

Half Yearly Report
Un-Audited
For The Period Ended
December 31, 2017



Yousaf Weaving Mills Limited

COMPANY INFORMATION

COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|-------------------------|------------------------|
| Khawaja Mohammad Jawed | (Chairman) |
| Khawaja Mohammad Nadeem | (Chief Executive) |
| Khawaja Shahzad Younus | (Director) |
| Mst. Nargis Sultana | (Director) |
| Mr. Khalid Mehmood | (Director) |
| Mr. Mohammad Naveed | (Director) |
| Mst. Alia Khanum | (Director) |
| Mr. Mohammad Tariq Sufi | (Independent Director) |

AUDIT COMMITTEE

| | |
|-------------------------|------------|
| Mr. Mohammad Tariq Sufi | (Chairman) |
| Mr. Khalid Mehmood | (Member) |
| Khawaja Shahzad Younus | (Member) |

HR & REMUNERATION COMMITTEE

| | |
|-------------------------|------------|
| Mr. Khalid Mehmood | (Chairman) |
| Khawaja Mohammad Nadeem | (Member) |
| Mr. Mohammad Naveed | (Member) |

COMPANY SECRETARY

| | |
|------------------|-------|
| Mr. Nadeem Anwar | (ACA) |
|------------------|-------|

CHIEF FINANCIAL OFFICER

| | |
|------------------|-------|
| Mr. Nadeem Anwar | (ACA) |
|------------------|-------|

BANKERS

Habib Metro Bank Limited
National Bank of Pakistan
Askari Bank Limited
The Bank of Punjab

AUDITORS

Aslam Malik & Co.
Chartered Accountants
Suite # 18-19, 1st Floor,
Central Plaza, Civic Centre,
New Garden Town, Lahore. Pakistan

CORPORATE & REGISTERED OFFICE

7/1-E-3 Main Boulevard Gulberg III, Lahore
Tel : (042) 35717510
Fax : (042) 35755760

SHARE REGISTRARS

Corp link (Pvt) Limited
Wings Arcade, 1-K, Commercial,
Model Town, Lahore
Tel: (042) 35839182
Fax: (042) 35869037

Weaving Unit

49-Kilometer
Multan Road, Bhai Pheru
Tel: (04943) 540083-4

Spinning Unit

7-Kilometer
Multan Road, Pattoki
Tel: (04943) 540083-4

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **YOUSAF WEAVING MILLS LIMITED** (the Company) as at December 31, 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year then ended. 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 and condensed interim statement of comprehensive income 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 six-months 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.



Basis for Qualified Conclusion

- a) The company has acquired on lease the complete production facility with all land, buildings and machinery & equipments, parts and accessories of Chakwal Spinning Mills Limited under the lease arrangement. We noted that requirements of the Companies Act, 2017 have not been complied with for this transaction.

Conclusion

Based on our review except as stated in above paragraph (a), nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year 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.

Without qualifying our conclusion, we draw attention to Note 1.2 in the interim financial statements which indicates that Company has incurred loss after tax of Rs. 71.16 million (December 31, 2016: Rs. 49.21 million) and at half year end and as of the year end, its accumulated losses stood at Rs. 1205.18 million (at June 30, 2017: 1,134.02 million), its current liabilities exceed its current assets by Rs. 776.49 million (at June 30, 2017: Rs. 716.06 million). These conditions along with other matters as set forth in Note 1.2 indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.


 **(Aslam Malik & Co.)**
Chartered Accountants

Lahore:
February 28, 2018

Engagement Partner: Muhammad Aslam Malik

Other Offices at:

Islamabad: House # 726, Street 34, Margalla Town, off Murree Road, Islamabad.
Tel: +92-51-2840487-88, Fax: +92-51-2840486

Karachi: Suite # 602-B, 6th Floor, Business & Finance Center, I.I. Chundrigar Road, Karachi
Tel: +92-21-32412212, 32443706 Fax: +92-21-32472235

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of the company are pleased to present before you the un-audited financial statements for the half year ended December 31, 2017.

