

**HALF YEARLY REPORT  
FOR THE PERIOD ENDED  
DECEMBER 31, 2017  
(Un-Audited)**



**PROSPERITY WEAVING MILLS LTD.**



## **PROSPERITY WEAVING MILLS LTD.**

# **CONTENTS**

Company Information	03
Directors' Report to the Members	04
Auditors' Report to the Members	07
Condensed Interim Balance Sheet	08
Condensed Interim Profit & Loss Account	10
Condensed Interim Cash Flow Statement	11
Condensed Interim Statement of Changes in Equity	12
Notes to the Condensed Interim Financial Information	13



## PROSPERITY WEAVING MILLS LTD.

### COMPANY INFORMATION

#### BOARD OF DIRECTORS

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

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

#### AUDIT COMMITTEE

Mr. Hasan Ahmed	Chairman
Mr. Amin Ellahi Shaikh	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. Shaukat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shafqat Ellahi Shaikh	Member
Mr. Haroon Shahzada Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

#### CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

#### CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Tariq Sheikh

#### HEAD OF INTERNAL AUDIT

Mr. Kashif Saleem

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

#### WEB REFERENCE

#### 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

The Directors are pleased to present the un-audited condensed interim financial information of the company for the half year ended on December 31, 2017 duly reviewed by the auditors. The comparative figures for the corresponding half year ended on December 31, 2016 are included for comparison, except in balance sheet where figures are for the year ended on June 30, 2017.

#### **Company Performance**

Alhamdulillah, despite challenging environment your company has managed to post after tax profit of Rs.5,159,740 for the half year of financial year 2017-18 compared to Rs.10,072,773 during corresponding period of previous year. Earning per share (EPS) is Rs. 0.28 for the first half of financial year 2017-18 compared to Rs. 0.55 during the corresponding period of previous year.

Sales revenue grew by 19.39% over the same period of previous year and stood at Rs.3,038,481,556 compared to Rs.2,545,081,005 during corresponding period of previous year. Increase in sales revenue is mainly volume based. Cost of sales increased from 95% of sales during the same period of previous year to 95.33% during the period under review. Increase in cost is mainly due to increase in yarn and energy costs and also higher depreciation due to installation of new machinery. Increase in cost of sales resulted decrease in gross profit (GP) from 5% of sales during same period of previous year to 4.67% of sales during the period under review.

Overall operating expenses decreased from 3.01% of sales in the corresponding period of previous year to 2.85% of sales. Finance cost surged by 35.90% over the comparative cost of previous year. The financial costs increased as the company resorted to more rupee based borrowing instead of cheaper dollar based borrowings.

#### **Future Outlook**

Recessionary environment continues to prevail in weaving sector. Overall fabric market continues to remain under distress. Because of lower global demand we are compelled to make sales at low margins. This continued recessionary environment is forcing gradual shift from export to local market. The State Bank of Pakistan has raised interest rates by a quarter percentage. It is feared that this increase in interest rates may be repeated during the year causing a further rise in the financial cost of the company. The government has also been raising the prices for RLNG and this is increasing the energy cost of the company and is likely to affect margins. Therefore, the outlook for the rest of the financial year is not very encouraging. However, despite all odds we are striving to keep the company profitable. On the positive side it is expected that factors such as export rebate announced by Government of Pakistan for the financial year 2017-18 and around 5% exchange rate adjustment between USD and PKR would help to mitigate adverse market conditions to some extent. We hope that export rebates would be released in a timely manner to the textile industry.

Management is focusing on product diversification, seeking new export markets with application of effective cost controls in order to improve margins. We hope that the Government would resolve issues such as release of delayed tax refunds, and insure supply of cost effective un-interrupted energy.

