Kohinoor
Mills Limited

HALF YEARLY REPORT
31 December 2018

CONTENTS

Kohinoor Mills Limited

COMPANY INFORMATION

Board of Directors

Mr. Rashid Ahmed	Chairman
Mr. Aamir Fayyaz Sheikh	Chief Executive
Mr. Asad Fayyaz Sheikh	Director
Mr. Ali Fayyaz Sheikh	Director
Mr. Riaz Ahmed	Director
Mr. Shahbaz Munir	Director
Mr. Matiuddin Siddiqui	Director (NIT Nominee)

Audit Committee

Mr. Riaz Ahmed	Chairman
Mr. Rashid Ahmed	Member
Mr. Shahbaz Munir	Member
Mr. Ali Fayyaz Sheikh	Member

Human Resource & Remuneration Committee

Mr. Riaz Ahmed	Chairman
Mr. Rashid Ahmed	Member
Mr. Shahbaz Munir	Member

Chief Financial Officer

Mr. Kamran Shahid

Head of Internal Audit

Mr. Jamal Asif

Legal Advisors

- Raja Mohammad Akram & Co.,
  Advocate & Legal Consultants,
  Lahore.
- Malik Muhammad Ashraf Kumma
  Advocate

Company Secretary

Mr. Muhammad Rizwan Khan

Auditors

M/s. Riaz Ahmad & Co.,
Chartered Accountants

Bankers

Allied Bank Limited
Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Silk Bank Limited
Standard Chartered Bank (Pakistan) Ltd
The Bank of Punjab
United Bank Limited

Registered Office & Mills

8th K.M. Manga Raiwind Road,
District Kasur, Pakistan
UAN: (92-42) 111-941-941
CELL LINES: (92-333) 4998801-6
LAND LINES: (92-42) 36369340
FAX: (92-42) 36369340 Ext: 444
EMAIL: info@kohinoormills.com
WEBSITE : www.kohinoormills.com

Shares Registrar

M/s. Hameed Majeed Associates (Pvt.) Ltd,
HM House, 7 Bank Square, Lahore.
LAND LINES: (92-42) 37235081 & 82, 37310466
FAX: (92-42) 37358817

Other Corporate Information

Kohinoor Mills Limited is registered in Pakistan with Securities and Exchange Commission of Pakistan. The Registration Number of the Company is 0017194

Kohinoor Mills Limited is listed on Pakistan Stock Exchange Limited as a Public Limited Company and its shares are traded under textile composite sector. Shares trading symbol is KML

The National Tax Number of the Company is 0658184-6

Financial statements are available on website of the Company i.e., www.kohinoormills.com

Financial Statments

For the half year ended 31 December 2018

DIRECTORS' REVIEW

The Directors' of the Company are pleased to present the interim financial statements for the half year ended 31 December 2018.

Operating & Financial Results

During the half year ended 31 December 2018, your company earned a gross profit of Rs. 842 million on sales of Rs. 6,872 million compared to gross profit of Rs. 794 million on sales of Rs. 5,439 million for the corresponding period of previous financial year. During the period under review, your company recorded a net profit of Rs. 217 million (EPS: Rs. 4.26 per share), compared to net profit of Rs. 174 million (EPS: Rs. 3.43 per share) in the corresponding period.

A brief overview of performance of your company for the half year ended 31 December 2018 is discussed below:

Weaving division:

The management was able to reap rewards of its BMR expansion plan in this division with installation of 84 state of the art high speed Air Jet Looms. This has witnessed a significant increase in turnover as well as bottom line of this division as compared to comparative period. The management is of the view that this will enable the company to cater for the increased market demand and will result in a positive impact on the bottom line in the coming periods as well.

Dyeing Division:

The production capacity of this division has been increased by 20% due to installation of additional machinery in the current period under review. Enhanced production capacity along with exchange gains realization on rupee devaluation not only resulted in increase in turnover but also the profitability of this division. However part of this profit was knocked off by raw material price-hike coupled with high utility cost. Resultantly, gross profit margins were dropped as compared to comparative period.

Further, current order booking position of company is healthy and future outlook is quite promising. Management is optimistic that it will improve the divisional performance in future.

Genertek Division:

The Government has announced the price for gas at US$ 6.5 per MMBTU (effective from 16th October 2018) and electricity at 7.5 US cents per KWH (effective from 1st January 2019) for export oriented sectors, this will help in reducing the cost of electricity of the company going forward.

The rise in coal prices has increased the cost of steam production. In order to reduce the cost of steam and to get benefit from low cost alternatives, we have shifted our boilers on seasonal bio-mass fuels which will help in minimizing the steam cost.