With the concerted efforts of the directors, the sales of the company jumped to Rs 888.251 million as compared to Rs 832.616 million in the corresponding period last year. The increase in sales was also due to the reason that Company took up the production facilities of Chakwal Spinning Mills Ltd on temporary lease arrangement.

The company incurred gross loss of Rs 8.544 million as compared to Gross profit of Rs 10.817 million in the same period last year. The company incurred a net loss of Rs 70.995 million as compared to net loss of Rs 49.208 million in the same period last year, mainly because of the market conditions. The company has taken on lease the production facility of Chakwal Spinning Mills Limited and its operational results are included in the interim financial information. The auditors of the Company have given qualified conclusion on the said transaction which is replied in note no 1.3 of the interim financial information. The management aims to get the benefit of increased production facility and its contribution in the overall profitability of the company. However these arrangements are temporary and are subject to confirmation and affirmation of the members of the company.

The management of the company is making all efforts to move the company from whim circles. The production capacity has increased from 153 looms to 199 looms, similarly the spindles capacity increased from 15,936 to 18,888. These additions were made by the company from its own sources. This increase will ultimately give benefit in the improved performance and profitability of the company. The management is conscious toward efficiency and quality and is improving utilities which will have impact on the profitability of the company.

The survival of the textile industry is dependent to make it competitive by rationalizing its cost to do business and its simple solution falls in the supply of fuel at reduced rates. In the last period we were supplying 28 % system gas at reduced rates as compared to RLNG which has been withdrawn since December 2017 and is not restored yet. We believe that until and unless sustainable measures are not adopted by the Government the industry shall be a lost tale. The auditors observation regarding going concern has been disclosed in note no 1.2 of the interim financial statement.

We are thankful to all including our shareholders, customers, suppliers, bankers and more important our valued workers and employees for their continued commitment and diligences.

For and on behalf of the Board

Lahore:
February 28, 2018

(Khawaja Mohammad Nadeem)
Chief Executive Officer

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز 31 دسمبر 2017 کے اختتام شدہ ششماہی کی مدت کے غیر جانچ شدہ حسابات پیش کرتے ہوئے مسرت کا اظہار کرتے ہیں۔

کمپنی کے ڈائریکٹرز کی جانفشاں کوششوں کی بدولت کمپنی کی فروخت پچھلے سال اسی دورے کی 832.616 ملین روپے کے مقابلے میں اس سال 888.251 ملین روپے رہی۔ فروخت میں اس اضافے کی وجہ یہ ہے کہ کمپنی نے چکوال سپنگ ملز سے پیداواری سہولیات عارضی طور پر لیز پر لی ہیں۔ کمپنی کو پچھلے سال اسی عرصے کے 10.817 ملین روپے مجموعی منافع کے مقابلے میں اس سال 8.544 ملین روپے مجموعی خسارہ ہوا ہے۔ کمپنی کو پچھلے سال اسی عرصے کے 49.208 ملین روپے خالص نقصان کے مقابلے میں اس سال 70.995 ملین روپے خالص نقصان ہوا ہے۔ جس کی بنیادی وجہ مارکیٹ کے مندرے حالات ہیں کمپنی نے چکوال سپنگ ملز کی پیداواری سہولیات کو لیز پر لیا ہے اور اس کے مالیاتی نتائج عبوری مالیاتی معلومات میں شامل کیے گئے ہیں۔ کمپنی کے محاسب نے مندرجہ بالا عمل پر مشروط نقطہ نظر دیا ہے جس کا جواب عبوری مالیاتی معلومات کے نوٹ نمبر 1.3 میں دیا گیا ہے۔ منتظمین نے یہ فیصلہ پیداواری صلاحیت میں اضافے اور کمپنی کے مجموعی منافع میں اس کی شراکت کو مد نظر رکھتے ہوئے کیا ہے۔ تاہم یہ اقدامات عارضی ہیں اور کمپنی کے ممبران کی تصدیق و اثبات سے مشروط ہیں۔

