



Chenab
LIMITED

2014

Financial Statement
For The Half Year Ended
December 31, (Unaudited)



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Company Information

Chief Executive

Mian Muhammad Latif

Mian Muhammad Javaid Iqbal
Mr. Muhammad Naeem
Mr. Muhammad Faisal Latif
Mr. Muhammad Farhan Latif
Mr. Muhammad Zeeshan Latif
Mst. Shahnaz Latif

Major Bankers

Allied Bank Limited.
AlBaraka Bank (Pakistan) Limited.
Citibank, N.A
First Credit & Investment Bank Limited.
Habib Bank Limited.
Habib Metropolitan Bank Limited.
KASB Bank Limited.
National Bank of Pakistan.
NIB Bank Limited.
Standard Chartered Bank (Pakistan) Limited.
Summit Bank Limited.
The Bank of Punjab.
United Bank Limited.

Company Secretary/
Chief Financial Officer

Mr. Muhammad Arshad

Audit Committee

Mr. Muhammad Farhan Latif – Chairman
Mr. Muhammad Zeeshan Latif
Mst. Shahnaz Latif

Auditors

Avais Hyder Liaquat Nauman
Chartered Accountant

Legal Advisor

Ch. Shahid Mehmood (Advocate)

Shares Registrar

Consulting One (Pvt.) Limited.
478-D, Peoples Colony No.1, Faisalabad.
Tel: 041-8541965

Registered Office

Nishatabad, Faisalabad.
Tel: +92 41 8754472-8
Fax: +92 41 8752700, 8752400
chenab@chenabgroup.com

Website Address

-Spinning Unit
-Weaving Unit
-Weaving Unit
-Processing & Stitching Units

www.chenabgroup.com
– Toba Tek Singh
– Kharianwala, Distt. Sheikhpura.
– Shahkot, Distt. Nankana Sahib
– Nishatabad, Faisalabad.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors' take the opportunity in placing before you the un-audited/ reviewed financial statements together with notes for the half year ended December 31 2014.

SALES AND SERVICES REVENUE

Sales revenue of Rs.869.646 million and revenue from services of Rs.177.915 million aggregating to Rs.1047.561 million was earned during the period under report as compared to the sales and services revenue of Rs.1059.875 million achieved during the same period of the preceding year.

FINANCIAL RESULTS

During the period under report, the company has sustained financial loss of Rs.226.782 million as compared with financial loss of Rs.214.138 million in the preceding period as hang over of the continuing energy crisis.

FUTURE PROSPECTUS

In the recently announced Textile Policy 2014-19, there is target to double the textile exports of the country from US\$ 13 billion to US\$ 26 billion in next five years and for this purpose a fund of Rs.64.15 billion has also been allocated. The said policy strongly aimed to support the underperforming companies, chiefly engage in value addition like us, in order to achieve this export target. The Textile Ministry has also promised to take measures to give priority to the textile industry for availability of energy to fully utilize the GSP Plus status. Moreover, stable cotton prices, reduction in interest rates, significant drop in oil prices and the increase in demand of Pakistani textile products in the international market, especially in EU countries all these factors have created a conducive business environment for the local textile industry. The company has a great opportunity to reap the benefit of this favorable situation subject to the financial support by the financial institutions to the company by way of providing additional working capital and restructuring of existing loans on flexible terms & conditions.