#### **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.

**Shahzada Ellahi Shaikh**  
Chairman

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

**Lahore: February 22, 2018**

## ممبران کے لئے ڈائریکٹرز کی رپورٹ

ڈائریکٹرز 31 دسمبر 2017 کو اختتام ششماہی کے لئے آڈیٹرز سے جائزہ شدہ کمپنی کی غیر نظر ثانی شدہ مالیاتی معلومات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ 31 دسمبر 2016 کو ختم ہونے والی ششماہی کے تقابلی اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔ ماسوائے بیلنس شیٹ کے جہاں تقابلی اعداد و شمار 30 جون 2017 کو اختتام سال کے لئے ہیں۔

### کمپنی کی کارکردگی

الحمد للہ، مشکل کاروباری حالات کے باوجود آپ کی کمپنی نے گزشتہ سال کی اسی مدت کے دوران بعد از ٹیکس منافع 10,072,773 روپے کے مقابلہ میں مالی سال 2017-18 کی ششماہی کے لئے بعد از ٹیکس منافع 5,159,740 روپے کمایا ہے۔ مالی سال 2017-18 کی پہلی ششماہی کے لئے فی شیئر آمدنی (EPS) گزشتہ سال کی اسی مدت کے دوران 0.55 روپے کے مقابلے 0.28 روپے رہی۔

زیر جائزہ مدت کے دوران گزشتہ سال کی اسی مدت سے فروخت کی آمدنی 19.39 فیصد اضافہ کے ساتھ گزشتہ سال کی اسی مدت کے دوران 2,545,081,005 روپے کے مقابلے 3,038,481,556 روپے رہی۔ فروخت کی آمدنی میں اضافہ بنیادی طور پر حجم پر مبنی ہے۔ فروخت کی لاگت گزشتہ سال کی اسی مدت کے دوران فروخت کی 95% سے بڑھ کر فروخت کی 95.33% ہو گئی ہے۔ لاگت میں اضافہ کی بنیادی وجہ یارن، توانائی کی لاگت میں اضافہ اور نئی مشینری کی تنصیبات کی وجہ سے اضافی ڈیپر سیسشن ہے۔ فروخت کی لاگت میں اضافہ کے نتیجے میں گزشتہ سال کی اسی مدت کے دوران مجموعی منافع (GP) فروخت کے 5% سے کم ہو کر زیر جائزہ مدت کے دوران فروخت کا 4.67% تک ہو گیا۔

مجموعی آپریٹنگ اخراجات گزشتہ سال کی اسی مدت میں فروخت کے 3.01% سے کم ہو کر فروخت کے 2.85% تک ہو گئے۔ مالی اخراجات گزشتہ سال کی اسی مدت کے موازنہ میں 35.90% بڑھ گئے ہیں۔ مالی اخراجات میں اضافہ کمپنی کے سسٹمز اور بنیادی قرضوں کی بجائے مزید روپیہ بنیاد قرضوں کا انتخاب کی وجہ سے ہوا۔

### مستقبل کا نقطہ نظر

کساد بازاری کا ماحول ابھی بھی ویونگ شعبہ میں برقرار ہے۔ مجموعی طور پر کپڑے کی مارکیٹ دباؤ کا شکار ہے۔ عالمی طلب میں کمی کی وجہ سے ہم کم منافع پر فروخت کرنے پر مجبور ہیں۔ یہ مسلسل کساد بازاری کا ماحول بتدریج برآمدی سے مقامی مارکیٹ میں منتقلی پر مجبور کر رہا ہے۔ اسٹیٹ بینک آف پاکستان نے 0.25 فیصد سے سود کی شرح بڑھا دی ہے۔ اس بات کا شبہ ہے کہ سال کے دوران سود کی شرح میں اضافہ دہرایا جائے جس کی وجہ سے کمپنی کے مالی اخراجات میں مزید اضافہ ہو سکتا ہے۔ حکومت آریل این جی کی قیمتوں میں بھی اضافہ کر رہی ہے اور اس سے کمپنی کی توانائی کی لاگت میں اضافہ ہو رہا ہے اور منافع کو متاثر کرنے کی وجہ بنے گا۔ لہذا، باقی مالی سال کے لئے مستقبل کا نقطہ نظر بہت حوصلہ افزا نہیں ہے۔ تاہم، تمام مشکلات کے باوجود ہم کمپنی کو منافع بخش برقرار رکھنے کے لئے کوششیں کر رہے ہیں۔ مثبت پہلو سے یہ امید کی جاتی ہے کہ مالیاتی سال 2017-18 کے لئے پاکستان حکومت کی جانب سے اعلان کردہ برآمدی رعایت اور امریکی ڈالر اور پاکستانی روپے کے درمیان تقریباً 5% تکسٹریج ریٹ ایڈجسٹمنٹ جیسے عناصر سے کسی حد تک منفی مارکیٹ کے حالات کو کم کرنے میں مدد ملے گی۔ ہم اُمید کرتے ہیں کہ برآمدی رعایت ٹیکسٹائل صنعت کو بروقت ادائیگی جاسیگی۔

