TATA TEXTILE MILLS LIMITED

Condensed Interim Financial Information
For The Half Year Ended December 31, 2016
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COMPANY INFORMATION

BOARD OF DIRECTORS
CHAIRMAN: Mr. Anwar Ahmed Tata
CHIEF EXECUTIVE: Mr. Shahid Anwar Tata
DIRECTORS: Mr. Adeel Shahid Anwar Tata  
Mr. Bilal Shahid Anwar  
Mr. Asif Saleem  
Mr. Muhammad Salman H. Chawala (NIT)  
Mr. Muhammad Naseem

AUDIT COMMITTEE
CHAIRMAN: Mr. Muhammad Naseem
MEMBERS: Mr. Asif Saleem  
Mr. Bilal Shahid Anwar
SECRETARY Mr. Owais Ahmed Abbasi

HUMAN RESOURCE & REMUNERATION COMMITTEE
CHAIRMAN: Mr. Muhammad Naseem
MEMBERS: Mr. Shahid Anwar Tata  
Mr. Bilal Shahid Anwar
SECRETARY Mr. Aadil Riaz

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER: Mr. Farooq Advani

BANKERS: Faysal Bank Limited  
Dubai Islamic Bank (Pakistan) Limited  
Bank Alfalah Limited  
Meezan Bank Limited  
Habib Metropolitan Bank Limited  
The Bank of Punjab  
MCB Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Allied Bank Limited  
Bank Islami Pakistan Limited  
JS Bank Limited  
Askari Bank Limited  
Samba Bank Limited  
NIB Bank Limited

AUDITORS: M/s. Deloitte Yousuf Adil  
Chartered Accountants

LEGAL ADVISOR: Rajwana & Rajwana Advocates

SHARE REGISTRAR: Central Depository Company of Pakistan Limited  
CDC House, 99 – B, Block ‘B’,  
S.M.C.H.S., Main Shahra-e-Faisal  
Tel# (Toll Free) 0800-CDCPL (23275)  
Fax # (92-21) 34326053

REGISTERED OFFICE: 6th Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel# 32412955-3 Lines 32426761-2-4  
Fax # 32417710

WEB SITE ADDRESS: www.tatatex.com

E-MAIL ADDRESS: ttm.corporate@tatatex.com

MILLS: 10th K.M. M.M. Road  
Khanpur-Bagghasher,  
District Muzaffargarh
Directors’ Report

Assalam-o-Alaikum

The Financial Statements (un-audited) of the Company for the Half Yearly, ended on December 31, 2016 is being presented to you.

During the period under review, the Company incurred a pre-tax loss of PKR.10.527 million as compared to a pre-tax loss of PKR.28.725 million, during the corresponding period of last year, showing some progress.

Textile Industry

It is most unfortunate that we are yet again reporting the same distressing scenario which is only because of the apathetic attitude of the present Government. The cost push up continues in all inputs like labour, raw material, etc. The long awaited Textile Package has been finally announced, though, it is insufficient and inadequate. Nevertheless, we hope it will bring some development in the Textile Sector and help boost the declining exports.

Burden of Taxes

Like any other Company, your Company is burdened with Withholding Taxes. The current Tax Policy of the Government is not supportive to Business and the Industry. Instead, the Government has been inclined to recover more and more taxes from the already over-burdened existing tax payer in order to increase its revenue and target. The tax payer is required to pay minimum tax even if the company is incurring losses and the regime of Withholding Tax mechanism is programmed in such a manner that it deducts taxes in excess of the Minimum Tax liability. The Minimum Tax liability which was previously imposed at 0.5% is now increased to 1%.

Besides Withholding Taxes, we are contributing huge amount to the Government’s Revenue on account of various government levies, such as, SRB on services, Custom Duties, Textile Cess, Education Cess, Cotton Cess, Social Security, EOBI, etc.

