ٹیکسٹائل کی صنعت کے اسپیننگ سیکٹر کے کاروباری حالات دھماکے کی قیمتوں میں مندی کے ساتھ ایل آر این جی (LRNG) اور دوسری قیمتوں میں تیزی سے اضافی وجہ سے سخت مشکل دکھائی دے رہے ہیں۔ تاہم کمپنی کی انتظامیہ لیبوری دوسری ششماہی میں بہتر منافع کے حصول کے لئے اور پیداواری لاگت 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 عملے اور کارکنان کی اپنے کام کی لگن اور ایثار کے لئے جو انھوں نے کمپنی کی بہتری کے لئے کی ہیں کو تحسین کی نظر سے دیکھتے اور سراہتے ہیں۔

منجانب بورڈ



مسز شہباز عمر



محمد محبوب

لاہور

27 فروری 2020ء

(چیز پرسن)

چیف ایگزیکٹو آفیسر



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, 2019** 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, 2019 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.

Basis for Adverse Conclusion

As referred to in note 2.2 to the interim financial statements, the Company has incurred gross loss of Rs. 73.629 million and loss after tax of Rs. 275.323 million during the period ended December 31, 2019. As at the reporting date, the Company has accumulated losses of Rs. 1,777.692 million. Its current liabilities exceed current assets by Rs. 1,504.23 million. The Company has not been able to make timely repayments of its debt finances and interest/mark-up thereon. The providers of debt finances have filed recovery suits against the Company for Rs. 706 million. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. We consider that in the absence of any favourable settlement with the providers of debt finances, ability to obtain further financing and revival of its operations, the Company may not be able to settle its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of annexed financial statements is not appropriate and adjustments may be required to the amounts reported in the interim financial statements. The interim financial statements do not disclose this fact. Further, we were unable to determine whether any adjustments were necessary to the closing balances of long term and short debt amounting to Rs. 1,048.6 million as at December 31, 2019 due to modification of our opinion on these balances as at June 30, 2019 due to non-receipt of responses to our request for balance confirmations from the lenders.

Adverse Conclusion

Our review indicates that, because of the fact that Company's use of going concern assumption in the preparation of annexed interim financial statements is not appropriate, as described in the preceding paragraph, these 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

Date: February 27, 2020
 Place: Lahore





Condensed Interim Statement of Financial Position

as at December 31, 2019

<i>Note</i>	December 31, 2019	June 30, 2019
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-audited)</i>	<i>(Audited)</i>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
<i>Authorized capital</i>		
87,000,000 (June 30, 2019: 87,000,000) ordinary shares of Rs. 10 each	870,000,000	870,000,000
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	456,650,961	465,056,876
Un-appropriated losses	(1,777,691,749)	(1,510,775,030)
TOTAL EQUITY	(372,761,588)	(97,438,954)
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term finances	900,945,689	908,845,098
Loan from directors and sponsors	213,493,000	213,493,000
Lease liability	-	-
Employees retirement benefits	8,460,122	7,893,687
Deferred taxation	220,896,635	220,896,635
	1,343,795,446	1,351,128,420
CURRENT LIABILITIES		
Trade and other payables	637,072,549	809,150,599
Unclaimed dividend	2,757,216	2,757,216
Short term borrowings	1,344,796,108	1,345,646,184
Accrued interest/markup	357,637,682	242,790,441
Current portion of non-current liabilities	59,165,314	59,165,314
	2,401,428,869	2,459,509,754
TOTAL LIABILITIES	3,745,224,315	3,810,638,174
CONTINGENCIES AND COMMITMENTS		
	7	
TOTAL EQUITY AND LIABILITIES	3,372,462,727	3,713,199,220

