

**HALF YEARLY REPORT  
FOR THE PERIOD ENDED  
DECEMBER 31, 2015  
(Un-Audited)**



**PROSPERITY WEAVING MILLS LTD.**



## **CONTENTS**

|  |    |
|--|----|
| Company Information  | 03 |
| Directors' Report to the Members   | 04 |
| Auditors' Report to the Members on Review of Condensed Interim Financial Information | 05 |
| Condensed Interim Balance Sheet  | 06 |
| Condensed Interim Profit & Loss Account  | 08 |
| Condensed Interim Cash Flow Statement  | 09 |
| Condensed Interim Statement of Changes in Equity                                     | 11 |
| Notes to the Condensed Interim Financial Information                                 | 12 |



## PROSPERITY WEAVING MILLS LTD.

### COMPANY INFORMATION

#### BOARD OF DIRECTORS

|                                   |                                    |
|-----------------------------------|------------------------------------|
| Mr. Shaikh Enam Ellahi            | Non-Executive Director / Chairman  |
| Mr. Hasan Ahmed                   | Independent Non Executive Director |
| Mr. Javaid Bashir Sheikh          | Non-Executive Director             |
| Mr. Shahzada Ellahi Shaikh        | Non-Executive Director             |
| Mr. Shafqat Ellahi Shaikh         | Non-Executive Director             |
| Mr. Haroon Shahzada Ellahi Shaikh | Non-Executive Director             |
| Mr. Shaukat Ellahi Shaikh         | Executive Director                 |
| Mr. Tariq Zafar Bajwa             | Executive Director                 |

**MANAGING DIRECTOR (Chief Executive)** Mr. Shaukat Ellahi Shaikh

#### AUDIT COMMITTEE

|                                   |           |
|-----------------------------------|-----------|
| Mr. Hasan Ahmed                   | Chairman  |
| Mr. Shaikh Enam Ellahi            | Member    |
| Mr. Haroon Shahzada Ellahi Shaikh | Member    |
| Mr. Syed Mohsin Gilani            | Secretary |

#### HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE

|                                   |           |
|-----------------------------------|-----------|
| Mr. Haroon Shahzada Ellahi Shaikh | Chairman  |
| Mr. Shafqat Ellahi Shaikh         | Member    |
| Mr. Tariq Zafar Bajwa             | Member    |
| Mr. Muhammad Azam                 | Secretary |

#### EXECUTIVE COMMITTEE

|                            |           |
|----------------------------|-----------|
| Mr. Shaikh Enam Ellahi     | Chairman  |
| Mr. Shahzada Ellahi Shaikh | Member    |
| Mr. Shaukat Ellahi Shaikh  | Member    |
| Mr. Shafqat Ellahi Shaikh  | Member    |
| Mr. Muhammad Azam          | Secretary |

#### CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

#### CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Tariq Sheikh

#### AUDITORS

Messrs Deloitte Yousuf Adil  
Chartered Accountants

#### CORPORATE ADVISORS

Bandial & Associates

#### LEAD BANKERS

Albaraka Bank (Pakistan) Ltd.  
Allied Bank Ltd.  
Askari Bank Ltd.  
Bank Alfalah Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Meezan Bank Ltd.  
MCB Bank Ltd.  
National Bank of Pakistan  
Samba Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
The Bank of Punjab  
United Bank Ltd.

#### REGISTERED OFFICE

Nagina House  
91-B-1, M.M. Alam Road  
Gulberg-III, Lahore-54660

#### WEB REFERENCE

[www.nagina.com](http://www.nagina.com)

#### SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.  
1<sup>st</sup> Floor, H.M. House  
7-Bank Square, Lahore  
Phone # 042-37235081-2  
Fax # 042-37358817

#### MILLS

13.5 K.M  
Sheikhupura Sharaqpur Road  
Sheikhupura



## PROSPERITY WEAVING MILLS LTD.

### DIRECTORS' REPORT TO THE MEMBERS

*IN THE NAME OF ALLAH THE MOST GRACIOUS  
THE MOST BENEVOLENT THE MOST MERCIFUL*

The Directors are pleased to present the un-audited condensed interim financial information of the company for the half year ended on December 31, 2015 duly reviewed by the auditors. The comparative figures for the corresponding half year ended on December 31, 2014 are included for comparison, except in balance sheet where figures are for the year ended on June 30, 2015.

