

**Kohat Textile Mills Limited
Half Year Accounts 31 December, 2017**

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COMPANY INFORMATION

BOARD OF DIRECTORS

Osman Saifullah Khan - **Chairman**
 Jehangir Saifullah Khan
 Ms. Hoor Yousafzai
 Assad Saifullah Khan - **Chief Executive**
 Abdul Rehman Qureshi
 Rana Muhammad Shafi
 Zaheen Ud Din Qureshi

AUDIT COMMITTEE

Abdul Rehman Qureshi - **Chairman**
 Ms. Hoor Yousafzai - **Member**
 Jahangir Saifullah Khan - **Member**

HR & REMUNERATION COMMITTEE

Ms. Hoor Yousafzai - **Chairpreson**
 Jahangir Saifullah Khan - **Member**
 Assad Saifullah Khan - **Member**

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sabir Khan

HEAD OF INTERNAL AUDIT

Salman Shafiq

AUDITORS

M/s Shinewing Hameed Chaudhri & Co.
 Chartered Accountants

LEGAL ADVISORS

Salahuddin Saif & Aslam
 (Attorney's at Law)

BANKERS

Askari Bank Limited
 Dubai Islamic Bank
 Meezan Bank Limited
 National Bank of Pakistan
 Soneri Bank Limited
 The Bank of Punjab
 The Bank of Khyber
 United Bank Limited

HEAD OFFICE

3rd Floor, City Centre, Plot No. 40,
 Main Bank Road, Saddar, Rawalpindi
 Phone : (051) 5700824-8
 Fax : (051) 5700829
 Email : ktm@saifgroup.com

REGISTERED OFFICE

APTMA House, Tehkal Payan,
 Jamrud Road, Peshawar
 Phone : (091) 5843870, 5702941
 Fax : (091) 5840273
 Email : Peshawar@saifgroup.com

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.,
 HM House, 7-Bank Square, Lahore
 Phone : +92-42-37235081-37235082
 Fax : +92-42-37358817
 E-mail : info@hmaconsultants.com

MILLS

Saifabad, Kohat
 Phone : (0922) 862065, 862091
 Fax : (0922) 862057-58
 Email : ktmkht@saifgroup.com

WEB SITE

www.kohattextile.com

DIRECTORS' REPORT TO THE SHAREHOLDERS**DEAR SHAREHOLDERS,**

On behalf of the Board of Directors of Kohat Textile Mills Limited (the Company), it is my pleasure to present the financial information of the Company for the first half year ended December 31, 2017, duly reviewed by the statutory auditors.

OPERATING RESULTS

During the six months period review, despite a reduced topline (contraction of Rs. 88.81 million or 8% over corresponding period last year) the gross profitability of the Company marginally improved (Rs 87.01 million vs Rs 86.31 million) owing to proportionately higher decrease in cost of sales. Similarly, due to continuous cost rationalization efforts of the Management, the Company posted a profit before tax of Rs. 15.86 million which is more than two folds as compared to profit in the same period of last year. The profitability was achieved despite an industry-wide turmoil where local competitiveness continues to suffer due to high cost structures.

FUTURE OUTLOOK

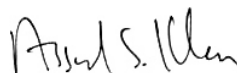
The Government is expected to announce a relief package for textile industry. Duties on the import of cotton have already been withdrawn as a relief incentive. After the announcement of textile relief package by the Government, we are hopeful for a recovery in the local textiles market.

The capital expenditure for the current year is in progress which will not only help the Company to further reduce the operational expenses but will also enable the Company to enter into new markets by increasing the yarn product range, thus, ultimately adding to the revenues/profitability, Insha Allah.

ACKNOWLEDGEMENT

The Board records its appreciation for the performance of the Company's workers, staff and executives. Also, the Board appreciates for the support of our bankers and The Bank of Khyber which approved a financial package Rs. 450 million to undertake CAPEX plan and working capital need of the Company.

