



Half Yearly Report
December 31, 2017

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COMPANY INFORMATION

BOARD OF DIRECTORS	MR. SHAHID MAZHAR (Chief Executive) MRS. GHAZALA SHAHID (Chairperson) MR. AHMED BIN SHAHID MRS. NAUREEN REHAN MR. MUHAMMAD AKHTAR MR. SHAHID MAHMUD MR. NADEEM BHATTI
AUDITORS	SHEIKH & CHAUDHRI CHARTERED ACCOUNTANTS
LEGAL ADVISOR	MR. FAZAL MAHMOOD (ADVOCATE)
AUDIT COMMITTEE	MR. NADEEM BHATTI (Chairman) MRS. GHAZALA SHAHID (Member) MRS. NAUREEN REHAN (Member)
H.R. AND REMUNERATION COMMITTEE	MR. AHMED BIN SHAHID (Chairman) MR. NADEEM BHATTI (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. FERAZ 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, 2017 reviewed by the auditors' of the company.

During the half year under review, the net turnover of the company is Rs.193.483 million including export sales of Rs. 24.627 million as compared to net turnover of Rs. 342.540 million of corresponding period of previous year. Sales decreased due to decrease in quantum and prices of yarn. During the half year the company sustained after tax loss of Rs. 47.552 million as compared to after tax loss of Rs. 55.795million. Loss per share is Rs. (2.70) as compared to loss per share of Rs. (3.16) of the corresponding period of the half year.

The company sustained loss in both the quarters of half year due to continuous increase in prices of raw materials from the start of the year and higher production cost, whereas increase in the prices of yarn did not correspond with the increase in raw material prices and high production cost which is the main reason of gross loss . The auditors continued the qualifications in the half yearly financial statements from the previous year's annual audit report. The management has already expressed their views in the previous year's annual report.

The textile spinning industry continues to struggle due to uncertain environment. Weak export market forced many spinning units to sell their product in local market of yarn which has added immense downward pressure on prices within Pakistan.High rates of electricity and RLNG used for production of electricity is a major component of high production cost creating big problem for the industry. This state of crisis will continue to hit the industry until the government takes radical steps to revive it. However, there is a need to take some measures for the high production and quality of the product i.e. continuous efforts and initiatives to cope with the competitors in the market by better maintenance of plant and machinery. Further the management is also planning to reduce the production cost by optimum utilization of available capacity. All these steps will help to produce favourable financial results in the rest of the half year.

We remain committed to the difficult task to improve the financial results. We would like to highlight the hard work put in by the member of corporate family. We look forward to same dedication and cooperation in the days ahead.

For and on behalf of the Board



Chief Executive

Lahore: February 28, 2018

مجلس نظمہاء کی رپورٹ

محترم حصص یافتگان:-


ہم کمپنی کے غیر آڈٹ حساب کے جائزہ شدہ حسابات اختصار کے گوشوارے برائے ختم ہونے والی دوسری سہ ماہی اور نصف سال کے اختتام پر 31 دسمبر 2017 کو آپ کی خدمت میں پیش کر رہے ہیں۔

زیر نظر مدت میں کمپنی نے 193.483 ملین روپے فروخت کی جس میں 24.627 ملین روپے کی برآمدات شامل ہیں۔ جبکہ پچھلے سال کے اسی مدت کی فروخت 342.540 ملین روپے تھی۔ فروخت میں کمی کی وجہ سوتر کی مقدار اور قیمتوں میں کمی ہے۔ کمپنی نے زیر جائزہ چھ مہینوں میں بعد از انکم ٹیکس 47.552 ملین روپے کا نقصان کیا ہے۔ جبکہ پچھلے سال کی اسی مدت میں نقصان 55.795 ملین روپے تھا۔ ان چھ مہینوں کی مدت کے دوران فی حصص نقصان 2.70 روپے رہا۔ جبکہ پچھلے سال کی اسی مدت میں یہ نقصان فی حصص 3.16 روپے تھا۔