#### **Company Performance**

Fabric market improved in terms of volumes and prices in the second quarter. Alhamdulillah, the second quarter turned out to be profitable showing a net profit for the quarter at Rs. 22,123,759 and consequently helped to restrict loss for the first half of the year to Rs.17,155,851. The profit for the first half of last year was Rupees 4,988,317. Loss in the first half can be traced to lower unit prices for Fabric which resulted in lower sales value of Rs.2,538,071,063 compared to 3,128,521,780 in the corresponding period of last year, showing a decline of 18.87%. Earning per share (EPS) is negative at Rs.0.93 for the first half compared to profit Rs.0.27 during the corresponding period of last year.

Lower prices achieved in purchase of raw materials, low global crude oil prices resulting in low energy cost to the company and strict cost control measures helped to lower cost of sales at 95.07% of sales as compared to 95.58% of sales during the corresponding period of last year. Gross Profit (GP) dropped by 9.42% over the corresponding period and stood at Rs.125,173,156. However, in percentage terms GP increased to 4.93% of sales from 4.42% of sales in corresponding period of last year.

Distribution cost for the half year stood at Rs.50,040,408 (1.97% of sales) compared to Rs.51,036,149 (1.63% of sales). Administrative expenses were Rs.31,554,368 (1.24% of sales) compared to Rs.32,982,743 (1.05% of sales).

Finance costs increased by 23.35% over the corresponding period of last year. This increase is due to rise in mark-up expense on account of additional long term loans obtained to finance the new looms & related machinery under our balancing modernization & replacement (BMR) plan.

#### **Future Outlook**

Weaving business is going through turbulent market conditions where the fabric selling prices are depressed in international as well as in the local markets. Our competing countries have better operating conditions because of persistent devaluation of their currencies and subsidies. The aggressive policies of our competing countries is forcing prices of textile products to remain low. Pakistani Rupee is maintaining relative strength against the USD and reducing our international competitiveness. However, lower energy costs, thanks to lower oil prices, is helping the finances of the company. Reduction in interest rates is also likely to help the company. It is hoped that the aggressive steps adopted by management will help to achieve a profit for the full year.

State Bank of Pakistan has announced reduction in long term financing rates under LTFF scheme for purchase of new machines. We welcome this measure and consequently company is launching a BMR/ expansion project. The estimated cost of the project is Rupees 700 million. The BMR/ expansion project will improve the competitiveness of the company by reducing operating costs and allowing the company to enter markets for value added and fashion fabrics.

We hope that our Government will take vigorous supporting steps such as zero rating of textile exports, inclusion of weaving sector under SBP export refinance scheme, timely release of our sales tax, customs duty and income tax refunds and allowing the market to determine realistic exchange rates.

#### **Acknowledgement**

The continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their gratitude to the bankers for their continued support to the Company.

On behalf of the Board.

**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

Lahore: February 25, 2016

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

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Prosperity Weaving Mills Limited** (the Company) as at December 31, 2015, the related condensed interim profit and loss account, condensed interim cash flow statement and 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, 2015 and December 31, 2014 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

### Scope of Review

We conducted our review in accordance with the 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 the person responsible for the 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, 2015 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Engagement Partner:**  
Rana M Usman Khan

**Date:** February 25, 2016  
**Lahore**



# PROSPERITY WEAVING MILLS LTD.

## CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2015

|  | Un-Audited<br>December 31<br>2015 | Audited<br>June 30<br>2015 |
|--|-----------------------------------|----------------------------|
| Note                                   | -----Rupees-----                  |                            |
| <b>EQUITY AND LIABILITIES</b>          |                                   |                            |
| <b>SHARE CAPITAL AND RESERVES</b>      |                                   |                            |
| Authorized capital                     |                                   |                            |
| 20,000,000 (June 30, 2015: 20,000,000) |                                   |                            |
| Ordinary shares of Rs. 10 each         | 200,000,000                       | 200,000,000                |
| Issued, subscribed and paid up capital | 184,800,000                       | 184,800,000                |
| Capital reserve                        | 10,497,026                        | 16,600,000                 |
| Accumulated profit                     | 647,089,816                       | 691,965,667                |
| <b>Total equity</b>                    | <b>842,386,842</b>                | <b>893,365,667</b>         |
| <b>SURPLUS ON REVALUATION OF LAND</b>  | <b>55,564,634</b>                 | <b>55,564,634</b>          |
| <b>LIABILITIES</b>                     |                                   |                            |
| <b>NON-CURRENT LIABILITIES</b>         |                                   |                            |
| Long term finances                     | 4 1,210,053,265                   | 1,273,602,342              |
| Employees retirement benefits          | 61,015,475                        | 55,949,255                 |
| Deferred taxation                      | -                                 | -                          |
|  | 1,271,068,740                     | 1,329,551,597              |
| <b>CURRENT LIABILITIES</b>             |                                   |                            |
| Trade and other payables               | 306,604,314                       | 291,312,143                |
| Accrued interest / mark-up             | 25,234,166                        | 26,848,333                 |
| Short term borrowings                  | 383,028,699                       | 106,182,503                |
| Current portion of long term finances  | 123,862,961                       | 86,294,048                 |
|  | 838,730,140                       | 510,637,027                |
| <b>TOTAL LIABILITIES</b>               | <b>2,109,798,880</b>              | <b>1,840,188,624</b>       |
| <b>CONTINGENCIES AND COMMITMENTS</b>   | 5 -                               | -                          |
| <b>TOTAL EQUITY AND LIABILITIES</b>    | <b>3,007,750,356</b>              | <b>2,789,118,925</b>       |