منتظمین کمپنی کو برے حالات سے نکالنے کی بھرپور کوشش کر رہے ہیں۔ پیداواری صلاحیت 153 لوموں سے بڑھ کر 199 لوموں میں ہو چکی ہے، اسی طرح سپنڈل 15936 سے بڑھ کر 18888 ہو گئے ہیں۔

کمپنی نے یہ اضافہ اپنے مالی ذرائع سے کیا ہے۔ یہ اضافہ کمپنی کی بہتر کارکردگی اور کمپنی کو منافع بخش بنانے میں مددگار ثابت ہوگا۔ منتظمین کارکردگی اور معیار کے لیے کوشاں ہیں اور پیداواری صلاحیت میں ایسی بہتری لارہے جو کمپنی کے لیے سود مند ثابت ہوگی۔ ٹیکسٹائل صنعت کی بقا اس کی کاروبار کرنے کی لاگت کو مناسب کر کے مقابلے کی فضا بہتر بنانے میں ہے اور اس کا سادہ حل ایندھن کے نرخ کم کرنے میں ہے۔ پچھلے دورے میں ہمیں RLNG کی بجائے 28% سوئی گیس فراہم کی گئی جبکہ یہ سہولت دسمبر 2017 سے بند کر دی گئی ہے اور ابھی تک بحال نہیں کی گئی۔ ہم سمجھتے ہیں جب تک حکومت کی جانب سے مناسب اقدامات نا اٹھائے گئے یہ صنعت المناک داستان بن جائے گی۔

محاسب کے جاری کاروبار کے اندیشے کی وضاحت کو عبوری مالیاتی معلومات کے نوٹ نمبر 1.2 میں بیان کیا گیا ہے۔

ہم تمام ہشمول حصہ داران، گاہکوں، فراہم کنندگان، بینکاروں اور سب سے اہم کمپنی ملازمین کا ان کی وفاداری اور لگن کی وجہ سے شکر یہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

خواجہ محمد ندیم

(چیف ایگزیکٹو آفیسر)

تاریخ : 28 فروری 2018

لاہور

CONDENSED INTERIM BALANCE SHEET

| | Notes | December 31, 2017 (Un-audited) Rupees | June 30, 2017 (Audited) Rupees |
|---|-------|--|---|
| CAPITAL AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | | |
| 90,000,000 (June 30, 2017: 90,000,000) ordinary shares of Rs. 10 each | | 900,000,000 | 900,000,000 |
| Issued, subscribed and paid up capital | | 900,000,000 | 400,000,000 |
| Long Term Directors Loan Convertible into Ordinary Shares | 5 | - | 500,000,000 |
| Accumulated loss | | (1,205,018,374) | (1,134,022,418) |
| | | (305,018,374) | (234,022,418) |
| NON CURRENT LIABILITIES | | | |
| Long term Financing | | 72,111,023 | 80,523,976 |
| Liabilities against assets subject to finance lease | | 971,923 | 1,754,014 |
| Deferred liabilities | | 63,151,253 | 60,311,359 |
| | | 136,234,199 | 142,589,349 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 360,554,432 | 280,392,145 |
| Accrued mark up | | 103,739,047 | 83,551,360 |
| Short term borrowings | | 508,505,290 | 518,014,235 |
| Current maturity of non current liabilities | | 30,692,345 | 30,976,420 |
| Provision for taxation | | 23,778,411 | 14,872,704 |
| | | 1,027,269,525 | 927,806,864 |
| CONTIGENCIES AND COMMITMENTS | 6 | - | - |
| | | 858,485,350 | 836,373,795 |