Future Prospects:

Despite the challenging scenarios of increased raw material cost and energy prices, your company is optimistic for its future outlook. Government of Pakistan has shown strong commitment towards improving textile sector. Expected decrease in duties of raw material, concessionary gas and electricity prices for textile sector along-with depreciation of PKR is likely to have positive impact on this sector. All of these factors are expected to give boost to overall textile sector and to exporters in particular. However, the government should take necessary measures to ensure the timely release of sales taxes and DLTL refunds. With these improvements, we expect better profit margins in the second half of the financial year 2018-19.

Acknowledgment:

The board places on record its profound gratitude for its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the employees of the company.

For and on behalf of the Board

Kasur:	AAMIR FAYYAZ SHEIKH	RASHID AHMED
21 February 2019	Chief Executive	Director

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF KOHINOOR MILLS LIMITED
REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of KOHINOOR MILLS LIMITED as at 31 December 2018 and the related 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, and notes to the condensed interim financial statements for the half year 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 condensed interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2018 and 31 December 2017 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed 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 condensed 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 Syed Mustafa Ali.

RIAZ AHMAD & COMPANY
Chartered Accountants

Date: 21 February 2019
Lahore

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
80,000,000 (30 June 2018: 80,000,000) ordinary shares of Rupees 10 each		800,000,000	800,000,000
30,000,000 (30 June 2018: 30,000,000) preference shares of Rupees 10 each		300,000,000	300,000,000
		1,100,000,000	1,100,000,000
Issued, subscribed and paid-up share capital			
50,911,011 (30 June 2018: 50,911,011) ordinary shares of Rupees 10 each		509,110,110	509,110,110
Capital reserves			
Share premium reserve		213,406,310	213,406,310
Fair value reserve		36,988,244	45,822,419
Surplus on revaluation of operating fixed assets - net of tax		1,856,108,450	1,875,429,430
Revenue reserves			
General reserve		940,932,315	1,002,025,528
Accumulated loss		(309,127,719)	(538,840,013)
Total equity		3,247,417,710	3,106,953,784
LIABILITIES			
Non-current liabilities			
Long term financing - secured	4	669,539,090	714,981,736
Deferred liabilities		272,527,126	259,180,425
		942,066,216	974,162,161
Current liabilities			
Trade and other payables		1,889,256,426	1,431,614,471
Accrued mark-up		32,936,142	57,918,203
Sponsors' loan		296,157,000	272,000,000
Short term borrowings - secured		3,279,500,843	2,766,332,000
Current portion of long term financing	4	236,965,062	230,251,470
Unclaimed dividend		2,192,148	5,214,080
Provision for taxation		68,964,869	20,488,000
		5,805,972,490	4,783,818,224
Total liabilities		6,748,038,706	5,757,980,385
Contingencies and commitments	5		
TOTAL EQUITY AND LIABILITIES		9,995,456,416	8,864,934,169

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

AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE

KAMRAN SHAHID
CHIEF FINANCIAL OFFICER

	Note	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
ASSETS			
Non-current assets			
Fixed assets	6	4,926,668,825	4,929,718,807
Intangible asset		-	-
Investment properties		21,595,322	21,778,199
Long term investments		46,228,164	58,161,750
Long term security deposits		22,032,757	22,032,757
		5,016,525,068	5,031,691,513
Current assets			
Stores, spares and loose tools		404,909,201	367,434,705
Stock-in-trade		1,443,982,403	1,153,505,319
Trade debts		1,892,698,517	1,359,170,774
Advances		153,303,021	120,569,457
Trade deposits and short term prepayments		35,838,164	20,555,648
Other receivables		646,319,335	563,715,816
Sales tax recoverable		193,644,110	153,300,707
Cash and bank balances		208,236,597	94,990,230
		4,978,931,348	3,833,242,656
TOTAL ASSETS		9,995,456,416	8,864,934,169

RASHID AHMED
DIRECTOR

CONDENSED INTERIM
STATEMENT OF PROFIT OR LOSS (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	Half year ended		Quarter ended	
		31 December 2018 Rupees	31 December 2017 Rupees	31 December 2018 Rupees	31 December 2017 Rupees
REVENUE		6,871,917,744	5,439,334,115	3,944,216,939	2,686,875,456
COST OF SALES	7	(6,030,004,212)	(4,645,808,550)	(3,447,731,516)	(2,261,766,624)
GROSS PROFIT		841,913,532	793,525,565	496,485,423	425,108,832
DISTRIBUTION COST		(357,369,455)	(267,980,615)	(216,776,264)	(148,542,653)
ADMINISTRATIVE EXPENSES		(150,445,048)	(131,973,666)	(78,840,554)	(68,609,708)
OTHER EXPENSES		(72,395,874)	(63,815,207)	(67,633,423)	(38,496,373)
		(580,210,377)	(463,769,488)	(363,250,241)	(255,648,734)
		261,703,155	329,756,077	133,235,182	169,460,098
OTHER INCOME		193,346,173	32,481,282	168,029,584	22,182,310
PROFIT FROM OPERATIONS		455,049,328	362,237,359	301,264,766	191,642,408
FINANCE COST		(177,806,669)	(130,547,917)	(100,600,355)	(68,461,457)
PROFIT BEFORE TAXATION		277,242,659	231,689,442	200,664,411	123,180,951
TAXATION		(60,450,702)	(57,271,294)	(25,246,568)	(30,053,840)
PROFIT AFTER TAXATION		216,791,957	174,418,148	175,417,843	93,127,111
EARNINGS PER SHARE - BASIC AND DILUTED		4.26	3.43	3.45	1.83