The annexed explanatory notes from 1 to 14 form integral part of the condensed interim financial information.

Lahore: February 25, 2016

  
Shahzada Ellahi Shaikh  
Director

|                                     | Un-Audited       | Audited              |                      |
|-------------------------------------|------------------|----------------------|----------------------|
|                                     | December 31      | June 30              |                      |
|                                     | 2015             | 2015                 |                      |
| Note                                | -----Rupees----- |                      |                      |
| <b>ASSETS</b>                       |                  |                      |                      |
| <b>NON-CURRENT ASSETS</b>           |                  |                      |                      |
| Fixed assets                        | 6                | 1,795,126,830        | 1,892,452,485        |
| Long term deposits                  |                  | 15,039,000           | 15,039,000           |
| Deferred Taxation                   |                  | 5,710,887            | 5,710,887            |
|                                     |                  | 1,815,876,717        | 1,913,202,372        |
| <b>CURRENT ASSETS</b>               |                  |                      |                      |
| Stores, spare parts and loose tools |                  | 65,156,958           | 52,058,961           |
| Stock-in-trade                      |                  | 418,684,978          | 344,042,970          |
| Trade debts                         |                  | 308,290,516          | 172,615,197          |
| Advances                            |                  | 50,879,780           | 27,310,202           |
| Short term prepayments              |                  | 3,183,632            | 1,664,010            |
| Other receivables                   |                  | 1,661,952            | 2,168,649            |
| Sales tax refundable                |                  | 97,880,322           | 90,705,240           |
| Short term investments              | 7                | 36,700,000           | 86,251,500           |
| Advance income tax                  |                  | 109,250,737          | 93,155,383           |
| Cash and bank balances              |                  | 100,184,764          | 5,944,441            |
|                                     |                  | 1,191,873,639        | 875,916,553          |
| <b>TOTAL ASSETS</b>                 |                  | <b>3,007,750,356</b> | <b>2,789,118,925</b> |

The annexed explanatory notes from 1 to 14 form integral part of the condensed interim financial information.

  
**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

|   | Note | Half Year Ended     |                    | Quarter Ended     |                   |
|---|------|---------------------|--------------------|-------------------|-------------------|
|   |      | December 31         | December 31        | December 31       | December 31       |
|   |      | 2015                | 2014               | 2015              | 2014              |
|   |      | .....Rupees.....    |                    | .....Rupees.....  |                   |
| Sales-net   |      | 2,538,071,063       | 3,128,521,780      | 1,400,479,931     | 1,695,829,129     |
| Cost of sales   | 8    | (2,412,897,907)     | (2,990,338,549)    | (1,308,789,453)   | (1,619,237,776)   |
| <b>Gross profit</b>   |      | <b>125,173,156</b>  | <b>138,183,231</b> | <b>91,690,478</b> | <b>76,591,353</b> |
| Distribution cost   |      | (50,040,408)        | (51,036,149)       | (27,487,582)      | (23,885,900)      |
| Administrative expenses   |      | (31,554,368)        | (32,982,743)       | (13,794,214)      | (20,573,103)      |
| Other expenses  |      | (3,223,242)         | (1,448,885)        | (952,199)         | (1,279,875)       |
|   |      | (84,818,018)        | (85,467,777)       | (42,233,995)      | (45,738,878)      |
|   |      | 40,355,138          | 52,715,454         | 49,456,483        | 30,852,475        |
| Other income  |      | 1,211,426           | 48,893             | 1,095,917         | 48,893            |
| <b>Operating profit</b>   |      | <b>41,566,564</b>   | <b>52,764,347</b>  | <b>50,552,400</b> | <b>30,901,368</b> |
| Finance cost  |      | (58,722,415)        | (47,604,543)       | (28,428,641)      | (28,022,089)      |
| <b>(Loss)/Profit before taxation</b>  |      | <b>(17,155,851)</b> | <b>5,159,804</b>   | <b>22,123,759</b> | <b>2,879,279</b>  |
| Provision for taxation  | 9    | -                   | (171,487)          | -                 | (171,487)         |
| <b>(Loss)/Profit after taxation</b>   |      | <b>(17,155,851)</b> | <b>4,988,317</b>   | <b>22,123,759</b> | <b>2,707,792</b>  |
| Other comprehensive income/(loss)   |      |                     |                    |                   |                   |
| <b>Items that will not be reclassified subsequently to profit or loss account</b> |      |                     |                    |                   |                   |
| Actuarial loss on remeasurement of post retirement benefits                       |      | -                   | (1,416,120)        | -                 | (708,060)         |
| <b>Items that may be reclassified subsequently to profit or loss account</b>      |      |                     |                    |                   |                   |
| Unrealized (loss) / gain on remeasurement of available for sale investments       |      | (6,102,974)         | -                  | 1,040,250         | -                 |
| <b>Total comprehensive income/(loss) for the period</b>                           |      | <b>(23,258,825)</b> | <b>3,572,197</b>   | <b>23,164,009</b> | <b>1,999,732</b>  |
| <b>Earnings per share - basic and diluted</b>                                     |      | <b>(0.93)</b>       | <b>0.27</b>        | <b>1.20</b>       | <b>0.15</b>       |

