



# **ELAHI COTTON MILLS LIMITED**

**FINANCIAL STATEMENTS  
FOR THE  
HALF YEAR ENDED  
DECEMBER 31-2016**

**PRINTED MATTER  
BOOK POST  
UNDER CERTIFICATE OF POSTING**

**ELAHI COTTON MILLS LIMITED**

270, Sector I-9, Industrial Area, Islamabad (Pakistan)  
Phone : (051) 4433451-3, Fax : (051) 4431072  
[www.elahicotton.com](http://www.elahicotton.com), E-mail: [elahicotton@gmail.com](mailto:elahicotton@gmail.com)

**ELAHI COTTON MILLS LIMITED**  
**DIRECTORS HALF YEARLY REPORT TO THE SHAREHOLDERS**

The Directors of the Company are pleased to present financial information for the half year ended December 31, 2016 duly reviewed by the external auditors.

The Company suffered net loss after taxation of Rs. 2,278,785/- for the six months from July 01, 2016 to December 31, 2016 as compared to net loss of Rs. 2,791,792/- for the corresponding period of last six months. Aggregate sales revenue of the Company increased from Rs.136.165 million to Rs.153.618 million showing increase of Rs.17.453 million (12.82%) whereas cost of sales increased from Rs.135.658 million to Rs.152.312 million showing increase of Rs.16.654 million (12.28%). The net loss incurred by the Company is mainly due to decrease in the prices of finished goods,

The loss per share for the half year ended December 31, 2016 is Rs. 1.75 and profit per share for quarter ended December 31, 2016 is Rs. 0.76. As the Company has incurred loss for the six months and also has accumulated loss and no amount is available in the reserves, the Directors do not recommend payment of any dividend to shareholders of the Company. The Company could not make payment of current portion of due to associated undertaking & loan from directors amounting to Rs.77.799 million due to financial constraints.

We foresee that the next quarter to be a difficult one due to current increasing trend in the prices of polyester staple fibre.

The Directors have to comment on Auditors observation as under:

During the period, the Company suffered an operating loss of Rs.1.207 million and net loss of Rs.2.279 million. The reasons for incurring loss have already been explained in the report. Despite the losses, Management is committed with the Company and is continuously supporting in the form of funds as and when required by the Company. With the successful efforts of the Management, the Mills will continue as a going concern.

Islamabad

On behalf of Board of Directors

February 24, 2017

(MAHBOOB ELAHI)  
Chairman

**الہی کاشن ملز لمیٹڈ**

ممبرز کوڈ انریکٹرز کی دوسری سہ ماہی رپورٹ

کھیتی کے ڈائریکٹرز ششماہی مالیاتی رپورٹ ختم شدہ ۳۱ دسمبر ۲۰۱۶ء جو کہ بیرونی محاسب سے جانچو شدہ ہے، پیش کرتے ہیں۔ کھیتی کو پہلے چھ ماہ میں بعد از گیس 2,278,785/- روپے کا نقصان برداشت کرنا پڑا جبکہ گزشتہ سال اسی دورانیہ میں یہ نقصان 2,791,792/- روپے تھا۔ کھیتی کی مجموعی فروخت آمدنی 136.165 ملین روپے سے بڑھ کر 153.618 ملین روپے ہوئی جو کہ 17.453 ملین روپے (12.82%) بڑھتی ہے۔ مجموعی ٹیکس اور دیگر اخراجات 135.658 ملین روپے سے بڑھ کر 152.312 ملین روپے ہو گئے جو کہ 16.654 ملین روپے (12.28%) بڑھتی ہے۔ کھیتی کے نقصان کی بڑی وجہ تیار مالی کی قیمتوں میں کمی ہے۔

