Interim Financial Report half year ended December 31, 2016 (Un-audited)

Sally Textile Mills Limited

CONTENTS

Company Information

Board Of Directors

Mian Iqbal Salahuddin	Chief Executive Officer
Mst. Munira Salahuddin	
Mian Yousaf Salahuddin	
Mian Asad Salahuddin	
Mian Sohail Salahuddin	
Sheikh Abdul Salam	
Syed Abid Raza Zaidi	

Audit Committee

Sheikh Abdul Salam	Chairman
Mian Asad Salahuddin	Member
Mian Sohail Salahuddin	Member
Syed Abid Raza Zaidi	Secretary

Human Resources & Remuneration Committee

Sheikh Abdul Salam	Chairman
Mst. Munira Salahuddin	Member
Mian Sohail Salahuddin	Member

Chief Financial Officer

Mr. Hasan Shahnawaz

Company Secretary

Syed Abid Raza Zaidi

Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Bankers

National Bank Of Pakistan
Silk Bank Limited
The Bank of Punjab
Meezan Bank Limited
Habib Bank Limited

Registered Office

4-F, Gulberg II, Lahore.
Phones : (042) 35754371, 35754373
E-mail : sallytex@hotmail.com
Fax : (042) 35754394

Mills

Muzaffargarh Road, Jauharabad
Phones: (0454) 720645, 720546, 720311

Directors' Review

The Directors of **Sally Textile Mills Limited** ("the Company") present the Half Yearly report of the Company for the period ended 31stDecember2016.

Overview

There has been little reprieve for textile sector. The impact of continue supply of RLNG have been passed on the industry but that too is not in its calculable entirety, and the cost of falling local and international yarn prices are the main reasons of down trend. Pakistan continues to lose its share in the worldwide textile sectors to countries like Bangladesh and Vietnam where textile business are booming on account of low cost of business and improved infrastructures.

Performance review

Your company posted after tax loss of Rs. (17.938) million. The Company registered negative growth in sales turnover of Rs. 526.764 million as compared to Rs. 973.806 million for the same period last year. Owing to the adversities being faced and lack of timely and favorable government policies to rescue this sector, the Company posted gross Profit of Rs.43.660 million as compared to gross Loss Rs.(39.125) million during the corresponding period last year. The Directors of the company are committed to the business and in line with their commitment they have injected over Rs. 85,150 Million as additional sponsors loan to the company. The Directors are firm in their resolve to continue running the mill operations as evident from the injection of funds into this business.

The financial results in a summarized form are given hereunder:

Description	**Six months ended December 31, 2016** ***Rupees '000'***	Six months ended December 31, 2015 *Rupees '000'*
Turnover-net	**526,764**	973,806
Gross (Loss)/Profit	**43,660**	(39,125)
Loss before tax	**(12,670)**	(71,463)
Loss after tax	**(17,938)**	(71,463)

Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians, staff and workers who have vigorously to meet the target. Your directors also extend their appreciation to the company's banker, buyers and suppliers for their cooperation.

For and on behalf of the board

Iqbal

Date: **February 28, 2017**
Lahore.

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Sally Textile 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.

Conclusion

Based on our review, 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 refers to the fact that the Company has incurred loss after taxation of Rs. 17.938 million during the six months period ended December 31, 2016. As at December 31, 2016, the Company has accumulated losses of Rs. 197.203 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 182.013 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these condensed interim financial information has 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 28, 2017

Condensed Interim Balance Sheet *(Un-audited)*
as at December 31, 2016

	Note	December 31, 2016	June 30, 2016
		Rupees '000	*Rupees '000*
		(Un-Audited)	*(Audited)*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (June 30, 2016: 20,000,000) ordinary shares of Rs. 10 each		**200,000**	200,000
Issued, subscribed and paid-up capital		**87,750**	87,750
Accumulated loss		**(197,203)**	(178,786)
TOTAL EQUITY		**(109,453)**	(91,036)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		**98,176**	97,697
LOAN FROM SPONSORS - *UNSECURED*	*6*	**353,725**	281,328
NON-CURRENT LIABILITIES			
Long term finances - *secured*		**316,667**	66,667
Employees retirement benefits		**104,561**	108,761
Deferred taxation		**72,715**	72,715
		493,943	248,143
CURRENT LIABILTIES			
Trade and other payables		**645,331**	673,531
Short term borrowings	*7*	**642,329**	969,569
Accrued interest/markup		**21,956**	44,236
Current portion of non-current liabiliteis		**25,000**	33,333
		1,334,616	1,720,669
TOTAL LIABILITIES		**1,828,559**	1,968,812
CONTINGENCIES AND COMMITMENTS	*8*		
TOTAL EQUITY AND LIABILITIES		**2,171,007**	2,256,801