کمپنی کو نصف سال کی دونوں سہ ماہیوں میں نقصان ہوا۔ سال کے آغاز سے ہی خام مال کی قیمتوں میں اضافہ اور زیادہ پیداواری لاگت رہی۔ لیکن سوتر کی قیمت فروخت میں اضافہ خام مال کی قیمتوں میں اضافے اور زیادہ پیداواری لاگت کی نسبت کم رہا جس کی وجہ سے کمپنی کو مجموعی نقصان ہوا۔ محاسب نے جو اعتراضات پچھلے سالانہ گوشواروں میں لگائے تھے وہی اس وقت بھی لگائے ہیں۔ کمپنی کی انتظامیہ اس کا تفصیلی جواب سالانہ رپورٹ میں دے چکی ہے۔

ٹیکسٹائل صنعت بلخصوص سپننگ سیکٹرز اس وقت بہت زیادہ غیر یقینی حالات سے دوچار ہے۔ برآمدات میں کمی کی باعث بہت ساری ملیں مقامی سوتر منڈی میں مال بیچنے پر مجبور ہو گئیں ہیں جس کی وجہ سے پاکستانی مقامی مارکیٹ میں سوتر کی قیمتوں پر بہت زیادہ دباؤ بڑھ گیا ہے۔ زیادہ پیداواری لاگت کا اہم جزو اپڈا کی بجلی کی زیادہ قیمت اور آر۔ ایل۔ این۔ جی کی قیمتوں میں اضافہ جس سے بجلی پیدا کی جارہی ہے۔ تاہم انتظامیہ پیداوار کو بڑھانے اور مال کا معیار بہتر کرنے کے لئے مشینری کی بہتر مرمت کے لئے کوشاں ہے اور سوتر کی مقامی منڈی میں اپنے مد مقابل کمپنیوں پر بھی نظر رکھے ہوئے ہے۔ اس کے علاوہ انتظامیہ سوتر پیدا کرنے کی موجودہ صلاحیت کو بہتر طریقے سے بڑھانے کے لئے بھی کوشاں ہے جس سے پیداواری لاگت میں کمی ہونے کا قوی امکان موجود ہے۔ امید کی جاتی ہے کہ یہ بہتر منصوبہ بندی آنے والے باقی چھ مہینوں میں مالیاتی گوشواروں میں بہتری کا سبب بنے گی۔

تاہم انتظامیہ مالیاتی گوشواروں میں بہتری کے مشکل کام میں کوشاں ہے۔ یہاں پر ہم کارپوریٹ خاندان کے ممبران کی انتھک محنت کا ذکر کرنا بہت ضروری سمجھتے ہیں۔ امید کی جاتی ہے کہ آنے والے دنوں میں کارپوریٹ خاندان کے ممبران اسی طرح انتھک محنت سے ادارے کو بہتر بنانے کے لئے کوششیں جاری رکھیں گے۔

مخائبہ بورڈ

 چیف ایگزیکٹو

لاہور 28 فروری 2018

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, 2017 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 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 interim financial information based on our review. The figures for the three months period ended December 31, 2017 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 view only cumulative figures for six months period ended December 31, 2017.

Scope of the Review

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

Basis of Qualified Conclusion

- a) As referred to in note 10 to the financial information, the Company has recognised deferred tax asset on unused business losses amounting to Rs. 87.04 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 three years and six months are strong evidence that future taxable profits may not be available. Had the deferred tax asset not been recognized the loss for the year ended June 30, 2017 and accumulated losses as at June 30, 2017 would have been higher by Rs. 87.04 million.
- b) As referred to note 7.1.3 to the financial information, during the year as at June 30, 2015, the company has reversed accrued interest/mark-up 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 recognised interest/mark-up on debt finances amounting to rupees to Rs. 47 million during the year ended June 30, 2016, Rs. 43 million for the year ended 30 June, 2017 and Rs. 21.58 million for the six month ending December 31, 2017, based on the advice of the Company's legal advisor. Had the reversal not been made and liability for interest/mark-up been recognized the accumulated losses and losses for the period would have been higher by Rs. 291.47 million and Rs. 21.58 million respectively.