Raw Material

There has yet again been a very serious failure of Cotton Crop. The Textile Industry have contributed Millions of Rupees as Cotton Cess to the Government, but the Pakistan Agriculture Institutions have not carried out any research for improvement in quality of Cotton Seeds or for Virus / pest resistant variety. The quality of Cotton keeps deteriorating every year in addition to reduction in Crop size and with its issues of contaminations, etc., we are paying a much higher price for Pakistani Cotton than what it actually deserves. But the Government continues to remain indifferent to the issues relating to Cotton crop and has not come up with any corrective measures or Policy for a crop that provides for 70% of the exports. We are therefore compelled to import Cotton which falls expensive.

Future Outlook

The Government has made some announcements for the Textile Industry, which under no circumstances could be termed as a “Textile Package”. A Country which is already short of Raw Material and is buying Raw Material at Import Parity, imposing 4% Import Duty, was an absolutely wrong Policy of the Government which rendered the Textile Industry totally uncompetitive, so this withdrawal of 4% duty cannot be considered a Package. However, we have to wait and watch, in the coming months, how the 4% Duty Draw Back on yarn, which is too little and too late, benefit the Industry against the unrealistic Exchange Rate Policy. Moreover, the Government should also take urgent measures to refund our accumulated amount of Sales Tax and Income Tax.

Acknowledgement

It is most important to mention the untiring endeavors of all our team members who are engaged in up-holding their commitment for the company’s success and growth. We also thank our Bankers, Vendors and Clients for their consistent trust and support.

On behalf of the Board of Directors

Karachi
Dated: February 25, 2017

SHAHID ANWAR TATA
CHIEF EXECUTIVE
AUDITORS’ REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of TATA TEXTILE MILLS LIMITED (the Company) as at December 31, 2016, the related condensed interim profit and loss account, 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 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. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2016 and December 31, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Deoitte Youmuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan
Phone: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314
Web: www.deoitte.com

Member of
Deoitte Touche Tohmatsu Limited
## CONDENSED INTERIM BALANCE SHEET

**AS AT DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>Note</th>
<th>December 31, 2016</th>
<th>June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
<td>(Audited)</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Current Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,935,961</td>
<td>2,891,141</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,244</td>
<td>1,956</td>
</tr>
<tr>
<td>Long-term deposits</td>
<td>2,077</td>
<td>2,077</td>
</tr>
<tr>
<td>** Current Assets**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores, spares and loose tools</td>
<td>50,234</td>
<td>50,533</td>
</tr>
<tr>
<td>Stock-in-trade</td>
<td>1,568,771</td>
<td>857,649</td>
</tr>
<tr>
<td>Trade debts</td>
<td>284,045</td>
<td>312,584</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>236,262</td>
<td>229,348</td>
</tr>
<tr>
<td>Trade deposits and short term prepayments</td>
<td>11,451</td>
<td>22,019</td>
</tr>
<tr>
<td>Other receivables</td>
<td>52</td>
<td>362</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>23,588</td>
<td>14,852</td>
</tr>
<tr>
<td>Sales tax refundable</td>
<td>50,376</td>
<td>32,146</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>53,979</td>
<td>60,364</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>2,939,282</td>
<td>2,895,174</td>
</tr>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital and reserves</td>
<td>1,454,223</td>
<td>1,460,510</td>
</tr>
<tr>
<td>Surplus on revaluation of property, plant and equipment</td>
<td>1,325,695</td>
<td>1,357,456</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term finances</td>
<td>264,671</td>
<td>158,733</td>
</tr>
<tr>
<td>Deferred liabilities</td>
<td>179,157</td>
<td>165,302</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>375,681</td>
<td>353,983</td>
</tr>
<tr>
<td>Accrued interest / mark-up on borrowings</td>
<td>19,967</td>
<td>12,482</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>1,463,740</td>
<td>855,315</td>
</tr>
<tr>
<td>Current portion of long-term finances</td>
<td>64,374</td>
<td>64,394</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>70,532</td>
<td>46,856</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,994,294</td>
<td>1,333,030</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td>5,218,040</td>
<td>4,475,031</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.
### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Half year ended</th>
<th>Quarter ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales-net</td>
<td>2,632,436</td>
<td>2,333,879</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(2,480,331)</td>
<td>(2,168,684)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>152,105</td>
<td>165,195</td>
</tr>
<tr>
<td>Distribution cost</td>
<td>(49,916)</td>
<td>(69,230)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(70,317)</td>
<td>(69,013)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(1,468)</td>
<td>(17,453)</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(43,127)</td>
<td>(40,546)</td>
</tr>
<tr>
<td></td>
<td>(164,828)</td>
<td>(196,242)</td>
</tr>
<tr>
<td>Other income</td>
<td>2,196</td>
<td>2,322</td>
</tr>
<tr>
<td>Loss before taxation</td>
<td>(10,527)</td>
<td>(28,725)</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>(27,520)</td>
<td>(11,197)</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>(38,047)</td>
<td>(39,922)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>(38,047)</td>
<td>(39,922)</td>
</tr>
<tr>
<td>Earnings per share - Basic and diluted (Rupees)</td>
<td>(2.20)</td>
<td>(2.30)</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