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

Lahore
Date : February 27, 2020


Chief Executive


Chief Financial Officer


Director



Condensed Interim Statement of Financial Position

as at December 31, 2019

	<i>Note</i>	December 31, 2019	June 30, 2019
		<i>Rupees</i>	<i>Rupees</i>
		<i>(Un-audited)</i>	<i>(Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	<i>8</i>	2,338,784,351	2,380,081,576
Right-of-use assets	<i>9</i>	64,359,499	66,459,247
Long term investments	<i>10</i>	-	68,867,548
Long term deposits		72,120,472	33,026,841
		2,475,264,322	2,548,435,212
CURRENT ASSETS			
Stores, spares and loose tools		46,848,047	36,417,562
Stock in trade		419,077,147	251,674,899
Trade debts		90,199,405	605,316,530
Advances, deposits, prepayments and other receivables		252,785,352	196,726,360
Advance income tax		58,008,567	66,311,981
Cash and bank balances		30,279,887	8,316,676
		897,198,405	1,164,764,008
TOTAL ASSETS		3,372,462,727	3,713,199,220

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

Lahore
Date : February 27, 2020


Chief Executive


Chief Financial Officer


Director



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

For the six month period ended 31 December 2019

	Note	Six month ended		Three month ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		Rupees	Rupees	Rupees	Rupees
Sales - net	11	693,424,829	1,131,899,823	424,079,161	443,413,911
Cost of sales	12	(767,053,839)	(1,225,762,848)	(459,091,753)	(541,158,072)
Gross loss		(73,629,010)	(93,863,025)	(35,012,592)	(97,744,161)
Distribution cost		(31,410)	(2,621,276)	(23,910)	(707,968)
Administrative expenses		(22,204,095)	(21,867,352)	(9,497,737)	(3,934,942)
		(22,235,505)	(24,488,628)	(9,521,647)	(4,642,910)
Other income		20,220,956	251,849	8,220,956	251,849
Operating loss		(75,643,559)	(118,099,804)	(36,313,283)	(102,135,222)
Finance cost		(122,143,717)	(85,731,168)	(62,677,907)	(27,698,636)
		(197,787,276)	(203,830,972)	(98,991,190)	(129,833,858)
Share of loss of associate		(68,867,548)	(70,035,173)	(31,309,825)	(51,602,350)
Loss before taxation		(266,654,824)	(273,866,145)	(130,301,015)	(181,436,208)
Taxation	13	(8,667,810)	(14,309,955)	(5,300,990)	(7,517,037)
Loss after taxation		(275,322,634)	(288,176,100)	(135,602,005)	(188,953,245)
Loss per share - basic and diluted		(3.18)	(3.33)	(1.57)	(2.18)

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

Lahore
Date : February 27, 2020


Chief Executive


Chief Financial Officer


Director



Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six month period ended 31 December 2019

	Six month ended		Three month ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Other comprehensive income	-	-	-	-
Loss after taxation	(275,322,634)	(288,176,100)	(135,602,005)	(188,953,245)
Total comprehensive loss	(275,322,634)	(288,176,100)	(135,602,005)	(188,953,245)

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

Lahore
Date : February 27, 2020


Chief Executive


Chief Financial Officer


Director



Condensed Interim Cash Flow Statement (Un-audited)

For the six month period ended 31 December 2019

	Six month ended	
	December 31, 2019	December 31, 2018
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(266,654,824)	(273,866,145)
Adjustments for non-cash items		
Interest/markup on borrowings	122,143,717	85,731,168
Gain on disposal of property, plant and equipment	(220,956)	(251,849)
Provision for employees retirement benefits	4,500,000	5,000,000
Depreciation	62,902,867	66,034,914
Share of loss of associate	68,867,548	70,035,173
	258,193,176	226,549,406
Operating loss before changes in working capital	(8,461,648)	(47,316,739)
Changes in working capital		
Stores, spares and loose tools	(10,430,485)	301,742
Stock-in-trade	(167,402,248)	361,313,963
Trade debts	515,117,125	(71,995,984)
Advances, deposits, prepayments and other receivables	(56,058,992)	72,550,808
Trade and other payables	(172,078,050)	(172,242,522)
	109,147,350	189,928,007
Net cash generated from operations	100,685,702	142,611,268
Payments for		
Interest/markup on borrowings	(7,296,476)	(27,753,346)
Income tax	(364,396)	(3,303,450)
Employees retirement benefits	(3,933,565)	(3,319,030)
Net cash generated from operating activities	89,091,265	108,235,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(19,864,937)	(19,550,441)
Long term deposits made	(39,093,631)	-
Proceeds from disposal of property, plant and equipment	580,000	618,000
Net cash used in investing activities	(58,378,568)	(18,932,441)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finances	(7,899,409)	-
Repayment of lease liability	-	(4,553,059)
Net decrease in short term borrowings	(850,076)	(120,590,878)
Net cash used in financing activities	(8,749,485)	(125,143,937)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	21,963,211	(35,840,936)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,316,676	68,271,810
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	30,279,887	32,430,874