The annexed explanatory notes from 1 to 14 form integral part of the condensed interim financial information.



**Shahzada Ellahi Shaikh**  
Director

Lahore: February 25, 2016



**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

|   | Half Year Ended      |                      |
|---|----------------------|----------------------|
|   | December 31<br>2015  | December 31<br>2014  |
|   | .....Rupees.....     |                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |                      |                      |
| (Loss) / profit before taxation                         | (17,155,851)         | 5,159,804            |
| Adjustments for:  |                      |                      |
| Depreciation on property, plant and equipment           | 92,643,952           | 65,369,143           |
| Provision for employees retirement benefits             | 10,058,808           | 10,426,818           |
| Loss on disposal of property, plant and equipment       | 1,772,509            | 1,013,148            |
| Gain on disposal of short term investments              | (173,829)            | (48,893)             |
| Interest income   | (62,597)             | -                    |
| Dividend income   | (975,000)            | -                    |
| Finance cost  | 58,722,415           | 47,604,543           |
|   | <b>161,986,258</b>   | <b>124,364,759</b>   |
| Working capital changes                                 | <b>144,830,407</b>   | <b>129,524,563</b>   |
| (Increase) / decrease in current assets                 |                      |                      |
| Stores, spare parts and loose tools                     | (13,097,997)         | 454,228              |
| Stock-in-trade  | (74,642,008)         | (38,936,068)         |
| Trade debts   | (135,675,319)        | (125,418,387)        |
| Advances  | (23,569,578)         | (3,893,773)          |
| Short-term prepayments                                  | (1,519,622)          | (1,301,470)          |
| Other receivables                                       | 506,697              | (533,624)            |
| Sales tax refundable                                    | (7,175,082)          | 36,599,728           |
|   | <b>(255,172,909)</b> | <b>(133,029,366)</b> |
| Increase in current liabilities                         |                      |                      |
| Trade and other payables                                | 15,077,119           | 50,248,563           |
|   | <b>(240,095,790)</b> | <b>(82,780,803)</b>  |
| <b>Cash (used in) / generated from operations</b>       | <b>(95,265,383)</b>  | <b>46,743,760</b>    |
| Finance cost paid                                       | (60,336,582)         | (35,410,069)         |
| Employees retirement benefits paid                      | (4,992,588)          | (4,192,185)          |
| Income taxes paid                                       | (16,095,354)         | (27,062,379)         |
| <b>Net cash used in operating activities</b>            | <b>(176,689,907)</b> | <b>(19,920,873)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>             |                      | -                    |
| Purchase of property, plant and equipment               | (10,326,302)         | (395,653,301)        |
| Proceeds from disposal of property, plant and equipment | 13,235,496           | 3,707,000            |
| Purchase of short term investment                       | (82,802,974)         | (20,000,000)         |
| Proceeds from disposal of short term investment         | 126,425,329          | 20,048,893           |
| Dividend received                                       | 975,000              | -                    |
| Interest received                                       | 62,597               | -                    |
| <b>Net cash used in investing activities</b>            | <b>47,569,146</b>    | <b>(391,897,408)</b> |