AUDITORS' OBSERVATIONS

ON GOING CONCERN ASSESSMENT

- (i) Since the company on account of financial losses has not been able to comply with terms of certain loan arrangements with banks and financial institutions who have filed cases for recovery and winding up proceedings against the company which the management of the company is defending apart from approaching them for amicable decision. The litigation has also adversely affected the process of negotiations with banks for extension and re-scheduling of credit facilities. Management's efforts for making re-scheduling arrangements with lenders are not so far fully materialized; however, the management has been able to reach at agreement with two major lenders to restructure the loan. Short term facilities were converted to long term loans and fresh short term credit facilities were obtained. The company has reached a settlement with another lender and fresh facility of export finance was obtained. The management is hopeful that arrangements with other lenders will also materialize in due course.
- (ii) The Company is facing financial and operational problems. As part of its long term plan to overcome these problems, the management has filed applications to its bankers/financial institutions to reschedule the existing long term finances and short term borrowings alongwith outstanding mark up thereon (except demand finance VII, own source finances and murabaha finances) and to convert the entire outstanding liabilities into non serviceable loans/loans subject to reduced rate of mark up for a reasonable period of time. The Company is hopeful that its bankers/ financial institutions will consider the proposals favorably, therefore no further provision of markup in respect of these long term financing and short term borrowings has been made as the mark up expenses amount depends on the outcome of the applications. Nevertheless, markup provision is being made against the fresh granted and rescheduled loans of the two banks.
- (iii) The matter of issue of ordinary shares in the event of first default for redemption of preference shares is pending before SECP for want of a verdict from competent court involved in it and one of the investors is pursuing the matter. The matter for second default shall be taken in hand subsequently upon resolution of the matter pertaining to first default.

- (iv) The management is following up the recovery of past due trade debts and is confident of their full recovery.
- (v) Revaluation of freehold land, building on freehold land, plant and machinery, electric installations and generators is due as per requirements of IAS-16 from December 31, 2014 which is under process.
- (vi) On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. In view of prolonged energy crisis and delay in anticipated improvement in gas supply through purchase/import of LNG, the management decided to make necessary adjustments in machinery to use coal based boilers and oil heaters as an alternate source of energy to increase capacity utilization. The planning to enhance alternate energy source could not produce desired results due to operational difficulties and non-availability of working capital facilities. Due to continued load management by the utility suppliers, the desired results could not be achieved and the core issue of higher operating cost due to lower production could not be resolved. The management is in regular contact with foreign customers and making small export shipments. The quantum of export could not be increased despite export orders due to shortage of working capital and delay in settlements with bankers. The management is negotiating with banks for working capital facilities and successful settlements of overdue loans and hopeful of favorable results.

In view of the above, the management is confident that the Company will be able to continue as a going concern.

ACKNOWLEDGEMENT

The directors are thankful to the shareholders, financial institutions and customers of the company who have always extended their support in one way or the other to its cause. They also place on record their appreciation of the dedicated services rendered by its employees during this period.

For and on behalf of
Board of Directors



(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

Date: 26-02-2015
Place: Faisalabad

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Chenab Limited (the company) as at December 31, 2014, 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 the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this 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 quarter ended December 31, 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2014.

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

Basis for Adverse Conclusion

As described in Note 1.3, the interim financial information has been prepared on going concern basis. The company incurred loss for the period amounting to Rs. 226.78 million (2013 : Rs. 214.14 million). As at December 31, 2014 its accumulated loss is Rs. 7,547.51 million (June 30, 2014: Rs. 7,334.69 million), shareholders' equity is negative by Rs. 4,994.67 million (June 30, 2014: Rs. 4,781.85 million) and the company's current liabilities exceed its current assets by Rs. 7,878.86 million (June 30, 2014: Rs. 7,641.91 million). The company is facing operational and financial problems. There is doubt as to feasibility and ultimate outcome of management's plans to improve the current situation of the company. In our view, the going concern assumption used in the preparation of this interim financial information is inappropriate, therefore, the company may not be able to realize its assets and discharge its liabilities in the normal course of business.

The company is not providing for mark up since July 2011 in respect of certain long term financing and short term borrowings in view of its requests to the respective lenders to convert all outstanding liabilities into non serviceable loans / loans subject to reduced rate of mark up (Refer Note 4 and 10.1). Had the mark up been provided, loss for the period would have been increased by Rs. 56.69 million (2013: Rs. 102.51 million) and negative equity and interest / mark up payable as at December 31, 2014 would have been increased by Rs. 1,637.62 million (June 30, 2014: Rs. 1,580.93 million).


Freehold land, building on freehold land, plant and machinery, electric installations and generators are carried at valuation. Last revaluation was carried out on December 31, 2009. Further revaluation as per requirements of IAS-16 "Property, Plant and Equipment" is due. The impact on carrying value of property, plant and equipment, surplus on revaluation and results for the period could not be quantified due to non availability of fresh valuation report.