Lahore:
February 28, 2018

(Khawaja Mohammad Nadeem)
Chief Executive Officer

AS AT DECEMBER 31, 2017 - (UN-AUDITED)

| | Note | December 31, 2017 (Un-audited) Rupees | June 30, 2017 (Audited) Rupees |
|---|------|--|---|
| ASSETS | | | |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 7 | 588,991,390 | 610,708,817 |
| Intangible assets | | 431,777 | 454,503 |
| Long term loans | | 10,151,311 | 9,415,673 |
| Long term deposits | | 7,967,074 | 4,044,074 |
| | | <u>607,541,552</u> | <u>624,623,067</u> |
| CURRENT ASSETS | | | |
| Stores and spares | | 28,802,343 | 23,501,989 |
| Stock in trade | | 81,295,041 | 77,655,925 |
| Trade debts | | 33,009,667 | 14,011,729 |
| Loans and advances | | 33,395,238 | 22,348,827 |
| Trade deposits and short term prepayments | | 3,571,038 | 3,851,176 |
| Other receivables | | 9,167,951 | 12,930,251 |
| Tax refunds due from government | | 55,109,989 | 55,925,016 |
| Cash and bank balances | | 6,592,531 | 1,525,815 |
| | | <u>250,943,798</u> | <u>211,750,728</u> |
| | | <u>858,485,350</u> | <u>836,373,795</u> |

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

(Khawaja Shahzad Younus)
Director

(Mr. Nadeem Anwar)
Chief Financial Officer

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

| | Half Year Ended December 31, 2017 | Half Year Ended December 31, 2016 | Quarter Ended December 31, 2017 | Quarter Ended December 31, 2016 |
|----------------------------------|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| | (Un-audited) Rupees | (Un-audited) Rupees | (Un-audited) Rupees | (Un-audited) Rupees |
| Sales - net | 888,251,880 | 832,616,927 | 526,545,968 | 406,386,144 |
| Cost of sales | <u>(896,796,126)</u> | <u>(821,799,790)</u> | <u>(553,443,746)</u> | <u>(397,443,104)</u> |
| Gross (Loss) / Profit | (8,544,246) | 10,817,137 | (26,897,778) | 8,943,040 |
| Operating expenses: | | | | |
| - Distribution costs | <u>(4,169,904)</u> | <u>(2,025,229)</u> | <u>(1,734,240)</u> | <u>(1,116,816)</u> |
| - Administrative expenses | <u>(21,153,805)</u> | <u>(23,104,526)</u> | <u>(11,080,976)</u> | <u>(11,695,205)</u> |
| | <u>(25,323,709)</u> | <u>(25,129,755)</u> | <u>(12,815,216)</u> | <u>(12,812,021)</u> |
| Operating Loss | (33,867,955) | (14,312,618) | (39,712,994) | (3,868,981) |
| Other operating expenses | (3,101,559) | (740,100) | (1,684,919) | (684,545) |
| Finance cost | <u>(25,120,735)</u> | <u>(25,822,783)</u> | <u>(12,714,989)</u> | <u>(12,831,811)</u> |
| Loss before Taxation | (62,090,249) | (40,875,501) | (54,112,902) | (17,385,337) |
| Provision for taxation | (8,905,707) | (8,333,329) | (5,281,828) | (11,848,556) |
| Loss after Taxation | <u>(70,995,956)</u> | <u>(49,208,830)</u> | <u>(59,394,730)</u> | <u>(29,233,893)</u> |
| Loss per share - basic & diluted | <u>(0.79)</u> | <u>(1.23)</u> | <u>(0.66)</u> | <u>(0.73)</u> |

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

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

| | Half Year Ended December 31, 2017 | Half Year Ended December 31, 2016 | Quarter Ended December 31, 2017 | Quarter Ended December 31, 2016 |
|--|--------------------------------------|--------------------------------------|------------------------------------|------------------------------------|
| | (Un-audited) Rupees | (Un-audited) Rupees | (Un-audited) Rupees | (Un-audited) Rupees |
| Loss for the Period | (70,995,956) | (49,208,830) | (59,394,730) | (29,233,893) |
| Other comprehensive income for the period | - | - | - | - |
| Total Comprehensive loss for the Period | (70,995,956) | (49,208,830) | (59,394,730) | (29,233,893) |

