

# MASOOD TEXTILE MILLS LIMITED



**ACCOUNTS  
FOR THE SECOND QUARTER ENDED  
31 DECEMBER 2017**

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# COMPANY INFORMATION

<b>CHAIRMAN</b>	: MR. NASEER AHMAD SHAH
<b>CHIEF EXECUTIVE OFFICER</b>	: MR. SHAHID NAZIR AHMAD
<b>DIRECTORS</b>	: MR. MATLOOB HUSSAIN : MR. FAZAL AHMAD : MR. SHOAIB AHMAD KHAN (Nominee-NIT) : MISS CHEN YAN (Nominee-Shanghai Challenge Textile Co. Ltd) : MR. SHIBIN YANG (Nominee-Shanghai Challenge Textile Co. Ltd)
<b>COMPANY SECRETARY</b>	: MR. NISAR AHMAD
<b>CHIEF FINANCIAL OFFICER</b>	: MR. MUHAMMAD SHAHID NAVEED
<b>AUDIT COMMITTEE</b>	: MR. FAZAL AHMAD (Chairman) : MR. NASEER AHMAD SHAH : MR. MATLOOB HUSSAIN
<b>HR &amp; REMUNERATION COMMITTEE</b>	: MR. MATLOOB HUSSAIN (Chairman) : MR. SHAHID NAZIR AHMAD : MR. FAZAL AHMAD
<b>AUDITORS</b>	: M/S. RIAZ AHMAD & COMPANY CHARTERED ACCOUNTANTS
<b>SHARE REGISTRAR</b>	: ORIENT SOFTWARE & MANAGEMENT SERVICES (PVT) LIMITED 35-Z, AMEER PLAZA, OPP: MUJAHID HOSPITAL, COMMERCIAL CENTRE, MADINA TOWN, FAISALABAD. PHONE: 041-8711930-8715759 FAX: 041-8711930
<b>REGISTERED OFFICE</b>	: UNIVERSAL HOUSE, P-17/1, NEW CIVIL LINES, BILAL ROAD, FAISALABAD. PHONE: 041-2600176-276 FAX: 041-2600976
<b>MILLS</b>	: 32-K.M., SHEIKHUPURA ROAD, FAISALABAD.

# DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present the un-audited financial statements of the Company for the 2<sup>nd</sup> quarter ended 31<sup>st</sup> December, 2017 along with consolidated Half Yearly results with the comparative figures of the previous corresponding period.

During the half year ended by 31 December 2017, your company earned a gross profit of Rupees 1,804.999 million on sales of Rupees 12,634.536 million compared to gross profit of Rupees 1,672.790 million on sales of Rupees 11,518.950 million for the corresponding period of previous financial year. During the period under review, your company's net profit increased from Rupees 353.213 million to Rupees 449.459 million and resultantly earning per share also increased from Rupees 5.67 to Rupees 6.47. In spite of increase in financial charges due to capitalization and BMR to support the growing export business, profit after taxation increased significantly.

Export of value-added textile products posted a growth during first half year of financial year 2017-18 as compared to corresponding half year of financial year 2016-17. This growth in export is mainly because of awarding drawback of local taxes and levies to exporters under the Prime Minister's Incentives Package. The government has revised Prime Minister's Package of Incentives for Exporters (textile sector). According to this revised package 50 % of the rate of drawback of local taxes and levies shall be provided without condition of increase in exports. However, the remaining 50 % of the rate of drawback shall be provided, if the exporter achieves an increase of 10 % or more in exports during performance year (financial year 2017-18), as compared to the base year (financial year 2016-17).

Keeping in mind the contraction of the global market, high energy costs, ever-increasing wages, increasing import tariffs on critical inputs and liquidity crunch due to held-up refund, the condition of growth in export for duty drawbacks should be abolished. Moreover, it is expected from the government that it takes suitable steps for timely payment of tax refund and duty drawback claims.

