Shadman
Cotton Mills Limited

HALF YEARLY REPORT
DECEMBER 31, 2016

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	MR. SHAHID MAZHAR (Chief executive / Chariman) MR. AHMED BIN SHAHID MRS. GHAZALA SHAHID MRS. NAUREEN REHAN MR. MUHAMMAD AKHTAR MR. SHAHID MAHMUD MR. NADEEM BHATTI
AUDITORS	RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS
LEGAL ADVISOR	MR. FAZAL MAHMOOD (ADVOCATE)
AUDIT COMMITTEE	MRS. NAUREEN REHAN (Chairman) MRS. GHAZALA SHAHID (Membner) MR. MUHAMMAD AKHTAR (Member)
H.R. AND REMUNERATION COMMITTEE	MR. AHMED BIN SHAHID (Chariman) MR. SHAHID MAZHAR (Member) MR. MUHAMMAD AKHTAR (Member)
CHIEF FINANCIAL OFFICER	MR.SHAHID MAHMUD
COMPANY SECRETARY	MR. MUHAMMAD AKHTAR
BANKERS	ALLIED BANK LIMITED SONERI BANK LIMITED THE BANK OF PUNJAB HABIB BANK LIMITED MEEZAN BANK LIMITED
REGISTERED OFFICE	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG - II, LAHORE-PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
HEAD OFFICE	2-E, BLOCK-G, MUSHTAQ AHMED GURMANI ROAD, GULBERG - II, LAHORE-PAKISTAN TEL: 042-35959121-25 FAX: 042-35959120
SHARE REGISTRAR	M/S TECHNOLOGY TRADE (PVT) LTD. 241-C, BLOCK-2, P.E.C.H.S., KARACHI
MILLS	3.5 K.M. FEROZ WATOAN,WARBURTON ROAD, KOT SHAH MOHAMMAD TEHSIL & DISTRICT: NANKANA SAHIB
URL	WWW.SHADMAN.COM.PK

DIRECTORS' REPORT

Dear Shareholders,

The Directors of the company present the un-audited financial statements of the company for the half year ended December 31, 2016 reviewed by the auditors' of the company.

During the half year under review, the net turnover of the company is Rs. 342.540 million including export sales of Rs. 38.035 million as compared to net turnover of Rs. 373.458 million of corresponding period of previous year. During the half year the company sustained after tax loss of Rs. 55.795 million as compared to after tax loss of Rs. 101.634 million. Loss per share is Rs. (3.16) as compared to loss per share of Rs. (5.76) of the corresponding period of the half year.

The financial results of the 2nd quarter remained almost the same as was in the 1st quarter due to increasing prices of raw materials and corresponding increase in sale rates of yarn. The auditors continued the qualifications in the half yearly financial statements from the previous year's audit report. The management has already expressed their views in the previous year's report.

The management of your company is making continuous efforts and taking initiatives to cope with the competitors in the market by better maintenance of plant and machinery to improve the production & quality of the product. Further subsequently the management has closed the operations of mills temporarily for overhauling and maintenance of plant for strategic plan to produce wide quality and blends of product range according to requirements of the market. All these steps will help to produce better financial results in the rest of the half year.

Meanwhile, the Government is also taking steps for the revival of textile sector by withdrawing import duties on raw materials and allowing rebate on export of textile products to improve the viability of this sector. The improvement of textile spinning sector is not possible without the major steps like stopping of dumping of Indian yarn and providing continuous energy throughout the country at one rate. We are hopeful that continuous support by the Government to textile industry will help to boost this sector again.

The board avails the opportunity to appreciate the devoted work done by the executives, officers, staff and workers of the company.

For and on behalf of the Board

SHAHID MAZHAR
(Chief Executive)

Lahore: February 27, 2017

Auditors' report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Shadman Cotton Mills Limited** ("the Company") as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of profit or loss and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the three months period ended December 31, 2016 of the condensed interim profit and loss account and condensed interim statement of profit or loss and other comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months period ended on that date.

