Half Yearly Accounts December, 2019

BIBOJEE GROUP

BANNU
WOOLLEN MILLS LIMITED

CONTENTS

COMPANY'S PROFILE

Board Of Directors	Mr. Ahmad Kuli Khan Khattak	Chairman
	Mrs. Shahnaz Sajjad Ahmad	Chief Executive
	Lt Gen (Retd) Ali Kuli Khan Khattak	
	Mr. Mushtaq Ahmad Khan, FCA	
	Mr. Gohar Ayub Khan	
	Syed Zubair Ahmed Shah (NIT)	
	Mr. Abdul Rehman Qureshi (Independent)	
	Brig(R) Agha Arshad Raza	
	Mr. Muhammad Kuli Khan Khattak	
Audit Committee	Mr. Abdul Rehman Qureshi	Chairman
	Mr. Ahmad Kuli Khan Khattak	Member
	Brig(R) Agha Arshad Raza	Member
Human Resource & Remuneration Committee	Mr. Abdul Rehman Qureshi	Chairman
	Mrs. Shahnaz Sajjad Ahmad	Member
	Mr. Ahmad Kuli Khan Khattak	Member
Chief Financial Officer	Mr. A.R. Tahir Chief Operating Officer (COO)	
Company Secretary	Mr. Azher Iqbal - ACA	
Head Of Internal Audit	Mr. Salman Khan - ACA	
Auditors	M/S. ShineWing Hameed Chaudhri & Co Chartered Accountants	
Bankers	National Bank Of Pakistan Bank Alfalah Ltd	
Legal Adviser	M/S Hassan & Hassan, Advocates Paaf Building, 1-D, Kashmir/ Egerton Road, Lahore	
Tax Consultant	M. Nawaz Khan & Co 1-Ground Floor, Farrah Centre, 2 Mozang Road, Lahore	
Registrars & Shares Registration Office	Vision Consulting Limited 3-c, Lda Flats, 1st Floor, Lawrance Road, Lahore Tel: 042-36283096-97, Fax: 042-36312550 Email: Info@vcl.com.pk	
Registered Office & Mills	Bannu Woollen Mills Ltd D.I.Khan Road, Bannu Tel. (0928) 615131, 611350 Fax. (0928) 611450 E-Mail bannuwoollen@yahoo.com Web Site: www.bwm.com.pk	

DIRECTORS' REVIEW

It is our pleasure to present on behalf of the Directors, the un-audited condensed interim financial information of the Company for the half year ended December 31, 2019 duly reviewed by the statutory auditors of the Company.

FINANCIAL PERFORMANCE

We report that your Company has incurred net loss of Rs. 5.006 million after incorporation of share of (loss) / profit of Associated Companies and taxation during the current period as compared to profit of Rs. 15.528 million in the corresponding period of last year . The net sales decreased by Rs. 44.823 million during the period under review with respect to corresponding period of last year.

FINANCIAL RESULTS

These are summarized below:

		Half-Year Ended December 31,	
		2019	2018
		(Rupees in thousand)	
Sales – net		**296,181**	341,004
Gross profit		**99,440**	113,366
(Loss) / profit before taxation		**(2,632)**	20,531
(Loss) / profit after taxation		**(5,006)**	15,528
(Loss) / earnings per share	Rupees	**(0.53)**	1.63

We report that during the current period, the Company has incurred loss before tax of Rs. 2.632 million as compared to profit of Rs. 20.531 million in the corresponding period. The loss in the current period included share of loss of Associated Companies amounting Rs.10.643 million as compared to profit of Rs. 1.778 million. We have loss per share of Rs. 0.53 against earnings per share of Rs. 1.63 for the corresponding period of the last year.

During the period under review, the sales revenue remained below the expectation of the management. The major reason behind lower sales was increase of sales tax by 8% on sales of finished fabric resulting into higher sale prices which was passed-on to the consumer. Keeping in view the trend of current period, it is expected that the annual sales of the current financial year will maintain the current trend.

State Bank of Pakistan kept the policy rate unchanged at 13.25 percent for next two months which will lead to higher financial cost for remainder of current financial year. The Company's finance cost amounted to Rs. 32.308 million in first half of financial year as against Rs. 16.448 million in the corresponding period owing to increased utilization of running finance along with increased mark-up rates. The demand of the Company's products during period under review remained below expectation, however; management is hopeful that the revenue will increase by early lifting from mills dealers and sale of prospective summer products.