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

Lahore
Date : February 27, 2020


Chief Executive


Chief Financial Officer


Director

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

For the six month period ended 31 December 2019

	Share capital	Capital reserves		Revenue reserves	Total equity
	Issued subscribed and paid-up capital	Share premium	Surplus on revaluation of property, plant and equipment	Un-appropriated (losses)/profit	
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2018 - Audited	865,779,200	82,500,000	507,951,005	491,629,425	1,947,859,630
Comprehensive loss					
Loss after taxation	-	-	-	(288,176,100)	(288,176,100)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(288,176,100)	(288,176,100)
Incremental depreciation	-	-	(9,417,636)	9,417,636	-
Transaction with owners	-	-	-	-	-
Balance as at December 31, 2018 - Un-audited	865,779,200	82,500,000	498,533,369	212,870,961	1,659,683,530
Balance as at January 01, 2019 - Un-audited	865,779,200	82,500,000	498,533,369	212,870,961	1,659,683,530
Comprehensive loss					
Loss after taxation	-	-	-	(1,727,666,009)	(1,727,666,009)
Other comprehensive loss	-	-	(28,239,808)	(1,216,667)	(29,456,475)
Total comprehensive loss	-	-	(28,239,808)	(1,728,882,676)	(1,757,122,484)
Incremental depreciation	-	-	(5,236,685)	5,236,685	-
Transaction with owners	-	-	-	-	-
Balance as at June 30, 2019 - Audited	865,779,200	82,500,000	465,056,876	(1,510,775,030)	(97,438,954)
Balance as at July 01, 2019 - Audited	865,779,200	82,500,000	465,056,876	(1,510,775,030)	(97,438,954)
Comprehensive loss					
Loss after taxation	-	-	-	(275,322,634)	(275,322,634)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss	-	-	-	(275,322,634)	(275,322,634)
Incremental depreciation	-	-	(8,405,915)	8,405,915	-
Transaction with owners	-	-	-	-	-
Balance as at December 31, 2019 - Un-audited	865,779,200	82,500,000	456,650,961	(1,777,691,749)	(372,761,588)

The annexed notes from 1 to 19 form an integral part of these interim financial statements.

Lahore
Date : February 27, 2020


Chief Executive


Chief Financial Officer


Director



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

For the six month period ended 31 December 2019

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 8-KM, Manga Raiwind Road, Raiwind, Disstt. Kasur. 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, 2019.

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, 2019 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, 2019 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, 2019 and December 31, 2018 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 Appropriateness of the going concern assumption

The Company has been facing unfavorable market conditions, depressed yarn prices following weak demand of spun yarn, increase in raw material and production costs resulting in low margins for past few years. As a result, the Company has incurred gross loss of Rs. 73.629 million and loss after taxation of Rs. 275.323 million during the period ended December 31, 2019. As at December 31, 2019, the Company has accumulated losses of Rs. 1777.692 million as at the reporting date and its current liabilities exceed its current assets by Rs. 1504.23 million. The Company has failed to make timely repayments of its debt finances and interest/mark-up thereon due to which lenders have filed recovery suits against the Company. These factors raise doubts about the Company's ability to continue as a going concern and that the Company may not be able discharge its liabilities and realize its assets in normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

- a) The management of the company has entered into negotiation with the providers of debt finances for restructuring of long term and short term debt including accrued interest/mark-up thereon. The Company has proposed a re-structuring plan to enable the Company to maintain its going concern status, which is the only WIN-WIN situation for all of the stake holders. The management is confident that it will be able to secure a reasonable arrangement with bank of principal repayment in 20 semi-annual installment with three (3) years grace period, which will relieve the Company of its liquidity crises and ultimately the profitability of the Company will increase.
- b) The Company has continued financial support of its directors and sponsors in the form of loans. Upto December 31, 2019, the directors and sponsors of the Company has provided financial support amounting to Rs. 531.58 million in the form of long term and short term loans. The lenders have always waived entire interest/mark-up on these loans.
- c) The Company has shifted its product mix from manufacturing of coarse count yarn to fine count yarn. This will lead to lower cost of raw material (primarily cotton) and reduction in manpower requirements, reduction in per spindle cost through savings in energy costs as well as upto 60% savings in labour costs. This, coupled with a company-wide cost-cutting drive, is expected to provide the much needed breathing room in terms of liquidity.

The management believes that in view of the afore mentioned, the Company will able to continue as a going concern.



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

For the six month period ended 31 December 2019

2.3 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.

2.4 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.

2.5 Functional currency

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

2.6 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 27, 2020.

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 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.

3.1 IFRS 16 - Leases (2016)

IFRS 16 - Leases (2016) specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company has elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on July 01, 2019. This is disclosed in note 5.

3.2 IFRIC 23 - Uncertainty over Income Tax Treatments

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

3.3 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.



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

For the six month period ended 31 December 2019

3.4 Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)

IFRS 9 - Financial Instruments have been amended regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

3.5 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)

IAS 28 - Investments in Associates and Joint Ventures have been amended to clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

3.6 Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The annual improvements have made amendments to the following standards:

- **IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23 - Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

3.7 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

	Effective date (annual periods beginning on or after)
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
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
Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures)	January 01, 2020

Other than afore-mentioned standards, interpretations and amendments, IASB 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)



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

For the six month period ended 31 December 2019

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.

5 CHANGE IN ACCOUNTING POLICY

As indicated in note 3 above, the group has adopted IFRS - 16 Leases retrospectively from July 01, 2019, but has not restated comparatives for the reporting period ended June 30, 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on July 01, 2019. There is no impact, however, on the amounts reported in these interim financial statements.

6 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, 2019, except of change referred to in note 5.

7 CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There is no change in status and amount of contingencies since June 30, 2019.

7.2 Commitments

There were no commitments as at December 31, 2019

<i>Note</i>	December 31, 2019	June 30, 2019
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
8 PROPERTY, PLANT AND EQUIPMENT		
Net book value at the beginning of the period/year	2,380,081,576	2,506,220,177
Additions during the period/year		
Buildings on freehold land	110,438	-
Plant and machinery	14,420,637	61,072,912
Electric installation	4,879,185	10,262,511
Power house	202,000	272,826
Factory equipment	176,260	379,429
Computers	37,125	123,626
Furniture and fixtures	39,292	68,763
Vehicles	-	1,170,000
	19,864,937	73,350,067
Net book value of assets disposed during the period/year	(359,044)	(1,938,992)
Depreciation for the period/year	(60,803,119)	(131,090,429)
Transfer to right-of-use assets	-	(66,459,247)
Net book value at end of the period	2,338,784,351	2,380,081,576
9 RIGHT-OF-USE ASSETS		
Net book value at beginning of the period/year	66,459,248	-
Transfer from property, plant and equipment	-	-
Depreciation for the period/year	(2,099,748)	66,459,247
Net book value at end of the period/year	64,359,499	66,459,247
10 LONG TERM INVESTMENTS		