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Lahore
Date : February 28, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

	Note	December 31, 2016	June 30, 2016
		Rupees '000	*Rupees '000*
		(Un-Audited)	*(Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**1,007,160**	1,030,583
Long term deposits - u*nsecured, considered good*		**11,244**	11,244
		1,018,404	1,041,827
CURRENT ASSETS			
Stores, spares and loose tools		**53,683**	58,572
Stock in trade		**934,483**	991,631
Trade debts		**86,169**	97,500
Advances, deposits, prepayments and other receivables		**33,102**	24,731
Current taxation		**35,919**	34,478
Cash and bank balances		**9,247**	8,062
		1,152,603	1,214,974
TOTAL ASSETS		**2,171,007**	2,256,801

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

MIAN YOUSAF SALAHUDDIN
Director

Condensed Interim Profit and Loss Account *(Un-audited)*

for the six months period ended December 31, 2016

		Six months ended		Three months ended	
	Note	**December 31, 2016**	December 31, 2015	**December 31, 2016**	December 31, 2015
		Rupees '000	*Rupees '000*	***Rupees '000***	*Rupees '000*
Sales - net	*10*	**526,764**	973,806	**300,055**	411,514
Cost of sales	*11*	**(483,104)**	(1,012,931)	**(269,998)**	(439,416)
Gross profit/(loss)		**43,660**	(39,125)	**30,057**	(27,902)
Selling and distribution expenses		**(4,480)**	(7,479)	**(3,006)**	(1,935)
Administrative and general expenses		**(23,369)**	(25,314)	**(13,139)**	(12,000)
		(27,849)	(32,793)	**(16,145)**	(13,935)
Other income		**1,469**	-	**1,469**	-
Operating profit/(loss)		**17,280**	(71,918)	**15,381**	(41,837)
Finance cost		**(42,329)**	(46,796)	**(19,278)**	(23,102)
Notional interest		**12,753**	49,097	**18,584**	55,108
Other charges		**(374)**	(1,846)	**(253)**	(809)
Profit/(loss) before taxation		**(12,670)**	(71,463)	**14,434**	(10,640)
Taxation	*12*	**(5,268)**	-	**(3,001)**	-
Profit/(loss) after taxation		**(17,938)**	(71,463)	**11,433**	(10,640)
Profit/(loss) per share - *basic and diluted*		**(2.04)**	(8.14)	**1.30**	(1.21)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Lahore
Date : February 28, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
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 '000	*Rupees '000*	***Rupees '000***	*Rupees '000*
Items that may be reclassified subsequently to profit or loss	**-**	-	**-**	-
Items that will not be reclassified to profit or loss				
(Decremental)incremental depreciation	**(479)**	2,735	**(479)**	156
Other comprehensive income before taxation	**(479)**	2,735	**(479)**	156
Taxation	**-**	-	**-**	-
Other comprehensive income after taxation	**(479)**	2,735	**(479)**	156
Loss after taxation	**(17,938)**	(71,463)	**11,433**	(10,640)
Total comprehensive loss	**(18,417)**	(68,728)	**10,954**	(10,484)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Lahore
Date : February 28, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Condensed Interim Cash Flow Statement (Un-audited)

for the six months period ended December 31, 2016

	December 31, 2016	December 31, 2015
	Rupees '000	*Rupees '000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(12,670)**	(71,463)
Adjustments for non-cash and other items		
Interest/markup on borrowings	**42,206**	46,101
Notional interest	**(12,753)**	(49,097)
Provision for employees retirement benefits	**2,000**	5,372
Depreciation	**23,423**	26,157
	54,876	28,533
Operating profit/(loss) before changes in working capital	**42,206**	(42,930)
Changes in working capital		
Stores, spares and loose tools	**4,889**	9,458
Stock in trade	**57,148**	(153,163)
Trade debts	**11,331**	46,019
Advances, deposits, prepayments and other receivables	**(8,371)**	5,966
Trade and other payables	**(28,200)**	47,758
	36,797	(43,962)
Net cash generated from/(used in) operations	**79,003**	(86,892)
Payments for:		
Employees retirement benefits	**(6,200)**	(646)
Interest/markup on borrowings	**(64,486)**	(40,118)
Income tax	**(6,709)**	(14,995)
Net cash generated from/(used in) operating activities	**1,608**	(142,651)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	-	(17,139)
Net cash used in investing activities	-	(17,139)