December 31, December 31, 2016 2015

------- Rupees in ‘000’ -------

A. CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation (10,527) (28,725)

Adjustments for
Depreciation 73,216 57,067
Amortization 880 872
Provision for staff gratuity 17,078 13,583
Provision for staff compensated absences 3,190 5,102
Provision for doubtful debts 593 -
Finance cost 43,127 40,546
Gain on disposal of property, plant and equipment (380) (1,846)

Operating cash flows before working capital changes 127,177 86,599

Decrease / (increase) in current assets
Stores, spares and loose tools 299 (4,300)
Stock-in-trade (711,122) (1,207,039)
Trade debts 27,946 181,842
Loans and advances 6,854 (10,035)
Trade deposits and short-term prepayments 10,514 (2,744)
Other receivables 310 (1,939)
Other financial assets (8,736) (102,500)
Sales tax refundable (18,230) (19,452)

Increase in current liabilities
Trade and other payables 21,700 134,991
Cash used in operations (543,288) (905,673)
Finance cost paid (35,642) (38,654)
Income tax paid (13,767) (26,464)
Staff gratuity paid (6,500) (5,779)
Staff compensated absences paid (3,695) (4,801)
Net cash used in operating activities (602,892) (981,371)

B. CASH FLOWS FROM INVESTING ACTIVITIES

Addition to property, plant and equipment (119,281) (78,512)
Proceeds from disposal of property, plant and equipment 1,625 2,632
Addition to intangible assets (169) -
Long-term deposits - (8,006)
Net cash used in investing activities (117,825) (83,886)

C. CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of long-term finance (32,207) (31,091)
Long-term finance obtained 138,125 44,667
Short-term borrowings (paid off) / obtained - net (402,984) 736,535
Dividend paid (2) (16,974)
Net cash (used in) / generated from financing activities (297,068) 733,137

Net decrease in cash and cash equivalents (A+B+C) (1,017,785) (332,120)
Cash and cash equivalents at July 01 (385,911) (333,741)
Cash and cash equivalents at December 31 (1,403,696) (665,861)

CASH AND CASH EQUIVALENTS

Cash and bank balances 53,979 39,258
Short-term borrowings (1,457,675) (705,119)
(1,403,696) (665,861)

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

SHAHID ANWAR TATA
CHIEF EXECUTIVE
ANWAR AHMED TATA
CHARIMAN / DIRECTOR
### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

**FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>Issued, subscribed and paid up capital</th>
<th>Revenue reserve</th>
<th>General reserve</th>
<th>Unappropriated profits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at June 30, 2015 (Audited)</td>
<td>173,247</td>
<td>1,000,000</td>
<td>457,641</td>
<td>1,630,888</td>
</tr>
</tbody>
</table>

**Total comprehensive income for the half year ended December 31, 2015**

| Loss for the period | -                | -                | (39,922)               | (39,922) |
| Other comprehensive income | -                | -                | -                      | -      |
| Total comprehensive income for the period | -                | -                | (39,922)               | (39,922) |
| Transferred from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax | -                | -                | 18,063                  | 18,063 |