انتظامیہ منافع کو بہتر بنانے کی خاطر موثر لاگت کنٹرول کے اطلاق کے ساتھ مصنوعات کی تنوع، نئی برآمدی مارکیٹوں کی تلاش پر توجہ مرکوز کر رہی ہے۔ ہمیں امید ہے کہ حکومت تعطیل کا شکار قابل واپسی ٹیکس رقوم کی واپسی، طویل انتظار کے بعد ٹیکنالوجی کے اپ گریڈیشن فنڈ (TUF) کی ادائیگی اور موثر لاگت بلا تعطیل توانائی کی فراہمی جیسے مسائل کو حل کرے گی۔



## PROSPERITY WEAVING MILLS LTD.

اعظماء تشکر

سمجھتی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے انسانی تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز، مینجمنٹ اور دیگر حصہ داروں کا بھی سہی کی مسلسل حمایت پر شکریہ ادا کرتے ہیں۔

منجانب بورڈ

رضا علی خان  
منجانب ڈائریکٹر (چیف ایگزیکٹو)

ہمنارہ علی خان  
چئیر مین

لاہور: 22 فروری 2018ء

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

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of **Prosperity Weaving Mills Limited** (the Company) as at December 31, 2017, 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, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2017.

### **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, 2017 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 22, 2018  
**Lahore**



# PROSPERITY WEAVING MILLS LTD.


## CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2017

	Un-Audited December 31, 2017	Audited June 30, 2017
Note	Rupees	
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
20,000,000 (June 30, 2017: 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	(34,127,748)	8,532,746
Accumulated profit	687,478,338	719,278,598
TOTAL EQUITY	838,150,590	912,611,344
SURPLUS ON REVALUATION OF LAND		
	55,564,634	55,564,634
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term finances	4 1,513,494,192	1,616,753,424
Employees retirement benefits	93,461,591	83,825,666
Deferred taxation	22,739,398	22,739,398
	1,629,695,181	1,723,318,488
CURRENT LIABILITIES		
Trade and other payables	399,667,082	409,960,059
Accrued interest / mark-up	31,757,580	26,616,488
Short term borrowings	897,122,976	968,807,297
Current portion of long term finances	206,518,464	201,756,712
	1,535,066,102	1,607,140,556
TOTAL LIABILITIES	3,164,761,283	3,330,459,044
CONTINGENCIES AND COMMITMENTS		
5		
TOTAL EQUITY AND LIABILITIES	4,058,476,507	4,298,635,022

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

Lahore: February 22, 2018

  
Shahzada Ellahi Shaikh  
Chairman

  
Muhammad Tariq Sheikh  
Chief Financial Officer





# PROSPERITY WEAVING MILLS LTD.

	Un-Audited December 31, 2017	Audited June 30, 2017
Note	-----Rupees-----	

## ASSETS

### NON-CURRENT ASSETS

Fixed assets	6	2,162,206,309	2,258,307,569
Long term deposits		15,039,000	15,039,000
		2,177,245,309	2,273,346,569

### CURRENT ASSETS

Stores, spare parts and loose tools		46,159,054	41,019,980
Stock-in-trade		482,960,404	385,948,672
Trade debts		457,675,704	632,444,734
Advances		44,191,920	58,398,118
Short term prepayments		6,440,115	1,774,557
Other receivables		35,775,219	38,702,922
Sales tax refundable		116,506,381	145,042,143
Short term investments	7	475,126,284	549,149,576
Advance income tax		171,595,350	157,554,473
Cash and bank balances		44,800,767	15,253,278
		1,881,231,198	2,025,288,453

### TOTAL ASSETS

4,058,476,507	4,298,635,022
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The annexed explanatory notes from 1 to 14 form integral part of the condensed interim financial information.