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

Lahore:
February 28, 2018

(Khawaja Mohammad Nadeem)
Chief Executive Officer

(Khawaja Shahzad Younus)
Director

(Mr. Nadeem Anwar)
Chief Financial Officer

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

| | Half Year Ended July 01, 2017 to December 31, 2017 | Half Year Ended July 01, 2016 to December 31, 2016 |
|--|--|--|
| | (Un-audited) Rupees | (Un-audited) Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (62,090,248) | (40,875,501) |
| Adjustments for: | | |
| - Depreciation | 21,028,090 | 22,860,705 |
| - Amortization of intangible assets | 22,725 | 56,813 |
| - Provision for gratuity | 5,603,853 | 5,618,116 |
| - Loss on sale of stock in trade | 1,416,640 | 684,545 |
| - Loss on sales of property, plant and equipment | 1,534,919 | - |
| - Finance cost | 25,120,735 | 25,822,783 |
| Operating (loss) / profit before working capital changes | (7,363,286) | 14,167,461 |
| Decrease / (increase) in current assets: | | |
| - Stores and spares | (7,343,518) | (2,953,428) |
| - Stock in trade | (4,265,770) | 85,856,568 |
| - Trade debts | (18,997,938) | (14,215,593) |
| - Loan and advances | (11,046,411) | 2,059,409 |
| - Trade deposits, short term prepayments | 280,144 | 219,292 |
| - Other receivable | 3,762,300 | - |
| - Tax refund due from government | 2,646,029 | (982,981) |
| Decrease / (increase) in current liabilities: | | |
| - Trade and other payables | 80,162,288 | (126,373,840) |
| | 45,197,124 | (56,390,573) |
| Cash generated from / (used in) operations | 37,833,838 | (42,223,112) |
| Gratuity paid | (2,763,960) | (7,804,509) |
| Finance cost paid | (4,933,047) | (6,532,053) |
| Income tax paid | (1,831,011) | (1,979,162) |
| Net cash generated from / (used in) Operating Activities | 28,305,820 | (58,538,836) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (1,958,000) | (1,716,000) |
| Proceeds from disposal of property, plant and equipment | 1,112,418 | - |
| Proceeds from disposal of raw material and stores and spares | 1,253,178 | 2,020,858 |
| Long term deposits | - | (19,628) |
| Long term loans to employees | (735,638) | - |
| Long term deposits | (3,923,000) | - |
| Net Cash (used in) / generated from Investing Activities | (4,251,042) | 285,230 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long term loans | (8,394,972) | 10,942,288 |
| Liabilities against assets subject to finance lease | (1,084,147) | (1,063,436) |
| Short term borrowings | (9,508,943) | 47,448,159 |
| Net Cash (used in) / generated from Financing Activities | (18,988,062) | 57,327,011 |
| Net decrease in Cash and Cash Equivalents | 5,066,716 | (926,595) |
| Cash and cash equivalents at the beginning of the period | 1,525,815 | 3,922,805 |
| Cash and Cash Equivalents at the End of Period | 6,592,531 | 2,996,210 |

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

Lahore:
February 28, 2018

(Khawaja Mohammad Nadeem)
Chief Executive Officer

(Khawaja Shahzad Younus)
Director

(Mr. Nadeem Anwar)
Chief Financial Officer

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

| Particulars | Share Capital | Accumulated Loss | Total Equity |
|---|------------------------|------------------------|------------------------|
| | (Un-audited) Rupees | (Un-audited) Rupees | (Un-audited) Rupees |
| Balance as at July 01, 2016 | 400,000,000 | (1,012,798,276) | (612,798,276) |
| Total comprehensive loss for the half year ended December 31, 2016 | - | (49,208,830) | (49,208,830) |
| Balance as at December 31, 2016 | 400,000,000 | (1,062,007,106) | (662,007,106) |
| Balance as at July 01, 2017 | 900,000,000 | (1,134,022,418) | (234,022,418) |
| Total comprehensive loss for the half year ended December 31, 2017 | - | (70,995,956) | (70,995,956) |
| Balance as at December 31, 2017 | 900,000,000 | (1,205,018,374) | (305,018,374) |