Scope of Review

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

Basis of Qualified Conclusion

a) As referred to in note 8 to the financial information, the Company has recognized deferred tax asset on unused business losses amounting to Rs. 135.16 million as it expects to have sufficient taxable profits in future against which the deferred tax asset could be utilized. However, the present financial situation of the Company and the fact that the Company has incurred gross loss consecutively for two years and six months are strong evidence that future taxable profits may not be available.

b) As referred to in note 8.1.1 to the financial information, during the earlier years, the Company has reversed accrued interest/markup amounting to Rs. 179.89 million payable to The Bank of Punjab based on the advice of the Company's legal advisor. Further the Company has not recognized interest/markup on debt finances amounting to Rs. 22.7 million during the six months period ended December 31, 2016 based on the advice of the Company's legal advisor. As a result of reversal, the interest/markup recognized as payable to The Bank of Punjab stands at Rs. 103.52 million as at June 30, 2016 as against Rs. 118.67 million claimed by the lender as interest/markup till December 31, 2011 and cost of funds for period after December 31, 2011 upto December 31, 2016 estimated at Rs. 157.88 million, for which no liability has been recognized by the Company. Had the reversal not been made and liability for interest/mark-up been recognized the accumulated losses and loss for the period would have been higher by Rs. 391.57 million and Rs. 22.7 million respectively.

c) Trade debts amounting to Rs. 45.75 million and advances to suppliers amounting to Rs. 14.65 million represent dormant balances. The management considers these balances to be good and recoverable and hence no impairment has been recognized in the financial information. Had impairment been recognized against these balances, the accumulated losses as at December 31, 2016 and loss for the six months period ended would have been higher by Rs. 60.39 million.

Conclusion

Based on our review, except for the effect, if any, of matters described in Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to note 2.3 to the condensed interim financial information which indicate that the Company has incurred gross loss of Rs. 37.613 million and loss before taxation of Rs. 55.795 million during the six months period ended December 31, 2016. As at December 31, 2016, the Company has accumulated losses of Rs. 363.579 million and resulting in negative equity of Rs. 133.993 as at the reporting date. Its current liabilities exceed its current assets by Rs. 741.923 million. The Company has been unable to repay its debt finances and interest/markup thereon aggregating to Rs. 609.09. These factors raise doubts about the Company's ability to continue as a going concern. These condensed interim financial information has, however, been prepared on going concern basis for reasons explained in note 2.3. Our conclusion is not qualified in respect of this matter.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: *IRFAN REHMAN MALIK*

Lahore: ***February 27, 2017***

CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016

	Note	December 31, 2016 Rupees (Un-audited)	June 30, 2016 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
18,000,000 (June 30, 2016: 18,000,000) ordinary shares of Rs. 10 each		180,000,000	180,000,000
Issued, subscribed and paid-up capital		176,367,190	176,367,190
Capital reserves		53,218,752	53,218,752
Accumulated losses		(363,578,728)	(317,309,875)
TOTAL EQUITY		(133,992,786)	(87,723,933)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		610,299,475	619,825,233
NON-CURRENT LIABILITIES			
Long term finances - *secured*	6	-	-
Liabilities against assets subject to finance lease - *secured*	7	-	-
Deferred liabilities	8	51,138,065	51,969,287
		51,138,065	51,969,287
CURRENT LIABILTIES			
Trade and other payables		330,588,949	419,664,251
Accrued interest/markup		105,482,401	105,482,401
Short term borrowings		464,949,541	485,818,341
Current portion of non-current liabilities		132,163,132	132,163,132
Provision for taxation		7,658,996	4,602,149
		1,040,843,019	1,147,730,274
TOTAL LIABILITIES		1,091,981,084	1,199,699,561
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		1,568,287,773	1,731,800,861
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,241,923,266	1,267,909,038
Long term deposits - *unsecured, considered good*		27,444,429	27,444,429
		1,269,367,695	1,295,353,467
CURRENT ASSETS			
Stores, spares and loose tools		58,913,145	63,853,870
Stock in trade		94,545,271	236,828,849
Trade debts - *unsecured*		82,003,004	71,766,748
Advances, deposits, prepayments and other receivables		60,032,145	60,535,289
Advance income tax/income tax refundable		692,004	2,044,792
Short term investments		90,500	95,500
Cash and bank balances		2,644,009	1,322,346
		298,920,078	436,447,394
TOTAL ASSETS		1,568,287,773	1,731,800,861