Raza Ellahi Shaikh  
Mg. Director (Chief Executive)



# PROSPERITY WEAVING MILLS LTD.

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

	Note	Half year ended		Quarter ended	
		December 31 2017	December 31 2016	December 31 2017	December 31 2016
		.....Rupees.....		.....Rupees.....	
Sales-net		3,038,481,556	2,545,081,005	1,638,900,773	1,378,060,309
Cost of sales	8	(2,896,723,562)	(2,417,730,313)	(1,574,733,958)	(1,318,113,236)
<b>Gross profit</b>		<b>141,757,994</b>	<b>127,350,692</b>	<b>64,166,815</b>	<b>59,947,073</b>
Distribution cost		(40,769,515)	(41,730,372)	(16,883,442)	(22,125,229)
Administrative expenses		(40,314,502)	(34,331,405)	(19,715,632)	(17,029,120)
Other expenses		(5,537,180)	(518,424)	(952,195)	3,194,673
		(86,621,197)	(76,580,201)	(37,551,269)	(35,959,676)
		55,136,797	50,770,491	26,615,546	23,987,397
Other income		18,077,333	9,377,894	13,461,624	8,720,312
<b>Operating profit</b>		<b>73,214,130</b>	<b>60,148,385</b>	<b>40,077,170</b>	<b>32,707,709</b>
Finance cost		(68,054,390)	(50,075,612)	(35,431,381)	(23,518,605)
<b>Profit before taxation</b>		<b>5,159,740</b>	<b>10,072,773</b>	<b>4,645,789</b>	<b>9,189,104</b>
Provision for taxation	9	-	-	-	-
<b>Profit after taxation</b>		<b>5,159,740</b>	<b>10,072,773</b>	<b>4,645,789</b>	<b>9,189,104</b>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit and loss account</b>					
Unrealized (loss) / gain on remeasurement of available for sale investments	7.1.1	(42,660,494)	30,153,812	(17,951,290)	30,877,578
<b>Total comprehensive income / (loss) for the period</b>		<b>(37,500,754)</b>	<b>40,226,585</b>	<b>(13,305,501)</b>	<b>40,066,682</b>
<b>Earnings per share - basic and diluted</b>		<b>0.28</b>	<b>0.55</b>	<b>0.25</b>	<b>0.50</b>

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

Shahzada Ellahi Shaikh  
Chairman

Muhammad Tariq Sheikh  
Chief Financial Officer

Raza Ellahi Shaikh  
Mg. Director (Chief Executive)

Lahore: February 22, 2018



# PROSPERITY WEAVING MILLS LTD.

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

	Half year ended	
	December 31 2017	December 31 2016
	.....Rupees.....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,159,740	10,072,773
Adjustments for:		
Depreciation of property, plant and equipment	111,643,589	83,707,306
Amortization of intangible asset	589,347	589,347
Provision for employee benefits	13,011,444	10,572,457
Gain on disposal of property, plant and equipment	(1,282,730)	(2,810,563)
Gain on sale of short term investments	(6,137,946)	-
Interest income	-	(45,081)
Dividend income	(10,656,657)	(6,522,250)
Finance cost	68,054,390	50,075,612
	175,221,437	135,566,828
Changes in working capital	180,381,177	145,639,601
(Increase) / decrease in:		
Stores, spare parts and loose tools	(5,139,074)	(16,476,614)
Stock-in-trade	(97,011,732)	(132,602,431)
Trade debts	174,769,030	24,409,340
Advances	14,206,198	10,273,132
Short-term prepayments	(4,665,558)	1,514,580
Other receivables	2,927,703	724,654
Sales tax refundable	28,535,762	19,505,591
	113,622,329	(92,651,748)
(Decrease) / Increase in:		
Trade and other payables	(10,556,120)	35,645,775
<b>Cash generated from operations</b>	283,447,386	88,633,628
Employee benefits paid	(3,375,519)	(4,893,879)
Finance cost paid	(62,913,298)	(47,296,087)
Income taxes paid	(14,040,877)	(15,853,452)
<b>Net cash generated from operating activities</b>	203,117,692	20,590,210
Purchase of property, plant and equipment	(19,001,946)	(608,843,069)
Proceeds from disposal of property, plant and equipment	4,153,000	15,467,500
Purchase of short term investments	(51,399,580)	(87,225,596)
Proceeds from sale of short term investments	88,900,324	-
Dividend received	10,656,657	6,522,250
Interest received	-	45,081
<b>Net cash generated from / (used in) investing activities</b>	33,308,455	(674,033,834)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term finances obtained	-	572,098,790
Repayment of long term finances	(98,497,480)	(63,545,528)
Short term borrowings-net	(71,684,321)	121,086,231
Dividend paid	(36,696,857)	(32,101,345)
<b>Net cash (used in) / generated from financing activities</b>	(206,878,658)	597,538,148
<b>Net increase / (decrease) in cash and cash equivalents</b>	29,547,489	(55,905,476)
<b>Cash and cash equivalents at beginning of the period</b>	15,253,278	118,097,021
<b>Cash and cash equivalents at end of the period</b>	44,800,767	62,191,545