Despite challenging macro-economic scenario emanating from increasing competition of regional players and sluggish overseas demand, the management has kept its resolve for improvement in performance through better marketing by winning customers' confidence, improved capacity utilization, better supply chain management and efficient cost management. The Generalized System of Preferences Plus (GSP+) scheme has passed smoothly through European Parliament's Committee on International Trade. Further, the company has undertaken BMR to maintain the competitiveness in market. The management is hopeful for better performance of the company in the long run.

The board places on record its profound gratitude for its valuable shareholders, banks, financial institutions and customers, whose cooperation and support enabled the company to attain constant improvement. We also wish to place on record our appreciation for the dedication and diligence of the employees of the company.

**FOR AND ON BEHALF OF THE BOARD**

FAISALABAD:  
27 February, 2018

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## ڈائریکٹرز رپورٹ برائے ممبران

ہم کمپنی کی 31 دسمبر 2017 کو اختتام پذیر ششماہی کے نتائج بشمول پچھلی اسی مدت کے تقابلی اعداد و شمار کے ساتھ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

31 دسمبر 2017 کو اختتام پذیر ہونے والی ششماہی کے دوران آپ کی کمپنی نے 12,634.536 ملین روپے کی فروخت پر 1,804.999 ملین روپے مجموعی منافع کمایا ہے جو کہ پچھلے سال اسی مدت کے مقابلے 11,518.950 ملین روپے کی فروخت پر 1,672.790 ملین روپے کے مجموعی منافع سے زیادہ ہے۔ زیر جائزہ اسی مدت کے دوران آپ کی کمپنی کا خالص منافع 353.213 ملین روپے سے بڑھ کر 449.459 ملین روپے ہو گیا ہے۔ اور نتیجتاً فی حصص کمائی 5.67 سے بڑھ کر 6.47 روپے ہوئی ہے۔ مالی اخراجات میں اضافہ کے باوجود جو کہ سرمایہ کاری اور BMR کی وجہ سے ہوا ہے تاکہ برآمدات کے کاروبار کی بڑھوتری میں مدد مل سکے، بعد از ٹیکس منافع میں نمایاں اضافہ ہوا ہے۔

ششماہی مالی سال 2017-18 کے دوران ویلیو ایڈڈ ٹیکسٹائل مصنوعات کی برآمدات میں مقابلتا ششماہی مالی سال 2016-17 نمایاں اضافہ ہوا ہے۔ برآمدات میں ترقی کی بڑی وجہ، وزیر اعظم کے رعایتی ٹیکس کے تحت مقامی ٹیکسوں اور عائد شدہ لیویز کی برآمد کنندگان کو واپسی ہے۔ حکومت نے برآمد کنندگان شہرہ ٹیکسٹائل کے لئے وزیر اعظم کے رعایتی ٹیکس میں تبدیلی کی ہے۔ اس تبدیلی شدہ رعایتی ٹیکس کے تحت 50 فیصد مقامی ٹیکسوں کی واپسی کو مزید برآمدات میں اضافہ سے غیر مشروط کر دیا گیا ہے۔ تاہم باقی ماندہ 50 فیصد مقامی ٹیکسوں کو برآمدات کے مقابلے میں 10 فیصد اضافے کے ساتھ مشروط کر دیا گیا ہے۔