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE **DIRECTOR**

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

	Note	Six months ended		Three months ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		Rupees	Rupees	Rupees	Rupees
Turnover - net		342,539,571	373,458,198	153,696,564	258,447,959
Cost of sales		(380,152,550)	(450,250,367)	(173,616,866)	(296,198,927)
Gross loss		(37,612,979)	(76,792,169)	(19,920,302)	(37,750,968)
Selling and distribution expenses		(2,623,536)	(1,302,344)	(1,666,809)	(546,612)
Administrative and general expenses		(12,493,260)	(19,141,929)	(4,772,418)	(10,647,347)
		(15,116,796)	(20,444,273)	(6,439,227)	(11,193,959)
		(52,729,775)	(97,236,442)	(26,359,529)	(48,944,927)
Other income		404,178	2,103	402,521	1,545
Operating (loss)/profit		(52,325,597)	(97,234,339)	(25,957,008)	(48,943,382)
Finance cost		(40,302)	(650,192)	(392)	(391,893)
(Loss)/profit before taxation		(52,365,899)	(97,884,531)	(25,957,400)	(49,335,275)
Taxation		(3,428,712)	(3,749,884)	(1,603,927)	(2,661,878)
(Loss)/profit after taxation		(55,794,611)	(101,634,415)	(27,561,327)	(51,997,153)
(Loss)/profit per share - *basic and diluted*		(3.16)	(5.76)	(1.56)	(2.95)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016

	Note	December 31, 2016 Rupees (Un-audited)	June 30, 2016 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
18,000,000 (June 30, 2016: 18,000,000) ordinary shares of Rs. 10 each		180,000,000	180,000,000
Issued, subscribed and paid-up capital		176,367,190	176,367,190
Capital reserves		53,218,752	53,218,752
Accumulated losses		(363,578,728)	(317,309,875)
TOTAL EQUITY		(133,992,786)	(87,723,933)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		610,299,475	619,825,233
NON-CURRENT LIABILITIES			
Long term finances - *secured*	6	-	-
Liabilities against assets subject to finance lease - *secured*	7	-	-
Deferred liabilities	8	51,138,065	51,969,287
		51,138,065	51,969,287
CURRENT LIABILTIES			
Trade and other payables		330,588,949	419,664,251
Accrued interest/markup		105,482,401	105,482,401
Short term borrowings		464,949,541	485,818,341
Current portion of non-current liabilities		132,163,132	132,163,132
Provision for taxation		7,658,996	4,602,149
		1,040,843,019	1,147,730,274
TOTAL LIABILITIES		1,091,981,084	1,199,699,561
CONTINGENCIES AND COMMITMENTS	9		
TOTAL EQUITY AND LIABILITIES		1,568,287,773	1,731,800,861
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,241,923,266	1,267,909,038
Long term deposits - *unsecured, considered good*		27,444,429	27,444,429
		1,269,367,695	1,295,353,467
CURRENT ASSETS			
Stores, spares and loose tools		58,913,145	63,853,870
Stock in trade		94,545,271	236,828,849
Trade debts - *unsecured*		82,003,004	71,766,748
Advances, deposits, prepayments and other receivables		60,032,145	60,535,289
Advance income tax/income tax refundable		692,004	2,044,792
Short term investments		90,500	95,500
Cash and bank balances		2,644,009	1,322,346
		298,920,078	436,447,394
TOTAL ASSETS		1,568,287,773	1,731,800,861