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

Shahzada Ellahi Shaikh  
Chairman

Muhammad Tariq Sheikh  
Chief Financial Officer

Raza Ellahi Shaikh  
Mg. Director (Chief Executive)

Lahore: February 22, 2018



# PROSPERITY WEAVING MILLS LTD.

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

	Issued, Subscribed and paid up share capital	Capital reserve		Accumulated profit	Total
		Amalgamation reserve	Fair value reserve		
Rupees-----					
Balance as at June 30, 2016 - Audited	184,800,000	16,600,000	580,505	699,392,255	901,372,760
Comprehensive income					
Profit after taxation	-	-	-	10,072,773	10,072,773
Other comprehensive income	-	-	30,153,812	-	30,153,812
Total comprehensive income	-	-	30,153,812	10,072,773	40,226,585
Transactions with owners					
Final dividend for the year ended June 30, 2016 @ 17.5% i.e. Rs. 1.75 per ordinary share	-	-	-	(32,340,000)	(32,340,000)
Balance as at December 31, 2016 - Un-audited	184,800,000	16,600,000	30,734,317	677,125,028	909,259,345
Comprehensive income					
Profit after taxation	-	-	-	46,124,773	46,124,773
Other comprehensive (loss)	-	-	(38,801,571)	(3,971,203)	(42,772,774)
Total comprehensive income / (loss) for the period	-	-	(38,801,571)	42,153,570	3,351,999
Balance as at June 30, 2017 - Audited	184,800,000	16,600,000	(8,067,254)	719,278,598	912,611,344
Comprehensive income					
Profit after taxation	-	-	-	5,159,740	5,159,740
Other comprehensive (loss)	-	-	(42,660,494)	-	(42,660,494)
Total comprehensive income / (loss) for the period	-	-	(42,660,494)	5,159,740	(37,500,754)
Transactions with owners					
Final dividend for the year ended June 30, 2017 @ 20 % i.e. Rs. 2 per ordinary share	-	-	-	(36,960,000)	(36,960,000)
	184,800,000	16,600,000	(50,727,748)	687,478,338	838,150,590

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

Shahzada Ellahi Shaikh  
Chairman

Muhammad Tariq Sheikh  
Chief Financial Officer

Raza Ellahi Shaikh  
Mg. Director (Chief Executive)

Lahore: February 22, 2018



# PROSPERITY WEAVING MILLS LTD.

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

### 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, 2017 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

During the year, the Companies Act, 2017 was enacted on May 30, 2017 and came into force at once. Subsequently, Securities and Exchange Commission of Pakistan has notified through Circular No. 23 dated October 04, 2017 that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Institute of Chartered Accountants of Pakistan has published a circular No. 17 / 2017 dated October 6, 2017 stating that the said order of the Commission is also applicable for preparation of interim financial statements of the companies for the periods ending on or before December 31, 2017. Therefore, these financial statements have been prepared under the repealed Companies Ordinance 1984.