اس ششماہی ختم شدہ ۳۱ دسمبر ۲۰۱۶ء میں کھیتی کا نقصان 1.75 روپے فی حصص ہوا جبکہ دوسری سہ ماہی ختم شدہ ۳۱ دسمبر ۲۰۱۶ء کو فی حصص 0.76 روپے نتائج ہوا۔ کھیتی کھیتی چھ ماہ میں نقصان میں رہی اور مجموعی خسارہ بھی سے اور کھیتی کے خطوط سرمایہ میں کوئی رقم بھی موجود نہیں ہے اس لیے ڈائریکٹرز حصہ داران کے لئے کسی منافع کی سہاڑا نہیں کرتے۔ کھیتی مالی مشکلات کی وجہ سے ڈائریکٹرز اور سٹاک کھیتی کو 77.799 ملین روپے قرض کے موجودہ واجب الادا حصص کی ادائیگی نہ کر سکی۔

انتظامیہ آنے والی سہ ماہی کو پالیٹری موجودہ بڑھتی ہوئی قیمتوں کی وجہ سے مشکل تصور کرتی ہے

ڈائریکٹرز بیرونی محاسب کے پیش کردہ مشاہدہ پر یہ رائے زنی کرتے ہیں کہ کھیتی نے موجودہ دورانہ میں 1.207 ملین روپے ملتیاتی خسارہ اور 2.279 روپے خالص خسارہ برداشت کیا۔ خسارے کی وجوہات اس رپورٹ میں درج کی جا چکی ہیں۔ خسارہ کے باوجود انتظامیہ اس مزم کا اٹھانا کرتی ہے کہ وہ کھیتی کو حسب ضرورت مالی تعاون جاری رکھتی اور طوائف مالکہ جاری و ساری رہے گی۔

محبوب الہی  
چیئر مین

اسلام آباد

۲۴ فروری ۲۰۱۷ء

①

INDEPENDENT AUDITORS REPORT ON REVIEW OF CONDENSED INTERIM  
FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **ELAHI COTTON MILLS LIMITED** ("the Company") as at December 31, 2016 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 (herein after referred 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 interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standards on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consists of making enquiries, 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 does not give a true and fair view of financial position of the Company as at December 31, 2016 and of its financial performance and its cash flows for the six months period then ended in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarter ended December 31, 2016 and December 31, 2015 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1.2 in the condensed interim financial information which indicates that the Company has suffered net loss of Rs. 2.279 million for the period ended December 31, 2016 and as of that date its accumulated losses aggregated to Rs. 75.422 (June 30, 2016: Rs. 73.963 million).

The Company's accumulated losses exceed the issued, subscribed and paid up capital by Rs. 62.422 million (June 30, 2016: 60.963 million). These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

ISLAMABAD

DATED: 24.02.2017

②

BDO Ebrahim & Co.  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer

**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT DECEMBER 31, 2016

	Note	December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	6	92,550,626	94,371,045
Operating fixed assets		918,810	918,810
Long term security deposits		1,254,257	1,204,508
Loans and advances		94,723,693	96,494,363
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		1,127,449	1,273,609
Stock in trade	7	16,563,249	10,395,545
Trade debts	8	10,689,821	7,513,609
Loans and advances		164,380	672,988
Short terms prepayments		120,796	167,311
Tax refund due from government		122,408	26,329
Taxation - net	9	-	3,775
Cash and bank balances		2,595,731	5,118,329
		31,383,834	25,171,495
		126,107,527	121,665,858
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	10	13,000,000	13,000,000
Accumulated loss		(75,422,140)	(73,963,386)
		(62,422,140)	(60,963,386)
		73,129,783	73,949,814
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities		16,525,295	16,060,434
Long term loan from directors	11	-	-
Due to associated undertaking	12	-	-
		16,525,295	16,060,434
<b>CURRENT LIABILITIES</b>			
Taxation - net		199,296	-
Current portion of long term loan from directors	11	67,882,547	67,882,547
Current portion of due to associated undertaking	12	9,916,077	9,916,077
Short term loan from directors	13	5,100,000	4,350,000
Trade and other payables	14	15,776,669	10,470,372
		98,874,589	92,618,996
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>126,107,527</b>	<b>121,665,858</b>