FUTURE OUTLOOK

Management is endeavouring to increase the production as soon as the orders for the next winter season will be received from mills dealers. The Company will, however, remain exposed to the risk of adverse fluctuation in the Pak Rupee vs. US$ parity and increased finance cost. Despite various challenges, the Company remains committed to provide quality products to its customers and expect better results for its stakeholders through improved sales for the remaining period of the year.

THANKS AND APPRECIATION

The Company acknowledges the continued support received from its customers and their confidence in the Company. We are also thankful to all stakeholders, Bankers, dealers, vendors, employees and Associates for their valuable support.

For & on behalf of the Board of Directors,

Muhammad Kuli Khan Khattak
Director

Shahnaz Sajjad Ahmad
Chief Executive

Rawalpindi
February 22, 2020

ڈائریکٹرز کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے پہلی ششماہی 31 دسمبر 2019 کمپنی آڈیٹرز کی نظرثانی شدہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی کارکردگی:

ہم رپورٹ پیش کرتے ہیں کہ آپ کی کمپنی کو 5.006 ملین روپے کا خالص نقصان ہے (15.528 ملین روپے منافع، 31 دسمبر، 2018) جو کہ شراکتی کمپنیوں کے منافع اور ٹیکس کی ادائیگی کے بعد کا ہے۔ اس مدت کے دوران خالص فروخت میں پچھلے سال کی نسبت 44.823 ملین روپے کی کمی ہوئی ہے۔

مالیاتی نتائج: جو کہ مندرجہ ذیل ہیں:-

	نصف سال کا اختتام	
	31 دسمبر 2018	31 دسمبر 2019
	(روپے ہزاروں میں)	
خالص فروخت	341,004	**296,181**
مجموعی منافع	113,366	**99,440**
نقصان / ٹیکس سے پہلے منافع	20,531	**(2,632)**
نقصان / منافع بعد از ٹیکس	15,528	**(5,006)**
نقصان / آمدن فی حصص (روپے)	1.63	**(0.53)**

ہم رپورٹ پیش کرتے ہیں کہ اس مدت کے دوران، کمپنی کا ٹیکس سے پہلے کا نقصان 2.632 ملین روپے ہے (31 دسمبر، 2018: منافع 20.531 ملین روپے) جس میں شراکتی کمپنیوں کے نقصان کا حصہ 10.643 ملین روپے ہے (31 دسمبر، 2018: منافع 1.778 ملین روپے) کمپنی کو اس سال فی حصص کی مد میں 0.53 روپے کا نقصان ہوا ہے جو کہ پچھلے سال 1.63 روپے منافع تھا۔

رواں مدت کے جائزے کے تحت، فروخت کی آمدن انتظامیہ کی توقعات سے بہت کم ہوئی ہے۔ کم فروخت کے پیچھے اہم وجہ تیار شدہ کپڑے کی فروخت پر سیلز ٹیکس میں 8% اضافہ ہے جس کے نتیجے میں بڑی سطح پر فروخت کی قیمتوں میں اضافہ ہوا جو کہ حتمی صارف کو منتقل کیا گیا۔ موجودہ حالات پر غور کرتے ہوئے، توقع کی جا رہی ہے کہ موجودہ مالی سال کی سالانہ فروخت صارف کے موجودہ رجحان کو جاری رکھے گی۔

اسٹیٹ بنک آف پاکستان نے اگلے دو ماہ کے لئے پالیسی کی شرح، جو کہ 13.25% سالانہ ہے، میں کوئی تبدیلی نہیں کی جس کے نتیجے میں رواں مالی سال کے بقیہ اخراجات میں زیادہ مالی لاگت آئے گی۔ کمپنی کی مالی سال کی پہلی ششماہی میں فائنانس لاگت 32.308 ملین روپے ہے جو کہ پچھلے سال اسی مدت میں 16.448 ملین روپے تھا جس کی وجہ زیادہ قرض اور سود کی شرح میں اضافہ ہے۔ زیرِ غور مدت کے دوران کمپنی کی مصنوعات کی طلب توقع سے کم رہی ہے۔ انتظامیہ پرامید ہے کہ ملز کے ڈیلرز سے جلد از جلد مصنوعات اٹھانے اور موسم گرما کے ممکنہ سامان کی فروخت سے محصول میں اضافہ ہوگا۔

مستقبل کے نقطہ نظر سے:

ملز ڈیلرز سے اگلے موسم سرما کے آرڈرز ملتے ہی ملز انتظامیہ اپنی پیداوار میں اضافہ کرے گی۔ تاہم کمپنی پاک روپیہ بمقابلہ امریکی ڈالر کی برابری اور مالیاتی لاگت میں اضافے کے منفی اتار چڑھاؤ کے خطرے کی زد میں رہے گی۔ مختلف حالات کے باوجود، کمپنی اپنے صارفین کو معیاری مصنوعات کی فراہمی کے لئے پرعزم ہے اور سال کی باقی مدت تک بہتر فروخت کے ذریعے اپنے سٹیک ہولڈرز کے لئے بہتر نتائج کی توقع کر رہی ہے۔

اظہار تشکر:

کمپنی انتظامیہ اپنے تمام گاہکوں، حصص داران، سپلائرز، بینکرز اور سٹیک ہولڈرز کی مسلسل حمایت اور عزم کا شکریہ ادا کرتی ہے اور اپنے تمام ملازمین کی انتھک محنت کمپنی سے وابستگی اور وفاداری کا بھی اعتراف کرتی ہے۔

تاریخ: 22 فروری 2020

کمپنی کے بورڈ آف ڈائریکٹرز کی جانب سے

شہناز سجاد احمد
چیف ایگزیکٹو

محمد قلی خان خٹک
ڈائریکٹر

Independent Auditors' Review Report to the Members of Bannu Woollen Mills Limited

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Bannu Woollen Mills Limited** (the Company) as at December 31, 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as "condensed interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

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 as applicable in Pakistan 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 auditors' review report is Nafees ud din.

ShineWing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

LAHORE; 22 February, 2020

Condensed Interim Statement of Financial Position as at December 31, 2019

	Note	Dec. 31, 2019 Un-audited	June 30, 2019 Audited
Assets		Rupees in thousand	
Non-current assets			
Property, plant and equipment	6	**1,281,865**	1,068,086
Intangible assets	7	**2,184**	277
Investments in Associated Companies	8	**1,142,247**	1,097,756
Advances		**0**	56
Security deposits		**3,794**	3,794
		2,430,090	2,169,969
Current assets			
Stores and spares		**72,407**	69,210
Stock-in-trade		**565,338**	533,053
Trade debts	9	**478,846**	483,727
Current portion of advances		**256**	193
Advances to employees - unsecured, considered good		**7,145**	6,618
Advance payments		**2,258**	2,896
Trade deposits, prepayments and other receivables		**3,767**	643
Income tax refundable, advance tax and tax deducted at source		**4,206**	7,044
Cash and bank balances		**11,310**	5,385
		1,145,533	1,108,769
Total assets		**3,575,623**	3,278,738
Equity and liabilities			
Share capital and reserves			
Authorised capital		**200,000**	200,000
Issued, subscribed and paid-up capital		**95,063**	95,063
Capital reserves			
- share premium		**19,445**	19,445
- revaluation surplus on property, plant and equipment	10	**1,791,604**	1,591,081
Revenue reserves			
- general reserve		**654,055**	654,055
- unappropriated profit		**297,970**	241,858
Shareholders' equity		**2,858,137**	2,601,502
Liabilities			
Non-current liabilities			
Staff retirement benefits - gratuity		**63,197**	57,304
Deferred taxation	11	**68,909**	54,034
		132,106	111,338
Current liabilities			
Trade and other payables	12	**185,057**	150,458
Unpaid dividends		**3,452**	3,452
Unclaimed dividends		**6,472**	6,545
Accrued mark-up		**16,704**	11,172
Short term finances		**368,521**	385,248
Provision for taxation	13	**5,174**	9,023
		585,380	565,898
Total liabilities		**717,486**	677,236
Contingencies and commitments	14		
Total equity and liabilities		**3,575,623**	3,278,738

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

Shahnaz Sajjad Ahmad **Chief Executive**	**Muhammad Kuli Khan Khattak** **Director**	**A. R. Tahir** **Chief Financial Officer**

Condensed Interim Statement of Profit or Loss & Other Comprehensive Income (Un-audited)