تاہم سکتی ہوئی عالمی منڈی، توانائی کی قیمتوں میں اضافہ، تنخواہوں کی بڑھوتری، درآمدی اشیاء کے ٹیرف میں اضافہ اور ریٹنڈ کی بروقت ادائیگی نہ ہونے کی وجہ سے مالی تنگی کو مد نظر رکھتے ہوئے برآمدات میں اضافہ کی شرط کو ختم ہونا چاہیے۔ مزید برآں، ٹیکس ریٹنڈ اور ڈیوٹی ڈرا بیک کیمپری کی بروقت ادائیگیوں کے لئے گورنمنٹ سے مناسب اقدامات کی توقع کی جاتی ہے۔ وسیع اقتصادی درپیش چیلنجز کے باوجود جو کہ علاقائی کرپوں میں مقابلہ بازی اور طلب میں نمایاں ست روی کی وجہ سے آرہے ہیں، انتظامیہ نے کارکردگی میں بہتری کے لئے یہ حل تلاش کیا ہے کہ مارکیٹنگ کا بہتر استعمال کرتے ہوئے صارفین کا اعتماد حاصل کیا جائے، پیداواری گنجائش کا بہتر استعمال کیا جائے، سپلائی چین مینجمنٹ میں بہتری اور پیداواری لاگت کو مزید موثر بنایا جائے۔ بین الاقوامی تجارت پر یورپین پارلیمنٹ کمپنی نے عمومی نظام ترجیحاتی پلس سکیم (GSP+) کو باآسانی یورپین پارلیمنٹ سے منظور کرایا ہے۔ اس کے علاوہ کمپنی نے مارکیٹ میں مقابلہ بازی کے لئے BMR جیسے اقدامات اٹھائے ہیں۔ انتظامیہ کمپنی کی کثیرالمدت بہترین کارکردگی کے لئے پرامید ہے۔

بورڈ اپنے قیمتی حصص یافتگان، بینکوں، مالیاتی اداروں اور گاہکوں کا تہدول سے شکرگزار ہے جن کے تعاون اور مدد نے کمپنی کو مسلسل بہتری حاصل کرنے کے قابل بنایا ہے۔ ہم اپنی کمپنی کے ملازمین کی مستقل کاوشوں اور انتھک محنت پر اظہار مسرت کرتے ہیں۔

از طرف بورڈ

فیصل آباد  
27 فروری 2018ء

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# **AUDITORS' REPORT TO THE MEMBERS**

## **ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of MASOOD TEXTILE MILLS LIMITED as at 31 December 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as "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 of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2017 and 31 December 2016 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2017.

### **Scope of Review**

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended 31 December 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### **RIAZ AHMAD & COMPANY**

Chartered Accountants

Name of engagement Partner:

Liaqat Ali Panwar

Date: 27 February, 2018

FAISALABAD

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2017**

	Note	Un-audited 31 Dec 2017	Audited 30 June 2017
<b>(RUPEES IN THOUSAND)</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
125 000 000 (30 June 2017: 125 000 000)			
ordinary shares of Rupees 10 each		1,250,000	1,250,000
60 000 000 (30 June 2017: 60 000 000)			
preference shares of Rupees 10 each		600,000	600,000
		<u>1,850,000</u>	<u>1,850,000</u>
<b>Issued, subscribed and paid up share capital</b>		986,666	986,666
<b>Reserves</b>		7,766,563	7,460,699
<b>Total Equity</b>		8,753,229	8,447,365
<b>Surplus on revaluation of freehold land</b>		900,234	900,234
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	5	4,983,467	5,119,282
Liabilities against assets subject to finance lease		13,202	22,657
Deferred liability for gratuity		683,068	609,886
		<u>5,679,737</u>	<u>5,751,825</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,713,027	1,971,985
Accrued mark-up		183,846	126,698
Short term borrowings		11,481,808	8,907,948
Current portion of non-current liabilities		1,135,012	686,368
Provision for taxation		118,263	106,187
		<u>14,631,956</u>	<u>11,799,186</u>
<b>TOTAL LIABILITIES</b>		20,311,693	17,551,011
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>29,965,156</u>	<u>26,898,610</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	9,624,448	8,377,317
Long term advances		141	8,149
Long term security deposits		50,188	47,387
		<u>9,674,777</u>	<u>8,432,853</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		1,373,127	1,312,255
Stock-in-trade		7,948,882	6,916,511
Trade debts		6,711,534	5,618,714
Loans and advances		439,543	354,523
Short term deposits and prepayments		817,412	688,858
Other receivables		2,164,052	2,672,080
Cash and bank balances		835,829	902,816
		<u>20,290,379</u>	<u>18,465,757</u>
<b>TOTAL ASSETS</b>		<u>29,965,156</u>	<u>26,898,610</u>

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore this condensed interim financial information has been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2017**  
**(UN-AUDITED)**