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

AAMIR FAYYAZ SHEIKH	KAMRAN SHAHID	RASHID AHMED
CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Half year ended		Quarter ended	
	31 December 2018 Rupees	31 December 2017 Rupees	31 December 2018 Rupees	31 December 2017 Rupees
PROFIT AFTER TAXATION	216,791,957	174,418,148	175,417,843	93,127,111
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Deficit arising on remeasurement of investment at fair value through other comprehensive income	(11,933,586)	-	(11,933,586)	-
Deferred income tax relating to re-measurement of investment at fair value through other comprehensive income	3,099,411	-	3,099,411	-
Items that may be reclassified subsequently to profit or loss:				
Surplus arising on remeasurement of available for sale investment to fair value	-	4,074,078	-	4,074,078
Deferred income tax relating to remeasurement of available for sale investment to fair value	-	(916,668)	-	(916,668)
Other comprehensive income / (loss) for the period - net of tax	(8,834,175)	3,157,410	(8,834,175)	3,157,410
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	207,957,782	177,575,558	166,583,668	96,284,521

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

AAMIR FAYYAZ SHEIKH
CHIEF EXECUTIVE

KAMRAN SHAHID
CHIEF FINANCIAL OFFICER

RASHID AHMED
DIRECTOR

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Un-audited)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Half year ended	
	31 December 2018 Rupees	31 December 2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	277,242,659	231,689,442
Adjustments for non-cash charges and other items:		
Depreciation on operating fixed assets	135,059,496	97,838,467
Depreciation on investment properties	182,877	192,502
Dividend income	(1,609,167)	(1,609,167)
Gain on sale of operating fixed assets	(97,448)	(1,974,344)
Provision for slow moving, obsolete and damaged store items	51,961,263	37,884,655
Provision for doubtful sales tax recoverable	5,215,654	-
Reversal of expected credit loss against trade debts	(2,777,592)	-
Impairment loss on operating fixed assets	-	11,410,048
Adjustment due to impact of IAS - 39	17,568,579	13,604,329
Finance cost	160,238,090	116,943,588
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL CHANGES	642,984,411	505,979,520
(Increase) / decrease in current assets		
Stores, spares and loose tools	(89,435,759)	27,683,472
Stock-in-trade	(263,392,761)	(246,677,281)
Trade debts	(565,169,711)	(503,217,993)
Advances	(32,733,564)	(39,629,121)
Trade deposits and short term prepayments	(15,282,516)	(9,472,749)
Other receivables	(30,512,535)	(67,319,177)
Sales tax recoverable	(45,559,057)	107,814,690
Increase in current liabilities		
Trade and other payables	457,724,466	405,297,548
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES	(584,361,437)	(325,520,611)
CASH GENERATED FROM OPERATIONS	58,622,974	180,458,909
Income tax paid	(65,193,828)	(49,390,950)
Long term security deposits paid	-	(214,270)
Finance cost paid	(175,757,653)	(97,420,364)
	(240,951,481)	(147,025,584)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	(182,328,507)	33,433,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on property, plant and equipment	(136,231,986)	(610,062,776)
Proceeds from sale of operating fixed assets	4,319,920	10,525,504
Dividend received	1,609,167	1,609,167
NET CASH USED IN INVESTING ACTIVITIES	(130,302,899)	(597,928,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances obtained	88,630,000	387,700,000
Repayment of long term financing	(135,962,925)	(101,228,979)
Sponsors' loan obtained	24,157,000	28,311,000
Short term borrowings - net	513,168,843	322,937,993
Dividend paid	(64,115,145)	(50,095,235)
NET CASH FROM FINANCING ACTIVITIES	425,877,773	587,624,779
NET INCREASE IN CASH AND CASH EQUIVALENTS	113,246,367	23,129,999
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	94,990,230	69,365,752
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	208,236,597	92,495,751