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE | **DIRECTOR**

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

	Six months ended December 31, 2016 *Rupees*	Six months ended December 31, 2015 *Rupees*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(52,365,899)	(97,884,531)
Adjustments for non-cash items		
Depreciation	28,240,904	29,952,926
Provision for employees retirement benefits	-	269,750
Gain on disposal of property, plant and equipment	(383,524)	-
Changes in fair value investments at fair value through profit or loss	5,000	6,500
Interest/markup on borrowings	40,302	650,192
	27,902,682	30,879,368
Operating loss before changes in working capital	(24,463,217)	(67,005,163)
Changes in working capital		
Stores, spares and loose tools	4,940,725	3,679,865
Stock in trade	142,283,578	7,406,752
Trade debts	(10,236,256)	(4,971,260)
Advances, prepayments and other receivables	503,144	(30,227,449)
Trade and other payables	(89,075,302)	65,962,816
	48,415,889	41,850,724
Net cash generated from/(used in) operations	23,952,672	(25,154,439)
Payments for		
Interest/markup on borrowings	(40,302)	(696,938)
Income tax	980,923	(620,643)
Employees retirement benefits	(831,222)	(1,480,925)
Net cash generated from/(used in) operating activities	24,062,071	(27,952,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,881,608)	(1,707,875)
Proceeds from disposal of property, plant and equipment	1,010,000	-
Long term deposit	-	(9,595,956)
Net cash used in investing activities	(1,871,608)	(11,303,831)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from directors obtained	3,580,000	36,279,094
Repayment of liabilities against assets subject to finance lease	-	(3,660,000)
Net (decrease)/increase in short term borrowings	(24,448,800)	8,462,870
Net cash generated from financing activities	(20,868,800)	41,081,964
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,321,663	1,825,188
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,322,346	385,619
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,644,009	2,210,807

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE **DIRECTOR**

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

	Six months ended		Three months ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Rupees	*Rupees*	*Rupees*	*Rupees*
Items that may be reclassified subsequently to profit or loss	-	-	-	-
Items that will not be reclassified to profit or loss				
Incremental depreciation	9,525,758	10,050,593	4,762,880	2,650,494
Other comprehensive income	9,525,758	10,050,593	4,762,880	2,650,494
Loss after taxation	(55,794,611)	(101,634,415)	(27,561,327)	(51,997,153)
Total comprehensive loss	(46,268,853)	(91,583,822)	(22,798,447)	(49,346,659)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE **DIRECTOR**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

	Share capital	Revenue reserve		
	Issued subscribed and paid-up capital	Capital reserve	Accumulated losses	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*
Balance as at June 30, 2015 - *Audited*	176,367,190	53,218,752	(204,051,569)	25,534,373
Comprehensive loss				
Loss after taxation	-	-	(101,634,415)	(101,634,415)
Other comprehensive income	-	-	10,050,593	10,050,593
Total comprehensive loss	-	-	(91,583,822)	(91,583,822)
Balance as at December 31, 2015 - *Un-audited*	176,367,190	53,218,752	(295,635,391)	(66,049,449)
Balance as at January 01, 2016 - *Un-audited*	176,367,190	53,218,752	(295,635,391)	(66,049,449)
Comprehensive loss				
Loss after taxation	-	-	(38,093,249)	(38,093,249)
Other comprehensive income	-	-	16,418,765	16,418,765
Total comprehensive loss	-	-	(21,674,484)	(21,674,484)
Transaction with owners	-	-	-	-
Balance as at June 30, 2016 - *Audited*	176,367,190	53,218,752	(317,309,875)	(87,723,933)
Balance as at July 01, 2016 - *Audited*	176,367,190	53,218,752	(317,309,875)	(87,723,933)
Comprehensive loss				
Loss after taxation	-	-	(55,794,611)	(55,794,611)
Other comprehensive income	-	-	9,525,758	9,525,758
Total comprehensive loss	-	-	(46,268,853)	(46,268,853)
Transaction with owners	-	-	-	-
Balance as at December 31, 2016 - *Un-audited*	176,367,190	53,218,752	(363,578,728)	(133,992,786)

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

1 REPORTING ENTITY

Shadman Cotton Mills Limited ('the Company') was incorporated in Pakistan as a public limited company on November 24, 1979 under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing and sale of yarn. The registered office of the Company is situated at 2/E, Block G, Mushtaq Ahmed Gurmani Road, Gulberg II, Lahore.