- 2.2 The condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2017. Comparative balance sheet is extracted from annual audited financial statement for the year ended June 30, 2017, 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, 2016.
- 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, 2017 except as disclosed hereunder.
- 3.2 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, 2017.

### 4 LONG TERM FINANCES

	Un-Audited December 31 2017	Audited June 30 2017
	-----Rupees-----	
From banking companies		
Opening balance	1,818,510,136	1,273,598,793
Obtained during the period / year	-	690,365,676
Repayments made during the period / year	(98,497,480)	(145,454,333)
	1,720,012,656	1,818,510,136
Less: Current portion shown under current liabilities	(206,518,464)	(201,756,712)
	1,513,494,192	1,616,753,424



# PROSPERITY WEAVING MILLS LTD.

## 5 CONTINGENCIES AND COMMITMENTS

### 5.1 Contingencies

There is no significant change in the status of contingencies as disclosed in note 13 to the financial statements for the year ended June 30, 2017.

		Un-Audited December 31 2017	Audited June 30 2017
	Note	-----Rupees-----	
<b>5.2 Commitments</b>			
<b>Irrevocable letters of credit for</b>			
Capital expenditures		136,118,700	-
Non-capital expenditures		89,660,645	13,354,541
		225,779,345	13,354,541
<b>Operating lease</b>			
Payable within one year		332,750	728,750
Payable later than one year but not later than five years		55,458	221,833
		388,208	950,583
		226,167,553	14,305,124

## 6 FIXED ASSETS

### Property, plant and equipment

Operating fixed assets	6.1	2,155,805,034	2,228,549,491
Capital work in progress		2,374,069	25,141,525
		2,158,179,103	2,253,691,016
Intangible asset		4,027,206	4,616,553
		2,162,206,309	2,258,307,569

### 6.1 Operating fixed assets

Opening written down value		2,228,549,491	1,710,209,818
Additions during the period / year			
Factory building		1,819,074	17,422,317
Non factory building		-	9,199,637
Plant and machinery		32,037,492	733,343,329
Factory equipment		1,960,133	-
Furniture and fittings		253,972	508,274
Office equipment		88,500	749,575
Vehicles		5,610,230	20,378,224
		41,769,401	781,601,356
Written down value of property, plant and equipment disposed off		(2,870,269)	(79,109,293)
Depreciation charged during the period / year		(111,643,589)	(184,152,390)
Written down value at end of the period / year		2,155,805,034	2,228,549,491

## 7 SHORT TERM INVESTMENTS

### Available for sale

Investment in listed equity securities		429,947,337	521,505,484
Investment in mutual funds		45,178,947	27,644,092
	7.1	475,126,284	549,149,576



# PROSPERITY WEAVING MILLS LTD.

		(Un-Audited) December 31 2017	(Audited) June 30 2017
	Note	.....Rupees.....	
<b>7.1 Reconciliation between fair value and cost of investments classified as 'available for sale'</b>			
Fair value of investments			
-Listed equity securities		429,947,337	521,505,484
-Units of mutual funds		45,178,947	27,644,092
		475,126,284	549,149,576
Unrealized loss on remeasurement of investments	7.1.1	50,666,255	8,005,761
Cost of investment		525,792,539	557,155,337
<b>7.1.1 Loss on revaluation of available for sale investments</b>			
Opening balance		(8,005,761)	641,998
Charge for the period		(48,917,629)	(8,647,759)
Transfer of unrealized loss on sale of investment		6,257,135	-
		(42,660,494)	(8,647,759)
<b>Closing balance</b>		(50,666,255)	(8,005,761)