For and on Behalf of the Board



ASSAD SAIFULLAH KHAN
Chief Executive Officer

Place: Islamabad
Dated: February 27, 2018

ڈائریکٹر رپورٹ برائے شیئر ہولڈر

محترم شیئر ہولڈرز

یہ میرے لئے خوشی کا امر ہے کہ میں بورڈ آف ڈائریکٹرز کو ہاٹ ٹیکسٹائل ملز لمیٹڈ (بعد ازاں ”کمپنی“ کہلاتا ہے) کی جانب سے پہلی سہ ماہی اختتامی دسمبر 31، 2017 کے لئے کمپنی ہذا کی مالیاتی معلومات / رپورٹ پیش کر رہا ہوں جس کا قانونی آڈیٹر نے باقاعدہ جائزہ لیا ہے۔

آپریٹنگ (جاری) کاروبار کے نتائج:

چھ مہینے کے زیر جائزہ مدت کے دوران، ٹاپ لائن میں کمی کے باوجود، (88.81 ملین روپے یا 8% کمی) گزشتہ سال کی تقابلی مدت کے برعکس کمپنی ہذا کے مجموعی منافع میں معمولی بہتری (یعنی مبلغ 87.01 ملین روپے بمقابلہ 86.31 ملین روپے) آئی جس کی اہم وجہ سیلز (فروخت) کی لاگت میں بڑی مقدار میں کمی ہے۔ اس طرح، انتظامیہ ہذا کی لاگت کے سلسلہ میں مسلسل استدلالی کاوشوں کی وجہ سے، کمپنی نے ٹیکس کی کٹوتی سے قبل منافع مبلغ 15.86 ملین روپے کمایا جو گزشتہ سال کے اسی مدت کے دوران منافع کے مقابلے میں دو گنا سے زیادہ ہے۔ صنعت میں وسیع بحران کے باوجود منافع حاصل ہوا جبکہ زیادہ لاگت کی وجہ سے دیگر مقامی صنعت کو مسلسل نقصان کا سامنا ہے۔

مستقبل کا نقطہ نظر

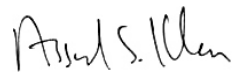
حکومت سے امید کی جاتی ہے کہ ٹیکسٹائل کی صنعت کیلئے ریلیف پیکیج کا اعلان کرے گی۔ کپاس کی درآمد پر ڈیوٹی بطور امدادی ترغیب واپس لے لی گئی ہے۔ حکومت کی جانب سے ٹیکسٹائل ریلیف پیکیج کے اعلان کے بعد، ہم امید کرتے ہیں کہ مقامی ٹیکسٹائل مارکیٹ میں بہتری آئے گی۔

حالیہ سال کیلئے سرمایہ کاری میں اضافہ جاری ہے جس سے نہ صرف کمپنی کو اپنے آپریشنل اخراجات میں کمی کے سلسلہ میں مدد ملے گی بلکہ سوت کی مصنوعات کی رینج / اقسام میں اضافہ کر کے کمپنی نئی مارکیٹ میں داخل ہو سکے گی جس سے انشاء اللہ منافع میں نتیجتاً اضافہ ہو جائے گا۔

اظہار تشکر:

کمپنی ہذا کے بورڈ معزز کارکنان، شاف اور ایگزیکٹوز کی کارکردگی پر ان کو خراج تحسین پیش کرتا ہے۔ مزید برآں، بورڈ ہذا ہمارے بینکرز، اور بینک آف خیبر کے تعاون کے بھی شکر گزار ہیں جنہوں نے CAPEX منصوبہ پر عمل درآمد اور ورکنگ کیپٹل کی ضروریات پوری کرنے کیلئے مالیاتی پیکیج مبلغ 450 ملین روپے کی منظوری دی ہے۔

بورڈ ہذا کی جانب سے:



جناب اسد سیف اللہ خان
چیف ایگزیکٹو آفیسر

برقلم: اسلام آباد

تاریخ: 27 فروری، 2018

**AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION****Introduction**

We have reviewed the accompanying condensed interim balance sheet of Kohat Textile Mills Limited (the Company) as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof 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 of the condensed interim profit and loss account for the quarters ended December 31, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2017.