2 BASIS OF PREPARATION

The financial information contained in this interim financial report is un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2016.

This condensed interim financial information has been subjected to limited scope review by the auditors of the Company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2016 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account, interim statement of profit or loss and other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the six months period ended December 31, 2016 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2016 and December 31, 2015 are neither audited nor reviewed.

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

The financial information contained in this interim has been prepared under the historical cost convention except for certain financial instruments at fair value, certain financial liabilities at amortized cost and employees retirement benefits at present value. In this financial information, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Appropriateness of the going concern assumption

The Company has been facing operational losses mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 37.613 million and loss after taxation of Rs. 55.795 million during the six months period ended December 31, 2016. As at December 31, 2016, the Company has accumulated losses of Rs. 363.579 million and negative equity of Rs. 133.993 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 741.923 million. The Company has defaulted in repayment of its debt finances and interest/mark-up thereon amounting to Rs. 586.39 million. The providers of debts finances have filed recovery suits for recovery of these debts finances and interest/markup thereon. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.

b) The Company has continued financial support of its sponsors in the form of interest free loans. During the period, the sponsors provided financial support amounting to Rs. 3.58 million in the form of long term interest free loans.

c) In the opinion of the Company's legal counsel the ongoing litigation between the Company and The Bank of Punjab regarding recovery of debt finances and interest/markup thereon will take a few years to conclude as such the Company will be able to settle its liabilities to The Bank of Punjab through the stream of cash flows from future sales.

d) The management is taking steps towards reduction of fixed cost and rationalization of other expenses including right sizing of man power, resource conservation and close monitoring of fixed cost.

2.4 Judgments, estimates and assumptions

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

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

2.5 Functional currency

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

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR

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

IFRS 14 – Regulatory Deferral Accounts (2014)

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Equity Method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)

IAS 27 - Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

IFRS 11 - Joint Arrangements has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
- Disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture have been amended to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)

IAS 1 Presentation of Financial Statements has been amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Annual Improvements 2012-2014 cycle

These improvements make amendments to the following standards:

- **IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations** - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- **IFRS 7 - Financial Instruments: Disclosures** - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
- **IAS 19 - Employee Benefits** - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- **IAS 34 - Interim Financial Reporting** - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Classification and Measurement of Share-based Payment Transactions	January 01, 2018
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Concideration	January 01, 2018

	Effective date (annual periods beginning on or after)
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 01, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40)	January 01, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle	January 01, 2018

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRIC 22 - Foreign Currency Transactions and Advances Concideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- There is consideration that is denominated or priced in a foreign currency;

- The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2016.

	Note	December 31, 2016 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
6 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
The Bank of Punjab - Demand finance - I	6.1	17,863,256	17,863,256
The Bank of Punjab - Demand finance - II	6.2	80,000,000	80,000,000
Habib Bank Limited - Term finance	6.3	8,105,608	8,105,608
		105,968,864	105,968,864
Current maturity presented under current liabilities		(105,968,864)	(105,968,864)
		-	-

6.1 The finance was obtained from The Bank of Punjab to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carried interest/markup at 7% per annum, payable quarterly. The finance was repayable in ten equal half yearly installments with the first installment was due in September 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 9.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

6.2 The finance was obtained from The Bank of Punjab to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carried interest/markup at six months KIBOR plus 2% per annum payable semi annualy. The finance was repayable in eight equal half yearly installments with the first installment was due in October 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 9.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

6.3 The finance was been obtained from Habib Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest/markup at three months KIBOR plus 1.50% per annum, payable quarterly. The finance was repayable in eighteen equal monthly installments with the first installment was due in June 2010. The entire outstanding balance is over due as at the reporting date. Refer to note 9.1.2 for details of litigation between the Company and Habib Bank Limited regarding recovery of this amount.