Trade debts of Rs. 1,891.33 million (June 30, 2014: Rs. 1,928.78 million) are past due (Refer Note 6.1). In our opinion, these past due trade debts are impaired but no provision in respect of doubtful debts has been made in the interim financial information. We are unable to determine the amount of provision required with reasonable accuracy and, therefore, its impact on results for the period and equity could not be quantified.

Adverse Conclusion

Our review indicates that, because this interim financial information is prepared using the going concern assumption which is inappropriate, no provision in respect of doubtful trade debts and mark up on certain long term financing and short term borrowings has been made and revaluation of certain property, plant and equipment is due as described in detail in the preceding paragraphs, this interim financial information does not present fairly, in all material respects, the financial position of the company as at December 31, 2014, and of its financial performance, cash flows and changes in equity for the half year then ended in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

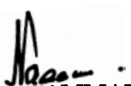
Dated: 26-02-2014
Place: Faisalabad

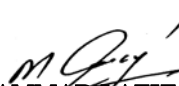

Avais Hyder Liaquat Nauman
Chartered Accountants
Engagement partner: Hamid Masood

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2014**

	Note	(Un-audited) December 31, 2014 Rupees	(Audited) June 30, 2014 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
120,000,000 ordinary shares of Rs.10/- each		1,200,000,000	1,200,000,000
80,000,000 cumulative preference shares of Rs.10/- each		800,000,000	800,000,000
Issued, subscribed and paid up capital		1,150,000,000	1,150,000,000
Cumulative preference shares		800,000,000	800,000,000
Capital reserves		526,409,752	526,409,752
Revenue reserves		(7,471,074,813)	(7,258,262,136)
		(4,994,665,061)	(4,781,852,384)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		5,050,002,344	5,000,307,165
NON-CURRENT LIABILITIES			
Long term financing		2,202,143,273	2,354,392,019
Liabilities against assets subject to finance lease		21,396,234	23,796,233
Deferred liabilities		797,220,838	820,137,783
		3,020,760,345	3,198,326,035
CURRENT LIABILITIES			
Trade and other payables		1,635,190,338	1,617,948,321
Interest / markup payable		1,276,399,857	1,274,156,966
Short term borrowings	3	5,774,221,311	5,681,149,135
Current portion of :			
Long term financing		2,589,413,923	2,478,462,446
Liabilities against assets subject to finance lease		11,829,170	10,357,526
Provision for taxation - income tax		5,474,765	8,185,918
		11,292,529,364	11,070,260,312
CONTINGENCIES	4	-	-
		14,368,626,992	14,487,041,128
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	5	10,942,318,477	11,046,052,265
Long term deposits		12,636,768	12,636,768
		10,954,955,245	11,058,689,033
CURRENT ASSETS			
Stores, spares and loose tools		443,139,181	470,895,120
Stock in trade		647,621,104	615,928,703
Trade debts	6	2,148,225,118	2,137,721,119
Loans and advances		57,881,539	69,259,931
Deposits and prepayments		13,808,714	12,659,170
Other receivables		36,106,384	34,781,389
Tax refunds due from Government		41,197,527	49,006,097
Cash and bank balances		25,692,180	38,100,566
		3,413,671,747	3,428,352,095
		14,368,626,992	14,487,041,128

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


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXEC)

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Note	Quarter ended December 31,		Half year ended December 31,	
		2014	2013	2014	2013
		Rupees	Rupees	Rupees	Rupees
Sales	7	519,761,983	505,190,077	1,047,561,821	1,059,875,405
Cost of sales	8	559,953,676	652,373,536	1,143,759,625	1,259,967,704
Gross (loss)		(40,191,693)	(147,183,459)	(96,197,804)	(200,092,299)
Other income	9	8,891,959	105,786,047	11,712,015	107,084,625
		(31,299,734)	(41,397,412)	(84,485,789)	(93,007,674)
Selling and distribution expenses		10,380,530	2,368,832	15,876,648	7,682,805
Administrative expenses		32,807,815	33,960,802	62,102,650	61,970,046
Finance cost	10	26,969,286	12,929,237	54,278,317	48,367,132
		70,157,631	49,258,871	132,257,615	118,019,983
(Loss) for the period before taxation		(101,457,365)	(90,656,283)	(216,743,404)	(211,027,657)
Provision for taxation	11	7,728,896	1,685,969	10,038,984	3,111,179
(Loss) for the period		(109,186,261)	(92,342,252)	(226,782,388)	(214,138,836)
(Loss) per share - Basic and diluted		(0.95)	(0.80)	(1.97)	(1.86)