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 condensed interim financial information as of 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.

Emphasis of matter

Without qualifying our conclusion, we draw your attention to the note 8.1.2 to the condensed interim financial information which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.356.002 million.

Place: Lahore
Dated: February 27, 2018

Shinewing Hameed Chaudhri & Co.
SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Engagement Partner: Nafees ud din


CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER, 2017

	Note	Un-audited 31 Dec., 2017	Audited 30 June, 2017
		--- Rupees in '000 ---	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,290,243	1,270,674
Intangible assets		2,414	2,767
Long term loans		1,496	1,770
Long term deposits		1,137	1,137
		<u>1,295,290</u>	<u>1,276,348</u>
CURRENT ASSETS			
Stores, spare parts and loose tools		36,148	34,150
Stock-in-trade		376,774	414,162
Trade debts		214,137	254,242
Loans and advances		12,572	18,677
Deposits, other receivables and prepayments		13,381	16,088
Taxation - net		74,295	77,590
Sales tax refundable		27,831	40,349
Cash and bank balances		9,698	4,839
		<u>764,836</u>	<u>860,097</u>
		<u>2,060,126</u>	<u>2,136,445</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
22,000,000 ordinary shares of Rs.10 each		220,000	220,000
Issued, subscribed and paid up capital			
20,800,000 ordinary shares of Rs.10 each		208,000	208,000
Unappropriated profit		142,274	182,992
		<u>350,274</u>	<u>390,992</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		442,409	449,723
NON-CURRENT LIABILITIES			
Loan from the Holding Company		100,000	100,000
Long term financing		39,315	65,529
Long term deposits		2,695	2,320
Liability against asset subject to finance lease		3,243	1,968
Deferred liability - staff retirement benefits		101,053	95,125
Deferred taxation - net		146,147	113,768
		<u>392,453</u>	<u>378,710</u>
CURRENT LIABILITIES			
Trade and other payables		173,187	350,771
Accrued interest / mark-up		11,566	13,065
Short term borrowings		633,471	471,767
Current portion of non-current liabilities		56,766	81,417
		<u>874,990</u>	<u>917,020</u>
CONTINGENCIES AND COMMITMENTS	8	<u>2,060,126</u>	<u>2,136,445</u>

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


ASSAD SAIFULLAH KHAN
Chief Executive Officer

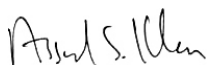

RANA MUHAMMAD SHAFI
Director


NOUMAN AHMAD
Chief Financial Officer

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

	Quarter ended		Half Year ended	
	31 Dec., 2017	31 Dec., 2016	31 Dec., 2017	31 Dec., 2016
	----- Rupees in '000 -----			
Note				
Sales - net	531,021	609,723	994,405	1,083,213
Cost of sales	(482,668)	(583,420)	(907,398)	(996,904)
Gross profit	48,353	26,303	87,007	86,309
Distribution cost	(3,325)	(3,685)	(7,824)	(6,950)
Administrative expenses	(14,352)	(15,723)	(30,314)	(32,703)
Other expenses	(1,693)	(3,039)	(2,593)	(3,721)
Other income	91	0	91	0
Profit from operations	29,074	3,856	46,367	42,935
Finance cost	(16,018)	(17,679)	(30,506)	(35,264)
Profit / (loss) before taxation	13,056	(13,823)	15,861	7,671
Taxation	(42,393)	(14,917)	(43,093)	(19,229)
Loss after taxation	(29,337)	(28,740)	(27,232)	(11,558)
Other comprehensive income	0	0	0	0
Total comprehensive loss	(29,337)	(28,740)	(27,232)	(11,558)
	----- Rupees -----			
Loss per share				
- basic and diluted	(1.41)	(1.38)	(1.31)	(0.56)