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

③

**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

Note	Half year ended December 31,		Quarter ended December 31,		
	2016	2015	2016	2015	
	Rupees				
Sales	153,617,705	136,165,124	82,221,524	78,328,572	
Cost of sales	152,311,798	135,657,559	79,244,408	77,321,085	
Gross profit	1,305,907	507,565	2,977,116	1,007,487	
Operating expenses					
Administrative expenses	2,400,549	2,368,084	1,421,759	980,052	
Other operating charges	112,247	106,430	23,290	15,926	
Operating (loss) / profit	(1,206,889)	(1,966,949)	1,532,067	11,509	
Other income	359	244	241	244	
Financial charges	4,246	4,513	4,246	3,454	
(Loss) / profit before taxation	(1,210,776)	(1,971,218)	1,528,062	8,299	
Taxation:					
Current	(1,536,181)	(1,361,654)	(822,218)	(783,288)	
Prior	92,305	135,400	92,305	135,400	
Deferred	375,867	405,680	187,934	465,509	
(Loss) / profit after taxation	(2,278,785)	(2,791,792)	986,083	(174,080)	
(Loss) / earnings per share- basic and diluted	19	(1.75)	(2.15)	0.76	(0.13)

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	Rupees			
(Loss) / profit for the period	(2,278,785)	(2,791,792)	986,083	(174,080)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / income the period	(2,278,785)	(2,791,792)	986,083	(174,080)

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

④

**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended December 31,	
	2016	2015
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(1,210,776)	(1,971,218)
Adjustment for:		
Depreciation	1,820,419	1,978,991
Financial charges	4,246	4,513
Provision for gratuity	1,252,078	2,586,725
	3,076,743	4,570,229
Profit before working capital changes	1,865,967	2,599,011
Changes in working capital:		
Increase / (decrease) in current assets		
Stock in trade	(6,167,704)	212,980
Stores, spares and loose tools	146,160	(128,787)
Trade debts	(3,176,212)	(8,708,063)
Advances	508,608	(42,477)
Short term prepayments	46,515	118,378
Decrease / (increase) in current liabilities		
Trade and other payables	5,306,297	6,046,945
	(3,336,336)	(2,501,024)
Cash (used in) / generated from operations	(1,470,369)	97,987
Financial charges paid	(4,246)	(4,513)
Income tax paid	(1,336,884)	(1,332,136)
Gratuity paid	(411,350)	(401,970)
	(1,752,480)	(1,738,619)
Net cash used in operating activities	(3,222,849)	(1,640,632)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(200,050)
Increase in loan and advances	(49,749)	(69,166)
Net cash used in investing activities	(49,749)	(269,216)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment to associated undertaking	-	(2,500,000)
Short term loan obtained from directors	750,000	4,350,000
Loan paid to directors	-	(1,175,000)
Net cash generated from financing activities	750,000	675,000
Net decrease in cash and cash equivalents	(2,522,598)	(1,234,848)
Cash and cash equivalents at the beginning of the period	5,118,329	4,789,569
Cash and cash equivalents at the end of the period	2,595,731	3,554,721

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

⑤

# ELAHI COTTON MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Issued, subscribed and paid-up capital	Accumulated loss	Total
Rupees			

Balance as at July 01, 2015	13,000,000	(71,943,701)	(58,943,701)
Total comprehensive loss for the period	-	(2,791,792)	(2,791,792)
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	-	907,795	907,795
Balance as at December 31, 2015	13,000,000	(73,827,698)	(60,827,698)
Balance as at July 01, 2016	13,000,000	(73,963,386)	(60,963,386)
Total comprehensive loss for the period	-	(2,278,785)	(2,278,785)
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	-	820,031	820,031
Balance as at December 31, 2016	13,000,000	(75,422,140)	(62,422,140)

The annexed notes from 1 to 26 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

6

# ELAHI COTTON MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

## 1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated as a public limited Company on June 22, 1970 under the repealed Companies Act, 1913 (now Companies Ordinance, 1984) and its ordinary shares are quoted on Pakistan Stock Exchange. The Company is engaged in the manufacturing and sale of yarn. The registered office of the Company is situated at 270, sector I-9, Industrial Area, Islamabad. The principal business of the Company is manufacture and sale of yarn.