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

|   | Half Year Ended     |                     |
|---|---------------------|---------------------|
|   | December 31<br>2015 | December 31<br>2014 |
|   | .....Rupees.....    |                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |                     |                     |
| Long term finances obtained                                 | -                   | 529,601,899         |
| Repayment of long term finances                             | (25,980,164)        | (42,060,903)        |
| Increase in short term borrowings                           | 276,846,196         | 22,513,974          |
| Dividend paid   | (27,504,948)        | (91,517,186)        |
| <b>Net cash generated from financing activities</b>         | <b>223,361,084</b>  | <b>418,537,784</b>  |
| <b>Net increase in cash and cash equivalents</b>            | <b>94,240,323</b>   | <b>6,719,503</b>    |
| <b>Cash and cash equivalents at beginning of the period</b> | <b>5,944,441</b>    | <b>31,039,252</b>   |
| <b>Cash and cash equivalents at end of the period</b>       | <b>100,184,764</b>  | <b>37,758,755</b>   |

The annexed explanatory notes from 1 to 14 form integral part of the condensed interim financial information.

Lahore: February 25, 2016

  
**Shahzada Ellahi Shaikh**  
Director

  
**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

|   | Issued,<br>Subscribed<br>and paid up<br>share capital | Capital reserve         |                       | Revenue reserve       | Total               |
|---|---|-------------------------|-----------------------|-----------------------|---------------------|
|   |   | Amalgamation<br>reserve | Fair value<br>reserve | Accumulated<br>profit |                     |
| -----Rupees-----  |   |                         |                       |                       |                     |
| <b>Balance as at June 30, 2014 - Audited</b>  | <b>184,800,000</b>                                    | <b>16,600,000</b>       | <b>-</b>              | <b>724,536,909</b>    | <b>925,936,909</b>  |
| <b>Comprehensive income</b>   |   |                         |                       |                       |                     |
| Profit after taxation   | -   | -                       | -                     | 4,988,317             | 4,988,317           |
| Other comprehensive loss  | -   | -                       | -                     | (1,416,120)           | (1,416,120)         |
| <b>Total comprehensive income</b>   | <b>-</b>  | <b>-</b>                | <b>-</b>              | <b>3,572,197</b>      | <b>3,572,197</b>    |
| <b>Transactions with owners</b>   |   |                         |                       |                       |                     |
| Final dividend for the year ended June 30, 2014<br>@ 50% i.e. Rs. 5.00 per ordinary share | -   | -                       | -                     | (92,400,000)          | (92,400,000)        |
| <b>Balance as at December 31, 2014 - Un-Audited</b>                                       | <b>184,800,000</b>                                    | <b>16,600,000</b>       | <b>-</b>              | <b>635,709,106</b>    | <b>837,109,106</b>  |
| <b>Comprehensive income</b>   |   |                         |                       |                       |                     |
| Profit after taxation   | -   | -                       | -                     | 55,842,412            | 55,842,412          |
| Other comprehensive income-net of tax   | -   | -                       | -                     | 414,149               | 414,149             |
| <b>Total comprehensive income</b>   | <b>-</b>  | <b>-</b>                | <b>-</b>              | <b>56,256,561</b>     | <b>56,256,561</b>   |
| <b>Balance as at June 30, 2015 - Audited</b>  | <b>184,800,000</b>                                    | <b>16,600,000</b>       | <b>-</b>              | <b>691,965,667</b>    | <b>893,365,667</b>  |
| <b>Comprehensive income</b>   |   |                         |                       |                       |                     |
| Loss after taxation   | -   | -                       | -                     | (17,155,851)          | (17,155,851)        |
| Other comprehensive loss  | -   | -                       | (6,102,974)           | -                     | (6,102,974)         |
| <b>Total comprehensive loss</b>   | <b>-</b>  | <b>-</b>                | <b>(6,102,974)</b>    | <b>(17,155,851)</b>   | <b>(23,258,825)</b> |
| <b>Transactions with owners</b>   |   |                         |                       |                       |                     |
| Final dividend for the year ended June 30, 2015<br>@ 15% i.e. Rs. 1.50 per ordinary share | -   | -                       | -                     | (27,720,000)          | (27,720,000)        |
| <b>Balance as at December 31, 2015 - Un-Audited</b>                                       | <b>184,800,000</b>                                    | <b>16,600,000</b>       | <b>(6,102,974)</b>    | <b>647,089,816</b>    | <b>842,386,842</b>  |

The annexed explanatory notes from 1 to 14 form integral part of the condensed interim financial information.