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



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director

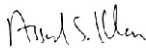


NOUMAN AHMAD
Chief Financial Officer

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

	Half Year ended	
	31 Dec., 2017	31 Dec., 2016
	--- Rupees in '000 ---	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period - before taxation	15,861	7,671
Adjustments for non-cash charges and other items:		
Depreciation	30,959	41,823
Amortisation	353	412
Staff retirement benefits - gratuity (net)	5,928	4,158
(Gain) / loss on sale of operating fixed assets	(91)	972
Finance cost	30,506	35,264
PROFIT BEFORE WORKING CAPITAL CHANGES	83,516	90,300
EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(1,998)	(14,892)
Stock-in-trade	37,388	21,060
Trade debts	40,105	(49,414)
Loans and advances	6,105	(60,759)
Deposits and short term prepayments	2,707	(699)
Other receivables	0	(301)
Sales tax refundable	12,518	13,011
DECREASE IN TRADE AND OTHER PAYABLES	(177,719)	0
	(80,894)	(91,994)
CASH GENERATED FROM / (USED IN) OPERATIONS	2,622	(1,694)
Income taxes paid	(7,419)	(6,333)
Long term loans - net	274	(12)
NET CASH USED IN OPERATING ACTIVITIES	(4,523)	(8,039)
CASH FLOW FROM INVESTING ACTIVITIES		
Additions in property, plant and equipment	(51,687)	1,011
Sale proceeds of operating fixed assets	1,250	1,200
NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES	(50,437)	2,211
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - obtained	1,815	0
- repaid	(53,029)	(48,029)
Liability against asset subject to finance lease	1,624	0
Long term deposits	375	306
Short term borrowings - net	161,704	83,049
Dividend paid	(20,665)	0
Finance cost paid	(32,005)	(33,827)
NET CASH GENERATED FROM FINANCING ACTIVITIES	59,819	1,499
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	4,859	(4,329)
CASH AND CASH EQUIVALENTS - at beginning of the period	4,839	12,880
CASH AND CASH EQUIVALENTS - at end of the period	9,698	8,551

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


ASSAD SAIFULLAH KHAN
 Chief Executive Officer

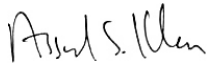

RANA MUHAMMAD SHAFI
 Director


NOUMAN AHMAD
 Chief Financial Officer

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

	Share capital	Unappropriated profit	Total
----- Rupees in '000 -----			
Balance as at July 01, 2016	208,000	133,318	341,318
Total comprehensive loss for the half-year ended December 31, 2016	0	(11,558)	(11,558)
Surplus on revaluation of property, plant and equipment for the six months realised during the period - net of deferred taxation			
- on account of incremental depreciation for the period	0	9,441	9,441
- upon sale of revalued assets	0	1,228	1,228
		10,669	10,669
Balance as at December 31, 2016	208,000	132,429	340,429
Balance as at July 01, 2017	208,000	182,992	390,992
Transaction with owners			
Cash dividend for the year ended June 30, 2017 at the rate of Re.1.00 per share	0	(20,800)	(20,800)
Total comprehensive loss for the half-year ended December 31, 2017	0	(27,232)	(27,232)
Surplus on revaluation of property, plant and equipment for the six months realised during the period on account of incremental depreciation for the period - net of deferred taxation	0	7,314	7,314
Balance as at December 31, 2017	208,000	142,274	350,274

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


ASSAD SAIFULLAH KHAN
Chief Executive Officer


RANA MUHAMMAD SHAFI
Director


NOUMAN AHMAD
Chief Financial Officer

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER, 2017****I. LEGAL STATUS AND NATURE OF BUSINESS**

Kohat Textile Mills Limited (the Company) is a public limited Company incorporated in Pakistan during the year 1967 and its shares are quoted on Pakistan Stock Exchange Limited. The Company is principally engaged in manufacture and sale of yarn. The Company's Mills are located in Saifabad, Kohat and the registered office of the Company is located at APTMA House, Tehkal Payan, Jamrud Road, Peshawar.