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

AAMIR FAYYAZ SHEIKH	KAMRAN SHAHID	RASHID AHMED
CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	SHARE CAPITAL	RESERVES							TOTAL EQUITY
		CAPITAL RESERVES				REVENUE RESERVES		Total reserves	
		Share premium reserve	Fair value reserve AFS investment	Fair value reserve FVTOCI investment	Surplus on revaluation of operating fixed assets - net of tax	General reserve	Accumulated loss		
	--------------------(Rupees)--------------------								
Balance as at 30 June 2017 - (audited)	509,110,110	213,406,310	37,520,895	-	1,061,413,426	1,058,027,640	(797,776,071)	1,572,592,200	2,081,702,310
Transaction with owners - Final dividend for the year ended 30 June 2017 @ Rupees 1.10 per share	-	-	-	-	-	(56,002,112)	-	(56,002,112)	(56,002,112)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	(9,939,887)	-	9,939,887	-	-
Profit for the half year ended 31 December 2017	-	-	-	-	-	-	174,418,148	174,418,148	174,418,148
Other comprehensive income for the half year ended 31 December 2017	-	-	3,157,410	-	-	-	-	3,157,410	3,157,410
Total comprehensive income for the half year ended 31 December 2017	-	-	3,157,410	-	-	-	174,418,148	177,575,558	177,575,558
Balance as at 31 December 2017 - (Un-audited)	509,110,110	213,406,310	40,678,305	-	1,051,473,539	1,002,025,528	(613,418,036)	1,694,165,646	2,203,275,756
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	(9,939,884)	-	9,939,884	-	-
Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate	-	-	-	-	2,410,950	-	-	2,410,950	2,410,950
Profit for the half year ended 30 June 2018	-	-	-	-	-	-	64,638,139	64,638,139	64,638,139
Other comprehensive income for the half year ended 30 June 2018	-	-	5,144,114	-	831,484,825	-	-	836,628,939	836,628,939
Total comprehensive income for the half year ended 30 June 2018	-	-	5,144,114	-	831,484,825	-	64,638,139	901,267,078	901,267,078
Balance as at 30 June 2018 - (audited)	509,110,110	213,406,310	45,822,419	-	1,875,429,430	1,002,025,528	(538,840,013)	2,597,843,674	3,106,953,784
Adjustment on adoption of IFRS 9 (Note 3.2.1)	-	-	(45,822,419)	45,822,419	-	-	(5,685,007)	(5,685,007)	(5,685,007)
Adjustment on adoption of IFRS 15 (Note 3.2.2)	-	-	-	-	-	-	(1,567,719)	(1,567,719)	(1,567,719)
Adjusted total equity as at 01 July 2018	509,110,110	213,406,310	-	45,822,419	1,875,429,430	1,002,025,528	(546,092,739)	2,590,590,948	3,099,701,058
Transaction with owners - Final dividend for the year ended 30 June 2018 @ Rupees 1.20 per share	-	-	-	-	-	(61,093,213)	-	(61,093,213)	(61,093,213)
Transferred from surplus on revaluation of operating fixed assets - net of tax	-	-	-	-	(20,173,063)	-	20,173,063	-	-
Surplus on revaluation of operating fixed assets - adjustment due to change in tax rate	-	-	-	-	852,083	-	-	852,083	852,083
Profit for the half year ended 31 December 2018	-	-	-	-	-	-	216,791,957	216,791,957	216,791,957
Other comprehensive income for the half year ended 31 December 2018	-	-	-	(8,834,175)	-	-	-	(8,834,175)	(8,834,175)
Total comprehensive income for the half year ended 31 December 2018	-	-	-	(8,834,175)	-	-	216,791,957	207,957,782	207,957,782
Balance as at 31 DECEMBER 2018 - (Un-audited)	509,110,110	213,406,310	-	36,988,244	1,856,108,450	940,932,315	(309,127,719)	2,738,307,600	3,247,417,710

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

AAMIR FAYYAZ SHEIKH	KAMRAN SHAHID	RASHID AHMED
CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Un-audited)

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

1. THE COMPANY AND ITS OPERATIONS

Kohinoor Mills Limited ("the Company") is a public limited company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 8-K.M., Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber and to generate and supply electricity.

2. BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the 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 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2018. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2018 except for the changes in accounting policies as stated in note 3.2 to these condensed interim financial statements.

3.1 Critical accounting estimates and judgments

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

3.2 CHANGES IN ACCOUNTING POLICIES DUE TO APPLICABILITY OF CERTAIN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following changes in accounting policies have taken place effective from 01 July 2018:

3.2.1 IFRS 9 "Financial Instruments"

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results.