**Shahzada Ellahi Shaikh**  
Director

Lahore: February 25, 2016



**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2015

### 1 LEGAL STATUS AND OPERATIONS

- 1.1 Prosperity Weaving Mills Limited "the Company" was incorporated in Pakistan on November 20, 1991 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore. The Company is currently listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of woven cloth. The Mill is located at District Sheikhpura in the Province of Punjab.
- 1.2 This condensed interim financial information is presented in Pak Rupees, which is the Company's functional and presentation currency.

### 2 BASIS OF PREPARATION

- 2.1 This condensed interim financial information of the Company for the half year ended December 31, 2015 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 have been followed.
- 2.2 The condensed interim financial information should be read in conjunction with annual audited financial statement for the year ended June 30, 2015. Comparative balance sheet is extracted from annual audited financial statement for the year ended June 30, 2015, whereas comparative profit and loss account, comparative statement of changes in equity and comparative cash flow statement are stated from un-audited condensed interim financial information for the half year ended December 31, 2014.
- 2.3 The condensed interim financial information is un-audited. However, a limited scope review has been performed by statutory auditor of the Company in accordance with Code of Corporate Governance and they have issued their review report thereon.

### 3 ACCOUNTING POLICIES AND ESTIMATES

- 3.1 The accounting policies and methods of computation adopted for preparation of the condensed interim financial information are the same as those applied in preparation of the annual audited financial statements for the year ended June 30, 2015 except as disclosed in hereunder.

#### 3.2 Investments

##### Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available for sale. After initial recognition, investments which are classified as available for sale are measured at fair value. Gains or losses on available for sale investments are recognized directly in other comprehensive income until the investment is sold, derecognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in profit and loss account. These are sub-categorized as follows:

##### Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

##### Un-quoted

Investments in unquoted equity instruments are stated at cost less any identified impairment losses.

##### Held-to-maturity

Held-to-maturity investments are initially recognized at acquisition cost, which includes transaction cost associated with the investment. Subsequently these are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrevocable amounts.

- 3.3 Certain new IFRSs and amendments to existing IFRSs are effective for periods beginning on or after July 01, 2015, which do not have any impact on this condensed interim financial information except for IFRS 13 "Fair Value Measurement".

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. However, it does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instruments and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. The application of this standard does not have an impact on this condensed interim financial information except certain additional disclosures as given in note 11.

# PROSPERITY WEAVING MILLS LTD.

3.4 Judgments and estimates made by the management in the preparation of the condensed interim financial information are the same as those applied in preparation of annual published financial statements of the Company for the year ended June 30, 2015.

|   | Note | Un-Audited<br>December 31<br>2015 | Audited<br>June 30<br>2015 |
|---|------|-----------------------------------|----------------------------|
|   |      | -----Rupees-----                  |                            |
| <b>4 LONG TERM FINANCES</b>                           |      |                                   |                            |
| <b>From Banking Companies</b>                         |      |                                   |                            |
| Opening balance                                       |      | 1,359,896,390                     | 717,592,280                |
| Obtained during the period / year                     |      | -                                 | 847,296,109                |
| Repayments made during the period / year              |      | (25,980,164)                      | (204,991,999)              |
|   |      | <u>1,333,916,226</u>              | <u>1,359,896,390</u>       |
| Less: Current portion shown under current liabilities |      | <u>123,862,961</u>                | <u>86,294,048</u>          |
|   |      | <u>1,210,053,265</u>              | <u>1,273,602,342</u>       |

## 5 CONTINGENCIES AND COMMITMENTS

### 5.1 Contingencies

There is no significant change in the status of contingencies as disclosed in the financial statement for the year ended June 30, 2015.

### 5.2 Commitments

#### Irrevocable letters of credit for import of

Non-capital expenditures 55,379,015 66,477,200

#### Operating Lease

|   |                   |                   |
|---|-------------------|-------------------|
| Payable within one year                                   | 302,500           | 632,500           |
| Payable later than one year but not later than five years | 50,417            | 201,667           |
|   | <u>352,917</u>    | <u>834,167</u>    |
|   | <u>55,731,932</u> | <u>67,311,367</u> |

## 6 FIXED ASSETS

|  |     |                      |                      |
|--|-----|----------------------|----------------------|
| Operating fixed assets                           | 6.1 | 1,786,253,887        | 1,885,505,011        |
| Capital work in progress                         |     | 4,118,700            | 2,193,231            |
| Advance for intangible asset - computer software |     | 4,754,243            | 4,754,243            |
|  |     | <u>1,795,126,830</u> | <u>1,892,452,485</u> |