**Transaction with owners**

- Final cash dividend for the year ended June 30, 2015 @ Re. 1 per share: - 31,760 31,760

| Balance at December 31, 2015 (Unaudited) | 173,247         | 1,000,000       | 418,457                | 1,591,704 |

**Total comprehensive income for the half year ended June 30, 2016**

| Loss for the period | -                | -                | (154,495)               | (154,495) |

**Other comprehensive income**

- Loss on remeasurement of defined benefit plan - net of deferred tax: - (8,603) (8,603)

| Total comprehensive income for the period | -                | -                | (163,098)               | (163,098) |
| Transferred from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation - net of deferred tax | -                | -                | 30,923                  | 30,923 |
| - disposal of property, plant and equipment | -                | -                | 981                    | 981 |
| -                | -                | 31,904            | 31,904                |

| Balance at June 30, 2016 (Audited) | 173,247         | 1,000,000       | 287,263                | 1,460,510 |

**Total comprehensive income for the half year ended December 31, 2016**

| Loss for the period | -                | -                | (38,047)               | (38,047) |

**Other comprehensive income**

| Total comprehensive income for the period | -                | -                | (38,047)               | (38,047) |
| Transferred from surplus on revaluation of property, plant and equipment on account of: - incremental depreciation - net of deferred tax | -                | -                | 31,314                  | 31,314 |
| - disposal of property, plant and equipment | -                | -                | 446                    | 446 |
| -                | -                | 31,760            | 31,760                |

| Balance at December 31, 2016 (Unaudited) | 173,247         | 1,000,000       | 280,976                | 1,454,223 |

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.

SHAHID ANWAR TATA  
CHIEF EXECUTIVE  

ANWAR AHMED TATA  
CHARIMAN / DIRECTOR
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

1. **LEGAL STATUS AND NATURE OF BUSINESS**
   Tata Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan on April 15, 1987 under the Companies Ordinance, 1984 and listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 6th Floor, Textile Plaza, M.A. Jinnah Road, Karachi, in the province of Sindh. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at District Muzaffargarh in the province of Punjab.

2. **BASIS OF PREPARATION**
   2.1 This condensed interim financial information of the Company for the half year ended December 31, 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail. This condensed interim financial information does not include all the information required for the full financial statements and therefore should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2016.

   2.2 This condensed interim financial information has been prepared under historical cost convention modified by:
   - revaluation of certain property, plant and equipment and
   - recognition of certain staff retirement benefits at present value.

   2.3 This condensed interim financial information is presented in PakRupees which is also the Company's functional and presentation currency and figures presented in this condensed interim financial information has been rounded off to the nearest thousand rupee.

   2.4 This condensed interim financial information is unaudited. However, a limited scope review of this condensed interim financial information has been performed by the external auditors of the Company in accordance with the requirements of clause 5.19.13(b) of Rule Book of Pakistan Stock Exchange Limited and they have issued their review report thereon. This condensed interim financial report is being submitted to shareholders as required by Section 245 of Companies Ordinance, 1984.

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

3. **SIGNIFICANT ACCOUNTING POLICIES**
   The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information and the significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied in the preparation of the financial statements as at and for the year ended June 30, 2016. Certain amendments to existing IFRSs are effective for periods beginning on or after July 1, 2016, which do not have any impact on this condensed interim financial information and are therefore not enumerated here.

4. **FINANCIAL RISK MANAGEMENT**
   The Company's financial risk objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended June 30, 2016.

<table>
<thead>
<tr>
<th>December 31, 2016 (Unaudited)</th>
<th>June 30, 2016 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating assets</td>
<td>2,791,088</td>
</tr>
<tr>
<td>Capital work-in-progress</td>
<td>144,873</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,935,961</strong></td>
</tr>
</tbody>
</table>