Conclusion

Based on our review, except for the effect, if any, of matters described on 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 2.2 to the condensed interim financial information which indicate that the Company has incurred gross loss of Rs. 35.148 million and loss before taxation of Rs. 45.131 million during the six months period ended December 31, 2017. As at December 31, 2017, the Company has accumulated losses of the Rs. 403.889 million and resulting in negative equity of Rs. 174.303 million as at the reporting date. Its current liabilities exceed its current asset by Rs. 795.349 million. The Company has been unable to repay its debt finances and interest/mark-up thereon aggregating to Rs. 547.40. These factors raise doubts about the Company's ability to continue as a going concern. This condensed interim financial information has, however, been prepared on going concern basis for reason explained in note 2.2. Our conclusion is not qualified in respect of this matter.

Lahore
Date : 28-02-2018

SHEIKH & CHAUDHRI
Chartered Accountants
Engagement Partner: MUHAMMAD SAEED MALIK

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2017**

	Note	December 31, 2017 Rupees (Un-audited)	June 30, 2017 Rupees (Audited)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
18,000,000 (June 30, 2017: 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		(403,889,100)	(373,101,425)
TOTAL EQUITY		(174,303,158)	(143,515,483)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		596,969,241	613,733,114
NON-CURRENT LIABILITIES			
Long term finances - <i>secured</i>	4	-	-
Liabilities against assets subject to finance lease - <i>secured</i>	5	-	-
Deferred liabilities	6	20,924,706	21,744,706
		20,924,706	21,744,706
CURRENT LIABILITIES			
Trade and other payables		286,914,524	269,479,991
Accrued interest/markup		105,482,401	105,475,305
Short term borrowings		445,927,841	450,057,841
Current portion of non-current liabilities		132,156,036	132,163,132
Provision for taxation		10,316,517	7,895,907
		980,797,319	965,072,176
TOTAL LIABILITIES		1,001,722,025	986,816,882
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		1,424,388,108	1,457,034,513
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,192,677,062	1,219,766,198
Long term deposits - <i>unsecured, considered good</i>		27,865,585	27,444,429
Deferred taxation	10	18,397,139	18,397,139
		1,238,939,786	1,265,607,766
CURRENT ASSETS			
Stores, spares and loose tools		56,429,276	57,811,315
Stock in trade		56,114,700	52,615,196
Trade debts - <i>unsecured (net)</i>		23,997,168	20,844,357
Advances, deposits, prepayments and other receivables (net)		40,414,489	56,155,616
Advance income tax/income tax refundable		3,773,589	3,338,409
Short term investments		86,000	86,000
Cash and bank balances		4,633,100	575,854
		185,448,322	191,426,747
TOTAL ASSETS		1,424,388,108	1,457,034,513

The annexed notes 1 to 17 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, 2017**

Note	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees	Rupees	Rupees	Rupees
Turnover - net	193,483,033	342,539,571	128,554,482	153,696,564
Cost of sales	(228,631,652)	(380,152,550)	(145,092,487)	(173,616,866)
Gross loss	(35,148,619)	(37,612,979)	(16,538,005)	(19,920,302)
Selling and distribution expenses	(2,434,071)	(2,623,536)	398,272	(1,666,809)
Administrative and general expenses	(10,146,154)	(12,493,260)	(5,108,818)	(4,772,418)
	(12,580,225)	(15,116,796)	(4,710,546)	(6,439,227)
	(47,728,844)	(52,729,775)	(21,248,551)	(26,359,529)
Other income	2,771,465	404,178	2,740,192	402,521
Operating loss	(44,957,379)	(52,325,597)	(18,508,359)	(25,957,008)
Finance cost	(173,559)	(40,302)	(125,986)	(392)
Loss before taxation	(45,130,938)	(52,365,899)	(18,634,345)	(25,957,400)
Taxation	(2,420,610)	(3,428,712)	(1,573,928)	(1,603,927)
Loss after taxation	(47,551,548)	(55,794,611)	(20,208,273)	(27,561,327)
Loss per share - basic and diluted	(2.70)	(3.16)	(1.15)	(1.56)

The annexed notes 1 to 17 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, 2017**

	Six months ended		Three months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees	Rupees	Rupees	Rupees
<i>Items that may be reclassified subsequently to profit or loss</i>	-	-	-	-
<i>Items that will not be reclassified to profit or loss</i>				
Incremental depreciation	16,763,873	9,525,758	8,381,934	4,762,880
Other comprehensive income	16,763,873	9,525,758	8,381,934	4,762,880
Loss after taxation	(47,551,548)	(55,794,611)	(20,208,273)	(27,561,327)
Total comprehensive loss	(30,787,675)	(46,268,853)	(11,826,339)	(22,798,447)