1.2 The Company incurred a net loss of Rs. 2,279 million during the period ended December 31, 2016 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 67,491 million. The Company has accumulated losses of Rs. 75,422 million (2016: Rs. 73,963 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 62,422 million. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

This financial information has been prepared on going concern basis without any adjustment to assets and liabilities in view of profitable future projections and financial support from associated undertaking and sponsors. The management is confident of improving profitability through streamlining the operations of the Company.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

This condensed interim financial information is unaudited but subject to the limited scope review by auditors and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Pakistan Stock Exchange.

This condensed interim financial information of the Company for the half year ended December 31, 2016 has been prepared in accordance with the requirements of the 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 or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2016 which have been prepared in accordance with approved accounting standards as applicable in Pakistan.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2016, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity are extracted from the unaudited interim financial information for the half year ended December 31, 2015.

### 2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount and staff retirement benefit at present value.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

### 2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## 3 ACCOUNTING POLICIES

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

3.2 This condensed interim financial information includes certain additional disclosures regarding shariah screening of listed companies for Islamic equity index. The Company has voluntarily disclosed information as per the requirements of the circular no. 29 of 2016 dated September 05, 2016.

3.3 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2016. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial information.

## 4 TAXATION

The provision for taxation for the half year and quarter ended December 31, 2016 has been made using the estimated effective tax rate applicable to expected total annual earnings.

7

## 5 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2016.

		December 31, 2016	June 30, 2016
	Note	Rupees Unaudited	Rupees Audited
<b>6 OPERATING FIXED ASSETS</b>			
Opening written down value		94,371,045	97,401,104
Add: Additions during the period / year	6.1	-	954,050
Less: Depreciation charged during the period / year		1,820,419	3,984,109
Closing written down value		<u>92,550,626</u>	<u>94,371,045</u>

6.1 Detail of additions (at cost) during the period / year are as follows:			
Plant and machinery		-	923,050
Power and other installations		-	31,000
		-	<u>954,050</u>
6.2 During the period the Additional District Collector, Rawalpindi vide his letter No. 232/ADC/LAC dated August 30, 2016 has informed that due to dualization and improvement of Mandra Chakwal Road, the land of the Company measuring 2 Kanal and one marla falls under the improvement scheme of this road which shall be acquired by the Government of Punjab. The Board of Director has approved sale of land to the Government of Punjab in his meeting dated December 23, 2016 at the approved rate by District Price Assessment Committee, however, sale of land/transfer is still in the process.			

		December 31, 2016	June 30, 2016
	Note	Rupees Unaudited	Rupees Audited
<b>7 STOCK IN TRADE</b>			
Raw material		9,121,436	2,309,909
Work in progress		2,255,573	2,047,107
Finished goods	7.1	5,096,338	6,032,097
Waste		89,902	6,432
		<u>16,563,249</u>	<u>10,395,545</u>

7.1 This includes net off amount of Rs. 0.0629 million (2016: Rs. 0.105 million) charged against NRV to carry out finished goods at fair value less cost to sell. During the year, write down in the carrying value of finished goods in hand amounting to Rs. 1.1037 million (2016: Rs. 2.163 million) has been recorded on account of net realisable value being lower than cost.

		December 31, 2016	June 30, 2016
	Note	Rupees Unaudited	Rupees Audited
<b>8 TRADE DEBTS</b>			
Unsecured			
Local			
Considered good		10,689,821	7,513,609
Considered doubtful		1,680,367	1,680,367
		12,370,188	9,193,976
Less: Provision for doubtful debts		(1,680,367)	(1,680,367)
		<u>10,689,821</u>	<u>7,513,609</u>

		December 31, 2016	June 30, 2016
	Note	Rupees Unaudited	Rupees Audited
<b>9 CASH AND BANK BALANCES</b>			
Cash in hand		313,108	443,132
Cash at banks:			
Current accounts	9.1	1,945,982	2,446,632
Saving account	9.2	336,641	2,228,565
		<u>2,595,731</u>	<u>5,118,329</u>

9.1 This represents net off temporary credit balances amounting to Rs. 3,438 (June 30, 2016: Nil), which occurred due to outstanding cheques at the year end, issued in anticipation of deposits. Subsequent to year end, this amount has been fully adjusted.