5. **PROPERTY, PLANT AND EQUIPMENT**

<table>
<thead>
<tr>
<th>Additions/ transfers from CWIP</th>
<th>Disposals (written down value)</th>
<th>Sale proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building on freehold land</td>
<td>4,199</td>
<td>-</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>8,765</td>
<td>740</td>
</tr>
<tr>
<td>Factory and workshop equipment</td>
<td>180</td>
<td>-</td>
</tr>
<tr>
<td>Electric installations</td>
<td>1,184</td>
<td>-</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>349</td>
<td>-</td>
</tr>
<tr>
<td>Security equipment</td>
<td>13,047</td>
<td>-</td>
</tr>
<tr>
<td>Vehicles</td>
<td>9,410</td>
<td>505</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,134</strong></td>
<td><strong>1,245</strong></td>
</tr>
</tbody>
</table>

During the period ended December 31, 2016 (Unaudited)
6. SHARE CAPITAL AND RESERVES

Authorized share capital
20,000,000 ordinary shares of Rs.10 each 20,000,000 20,000,000

Issued, subscribed and paid-up capital
17,324,750 ordinary shares of Rs.10 each 173,247 173,247

General reserve
1,000,000 1,000,000

Unappropriated profits
280,976 287,263
1,454,223 1,460,510

7. LONG TERM FINANCES

Banking companies - secured
Demand finances 82,668 99,202
Term finances 225,818 58,953
Diminishing musharka 20,559 23,721
Car finances - 20
Export oriented projects (EOP) - 41,231
329,045 223,127

Less: current portion shown under current liabilities
Demand finances 33,067 33,067
Term finances 24,981 18,110
Diminishing musharka 6,326 6,325
Car finances - 20
Export oriented projects (EOP) - 6,872
64,374 64,394
264,671 158,733

7.1 These finances are secured against first pari passu charge on all present and future fixed assets including land, building, property, plant and equipment of the Company, vehicles acquired from such finance, specific charge over new machinery and personal guarantee of directors. These finances are subject to mark-up at the rates ranging from 3.52 % to 7.59 % per annum (June 30, 2016: 8.2 % to 13% per annum).

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

At June 30, 2016, the Company issued security cheques of Rs 7.89 million for differential gas tariff to Sui Northern Gas Pipeline Limited (SNGPL) on order of Lahore High Court, Multan Bench. These cheques have become time barred at December 31, 2016, therefore, there are no contingencies as at December 31, 2016.
### 8.2 Commitments

#### (i) Letters of credit
- plant and machinery: Rs. 698,812 (2016: 382,130)
- stores and spares: Rs. 35,807 (2016: 11,332)
- raw material: Rs. 26,977 (2016: 24,281)

#### (ii) Bank guarantees issued on behalf of the Company
- Export: Rs. 294,663 (2016: 454,802)
- Local: Rs. 72,458 (2016: 43,415)

#### (iii) Bills discounted with recourse

#### (iv) Rentals under ijarah finance agreements
- Not later than one year: Rs. 57,282 (2016: 57,282)
- Later than one year but not later than five years: Rs. 178,480 (2016: 21,424)
- Later than five years: Rs. 2,299 (2016: 21,424)

### 9. COST OF GOODS SOLD

#### 9.1 Cost of goods manufactured
- Raw material: Rs. 1,741,704 (2016: 1,630,147)
- Stores and spares: Rs. 45,907 (2016: 40,550)
- Packing material: Rs. 29,337 (2016: 43,843)
- Power and fuel: Rs. 244,734 (2016: 251,857)
- Salaries, wages and benefits: Rs. 170,284 (2016: 161,913)
- Depreciation: Rs. 69,468 (2016: 53,119)
- Insurance: Rs. 9,497 (2016: 8,981)
- Repairs and maintenance: Rs. 2,649 (2016: 5,929)
- Ijarah rentals: Rs. 30,618 (2016: 28,771)
- Other overheads: Rs. 5,920 (2016: 5,997)

### 9.1.1 Raw material consumed
- Opening stock: Rs. 514,637 (2016: 555,405)
- Purchases - net: Rs. 2,550,626 (2016: 2,627,259)
- Closing stock: Rs. 1,741,704 (2016: 1,630,147)
9.2 Net realizable value of finished goods was lower than its cost, resulting in a write-down of Rs. 8.41 million (December 31, 2015: Rs. 26.03 million) charged to cost of goods sold.