The annexed notes 1 to 17 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, 2017

	Share capital	Reserves		Total equity Rupees
	Issued subscribed and paid-up capital Rupees	Capital reserve Rupees	Accumulated losses Rupees	
Balance as at June 30, 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)
Balance as at December 31, 2016 - Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(363,578,728)</u>	<u>(133,992,786)</u>
Balance as at January 01, 2017 - Un-audited	176,367,190	53,218,752	(363,578,728)	(133,992,786)
Comprehensive loss				
Loss after taxation	-	-	(26,366,968)	(26,366,968)
Other comprehensive income	-	-	16,844,271	16,844,271
Total comprehensive loss	-	-	(9,522,697)	(9,522,697)
Balance as at June 30, 2017 - Audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(373,101,425)</u>	<u>(143,515,483)</u>
Balance as at July 01, 2017 - Audited	176,367,190	53,218,752	(373,101,425)	(143,515,483)
Comprehensive loss				
Loss after taxation	-	-	(47,551,548)	(47,551,548)
Other comprehensive income	-	-	16,763,873	16,763,873
Total comprehensive loss	-	-	(30,787,675)	(30,787,675)
Balance as at December 31, 2017 - Un-audited	<u>176,367,190</u>	<u>53,218,752</u>	<u>(403,889,100)</u>	<u>(174,303,158)</u>

The annexed notes 1 to 17 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, 2017**

	Six months ended	
	December 31, 2017	December 31, 2016
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(45,130,938)	(52,365,899)
Adjustments for non-cash items		
Depreciation	26,615,363	28,240,904
Gain on disposal of property, plant and equipment	(2,770,326)	(383,524)
Changes in fair value investments at fair value through profit or loss	-	5,000
Finance cost	173,559	40,302
	24,018,596	27,902,682
Operating loss before changes in working capital	(21,112,342)	(24,463,217)
Changes in working capital		
Stores, spares and loose tools	1,382,039	4,940,725
Stock in trade	(3,499,504)	142,283,578
Trade debts	(3,152,811)	(10,236,256)
Advances, prepayments and other receivables	15,741,127	503,144
Trade and other payables	17,434,533	(89,075,302)
	27,905,384	48,415,889
Net cash generated from operations	6,793,042	23,952,672
Payments for		
Finance cost	(173,559)	(40,302)
Income tax	(435,180)	980,923
Employees retirement benefits	(820,000)	(831,222)
Net cash generated from operating activities	5,364,303	24,062,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(880,902)	(2,881,608)
Proceeds from disposal of property, plant and equipment	4,125,001	1,010,000
Long term deposit	(421,156)	-
Net cash from/(used in) investing activities	2,822,943	(1,871,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from directors (repaid)/obtained	(2,845,000)	3,580,000
Net decrease in short term borrowings	(1,285,000)	(24,448,800)
Net cash used in financing activities	(4,130,000)	(20,868,800)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,057,246	1,321,663
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	575,854	1,322,346
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,633,100	2,644,009

The annexed notes 1 to 17 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, 2017**

1 STATUS AND NATURE OF BUSINESS

Shadman Cotton Mills Limited ('the Company') was incorporated in Pakistan as a public limited company on November 24, 1979 under the then Companies Act, 1973 (now the Companies Act 2017) 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 STATEMENT OF COMPLIANCE

The Securities & Exchange Commission of Pakistan (SECP) in its circular no. 23 (2017) dated October 4, 2017 and the Institute of Chartered Accountants of Pakistan (ICAP) in its circular no. 17 (2017) dated October 6, 2017 have clarified that the companies whose financial year and interim periods are ending on or before December 31, 2017 shall prepare their financial statements in accordance with the repealed Companies Ordinance 1984 instead of the Companies Act, 2017 that has come into force on May 30, 2017.

Therefore in the light of above, these financial information have been prepared in accordance of the provision of repealed Companies Ordinance 1984.

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, 2017.

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, 2017 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, 2017 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, 2017 and December 31, 2016 are neither audited nor reviewed.

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.

2.1 Accounting convention

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.