### 6.1 Operating fixed assets - Owned

Opening written down value 1,885,505,011 831,044,977

#### Additions during the period / year

|                        |       |                  |                      |
|------------------------|-------|------------------|----------------------|
| Revaluation of land    | 6.1.1 | -                | 18,382,000           |
| Factory building       |       | 871,209          | 100,785,511          |
| Non factory building   |       | -                | 33,979,087           |
| Plant and machinery    |       | 2,727,825        | 1,054,796,058        |
| Electric installation  |       | -                | 7,253,658            |
| Furniture and fittings |       | -                | 1,091,050            |
| Office equipment       |       | 309,782          | 1,158,738            |
| Vehicles               |       | 4,492,017        | 4,335,707            |
|                        |       | <u>8,400,833</u> | <u>1,221,781,809</u> |

Written down value of property, plant and equipment disposed off (15,008,005) (12,454,797)

Depreciation charged during the period/year (92,643,952) (154,866,978)

Written down value at end of the period/year 1,786,253,887 1,885,505,011

6.1.1 The Company follows the revaluation model for its free hold land. The fair value measurement as at May 04, 2015 was performed by Hamid Mukhtar & Co. (Private) Limited, independent valuer not related to the Company. The fair value of the free hold land was determined using the comparable price method after performing detailed enquiries and verification.

Since the date of last revaluation, there has been no material change in the market factors that derive fair value of this land, therefore, management believes that the carrying value of 'free hold land' approximates its fair market value.

# PROSPERITY WEAVING MILLS LTD.

|          | Note                                 | Un-Audited<br>December 31<br>2015 | Audited<br>June 30<br>2015 |
|----------|--------------------------------------|-----------------------------------|----------------------------|
| <b>7</b> | <b>SHORT TERM INVESTMENTS</b>        |                                   |                            |
|          |                                      |                                   | -----Rupees-----           |
|          | At fair value through profit or loss | 7.1                               | -                          |
|          | Available for sale                   | 7.2                               | 86,251,500                 |
|          |                                      | <b>36,700,000</b>                 | <b>-</b>                   |
|          |                                      | <b>36,700,000</b>                 | <b>86,251,500</b>          |

7.1 This represent investment in Mutual Funds Units.

7.2 This represent investment in listed equity shares.

|                                  | Half Year Ended (Un-Audited) |                      | Quarter Ended (Un-Audited) |                      |
|----------------------------------|------------------------------|----------------------|----------------------------|----------------------|
|                                  | December 31<br>2015          | December 31<br>2014  | December 31<br>2015        | December 31<br>2014  |
| <b>8</b>                         | -----Rupees-----             |                      | -----Rupees-----           |                      |
| <b>COST OF SALES</b>             |                              |                      |                            |                      |
| Raw material consumed            | 1,898,961,308                | 2,388,091,134        | 933,812,839                | 1,234,250,201        |
| Fuel and power                   | 188,031,023                  | 334,743,161          | 80,281,207                 | 153,845,479          |
| Salaries, wages and benefits     | 144,825,964                  | 148,506,464          | 70,714,605                 | 75,603,328           |
| Stores and spares consumed       | 30,091,950                   | 25,651,288           | 13,349,137                 | 14,603,704           |
| Sizing material consumed         | 51,142,497                   | 57,846,197           | 24,441,191                 | 30,381,071           |
| Depreciation                     | 89,371,828                   | 61,857,290           | 44,723,577                 | 33,089,968           |
| Packing material consumed        | 11,667,579                   | 11,520,108           | 6,072,769                  | 6,031,459            |
| Insurance                        | 4,509,483                    | 4,203,263            | 2,596,113                  | 1,833,060            |
| Repairs and maintenance          | 2,197,336                    | 4,897,056            | 1,245,742                  | 3,492,780            |
| Electricity duty                 | 1,379,490                    | 980,955              | 708,738                    | 471,892              |
| Vehicles running and maintenance | 2,445,523                    | 2,640,229            | 1,318,445                  | 1,387,119            |
| Traveling and conveyance         | 241,075                      | 270,544              | 99,855                     | 132,840              |
| Lease rentals-land               | 151,248                      | 137,496              | 75,624                     | 68,748               |
| Fee and subscription             | 78,000                       | 191,618              | 78,000                     | 103,000              |
| Entertainment                    | 688,976                      | 501,179              | 476,390                    | 231,407              |
| Others                           | 1,440,012                    | 2,817,030            | 587,549                    | 965,706              |
|                                  | <b>2,427,223,292</b>         | <b>3,044,855,012</b> | <b>1,180,581,781</b>       | <b>1,556,491,762</b> |
| Work-in-process:                 |                              |                      |                            |                      |
| At beginning of period           | 67,507,067                   | 75,367,952           | 73,551,016                 | 101,750,174          |
| At end of period                 | (71,044,388)                 | (96,587,318)         | (71,044,388)               | (96,587,318)         |
|                                  | <b>(3,537,321)</b>           | <b>(21,219,366)</b>  | <b>2,506,628</b>           | <b>5,162,856</b>     |
|                                  | <b>2,423,685,971</b>         | <b>3,023,635,646</b> | <b>1,183,088,409</b>       | <b>1,561,654,618</b> |
| Finished stocks:                 |                              |                      |                            |                      |
| At beginning of period           | 170,422,416                  | 196,906,966          | 306,911,524                | 288,157,592          |
| Cloth purchased                  | 204,130                      | 1,485,613            | 204,130                    | 1,115,242            |
| At end of period                 | (181,414,610)                | (231,689,676)        | (181,414,610)              | (231,689,676)        |
|                                  | <b>(10,788,064)</b>          | <b>(33,297,097)</b>  | <b>125,701,044</b>         | <b>57,583,158</b>    |
|                                  | <b>2,412,897,907</b>         | <b>2,990,338,549</b> | <b>1,308,789,453</b>       | <b>1,619,237,776</b> |