Key changes in accounting policies resulting from application of IFRS 9

i) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortised cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 July 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss (FVTPL)

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

ii) Impairment

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

iii) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these condensed interim financial statements as there is no hedge activity carried on by the Company during the period ended 31 December 2018.

iv) Impacts of adoption of IFRS 9 on these condensed interim financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets (01 July 2018)

	Available for sale (AFS)	FVTOCI	Trade debts categorised as	
			Loans and receivables	Amortised cost
	- - - - - - Rupees - - - - -			
Opening balance (before reclassification)	58,161,750	-	1,359,170,774	-
Adjustment on adoption of IFRS 9:				
- Reclassification of equity investment from available for sale to FVTOCI	(58,161,750)	58,161,750	-	-
- Reclassification of trade debts			(1,359,170,774)	1,359,170,774
- Recognition of expected life time credit losses on trade debts	-	-	-	(5,685,007)
Opening balance (after reclassification)	-	58,161,750	-	1,353,485,767

The impact of these changes on the Company's reserves and equity is as follows:

Reserves and equity (01 July 2018)

	Effect on accumulated loss	Effect on fair value reserve of AFS investment	Effect on fair value reserve of FVTOCI investment
	- - - - - - Rupees - - - - -		
Opening balance (before reclassification)	(538,840,013)	45,822,419	-
Adjustment on adoption of IFRS 9 reclassification of fair value reserve of AFS investment to fair value reserve of FVTOCI investment	-	(45,822,419)	45,822,419
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts	(5,685,007)	-	-
Opening balance (after reclassification)	(544,525,020)	-	45,822,419

Effect on total equity as a result of adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts is Rupees 5,685,007 and there is no effect on total equity as a result of adjustment on adoption of IFRS 9 reclassification of fair value reserve of AFS investment to fair value reserve of FVTOCI investment.

Equity investment previously classified as available-for-sale

The Company elected to present in other comprehensive income changes in the fair value of its equity investment previously classified as available-for-sale, as this investment is not held for trading. As a result, asset with a fair value of Rupees 58,161,750 was reclassified from available-for-sale financial asset to financial asset at fair value through other comprehensive income (FVTOCI) and fair value gains of Rupees 45,822,419 was reclassified from the available-for-sale financial asset reserve to the financial asset at fair value through other comprehensive income reserve on 01 July 2018.

Reclassifications of financial instruments on adoption of IFRS 9

As on 01 July 2018, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Carrying amounts		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	Rupees		
Non-current financial assets					
Long term investment	Available for sale	FVTOCI	58,161,750	58,161,750	-
Long term security deposits	Loans and receivables	Amortised cost	22,032,757	22,032,757	-
Current financial assets					
Trade debts	Loans and receivables	Amortised cost	1,359,170,774	1,353,485,767	(5,685,007)
Advances	Loans and receivables	Amortised cost	16,483,586	16,483,586	-
Security deposits	Loans and receivables	Amortised cost	20,001,540	20,001,540	-
Other receivables	Loans and receivables	Amortised cost	1,801,518	1,801,518	-
Cash and bank balances	Loans and receivables	Amortised cost	94,990,230	94,990,230	-
Non-current financial liabilities					
Long term financing	Amortised cost	Amortised cost	714,981,736	714,981,736	-
Deferred accrued markup	Amortised cost	Amortised cost	201,532,787	201,532,787	-
Current financial liabilities					
Trade and other payable	Amortised cost	Amortised cost	1,288,235,058	1,288,235,058	-
Sponsor's loan	Amortised cost	Amortised cost	272,000,000	272,000,000	-
Accrued mark-up	Amortised cost	Amortised cost	57,918,203	57,918,203	-
Short term borrowings	Amortised cost	Amortised cost	2,766,332,000	2,766,332,000	-
Current portion of long term financing	Amortised cost	Amortised cost	230,251,470	230,251,470	-
Unclaimed dividend	Amortised cost	Amortised cost	5,214,080	5,214,080	-

3.2.2 IFRS 15 'Revenue from Contracts with Customers'

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

i) Key changes in accounting policies resulting from application of IFRS 15

The Company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Otherwise, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates and enhances an asset that the customer controls as the Company performs; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

b) Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered.

c) Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

d) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

ii) Impacts of adoption of IFRS 15 on these condensed interim financial statements as on 01 July 2018

The following adjustments were made to the amounts recognized in these condensed interim financial statements at 01 July 2018.