2.2 Appropriateness of 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. 35.149 million and after taxation of Rs. 47.552 million during the six months period ended December 31, 2017. As at December 31, 2017, the company has accumulated losses of Rs. 403.889 million and negative equity of Rs. 174.303 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 795.349 million. The Company has defaulted in repayment of its debt finances and interest/mark-up thereon amounting to Rs. 547.4 million. The providers of debt finances have filed recovery suits for recovery of these debts finances and interest/mark-up thereon. These factors indicate existence of material uncertainty that raises 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) As per 2.2(a) of annual report.
- b) In the opinion of Company's legal counsel the ongoing litigation between the Company and The Bank of Punjab regarding recovery of debt finances and interest/mark-up 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.
- c) 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.

3 SIGNIFICANT ACCOUNTING POLICIES

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, 2017.

<i>Note</i>	December 31, 2017	June 30, 2017
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
4 LONG TERM FINANCES - SECURED		
These represent long term finances utilized under interest/markup arrangements from banking companies		
The Bank of Punjab - Demand finance - I	4.1 17,863,256	17,863,256
The Bank of Punjab - Demand finance - II	4.2 80,000,000	80,000,000
Habib Bank Limited - Term finance	4.3 8,105,608	8,105,608
	105,968,864	105,968,864
Current maturity presented under current liabilities	(105,968,864)	(105,968,864)
	-	-

4.1 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 7.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

4.2 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 annually. 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 7.1.1 for details of litigation between the Company and The Bank of Punjab regarding recovery of this amount.

4.3 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 7.1.2 for details of litigation between the Company and Habib Bank Limited regarding recovery of this amount.

<i>Note</i>	December 31, 2017	June 30, 2017
	<i>Rupees</i>	<i>Rupees</i>
	<i>(Un-Audited)</i>	<i>(Audited)</i>
5 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of minimum lease payments	26,187,172	26,194,268
Current portion presented under current liabilities	(26,187,172)	(26,194,268)
	-	-

5.1 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.

5.2 Current portion includes overdue instalments of Rs. 26,194,268 (June 30, 2017: Rs. 26,194,268)

	Note	December 31, 2017	June 30, 2017
		Rupees	Rupees
		(Un-Audited)	(Audited)
6 DEFERRED LIABILITIES			
Long Term Payables - Secured		18,316,926	18,316,926
Employees retirement benefits		2,607,780	3,427,780
		<u>20,924,706</u>	<u>21,744,706</u>
7 CONTINGENCIES AND COMMITMENTS			
7.1 Contingencies			
7.1.1	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 prayers, 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.		
7.1.2	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.		
7.1.3	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. 21.6 million for the six months period ended December 31, 2017 based on legal opinion of its legal counsel engaged in defending the above suits.		
7.1.4	Guarantees issued by banks on behalf of the Company as at the reporting date amount to Rs. 18.317 million (June 30, 2017: Rs. 18.317 million), however the Company has already recognized related liability amounting to Rs. 18.317 million (June 30, 2017: Rs. 18.317 million).		
7.1.5	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.		
7.2 Commitments			
7.2.1	There are no known commitments as at the reporting date.		
8 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	8.1	1,185,293,689	1,213,263,727
Capital work in progress		7,383,373	6,502,471
		<u>1,192,677,062</u>	<u>1,219,766,198</u>
8.1 Operating fixed assets			
Assets owned by the Company	8.1.1	1,142,233,849	1,169,099,789
Assets subject to finance lease	8.1.2	43,059,840	44,163,938
		<u>1,185,293,689</u>	<u>1,213,263,727</u>
8.1.1 Assets owned by the Company			
Net book value at the beginning of the period/year		1,169,099,789	1,221,420,682
Additions during the period/year			
Plant and machinery		-	2,775,000
Net book value of assets disposed during the period/year		(1,354,675)	(957,146)
Depreciation for the period/year		(25,511,265)	(54,138,747)
Net book value at end of the period/year		<u>1,142,233,849</u>	<u>1,169,099,789</u>

8.1.2 Assets subject to finance lease

Net book value at beginning of the period/year	44,163,938	46,488,356
Depreciation for the period/year	(1,104,098)	(2,324,418)
Net book value at end of the period/year	<u>43,059,840</u>	<u>44,163,938</u>