	Note	December 31, 2016 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments		26,194,268	31,052,969
Current portion presented under current liabilities		(26,194,268)	(31,052,969)
		-	-

7.1 These represent finance lease obtained under sale and lease back arrangements for acquiring plant and machinery. The lease was priced at three months KIBOR plus 1.75% per annum, subject to floor and cap of 10% and 24% per annum respectively. Lease rentals were payable quarterly over a tenor of two years with the first instalment due from November 2013. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The lease term has expired and the entire outstanding balance represents overdue instalments.

7.2 Current portion includes overdue instalments of Rs. 26,194,268 (June 30, 2016: Rs. 26,194,268)

	Note	December 31, 2016	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Audited)
8 DEFERRED LIABILITIES			
Deferred taxation	8.1	23,320,277	23,320,277
Long Term Payables - *Secured*		18,316,926	18,316,926
Employees retirement benefits		9,500,862	10,332,084
		51,138,065	51,969,287

8.1 This includes deferred tax asset on unused tax losses and credits as at June 30, 2016 representing deferred tax asset of Rs. 103.77 million and Rs. 135.16 million on unabsorbed depreciation and unused business losses respectively. Taxable profits are expected to be available in future against which the recognized deferred tax assets could be utilized.

9 CONTINGENCIES AND COMMITMENTS

9.1 Contingencies

9.1.1 The Company is contesting recovery suit filed by The Bank of Punjab in year 2011 amounting to Rs. 577.391 million on account of principal and markup claimed in the suit along with cost of funds, estimated at Rs. 141.98 million upto December 31, 2016, and all other claims arising therein till realization. A counter suit has been filed by the Company against The Bank of Punjab, before the Lahore High Court wherein, along other payers, the Company has claimed Rs. 744.348 million on account of acts and omission committed by the Bank against the Company. The suits is pending before the Lahore High Court and has been fixed for arguments.

9.1.2 The Company is contesting recovery suite filed by Habib Bank Limited amounting to Rs. 8.996 million on account of principal and markup claimed in the suit. The suits was decreed by the Banking Court for an amount of Rs. 8.105 million.

9.1.3 During the year ended June 30, 2015, the Company reversed interest/markup amounting to Rs. 179.893 million recognized in earlier years including interest/markup accrued after the expiry date of financing agreements and interest/markup recognized against usance LC based on legal opinion of its legal counsel engaged in defending the above suits. Further, the Company has not recognized interest/mark-up amounting to Rs. 22.7 million for the six months period ended December 31, 2016 based on legal opinion of its legal counsel engaged in defending the above suits.

9.1.4 Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 18.317 million (June 30, 2016: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (June 30, 2016: Rs. 18.317 million).

9.1.5 A suite has been filed by the Company before the Sindh High Court against a show Cause notice issued by the Securities and Exchange Commission of Pakistan ('SECP') regarding related party transactions and has obtained stay order restraining SECP from taking any adverse action.

9.2 Commitments

9.2.1 There are no known commitments as at the reporting date.

	Note	December 31, 2016	June 30, 2016
		Rupees	Rupees
		(Un-Audited)	(Audited)
10 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	10.1	1,239,041,658	1,267,909,038
Capital work in progress		2,881,608	-
		1,241,923,266	1,267,909,038
10.1 Operating fixed assets			
Assets owned by the Company	10.1.1	1,193,715,511	1,221,420,682
Assets subject to finance lease	10.1.2	45,326,147	46,488,356
		1,239,041,658	1,267,909,038

	December 31, 2016	June 30, 2016
	Rupees	Rupees
	(Un-Audited)	(Audited)
10.1.1 Assets owned by the Company		
Net book value at the beginning of the period/year	1,221,420,682	1,277,268,473
Additions during the period/year		
Office equipment	-	21,945
Vehicles	-	1,685,930
	-	1,707,875
Net book value of assets disposed during the period/year	(626,476)	(120,718)
Depreciation for the period/year	(27,078,695)	(57,434,948)
Net book value at end of the period/year	1,193,715,511	1,221,420,682
10.1.2 Assets subject to finance lease		
Net book value at beginning of the period/year	46,488,356	48,935,112
Depreciation for the period/year	(1,162,209)	(2,446,756)
Net book value at end of the period/year	45,326,147	46,488,356