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


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXEC)

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Quarter ended December 31,		Half year ended December 31,	
	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees
(Loss) for the period	(109,186,261)	(92,342,252)	(226,782,388)	(214,138,836)
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss:				
Incremental depreciation on revalued assets for the period	11,057,400	9,534,716	13,969,711	14,615,249
Total comprehensive (loss) for the period	(98,128,861)	(82,807,536)	(212,812,677)	(199,523,587)


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXEC)

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Half year ended December 31,	
	2014	2013
	Rupees	Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) for the period before taxation	(216,743,404)	(211,027,657)
Adjustments for:		
Depreciation of property, plant and equipment	104,411,711	106,761,716
Provision for staff retirement gratuity	12,800,824	10,934,950
Gain on disposal of operating assets	-	(1,457,025)
Balances written back - net	(6,172,412)	(101,819,948)
Finance cost	54,278,317	48,367,132
Operating cash flows before working capital changes	<u>(51,424,964)</u>	<u>(148,240,832)</u>
Changes in working capital		
Decrease / (increase) in current assets		
Stores, spares and loose tools	27,755,939	65,816,379
Stock in trade	(31,692,401)	26,114,430
Trade debts	(10,503,999)	(10,473,517)
Loans and advances	8,724,753	(3,840,244)
Deposits and prepayments	(1,149,544)	(1,047,212)
Other receivables	(1,324,995)	101,470,948
Tax refunds due from Government	6,342,263	15,384,597
	<u>(1,847,984)</u>	<u>193,425,381</u>
Increase / (decrease) in current liabilities		
Trade and other payables	23,414,429	(59,783,567)
	<u>21,566,445</u>	<u>133,641,814</u>
Cash (used in) operating activities	(29,858,519)	(14,599,018)
Income tax paid	(8,630,191)	(4,195,329)
Finance cost paid	(21,265,459)	(7,485,225)
Staff retirement gratuity paid	(2,822,846)	(3,026,721)
Net cash (used in) operating activities	<u>(62,577,015)</u>	<u>(29,306,293)</u>
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(677,923)	(1,294,198)
Proceeds from disposal of operating assets	-	1,645,000
Net cash (used in) / generated from investing activities	<u>(677,923)</u>	<u>350,802</u>
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan obtained	5,700,000	-
Repayment of:		
Long term loans	(46,997,269)	(19,820,000)
Liabilities against assets subject to finance lease	(928,355)	(310,000)
Increase in short term bank borrowings - net	93,072,176	55,757,919
Net cash generated from financing activities	<u>50,846,552</u>	<u>35,627,919</u>
Net (decrease) / increase in cash and cash equivalents (a+b+c)	(12,408,386)	6,672,428
Cash and cash equivalents at the beginning of the period	38,100,566	16,723,312
Cash and cash equivalents at the end of the period	<u><u>25,692,180</u></u>	<u><u>23,395,740</u></u>

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


MUHAMMAD NAEEM
 (DIRECTOR)


MIAN MUHAMMAD LATIF
 (CHIEF EXEC)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