9 TAXATION

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

	Six months ended	
	December 31, 2017	June 31, 2017
	Rupees	Rupees
	(Un-Audited)	(Audited)
10 DEFERRED TAXATION		
Deferred tax asset on Deductible temporary difference	249,657,165	249,657,165
Deferred tax asset on Taxable temporary difference	(231,260,026)	(231,260,026)
	<u>18,397,139</u>	<u>18,397,139</u>

10.1 Deferred tax asset on unused tax losses and Credit as at December 31, 2017 and represents deferred tax asset of Rs. 148.1 million and 87.04 million on unabsorbed depreciation and unused business losses respectively. Taxable profits are expected to be available in future against which the recognised deferred tax amounts could be utilized.

11 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:

11.1 Transactions with related parties

Nature of relationship	Nature of transaction		
Key management personnel	Short term borrowings obtained	9,555,000	25,670,000
	Short term borrowings repaid	12,400,000	22,090,000
Associated undertaking	Purchases during the period	-	1,881,600
	Note	December 31, 2017	June 30, 2017
		Rupees	Rupees
		(Un-Audited)	(Audited)

11.2 Balances with related parties

Nature of relationship	Nature of balances		
Key management personnel	Short term borrowings	136,163,067	139,008,067
	Short term employee benefits payable	12,840,000	12,840,000
Associated undertaking	Trade debts	48,629	48,629

12 FINANCIAL INSTRUMENTS

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

12.1 Financial assets

Cash in hand	238,275	60
Loans and receivables		
Long term deposits	18,397,139	27,444,429
Trade debts	23,997,168	20,844,357
Security deposits	3,500,000	3,500,000
Insurance claims receivable	9,439,092	9,439,092
Cash at bank	4,385,131	575,794
	59,718,530	61,803,672
Available for sale financial assets		
Short term investments	86,000	86,000
	<u>60,042,805</u>	<u>61,889,732</u>

12.2 Financial liabilities

Financial liabilities at amortized cost

Long term finances	105,968,864	105,968,864
Liabilities against assets subject to finance lease	26,187,172	26,194,268
Long term payables	18,316,926	18,316,926
Short term borrowings	445,927,841	450,057,841
Accrued interest/markup	105,482,401	105,475,305
Trade creditors	114,267,271	106,298,571
Accrued liabilities	92,102,870	83,666,436
	<u>908,253,345</u>	<u>895,978,211</u>

13 FAIR VALUE MEASUREMENTS

The Company measures some of its 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:

13.1 Financial instruments measured at fair value

13.1.1 Recurring fair value measurements

Nature of asset	Hierarchy	Valuation techniques/Key inputs	December 31, 2017	June 30, 2017
			<i>Rupees</i>	<i>Rupees</i>
			<i>(Un-Audited)</i>	<i>(Audited)</i>
Financial assets at fair value through profit or loss				
Short term investments	Level 1	Quoted bid prices in an active market	86,000	86,000

13.1.2 Non-recurring fair value measurements

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

13.2 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.

13.3 Assets and liabilities other than financial instruments.

13.3.1 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, 2017	June 30, 2017
				<i>Rupees</i>	<i>Rupees</i>
				<i>(Un-Audited)</i>	<i>(Audited)</i>
Freehold land	-	168,217,500	-	168,217,500	168,217,500
Factory building	-	297,307,509	-	297,307,509	320,979,766
Non-factory building	-	51,778,162	-	51,778,162	55,900,850
Plant and machinery	-	617,634,730	-	617,634,730	663,927,585
Vehicles	-	4,575,244	-	4,575,244	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, 2017: Rs. 8.41 million).

	Valuation technique	Significant inputs	Sensitivity
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. 14.865 million (June 30, 2017: Rs. 16.894 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. 2.59 million (June 30, 2017: Rs. 2.73 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/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. 30.882 million (June 30, 2017: Rs. 32.366 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. 228,762 (June 30, 2017: Rs. 384,351).

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

13.3.2 Non-recurring fair value measurements

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

14 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.

15 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going concern 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.

16 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 28, 2018.

17 GENERAL

17.1 There are no other significant activities since June 30, 2017 affecting the interim financial information.

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

17.3 Figures have been rounded off to the nearest Rupee.



Chief Executive



Director