Lahore
Date : February 28, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

	December 31, 2016	December 31, 2015
	Rupees '000	*Rupees '000*
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances obtained	**250,000**	-
Repayment of long term finances	**(8,333)**	-
Net (decrease)/increase in short term borrowings	**(327,240)**	6,112
Loan from sponsors obtained	**85,150**	151,000
Net cash (used in)/generated from financing activities	**(423)**	157,112
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,185**	(2,678)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**8,062**	13,463
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9,247**	10,785

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

MIAN YOUSAF SALAHUDDIN
Director

Condensed Interim Statement of Changes In Equity (Un-audited)

for the six months period ended December 31, 2016

	Issued subscribed and paid-up capital	Accumulated profit/(loss)	Total equity
	Rupees '000	*Rupees '000*	*Rupees '000*
Balance as at June 30, 2015 - *Audited*	87,750	62,504	150,254
Comprehensive loss			
Loss after taxation	-	(71,463)	(71,463)
Other comprehensive income	-	2,735	2,735
Total comprehensive loss	-	(68,728)	(68,728)
Transaction with owners	-	-	-
Balance as at December 31, 2015 - *Un-audited*	87,750	(6,224)	81,526
Balance as at January 01, 2016 - *Un-audited*	87,750	(6,224)	81,526
Comprehensive loss			
Loss after taxation	-	(171,664)	(171,664)
Other comprehensive loss	-	(898)	(898)
Total comprehensive loss	-	(172,562)	(172,562)
Transaction with owners	-	-	-
Balance as at June 30, 2016 - *Audited*	87,750	(178,786)	(91,036)
Balance as at July 01, 2016 - *Audited*	**87,750**	**(178,786)**	**(91,036)**
Comprehensive loss			
Loss after taxation	**-**	**(17,938)**	**(17,938)**
Other comprehensive income	**-**	**(479)**	**(479)**
Total comprehensive loss	**-**	**(18,417)**	**(18,417)**
Transaction with owners	**-**	**-**	**-**
Balance as at December 31, 2016 - *Un-audited*	**87,750**	**(197,203)**	**(109,453)**

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Lahore
Date : February 28, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

1 REPORTING ENTITY

Sally Textile Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 4-F, Gulberg II, Lahore. The manufacturing facility, including the power generation unit, is located at Joharabad District Khushab in the Province of Punjab.

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 month period ended December 31, 2016 and December 31, 2015 are neither audited nor reviewed.

2.1 Statement of compliance

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

2.3 Appropriateness of the going concern assumption

The Company has been facing operational losses since the previous year 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 unfaviourbale 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's loss after taxation is Rs. 17.938 million during the six months period ended December 31, 2016. As at December 31, 2016, the Company has accumulated losses of Rs. 197.203 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 182.013 million. 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. 85.150 million in the form of long term interest free loans.Further, the sponsors have extended the repayment tenor of long term loans provided by them to June 30, 2021. (see note 6)

c) The Company has undrawn short term finance facilities of Rs. 85.31 million as at December 31, 2016 (see note 7). The management expects continued support of its bankers in providing finacial support to the Company operating lease

d) The Company has drawn up cost cutting planning aimed at curtailing/reducing fixed costs and rationalizing variable costs. The Company, during the year, has cancelled a lease of production facility acquired in earlier years subject to operating lease.

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. Subsequently, actual results may differ from these estimates.

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

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.

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

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.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

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.

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)

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Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

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4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

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
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

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

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.

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

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 preceding annual financial statements of the Company for the year ended June 30, 2016.

	Note	December 31, 2016	June 30, 2016
		Rupees '000	*Rupees '000*
		(Un-Audited)	*(Audited)*
6 LOAN FROM SPONSORS - UNSECURED			
Loan from sponsors	*6.1*	**535,150**	450,000
Less: unamortized notional interest		**(181,425)**	(168,672)
		353,725	281,328

6.1 This loan has been obtained from sponsors of the Company, and is interest free. As per the loan agreement, the loan is repayable by June 30, 2021, subject to subordination agreements with providers of debt finances. The loan has been carried at amortized cost which has been determined using a discount rate of 9.85%, being the average effective borrowing rate of the Company on the date of new agreement.