10. TAXATION
The charge for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credit, rebates and exemptions available, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.
Deferred tax is provided using the balance sheet liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. After considering, the effects on deferred taxation on the portion subject to final tax regime.

11. TRANSACTIONS WITH RELATED PARTIES
The related parties comprise associated undertakings and key management personnel. The transactions between the Company and the related parties are carried out as per agreed terms. Significant transactions with related parties are as follows:

<table>
<thead>
<tr>
<th>Relationship with the party</th>
<th>Nature of transactions</th>
<th>December 31, 2016 (Unaudited)</th>
<th>December 31, 2015 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated undertakings</td>
<td>Share of expenses received</td>
<td>1,103</td>
<td>1,124</td>
</tr>
<tr>
<td></td>
<td>Share of expenses paid</td>
<td>1,611</td>
<td>3,362</td>
</tr>
<tr>
<td></td>
<td>Purchase of cotton</td>
<td>37,725</td>
<td>54,983</td>
</tr>
<tr>
<td></td>
<td>Sale of yarn</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Dividend paid</td>
<td>-</td>
<td>435</td>
</tr>
<tr>
<td>Key management personnel</td>
<td>Remuneration</td>
<td>44,529</td>
<td>38,315</td>
</tr>
<tr>
<td>Directors</td>
<td>Remuneration</td>
<td>7,490</td>
<td>5,735</td>
</tr>
<tr>
<td></td>
<td>Meetings fee</td>
<td>120</td>
<td>110</td>
</tr>
<tr>
<td></td>
<td>Rent expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>- godown</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>- office premises</td>
<td>1,432</td>
<td>1,432</td>
</tr>
<tr>
<td></td>
<td>Dividend paid</td>
<td>-</td>
<td>10,236</td>
</tr>
</tbody>
</table>

12. FAIR VALUE HIERARCHY
The Company’s free hold land, building and plant and machinery are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent impairment losses, if any. The fair value measurements of the Company’s free hold land, building and plant and machinery were carried out as at September 30, 2003, June 30, 2008, June 30, 2012 and December 31, 2015, all by Iqbal A.Nanjee & Company (Private) Limited (valuer) on the basis of market value or depreciated replacement values as applicable. The valuer is listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties, plant and machinery.

Levels of fair value are defined as follows:
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 (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Details of Company’s free hold land, building, plant and machinery and electric installations information about the fair value hierarchy are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free hold land</td>
<td>-</td>
<td>179,733</td>
<td>-</td>
<td>179,733</td>
</tr>
<tr>
<td>Building on free hold land</td>
<td>-</td>
<td>555,763</td>
<td>-</td>
<td>555,763</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>-</td>
<td>1,921,716</td>
<td>-</td>
<td>1,921,716</td>
</tr>
<tr>
<td>Electric installations</td>
<td>-</td>
<td>57,317</td>
<td>-</td>
<td>57,317</td>
</tr>
<tr>
<td><strong>As at June 30, 2016 (Audited)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free hold land</td>
<td>-</td>
<td>179,733</td>
<td>-</td>
<td>179,733</td>
</tr>
<tr>
<td>Building on free hold land</td>
<td>-</td>
<td>565,812</td>
<td>-</td>
<td>565,812</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>-</td>
<td>1,962,915</td>
<td>-</td>
<td>1,962,915</td>
</tr>
<tr>
<td>Electric installations</td>
<td>-</td>
<td>59,129</td>
<td>-</td>
<td>59,129</td>
</tr>
</tbody>
</table>

There were no transfers between levels of fair value hierarchy during the period.
As at December 31, 2016 and June 30, 2016, there were no other financial assets and financial liabilities that warranted classification under above levels.
The carrying value of all other financial assets and liabilities approximate their fair values.

13. DATE OF AUTHORIZATION FOR ISSUE
This condensed interim financial information was authorized for issue on February 25, 2017 by the Board of Directors of the Company.

SHAHID ANWAR TATA
CHIEF EXECUTIVE

ANWAR AHMED TATA
CHAIRMAN / DIRECTOR