Statement of financial position

	30 June 2018 Reported	Adjustment	30 June 2018 Restated
		Rupees	
Current assets			
Stock in trade	1,153,505,319	27,084,323	1,180,589,642
Trade debts	1,359,170,774	(28,734,553)	1,330,436,221
Current liabilities			
Trade and other payables	1,431,614,471	(82,511)	1,431,531,960
Equity			
Reserves	2,597,843,674	(1,567,719)	2,596,275,955

3.2.3 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
4. LONG TERM FINANCING -SECURED		
Opening balance	945,233,206	727,107,512
Add: Obtained during the period / year	88,630,000	415,700,000
Add: Adjustment due to impact of IFRS - 9 during the period / year	8,603,871	15,264,460
Less: Repaid during the period / year	135,962,925	212,838,766
	906,504,152	945,233,206
Less: Current portion shown under current liabilities	236,965,062	230,251,470
	669,539,090	714,981,736

5. CONTINGENCIES AND COMMITMENTS

Contingencies

There is no significant change in the status of contingencies as reported in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

Commitments

(i) Aggregate commitments for capital and revenue expenditures are amounting to Rupees 4.868 million and Rupees 66.190 million (30 June 2018: Rupees 2.027 million and Rupees 19.640 million) respectively.

(ii) Post dated cheques issued to suppliers are amounting to Rupees 590.497 million (30 June 2018: Rupees 119.521 million).

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
6. FIXED ASSETS		
Property, plant and equipment		
Operating fixed assets (Note 6.1)	4,779,910,027	4,916,568,714
Capital work-in-progress (Note 6.2)	146,758,798	13,150,093
	4,926,668,825	4,929,718,807
Intangible asset - computer software (Note 6.3)	-	-
	4,926,668,825	4,929,718,807
6.1 Operating fixed assets		
Opening net book value	4,916,568,714	3,384,933,889
Add: Revaluation surplus arising on land and buildings during the period / year	-	855,798,743
Add: Cost of additions during the period / year (Note 6.1.1)	2,623,281	925,442,742
	4,919,191,995	5,166,175,374
Less: Book value of deletions / adjustment during the period / year (Note 6.1.2)	4,222,472	13,684,088
Depreciation charged during the period / year	135,059,496	224,512,524
Impairment loss	-	11,410,048
Closing net book value	4,779,910,027	4,916,568,714
6.1.1 Cost of additions		
Factory building	310,336	1,757,641
Plant and machinery	2,130,935	887,186,490
Electric installations	182,010	9,151,912
Furniture, fixtures and equipment	-	17,479,469
Computers	-	1,215,000
Motor vehicles	-	8,652,230
	2,623,281	925,442,742
6.1.2 Book value of deletions		
Plant and machinery	4,066,170	11,546,891
Furniture, fixtures and equipment	-	-
Motor vehicles	156,302	2,137,197
	4,222,472	13,684,088
6.2 Capital work-in-progress		
Plant and machinery	135,646,930	4,398,724
Advances for capital expenditures	3,941,491	-
Stores held for capital expenditures	7,170,377	7,251,369
Letter of credits	-	1,500,000
	146,758,798	13,150,093

6.3 Intangible asset - computer software has been fully amortized but still in the use of the Company.

7. COST OF SALES

	Half year ended		Un-audited Quarter ended	
	31 December 2018 Rupees	31 December 2017 Rupees	31 December 2018 Rupees	31 December 2017 Rupees
Raw material consumed	4,491,861,577	3,363,726,967	2,596,269,309	1,604,490,037
Chemical consumed	488,686,112	395,290,663	275,701,951	195,470,190
Salaries, wages and other benefits	285,847,463	247,602,199	155,038,212	120,267,654
Employees' provident fund contributions	10,520,345	9,244,642	5,747,883	4,740,754
Cloth conversion and processing charges	11,215,957	49,837,877	7,791,165	43,182,304
Fuel, oil and power	590,980,995	450,770,870	300,749,047	242,147,672
Stores, spares and loose tools consumed	88,070,141	80,664,057	37,912,555	31,648,571
Packing material	41,453,697	41,239,990	21,684,426	21,288,923
Repair and maintenance	36,450,301	50,190,637	31,662,466	32,800,356
Insurance	6,745,858	4,064,483	2,239,361	2,065,681
Other manufacturing expenses	25,081,052	28,061,963	14,696,065	16,025,921
Depreciation on operating fixed assets	129,231,242	91,912,542	64,637,305	48,163,308
	6,206,144,740	4,812,606,890	3,514,129,745	2,362,291,371
Work-in-process inventory				
Opening stock	191,321,471	185,313,571	192,615,777	263,152,580
Closing stock	(287,828,312)	(243,077,667)	(287,828,312)	(243,077,667)
	(96,506,841)	(57,764,096)	(95,212,535)	20,074,913
Cost of goods manufactured	6,109,637,899	4,754,842,794	3,418,917,210	2,382,366,284
Cost of yarn and cloth purchased for resale	-	17,705,002	-	11,548,294
	6,109,637,899	4,772,547,796	3,418,917,210	2,393,914,578
Finished goods inventory				
Opening stock	677,229,102	535,748,906	785,677,095	530,340,198
Closing stock	(756,862,789)	(662,488,152)	(756,862,789)	(662,488,152)
	(79,633,687)	(126,739,246)	28,814,306	(132,147,954)
	6,030,004,212	4,645,808,550	3,447,731,516	2,261,766,624

8. SEGMENT INFORMATION

8.1 The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

Weaving	Production of different qualities of greige fabric using yarn.
Dyeing	Processing of greige fabric for production of dyed fabric.
Power Generation	Generation and distribution of power and steam using gas, oil and coal.