	Half Year Ended		Quarter Ended	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
----- (RUPEES IN THOUSAND) -----				
<b>REVENUE</b>	12,634,536	11,518,950	6,916,302	5,955,138
<b>COST OF SALES</b>	(10,829,537)	(9,846,160)	(5,986,625)	(5,093,951)
<b>GROSS PROFIT</b>	1,804,999	1,672,790	929,677	861,187
<b>DISTRIBUTION COST</b>	(847,970)	(779,741)	(467,383)	(412,586)
<b>ADMINISTRATIVE EXPENSES</b>	(255,790)	(233,694)	(133,967)	(113,893)
<b>OTHER EXPENSES</b>	(23,761)	(24,858)	(22,239)	(12,465)
<b>OTHER INCOME</b>	300,738	112,912	245,493	61,182
<b>FINANCE COST</b>	(410,494)	(280,932)	(210,893)	(148,361)
<b>PROFIT BEFORE TAXATION</b>	567,722	466,477	340,688	235,064
<b>TAXATION</b>	(118,263)	(113,264)	(63,079)	(50,383)
<b>PROFIT AFTER TAXATION</b>	449,459	353,213	277,609	184,681
<b>EARNINGS PER SHARE - BASIC (RUPEES)</b>	6.47	5.67	4.02	2.97
<b>- DILUTED (RUPEES)</b>	6.10	5.36	3.79	2.75

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore this condensed interim financial information has been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER



**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2017**  
**(UN-AUDITED)**

	Half Year Ended		Quarter Ended	
	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2016	2017	2016
	----- (RUPEES IN THOUSAND) -----			
PROFIT AFTER TAXATION	449,459	353,213	277,609	184,681
OTHER COMPREHENSIVE INCOME				
<b>Items that will not be reclassified subsequently to profit or loss</b>	-	-	-	-
<b>Items that may be reclassified subsequently to profit or loss</b>	-	-	-	-
Other comprehensive income for the period	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	449,459	353,213	277,609	184,681

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore this condensed interim financial information has been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER



**MASOOD TEXTILE MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2017**  
**(UN-AUDITED)**

(RUPEES IN THOUSAND)

	RESERVES							TOTAL EQUITY	
	CAPITAL			REVENUE			Total		
	Share Premium	Redemption Fund	Sub Total	General	Unappropriated profit	Sub Total			
Balance as at 30 June 2016 (Audited)	948,333	400,000	128,333	528,333	714,500	4,632,722	5,347,222	5,875,555	6,823,888
Transferred from capital redemption reserve fund	-	-	(36,667)	(36,667)	-	36,667	36,667	-	-
Transferred to capital redemption reserve fund	-	-	36,667	36,667	-	(36,667)	(36,667)	-	-
Transactions with owners:									
Preference shares repaid	(36,667)	-	-	-	-	-	-	-	(36,667)
Dividend at the rate of Rupees 4.40 per share (Ordinary shares)	-	-	-	-	-	(264,000)	(264,000)	(264,000)	(264,000)
Dividend at the rate of Rupees 0.88 per share (Preference shares)	-	-	-	-	-	(30,655)	(30,655)	(30,655)	(30,655)
Profit after taxation for the half year ended 31 December 2016	-	-	-	-	-	353,213	353,213	353,213	353,213
Other comprehensive income for the half year ended 31 December 2016	-	-	-	-	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2016	-	-	-	-	-	353,213	353,213	353,213	353,213
Balance as at 31 Dec 2016 (Un-audited)	911,666	400,000	128,333	528,333	714,500	4,691,280	5,405,780	5,934,113	6,845,779
Issue of 12.50% right shares at premium of Rupees 130 per share	75,000	975,000	-	975,000	-	-	-	975,000	1,050,000
Profit after taxation for the half year ended 30 June 2017	-	-	-	-	-	533,788	533,788	533,788	533,788
Other comprehensive income for the half year ended 30 June 2017	-	-	-	-	-	17,798	17,798	17,798	17,798
Total comprehensive income for the half year ended 30 June 2017	-	-	-	-	-	551,586	551,586	551,586	551,586
Balance as at 30 June 2017 (Audited)	986,666	1,375,000	128,333	1,503,333	714,500	5,242,866	5,957,366	7,460,699	8,447,365
Transactions with owners:									
Dividend at the rate of Rupees 1.75 per share (Ordinary shares)	-	-	-	-	-	(118,125)	(118,125)	(118,125)	(118,125)
Dividend at the rate of Rupees 0.81 per share (Preference shares)	-	-	-	-	-	(25,470)	(25,470)	(25,470)	(25,470)
Profit after taxation for the half year ended 31 December 2017	-	-	-	-	-	449,459	449,459	449,459	449,459
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2017	-	-	-	-	-	449,459	449,459	449,459	449,459
Balance as at 31 Dec 2017 (Un-audited)	986,666	1,375,000	128,333	1,503,333	714,500	5,548,730	6,263,230	7,766,563	8,753,229