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

Lahore:
February 28, 2018

(Khawaja Mohammad Nadeem)
Chief Executive Officer

(Khawaja Shahzad Younus)
Director

(Mr. Nadeem Anwar)
Chief Financial Officer

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

Note 1

The Company and its Operations

- 1.1 Yousaf Weaving Mills Limited was incorporated on January 17, 1988 as a public limited company in Pakistan under the Companies Ordinance, 1984 and is quoted on Pakistan Stock Exchange. The Company is engaged in the business of textile weaving, spinning, sale of processed fabric and home textile. The registered office of the Company is situated at 7/- E-3, Main Boulevard Gulberg III, Lahore.
- 1.2 During the half year ended December 31, 2017, Company has incurred loss after tax of Rs. 70.99 million (December 31, 2016: Rs. 49.21 million) and at half year end and as of the year end, its accumulated losses stood at Rs. 1,205.18 million (June 30, 2017: 1,134.022 million), its current liabilities exceed its current assets by Rs. 776.33 million (at June 30, 2017: Rs. 716.06 million). The company in order to carry on its business and to meet its current obligation requires generating sufficient cash flows. Accordingly there is a material uncertainty relating to the Company's operation that may cast sufficient doubt on the discharge of its liabilities in the normal course of business. Continuation of the Company as a going concern is dependent on improved cash flows. For this purpose the management of the Company has drawn up plans which includes:-
 - The company is planning to have an efficient strategy to reduce the cost of doing the business by upgrading its production facilities which will have positive effect on its operating performance in the going period.
 - The company is operating at maximum capacity and never faces shut down even a single day.
 - The company is planning to revive its export business which will improve profitability and liquidity.
 - The management is continuously working to enhance its production capacity to reap the benefits of economy scale. The Weaving unit capacity has increased from 153 Looms to 203 i.e. 33% increase in capacity. Similarly the Spinning unit capacity has increased from 15,936 spindles to 18,898 spindles which is 19% increase in capacity. This addition has made by the company from its own sources.
 - The company is redefining/negotiating their financial facility which has strengthened its working capital to meet the challenges.
 - The management is reinforcing auxiliaries by importing essential parts which will reinforce the efficiency and quality of the product and will benefit the overall performance of the Company.
 - The Director's loan amounting to Rs. 500 million has been converted into paid up capital with the approval of SECP. It will enhance the Capital worth of the Company and will facilitate future business prospectus in the form of obtaining fresh working capital facilities from the banks.
 - The management efforts are very obvious to make the Company a going concern and in view of the above the financial statements has been prepared on going concern.
- 1.3 The company has acquired on lease the production facilities including land, building, plant & machinery, equipments, parts and accessories of Chakwal Spinning Mills Limited under a lease agreement. These arrangements are temporary and subject to relevant confirmation and affirmation. The operating results of the rental facility are included in the interim financial information.

Note 2

Basis of Preparation

- 2.1 This condensed interim financial information has been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (the "SECP") and is in compliance with the International Accounting Standard - 34 (Interim Financial Reporting).
- 2.2 The SECP vide its Circular No.23 dated 04 October 2017, has directed the companies whose financial year closes on or before December 31, 2017 to prepare the financial statements under the provisions of the repealed Companies Ordinance 1984, that has been replaced through the enactment of the Companies Act, 2017. As per Circular No. 17 of the Institute of Chartered Accountants of Pakistan issued on October 06, 2017, the Commission has included the preparation of interim financial information for the period ended December 31, 2017 within the scope of said SECP's circular. Thus, this condensed financial information has been prepared under the repealed Companies Ordinance, 1984.
- 2.3 This condensed interim financial information is unaudited and has been subjected to limited scope review by the external auditors as required by the Code of Corporate Governance and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. The figures for the quarters ended on December 31, 2016 and 2017 presented in the condensed interim profit and loss account have not been reviewed by the external auditors, as they have reviewed the accumulated figure for the half year ended December 31, 2016 & 2017.
- 2.4 This condensed interim financial information is presented in Pak rupees, which is the Company's functional and presentation currency. Figures have been rounded off to nearest thousand rupees, unless stated otherwise. This condensed financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2017.