11 TAXATION

11.1 Provision for taxation has been made under section 113, 154 and 169 of the Income Tax Ordinance, 2001.

12 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and undertakings and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Details of transactions and balances with related parties is as follows:

		Six months ended	
		December 31, 2016	December 31, 2015
		Rupees	Rupees
		(Un-Audited)	(Un-Audited)
12.1 Transactions with related parties			
Nature of relationship	**Nature of transaction**		
Key management personnel	Short term borrowings obtained	25,670,000	35,279,094
	Short term borrowings repaid	22,090,000	-
	Short term employee benefits	-	3,360,000
Associated undertaking	Purchases during the period	1,881,600	-

		Note	December 31, 2016	June 30, 2016
			Rupees	Rupees
			(Un-Audited)	(Audited)
12.2 Balances with related parties				
Nature of relationship	**Nature of balances**			
Key management personnel	Short term borrowings		128,670,067	125,090,067
	Short term employee benefits payable		16,200,000	12,840,000
Associated undertaking	Trade debts		-	255,229
	Trade creditors		551,371	-

13 FINANCIAL INSTRUMENTS

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

		December 31, 2016 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
13.1	**Financial assets**		
	Cash in hand	949,710	10,706
	Loans and receivables		
	Long term deposits	27,444,429	27,444,429
	Trade debts	82,003,004	71,766,748
	Security deposits	3,500,000	3,500,000
	Insurance claims receivable	9,331,092	9,439,092
	Cash at bank	1,632,438	1,311,640
		123,910,963	113,461,909
	Available for sale financial assets		
	Short term investments	90,500	95,500
		124,951,173	113,568,115
13.2	**Financial liabilities**		
	Financial liabilities at amortized cost		
	Long term finances	105,968,864	105,968,864
	Liabilities against assets subject to finance lease	26,194,268	26,194,268
	Long term payables	18,316,926	18,316,926
	Short term borrowings	464,949,541	485,818,341
	Accrued interest/markup	105,482,401	105,482,401
	Trade creditors	91,276,216	125,109,963
	Accrued liabilities	109,979,449	93,410,509
	Bills payable	-	47,208
		922,167,665	960,348,480

14 FAIR VALUE MEASUREMENTS

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

14.1 Financial instruments measured at fair value

14.1.1 Recurring fair value measurements

Nature of asset	Hierarchy	Valuation techniques/Key inputs	December 31, 2016 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
Financial assets at fair value through profit or loss				
Short term investments	Level 1	Quoted bid prices in an active market	90,500	95,500

14.1.2 Non-recurring fair value measurements

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

14.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.

14.3 Assets and liabilities other than financial instruments.

14.3.1 Recurring fair value measurements

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

	Level 1	Level 2	Level 3	December 31, 2016 Rupees (Un-Audited)	June 30, 2016 Rupees (Audited)
Freehold land	-	168,217,500	-	168,217,500	168,217,500
Factory building	-	-	312,955,272	312,955,272	320,979,766
Non-factory building	-	-	54,503,329	54,503,329	55,900,850
Plant and machinery	-	-	647,329,395	647,329,395	663,927,585
Vehicles	-	-	7,687,011	7,687,011	9,212,871

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties.	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 8.41 million (June 30, 2016: Rs. 8.41 million).
Factory building	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 16.894 million (June 30, 2016: Rs. 15.648 million).
Non-factory building	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 2.73 million (June 30, 2016: Rs. 2.76 million).

	Valuation technique	Significant inputs	Sensitivity
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 32.366 million (June 30, 2016: Rs. 33.197 million).
Vehicle	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of vehicle by Rs. 384,351 (June 30, 2016: Rs. 460,664).

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

14.3.2 Non-recurring fair value measurements

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

15 EVENTS AFTER THE REPORTING PERIOD

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

16 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going conern reservation, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in this condensed interim financial information.

17 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on February 27, 2017.

18 GENERAL

18.1 There are no other significant activities since June 30, 2016 affecting the interim financial information.

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

18.3 Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE **DIRECTOR**