The Company is a Subsidiary Company of Saif Holdings Limited (the Holding Company) as 77.98% (June 30, 2017: 77.98%) of the Company's issued, subscribed and paid-up capital is held by the Holding Company.

2. BASIS OF PREPARATION**2.1 Statement of compliance**

The Companies Act, 2017 has been promulgated with effect from May 30, 2017. However, as per the requirements of Circular # 23 of 2017 dated October 4, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP) and related clarification issued by the Institute of Chartered Accountants of Pakistan through its Circular # 17 of 2017 dated October 6, 2017, companies whose financial year, including quarterly and other interim period, closes on or before December 31, 2017, shall prepare their financial statements, including interim financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984 (the Ordinance).

2.2 This condensed interim financial information of the Company for the six months period ended December 31, 2017 is un-audited and 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 Ordinance. In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. The figures for the six months period ended December 31, 2017 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2017.

2.3 This condensed interim financial information is being submitted to the shareholders as required by the section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of audited annual financial statements for the year ended June 30, 2017.

4. CHANGES IN ACCOUNTING STANDARDS AND INTERPRETATIONS

There are certain new International Financial Reporting Standards (standards), amendments to published standards and interpretations that are mandatory for the financial period beginning on July 1, 2017. These considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are, therefore, not disclosed in this condensed interim financial information.

4.1 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial period beginning on July 1, 2017 and have not been early adopted by the Company:

- a) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on

or after January 1, 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entity will recognize transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

- (b) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements

- 4.2 In addition to the foregoing, the Companies Act, 2017 which is not effective on these condensed interim financial statements has added certain disclosure requirements which will be applicable in the future.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgements, 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.

Except for the matter detailed in note 6.2, judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2017.

6. PROPERTY, PLANT AND EQUIPMENT

		Un-audited 31 Dec., 2017	Audited 30 June, 2017
	Note	--- Rupees in '000 ---	
Operating fixed assets - tangible	6.1	1,225,747	1,232,881
Capital work-in-progress		22,753	20,000
Stores held for capital expenditure		41,743	17,793
		<u>1,290,243</u>	<u>1,270,674</u>

6.1 Operating fixed assets - tangible

Book value at beginning of the period / year		1,232,881	1,296,446
Additions during the period / year	6.1.1	24,984	24,111
Disposals costing Rs.1.798 million (June 30, 2017: Rs.5.223 million) - at net book value		(1,159)	(2,172)
Depreciation charge for the period / year		(30,959)	(85,504)
Book value at end of the period / year		<u>1,225,747</u>	<u>1,232,881</u>

	Un-audited 31 Dec., 2017	Audited 30 June, 2017
6.1.1 Additions during the period / year:	--- Rupees in '000 ---	
Buildings on freehold land		
- factory	1,967	315
- residential	0	946
Plant & machinery	17,862	17,500
Electric installations	146	551
Equipment & appliances	1,530	1,840
Furniture & fixtures	1,415	326
Vehicles - leased	2,064	2,633
	24,984	24,111

- 6.2** The management of the Company, during the current period, in order to ascertain the useful life of plant & machinery, gas fired power plant and electric installations has carried-out an internal exercise and assessed the remaining useful life of these class of assets. Keeping in consideration the assessed useful life of aforementioned assets, the depreciation rate of plant & machinery and gas fired power plant has been reduced to 5% per annum from 7.5% per annum, whereas the depreciation rate of electric installations has been reduced to 5% per annum from 10% per annum. The aforementioned revision has been accounted for as change in accounting estimates in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors). The effect of this change in accounting estimate has been recognised prospectively in the profit and loss account of the current period. Had there been no revision, profit before taxation and the carrying value of operating fixed assets would have been lower by Rs.9.118 million. Accordingly, loss per share for the current period ended December 31, 2017 would have been Rs.1.75 instead of Rs.1.31.