Note 3

Significant Accounting Policies

The accounting policies and methods of computation of this condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2017.

Note 4

Accounting Estimates and Judgements

The accounting estimates and associated assumptions used in the preparation of this interim financial statement are consistent with those applied in the preparation of annual financial statements of the Company for the year ended June 30, 2017.

Note 5

Long Term Directors Loan Converted into Ordinary Shares

The Securities and Exchange Commission of Pakistan (SECP) has allowed approval of issuance of further shares other than right issuance U/S 83 of the Companies Ordinance on the basis of Extra Ordinary General Meeting held on March 31, 2017. In compliance with the said approval, issued shares at face value of Rs. 10 per share to following Directors as on October 17, 2017.

| | No. of Shares |
|----------------------------------|---------------|
| i) Mr. Khawaja Mohammad Jawed | 14,000,000 |
| ii) Mr. Khawaja Mohammad Kaleem | 15,000,000 |
| iii) Mr. Khawaja Mohammad Nadeem | 11,500,000 |
| iv) Mr. Khawaja Mohammad Naveed | 9,500,000 |
| Total | 50,000,000 |

Note 6

Contingencies and Commitments

Contingencies

There is no other significant change in the contingencies as reported in the last published audited financial statements for the year ended June 30, 2017.

Commitments

There is no other significant change in the commitments as reported in the last published audited financial statements for the year ended June 30, 2017.

Note 7

Property, Plant and Equipment

| | December 31, | Year Ended |
|--|--------------|---------------|
| | 2017 | June 30, 2017 |
| | (Un-audited) | (Audited) |
| | Rupees | Rupees |
| Opening written down value | 610,708,817 | 645,144,973 |
| Addition during the period / year (at cost) | 1,958,000 | 17,840,446 |
| | 612,666,817 | 662,985,419 |
| Disposal during the period / year (written down value) | (2,647,337) | (6,552,866) |
| | 610,019,480 | 656,432,553 |
| Depreciation charge for the period / year | (21,028,090) | (45,723,736) |
| Closing written down value | 588,991,390 | 610,708,817 |

Note 8

Transactions with Related Parties

The related parties and associated undertakings comprise related group companies, associated companies, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment are as follows:

| | Half Year Ended | |
|--|-----------------|----------------|
| | Dec 31, 2017 | Dec 31, 2016 |
| | (Un-audited) | (Un-audited) |
| | Rs. In Million | Rs. In Million |
| Significant transaction with related parties are as follows: | | |
| - Sales of goods | 0.627 | 0.061 |
| - Sale of material, goods and services | - | - |
| - Loan (repaid) / received from directors - net | (16.611) | 74.043 |
| - Rent of expenses | 0.300 | 0.600 |
| Rent expenses | 3.000 | - |

There were no transactions with key management personnel other than undertaken as per terms of their employment.

Note 9
Segment Information

9.1 For management purposes, the activities of the Company are organized into two operating segment:

- Weaving: Production of grey and processed cloth.
- Spinning: Production of different qualities of yarn using natural and artificial fibers.

The Company operates in the said reportable operating segments bases on the nature of products, risks and returns, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these condensed financial statements related to the Company's reportable segment.

Information regarding the Company's reportable segment for the Half Year ended December 31, 2017 are as follows:

9.2 Segment revenues and results

| For the Half Year Ended December 31, 2017 (Un-audited) | | | |
|--|-----------------|------------------|---------------|
| | Weaving Segment | Spinning Segment | Total |
| Sales - net | 267,825,512 | 620,426,368 | 888,251,880 |
| Cost of sales | (248,359,575) | (648,436,551) | (896,796,126) |
| Gross Profit / (Loss) | 19,465,937 | (28,010,183) | (8,544,246) |
| Distribution cost | (552,380) | (3,617,524) | (4,169,904) |
| Administrative expenses | (15,792,269) | (5,361,536) | (21,153,805) |
| | (16,344,649) | (8,979,060) | (25,323,709) |
| Operating Profit / (Loss) | 3,121,288 | (36,989,243) | (33,867,955) |
| Other operating charges | (3,101,559) | - | (3,101,559) |
| Finance cost | (23,364,925) | (1,755,810) | (25,120,735) |
| Loss before Taxation | (23,345,196) | (38,745,053) | (62,090,249) |
| Taxation | (2,691,297) | (6,214,410) | (8,905,707) |
| Loss after taxation | (26,036,493) | (44,959,463) | (70,995,956) |

| For the Half Year Ended December 31, 2016 (Un-audited) | | | |
|--|-----------------|------------------|---------------|
| | Weaving Segment | Spinning Segment | Total |
| Sales - net | 499,574,380 | 333,042,547 | 832,616,927 |
| Cost of sales | (493,639,465) | (328,160,325) | (821,799,790) |
| Gross Profit | 5,934,915 | 4,882,222 | 10,817,137 |
| Distribution cost | (206,548) | (1,818,681) | (2,025,229) |
| Administrative expenses | (18,079,017) | (5,025,509) | (23,104,526) |
| | (18,285,565) | (6,844,190) | (25,129,755) |
| Operating Loss | (12,350,650) | (1,961,968) | (14,312,618) |
| Other operating charges | (740,100) | - | (740,100) |
| Finance cost | (24,049,408) | (1,773,375) | (25,822,783) |
| Other operating income | - | - | - |
| Loss before taxation | (37,140,158) | (3,735,343) | (40,875,501) |
| Taxation | (5,001,562) | (3,331,767) | (8,333,329) |
| Loss after taxation | (42,141,720) | (7,067,110) | (49,208,830) |

9.3 Segment Assets

| For the Half Year Ended December 31, 2017 (Un-audited) | | | |
|--|-----------------|------------------|-------------|
| | Weaving Segment | Spinning Segment | Total |
| Segment assets for reportable segments | 631,098,591 | 172,276,773 | 803,375,364 |
| Unallocated corporate assets | | | 55,109,986 |
| Total assets as per balance sheet | | | 858,485,350 |

| For the Year ended June 30, 2017 (Audited) | | | |
|--|-----------------|------------------|-------------|
| | Weaving Segment | Spinning Segment | Total |
| Segment assets for reportable segments | 650,121,107 | 130,327,673 | 780,448,780 |
| Unallocated corporate assets | | | 55,925,015 |
| Total assets as per balance sheet | | | 836,373,795 |

9.4 Segment Liabilities

| For the Half Year Ended December 31, 2017 (Un-audited) | | | |
|--|-----------------|------------------|----------------------|
| | Weaving Segment | Spinning Segment | Total |
| Segment liabilities for reportable segments | 1,007,443,064 | 132,282,249 | 1,139,725,313 |
| Unallocated corporate liabilities | | | 23,778,411 |
| Total liabilities as per balance sheet | | | 1,163,503,724 |

| For the Year ended June 30, 2017 (Audited) | | | |
|---|-----------------|------------------|----------------------|
| | Weaving Segment | Spinning Segment | Total |
| Segment liabilities for reportable segments | 1,004,061,881 | 51,461,627 | 1,055,523,508 |
| Unallocated corporate liabilities | | | 14,872,705 |
| Total liabilities as per balance sheet | | | 1,070,396,213 |

Note 10

Financial Risk Management

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual published financial statements of the Company for the year ended June 30, 2017.

Note 11

General

11.1 This interim financial information is authorized for issue on February 28, 2018 by the Board of Directors of the Company.

11.2 Corresponding figures have been re-arranged wherever necessary to facilitate comparison. No material rearrangement has been made during the period.

Lahore:
February 28, 2018

(Khawaja Mohammad Nadeem)
Chief Executive Officer

(Khawaja Shahzad Younus)
Director

(Mr. Nadeem Anwar)
Chief Financial Officer

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