9.2 Saving account carries mark up at the rates ranging from 0.03% to 0.05% (2015: 0.03% to 0.05%) per annum.

## 10 SHARE CAPITAL

### 10.1 Issued, subscribed and paid up capital

	Number of ordinary shares of Rs. 10/- each			
	December 31, 2016	June 30, 2016		
	1,300,000	1,300,000	Fully paid in cash	<u>13,000,000</u> <u>13,000,000</u>

(8)

## 10.2 Authorized share capital

This represents 5,000,000 (June 30, 2016: 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (June 30, 2016: 50,000,000).

	December 31, 2016	June 30, 2016
	Rupees Unaudited	Rupees Audited
<b>11 LONG TERM LOAN FROM DIRECTORS</b>		
Unsecured		
Balance brought forward	67,882,547	69,057,547
Payments during the period / year	-	(1,175,000)
	<u>67,882,547</u>	<u>67,882,547</u>
Less: Current portion shown under current liabilities	(67,882,547)	(67,882,547)
	<u>-</u>	<u>-</u>

11.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company. The loan was payable on July 1, 2014. During the last year all amounts have been shown under current liabilities as these are payable on demand.

11.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 67,882,547 (2016: Rs. 69,057,547).

	December 31, 2016	June 30, 2016
	Rupees Unaudited	Rupees Audited
<b>12 DUE TO ASSOCIATED UNDERTAKING</b>		
Unsecured		
International Beverages (Private) Limited		
Opening balance	9,916,077	12,416,077
Paid during the period / year	-	(2,500,000)
	<u>9,916,077</u>	<u>9,916,077</u>
Less: Current portion shown under current liabilities	12.1 (9,916,077)	(9,916,077)
	<u>-</u>	<u>-</u>

12.1 This represents the amount payable to International Beverages (Private) Limited (IBL) against MCB Bank Limited long term facility restructured during the year ended June 30, 2008, as per settlement agreement dated May 29, 2008 signed between the Company, IBL and MCB Bank Limited. As per above agreement this facility now stands transferred in the name of IBL.

12.2 As per agreement the settled amount is Rs. 17.866 million which includes Rs. 16.668 million as principal and Rs. 1.198 million as mark-up payable at 6% by the Company.

12.3 The amount due was repayable to IBL on July 1, 2014. However, during the last year all amounts have been shown under the current liabilities, as these are now payable on demand.

12.4 The maximum aggregate amount due to associated undertaking at the end of any month during the year was Rs. 9,916,077 (2016: Rs. 12,416,077).

	December 31, 2016	June 30, 2016
	Rupees Unaudited	Rupees Audited
<b>13 SHORT TERM LOAN FROM DIRECTORS</b>		
Unsecured:		
From Directors	13.1 5,100,000	4,350,000

13.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company to meet the working capital requirements. These are payable on demand.

	December 31, 2016	June 30, 2016
	Rupees Unaudited	Rupees Audited
<b>14 TRADE AND OTHER PAYABLES</b>		
Creditors	552,392	1,545,926
Accrued expenses	6,206,012	5,537,221
Advances from customers	7,908,187	2,355,769
Government dues	397,053	373,038
Unclaimed dividend	248,165	248,165
Income tax payable	3,665	61,503
Sales tax due to government	-	126,043
Sales tax payable	434,695	88,057
Gratuity payable	26,500	134,650
	<u>15,776,669</u>	<u>10,470,372</u>

14.1 This includes an amount of Rs. 0.150 (2016: Rs. 0.120 million) payable to Taj Mills Limited, a related party of the Company.

(9)

## 15 CONTINGENCIES AND COMMITMENTS

### 15.1 Contingencies

a) The Federal Government through Finance Act 2006/2008 substituted the term "total income" as defined in clause 2 (i) of the Worker Welfare Fund Ordinance, 1971 (WWF). As per amended provisions the WWF was chargeable on higher in value of accounting profit, taxable profit or/and in absence of audited accounts 4% of total receipts for the entities which are covered under presumptive taxation.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions. Had this provision been made since July 01, 2010 it would amount to Rs. 236,401. During the year the Honourable Supreme Court of Pakistan has struck down the amendments as ultra vires the Constitution. Therefore, based on the decision, the management believes that the Company is not liable to any liability towards WWF.

b) There was no other contingent liability of the Company as at the balance sheet date (June 30, 2016: Nil).

