# HALF YEARLY
## ACCOUNTS
## 31st December, 2016

# D S INDUSTRIES LIMITED

# CONTENTS

# Company Information

| | | |
|---|---|---|
| Board of Directors | Mr. Pervez Ahmed | Chief Executive |
| | Mr. Ali Pervez Ahmed | |
| | Mr. Hassan Ibrahim Ahmed | |
| | Mr. Suleman Ahmed | |
| | Mr. Atta ur Rehman | |
| | Mr. Muhammad Yousuf | |
| | Mr. Muntazir Mehdi | |
| Audit Committee | Mr. Atta ur Rehman | Chairman |
| | Mr. Muhammad Yousuf | |
| | Mr. Muntazir Mehdi | |
| HR and Remuneration Committee | Mr. Suleman Ahmed | Chairman |
| | Mr. Atta ur Rehman | |
| | Mr. Muntazir Mehdi | |
| Chief Financial Officer | Mr. Muhammad Rafique Qureshi | |
| Company Secretary | Mr. Salman Farooq | |
| Auditors | M/s Rahman Sarfaraz Rahim Iqbal Rafiq (Chartered Accountants) | |
| Legal Advisor | Cornelius, Lane & Mufti (Advocates & Solicitors) | |
| Banks | MCB Bank Limited | |
| | Silk Bank Ltd | |
| | Askari Bank Limited | |
| | Meezan Bank Limited | |
| | Bank Al-Falah Limited | |
| | Bank Al-Habib Limited | |
| | NIB Bank Limited | |
| | Al Baraka Bank (Pakistan) Limited | |
| | National Bank of Pakistan | |
| | Dubai Islamic Bank | |
| | Burj Bank Limited | |
| Registered Office | 20-K, Gulberg II, Lahore. | |
| Share Registrars | THK Associates (Pvt.) Limited<br>Ground Floor, State Life Building No 3,<br>Dr. Ziauddin Ahmed Road,<br>Karachi - 75530 | |
| Mill | 11-km Sheikhupura Faisalabad Road, Sheikhupura | |
| Website | www.dsil.com.pk | |

# DIRECTORS' REPORT

On behalf of the Directors of D.S. Industries Limited, it is my pleasure to present the half yearly financial statements of the Company for the six months ended December 31, 2016.

## Financial Results of the Company

During the half year ended December 31, 2016 Company incurred gross loss of Rs. 30.28 million on sale of Rs. 335.2 million as compared to the gross loss of Rs. 30.58 million on sale of Rs. 178.37 for the corresponding period of last year. The operating loss of company for the six months period ended December 31, 2016 amounting to Rs. 42.62 million as compared to operating loss of Rs. 42.43 million for the corresponding period of last year. During the six months ended December 31, 2016 Company incurred loss after tax of Rs. 31.04 million as compared to loss after tax of Rs. 48.80 million during the corresponding period of last year.

## Future Outlook

The management of the company is striving to make the company profitable, the sales prices of yarn and demand in spinning sector are improving due to imposition of import duties on Indian yarn. Moreover, Pakistan is now on its path to progress, and we will get benefit of all ongoing mega projects in the country.

## Acknowledgement

The Board of directors would like to place on record their appreciation to the valued shareholders, bankers, the Securities & Exchange Commission and to the management of Pakistan Stock Exchange for their valuable support, assistance and guidance. The Board also express its appreciation to the staff and workers of the Company for their services, loyalty and efforts being continuously rendered.

For & on behalf of the Board

Lahore
February 28, 2017

Pervez Ahmed
Chief Executive

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

### *Introduction*

We have reviewed the accompanying condensed interim balance sheet of D.S. Industries Limited ("the Company") as at December 31, 2016 and the related condensed interim profit and loss account, condensed interim statement of profit or loss and other comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as ("the condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures for the three months period ended December 31, 2016 of the condensed interim profit and loss account and condensed interim statement of profit or loss and other comprehensive income have not been reviewed as we are required to review only cumulative figures for the six months period ended on that date.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

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

### *Emphasis of matter*

We draw attention to note 2.2 to the condensed interim financial information which indicate that the Company has incurred gross loss of Rs. 30.282 million and loss after taxation of Rs. 31.036 million during the six months period ended December 31, 2016. As at December 31, 2016, the Company has accumulated losses of Rs. 812.192 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 544.169 million. The Company has been unable to repay its long debts on due dates. These factors raise doubts about the Company's ability to continue as a going concern. These condensed interim financial information has, however, been prepared on going concern basis for reasons explained in note 2.2. Our conclusion is not qualified in respect of this matter.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**

***Chartered Accountants***

**Engagement Partner:** ***ZUBAIR IRFAN MALIK***

**Date:** ***FEBRUARY 28, 2017***
**Place:** ***LAHORE***

# D.S. INDUSTRIES LIMITED

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

| | Note | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| | | Rupees | Rupees |
| | | (Un-audited) | (Audited) |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| *Authorized capital* | | | |
| 100,000,000 (June 30, 2016: 100,000,000) ordinary shares of Rs. 10 each | | **1,000,000,000** | 1,000,000,000 |
| Issued, subscribed and paid-up capital | | **600,000,000** | 600,000,000 |
| Accumulated losses | | **(812,191,649)** | (787,865,190) |
| | | **(212,191,649)** | (187,865,190) |
| Advance against issue of ordinary shares | | **63,017,255** | 63,017,255 |
| **TOTAL EQUITY** | | **(149,174,394)** | (124,847,935) |
| **SURPLUS ON REVALUTAION OF PROPERTY, PLANT AND EQUIPMENT** | | **218,679,756** | 225,389,518 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances - secured | 6 | **-** | - |
| Employees retirement benefits | | **19,158,376** | 18,982,138 |
| | | **19,158,376** | 18,982,138 |
| **CURRENT LIABILTIES** | | | |
| Trade and other payables | | **357,405,003** | 344,819,003 |
| Accrued interest/markup | | **246,757** | 226,244 |
| Short term borrowings | | **133,561,644** | 110,912,675 |
| Current portion of non-current liabilities | | **138,454,408** | 151,189,524 |
| | | **629,667,812** | 607,147,446 |
| **TOTAL LIABILITIES** | | **648,826,188** | 626,129,584 |
| **CONTINGENCIES AND COMMITMENTS** | 7 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **718,331,550** | 726,671,167 |

***The annexed notes 1 to 18 form an integral part of this condensed interim financial information.***

**CHIEF EXECUTIVE** **DIRECTOR**

# D.S. INDUSTRIES LIMITED

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

| | Note | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| | | *Rupees* | *Rupees* |
| | | *(Un-audited)* | *(Audited)* |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *8* | **527,033,848** | 544,306,154 |
| Long term investments | *9* | **82,655,261** | 80,605,558 |
| Long term deposits - *unsecured, considered good* | | **19,072,394** | 19,072,394 |
| Deferred taxation | | **4,072,207** | (5,769,525) |
| | | **632,833,710** | 638,214,581 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | | **1,827,461** | 1,036,779 |
| Stock in trade | | **38,429,887** | 20,210,575 |
| Trade debts - *unsecured, considered good* | | **25,239,854** | 38,470,837 |
| Advances, prepayments and other receivables | | **11,251,232** | 22,295,327 |
| Short term investments | | **1,127,083** | 753,460 |
| Advance income tax/income tax refundable | | **5,701,787** | 4,707,434 |
| Bank balances | | **1,920,536** | 982,174 |
| | | **85,497,840** | 88,456,586 |
| **TOTAL ASSETS** | | **718,331,550** | 726,671,167 |

***The annexed notes 1 to 18 form an integral part of this condensed interim financial information.***

**CHIEF EXECUTIVE** **DIRECTOR**

# D.S. INDUSTRIES LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

| | | Six months ended | | Three months ended | |
|---|---|---|---|---|---|
| | *Note* | **December 31, 2016** | December 31, 2015 | **December 31, 2016** | December 31, 2015 |
| | | ***Rupees*** | *Rupees* | ***Rupees*** | *Rupees* |
| **Turnover - *net*** | | **335,232,768** | 178,367,222 | **128,395,958** | 76,180,301 |
| Cost of sales | *10* | **(365,515,027)** | (208,944,362) | **(138,950,335)** | (95,275,977) |
| **Gross loss** | | **(30,282,259)** | (30,577,140) | **(10,554,377)** | (19,095,676) |
| Selling and distribution expenses | | **(1,000,719)** | (676,133) | **(496,302)** | (255,345) |
| Administrative and general expenses | | **(11,050,958)** | (10,496,981) | **(5,815,109)** | (5,004,982) |
| Other expenses | | **(678,612)** | (869,547) | **(391,674)** | (310,900) |
| | | **(12,730,289)** | (12,042,661) | **(6,703,085)** | (5,571,227) |
| | | **(43,012,548)** | (42,619,801) | **(17,257,462)** | (24,666,903) |
| Other income | | **384,996** | 189,332 | **361,601** | 117,543 |
| **Operating loss** | | **(42,627,552)** | (42,430,469) | **(16,895,861)** | (24,549,360) |
| Finance cost | | **(300,104)** | (899,411) | **(223,382)** | 2,069,367 |
| Notional interest | | **-** | (14,262,061) | **-** | (14,262,061) |
| Share of loss of associates | | **2,049,703** | (1,280,363) | **1,787,514** | (525,749) |
| **Loss before taxation** | | **(40,877,953)** | (58,872,304) | **(15,331,729)** | (37,267,803) |
| Taxation | *11* | **9,841,732** | 10,069,188 | **(9,242,415)** | 8,408,109 |
| **Loss after taxation** | | **(31,036,221)** | (48,803,116) | **(24,574,144)** | (28,859,694) |
| **Loss per share - *basic and diluted*** | | **(0.52)** | (0.81) | **(0.41)** | (0.48) |

***The annexed notes 1 to 18 form an integral part of this condensed interim financial information.***

**CHIEF EXECUTIVE** **DIRECTOR**

# D.S. INDUSTRIES LIMITED

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | **December 31, 2016** | December 31, 2015 |
| | ***Rupees*** | *Rupees* | ***Rupees*** | *Rupees* |
| ***Items that may be reclassified subsequently to profit or loss*** | **-** | - | **-** | - |
| ***Items that will not be reclassified to profit or loss*** | | | | |
| Incremental depreciation | **6,709,762** | 4,195,059 | **2,446,095** | 2,339,147 |
| Remasurements of defined benefits obligation | **-** | (268,554) | **29,931** | (134,277) |
| **Other comprehensive income before taxation** | **6,709,762** | 3,926,505 | **2,476,026** | 2,204,870 |
| Taxation | **-** | - | **-** | - |
| **Other comprehensive income after taxation** | **6,709,762** | 3,926,505 | **2,476,026** | 2,204,870 |
| **Loss after taxation** | **(31,036,221)** | (48,803,116) | **(24,574,144)** | (28,859,694) |
| **Total comprehensive loss** | **(24,326,459)** | (44,876,611) | **(22,098,118)** | (26,654,824) |

***The annexed notes 1 to 18 form an integral part of this condensed interim financial information.***

**CHIEF EXECUTIVE** **DIRECTOR**

# D.S. INDUSTRIES LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
## FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

| | **December 31, 2016** | December 31, 2015 |
|---|---|---|
| | ***Rupees*** | *Rupees* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Loss before taxation** | **(40,877,953)** | (58,872,304) |
| Adjustments for non-cash items | **19,059,329** | 38,802,708 |
| **Operating loss before changes in working capital** | **(21,818,624)** | (20,069,596) |
| Changes in working capital | **17,851,084** | (20,716,126) |
| **Net cash used in from operations** | **(3,967,540)** | (40,785,722) |
| Payments for | | |
| Interest/markup on borrowings | **(150,865)** | (211,045) |
| Income tax | **(994,353)** | (587,025) |
| Employees retirement benefits | **(3,862,733)** | (6,325,481) |
| **Net cash used in operating activities** | **(8,975,491)** | (47,909,273) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **-** | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of long term finances | **(12,735,116)** | (24,056,502) |
| Net increase in short term borrowings | **22,648,969** | 71,500,052 |
| **Net cash generated from financing activities** | **9,913,853** | 47,443,550 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **938,362** | (465,723) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | **982,174** | 1,302,910 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **1,920,536** | 837,187 |

***The annexed notes 1 to 18 form an integral part of this condensed interim financial information.***

**CHIEF EXECUTIVE** **DIRECTOR**

# D.S. INDUSTRIES LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

| | Issued subscribed and paid-up capital | Accumulated losses | Advnace against issue of ordinary shares | Total equity |
|---|---|---|---|---|
| | *Rupees* | *Rupees* | *Rupees* | *Rupees* |
| **Balance as at June 30, 2015 -** *Audited* | 600,000,000 | (813,991,466) | 63,017,255 | (150,974,211) |
| **Comprehensive income** | | | | |
| Loss after taxation | - | (48,803,116) | - | (48,803,116) |
| Other comprehensive income | - | 3,926,505 | - | 3,926,505 |
| **Total comprehensive loss** | - | (44,876,611) | - | (44,876,611) |
| **Transaction with owners** | - | - | - | - |
| **Balance as at December 31, 2015** *- Un-audited* | 600,000,000 | (858,868,077) | 63,017,255 | (195,850,822) |
| **Balance as at January 01, 2016** *- Un-audited* | 600,000,000 | (858,868,077) | 63,017,255 | (195,850,822) |
| **Comprehensive income** | | | | |
| Profit after taxation | - | 65,333,305 | - | 65,333,305 |
| Other comprehensive loss | - | 5,669,582 | - | 5,669,582 |
| **Total comprehensive income** | - | 71,002,887 | - | 71,002,887 |
| **Transaction with owners** | - | - | - | - |
| **Balance as at June 30, 2016 -** *Audited* | 600,000,000 | (787,865,190) | 63,017,255 | (124,847,935) |
| **Balance as at July 01, 2016 -** *Audited* | **600,000,000** | **(787,865,190)** | **63,017,255** | **(124,847,935)** |
| **Comprehensive income** | | | | |
| Loss after taxation | **-** | **(31,036,221)** | **-** | **(31,036,221)** |
| Other comprehensive income | **-** | **6,709,762** | **-** | **6,709,762** |
| **Total comprehensive loss** | **-** | **(24,326,459)** | **-** | **(24,326,459)** |
| **Transaction with owners** | **-** | **-** | **-** | **-** |
| **Balance as at December 31, 2016 -** *Un-audited* | **600,000,000** | **(812,191,649)** | **63,017,255** | **(149,174,394)** |

***The annexed notes 1 to 18 form an integral part of this condensed interim financial information.***

**CHIEF EXECUTIVE** **DIRECTOR**

# D.S. INDUSTRIES LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2016

**1 REPORTING ENTITY**

D.S. Industries Limited ('the Company') was incorporated in Pakistan as a Private Limited Company under the repealed Companies Act, 1913 (now the Companies Ordinance, 1984) and was subsequently converted into a Public Limited Company. The Company is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 20-K, Gulberg II, Lahore. The manufacturing facility is located at 11 KM, Sheikhupura Faisalabad Road, Sheikhupura, in the Province of Punjab.

**2 BASIS OF PREPARATION**

The financial information contained in this interim financial report is un-audited and has been presented in condensed form and does not include all the information as is required to be provided in a full set of annual financial statements. This condensed interim financial information should be read in conjunction with the audited financial statements of the Company for the year

This condensed interim financial information has been subjected to limited scope review by the auditors of the Company, as required by the Code of Corporate Governance. The comparative interim balance sheet as at June 30, 2016 and the related notes to the condensed interim financial information are based on audited financial statements. The comparative interim profit and loss account, interim statement of profit or loss and other comprehensive income, interim cash flow statement, interim statement of changes in equity and related notes to the condensed interim financial information for the six months period ended December 31, 2016 are based on unaudited, reviewed interim financial information. The interim profit and loss account and interim statement of profit or loss and other comprehensive income for the three months period ended December 31, 2016 and December 31, 2015 are neither audited nor reviewed.

**2.1 Statement of compliance**

This interim financial report has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting, and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 have been followed.

**2.2 Going concern assumption**

The Company has been facing operational losses since the previous year mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfaviourbale textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 30.282 million and loss after taxation of Rs. 31.036 million during the six months period ended December 31, 2016. As at December 31, 2016, the Company has accumulated losses of Rs. 812.192 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 544.169 million. The Company has been unable to repay its long debts on due dates. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.

b) The Company has continued financial support of its related parties in the form of interest free loans. During the year, related parties provided financial support amounting to Rs. 12.507 million in the form of long term interest free loans.

c) The Company is making efforts to repay its long term finances in accordance with the repayment schedules to avail the interest/markup waiver offered by the lending banks.

d) The waiver of interest/markup is expected to make available sufficient working capital to the Company which will allow the Company to achieve its target of sustainable capacity utilization.

The management is confident that through above measures, the Company will turnaround into a profitable company, subject to impact, if any, of uncontrollable circumstances including power crises and global market conditions.

**2.3 Basis of measurement**

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

**2.4 Judgements, estimates and assumptions**

The preparation of financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

**2.5 Functional currency**

This financial information is prepared in Pak Rupees which is the Company's functional currency.

**3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR**

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures.

**IFRS 14 – Regulatory Deferral Accounts (2014)**

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

**Equity Method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)**

IAS 27 - Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

**Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)**

IFRS 11 - Joint Arrangements has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
- Disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

**Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)**

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

**Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)**

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

**Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)**

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture have been amended to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

**Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)**

IAS 1 Presentation of Financial Statements has been amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

**Annual Improvements 2012-2014 cycle**

These improvements make amendments to the following standards:

- **IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations** - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- **IFRS 7 - Financial Instruments: Disclosures** - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial
- **IAS 19 - Employee Benefits** - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- **IAS 34 - Interim Financial Reporting** - Clarify the meaning of 'elsewhere in the interim report' and require a cross-

**4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND**

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

| | **Effective date (annual periods beginning on or after)** |
|---|---|
| IFRS 9 – Financial Instruments (2014) | January 01, 2018 |
| IFRS 15 – Revenue from Contracts with Customers (2014) | January 01, 2018 |
| IFRS 16 – Leases (2016) | January 01, 2019 |
| Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures). | Deferred Indefinitely |
| Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes) | January 01, 2017 |
| Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows) | January 01, 2017 |
| Classification and Measurement of Share-based Payment Transactions | January 01, 2018 |
| Clarifications to IFRS 15 - Revenue from Contracts with Customers | January 01, 2018 |
| | **Effective date (annual periods beginning on or after)** |
| Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts | January 01, 2018 |
| IFRIC 22 - Foreign Currency Transactions and Advances Concideration | January 01, 2018 |
| Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) | January 01, 2018 |
| Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) | January 01, 2018 |
| Transfers of Investment Property (Amendments to IAS 40) | January 01, 2018 |
| Annual Improvements to IFRS Standards 2014–2016 Cycle | January 01, 2018 |

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

**IFRS 9 – Financial Instruments: Classification and Measurement (2014)**

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

**IFRS 16 – Leases (2016)**

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

**Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)**

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

**IFRIC 22 - Foreign Currency Transactions and Advances Concideration**

The interpretation addresses foreign currency transactions or parts of transactions where:

- There is consideration that is denominated or priced in a foreign currency;
- The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

**5 ACCOUNTING POLICIES AND METHODS OF COMPUTATION**

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

| | *Note* | **December 31, 2016** | June 30, 2016 |
|---|---|---|---|
| | | ***Rupees*** | *Rupees* |
| **6 LONG TERM FINANCES - *SECURED*** | | ***(Un-Audited)*** | *(Audited)* |
| Askari Bank Limited | *6.1* | **15,666,216** | 17,201,332 |
| MCB Bank Limited | | **122,788,192** | 133,988,192 |
| | | **138,454,408** | 151,189,524 |
| Current maturity and overdue amounts presented under current liabilities | | **(138,454,408)** | (151,189,524) |
| | | **-** | - |

**6.1** This includes Rs. nil (June 30, 2016: Rs. 1.69 million) overdue as at the reporting date.

**7 CONTINGENCIES AND COMMITMENTS**

There are no known contingencies or commitments as at the reporting date.

| | **December 31, 2016** | June 30, 2016 |
|---|---|---|
| | ***Rupees*** | *Rupees* |
| | ***(Un-Audited)*** | *(Audited)* |
| **8 PROPERTY, PLANT AND EQUIPMENT** | | |
| Net book value at the beginning of the period/year | **544,306,154** | 398,938,588 |
| Revaluation during the period/year | **-** | 216,703,937 |
| Depreciation for the period/year | **(17,272,306)** | (71,336,371) |
| Net book value at end of the period/year | **527,033,848** | 544,306,154 |

**8.1** During the period, the Company has revised its estimate for usefull life of plant and machinary which has resulted in reduction in annual depreciation rate from 10% to 5%. Had there been no change the depreciation expense for the period would have been higher by Rs 7.088 million.

**9 LONG TERM INVESTMENTS**

This represents investment in ordinary shares of associates. The investments has been accounted for by using equity method. The details are as follows:

| | Note | December 31, 2016 | June 30, 2016 |
|---|---|---|---|
| | | *Rupees* | *Rupees* |
| | | *(Un-Audited)* | *(Audited)* |
| Pervez Ahmed Securities Limited | *9.1* | **-** | - |
| Pervez Ahmed Capital (Private) Limited | *9.2* | **82,655,261** | 81,342,872 |
| | | **82,655,261** | 81,342,872 |

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

**9.1 Pervez Ahmed Securities Limited**

| | | |
|---|---|---|
| Cost of investment | **3,412,243** | 3,412,243 |
| Share of post acquisition losses | **(1,360,297)** | (1,364,444) |
| Share of post acquisition changes in equity | **(160,258)** | (160,258) |
| Accumulated impairment | **(1,891,688)** | (1,887,541) |
| | **-** | - |

| | December 31, 2016 | June 30, 2016 |
|---|---|---|
| | *No. of shares* | *No. of shares* |
| Number of shares held | **61,550** | 61,550 |
| | *% age* | *% age* |
| Percentage of ownership interest | **0.03** | 0.03 |
| | *Rupees* | *Rupees* |
| Market value per share | **1.66** | 2.39 |

**9.1.1 Extracts of financial statements of Pervez Ahmed Securities Limited**

The assets and liabilities of Pervez Ahmed Securities Limited as at the reporting date and related revenue and profit for the year then ended based on the unaudited financial statements are as follows:

| | December 31, 2016 | June 30, 2016 |
|---|---|---|
| | *Rupees* | *Rupees* |
| | *(Un-Audited)* | *(Audited)* |
| Revenue | **81,811** | 473,951 |
| Assets | **437,768,424** | 425,414,913 |
| Liabilities | **676,526,398** | 676,744,491 |
| Profit/(loss) for the year | **12,571,604** | (236,657,771) |
| Share of profit/(loss) | **4,147** | (78,075) |

**9.2 Pervez Ahmed Capital (Private) Limited**

| | | |
|---|---|---|
| Cost of investment | **85,000,000** | 85,000,000 |
| Share of post acquisition profits/(losses) | **1,441,576** | 129,187 |
| Accumulated impairment | **(3,786,315)** | (3,786,315) |
| | **82,655,261** | 81,342,872 |

| | December 31, 2016 | June 30, 2016 |
|---|---|---|
| | *No. of shares* | *No. of shares* |
| Number of shares held | **7,727,000** | 7,727,000 |
| | *% age* | *% age* |
| Percentage of ownership interest | **44.88** | 44.88 |
| | *Rupees* | *Rupees* |
| Break-up value per share | **10.60** | 10.43 |

**9.2.1 Extracts of financial statements of Pervez Ahmed Capital (Private) Limited**

The assets and liabilities of Pervez Ahmed Capital (Private) Limited as at the reporting date and related revenue and profit for the year then ended based on the audited financial statements are as follows:

| | December 31, 2016 | June 30, 2016 |
|---|---|---|
| | *Rupees* | *Rupees* |
| | *(Un-Audited)* | *(Audited)* |
| Revenue | **628,607** | 2,076,055 |
| Assets | **182,559,243** | 179,736,699 |
| Liabilities | **29,687** | 131,409 |
| Profit/(loss) for the year | **2,924,266** | (1,642,883) |
| Share of profit/(loss) | **1,312,389** | (737,314) |

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | **December 31, 2016** | December 31, 2015 | **December 31, 2016** | December 31, 2015 |
| | ***Rupees*** | *Rupees* | ***Rupees*** | *Rupees* |
| | ***(Un-Audited)*** | *(Un-Audited)* | ***(Un-Audited)*** | *(Un-Audited)* |
| **10 COST OF SALES** | | | | |
| Raw material consumed | **227,435,158** | 116,118,592 | **83,495,151** | 54,599,572 |
| Stores and spares consumed | **8,686,616** | 4,467,004 | **3,504,475** | 1,672,582 |
| Salaries, wages and benefits | **52,634,217** | 36,200,639 | **26,645,267** | 15,810,432 |
| Fuel and power | **59,774,381** | 34,913,130 | **18,605,214** | 16,640,634 |
| Traveling and conveyance | **378,228** | 353,258 | **211,058** | 188,712 |
| Repair and maintenance | **658,829** | 272,766 | **448,379** | 136,531 |
| Insurance | **632,998** | 12,351 | **338,972** | - |
| Entertainment | **435,069** | 388,828 | **181,938** | 173,655 |
| Depreciation | **16,933,581** | 18,417,464 | **4,922,849** | 9,208,732 |
| Others | **465,285** | 331,574 | **204,610** | 128,718 |
| Manufacturing cost | **368,034,362** | 211,475,606 | **138,557,913** | 98,559,568 |
| Work in process | | | | |
| As at beginning of the period | **10,751,777** | 12,663,970 | **13,392,500** | 13,683,432 |
| As at end of the period | **(13,350,000)** | (14,551,729) | **(13,350,000)** | (14,551,729) |
| | **(2,598,223)** | (1,887,759) | **42,500** | (868,297) |
| | **365,436,139** | 209,587,847 | **138,600,413** | 97,691,271 |
| Finished goods | | | | |
| As at beginning of the period | **4,571,553** | 3,666,788 | **4,842,587** | 1,894,979 |
| As at end of the period | **(4,492,665)** | (4,310,273) | **(4,492,665)** | (4,310,273) |
| | **78,888** | (643,485) | **349,922** | (2,415,294) |
| | **365,515,027** | 208,944,362 | **138,950,335** | 95,275,977 |

## 11 PROVISION FOR TAXATION

### 11.1 Current taxation

No provision for current tax has been made during the period as the Company has incurred gross loss.

### 11.2 Deferred taxation

The Company has net deferred tax asset amounting to Rs. 6.269 million as at December 31, 2016 which has not been recognized as taxable profits are not expected to be available in future against which the deferred tax asset could be utilized.

## 12 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise sponsors, associates and associated undertakings, and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term employee benefits and those with sponsors are limited to provision of interest free loans to the Company. The Company in the normal course of business carries out various transactions with associates and associated undertakings and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction, with the exception of borrowings, which are interest free.

Details of transactions with related parties are as follows:

| | | Six months ended | |
|---|---|---|---|
| | | **December 31, 2016** | December 31, 2015 |
| | | ***Rupees*** | *Rupees* |
| **12.1 Transactions with related parties** | | ***(Un-Audited)*** | *(Un-Audited)* |
| **Nature of relationship** | **Nature of transaction** | | |
| Associated companies and associated undertakings | Purchase of goods and services | **3,039,126** | 12,079,112 |
| | Sales of goods and services | **14,932,092** | 16,425,336 |

| | | | |
|---|---|---|---|
| | Short term borrowings obtained - *net* | **1,844,281** | 14,388,282 |
| Sponsors | Short term borrowings obtained - *net* | **10,663,000** | 58,661,770 |
| Key management personnel | Short term employee benefits | **3,350,000** | 2,850,000 |

| | | | **December 31, 2016** | June 30, 2016 |
|---|---|---|---|---|
| | | | ***Rupees*** | *Rupees* |
| **12.2** | **Balances with related parties** | | ***(Un-Audited)*** | *(Audited)* |
| | **Nature of relationship** | **Nature of balance** | | |
| | Associated companies and associated undertakings | Trade debts | **-** | 19,579,478 |
| | | Trade creditors | **5,434,123** | - |
| | | Advance against issue of ordinary shares | **35,266,664** | 35,266,664 |
| | | Short term borrowings | **32,978,693** | 31,134,412 |
| | Sponsors | Short term borrowings | **90,441,263** | 79,778,263 |
| | | Advance against issue of ordinary shares | **27,750,591** | 27,750,591 |
| | Key management personnel | Short term employee benefits payable | **-** | 15,277,236 |

**13 FINANCIAL INSTRUMENTS**

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

| | | **December 31, 2016** | June 30, 2016 |
|---|---|---|---|
| | | ***Rupees*** | *Rupees* |
| **13.1** | **Financial assets** | ***(Un-Audited)*** | *(Audited)* |
| | ***Loans and receivables*** | | |
| | Long term deposits | **19,072,394** | 19,072,394 |
| | Trade debts | **25,239,854** | 38,470,837 |
| | Bank balances | **1,920,536** | 982,174 |
| | | **46,232,784** | 58,525,405 |
| | ***Financial assets at fair value through profit or loss*** | | |
| | Short term investments | **1,127,083** | 753,460 |
| | | **47,359,867** | 59,278,865 |
| **13.2** | **Financial liabilities** | | |
| | ***Financial liabilities at amortized cost*** | | |
| | Long term finances | **138,454,408** | 151,189,524 |
| | Short term borrowings | **133,561,644** | 110,912,675 |
| | Accrued interest/markup | **246,757** | 226,244 |
| | Trade creditors | **55,718,919** | 56,445,349 |
| | Accrued liabilities | **41,007,625** | 31,391,726 |
| | Unclaimed dividend | **337,563** | 337,563 |
| | | **369,326,916** | 350,503,081 |

**14 FAIR VALUE MEASUREMENTS**

The Company measures some of it financial instruments at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of financial instruments measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

**14.1 Financial instruments measured at fair value**

**14.1.1 Recurring fair value measurements**

| **Financial instruments** | **Hierarchy** | **Valuation techniques and key inputs** | **December 31, 2016** | June 30, 2016 |
|---|---|---|---|---|
| | | | ***Rupees*** | *Rupees* |
| **Financial assets at fair value through profit or loss** | | | ***(Un-Audited)*** | *(Audited)* |
| Short term investments | Level 1 | Quoted bid prices in an active market | **1,127,083** | 753,460 |

**14.1.2 Non-recurring fair value measurements**

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

**14.2 Financial instruments not measured at fair value**

The management considers the carrying amount of all financial instruments not measured at fair value at the end of each reporting period to approximate their fair values as at the reporting date.

**14.3 Assets and liabilities other than financial instruments.**

**14.3.1 Recurring fair value measurements**

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

| | Level 1 | Level 2 | Level 3 | **December 31, 2016** | June 30, 2016 |
|---|---|---|---|---|---|
| | | | | ***Rupees*** | *Rupees* |
| | | | | ***(Un-Audited)*** | *(Audited)* |
| Freehold land | - | 60,225,000 | - | **60,225,000** | 60,225,000 |
| Buildings | - | - | 176,167,192 | **176,167,192** | 185,439,150 |
| Plant and machinery | - | - | 276,427,491 | **276,427,491** | 283,515,375 |
| Electric installations | - | - | 10,901,036 | **10,901,036** | 11,474,775 |

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

| | Valuation technique | Significant inputs | Sensitivity |
|---|---|---|---|
| **Freehold land** | Market comparable approach that reflects recent transaction prices for similar properties. | Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition. | A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 3.01 million (June 30, 2016: Rs. 3.01 million). |
| **Buildings** | Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year. | Estimated construction costs and other ancillary expenditure. | A 5% increase in estimated construction and other ancillary expenditure would results in a significant increase in fair value of buildings by Rs. 8.808 million (June 30, 2016: Rs. 9.27 million). |
| **Plant and machinery** | Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year. | Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation. | A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of plant and machinery by Rs. 13.467 million (June 30, 2016: Rs. 14.176 million). |
| **Electric installation** | Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the period/year. | Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation. | A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of electric installation by Rs. 545,052 (June 30, 2016: Rs. 573,739). |

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

**14.3.2 Non-recurring fair value measurements**

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

**15 EVENTS AFTER THE REPORTING PERIOD**

There are no significant events after the reporting period that may require adjustment of and/or disclosure in this condensed interim financial report.

**16 RECOVERABLE AMOUNTS AND IMPAIRMENT**

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in this condensed interim financial information.

**17 DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on February 28, 2017.

**18 GENERAL**

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

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

**18.3** Figures have been rounded off to the nearest Rupee.

**CHIEF EXECUTIVE** **DIRECTOR**

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