This Loan subordinate to debt finances obtained from National Bank of Pakistan, Silk Bank Limited and The Bank of Punjab.

7 SHORT TERM BORROWINGS

The aggregate available short term funded facilities amounts to Rs. 724 million (June 30, 2016: Rs. 1182.4 million) out of which Rs. 85.31 million (June 30, 2016: Rs. 216.44 million) remained unavailed as at the reporting date.

8 CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no significant change in the status of contingencies since June 30, 2016.

	December 31, 2016	June 30, 2016
	Rupees '000	*Rupees '000*
	(Un-Audited)	*(Audited)*

8.2 Commitments

8.2.2 The Company is committed to pay Rs. 220,000 for every month it occupies the office premises owned by the directors of the Company.

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

		Note	December 31, 2016	June 30, 2016
			Rupees '000	*Rupees '000*
			(Un-Audited)	*(Audited)*
9	**FIXED ASSETS**			
	Operating fixed assets	*9.1*	**1,004,971**	1,028,394
	Capital work in progress		**2,189**	2,189
			1,007,160	1,030,583

		December 31, 2016	June 30, 2016
		Rupees '000	*Rupees '000*
		(Un-Audited)	*(Audited)*
9.1	**Operating fixed assets**		
	Net book value at the beginning of the period/year	**1,028,394**	1,200,388
	Additions during the period/year		
	Plant and machinery	-	13
	Office equipment	-	109
	Furniture and fixtures	-	15
		-	137
	Transfer from capital work in progress	-	70,169
	Net book value of assets disposed during the period/year	-	(17)
	Impairment loss	-	(190,291)
	Depreciation for the period/year	**(23,423)**	(51,992)
	Net book value at the end of the period/year	**1,004,971**	1,028,394

			Six months ended		Three months ended	
		Note	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
			Rupees '000	*Rupees '000*	*Rupees '000*	*Rupees '000*
			(Un-Audited)	*(Un-Audited)*	*(Un-Audited)*	*(Un-Audited)*
10	**SALES - NET**					
	Local					
	Yarn		**379,404**	681,582	**212,002**	347,024
	Waste		**8,098**	21,754	**4,727**	7,448
			387,502	703,336	**216,729**	354,472
	Exports					
	Yarn	*10.1*	**139,262**	270,470	**83,326**	57,042
			526,764	973,806	**300,055**	411,514

10.1 Yarn exports include indirect exports amounting to Rs. 139,262,000 (2015: Rs. 257,496,205) for the six months period ended December 31, 2016 and Rs. 106,378,000 (2015: Rs. 208,938,256) for the three months period ended December 31, 2016.

Notes to the Condensed Interim Finanacial Information (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 '000	*Rupees '000*	***Rupees '000***	*Rupees '000*
		(Un-Audited)	*(Un-Audited)*	***(Un-Audited)***	*(Un-Audited)*
11 COST OF SALES					
Raw material consumed		**383,289**	723,262	**215,177**	354,574
Stores, spares and loose tools consumed		**20,059**	34,133	**11,727**	11,017
Salaries, wages and benefits		**76,513**	125,727	**45,583**	77,810
Power and fuel		**98,737**	214,253	**59,242**	86,959
Insurance		**2,180**	3,094	**1,272**	1,636
Vehicle running and maintenance		**1,139**	1,667	**589**	734
Rent, rates and taxes		**-**	8,400	**-**	4,200
Depreciation		**21,828**	24,190	**10,914**	10,283
Others		**2,158**	3,484	**1,229**	2,468
		605,903	1,138,210	**345,733**	549,681
Work in process					
As at beginning of the period		**45,321**	51,958	**47,677**	32,959
As at end of the period		**(54,094)**	(53,042)	**(54,094)**	(53,042)
		(8,773)	(1,084)	**(6,417)**	(20,083)
		597,130	1,137,126	**339,316**	529,598
Finished goods					
As at beginning of the period		**173,342**	173,395	**218,050**	207,408
As at end of the period		**(287,368)**	(297,590)	**(287,368)**	(297,590)
		(114,026)	(124,195)	**(69,318)**	(90,182)
		483,104	1,012,931	**269,998**	439,416
12 PROVISION FOR TAXATION					
Current taxation	*12.1*	(5,268)	-	**(3,001)**	-
Deferred taxation	*12.2*	-	-	-	-
		(5,268)	-	**(3,001)**	-