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

**Statement under section 232(1) of the Companies Act, 2017:**

The Chief Executive Officer of the Company is presently out of the country. Therefore this condensed interim financial information has been signed by two Directors and Chief Financial Officer as required under section 232(1) of the Companies Act, 2017.

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**MASOOD TEXTILE MILLS LIMITED**  
**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2017**  
**(UN-AUDITED)**

**1. THE COMPANY AND ITS OPERATIONS**

Masood Textile Mills Limited is a public limited company incorporated under the Companies Act, 1913 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited (PSX). Its registered office is situated at Universal House, P-17/1, New Civil Lines, Bilal Road, Faisalabad. The main objects of the Company are manufacturing and sale of cotton / synthetic fiber yarn, knitted/dyed fabrics and garments.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended 30 June 2017.

**3. BASIS OF PREPARATION**

- a) As per the requirements of Circular No. 23 of 2017 dated 04 October 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and clarification issued by the Institute of Chartered Accountants of Pakistan via Circular No. 17 of 2017, companies whose financial year, including quarterly and other interim periods, closes on or before 31 December 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, this condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.
- b) This condensed interim financial information does not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended 30 June 2017.
- c) The figures included in the condensed interim profit and loss account for the quarters ended 31 December 2017 and 31 December 2016 along with the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended 31 December 2017 and 31 December 2016.

**4. Accounting estimates, judgments and financial risk management**

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts. Actual results may differ from these judgments, estimates and assumptions.

However, the management believes that the change in outcome of judgments, estimates and assumptions would not have a material impact on the amounts disclosed in this condensed interim financial information.

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those applied in Company's annual audited financial statements for the year ended 30 June 2017.

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's annual audited financial statements for the year ended 30 June 2017.

	Un-audited 31 Dec 2017 (RUPEES IN THOUSAND)	Audited 30 June 2017
<b>5. LONG TERM FINANCING - SECURED</b>		
Opening balance	5,776,320	1,853,485
Add: Obtained during the period / year	648,247	4,714,588
Less: Repaid during the period / year	<u>324,622</u>	<u>791,753</u>
	6,099,945	5,776,320
Less: Current portion shown under current liabilities	<u>1,116,478</u>	<u>657,038</u>
	<u>4,983,467</u>	<u>5,119,282</u>

**6. CONTINGENCIES AND COMMITMENTS**

**a) Contingencies**

- i) Guarantees of Rupees 152.045 million (30 June 2017: Rupees 107.045 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited (SNGPL) against gas connections and Total Parco Pakistan Limited against fuel cards.
- ii) The Company has challenged, before Lahore High Court, Lahore, the provisions of SRO 491(1)/2016 dated 30 June 2016 issued under section 8(1)(b) of the Sales Tax Act, 1990 whereby through amendment in the earlier SRO 1125(1)/2011 dated 31 December 2011, claim of input sales tax in respect of packing material has been disallowed. The Lahore High Court, Lahore has issued stay order in favour of the Company. Consequently, the Company has accounted for input sales tax amounting to Rupees 100.033 million (30 June 2017: Rupees 51.994 million) paid on such items as receivable balance. The Company is confident on positive outcome of the appeal, on the advice of legal counsel.