	Capital reserves					Revenue reserves			Total	
	Issued, subscribed and paid up capital	Cumulative preference shares	Premium on issue of ordinary shares	Book difference of capital under scheme of arrangement for amalgamation	Preference shares redemption reserve	Sub total	General reserve	Accumulated loss		Sub total
	R u p e e s									
Balance as at July 01, 2013	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(6,960,392,729)	(6,883,959,895)	(4,407,550,143)
Total comprehensive (loss) for the period										
(Loss) for the period	-	-	-	-	-	-	-	(214,138,836)	(214,138,836)	(214,138,836)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the period	-	-	-	-	-	-	-	14,615,249	14,615,249	14,615,249
	-	-	-	-	-	-	-	(199,523,587)	(199,523,587)	(199,523,587)
Balance as at December 31, 2013	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,159,916,316)	(7,083,483,482)	(4,607,073,730)
Total comprehensive (loss) for the period										
(Loss) for the period	-	-	-	-	-	-	-	(185,149,694)	(185,149,694)	(185,149,694)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the period	-	-	-	-	-	-	-	14,615,249	14,615,249	14,615,249
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	(4,244,209)	(4,244,209)	(4,244,209)
	-	-	-	-	-	-	-	(174,778,654)	(174,778,654)	(174,778,654)
Balance as at June 30, 2014	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,334,694,970)	(7,258,262,136)	(4,781,852,384)
Total comprehensive (loss) for the period										
(Loss) for the period	-	-	-	-	-	-	-	(226,782,388)	(226,782,388)	(226,782,388)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss :										
Incremental depreciation on revalued assets for the period	-	-	-	-	-	-	-	13,969,711	13,969,711	13,969,711
	-	-	-	-	-	-	-	(212,812,677)	(212,812,677)	(212,812,677)
Balance as at December 31, 2014	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,547,507,647)	(7,471,074,813)	(4,994,665,061)

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


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXEC)

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2014

1. STATUS AND ACTIVITIES

- 1.1 Chenab Limited (the Company) is incorporated as a public limited company under the Companies Ordinance, 1984 (the Ordinance) and is listed on Karachi Stock Exchange. The principal business of the Company is export of all kinds of value added fabrics, textile made-ups, casual and fashion garments duly processed. The registered office of the Company is situated at Nishatabad, Faisalabad in the province of Punjab. The cloth processing unit is located at Nishatabad, District Faisalabad and stitching units are located at Nishatabad, District Faisalabad. Weaving units are located at Sheikhpura Road, Kharriwala, District Sheikhpura and Shahkot, District Nankana Sahib. Spinning unit is located at Shorkot Road, District Toba Tek Singh, in the province of Punjab.
- 1.2 Pursuant to schemes of arrangement approved by the Honourable Lahore High Court, Lahore, assets, liabilities and reserves of Faisal Weaving (Private) Limited, Latif Weaving (Private) Limited and Chenab Finishing (Private) Limited were merged with the Company with effect from December 31, 1998 and assets, liabilities and reserves of Chenab Fibres Limited were merged with the Company with effect from April 01, 2003.
- 1.3 The Company has incurred loss of Rs. 226.78 million (2013 : Rs. 214.14 million). As at December 31, 2014 the accumulated loss of the Company is Rs. 7,547.51 million (June 30, 2014: Rs. 7,334.69 million), shareholders' equity is negative by Rs. 4,994.67 million (June 30, 2014: Rs. 4,781.85 million) and the current liabilities of the company exceed its current assets by Rs. 7,878.86 million (June 30, 2014: Rs. 7,641.91 million). The Company has not redeemed preference shares on exercise of put options for two consecutive years by holders of preference shares due to tight cash flow situation. The Company has not been able to comply with terms of certain loan agreements. Certain banks and financial institutions have filed cases for recovery and winding up of the Company which the management is defending. The litigation has also adversely affected the process of negotiations with banks for extension and re-scheduling of credit facilities.

Management's efforts for making re-scheduling arrangements with lenders are not so far fully materialised, however the management has been able to reach at agreement with two major lenders to restructure the loan. Short term facilities were converted to long term loans and fresh short term credit facilities were obtained. The Company has reached a settlement with another lender and fresh facility of export finance was obtained. The management is hopeful that arrangements with other lenders will also materialise in due course. The management is vigorously pursuing the recovery of old outstanding debts and also exploring the possibility of disposal of certain non core fixed assets to meet the working capital requirements.

On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. In view of prolonged energy crisis and delay in anticipated improvement in gas supply through purchase of LNG, the management decided to make necessary adjustments in machinery to use coal based boilers and oil heaters as an alternate source of energy to increase capacity utilization. The planning to enhance alternate energy source could not produce desired results due to operational difficulties and non-availability of working capital facilities. Due to continued load management by the utility suppliers, the desired results could not be achieved and the core issue of higher operating cost due to lower production could not be resolved. The management is in regular contact with foreign customers and making small export shipments. The quantum of export could not be increased despite export orders due to shortage of working capital and delay in settlements with bankers. The management is negotiating with banks for working capital facilities and successful settlements of overdue loans and hopeful of favourable results. The management is confident that the Company will be able to continue as a going concern.