### 15.2 Commitments

There were no commitment for capital expenditures as at the balance sheet date (June 30, 2016: Nil).

## 16 DEFERRED TAX ASSET

16.1 Deferred tax asset of Rs. 791,854 (June 30, 2016: Rs. 865,667) on brought forward losses has not been recognised in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount. No deferred tax assets has been recognized on gratuity as the Company is claiming it as tax expense.

16.2 The applicable income tax rate for subsequent years beyond Tax year 2017 was reduced to 30% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Therefore, deferred tax is computed at the rate of 30% applicable to the period when temporary differences are expected to be reversed/utilised.

Note	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited
<b>17 COST OF SALES</b>				
Raw material consumed	100,967,282	87,002,479	54,290,541	47,475,033
Salaries, wages and other	25,108,339	24,168,636	12,531,246	13,659,805
Electricity	18,709,709	17,569,188	9,030,733	9,915,670
Insurance	146,195	203,404	132,982	190,191
Repair and maintenance	119,515	54,750	40,475	44,900
Stores and spares consumed	4,946,542	4,706,311	2,654,462	2,846,212
Depreciation	1,670,393	1,809,997	834,953	907,498
	<u>151,667,975</u>	<u>135,514,765</u>	<u>79,515,392</u>	<u>75,039,309</u>
Opening work in process	2,047,107	2,386,497	2,245,390	2,024,546
Closing work in process	(2,255,573)	(1,969,172)	(2,255,573)	(1,969,172)
	<u>(208,466)</u>	<u>417,325</u>	<u>(10,183)</u>	<u>55,374</u>
Cost of goods manufactured	<u>151,459,509</u>	<u>135,932,090</u>	<u>79,505,209</u>	<u>75,094,683</u>
Opening stock of finished goods	6,032,097	2,220,440	4,832,873	4,733,829
Closing stock of finished goods	(5,096,338)	(2,497,197)	(5,096,338)	(2,497,197)
	<u>935,759</u>	<u>(276,757)</u>	<u>(263,465)</u>	<u>2,236,632</u>
Opening stock of waste material	6,432	12,456	92,566	-
Closing stock of waste material	(89,902)	(10,230)	(89,902)	(10,230)
	<u>(83,470)</u>	<u>2,226</u>	<u>2,664</u>	<u>(10,230)</u>
	<u>152,311,798</u>	<u>135,657,559</u>	<u>79,244,408</u>	<u>77,321,085</u>
<b>17.1 Raw material consumed</b>				
Opening stock	2,309,909	3,485,972	3,448,599	2,340,964
Purchases	107,778,809	86,932,293	59,963,378	48,549,855
	<u>110,088,718</u>	<u>90,418,265</u>	<u>63,411,977</u>	<u>50,890,819</u>
Closing stock	(9,121,436)	(3,415,786)	(9,121,436)	(3,415,786)
	<u>100,967,282</u>	<u>87,002,479</u>	<u>54,290,541</u>	<u>47,475,033</u>

Note	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited	Rupees Unaudited

10

## 17.2 Stores and spares consumed

Opening stock	1,222,888	1,461,627	1,758,555	1,456,660
Purchases	4,681,825	4,832,208	1,854,078	2,977,076
	<u>5,904,713</u>	<u>6,293,835</u>	<u>3,612,633</u>	<u>4,433,736</u>
Closing stock	(958,171)	(1,587,524)	(958,171)	(1,587,524)
	<u>4,946,542</u>	<u>4,706,311</u>	<u>2,654,462</u>	<u>2,846,212</u>

## 18 ADMINISTRATIVE EXPENSES

This includes an amount of Rs. 0.0736 million (December 31, 2015: 0.556 million) paid to Pakistan Stock Exchange Limited against annual listing fee. This also includes rent amounting to Rs. 0.150 million (December 31, 2015: Rs. 0.120 million) charged by related party.