- iii) Provision for Gas Infrastructure Development Cess (GIDC) and cost of supply charges thereon amounting to Rupees 2.276 million (30 June 2017: Rupees Nil) and 6.693 million (30 June 2017: Rupees Nil) respectively have not been recognized in the books of account as the Company has obtained stay orders from Islamabad High Court, Islamabad and Lahore High Court, Lahore. The Company is confident for favorable outcomes of the above matters.

**b) Commitments**

- i) Contracts for capital expenditure are amounting to Rupees 168.691 million (30 June 2017: Rupees 508.558 million) and other than capital expenditure are amounting to Rupees 469.227 million (30 June 2017: Rupees 208.687 million).
- ii) Ijarah (operating lease) commitments amounting to Rupees 71.364 million (30 June 2017: Rupees 60.298 million).

	Un-audited 31 Dec 2017 (RUPEES IN THOUSAND)	Audited 30 June 2017
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets (Note 7.1)	8,650,689	7,796,407
Assets subject to finance lease (Note 7.2)	64,021	108,022
Capital work-in-progress	<u>909,738</u>	<u>472,888</u>
	<u>9,624,448</u>	<u>8,377,317</u>
<b>7.1 Operating fixed assets</b>		
Opening book value	7,796,407	6,450,508
Cost of additions during the period / year (Note 7.1.1)	1,189,876	1,874,619
Book value of assets transferred from assets subject to finance lease	<u>39,077</u>	<u>13,771</u>
	9,025,360	8,338,898
Less: Book value of deletions during the period/year (Note 7.1.2)	<u>60,481</u>	<u>46,520</u>
	8,964,879	8,292,378
Less: Depreciation charged during the period / year	<u>314,190</u>	<u>495,971</u>
	<u>8,650,689</u>	<u>7,796,407</u>

	<b>Un-audited</b>	<b>Audited</b>
	<b>31 Dec</b>	<b>30 June</b>
	<b>2017</b>	<b>2017</b>
	<b>(RUPEES IN THOUSAND)</b>	
<b>7.1.1 Cost of additions during the period / year</b>		
Buildings on freehold land	159,947	176,430
Plant and machinery	870,637	1,489,892
Electric and gas installations	68,315	121,078
Factory equipment	5,617	7,035
Telephone installations	359	547
Furniture and fixtures	43,212	24,425
Office equipment	103	147
Computer equipment	21,009	25,223
Vehicles	20,677	29,842
	<u>1,189,876</u>	<u>1,874,619</u>
<b>7.1.2 Book value of deletions during the period / year</b>		
Buildings on freehold land	28,079	5,999
Plant and machinery	16,763	5,109
Electric and gas installations	9,042	2,801
Factory equipment	-	624
Furniture and fixtures	-	7,456
Computer equipment	-	685
Vehicles	6,597	23,846
	<u>60,481</u>	<u>46,520</u>
<b>7.2 Assets subject to finance lease</b>		
Opening book value	108,022	137,474
Less: Book value of assets transferred to operating fixed assets (Note 7.2.1)	<u>39,077</u>	<u>13,771</u>
	68,945	123,703
Less: Depreciation charged during the period / year	<u>4,924</u>	<u>15,681</u>
	<u>64,021</u>	<u>108,022</u>
<b>7.2.1 Book value of assets transferred to operating fixed assets</b>		
Plant and machinery	36,184	-
Vehicles	<u>2,893</u>	<u>13,771</u>
	<u>39,077</u>	<u>13,771</u>

(Un-audited)

<b>Half Year Ended</b>	
<b>31 Dec 2017</b>	<b>31 Dec 2016</b>

(RUPEES IN THOUSAND)

**8. CASH USED IN OPERATIONS**

Profit before taxation	567,722	466,477
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	319,114	237,980
Provision for gratuity	104,542	88,095
Loss / (gain) on sale of property, plant and equipment	17,913	(17,075)
Finance cost	410,494	280,932
Working capital changes (Note 8.1)	<u>(2,117,736)</u>	<u>(1,742,179)</u>
	<u>(697,951)</u>	<u>(685,770)</u>