8.2

	Weaving		Dyeing		Power Generation		Elimination of inter-segment transactions		Total- Company	
	Half year ended		Half year ended		Half year ended		Half year ended		Half year ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Rupees)									
Sales										
External	2,089,024,522	1,257,457,687	4,782,893,222	4,181,876,428	-	-	-	-	6,871,917,744	5,439,334,115
Inter-segment	1,193,399,849	1,266,310,845	63,056,466	30,583,641	432,066,787	427,445,284	(1,688,523,102)	(1,724,339,770)	-	-
	3,282,424,371	2,523,768,532	4,845,949,688	4,212,460,069	432,066,787	427,445,284	(1,688,523,102)	(1,724,339,770)	6,871,917,744	5,439,334,115
Cost of sales	(3,049,080,796)	(2,379,475,623)	(4,235,661,993)	(3,551,179,790)	(433,784,525)	(439,492,907)	1,688,523,102	1,724,339,770	(6,030,004,212)	(4,645,808,550)
Gross profit / (loss)	233,343,575	144,292,909	610,287,695	661,280,279	(1,717,738)	(12,047,623)	-	-	841,913,532	793,525,565
Distribution cost	(77,958,606)	(48,386,817)	(279,410,849)	(219,593,798)	-	-	-	-	(357,369,455)	(267,980,615)
Administrative expenses	(71,353,719)	(52,591,121)	(73,975,087)	(74,418,100)	(5,116,242)	(4,964,445)	-	-	(150,445,048)	(131,973,666)
	(149,312,325)	(100,977,938)	(353,385,936)	(294,011,898)	(5,116,242)	(4,964,445)	-	-	(507,814,503)	(399,954,281)
Profit / (loss) before taxation and unallocated income and expenses	84,031,250	43,314,971	256,901,759	367,268,381	(6,833,980)	(17,012,068)	-	-	334,099,029	393,571,284
Unallocated income and expenses:										
Finance cost									(177,806,669)	(130,547,917)
Other expenses									(72,395,874)	(63,815,207)
Other income									193,346,173	32,481,282
Taxation									(60,450,702)	(57,271,294)
Profit after taxation									216,791,957	174,418,148

8.3 Reconciliation of reportable segment assets and liabilities

	Weaving		Dyeing		Power Generation		Total- Company	
	Un-audited 31 December 2018	Audited 30 June 2018	Un-audited 31 December 2018	Audited 30 June 2018	Un-audited 31 December 2018	Audited 30 June 2018	Un-audited 31 December 2018	Audited 30 June 2018
	(Rupees)							
Total assets for reportable segmentst	4,279,679,585	3,327,496,885	4,170,829,841	3,286,788,822	977,090,634	829,725,575	9,427,600,060	7,444,011,282
Unallocated assets								
Non-current assets held for sale								
Long term investments							46,228,164	58,161,750
Unallocated assets							521,628,192	1,362,761,137
Total assets as per balance sheet							9,995,456,416	8,864,934,169
Total liabilities for reportable segments	1,007,829,197	740,333,314	676,611,408	448,646,544	140,197,221	139,878,614	1,824,637,826	1,328,858,472
Unallocated liabilities:								
Long term financing - secured							906,504,152	945,233,206
Sponsors' loan							296,157,000	272,000,000
Deferred liabilities							272,527,126	259,180,425
Accrued mark-up							32,936,142	57,918,203
Short term borrowings - secured							3,279,500,843	2,766,332,000
Provision for taxation							68,964,869	20,488,000
Unallocated liabilities							66,810,748	107,970,079
Total liabilities as per balance sheet							6,748,038,706	5,757,980,385

9. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 December 2018 - un-audited	Level 1	Level 2	Level 3	Total
	.... (Rupees)		....	
Financial asset				
Investment at fair value through other comprehensive income	-	-	46,228,164	46,228,164
Total financial asset	-	-	46,228,164	46,228,164

Recurring fair value measurements At 30 June 2018 - Audited	Level 1	Level 2	Level 3	Total
	.... (Rupees)		....	
Financial asset				
Available for sale financial asset	-	-	58,161,750	58,161,750
Total financial asset	-	-	58,161,750	58,161,750

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation technique used to value financial instrument was discounted cash flow analysis.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the half year ended 31 December 2018:

	Unlisted equity security Rupees
Balance as on 30 June 2017 - audited	49,118,229
Add : Surplus recognized in other comprehensive income	9,043,521
Balance as on 30 June 2018 - audited	58,161,750
Add : Deficit recognized in other comprehensive income	(11,933,586)
Balance as on 31 December 2018 - un-audited	46,228,164

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant un-observable inputs used in level 3 fair value measurements.