## 9 PROVISION FOR TAXATION

Provision for taxation has not been recorded due to adjustment of tax credit available u/s 65B of the Income Tax Ordinance, 2001.

## 10 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated companies, directors of the company and key management personnel. The Company in the normal course of business enters into transactions with various related parties. The transactions with related parties during the period generally consist of sales and purchases.

Nature and description of related party transactions during the period along with monetary values are as follows:

|                               |   | Half Year Ended (Un-Audited) |                     |
|-------------------------------|---|------------------------------|---------------------|
|                               |   | December 31<br>2015          | December 31<br>2014 |
| <b>Nature of Relationship</b> | <b>Nature of Transaction</b>                              | -----Rupees-----             |                     |
| Associated companies          | Purchase of goods and services                            | 533,331,319                  | 825,706,959         |
|                               | Sale of goods and services                                | 82,185                       | 155,075             |
|                               | Dividend paid   | 8,368,925                    | 27,896,415          |
| Key Management Personnel      | Remuneration and other benefits                           | 7,907,159                    | 8,714,370           |
|                               | Dividend paid to directors and their close family members | 15,913,594                   | 53,045,315          |

The transactions between the Company and the related parties are carried out as per agreed terms. The consideration is settled on commercial terms and conditions.

There is no balance outstanding to or from associated undertakings as at reporting date.

## 11 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been 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 (that is, as prices) or indirectly (that is, derived from prices).

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

The following table presents the Funds/Company's financial assets which are carried at fair value:

|                                   | December 31, 2015 |         |         | Total      |
|-----------------------------------|-------------------|---------|---------|------------|
|                                   | Level 1           | Level 2 | Level 3 |            |
|                                   | Rs                |         |         |            |
| Fair value through profit or loss | -                 | -       | -       | -          |
| Financial assets - at fair value  |                   |         |         |            |
| Available for sale                |                   |         |         |            |
| - Listed equity securities        | 36,700,000        | -       | -       | 36,700,000 |
|                                   | 36,700,000        | -       | -       | 36,700,000 |
|                                   | June 30, 2015     |         |         |            |
|                                   | Level 1           | Level 2 | Level 3 | Total      |
|                                   | Rs                |         |         |            |
| Fair value through profit or loss | 86,251,500        | -       | -       | 86,251,500 |
| Financial assets - at fair value  |                   |         |         |            |
| Available for sale                |                   |         |         |            |
| - Listed equity securities        | -                 | -       | -       | -          |
|                                   | 86,251,500        | -       | -       | 86,251,500 |

The company has not disclosed the fair value of all other financial assets and liabilities as their carrying value approximates their fair value.

## 12 OTHERS

There are no other significant activities since June 30, 2015 affecting the interim financial information.

## 13 CORRESPONDING FIGURES

Corresponding figures have been rearranged and regrouped where ever necessary for the purpose of comparison. However no significant changes have been made.

Figures have been rounded off to the nearest rupee.

## 14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been approved by the board of directors of the Company and authorized for issue on February 25, 2016.



**Shahzada Ellahi Shaikh**  
Director



**Shaukat Ellahi Shaikh**  
Mg. Director (Chief Executive)

Lahore: February 25, 2016

**BOOK POST**

---

**PRINTED MATTER  
U.P.C.**

*If undelivered please return to:*

**PROSPERITY WEAVING MILLS LTD.**

Nagina House, 91-B-1, M.M. Alam Road,  
Gulberg-III Lahore-54660