(Un-audited)

Half Year Ended	
31 Dec 2017	31 Dec 2016

(RUPEES IN THOUSAND)

## 8.1 Working capital changes

(Increase) / decrease in current assets:

Stores, spare parts and loose tools	(60,872)	(110,459)
Stock in trade	(1,032,371)	(1,945,711)
Trade debts	(1,092,820)	(97,605)
Loans and advances	(85,020)	(15,076)
Short term deposits and prepayments	(100,191)	(57,339)
Other receivables	508,028	84,228
	(1,863,246)	(2,142,562)
(Decrease) / increase in trade and other payables	(254,490)	400,383
	<u>(2,117,736)</u>	<u>(1,742,179)</u>

## 9. SEGMENT INFORMATION

## 9.1 Segment results

Spinning		Knitting		Processing and Garments		Elimination of inter-segment transactions		Total-Company	
(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)		(Un-audited)	
Half year ended		Half year ended		Half year ended		Half year ended		Half year ended	
31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016

(RUPEES IN THOUSAND)

## Revenue

External	601,362	414,184	69,108	18,239	11,964,066	11,086,527	-	-	12,634,536	11,518,950
Intersegment	945,883	817,625	4,889,588	4,678,582	9,239	14,608	(5,844,710)	(5,510,815)	-	-
	1,547,245	1,231,809	4,958,696	4,696,821	11,973,305	11,101,135	(5,844,710)	(5,510,815)	12,634,536	11,518,950
Cost of sales	(1,503,076)	(1,194,708)	(4,791,103)	(4,552,695)	(10,380,068)	(9,609,572)	5,844,710	5,510,815	(10,829,537)	(9,846,160)

Gross profit 44,169 37,101 167,593 144,126 1,593,237 1,491,563 - - 1,804,999 1,672,790

Distribution cost	(19,896)	(17,886)	(63,312)	(59,450)	(764,760)	(702,405)	-	-	(847,970)	(779,741)
Administrative expenses	(15,949)	(13,056)	(51,570)	(34,018)	(188,271)	(186,620)	-	-	(255,790)	(233,694)
	(35,847)	(30,942)	(114,882)	(93,468)	(953,031)	(889,025)	-	-	(1,103,760)	(1,013,435)

## Profit before

## taxation and

## unallocated income

## and expenses

	8,322	6,159	52,711	50,658	640,206	602,538	-	-	701,239	659,355
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## Unallocated income and expenses:

Other expenses									(23,761)	(24,858)
Other income									300,738	112,912
Finance cost									(410,494)	(280,932)
Taxation									(118,263)	(113,264)
Profit after taxation									<u>449,459</u>	<u>353,213</u>



9.2 Reconciliation of reportable segment assets and liabilities:

Spinning		Knitting		Processing and Garments		Total-Company	
Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017

(RUPEES IN THOUSAND)

Total assets for reportable segments	2,162,197	1,978,453	2,667,681	2,810,236	14,096,347	11,819,798	18,926,225	16,608,467
Unallocated assets							11,038,931	10,290,123
Total assets as per balance sheet							29,965,156	26,898,610
Total liabilities for reportable segments	138,896	118,635	245,119	328,189	2,494,889	2,261,746	2,578,904	2,708,570
Unallocated liabilities							17,732,788	14,842,441
Total liabilities as per balance sheet							20,311,693	17,551,011

10. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated company and other related parties. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follow:

(RUPEES IN THOUSAND)

Un-audited			
Half Year Ended		Quarter Ended	
31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016

i) Transactions

**Associated companies**

Dividend paid	30,444	64,334	30,444	64,334
Share deposit money received	-	255,872	-	255,872

**Other related parties**

Dividend paid	2,899	6,480	2,899	6,480
Share deposit money received	-	25,773	-	25,773
Remuneration paid to Chief Executive Officer, Directors and Executives	168,227	142,626	89,646	71,431