For the Quarter and Six Months Period Ended December 31, 2019

	Note	Quarter ended Dec. 31, 2019	Quarter ended Dec. 31, 2018	Six months period ended Dec. 31, 2019	Six months period ended Dec. 31, 2018
		------- Rupees in thousand -------			
Sales - net		**241,428**	279,644	**296,181**	341,004
Cost of sales		**(160,399)**	(187,677)	**(196,741)**	(227,638)
Gross profit		**81,029**	91,967	**99,440**	113,366
Distribution cost		**(7,044)**	(9,430)	**(12,930)**	(20,386)
Administrative expenses		**(26,928)**	(31,060)	**(47,970)**	(54,429)
Other income		**2,388**	426	**2,592**	497
Other expenses		**(813)**	(3,847)	**(813)**	(3,847)
Profit from operations		**48,632**	48,056	**40,319**	35,201
Finance cost		**(16,603)**	(10,036)	**(32,308)**	(16,448)
		32,029	38,020	**8,011**	18,753
Share of (loss) / profit of Associated Companies - net	**8**	**(10,643)**	1,778	**(10,643)**	1,778
Profit / (loss) before taxation		**21,386**	39,798	**(2,632)**	20,531
Taxation	**15**	**(1,935)**	(12,114)	**(2,374)**	(5,003)
Profit / (loss) after taxation		**19,451**	27,684	**(5,006)**	15,528
Other comprehensive income					
Surplus arisen upon revaluation of property, plant and equipment	**6.1**	**223,461**	0	**223,461**	0
Deferred taxation	**10.1**	**(16,954)**	0	**(16,954)**	0
		206,507	0	**206,507**	0
Total comprehensive income for the period		**225,958**	27,684	**201,501**	15,528
		----------- Rupees -----------			
Earnings / (loss) per share		**2.05**	2.91	**(0.53)**	1.63

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

Shahnaz Sajjad Ahmad	**Muhammad Kuli Khan Khattak**	**A. R. Tahir**
Chief Executive	**Director**	**Chief Financial Officer**

Condensed Interim Statement of Changes in Equity (Un-audited)
For the Six Months Period Ended December 31, 2019

	Share capital	Capital Reserves		Revenue Reserves		Total
		Share premium	Revaluation surplus on property, plant and equipment	General	Unappro-priated profit / Accumu-lated Loss	
	----------	----------	Rupees in thousand	----------	----------	
Balance as at June 30, 2019 (audited)	**95,063**	**19,445**	**1,591,081**	**654,055**	**241,858**	**2,601,502**
Total comprehensive income for the period ended December 31, 2019	**0**	**0**	**206,507**	**0**	**(5,006)**	**201,501**
Revaluation surplus on property, plant and equipment realised during the period on account of incremental depreciation (net of deferred taxation)	**0**	**0**	**(1,984)**	**0**	**1,984**	**0**
Share of revaluation surplus on property, plant and equipment of Associated Companies	**0**	**0**	**(4,000)**	**0**	**0**	**(4,000)**
Effect of items directly credited in equity by Associated Companies	**0**	**0**	**0**	**0**	**59,134**	**59,134**
Balance as at December 31, 2019 (un-audited)	**95,063**	**19,445**	**1,791,604**	**654,055**	**297,970**	**2,858,137**
Balance as at June 30, 2018 - audited	95,063	19,445	1,606,310	904,055	18,512	2,643,385
Transfer	0	0	0	33,000	(33,000)	0
Transaction with owners:						
Cash dividend at the rate of Rs.2.50 per ordinary share for the year ended June 30, 2018	0	0	0	0	(23,766)	(23,766)
Total comprehensive income for the period ended December 31, 2018	0	0	0	0	15,528	15,528
Revaluation surplus on property, plant and equipment realised during the period on account of incremental depreciation (net of deferred taxation)	0	0	(3,536)	0	3,536	0
Share of revaluation surplus on property, plant and equipment of Associated Companies	0	0	(4,059)	0	0	(4,059)
Effect of items directly credited in equity by Associated Companies	0	0	0	0	4,917	4,917
Balance as at December 31, 2018 (un-audited)	95,063	19,445	1,598,715	937,055	(14,273)	2,636,005

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

Shahnaz Sajjad Ahmad	**Muhammad Kuli Khan Khattak**	**A. R. Tahir**
Chief Executive	**Director**	**Chief Financial Officer**

Condensed Interim Statement of Cash Flows (Un-audited)
For the Six Months Period Ended December 31, 2019