12.1 Provision for taxation has been made under section 113 of the Income Tax Ordinance, 2001.

12.2 No provision for deferred tax has been made as the impact of the same is considered immaterial.

13 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise key management personnel (including chief executive and directors) and sponsors of the Company. Transactions with sponsors are limited to provision of interest free loans to the Company and rental payments for office premises used by the Company. Details of transactions and balances with related parties is as follows:

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

		Six months ended	
		December 31, 2016	December 31, 2015
		Rupees '000	*Rupees '000*
		(Un-Audited)	*(Un-Audited)*
13.1 Transactions with related parties			
Nature of relationship	**Nature of transaction**		
Key management personnel	Short term employee benefits	**4,131**	4,681
Sponsors	Borrowings obtained	**85,150**	151,000
	Rent paid	**1,320**	1,320

		December 31, 2016	June 30, 2016
		Rupees '000	*Rupees '000*
		(Un-Audited)	*(Audited)*
13.2 Balances with related parties			
Nature of relationship	**Nature of balances**		
Key management personnel	Short term employee benefits	**592**	592
Sponsors	Long term loan	**535,150**	450,000
	Borrowings	**3,636**	3,636

14 FINANCIAL INSTRUMENTS

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

	December 31, 2016	June 30, 2016
	Rupees '000	*Rupees '000*
	(Un-Audited)	*(Audited)*
14.1 Financial assets		
Cash in hand	**2,319**	1,826
Loans and receivables		
Long term deposits	**11,244**	11,244
Trade debts	**86,169**	97,500
Security deposits	**9,587**	5,859
Insurance claims receivable	**1,863**	860
Bank balances	**6,928**	6,236
	115,791	121,699
	118,110	123,525

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

	December 31, 2016 Rupees '000 (Un-Audited)	June 30, 2016 Rupees '000 (Audited)
14.2 Financial liabilities		
Financial liabilities at amortized cost		
Loan from sponsors	**535,150**	281,328
Long term finances	**341,667**	100,000
Short term borrowings	**642,329**	969,569
Accrued interest/markup	**21,956**	44,236
Trade creditors	**390,389**	429,347
Accrued liabilities	**115,148**	100,944
Unclaimed dividend	**1,010**	1,010
	2,047,649	1,926,434

15 FAIR VALUE MEASUREMENTS

The Company measures some of its assets 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 assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

15.1 Financial instruments measured at fair value

15.1.1 Recurring fair value measurements

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

15.1.2 Non-recurring fair value measurements

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

15.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

15.3 Assets and liabilities other than financial instruments.

15.3.1 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:

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

	Level 1	Level 2	Level 3	**December 31, 2016**	June 30, 2016
				Rupees	*Rupees*
				(Un-Audited)	*(Audited)*
Freehold land	-	142,835,000	-	**142,835,000**	142,835,000
Buildings on freehold land	-	-	209,983,840	**209,983,840**	215,368,041
Plant and machinery	-	-	588,753,179	**588,753,179**	603,849,414
Electric installation	-	-	40,998,750	**40,998,750**	42,050,000
Laboratory equipment	-	-	4,416,044	**4,416,044**	4,648,467
Fire fighting equipment	-	-	886,666	**886,666**	933,333

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. 7.142 million (June 31, 2016: Rs. 7.142 million).
Buildings on freehold land	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 results in a significant increase in fair value of buildings by Rs. 10.499 million (June 30, 2016: Rs. 10.768 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 results in a significant increase in fair value of plant and machinery by Rs. 29.438 million (June 30, 2016: Rs. 30.192 million).

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

	Valuation technique	Significant inputs	Sensitivity
Electric installation	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 results in a significant increase in fair value of electric installation by Rs. 2.05 million (June 30, 2016: Rs. 2.102 million).
Laboratory equipment	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 results in a significant increase in fair value of laboratory equipment by Rs. 220,802 (June 30, 2016: Rs. 232,423).
Fire fighting equipment	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 results in a significant increase in fair value of fire fighting equipment by Rs. 44,333 (June 30, 2016: Rs. 46,667).

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

15.3.2 Non-recurring fair value measurements

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

16 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.

Notes to the Condensed Interim Finanacial Information (Un-audited)

for the six months period ended December 31, 2016

17 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, 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.

18 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, 2017.

19 GENERAL

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

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

19.3 Figures have been rounded off to the nearest thousand rupees.

Lahore
Date : February 28, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Notes

BOOK POST

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