

Financial Statements

*For the half year ended Dec, 31
(Unaudited) 2016*

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Company Information

Chief Executive	Mian Muhammad Latif
Directors	Mian Muhammad Javaid Iqbal Mr. Muhammad Naeem Mr. Muhammad Faisal Latif Mr. Muhammad Farhan Latif Mr. Muhammad Zeeshan Latif Mr. Tariq Ayub Khan
Bankers/Financial Institutions	Allied Bank Limited. Askari Bank Limited AlBaraka Bank (Pakistan) Limited. Citibank, N.A Faysal Bank Limited First Credit & Investment Bank Limited. Habib Bank Limited. Habib Metropolitan Bank Limited. The Bank of Islami Pakistan Limited. National Bank of Pakistan. NIB Bank Limited. Orix Leasing (Pakistan) Limited. Pak Oman Investment Company Ltd. Pak Kuwait Investment Company (Pvt.) Ltd. Pak Libya Holding Company (Pvt.) Ltd. Saudi Pak Industrial & Agricultural Investment Company (Pvt.) Ltd. SILK 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. Tariq Ayub Khan - Chairman Mr. Muhammad Farhan Latif Mr. Muhammad Zeeshan Latif
Auditors	Avais Hyder Liaquat Nauman
Legal Advisor	Ch. Shahid Mehmood (Advocate)
Shares Registrar	F.D Registrar Services (SMC_Pvt.) Limited. Office# 1705 17th Floor Saima Trade Tower-A I.I Chundrigar Road Karachi. Tel: 021-32271905-6 / 021-35478192-3
Registered Office	Nishatabad, Faisalabad. Tel: +92 41 8754472-8 Fex: +92 41 8752700, 8752400
E-mail Address	chenab@chenabgroup.com
Website Address	www.chenabgroup.com
Works	-Spinning Unit – Toba Tek Singh -Weaving Unit – Kharianwala, Distt. Sheikhpura -Weaving Unit – Shahkot, Distt. Nankana Sahib -Processing & Stitching Units – Nishatabad, Faisalabad.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors' feel immense pleasure to present before you the un-audited/ reviewed financial statements together with notes for the half year ended December 31, 2016.

SALES AND SERVICES REVENUE

Sales revenue of Rs.781.202 million and revenue from services of Rs.174.774 million aggregating to Rs.955.976 million was earned during the period under report as compared to the sales and services revenue of Rs.974.709 million achieved during the same period of the preceding year.

FINANCIAL RESULTS

In view of favourable business circumstances, the company has earned profit at Rs.7.134 million as compared with financial loss of Rs.259.597 million in the preceding period.

FUTURE PROSPECTUS

Due to regular supply of energy, the management expects to augment further its sales revenue.

The management efforts for making rescheduling arrangements with the banks have been partly materialized as certain lenders have restructured the loans. The management is hopeful that rescheduling arrangements with other lenders will also be materialized shortly.

The management is pursuing vigorously to dispose off certain non core fixed assets to meet the requirement of working capital of the Company.

AUDITORS' OBSERVATIONS

ON GOING CONCERN ASSESSMENT

- (A) Since the company on account of 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 settlement.
- (B) No further provision of mark up in respect of long/short term financial limits under litigation has been provided as the mark up expense amount depends on outcome of the case. Mark up provision is being made against the fresh granted and rescheduled loans.
- (C) The company has not been able to redeem preference shares of the company on exercise of put option for two consecutive years by the holders of preference shares due to perennial financial losses and wished to convert the same into ordinary shares as per conversion formula laid down in the Prospectus and Articles of Association of the Company. In view of the reservations, one of the investors filed application under Section 474 of the Companies Ordinance, 1984 before the Securities and Exchange Commission of Pakistan which was not entertained by the SECP and Appellate Bench being out of domain of Companies Ordinance 1984. The said investor has filed Reference Application before Lahore High Court, Lahore against the Order of Appellate Bench of SECP, Islamabad which is pending decision. Since the subject matter for conversion of preference shares into ordinary shares is subjudice, the management will issue new ordinary shares on the disposal of the said Reference Application. The matter of conversion of ordinary shares against second default shall be taken in hand after the resolution of matter in the court.
- (D) SECP has initiated proceedings for investigations under the Companies Ordinance, 1984. The company has challenged the order and the Honourable Lahore High Court has stayed the proceedings.
- (E) Management's efforts for making re-scheduling arrangements with all lenders are not so far fully materialized; however, the management has been able to reach at agreement with certain lenders to restructure the loans. The facilities diminishing musharika, term finance, murabah finance and demand finance were settled. Certain short term facilities were converted to long term loans. The management is hopeful that arrangements with other lenders will also materialize in due course.

- (F) The management is vigorously pursuing the recovery of old outstanding debts and has also adopted the available legal recourse.
- (G) The management's efforts to dispose of certain non core fixed assets to meet the working capital requirements has not been materialized so far due to non settlement with concerned charge holders.
- (H) On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. Additionally, in order to improve liquidity position of the company, the management is also focusing on arranging advance payments from local as well as export customers. The company could not produce desired results due to operational difficulties mainly due to non-availability of working capital facilities. Due to low production, the desired results could not be achieved and the core issue of higher operating cost due to lower production could not be resolved.
- (I) 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 slow settlements with bankers. The management is also negotiating with banks for working capital facilities.

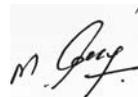
In view of the above, the management is confident that it will successful in its efforts and company will be able to continue as a going concern.

ACKNOWLEDGEMENT

The board of directors places on record its appreciation for the support of the shareholders, government agencies, financial institutions and customers.

The board would also like to express their appreciation for the services and dedicated efforts being continuously rendered by all the employees of the company and hope that they will continue with these efforts in future also.

For and on behalf of
BOARD OF DIRECTORS



(MIAN MUHAMMAD LATIF)
CHIEF EXECUTIVE OFFICER

FAISALABAD
February 27, 2017

سیلز اور خدمات کارپوریٹو

781.202 ملین روپے کا سیلز ریونو اور 174.774 ملین روپے کا خدمات سے ریونو مجموعی طور پر 955.976 ملین روپے کا رپورٹ والے مدت ریونو میں حاصل کیا گیا، بقا بل پچھلے سال اسی مدت میں سیلز اور خدمات کارپوریٹو 974.709 ملین روپے کا حاصل کیا گیا تھا۔

مالی نتائج

موزوں کاروباری حالات کے پیش نظر کمیٹی نے 7.134 ملین کا منافع حاصل کیا جبکہ مقابلتا پچھلے سال اسی مدت میں 259.597 ملین کا نقصان برداشت کرنا پڑا۔

مستقبل کا کفایت نامہ

- ☆ باقاعدگی سے انرجی کی دستیابی ہونے پر انتظامیہ امید کرتی ہے کہ سیلز ریونو مزید بڑھے گا۔
- ☆ انتظامیہ کی کوششوں سے 77 ویں طور پر کچھ بیکس سے لیے گئے قرضوں کی نئے سرے سے ادائیگی کے شیڈول حاصل کر لیے ہیں۔ انتظامیہ امید کرتی ہے کہ باقی ماندہ بیکس سے بھی نئے ادائیگی شیڈولز جلد حاصل کر لیں گے۔
- ☆ انتظامیہ غیر پیید اداری اثاثہ جات کو فروخت کرنے کیلئے بھرپور کوشش کر رہی ہے تاکہ کمیٹی کے لئے سرمایہ کی ضرورت کو پورا کیا جائے۔

ایگزیز کے خدمات اچانکہ ہمارے ناچلنے والی کمیٹی

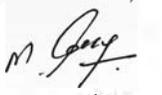
- 1- چونکہ نقصانات کی وجہ سے کمیٹی نے شدہ معاہدات کے پیش نظر کچھ بیکس اور مالیاتی اداروں کو قرضوں کی واپسی نہ کر سکی ہے جسکی وجہ سے کمیٹی کے خلاف قرضوں کی واپسی اور تحویل کرنے کیلئے مقدمات دائر کر دیے گئے ہیں جسکا انتظامیہ دفاع بھی کر رہی ہے اور ان سے مصالحت کے لیے رابطہ بھی کر رہی ہے۔
- 2- متعین کردہ سود کی شرح قبیل از آمد المعیاد قرضوں پر مہیا نہیں کی گئی ہے، جن پر مقدمات کے گئے ہیں، اس لیے کہ مقدمات کے فیصلوں پر سود کی ادائیگی کا تعین ہوگا، نئے سرے سے لیے گئے قرضے اور تجدید شدہ قرضوں پر سود کی پرویشن مہیا کی جا رہی ہے۔
- 3- پرنٹرز شیئرز رکھنے والے جن سرمایہ کاروں نے لگا تار دو مرتبہ ان شیئرز کی واپسی کا کہا ہے اور کمیٹی لگا تار نقصانات کی وجہ سے ادائیگی نہیں کر سکی اور ان شیئرز کو عام شیئرز میں تبدیل کرنے کے لئے کمیٹی نے آرٹیکل آف ایسوسی ایشن اور پرائیکٹس کے مطابق ارادہ کیا تھا جس پر ایک سرمایہ کار نے کمیٹی آرڈیننس کی دفعہ 474 کے تحت ایس ای سی پی کو درخواست دی تھی جو کہ بعد ازاں ایس ای سی پی اور ایس ای سی پی کے ایلیٹس بیچ نے منظور نہ کی ہے کہ یہ درخواست کمیٹی آرڈیننس کے سیکشن 474 کے تحت قابل سماعت نہ ہے، اسی سرمایہ کار نے لاہور ہائی کورٹ لاہور میں ایلیٹس بیچ ایس ای سی پی اسلام آباد کے فیصلے کے خلاف ایک ریفرنس دائر کیا ہے۔ چونکہ پرنٹرز شیئرز کو آرڈیننس میں تبدیل کرنے کا معاملہ عدالت میں زیر سماعت ہے انتظامیہ اس کیس کے فیصلے کے بعد نئے شیئرز جاری کرے گی، دوسری مرتبہ پٹ اپشن دینے والے سرمایہ کاروں کو نئے آرڈیننس میں شیئرز دینے کا معاملہ مذکورہ بالا مقدمہ کے حکم ہونے پر دیکھا جائے گا۔
- 4- ایس ای سی پی نے کمپنی آرڈیننس 1984 کے تحت کمیٹی کے خلاف تحقیقاتی کارروائی شروع کی ہے، اس حکم نامہ کو لاہور ہائی کورٹ لاہور میں پیش کیا گیا ہے جس پر عدالت عالیہ نے اس کارروائی کو روک دیا ہے۔
- 5- انتظامیہ کی کوششیں تمام مالیاتی اداروں سے قرضوں کی نئی ادائیگی شیڈول بنانے کیلئے پوری طرح حاصل نہ ہو سکی ہے تاہم انتظامیہ نے کچھ بیکس سے قرضوں کی ادائیگی کے نئے شیڈول بنوائے ہیں مالی سہولتیں بشمول ڈسٹنٹک مشا رکہ معیاری قرضے۔ مرتبہ قرضوں اور ڈیمانڈ ٹرانسٹلٹے ہو گئے ہیں کچھ قبیل المعیاد قرضے ذرا کم المعیاد قرضوں میں تبدیل ہو چکے ہیں انتظامیہ پر امید ہے کہ اس طرح کے اقدامات دوسرے قرضہ دینے والوں سے بھی ملے ہو جائیں گے۔
- 6- انتظامیہ پر اپنی قابل وصول رقم کی وصول کیلئے بھرپور جدوجہد کر رہی ہے اور جہاں قانونی کارروائی مہیا ہے، کی گئی ہے۔
- 7- سرمایہ کی ضرورت کو پورا کرنے کیلئے انتظامیہ غیر پیید اداری اثاثوں کو بیچنے کیلئے چارج ہولڈرز سے معاملات طے نہ ہونے کی وجہ سے کامیاب نہ ہو سکی ہے۔
- 8- پیید اداری سطح پر انتظامیہ نے لوگوں کا مال بنانا جاری رکھے ہوئے ہے تاکہ کاروبار کے حجم کو بڑھایا جائے، اضافی طور پر سرمایہ کی پوزیشن کو بہتر کرنے کیلئے انتظامیہ نے مقامی اور بیرون ملک خریداروں سے پیشگی رقم حاصل کرنے کے لیے بندوبست کر رہی ہے۔ کمیٹی تجویز کردہ پیید اداری نتائج سرمایہ کی کمی کی وجہ سے حاصل نہیں کر سکی ہے۔ کم مقدار میں پیید اداری حاصل ہونے کی وجہ سے تجویز کردہ نتائج حاصل نہیں ہو سکے اور پیید اداری لاگت کا معاملہ کم پیید اداری کی وجہ سے حل نہ ہو سکے۔
- 9- انتظامیہ بیرون ملک راپیلے میں ہے اور کم مقدار میں مصنوعات برآمد کر رہی ہے، مصنوعات کی برآمد کا حجم باوجود برآمدی آرڈرز سرمایہ کی کمی اور بیکس کے ساتھ سست روی سے معاملات حل ہونے کی وجہ سے ہیں۔ انتظامیہ بیکس کے ساتھ مالی سہولیات حاصل کرنے کیلئے گفت و شنید کر رہی ہے۔

انتظامیہ پر امید ہے کہ مذکورہ بالا اقدامات سے سیلے مقاصد میں کامیاب ہو جائے گی اور کمیٹی چلتی ہوئی کمیٹی بن جائے گی۔

تسلیم و تحسین

بورڈ آف ڈائریکٹرز اس بات کی ستائش کو ریکارڈ پر لاتے ہیں جو تعاون شیئرز ہولڈرز، گورنمنٹ ایجنسیوں، مالیاتی اداروں اور خریداروں کی طرف سے دیا گیا۔
بورڈ اس امر کی بھی ستائش کرتا ہے جو کمیٹی کے ملازمین کی طرف سے لگا تار نئی خدمات ادا کی گئیں اور امید کرتا ہے کہ یہ خدمات مستقبل میں بھی اسی طرح جاری رہیں گی۔

بورڈ آف ڈائریکٹرز کی جانب سے



فیصل آباد
27 فروری 2017

مہیا محمد لطیف
چیف ایگزیکٹو

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, 2016, 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, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

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 has accumulated loss Rs. 8,120.93 million (June 30, 2016: Rs. 8,141.74 million), shareholders' equity is negative by Rs. 5,568.09 million (June 30, 2016: Rs. 5,588.90 million) and the company's current liabilities exceed its current assets by Rs. 7,397.59 million (June 30, 2016: Rs. 7,981.75 million) as at December 31, 2016. 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. 5.02 million (2015: Rs. 11.77 million) and negative equity and interest / mark up payable as at December 31, 2016 would have been increased by Rs. 1,026.70 million (June 30, 2016: Rs. 1,021.68 million).

Trade debts of Rs. 1,556.72 million (June 30, 2016: Rs. 1,530.80 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 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, 2016, 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: 27-02 2017
Place: Faisalabad

RSM Avais Hyder Liaquat Nauman
Chartered Accountants
Engagement partner: Hamid Masood

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016**

	Note	(Un-audited) December 31, 2016 Rupees	(Audited) June 30, 2016 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		(8,044,496,837)	(8,065,304,934)
		(5,568,087,085)	(5,588,895,182)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		5,711,752,147	5,198,671,152
NON-CURRENT LIABILITIES			
Long term financing		2,764,588,697	2,344,586,556
Liabilities against assets subject to finance lease		4,596,234	9,396,234
Deferred liabilities		980,754,688	908,779,724
Deferred revenue		8,850,426	7,263,530
		3,758,790,045	3,270,026,044
CURRENT LIABILITIES			
Trade and other payables		1,908,867,803	1,673,383,761
Interest / markup payable		1,133,168,559	1,158,212,870
Short term borrowings	3	4,457,201,283	4,988,748,313
Current portion of :			
Long term financing		2,769,686,182	2,734,086,182
Liabilities against assets subject to finance lease		27,777,905	22,977,906
Provision for taxation - income tax		10,866,634	10,473,466
		10,307,568,366	10,587,882,498
CONTINGENCIES	4	-	-
		14,210,023,473	13,467,684,512
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating assets	5	11,287,413,318	10,848,915,539
Long term deposits		12,636,768	12,636,768
CURRENT ASSETS			
Stores, spares and loose tools		428,131,623	422,273,351
Stock in trade		544,982,747	334,657,862
Trade debts	6	1,747,102,771	1,706,118,676
Loans and advances		38,061,190	41,974,099
Deposits and prepayments		13,561,731	12,495,014
Other receivables		21,133,079	28,781,403
Tax refunds due from Government		34,145,196	35,600,176
Cash and bank balances		82,855,050	24,231,624
		2,909,973,387	2,606,132,205
		14,210,023,473	13,467,684,512

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

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

		Quarter ended December 31,		Half year ended December 31,	
	Note	2016	2015	2016	2015
		Rupees	Rupees	Rupees	Rupees
Sales	7	447,649,522	522,481,245	955,976,115	974,708,908
Cost of sales	8	412,406,225	601,793,501	842,863,499	1,110,218,835
Gross profit / (loss)		35,243,297	(79,312,256)	113,112,616	(135,509,927)
Other income	9	46,777,488	3,739,678	49,381,762	7,860,549
		82,020,785	(75,572,578)	162,494,378	(127,649,378)
Selling and distribution expenses		3,433,318	5,243,371	6,281,620	9,546,101
Administrative expenses		32,814,840	33,307,272	64,883,209	65,478,225
Other operating expense					
Workers' profit participation fund		975,234	-	975,234	-
Finance cost	10	35,946,324	19,509,821	71,824,867	51,640,526
		73,169,716	58,060,464	143,964,930	126,664,852
Profit / (loss) for the period before taxation		8,851,069	(133,633,042)	18,529,448	(254,314,230)
Provision for taxation	11	6,429,575	3,798,209	11,394,889	5,282,285
Profit / (loss) for the period		2,421,494	(137,431,251)	7,134,559	(259,596,515)
Earning / (Loss) per share - Basic and diluted		0.02	(1.20)	0.06	(2.26)

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


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

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

	Quarter ended December 31,		Half year ended December 31,	
	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees
Profit/ (loss) for the period	2,421,494	(137,431,251)	7,134,559	(259,596,515)
Other comprehensive income				
Items that will not be subsequently reclassified to profit or loss:				
Incremental depreciation on revalued assets for the period	5,841,047	6,127,914	11,290,536	11,577,403
Related deferred tax	1,086,162	1,473,696	2,383,002	2,770,536
Total comprehensive income / (loss) for the period	9,348,703	(129,829,641)	20,808,097	(245,248,576)

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


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended December 31,	
	2016	2015
	Rupees	Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	18,529,448	(254,314,230)
Adjustments for:		
Depreciation on operating assets	101,477,221	103,558,197
Provision for staff retirement gratuity	20,257,921	17,728,948
(Gain) on disposal of operating assets	-	(78,501)
Balances written off / (back) - net	(43,566,962)	(1,749,921)
Finance cost	71,824,866	51,640,525
Operating cash flows before working capital changes	<u>168,522,494</u>	<u>(83,214,982)</u>
Changes in working capital		
(Increase) / Decrease in current assets		
Stores, spares and loose tools	(5,858,272)	1,901,689
Stock in trade	(210,324,885)	38,278,029
Trade debts	(40,984,095)	27,793,800
Loans and advances	(1,073,566)	(9,586,241)
Deposits and prepayments	(1,066,717)	(958,946)
Other receivables	7,648,324	2,600,667
Tax refunds due from Government	1,712,822	2,126,757
	<u>(249,946,389)</u>	<u>62,155,755</u>
Increase in current liabilities		
Trade and other payables	<u>279,079,258</u>	<u>515,393,134</u>
	<u>29,132,869</u>	<u>577,548,889</u>
Cash generated from operating activities	197,655,363	494,333,907
Income tax paid	(6,801,343)	(4,904,459)
Finance cost paid	(54,678,475)	(31,617,277)
Staff retirement gratuity paid	(3,694,127)	(3,749,499)
Net cash generated from operating activities	<u>132,481,418</u>	<u>454,062,672</u>
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of operating assets	-	180,000
Net cash generated from investing activities	<u>-</u>	<u>180,000</u>
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loan obtained	-	5,625,315
Repayment of:		
Long term loans	(91,400,000)	(291,608,761)
Increase / (decrease) in short term bank borrowings - net	17,542,008	(165,179,111)
Net cash (used in) financing activities	<u>(73,857,992)</u>	<u>(451,162,557)</u>
Net increase in cash and cash equivalents (a+b+c)	58,623,426	3,080,115
Cash and cash equivalents at the beginning of the period	24,231,624	27,300,940
Cash and cash equivalents at the end of the period	<u><u>82,855,050</u></u>	<u><u>30,381,055</u></u>

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


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

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

	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, 2015 (Audited)	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(7,797,773,804)	(7,721,340,970)	(5,244,931,218)
Total comprehensive (loss) for the period										
(Loss) for the period	-	-	-	-	-	-	-	(259,596,515)	(259,596,515)	(259,596,515)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the period	-	-	-	-	-	-	-	11,577,403	11,577,403	11,577,403
Related deferred tax	-	-	-	-	-	-	-	2,770,536	2,770,536	2,770,536
	-	-	-	-	-	-	-	(245,248,576)	(245,248,576)	(245,248,576)
Balance as at December 31, 2015 (Unaudited)	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(8,043,022,380)	(7,966,589,546)	(5,490,179,794)
Total comprehensive (loss) for the period										
(Loss) for the period	-	-	-	-	-	-	-	(130,106,792)	(130,106,792)	(130,106,792)
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the period	-	-	-	-	-	-	-	11,933,586	11,933,586	11,933,586
Related deferred tax	-	-	-	-	-	-	-	2,393,479	2,393,479	2,393,479
Remeasurement of defined benefit liability	-	-	-	-	-	-	-	20,812,395	20,812,395	20,812,395
Related deferred tax	-	-	-	-	-	-	-	(3,748,056)	(3,748,056)	(3,748,056)
	-	-	-	-	-	-	-	(98,715,388)	(98,715,388)	(98,715,388)
Balance as at June 30, 2016 (Audited)	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(8,141,737,768)	(8,065,304,934)	(5,588,895,182)
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	-	7,134,559	7,134,559	7,134,559
Other comprehensive income										
Items that will not be subsequently reclassified to profit or loss:										
Incremental depreciation on revalued assets for the period	-	-	-	-	-	-	-	11,290,536	11,290,536	11,290,536
Related deferred tax	-	-	-	-	-	-	-	2,383,002	2,383,002	2,383,002
	-	-	-	-	-	-	-	20,808,097	20,808,097	20,808,097
Balance as at December 31, 2016 (Unaudited)	1,150,000,000	800,000,000	120,000,000	63,552,610	342,857,142	526,409,752	76,432,834	(8,120,929,671)	(8,044,496,837)	(5,568,087,085)

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


MUHAMMAD NAEEM
(DIRECTOR)


MIAN MUHAMMAD LATIF
(CHIEF EXECUTIVE OFFICER)

**SELECTED EXPLANATORY NOTES TO THE
CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

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 Pakistan 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, Kharrianwala, 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 accumulated loss of Rs. 8,120.93 million (June 30, 2016: Rs. 8,141.74 million), shareholders' equity is negative by Rs. 5,568.09 million (June 30, 2016: Rs. 5,588.90 million) and the current liabilities of the company exceed its current assets by Rs. 7,397.59 million (June 30, 2016: Rs. 7,981.75 million) as at December 31, 2016. 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. SECP has initiated proceedings for investigations under the Companies Ordinance 1984. The company has challenged the order and the Honourable Lahore High Court has stayed the proceedings. 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 all lenders are not so far fully materialised, however the management has been able to reach at agreement with six major lenders to restructure the loans. The facilities diminishing musharika, term finance, murabah finance and demand finance were settled. Certain short term facilities were converted to long term loans. 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 has also adopted the available legal recourse. The management's efforts to dispose of certain non core fixed assets to meet the working capital requirements has not been materialised so far due to adverse economic conditions.

On the operational side, the management continued toll manufacturing and making efforts to increase the volume of business. Additionally, in order to improve liquidity position of the company, the management is also focusing on arranging advance payments from local as well as export customers. The company could not produce desired results due to operational difficulties mainly due to non-availability of working capital facilities. Due to low production, 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 slow settlements with bankers. The management is negotiating with banks for working capital facilities. 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, 2016.

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, 2016 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, 2016.

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, 2017 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, 2016.

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, 2016.

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, 2016.

- 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, 2016.

	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 Rupees
3. Short term borrowings		
Secured		
Under mark up arrangements		
From banking companies		
Export finances	3,783,712,443	4,329,016,481
Finance against trust receipts	18,304,000	18,304,000
Running finance	437,588,483	437,588,483
Murabaha finances	217,596,357	203,839,349
	<u>4,457,201,283</u>	<u>4,988,748,313</u>

3.1 The aggregate unavailed short term borrowing facilities available to the Company are Rs. 71.91 million (June 30, 2016: Rs. 177.402 million). Total sanctioned limits are Rs. 5.07 billion (June 30, 2016: Rs. 5.62 billion) out of which Rs. 4.46 billion (June 30, 2016: Rs. 4.99 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, 2016 except the following:

	Note	Un-audited December 31, 2016 Rupees	Audited June 30, 2016 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.		1,026,704,482	1,021,686,391

5. Property, plant and equipment

Operating assets	5.1	<u>11,287,413,318</u>	<u>10,848,915,539</u>
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5.1 Operating assets

Book value at beginning of period / year		10,848,915,539	11,052,466,480
Add: Addition during the period / year	5.1.1	-	3,862,193
Less: disposal during the period / year		-	(186,397)
Surplus on revaluation arisen during the period / year		539,975,000	-
Depreciation charge during the period / year		(101,477,221)	(207,226,737)
		<u>11,287,413,318</u>	<u>10,848,915,539</u>

5.1.1 Addition to operating assets during the period / year were as follow

Plant and machinery	-	827,321
Office equipment	-	234,872
Vehicles	-	2,800,000
	<u>-</u>	<u>3,862,193</u>

6. Trade debts

Considered good			
Secured			
Foreign		-	7,236,655
Unsecured			
Foreign		1,695,662,090	1,656,551,224
Local		51,440,681	42,330,797
		<u>1,747,102,771</u>	<u>1,698,882,021</u>
		<u>1,747,102,771</u>	<u>1,706,118,676</u>

6.1 The aging of trade debts is as under:

Not past due	190,376,853	175,312,556
Past due within one year	27,084,730	6,292,115
Past due over one year	1,529,641,188	1,524,514,005
	<u>1,556,725,918</u>	<u>1,530,806,120</u>
	<u>1,747,102,771</u>	<u>1,706,118,676</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 and adopted where ever necessary. the Company believes that past due trade debts do not require recognition of any impairment.

	Quarter ended December 31,		Half year ended December 31,	
	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees
7. Sales				
Export				
Fabrics / made ups / garments	90,592,214	169,264,598	229,410,114	313,178,348
Add: Export rebate / duty drawback	875,932	1,781,288	2,443,091	3,001,557
	<u>91,468,146</u>	<u>171,045,886</u>	<u>231,853,205</u>	<u>316,179,905</u>
Less:				
Commission	-	2,826,449	-	3,787,215
Discount	-	-	-	-
	<u>-</u>	<u>2,826,449</u>	<u>-</u>	<u>3,787,215</u>
	<u>91,468,146</u>	<u>168,219,437</u>	<u>231,853,205</u>	<u>312,392,690</u>
Local				
Yarn	173,430,351	204,731,645	365,540,987	453,221,180
Fabrics / made ups	85,154,432	74,173,608	183,807,344	103,974,685
Processing, conversion and stitching charges	97,596,593	75,356,555	174,774,579	105,120,353
	<u>447,649,522</u>	<u>522,481,245</u>	<u>955,976,115</u>	<u>974,708,908</u>

8. Cost of sales

Cost of goods manufactured (Note 8.1)	532,354,776	610,720,766	968,379,338	1,120,682,592
Finished goods				
Opening stock	138,255,156	172,382,430	132,687,868	170,845,938
Closing stock	(258,203,707)	(181,309,695)	(258,203,707)	(181,309,695)
	<u>(119,948,551)</u>	<u>(8,927,265)</u>	<u>(125,515,839)</u>	<u>(10,463,757)</u>
	<u>412,406,225</u>	<u>601,793,501</u>	<u>842,863,499</u>	<u>1,110,218,835</u>

8.1 Cost of goods manufactured

Raw material consumed (Note 8.1.1)	341,465,972	312,780,696	581,963,929	583,036,698
Salaries, wages and benefits	64,658,915	66,354,593	115,366,493	130,013,854
Staff retirement benefits	12,103,137	8,399,886	16,206,337	12,799,771
Stores and spares	31,085,435	21,473,426	46,761,661	43,934,620
Dyes and chemicals	8,059,231	8,672,399	16,095,822	18,372,398
Packing material	14,203,143	19,238,748	23,252,481	33,335,219
Repairs and maintenance	1,173,615	1,433,195	1,625,384	2,715,013
Fuel and power	45,696,040	39,684,746	84,778,552	92,021,346
Insurance	553,814	589,118	1,167,647	1,178,245
Depreciation	52,982,546	56,023,435	98,824,988	100,812,175
Other	36,477,441	34,563,955	63,091,622	62,394,998
	<u>608,459,289</u>	<u>569,214,197</u>	<u>1,049,134,916</u>	<u>1,080,614,337</u>
Work in process				
Opening stock	115,502,146	161,417,542	110,851,081	159,979,228
Closing stock	(191,606,659)	(119,910,973)	(191,606,659)	(119,910,973)
	<u>(76,104,513)</u>	<u>41,506,569</u>	<u>(80,755,578)</u>	<u>40,068,255</u>
	<u>532,354,776</u>	<u>610,720,766</u>	<u>968,379,338</u>	<u>1,120,682,592</u>

8.1.1 Raw material consumed

Opening stock	94,942,060	115,580,712	91,118,913	114,545,008
Purchases including purchase expenses	341,696,293	303,071,461	586,017,397	574,363,167
	<u>436,638,353</u>	<u>418,652,173</u>	<u>677,136,310</u>	<u>688,908,175</u>
Closing stock	(95,172,381)	(105,871,477)	(95,172,381)	(105,871,477)
	<u>341,465,972</u>	<u>312,780,696</u>	<u>581,963,929</u>	<u>583,036,698</u>

9. Other income

Income from assets other than financial assets:				
Sale of waste material	516,791	675,510	589,921	1,182,689
Rental income	2,693,735	2,498,625	5,224,879	4,849,438
Gain on disposal of operating assets	-	78,501	-	78,501
Balances written back - net	43,566,962	487,042	43,566,962	1,749,921
	<u>46,777,488</u>	<u>3,739,678</u>	<u>49,381,762</u>	<u>7,860,549</u>

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

10. Finance cost

Interest / mark up on:				
Long term financing	20,818,621	6,185,952	42,356,483	27,461,373
Liabilities against assets subject to finance lease	897,353	521,671	1,034,221	1,069,143
Short term borrowings	13,788,703	10,562,627	25,605,542	19,753,659
Bank charges and commission	441,647	2,239,571	2,828,621	3,356,351
	<u>35,946,324</u>	<u>19,509,821</u>	<u>71,824,867</u>	<u>51,640,526</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 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,	
	2016	2015	2016	2015
	Rupees	Rupees	Rupees	Rupees

11. Provision for taxation

Current				
For the period	5,901,320	3,841,124	10,866,634	5,325,200
For the prior periods	528,255	(42,915)	528,255	(42,915)
	<u>6,429,575</u>	<u>3,798,209</u>	<u>11,394,889</u>	<u>5,282,285</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 period except payment of remuneration to Chief Executive Officer, Directors and Executives amounting to Rs. 5,520,000/- (2015 : Rs. 6,419,417/-).

13. Overdue loans

On the balance sheet date, the installments of long term financing amounting to Rs. 2,653.79 million (June 30, 2016: Rs. 2,526.13 million) alongwith mark up of Rs. 492.64 million (June 30, 2016: Rs. 492.64 million), lease finances amounting to Rs. 18.18 million (June 30, 2016: Rs. 13.378 million) alongwith mark up of Rs. 4.83 million (June 30, 2016: Rs. 3.637 million) and short term borrowings amounting to Rs. 4,457.20 million (June 30, 2016: Rs. 4,666.650 million) alongwith mark up of Rs. 635.69 million (June 30, 2016: Rs. 661.934 million) were over

On the balance sheet date, the carrying amount of loans relevant to above overdues were long term financing Rs. 5,236.27 million (June 30, 2016: Rs. 4,111.72 million), lease finances Rs. 32.37 million (June 30, 2016: Rs. 32.37 million) and short term borrowings Rs. 4,457.20 million (June 30, 2016: Rs. 4,987.89 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 **27-02-2017** 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** Provision for workers' profit participation fund made in this condensed interim financial information is subject to adjustment in the annual financial statements.
- 15.3** Figures have been rounded off to the nearest Rupee.



MUHAMMAD NAEEM
(DIRECTOR)



MIAN MUHAMMAD LATIF
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