	Half Year Ended (Un-Audited)		Quarter Ended (Un-Audited)	
	December 31 2017	December 31 2016	December 31 2017	December 31 2016
	.....Rupees.....		.....Rupees.....	
<b>8 COST OF SALES</b>				
Raw material consumed	2,237,503,402	2,006,008,034	1,122,664,554	1,032,271,968
Fuel and power	262,795,551	199,931,424	125,835,730	95,975,228
Salaries, wages and benefits	177,102,929	153,912,894	88,668,376	76,706,089
Stores and spares consumed	21,373,631	43,396,210	8,761,420	30,565,645
Sizing material consumed	56,412,542	52,683,266	24,217,796	25,667,210
Depreciation	107,587,556	80,536,601	54,096,708	40,268,300
Packing material consumed	11,652,005	10,728,288	5,490,817	5,378,403
Insurance	4,436,325	4,177,674	2,295,136	2,069,329
Repairs and maintenance	1,228,378	988,210	481,438	829,395
Electricity duty	1,563,865	1,547,659	589,607	737,408
Vehicles running and maintenance	2,461,529	2,318,943	1,231,342	1,102,902
Traveling and conveyance	278,779	255,937	148,774	132,317
Lease rentals-land	176,460	151,248	100,836	75,624
Fee and subscription	161,041	322,970	63,000	279,970
Entertainment	622,137	495,981	306,118	254,273
Others	2,906,665	1,763,912	1,078,657	930,244
	2,888,262,795	2,559,219,251	1,436,030,309	1,313,244,305
Work-in-process:				
At beginning of period	70,882,274	67,448,521	81,529,486	71,562,799
At end of period	(81,149,786)	(88,841,451)	(81,149,786)	(88,841,451)
	(10,267,512)	(21,392,930)	379,700	(17,278,652)
Cost of goods manufactured	2,877,995,283	2,537,826,321	1,436,410,009	1,295,965,653
Finished stocks:				
At beginning of period	186,253,433	111,350,052	305,849,973	253,639,261
Cloth purchased	903,504	47,818	902,634	2,200
At end of period	(168,428,658)	(231,493,878)	(168,428,658)	(231,493,878)
	18,728,279	(120,096,008)	138,323,949	22,147,583
	2,896,723,562	2,417,730,313	1,574,733,958	1,318,113,236



# PROSPERITY WEAVING MILLS LTD.

## 9 PROVISION FOR TAXATION

Provision for taxation has not been recorded due to adjustment of tax credit available under section 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:

Nature of Relationship	Nature of Transaction	Half Year Ended (Un-Audited)	
		December 31	December 31
		2017	2016
		.....Rupees.....	
Associated companies	Purchase of goods and services	362,118,362	441,023,469
	Sale of goods and services	89,744	101,785
	Dividend paid	11,158,566	9,763,745
Key management personnel	Remuneration and other benefits	14,253,730	11,912,510
	Dividend paid to directors and their close family members	21,218,126	18,565,860

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:

	Level 1	Level 2	Level 3	Total
	----- Rs -----			
<b>Financial assets - at fair value</b>				
Available for sale				
- Listed equity securities	429,947,337	-	-	429,947,337
- Units of mutual funds	45,178,947	-	-	45,178,947
<b>At December 31, 2017</b>	<b>475,126,284</b>	<b>-</b>	<b>-</b>	<b>475,126,284</b>
<b>Financial assets - at fair value</b>				
Available for sale				
-Listed equity securities	521,505,484	-	-	521,505,484
-Units of mutual funds	27,644,092	-	-	27,644,092
<b>At June 30, 2017</b>	<b>549,149,576</b>	<b>-</b>	<b>-</b>	<b>549,149,576</b>

At December 31, 2017 the company holds short term investments where the company has used Level 1 inputs for the measurement of fair values and there is no transfer between levels.





## PROSPERITY WEAVING MILLS LTD.

### 12 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Half Year Ended (Un-Audited)		
	June 30, 2017	Cash flow	December 31 2017
	.....Rupees.....		
Long term finances	1,818,510,136	(98,497,480)	1,720,012,656
Short term borrowings	968,807,297	(71,684,321)	897,122,976
	<b>2,787,317,433</b>	<b>(170,181,801)</b>	<b>2,617,135,632</b>

### 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

The condensed interim financial information has been approved by the board of directors of the Company and authorized for issue on February 22, 2018.

Shahzada Ellahi Shaikh  
Chairman

Muhammad Tariq Sheikh  
Chief Financial Officer

Raza Ellahi Shaikh  
Mg. Director (Chief Executive)

Lahore: February 22, 2018

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