Description	Fair value as at		Un-observable inputs	Range of inputs (probability-weighted average) 31 December 2018	Relationship of un-observable inputs to fair value
	Un-audited 31 December 2018	Audited 30 June 2018			
	Rupees	Rupees			
FVTOCI financial assets:					
Security General Insurance Company Limited	46,228,164	58,161,750	Net premium revenue growth factor Risk adjusted discount rate	5.27% 21.45%	Increase / decrease in net premium revenue growth factor by 0.05% and decrease / increase in discount rate by 1% would increase / decrease fair value by Rupees +2.581 million / -2.349 million.

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Valuation processes

Independent valuer performs the valuation of non-property item required for financial reporting purposes, including level 3 fair values. The independent valuer reports directly to the chief financial officer. Discussions of valuation processes and results are held between the chief financial officer and the valuation team at least once every six month, in line with the Company's half yearly reporting period.

The main level 3 inputs used by the Company are derived and evaluated as follows:

Discount rates for financial instruments are determined using a capital asset pricing model to calculate a rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

Changes in level 2 and 3 fair values are analysed at the end of each half yearly reporting period during the valuation discussion between the chief financial officer and the independent valuer. As part of this discussion the independent valuer presents a report that explains the reason for the fair value movements.

10. RECOGNIZED FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

(i) Fair value hierarchy

Judgements and estimates are made for non-financial assets that are recognized and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 31 December 2018 un-audited	Level 1	Level 2	Level 3	Total
	.... (Rupees)		....	
Property, plant and equipment:				
- Freehold land	-	1,117,015,000	-	1,117,015,000
- Buildings	-	1,078,495,957	-	1,078,495,957
Total non-financial assets	-	2,195,510,957	-	2,195,510,957

At 30 June 2018 Audited	Level 1	Level 2	Level 3	Total
	.... (Rupees)		....	
Property, plant and equipment:				
- Freehold land	-	1,117,015,000	-	1,117,015,000
- Buildings	-	1,105,838,000	-	1,105,838,000
Total non-financial assets	-	2,222,853,000	-	2,222,853,000

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year ended 31 December 2018. Further, there was no transfer in and out of level 3 measurements.

(ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for the items of property, plant and equipment carried at revalued amounts every three years. The management updates the assessment of the fair value of each item of property, plant and equipment carried at revalued amount, taking into account the most recent independent valuations. The management determines the value of items of property, plant and equipment carried at revalued amounts within a range of reasonable fair value estimates. The best evidence of fair value of freehold land is current prices in an active market for similar lands. The best evidence of fair value of buildings is to calculate fair depreciated market value by applying an appropriate annual rate of depreciation on the new construction / replacement value of the same building.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's items of property, plant and equipment carried at revalued amounts at the end of every three years. As at 30 June 2018, the fair values of the items of property, plant and equipment were determined by Messers Hamid Mukhtar and Company (Private) Limited, the approved valuer.

Changes in fair values are analysed between the chief financial officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties are as follows:

	Un-audited			
	Half year ended		Quarter ended	
	31 December 2018 Rupees	31 December 2017 Rupees	31 December 2018 Rupees	31 December 2017 Rupees
Loan received from directors	24,157,000	28,311,000	-	28,311,000
Remuneration to Chief Executive Officer, Directors and Executives	50,390,601	65,702,662	23,841,503	44,392,246
Contribution to employees' provident fund trust	18,405,390	12,698,788	11,896,988	6,452,159

	Un-audited 31 December 2018 Rupees	Audited 30 June 2018 Rupees
Period end Balances		
Sponsors' loan	296,157,000	272,000,000
Payable to / (receivable from) employees' provident fund trust	3,733,718	(598,344)

12. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2018.

13. AUTHORIZED FOR ISSUE

These condensed interim financial statements were authorized for issue on 21 February 2019 by the Board of Directors of the Company.

14. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard (IAS) 34 "Interim Financial Reporting", the condensed interim statement of financial position and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison, however, no significant re-arrangements have been made.

AAMIR FAYYAZ SHEIKH	KAMRAN SHAHID	RASHID AHMED
CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

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