- 1.4 This condensed interim financial information is presented in Pak Rupee, which is the Company's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

- 2.1.1 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 Companies Ordinance, 1984. In case the requirements of IAS 34 differ with the requirements of the Companies Ordinance, 1984, the provisions of or the directives issued under the Companies Ordinance, 1984 have been followed.
- 2.1.2 This condensed interim financial information is un-audited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

2.1.3 This condensed interim financial information does not include all the information required for a complete set of financial statements, and should be read in conjunction with the published audited financial statements of the Company for the year ended June 30, 2014.

2.2 Application of new and revised International Financial Reporting Standards

2.2.1 Standards, amendments to standards and interpretations becoming effective in current period

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods of the Company beginning on or after July 01, 2014 but are considered not to be relevant or not to have any significant effect on the Company's operations. The new standards, amendments and IFRIC interpretations that are relevant to the operations of the Company are disclosed in the published audited financial statements for the year ended June 30, 2014.

2.2.2 Standards, amendments to standards and interpretations becoming effective in future periods

There are other new standards, amendments and IFRIC interpretations that are mandatory for accounting periods of the Company beginning on or after July 01, 2015 but are considered not to be relevant or not to have any significant effect on the Company's operations. The new standards, amendments and IFRIC interpretations that are relevant to the operations of the Company are disclosed in the published audited financial statements for the year ended June 30, 2014.

2.3 Basis of preparation

This condensed interim financial information has been prepared under the "historical cost convention" except staff retirement gratuity carried at present value and certain property, plant and equipment carried at valuation.

2.4 Accounting policies and methods of computation

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the published audited financial statements for the year ended June 30, 2014.

2.5 Estimates, judgments and risk management policies

2.5.1 The preparation of financial information in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in this condensed interim financial information are the same as those disclosed in the published audited financial statements for the year ended June 30, 2014.

2.5.2 Risk management policies and procedures are consistent with those disclosed in the published audited financial statements for the year ended June 30, 2014.

Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
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3. Short term borrowings

Secured

Under mark up arrangements

From banking companies

Export finances

5,013,066,249

4,936,910,225

Finance against trust receipts

18,304,000

18,304,000

Running finance

547,977,473

547,977,473

Murabaha finances

194,873,589

177,957,437

5,774,221,311

5,681,149,135

3.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 110.13 million (June 30, 2014: Rs. 128.20 million). Total sanctioned limits are Rs. 6.31 billion (June 30, 2014: Rs. 6.23 billion) out of which Rs. 5.58 billion (June 30, 2014: Rs. 5.58 billion) are expired and renewable.

4. CONTINGENCIES

There is no significant change in contingencies since the date of published audited financial statements for the year ended June 30, 2014 except the following:

	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
Liability of markup not acknowledged in view of Company's request for availing non serviceable grace period on the outstanding liabilities. Mark up has been calculated at the last agreed mark up rates.	1,637,617,972	1,580,926,041

5. Property, plant and equipment

Operating assets	<u>10,942,318,477</u>	<u>11,046,052,265</u>
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5.1 Acquisitions / capitalization and disposals of operating assets during the period

	Half year ended Acquisitions / capitalization Rupees	December 31, 2014 Disposals Rupees	Half year ended Acquisitions / capitalization Rupees	December 31, 2013 Disposals Rupees
Company owned - at cost				
Plant and machinery	14,000	-	1,231,698	-
Electric installations	5,700	-	-	-
Office equipment	658,223	-	62,500	-
Vehicles	-	-	-	187,975
	<u>677,923</u>	<u>-</u>	<u>1,294,198</u>	<u>187,975</u>

6. Trade debts

	Un-audited December 31, 2014 Rupees	Audited June 30, 2014 Rupees
Considered good		
Secured		
Foreign	50,159,393	30,498,205
Unsecured		
Foreign	1,876,066,983	1,910,815,664
Local	221,998,742	196,407,250
	<u>2,098,065,725</u>	<u>2,107,222,914</u>
	<u>2,148,225,118</u>	<u>2,137,721,119</u>