	Six months period ended	
	Dec. 31, 2019	Dec. 31, 2018
Cash flows from operating activities	**Rupees in thousand**	
Profit for the period - before taxation and share of (loss) / profit on investments in Associated Companies	**8,011**	18,753
Adjustments for non-cash charges and other items:		
Depreciation	**9,329**	18,079
Amortisation of intangible assets	**274**	54
Staff retirement benefits - gratuity (net)	**5,893**	(1,210)
Mark-up on bank deposits	**(477)**	(267)
Finance cost	**32,308**	16,448
Loss on sale of intangible assets	**19**	0
Workers' welfare fund	**209**	0
Gain on sale of vehicle	**(297)**	0
Profit before working capital changes	**55,269**	51,857
Effect on cash flows due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(3,197)**	1,589
Stock-in-trade	**(32,285)**	(47,481)
Trade debts	**4,881**	(4,296)
Advances	**(534)**	13,122
Advance payments	**638**	(1,791)
Trade deposits, prepayments and other receivables	**(3,124)**	(3,278)
Increase / (decrease) in trade and other payables	**34,390**	(41,230)
	769	(83,365)
Cash generated from / (used in) operations	**56,038**	(31,508)
Taxes paid	**(5,464)**	(23,677)
Net cash generated from / (used in) operating activities	**50,574**	(55,185)
Cash flows from investing activities		
Fixed capital expenditure	**0**	(5,649)
Sale proceeds of vehicle	**650**	0
Intangible assets acquired	**(2,200)**	0
Security deposits	**0**	(800)
Mark-up received on bank deposits	**477**	267
Net cash used in investing activities	**(1,073)**	(6,182)
Cash flows from financing activities		
Short term finances - net	**(16,727)**	103,078
Dividend paid	**(73)**	(19,886)
Finance cost paid	**(26,776)**	(11,662)
Net cash (used in) / generated from financing activities	**(43,576)**	71,530
Net increase in cash and cash equivalents	**5,925**	10,163
Cash and cash equivalents - at beginning of the period	**5,385**	1,726
Cash and cash equivalents - at end of the period	**11,310**	11,889

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

Shahnaz Sajjad Ahmad	**Muhammad Kuli Khan Khattak**	**A. R. Tahir**
Chief Executive	**Director**	**Chief Financial Officer**

Notes to the Condensed Interim Financial Statements (Un-audited)
For the Six Months Period Ended December 31, 2019

1. Legal status and operations

Bannu Woollen Mills Ltd. (the Company) was incorporated in Pakistan as a Public Company in the year 1960 under the Companies Act, 1913 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange Ltd. The Company is principally engaged in manufacture and sale of woollen yarn, cloth and blankets. The Company's registered office and mills are located at D.I. Khan Road, Bannu whereas the retail outlet is located at Raja Bazar, Rawalpindi.

2. Basis of preparation

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.

3. Accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed 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.

3.1 Standards, amendments to published standards and interpretations that are effective in the current period

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company’s operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed financial statements, except for the following:

(a) Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’, (effective for periods beginning on or after January 01, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in statement of profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments do not have any material impact on the Company’s financial statements.

(b) IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments do not have any material impact on the Company’s financial statements.

(c) IFRIC 23, 'Uncertainty over income tax treatments' is effective for accounting periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The amendments do not have any material impact on the Company's financial statements.

4. These condensed interim financial statements are being submitted to the shareholders as required by section 237 of the Companies Act, 2017.The figures of the condensed interim statement of profit or loss & other comprehensive income for the quarters ended December 31, 2019 and 2018 have not been reviewed by the statutory auditors of the Company as the auditors have reviewed the cumulative figures for the six months period ended December 31, 2019. These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended June 30, 2019.

5. Accounting estimates, judgments and financial risk management

The preparation of condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those that were applied to the audited financial statements as at and for the year ended June 30, 2019.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended June 30, 2019.