7. SHORT TERM BORROWINGS

Short term finance facilities available from various commercial banks aggregate to Rs.900 million (June 30, 2017: Rs.750 million). These facilities, during the current period, carried mark-up / profit at the rates ranging from 3.40% to 7.28% (June 30, 2017: 2.41% to 8.05%) per annum payable on quarterly basis. The aggregate facilities are secured against pledge of raw materials & finished goods, charge on fixed and current assets of the Company, lien on documents of title to imported goods. These facilities are expiring on various dates by October, 2018.

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

- 8.1.1** Guarantees aggregating Rs.73.962 million (June 30, 2017: Rs.68.962 million) have been issued by the banks of the Company to Sui Northern Gas Pipeline Limited and Excise and Taxation Department, Karachi. These guarantees are secured against pari passu charge over the Company's fixed and current assets.

- 8.1.2** The Company had challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication.

Sui Northern Gas Pipelines Ltd., along with gas bill for the month of December, 2017, has raised GIDC demands aggregating Rs.356,002 million (June 30, 2017: Rs.300.681 million), which are payable in case of an adverse judgment by the SCP. No provision with respect to these GIDC demands has been made in the books of account as the management expects a favorable judgment by the SCP due to meritorious legal grounds.

	Un-audited 31 Dec., 2017	Audited 30 June, 2017
8.2 Commitments	--- Rupees in '000 ---	
- letters of credit for purchase of raw materials and stores, spare parts & chemicals	26,426	19,635

9. TAXATION - net

	Note	Un-audited			
		Quarter ended		Half year ended	
		31 Dec.,		31 Dec.,	
		2017	2016	2017	2016
		----- Rupees in '000' -----			
Current					
- for the period	9.1	4,684	4,575	10,476	9,648
- for prior year		238	5	238	5
Deferred		37,471	10,337	32,379	9,576
		42,393	14,917	43,093	19,229

- 9.1 Income tax assessments of the Company have been completed upto the Tax Year 2017. No numeric tax rate reconciliation has been given as provisions made during the current period represents minimum tax payable under section 113 after adjusting tax credit under section 65B of the Income Tax Ordinance, 2001.

10. TRANSACTIONS WITH RELATED PARTIES

- 10.1 Significant transactions with related parties are as follows:

Relationship	Nature of transactions	Un-audited	
		Half-year ended	
		31 Dec., 2017	31 Dec., 2016
		--- Rupees in '000 ---	
i) Holding Company			
- dividend paid		16,220	0
- mark-up accrued on loan		3,589	3,592
- advance given for purchase of land		0	10,000
ii) Associated Companies			
- sale of fixed assets		1,250	750
- sale of goods and services		6,266	0
iii) Key management personnel			
		10,660	7,595
		Un-audited	Audited
		31 Dec.,	June 30,
		2017	2017
10.2 Period / year end balances are as follows:		--- Rupees in '000 ---	
Loan from the Holding Company		100,000	100,000
Advance given to the Holding Company for purchase of land		20,000	20,000

11. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

There has been no change in the Company's sensitivity to these risks since June 30, 2017, except for the change in exposure from liquidity risks due to increase in borrowings and general exposure due to fluctuations in foreign currency and interest rates. There have been no change in risk management objectives and policies of the Company during the period.

This condensed interim financial information does not include all financial risk management information and disclosures as are required in the audited annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended June 30, 2017.

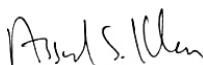
12. CORRESPONDING FIGURES

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet has been compared with the balances of audited annual financial statements of the Company for the year ended June 30, 2017, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity have been compared with the balances of comparable period of condensed interim financial information of the Company for the six months period ended December 31, 2016.

13. GENERAL

13.1 This condensed interim financial information was approved by the Board of Directors and authorised for issue on 27 February, 2018

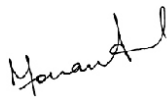
13.2 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.



ASSAD SAIFULLAH KHAN
Chief Executive Officer



RANA MUHAMMAD SHAFI
Director



NOUMAN AHMAD
Chief Financial Officer