6.1 The aging of trade debts is as under:

Not past due	256,899,544	208,937,398
Past due within one year	1,817,417	22,956,979
Past due over one year	1,889,508,157	1,905,826,742
	<u>1,891,325,574</u>	<u>1,928,783,721</u>
	<u>2,148,225,118</u>	<u>2,137,721,119</u>

The management is taking measures for the recovery of past due trade debts and is in the process of negotiations and settlement with the customers. Considering these factors and the fact that legal recourse for recovery of past due debts is available to the Company, the Company believes that past due trade debts do not require recognition of any impairment.

	Quarter ended December 31,		Half year ended December 31,	
	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees
7. Sales				
Export				
Fabrics / made ups / garments	126,077,493	51,455,162	308,553,087	173,330,500
Add: Export rebate / duty drawback	1,024,061	1,020,972	2,298,559	1,375,226
	<u>127,101,554</u>	<u>52,476,134</u>	<u>310,851,646</u>	<u>174,705,726</u>
Less:				
Commission	595,341	823,347	1,308,706	2,901,078
Discount	1,007,099	-	1,215,822	558,878
	<u>1,602,440</u>	<u>823,347</u>	<u>2,524,528</u>	<u>3,459,956</u>
	<u>125,499,114</u>	<u>51,652,787</u>	<u>308,327,118</u>	<u>171,245,770</u>
Local				
Yarn	230,115,495	311,838,661	451,061,597	621,603,254
Fabrics / made ups	76,293,259	45,736,720	110,258,001	93,321,455
Processing, conversion and stitching charges	87,854,115	95,961,909	177,915,105	173,704,926
	<u>519,761,983</u>	<u>505,190,077</u>	<u>1,047,561,821</u>	<u>1,059,875,405</u>

8. Cost of sales

Cost of goods manufactured (Note 8.1)	561,815,240	715,968,754	1,145,061,770	1,254,987,960
Finished goods				
Opening stock	420,728,204	384,706,694	421,287,623	453,281,656
Closing stock	(422,589,768)	(448,301,912)	(422,589,768)	(448,301,912)
	<u>(1,861,564)</u>	<u>(63,595,218)</u>	<u>(1,302,145)</u>	<u>4,979,744</u>
	<u>559,953,676</u>	<u>652,373,536</u>	<u>1,143,759,625</u>	<u>1,259,967,704</u>

8.1 Cost of goods manufactured

Raw material consumed (Note 8.1.1)	305,321,768	427,901,726	573,858,627	665,450,452
Salaries, wages and benefits	63,661,170	54,636,143	123,658,373	116,110,893
Staff retirement benefits	5,576,920	3,380,400	9,820,762	7,655,610
Stores and spares	34,009,463	47,731,091	72,274,569	90,772,257
Dyes and chemicals	21,542,746	16,657,156	40,591,370	33,333,950
Packing material	9,372,864	15,241,877	32,114,533	28,662,997
Repairs and maintenance	4,262,825	1,414,873	7,287,960	4,791,884
Fuel and power	80,024,928	97,797,539	141,802,137	169,135,977
Insurance	627,741	286,413	1,155,772	1,048,846
Depreciation	51,674,823	52,136,121	101,810,885	103,891,843
Other	34,144,672	9,409,121	55,123,144	21,292,163
	<u>610,219,920</u>	<u>726,592,460</u>	<u>1,159,498,132</u>	<u>1,242,146,872</u>
Work in process				
Opening stock	103,590,576	94,859,185	137,558,894	118,323,979
Closing stock	(151,995,256)	(105,482,891)	(151,995,256)	(105,482,891)
	<u>(48,404,680)</u>	<u>(10,623,706)</u>	<u>(14,436,362)</u>	<u>12,841,088</u>
	<u>561,815,240</u>	<u>715,968,754</u>	<u>1,145,061,770</u>	<u>1,254,987,960</u>

8.1.1 Raw material consumed

Opening stock	54,399,520	47,429,592	57,082,186	54,600,246
Purchases including purchase expenses	323,958,328	426,778,782	589,812,521	657,156,854
	<u>378,357,848</u>	<u>474,208,374</u>	<u>646,894,707</u>	<u>711,757,100</u>
Closing stock	(73,036,080)	(46,306,648)	(73,036,080)	(46,306,648)
	<u>305,321,768</u>	<u>427,901,726</u>	<u>573,858,627</u>	<u>665,450,452</u>

	Quarter ended December 31,		Half year ended December 31,	
	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees

9. Other income

Income from assets other than financial assets:

Sale of waste material	371,922	599,385	1,031,978	831,402
Rental income	2,347,625	1,909,689	4,507,625	2,976,250
Gain on disposal of operating assets	-	1,457,025	-	1,457,025
Balances written back - net	6,172,412	101,819,948	6,172,412	101,819,948
	<u>8,891,959</u>	<u>105,786,047</u>	<u>11,712,015</u>	<u>107,084,625</u>

10. Finance cost

Interest / mark up on:

Long term financing	12,091,957	6,921,901	29,444,611	36,251,730
Liabilities against assets subject to finance lease	943,760	975,250	1,683,666	1,784,812
Short term borrowings	12,525,187	4,390,252	20,302,463	7,869,158
Bank charges and commission	1,408,382	641,834	2,847,577	2,461,432
	<u>26,969,286</u>	<u>12,929,237</u>	<u>54,278,317</u>	<u>48,367,132</u>

10.1 The Company is facing financial and operational problems. As part of its long term plan to overcome these problems, the management has filed applications to its bankers / financial institutions to reschedule the existing long term finances and short term borrowings along with outstanding mark up thereon (except demand finance VII, own source finances and murabaha finances) and to convert the entire outstanding liabilities into non serviceable loans / loans subject to reduced rate of mark up for a reasonable period of time. The Company is hopeful that its bankers / financial institutions will consider the proposals favorably, therefore no further provision of markup in respect of these long term financing and short term borrowings has been made as the mark up expense amount depends on the outcome of the applications.

	Quarter ended December 31,		Half year ended December 31,	
	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees

11. Provision for taxation

Current

For the period	3,164,677	1,685,969	5,474,765	3,030,228
For the prior periods	4,564,219	80,951	4,564,219	80,951
	<u>7,728,896</u>	<u>1,766,920</u>	<u>10,038,984</u>	<u>3,111,179</u>

11.1 The provision for taxation made in this condensed interim financial information is subject to adjustment in annual financial statements.

12. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of an associated undertaking, directors and key management personnel. The Company has not carried out any significant transaction with related parties during the year except payment of remuneration to Chief Executive Officer, Directors and Executives amounting to Rs. 5,613,758/- (2013 : Rs. 6,342,003).

13. Overdue loans

On the balance sheet date, the installments of long term financing amounting to Rs. 2,196 million (June 30, 2014: Rs. 1,987.27 million) alongwith mark up of Rs. 543.21 million (June 30, 2014: Rs. 543.21 million), lease finances amounting to Rs. 7.51 million (June 30, 2014: Rs. 7 million) alongwith mark up of Rs. 1.65 million (June 30, 2014: Rs. 1.55 million) and short term borrowings amounting to Rs. 5,345.22 million (June 30, 2014: Rs. 5,444.50 million) alongwith mark up of Rs. 731.48 million (June 30, 2014: Rs. 729.40 million) were over due.

On the balance sheet date, the carrying amount of loans relevant to above overdues were long term financing Rs. 4,252.00 million (June 30, 2014: Rs. 3,941.77 million), lease finances Rs. 33.22 million (June 30, 2014: Rs. 34.15 million) and short term borrowings Rs.5,345.22 million (June 30, 2014: Rs. 5,444.50 million).

The Company's requests for restructuring of the overdue loans and related markup and conversion into non serviceable loans / loans subject to reduced rate of mark up for a reasonable period of time are under negotiation with the lenders (Refer Note 10.1).


14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on **February 26, 2014** by the Board of Directors of the Company.

15. GENERAL

15.1 There is no unusual item included in this condensed interim financial information which is affecting equity, liabilities, assets, loss, comprehensive loss or cash flows of the Company.

15.2 Figures have been rounded off to the nearest Rupee.


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXEC)



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