6. Property, plant and equipment

	Note	Un-audited Dec. 31, 2019 (Rupees in thousand)
Book value of operating fixed assets as at June 30, 2019		1,068,086
Revaluation increments incorporated during the period:		
- freehold land	6.1	165,000
- buildings on freehold land	6.1	41,659
- plant and machinery	6.1	16,802
		223,461
Book value of vehicle disposed-off during the period		(353)
Depreciation charge for the period		(9,329)
Book value of operating fixed assets as at December, 31, 2019		**1,281,865**

6.1 Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 10.1, has been determined as follows:

Particulars	Freehold land	Buildings on freehold land			Plant & machinery	Total
		Factory	Residential	Others		
	------------------- Rupees in thousand -------------------					
Cost / revaluation as at October 31, 2019	**742,500**	**35,863**	**15,110**	**28,934**	**603,726**	**1,426,133**
Accumulated depreciation to October 31, 2019	**0**	**15,874**	**4,448**	**7,455**	**350,415**	**378,192**
Book value before revaluation adjustments as at October 31, 2019	**742,500**	**19,989**	**10,662**	**21,479**	**253,311**	**1,047,941**
Revalued amounts	**907,500**	**39,047**	**20,732**	**34,010**	**270,113**	**1,271,402**
Revaluation surplus	**165,000**	**19,058**	**10,070**	**12,531**	**16,802**	**223,461**

6.2 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	Note	Un-audited Dec. 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
Freehold land		**152**	152
Buildings on freehold land		**16,014**	16,417
Plant & machinery		**196,908**	201,920
		213,074	218,489

6.3 Based on the revaluation exercise carried-out as at October 31, 2019, forced sale values of the Company's revalued assets have been assessed at Rs.1,057.807 million.

7. Intangible assets

The Company has entered into SARP ERP Software Modules Implementation & Post Implementation Technical Support Services Agreement with Comsoft Business Solution (Pvt.) Ltd. The SARP ERP software costing Rs.2.200 million has been installed during the period.

8. Investments in Associated Companies - Quoted

	Note	Un-audited Dec. 31, 2019	Audited June 30, 2019
Babri Cotton Mills Ltd. (BCM)			
144,421 ordinary shares of Rs.10 each - **cost** Equity held: 3.95%	**8.2**	**1,632**	1,632
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity		**15,486**	16,588
Loss for the period / year - net of taxation		**(6,039)**	(1,543)
Share of other comprehensive income / (loss) - net of taxation		**1,828**	8
Share of revaluation surplus on property, plant and equipment		**35,222**	35,545
		48,129	52,230
Janana De Malucho Textile Mills Ltd. (JDM)			
1,559,230 ordinary shares of Rs.10 each - **cost** Equity held 32.59%	**8.2**	**27,762**	27,762
Post acquisition profit and other comprehensive income brought forward including effect of items directly credited in equity		**283,604**	267,128
(Loss) / profit for the period / year - net of taxation		**(4,604)**	2,789
Share of other comprehensive income / (loss) - net of taxation		**43,361**	175
Share of revaluation surplus on property, plant and equipment		**743,995**	747,672
		1,094,118	1,045,526
		1,142,247	1,097,756

8.1 Although the Company has less than 20% voting rights in BCM as at December 31, 2019 and June 30, 2019, BCM has been treated as an Associated Company by virtue of common directorship.

8.2 Market values of the Company's investments in BCM and JDM as at December 31, 2019 were Rs.6.467 million (June 30, 2019: Rs.5.406 million) and Rs.132.518 million (June 30, 2019: Rs.96.672 million) respectively.

8.3 The management intends to carry-out impairment testing of its investments in BCM and JDM as at June 30, 2020 as no significant variation in estimates have been observed during the current period since June 30, 2019.

9. Trade debts - unsecured

	Note	Un-audited Dec. 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
Considered good		**468,139**	473,020
Considered doubtful		**21,413**	21,413
		489,552	494,433
Less: allowance for Expected Credit Loss		**(10,706)**	(10,706)
		478,846	483,727

10. Surplus on revaluation of property, plant and equipment - net

	Note	Un-audited Dec. 31, 2019	Audited June 30, 2019
Surplus on revaluation of the Company's property, plant and equipment	**10.1**	**1,012,387**	807,864
Share of surplus on revaluation of property, plant and equipment of Associated Companies	**8**	**779,217**	783,217
		1,791,604	1,591,081

10.1 The Company, during the period, has again revalued its freehold land, buildings on freehold land and plant & machinery. The revaluation exercise has been carried-out by independent Valuers - AXIS Consultants, Deans Trade Centre, Peshawar Cantt. Freehold land has been revalued on the basis of current market value whereas buildings on freehold land and plant & machinery have been revalued on the basis of depreciated market values. The appraisal surplus arisen on latest revaluation aggregating Rs.223.461 million has been credited to this account. The period-end balance has been arrived at as follows:

	Note	Un-audited Dec. 31, 2019	Audited June 30, 2019
Opening balance		**834,626**	841,973
Add: surplus arisen on revaluation carried-out during the period	**6.1**	**223,461**	0
Less: transferred to unappropriated profit on account of incremental depreciation for the period / year		**(2,794)**	(7,347)
		1,055,293	834,626
Less: deferred tax on:			
- opening balance of surplus		**26,762**	28,893
- surplus arisen on revaluation carried-out during the period		**16,954**	0
- incremental depreciation for the period / year		**(810)**	(2,131)
		42,906	26,762
Closing balance		**1,012,387**	807,864

11. Deferred taxation - net

This is composed of the following:

	Note	Un-audited Dec. 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
Taxable temporary differences arising in respect of :			
- accelerated tax depreciation allowances		**39,456**	39,252
- surplus on revaluation of property, plant & equipment		**42,905**	26,761
		82,361	66,013
Deductible temporary differences arising in respect of :			
- provision against slow moving stores and spares		**(580)**	(580)
- allowance for ECL on trade debts		**(3,105)**	(3,105)
- minimum tax recoverable against normal tax charge in future years		**(9,767)**	(8,294)
		68,909	54,034

12. Trade and other payables

	Note	Un-audited Dec. 31, 2019	Audited June 30, 2019
Due to a related party - Gammon Pakistan Ltd.		**1,085**	2,990
Creditors		**20,839**	13,434
Bills payable		**59,278**	0
Advances from customers - contract liabilities		**1,962**	3,463
Security deposits - interest free, repayable on demand		**8,700**	7,700
Accrued expenses		**58,651**	49,769
Workers' (profit) participation fund		**440**	0
Due to Waqf-e-Kuli Khan		**5,669**	5,524
Tax deducted at source		**131**	3,163
Workers' welfare fund		**4,758**	4,549
Sales tax payable		**8,576**	28,577
Staff retirement benefits (gratuity) due but unpaid	**12.1**	**14,500**	30,940
Others		**468**	349
		185,057	150,458

12.1 The Company, during the period, has paid staff retirement benefits amounting Rs.8.440 million to Mr. Mushtaq Ahmed Khan (Director of the Company) and Rs.8 million to Chief Operating Officer of the Company.

13. Provision for taxation - net

	Un-audited Dec. 31, 2019	Audited June 30, 2019
Opening balance	**9,023**	37,769
Add: provision made during the year:		
- current	**4,444**	8,294
- prior year	**9**	9
	4,453	8,303
Less: payments / adjustments made during the period / year against completed assessments	**8,302**	37,049
Closing balance	**5,174**	9,023

13.1 Income tax assessments of the Company have been completed upto the tax year 2019 i.e. accounting year ended June 30, 2019

13.2 There has no significant change in status of taxation matters as detailed in note 22.2 to 22.8 to the audited financial statements of the Company for the year ended June 30, 2019

14. Contingencies and commitments

There has been no significant change in the status of contingencies during the current period as disclosed in the audited financial statements of the Company for the year ended June 30, 2019.

	Six months period ended December 31, 2019	2018
	(Rupees in thousand)	
15. Taxation		
- current	**4,444**	7,388
- prior year	**9**	9
- deferred	**(2,079)**	(2,394)
	2,374	5,003

16. Transactions with related parties

16.1 Significant transactions with related parties during the period were as follows:

	2019	2018
i) Associated Companies		
Dividend paid	**0**	8,096
Expenses shared	**1,627**	976
Rent of marketing office	**2,520**	2,520
Rent of internal audit office	**75**	75
Purchase of raw materials	**421**	0
ii) Associated Undertaking		
Donation	**145**	405
iii) Key management personnel		
Salary and other employment benefits	**35,432**	47,512

16.2 Period-end balance was as follows:

	2019	2018
Payable to Gammon Pakistan Ltd. (grouped under trade and other payables)	**1,085**	845

16.3 Also refer contents of note 12.1.

17. Corresponding figures

17.1 In order to comply with the requirements of IAS 34 "Interim financial reporting", the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of the preceding financial year, whereas, the condensed interim statement of profit or loss & other comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

17.2 Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purposes of comparison; however, no significant re-classifications / re-statements have been made to these condensed interim financial statements.

18. Date of authorisation for issue

These condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 22, 2020 .

Shahnaz Sajjad Ahmad	Muhammad Kuli Khan Khattak	A. R. Tahir
Chief Executive	Director	Chief Financial Officer

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