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



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

For the six month period ended 31 December 2019

14 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. The details of Company's related parties, with whom the Company had transactions during the period or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Hira Terry Mills Limited	Associated company	Investment	46.9000%
Muhammad Umer Virk	Key management personnel	Father of director	27.2800%
Saeed Ahmad Khan	Key management personnel	Director	0.0028%
Muhammad Mehboob	Key management personnel	Director	0.0006%
Omer Aziz Mian	Key management personnel	Director (retired)	0.0000%
Shahnaz Umer	Key management personnel	Director	6.6135%
Sadiya Umair	Key management personnel	Director	6.5120%
Umair Umer	Close family member of director	Son of Director	0.0000%
Umaira Umer	Close family member of director	Daughter of Director	9.9400%

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:

		Six month ended		
		December 31, 2019	December 31, 2018	
		Rupees	Rupees	
		(Un-Audited)	(Un-Audited)	
14.1	Transactions with related parties			
	Nature of relationship	Nature of transaction		
	Associated companies	Sales of yarn, dyes and chemicals	823,071	239,535,170
		Expenses charged	-	9,823,658
		Interest/markup expense	-	14,259,056
		Insurance premium paid	-	3,587,970
		Rental Income	20,000,000	-
	Sponsors	Interest on borrowings charged	15,713,085	8,464,735
		Interest on borrowings waived	15,713,085	8,464,735
		Office rent	-	2,700,000
	Provident fund trust	Contribution for the period	1,004,345	1,140,500
	Key management personnel	Remuneration and other benefits	2,076,000	1,567,500
			December 31, 2019	June 30, 2019
			Rupees	Rupees
			(Un-Audited)	(Audited)
14.2	Balances with related parties			
	Associated company	(Payable) / Receivable against expenses claimed	(74,225,647)	61,490,681
	Sponsors	Borrowings	531,133,673	531,583,673
	Key management personnel	Short term employee benefits payable	1,486,000	1,185,136
	Provident fund trust	Payable to provident fund trust	1,716,522	1,622,737

15 FINANCIAL INSTRUMENTS

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



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

For the six month period ended 31 December 2019

	December 31, 2019	June 30, 2019
	Rupees	Rupees
	(Un-Audited)	(Audited)
15.1 Financial assets		
<i>Cash in hand</i>	21,932,744	366,248
<i>Financial assets at amortized cost</i>		
Long term deposits	72,120,472	33,026,841
Trade debts	90,199,405	605,316,530
Advances to employees	6,770,458	4,104,512
Due from related party	-	61,490,681
Bank balances	8,347,143	7,950,428
	177,437,478	711,888,992
	199,370,222	712,255,240
15.2 Financial liabilities		
<i>Financial liabilities at amortized cost</i>		
Long term finances	896,209,894	944,109,303
Loan from directors and sponsors	213,493,000	213,493,000
Lease liability	18,526,295	22,086,409
Short term borrowings	1,344,796,108	1,345,646,184
Accrued interest/markup	357,637,682	242,790,441
Trade creditors	176,464,864	698,912,708
Due to jointly controlled entity	251,230,727	-
Accrued liabilities	125,465,307	86,057,950
Unclaimed dividend	2,757,216	2,757,216
	3,386,581,093	3,555,853,211

16 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:

16.1 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.

16.2 Assets and liabilities other than financial instruments.

16.2.1 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:



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

For the six month period ended 31 December 2019

	Level 1	Level 2	Level 3	December 31, 2019	June 30, 2019
				Rupees (Un-Audited)	Rupees (Audited)
Freehold land	-	183,480,000	-	183,480,000	183,480,000
Building on free hold land	-	293,566,157	-	293,566,157	300,981,343
Plant and machinery	-	1,645,792,271	-	1,645,792,271	1,673,331,802

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, 2019: 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 period.	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. 14.68 million (June 30, 2019: Rs. 15.05 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period.	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. 82.29 million (June 30, 2019: Rs. 83.67 million).

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

16.2.2 Non-recurring fair value measurements

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

17 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.

18 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.



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

For the six month period ended 31 December 2019

19 GENERAL

- 19.1** There are no other significant activities since June 30, 2019 affecting the interim financial statements.
- 19.2** Corresponding figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 19.3** Figures have been rounded off to the nearest Rupee.

Lahore
Date : February 27, 2020



Chief Executive



Chief Financial Officer



Director



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