## 19 (LOSS) / EARNINGS PER SHARE- BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited
(Loss) / profit after taxation (Rupees)	(2,278,785)	(2,791,792)	986,083	(174,080)
Weighted average number of ordinary shares at the end of the period (Number of shares)	1,300,000	1,300,000	1,300,000	1,300,000
(Loss) / earnings per shares (Rupees)	(1.75)	(2.15)	0.76	(0.13)

## 20 TRANSACTIONS WITH RELATED PARTIES

20.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties during the period are as follows:

Relation with the Company Nature of Transaction	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees
Directors				
Loan received during the period	750,000	4,350,000	-	1,850,000
Loan paid during the period	-	(1,175,000)	-	(425,000)
	<u>Half year ended December 31,</u>	<u>Quarter ended December 31,</u>	<u>Half year ended December 31,</u>	<u>Quarter ended December 31,</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>

Associated company				
International Beverages (Private) Limited				
Loan paid during the period	-	(2,500,000)	-	-
Taj Mills Limited				
Rent charged	150,000	120,000	75,000	60,000
Directors' remunerations	139,200	139,200	69,600	69,600

20.2 The transactions with key management personnel includes remuneration and other benefits under the terms of their employment which are as follows:

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees
Short term employee benefits	753,200	682,145	376,600	348,098
Provision towards retirement benefits	26,000	69,750	-	-
	<u>779,200</u>	<u>751,895</u>	<u>376,600</u>	<u>348,098</u>

## 21 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the financial statements for the year ended June 30, 2016.

## 22 FAIR VALUE MEASUREMENT

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

11

The management assessed that the carrying value of cash and short term deposits, trade debts, other receivables trade and other payables and other current liabilities approximate their fair values largely due to the short term maturities of these instruments. Fair value is determined on the basis of objective evidence at each reporting date.

#### Transfers during the period

During the six month period to December 31, 2016, there were no transfers into or out of Level 3 fair value measurements.

As at December 31, 2016 and June 30, 2016 the Company did not hold any financial instruments carried at fair value except free hold land, buildings and plant and machinery.

The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2014 by independent valuer M/s Asrem (Private) Limited on the basis of market values of similar properties. The fair value of free hold land, buildings and plant and machinery is a level 3 recurring fair value measurement.

Fair value of land and building are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery are considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

#### Valuation techniques used to derive level 2 fair values - Land and Building

Fair value of land and building has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

#### Valuation techniques used to derive level 3 fair values - Plant and Machinery

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Make, model, country of origin and etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

The valuation is considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation is the current replacement cost which is adjusted for factors above.

A reconciliation from opening balances to closing balances of fair value measurements categorised in level 3 is provided below:

	December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
Opening balance (level 3 recurring fair values)	24,841,267	26,615,079
Additions - Cost	-	923,050
Depreciation charge	(1,242,063)	(2,696,862)
Closing balance (level 3 recurring fair values)	<u>23,599,204</u>	<u>24,841,267</u>

There were no transfers between levels 2 and 3 for recurring fair value measurements during the year.

Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
Freehold land	302,395	302,395
Buildings on freehold land	<u>1,190,512</u>	<u>1,221,038</u>
Plant and machinery	<u>6,261,066</u>	<u>6,590,596</u>

#### 23 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

Description	Explanation	December 31, 2016 Rupees Unaudited	June 30, 2016 Rupees Audited
Bank balances as at December 31, 2016	Placed under interest arrangement	-	-
	Placed under Shariah permissible arrangements	336,641	2,228,565
Income on bank deposits	Placed under interest arrangement	-	-
	Placed under Shariah permissible arrangements	359	502
All sources of other income	Other income	-	87,637
Relationship with banks having Islamic windows	Meezan Bank Limited	-	-

There is no other bank balance / investments which carry any interest or mark-up arrangements.

#### 24 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and for better presentation. However, no significant reclassification has been made during the period.

#### 25 DATE OF AUTHORIZATION

This condensed interim financial information was authorised for issue on 24-02-2017 by the Board of Directors of the Company.

#### 26 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR