



**Crescent
Fibres**



**Half Yearly Report
December 31, 2017**



COMPANY INFORMATION

Board of Directors	Khawar Maqbool	(Chairperson, Non-Executive Director)
	Imran Maqbool	(Chief Executive, Executive Director)
	Humayun Maqbool	(Executive Director)
	Jahanzeb Saeed Khan	(Independent, Non-Executive Director)
	Nadeem Maqbool	(Non-Executive Director)
	Naila Humayun Maqbool	(Non-Executive Director)
	Mansoor Riaz	(Non-Executive Director)

Chief Financial Officer Kamran Rasheed

Company Secretary Javaid Hussain

Audit Committee

Jahanzeb Saeed Khan	(Chairman)
Nadeem Maqbool	(Member)
Naila Humayun Maqbool	(Member)

Human Resources & Remuneration Committee

Naila Humayun Maqbool	(Chairperson)
Jahanzeb Saeed Khan	(Member)
Nadeem Maqbool	(Member)

Auditors BDO Ebrahim & Company
Chartered Accountants

Legal Advisor Mohsin Tayebally & Sons

Share Registrar Vision Consulting Limited
1st Floor, 3-C, LDA Flats,
Lawrence Road, Lahore.

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Mills Unit-i : Nooriabad District Dadu, Sindh
Unit-ii : Bhikhi District Sheikhpura, Punjab

DIRECTORS' REPORT

The Company made a profit of Rs. 9.93 million in the second quarter of the fiscal year, which when combined with a profit of Rs.4.82 million in the first quarter, resulted in a net profit of Rs. 14.75 million for the six months ended December 31, 2017. The earnings per share for the period under review was Rs. 1.19 as compared to negative 0.01 for the period ended December 31, 2016.

The textile industry in Pakistan has been going through a prolonged recessionary period characterized by weak demand, low end-product prices and eroding margins. Factors contributing to this include high cost of doing business, increased financial and commodity market volatility and low domestic cotton yield and quality.

Sales for the period under review were 8.4% higher than the corresponding period, due to improvement in end-product prices in the second quarter. In the period under review, the gross margin increased to 5.6 % as compared to 3.2% in the corresponding period. Owing to cost controls, selling, administrative and other costs remained more or less unchanged as a percentage of sales. The operating margin for the period under review increased to 3.2% as compared to 1.7% for the period ended December 31, 2016. Financial charges at Rs. 35 million were 1.7% of sales as compared to 1.8% in the corresponding period. Overall, the net margin was 0.7% as compared to a small loss for the previous period.

Though yarn prices have shown some improvement in the recent past, we expect the profitability of the textile industry to remain under pressure. The uncertain global economic situation, particularly the slowdown in China, is likely to keep demand for end products weak. Apart from market dynamics, the Pakistani textile industry faces several other challenges. These include continued shortfalls in cotton production, high cost of doing business, uncertainty relating to energy supply and pricing, unrealistic currency valuation and high local taxes and surcharges. The situation is further exacerbated by the strong government support being offered to our regional competitors in the form of subsidies and export incentives.

The Management will continue to strive to maintain profitability through improved efficiency and productivity and sound, low risk decision-making. However, we expect that margins will remain under pressure over the course of the financial year.

The Management wishes to place on record its appreciation for the hard work and devotion of its workers and the invaluable advice and support of the Company's Directors, shareholders and bankers.



IMRAN MAQBOOL
Chief Executive
February 26, 2018



NADEEM MAQBOOL
Director

کمپنی نظامہ (ڈائریکٹران) کی رپورٹ:

کمپنی کو مالی سال کی دوسری سہ ماہی میں 9.93 ملین روپے کا منافع ہوا جو کہ پہلی سہ ماہی کے منافع 4.82 ملین روپے کے ساتھ شامل کرنے کے نتیجے میں 31 دسمبر 2017ء کو چھ ماہ کے لئے 14.75 ملین روپے کا منافع ہوا۔ 31 دسمبر 2016ء کی مدت کے لئے منفی 0.01 روپے نقصان کے مقابلے میں زیر جائزہ مدت کے لئے فی حصہ آمدنی 1.19 روپے تھی۔

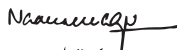
پاکستان میں ٹیکسٹائل کی صنعت طویل عرصہ سے اتری کا شکار رہی۔ چیدہ چیدہ محرکات میں ٹیکسٹائل مصنوعات کی طلب میں کمی ہونا، مصنوعات کی قیمت فروخت میں کمی، صنعت کو متعلقہ فوائد کے حصول میں رکاوٹ، کاروباری اخراجات میں اضافہ، اسکے علاوہ مالیاتی اور مصنوعات کی مارکیٹ میں عدم استحکام میں اضافہ اور کم ملکی کپاس کی پیداوار اور کوالٹی وغیرہ ہے۔


زیر جائزہ مدت کے لئے ایلٹ فروخت میں دوسری سہ ماہی میں گذشتہ سال اسی مدت کے مقابلے میں 8.4 فیصد زیادہ تھی، جس کی وجہ اختتامی مصنوعات کی قیمتوں میں بہتری تھی۔ زیر جائزہ مدت میں مجموعی منافع میں اسی مدت میں 3.2 فیصد کے مقابلے میں 5.6 فیصد اضافہ ہوا۔ لاگت کنٹرولز کی وجہ سے فروخت، انتظامی اور دیگر اخراجات میں کوئی خاص تبدیلی نہیں ہوئی۔ زیر جائزہ مدت کے لئے آپریٹنگ منافع میں 31 دسمبر 2016ء کی مدت کے لئے 1.7 فیصد کے مقابلے میں 3.2 فیصد اضافہ ہوا۔ مالیاتی اخراجات 35 ملین روپے تھے جو اسی عرصے میں 1.8 فیصد کے مقابلے میں فروخت کا 1.7 فیصد تھے۔ مجموعی طور پر پچھلے عرصے کے معمولی نقصان کے مقابلے میں خالص منافع 0.7 فیصد تھا۔

اگرچہ دھاگے کی قیمتوں میں ماضی قریب میں کچھ بہتری دکھائی دی ہے۔ ہمیں ٹیکسٹائل کی صنعت کے منافع کو دوبارہ میں رہنے کی توقع ہے۔ اس وقت عالمی غیر یقینی اقتصادی حالات کے بعد قابل ذکر عوامل مثلاً چین کی کرنسی کا گرنا ہماری سیل پرمٹنی اثر ڈالے گا۔ اس کے علاوہ پاکستانی ٹیکسٹائل صنعت کو کئی دیگر چیلنجز درپیش ہیں جس میں کپاس کی پیداوار میں افسوس ناک حد تک کمی، کاروباری معاملات کے اخراجات میں اضافے کا رجحان، بجلی کی کم اور بے قاعدہ سپلائی اور گراں قیمت کے نقصانات، ملکی کرنسی کی ناہمواری اور غیر مناسب ٹیکسوں اور سرچارج کا بوجھ۔ اس پرستم یہ کہ حکومت ٹیکسٹائل سے مقابلہ کرنے والی صنعتوں کو رعایت اور ایکسپورٹ سہولیات فراہم کر رہی ہے۔

کمپنی انتظامیہ بہتر کارکردگی اور پیداوار کی بہتر کوالٹی اور لاگت میں کمی کے ذریعے منافع حاصل کرنے کی کوشش جاری رکھے گی۔ تاہم ہمیں توقع ہے کہ اس مالی سال میں منافع میں کمی رہے گی۔

کمپنی کی انتظامیہ عملے کی مسلسل محنت اور جذبے پر اچھے تعلقات کا اعتراف کرتی ہے اور کمپنی ڈائریکٹرز، بینکرز اور حصہ داران کا بھی مسلسل حمایت پر شکریہ ادا کرتی ہے۔


ندیم مقبول
ڈائریکٹر


عمران مقبول
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تاریخ: 26 فروری 2018ء



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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **CRESCENT FIBRES LIMITED** ("the Company") as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the six months period ended December 31, 2017 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended December 31, 2017 and December 31, 2016 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

KARACHI

DATED: 26th February 2018

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2017 (UN-AUDITED)**

		December 31, 2017 (Un-audited) Rupees	June 30, 2017 (Audited) Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	3,052,114,638	1,217,342,358
Capital work-in-progress		2,676,312	23,765,454
		<u>3,054,790,950</u>	<u>1,241,107,812</u>
Long term investments		807,602	917,734
Long term deposits		17,100,128	13,098,313
		<u>3,072,698,680</u>	<u>1,255,123,859</u>
CURRENT ASSETS			
Stores, spares and loose tools		52,544,777	60,401,739
Stock in trade	7	606,351,504	382,608,424
Trade debts		572,534,294	551,087,852
Loans and advances		9,237,620	8,255,453
Trade deposits and short term prepayments		15,590,074	8,105,342
Other receivables		6,479,804	820,351
Short term investments		212,083,004	262,210,919
Tax refunds due from Government		87,615,530	72,780,382
Taxation - net		3,181,191	7,521,442
Cash and bank balances		95,009,317	69,421,095
		<u>1,660,627,115</u>	<u>1,423,212,999</u>
TOTAL ASSETS		<u>4,733,325,795</u>	<u>2,678,336,858</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
15,000,000 ordinary shares of Rs. 10/- each		150,000,000	150,000,000
Issued, subscribed and paid-up capital			
12,417,876 ordinary shares of Rs. 10/- each		124,178,760	124,178,760
Reserves			
Capital		91,197,882	129,864,631
Revenue		815,810,243	801,055,828
		<u>907,008,125</u>	<u>930,920,459</u>
		<u>1,031,186,885</u>	<u>1,055,099,219</u>
SURPLUS ON REVALUATION OF FIXED ASSETS		1,866,050,556	-
NON CURRENT LIABILITIES			
Long term financing	8	313,188,246	375,593,904
Liabilities against assets subject to finance leases		12,630,796	1,706,229
Deferred gain on sale and leaseback		478,518	-
Deferred taxation		141,941,342	149,514,201
		<u>468,238,902</u>	<u>526,814,334</u>
CURRENT LIABILITIES			
Trade and other payables		691,178,330	529,959,399
Interest and mark-up accrued		32,472,709	33,172,867
Short term borrowings	9	516,780,381	407,234,304
Current portion of long term liabilities		127,418,032	126,056,735
		<u>1,367,849,452</u>	<u>1,096,423,305</u>
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		<u>4,733,325,795</u>	<u>2,678,336,858</u>

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

Half Yearly Report

Imran Maqbool

IMRAN MAQBOOL
Chief Executive

Naadeem Maqbool

NADEEM MAQBOOL
Director

Kamran Rasheed

KAMRAN RASHEED
Chief Financial Officer

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)**

	Note	Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		Rupees	Rupees	Rupees	Rupees
Sales - net		2,074,072,221	1,913,865,950	1,050,933,564	978,093,065
Cost of sales	11	(1,958,748,750)	(1,851,983,972)	(986,664,192)	(960,347,313)
Gross profit		115,323,471	61,881,978	64,269,372	17,745,752
Selling and distribution expenses		(8,951,824)	(9,070,298)	(4,767,540)	(5,143,691)
Administrative and general expenses		(52,625,507)	(45,622,885)	(26,422,503)	(22,453,954)
Other operating expenses		(2,639,018)	(921,853)	(2,326,518)	(399,925)
Other operating income		15,196,240	25,488,094	4,516,857	18,766,784
Operating profit		66,303,362	31,755,036	35,269,668	8,514,966
Finance cost		(35,039,530)	(34,457,034)	(18,900,885)	(18,548,719)
Share of loss from associate		(110,132)	(390,893)	(72,632)	(341,891)
Profit / (loss) before taxation		31,153,700	(3,092,891)	16,296,151	(10,375,644)
Taxation	12	(16,399,285)	2,943,763	(6,368,152)	9,321,642
Profit / (loss) for the period		14,754,415	(149,128)	9,927,999	(1,054,002)
Earnings / (loss) per share - basic and diluted (Rupees)	13	1.19	(0.01)	0.80	(0.08)

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

Imran Maqbool

IMRAN MAQBOOL
Chief Executive

Naadeem Maqbool

NADEEM MAQBOOL
Director

Kamran Rasheed

KAMRAN RASHEED
Chief Financial Officer

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**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	December 31, 2017 Rupees	December 31, 2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	31,153,700	(3,092,891)
Adjustment for non cash charges and other items:		
Depreciation	57,551,584	57,619,113
Gain on disposal of operating fixed assets	-	(774,792)
Gain on sale and leaseback	(59,816)	-
Capital gain on sale of investments	(5,659,460)	-
Unrealized loss / (gain) on remeasurement of investments at fair value through profit or loss - held for trading	1,270,471	(1,415,676)
Impairment on long term investment	-	371,853
Share of loss from associate	110,132	390,893
Finance cost	35,039,530	34,457,034
	88,252,441	90,648,425
(Increase) / decrease in current assets		
Stores, spares and loose tools	7,856,962	(10,309,238)
Stock in trade	(223,743,080)	(364,711,846)
Trade debts	(21,446,442)	28,549,332
Loans and advances	(982,167)	(16,582,864)
Trade deposits and short term prepayments	(7,484,732)	(928,130)
Other receivables	(5,659,453)	(615,032)
Tax refund due from Government	(14,835,148)	(18,075,259)
	(266,294,060)	(382,673,037)
Increase in current liabilities		
Trade and other payables	161,218,931	121,842,076
Cash generated from / (used in) operations	14,331,012	(173,275,427)
Income tax paid	(19,631,891)	(23,879,163)
Finance cost paid	(35,739,688)	(38,230,044)
Net cash used in operating activities	(41,040,567)	(235,384,634)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(4,645,832)	(73,195,033)
Proceeds from disposal of operating fixed assets	16,150,000	1,883,880
Short term investments	15,850,155	(111,000,000)
Long term advances	-	(1,672,500)
Long term deposits	(4,001,815)	5,350,630
Net cash generated from / (used in) investing activities	23,352,508	(178,633,023)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	(64,498,542)	45,782,078
Repayment of liabilities against assets subject to finance leases	(1,771,254)	(7,197,020)
Dividend paid	-	(11,996,093)
Short term borrowings	109,546,077	285,992,167
Net cash generated from financing activities	43,276,281	312,581,132
Net increase / (decrease) in cash and cash equivalents	25,588,222	(101,436,526)
Cash and cash equivalents at the beginning of the period	69,421,095	183,988,955
Cash and cash equivalents at the end of the period	95,009,317	82,552,429

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



IMRAN MAQBOOL
Chief Executive



NADEEM MAQBOOL
Director



KAMRAN RASHEED
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Issued, subscribed and paid-up capital	Reserves		Total
		Unrealized gain / (loss) on available for sale investment	Unappropriated profit	
Balance as at July 1, 2016	124,178,760	22,626,535	788,404,080	935,209,375
Total comprehensive income for the period				
Loss for the period ended December 31, 2016	-	-	(149,128)	(149,128)
Other comprehensive income	-	38,083,584	-	38,083,584
	-	38,083,584	(149,128)	37,934,456
Transactions with owners				
Dividend declared @ Rs. 1 per share	-	-	(12,417,876)	(12,417,876)
Balance as at December 31, 2016	124,178,760	60,710,119	775,837,076	960,725,955
Balance as at July 1, 2017	124,178,760	129,864,631	801,055,828	1,055,099,219
Total comprehensive income for the year				
Profit for the period ended December 31, 2017	-	-	14,754,415	14,754,415
Other comprehensive loss	-	(38,666,749)	-	(38,666,749)
	-	(38,666,749)	14,754,415	(23,912,334)
Balance as at December 31, 2017	124,178,760	91,197,882	815,810,243	1,031,186,885

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

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)**

	Half yearly ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Rupees	Rupees	Rupees	Rupees
Profit / (loss) for the period	14,754,415	(149,128)	9,927,999	(1,054,002)
Other comprehensive income				
Items that will be reclassified to profit and loss account subsequently				
Unrealized (loss) / gain on remeasurement of available-for-sale investments	(32,087,935)	38,083,584	(24,952,967)	39,036,382
Transfer to profit and loss account on disposal of available-for-sale investments	(6,578,814)	-	-	-
	(38,666,749)	38,083,584	(24,952,967)	39,036,382
Total Comprehensive (loss) / income for the period	(23,912,334)	37,934,456	(15,024,968)	37,982,380

Surplus arising on revaluation of property, plant and equipment has been reported in accordance with the requirements of the repealed Companies Ordinance, 1984 in a separate account below equity.

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

Imran Maqbool

IMRAN MAQBOOL
Chief Executive

Nadeem Maqbool

NADEEM MAQBOOL
Director

Kamran Rasheed

KAMRAN RASHEED
Chief Financial Officer

Half Yearly Report

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Crescent Fibres Limited ("the Company") was incorporated in Pakistan on August 06, 1977 as a public limited company under the Companies Act, 1913 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 104 - Shadman 1, Lahore. The principal business of the Company is manufacture and sale of yarn. The Company's manufacturing facilities are located at Nooriabad Industrial Estate, District Dadu, in the Province of Sindh, and at Bhikhi, District Sheikhpura in the Province of Punjab.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is unaudited but subject to limited scope review by auditors and are being submitted to the shareholders as required under section 237 of the Companies Act, 2017.

This condensed interim financial information of the Company for the six months period ended December 31, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

This condensed interim financial information of the Company has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984 as per the directive of Securities and Exchange Commission of Pakistan (SECP) issued vide Circular No. 23 dated October 04, 2017 and subsequently clarified by Institute of Chartered Accountants of Pakistan through their Circular No. 17 dated October 06, 2017.

The disclosures made in this condensed interim financial information have been limited in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information and disclosures made in the annual published financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2017.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended June 30, 2017, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for freehold land that is carried at revalued amount and investments classified as fair value through profit and loss - held for trading and available-for-sale which are carried at fair value.

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2017 except for the change in accounting policy as disclosed in note 4 of this condensed interim financial information.

3.2 The Company has adopted all the new standards and amendments to standards, including any consequential amendments to other standards which are applicable for the financial year beginning on July 1, 2017. The adoption of these new and amended standards did not have material impact on the Company's condensed interim financial information.

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

	Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments	July 01, 2018
IFRS 15 Revenue from Contracts with Customers	July 01, 2018

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers, IFRS 16 - Leases and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

4. CHANGE IN ACCOUNTING POLICY

As per International Accounting Standards (IAS) 16 "Property, Plant and Equipment", a company shall choose either the cost model or revaluation model as its accounting policy and shall apply that policy to entire class of property, plant and equipment. Under cost model, after initial recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment loss. During the period, the Company has changed its accounting policy and has chosen revaluation model for freehold land which was previously carried at cost model. Under revaluation model, after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. As per International Accounting Standard (IAS) 8 "Accounting Policies, Change in Accounting Estimates and Errors", the initial application of a policy to revalue assets in accordance with IAS 16 Property, Plant and Equipment is a change in accounting policy and is not accounted for retrospectively. Consequently, this change in accounting policy has been accounted for prospectively in accordance with the requirements of IAS 8. Had there been no change in accounting policy, the impacts would have been as follows:

			As at December 31, 2017 Rupees
Impact on Balance Sheet			
Property, plant and equipment	Lower	1,866,050,556	
Surplus on revaluation of fixed assets	Lower	1,866,050,556	

5. ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2017.

		December 31, 2017 (Un-audited) Rupees	June 30, 2017 (Audited) Rupees
6. OPERATING FIXED ASSETS			
Opening net book value (NBV)		1,217,342,358	1,245,262,713
Surplus on revaluation of fixed assets	6.1	1,866,050,556	-
Additions (at cost) during the period / year	6.2	41,884,974	98,248,522
		3,125,277,888	1,343,511,235
Disposals (at NBV) during the period / year	6.3	15,611,666	8,238,388
Depreciation charged during the period / year		57,551,584	117,930,489
		73,163,250	126,168,877
Closing net book value (NBV)		3,052,114,638	1,217,342,358

6.1 This represents surplus resulting from revaluation of freehold land carried out by independent valuer Messrs. Evaluation Focused Consulting on September 27, 2017 and Messrs. Sardar Enterprises on November 6, 2017. The valuation was determined with respect to the present market value of similar properties.

6.2 Details of additions (at cost) during the period / year are as follows:

Owned			
Plant and machinery	23,747,974	76,417,522	
Vehicles	1,987,000	20,806,000	
Electric installation	-	1,025,000	
Leased			
Vehicles	16,150,000	-	
	41,884,974	98,248,522	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)**

	December 31, 2017 (Un-audited) Rupees	June 30, 2017 (Audited) Rupees
6.3 Details of disposals (at NBV) during the period / year are as follows:		
Owned		
Plant and machinery	-	7,074,659
Vehicles	15,611,666	1,163,729
	<u>15,611,666</u>	<u>8,238,388</u>
7. STOCK IN TRADE		
Raw material:		
In hand	468,553,231	251,627,713
Work-in-process	71,230,473	62,051,150
Finished goods	66,567,800	68,929,561
	<u>606,351,504</u>	<u>382,608,424</u>
8. LONG TERM FINANCING		
From banking companies - secured		
Balance as at July 01	500,771,544	490,922,562
Obtained during the period / year	-	87,354,000
	<u>500,771,544</u>	<u>578,276,562</u>
Repayments made during the period / year	(64,498,542)	(77,505,018)
	<u>436,273,002</u>	<u>500,771,544</u>
Less: Current portion shown under current liabilities	(123,084,756)	(125,177,640)
	<u>313,188,246</u>	<u>375,593,904</u>
9. SHORT TERM BORROWINGS		
From banking companies - secured		
Running / cash finance	504,780,381	395,234,304
Bill discounting	9.1 12,000,000	12,000,000
	<u>516,780,381</u>	<u>407,234,304</u>

9.1 The balance represents short term borrowings and markup accrued thereon payable to a financial institution. No provision for markup has been recorded on this balance since June 30, 2012. The company has received a nil balance certificate from the Bank and no claim has been received in respect of the amount outstanding from this financial institution or third party. Management considers it necessary to retain the balance outstanding in the books as no settlement has taken place.

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

- There is a contingent liability in respect of bank guarantees issued by the Company's bankers in the ordinary course of business aggregating to Rs. 66.915 million (June 30, 2017 : Rs. 66.915 million).
- Crescent Cotton Mills Limited has filed a case against Company for an amount of Rs. 53.850 million on the basis of case documents filed. The Company has a recorded liability of Rs. 17.542 million as the best estimate of amounts owed. No provision for the difference amount has been made as management is of the view that the basis is frivolous and in view of counter claims available with the Company is confident that the balance amount shall not be payable.
- Finance Act, 2017 introduced a new section 5A to the Income Tax Ordinance, 2001 on the subject of tax on undistributed profit, according to which for tax year 2017 and onward, a tax shall be imposed at the rate of seven and a half percent of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares.

The Company reported profit after tax for Tax Year 2017 and the requisite dividend has not been distributed by the period end. During the period, the Company filed a Constitutional Petition C.P. No. D-8409 of 2017 challenging the vires of the above mentioned section and obtained a stay order from Honorable High Court of Sindh by virtue of which tax authorities have been restrained from taking any coercive actions against the Company in respect of section 5A of the Income Tax Ordinance, 2001. Accordingly, the Company has not recorded any provision against the said tax which amounts to Rs. 2.337 million.

- The Additional Commissioner Inland Revenue (ACIR) amended the assessment u/s 122(5A) of the Income Tax Ordinance, 2001 for the Tax year 2012 and 2013 and created a net demand of Rs. 1.9 million after making various additions to the income of the Company and by disallowing benefit of minimum tax u/s113(2)(c) of the Income Tax Ordinance 2001 in the light of Sindh High Court Order. The aforesaid amount has been deposited by the Company under protest. As a consequence, refund amounting to Rs. 49.275 million has been deleted by the tax authorities. The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] based on advice of legal counsel.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

10.2 Commitments

The Company is committed as at balance sheet date as follows:

- The Company is committed as at the balance sheet date in respect of letters of credit against import of store and spares amounting to Rs. 7.412 million (June 30, 2017: Rs. 10.522 million).
- The Company is committed as at the balance sheet date in respect of letters of credit against import of raw cotton bales amounting to Rs. 204.063 million (June 30, 2017: Nil).
- The amount of future ljarah rentals for ljarah financing and the period in which these payments will become due are as follows:

	December 31, 2017 (Un-audited) Rupees	June 30, 2017 (Audited) Rupees
Not later than one year	825,192	396,972
Later than one year and not later than five years.	975,744	496,215
	1,800,936	893,187

11. COST OF SALES

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Un-audited)			
	Rupees			
Materials consumed	1,322,193,236	1,286,408,283	669,241,937	653,222,194
Stores, spares and loose tools consumed	41,187,560	37,673,111	19,133,197	21,677,352
Packing material consumed	29,427,581	33,826,178	14,993,745	18,983,824
Salaries, wages and other benefits	183,593,719	177,472,997	94,850,536	88,817,288
Fuel and power	260,268,638	249,487,409	131,947,475	126,157,630
Insurance	5,273,243	6,610,000	2,364,455	3,415,000
Repairs and maintenance	3,124,401	2,372,955	1,477,615	1,340,802
Depreciation	53,286,399	54,666,304	26,696,799	27,474,107
Other manufacturing overheads	11,712,402	11,062,000	5,916,177	4,193,392
	1,910,067,179	1,859,579,237	966,621,936	945,281,589
Opening work in process	62,051,150	48,983,183	74,262,194	50,258,043
Closing work in process	(71,230,473)	(56,802,004)	(71,230,473)	(56,802,004)
	(9,179,323)	(7,818,821)	3,031,721	(6,543,961)
Cost of goods manufactured	1,900,887,856	1,851,760,416	969,653,657	938,737,628
Cost of goods purchased for trading	55,499,133	3,015,000	24,315,296	-
Opening stock of finished goods	68,929,561	43,135,424	59,263,040	67,536,553
Closing stock of finished goods	(66,567,800)	(45,926,868)	(66,567,800)	(45,926,868)
	2,361,761	(2,791,444)	(7,304,760)	21,609,885
	1,958,748,750	1,851,983,972	966,664,192	960,347,313

12. TAXATION

The provision for taxation for the half year ended December 31, 2017 has been made using the estimated effective tax rate applicable to expected total annual earnings.

13. EARNINGS / (LOSS) PER SHARE -BASIC AND DILUTED

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

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	(Un-audited)			
	Rupees			
Profit / (loss) for the period (Rupees)	14,754,415	(149,128)	9,927,999	(1,054,002)
Weighted average number of ordinary shares	12,417,876	12,417,876	12,417,876	12,417,876
Earnings / (loss) per share - basic and diluted (Rupees)	1.19	(0.01)	0.80	(0.08)

14. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertakings comprise of group companies, other associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings are as under:

Relation with the Company	Nature of transaction	Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Un-audited)			
		Rupees			
Associated companies	Sales of goods and services	36,742,450	12,651,775	15,354,000	-
	Insurance premium	14,654,795	8,262,702	14,636,050	8,277,468
	Donation paid	60,000	60,000	30,000	40,000
	Rent received	266,208	242,136	145,140	132,042
	Rent paid	2,010,000	2,010,000	1,005,000	1,005,000
	Dividend paid	-	5,917,579	-	5,917,579
Retirement benefit plans	Contribution to staff retirement benefit plans	6,436,982	6,467,937	2,804,684	2,969,891
Key management personnel	Remuneration and benefits	18,139,174	16,623,361	9,460,525	9,995,859

Half Yearly Report

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)**

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	Rupees	Rupees
14.1 Period / Year end balances		
Receivable from associated company	4,328,483	4,578,472
Payable to associated company	21,626,222	16,064,524
Payable to provident fund	1,551,233	1,672,346
Due to Chief Executive and Directors	4,360,942	4,172,775
14.2 There are no transactions with key management personnel other than under their terms of employment.		
14.3 The above transactions with related parties are based at arm's length at normal commercial rates.		

15. FAIR VALUE MEASUREMENT - FINANCIAL INSTRUMENTS

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

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

- Level 1: quoted prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2017, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
Available for sale	122,023,472	-	54,675	122,078,147
Held for Trading	88,804,857	-	-	88,804,857

As at June 30, 2017, the Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	Rupees			
Available-for-sale	155,402,605	-	87,451	155,490,056
Held for Trading	105,520,863	-	-	105,520,863

Valuation techniques

For Level 3 available-for-sale investments, the Company values the investment at lower of carrying value and breakup value.

16. FAIR VALUE MEASUREMENT - NON FINANCIAL ASSET

Fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of freehold land is based on the valuations carried out by an independent valuer M/s Evaluation Focused Consulting and Messrs. Sardar Enterprises on the basis of market value.

Fair value is based on the assumption considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation.

Valuation techniques used to determine level 2 fair values

Fair value of freehold land has been derived using a sales comparison approach. The most significant input in this valuation approach is price / rate per acre in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

17. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 26, 2018 by the Board of Directors of the Company.

18. GENERAL

Amounts have been rounded off to the nearest of rupees unless otherwise stated.



IMRAN MAQBOOL
Chief Executive



NADEEM MAQBOOL
Director



KAMRAN RASHEED
Chief Financial Officer

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