

**Quarterly &  
Six Monthly  
Accounts**

**DECEMBER 2015**



**SALMAN NOMAN  
ENTERPRISES LIMITED**





## Auditor's Report to the Members on Review of Condensed Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim balance sheet of **Salman Noman Enterprises Limited** as at December 31, 2015, 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 "interim financial information") for the half year then ended. 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 and condensed interim statement of comprehensive income for the quarter 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 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 persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Emphasis of matter paragraph

Without qualifying our opinion, we draw attention to note 2.2 in the financial statements which indicates that the company incurred a net loss of Rupees 95,912,511 during the period ended December 31, 2015 and, as of that date, the company's current liabilities exceeds its current assets by Rupees 307,014,836. These conditions, along with other matters as explained in note 2.2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. These financial statements, however, have been prepared on the going concern basis on the assumptions as detailed in aforesaid note.

Karachi

Dated: 29th February, 2016

**MUSHTAQ & CO;**  
Chartered Accountants  
**Engagement Partner:**  
Mushtaq Ahmed Vohra, FCA



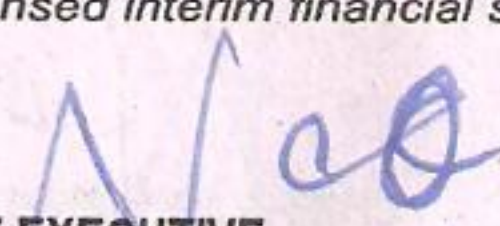
CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)  
AS AT DECEMBER 31, 2015

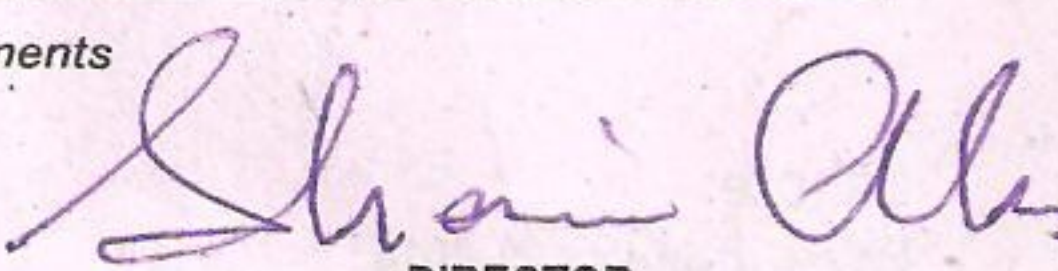
		Un-audited December 31, 2015	Audited June 30, 2015
	Note	-----Rupees-----	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	5	808,849,334	827,231,473
Long term deposits		7,029,480	7,029,480
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools		60,404,178	60,688,450
Stock in trade	6	255,727,829	209,701,247
Trade debts - unsecured (considered good)		29,199,847	39,385,644
Loans & advances		29,955,054	16,569,210
Trade deposits and short term prepayments		953,045	-
Other receivables		-	13,500,000
Tax refunds due from Government		26,859,723	19,284,556
Cash and bank balances		4,286,220	1,791,855
		407,385,896	360,920,961
<b>TOTAL ASSETS</b>		<b>1,223,264,710</b>	<b>1,195,181,914</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized capital</b>			
10,000,000 (June 30, 2015: 10,000,000) Ordinary shares of Rs.10/- each		100,000,000	100,000,000
<b>Issued, subscribed and paid-up capital</b>			
4,467,036 (June 30, 2015: 4,467,036) Ordinary shares of Rs. 10/- each		44,670,360	44,670,360
Accumulated loss		(282,035,299)	(192,963,611)
		(237,364,939)	(148,293,251)
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX</b>		<b>358,544,842</b>	<b>365,385,664</b>
<b>NON CURRENT LIABILITIES</b>			
Long term financing from banking companies	7	89,185,746	96,361,746
Long term financing from directors and others	8	138,683,905	138,683,905
Liabilities against assets subject to finance lease	9	39,453,999	49,783,206
Deferred liabilities		70,702,112	96,878,096
Long term loans from others		49,658,313	49,658,313
<b>CURRENT LIABILITIES</b>			
Trade and other payables		377,324,215	253,044,925
Accrued markup / interest		35,913,323	21,602,346
Short term borrowings		193,217,289	179,758,004
Current portion of non current liabilities		105,977,597	90,350,651
Provision for taxation		1,968,307	1,968,307
		714,400,732	546,724,234
<b>CONTINGENCIES AND COMMITMENTS</b>	10		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,223,264,710</b>	<b>1,195,181,914</b>

The annexed notes form an integral part of these condensed interim financial statements

Lahore:

Dated: February 29, 2016

  
 CHIEF EXECUTIVE

  
 DIRECTOR




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

Note	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	-----Rupees-----		-----Rupees-----	
Sales - net	280,086,910	338,198,449	570,417,707	680,371,553
Cost of sales	(355,560,492)	(374,619,494)	(652,554,433)	(697,784,099)
<b>Gross loss</b>	<b>(75,473,582)</b>	<b>(36,421,045)</b>	<b>(82,136,726)</b>	<b>(17,412,546)</b>
Other operating income	557	41,020	1,121	41,020
Distribution cost	(149,465)	(243,120)	(233,065)	(516,908)
Administrative expenses	(7,784,185)	(6,043,948)	(12,426,888)	(11,408,210)
Other operating expenses	(1,433,158)	(4,550)	(1,442,708)	(16,650)
Finance cost	(17,304,082)	(17,074,481)	(24,227,199)	(23,777,715)
<b>Loss before taxation</b>	<b>(102,143,915)</b>	<b>(59,746,124)</b>	<b>(120,465,466)</b>	<b>(53,091,009)</b>
Taxation	27,459,976	44,764,940	24,552,955	41,343,209
<b>Loss for the period</b>	<b>(74,683,939)</b>	<b>(14,981,184)</b>	<b>(95,912,511)</b>	<b>(11,747,800)</b>
<b>Loss per share - basic and diluted</b>	<b>11 (16.72)</b>	<b>(3.35)</b>	<b>(21.47)</b>	<b>(2.63)</b>

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2015**

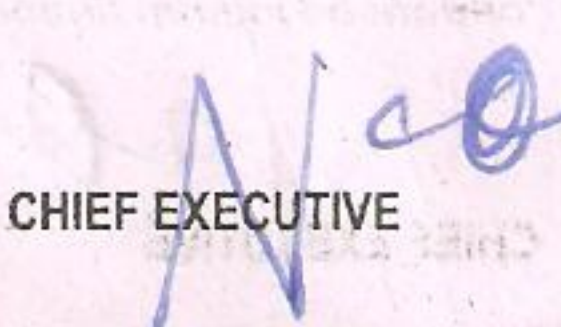
Note	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	-----Rupees-----		-----Rupees-----	
Loss for the period	(74,683,939)	(14,981,184)	(95,912,511)	(11,747,800)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>(74,683,939)</b>	<b>(14,981,184)</b>	<b>(95,912,511)</b>	<b>(11,747,800)</b>

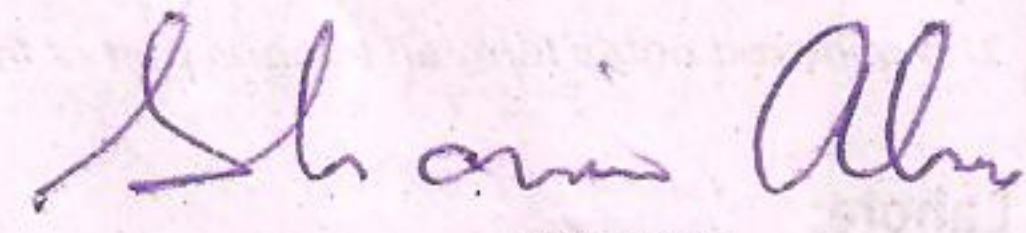
The annexed notes form an integral part of these condensed interim financial statements

Lahore:

Dated: February 29, 2016

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CHIEF EXECUTIVE

  
DIRECTOR



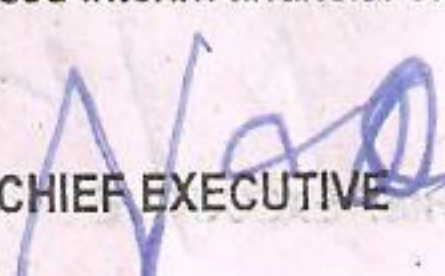
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

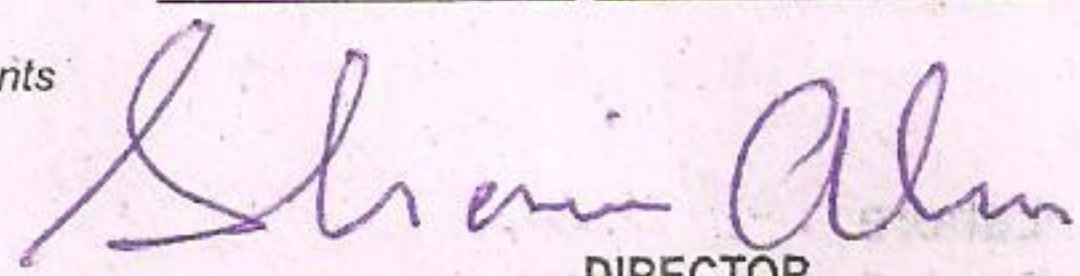
	Half year ended	
	December 31, 2015	December 31, 2014
	-----Rupees-----	
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(120,465,466)	(53,091,009)
<b>Adjustments for:</b>		
Depreciation	18,697,129	18,113,561
Provision for staff retirement benefits - gratuity	3,540,436	3,424,980
Finance cost	24,227,199	23,777,715
<b>Loss before working capital changes</b>	<b>(74,000,701)</b>	<b>(7,774,753)</b>
<b>Changes in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spare parts and loose tools	284,272	1,393,030
Stock in trade	(46,026,582)	13,903,079
Trade debts	10,185,797	9,187,612
Loans and advances	(13,385,844)	(3,228,887)
Trade deposits and short term prepayments	(953,045)	251,952
Other receivables	13,500,000	597,113
Tax refunds due from Government	(7,575,168)	(4,396,119)
<b>Increase in current liabilities</b>		
Trade and other payables	121,250,600	(8,091,109)
	77,280,030	9,616,671
<b>Cash generated from operations</b>	<b>3,279,329</b>	<b>1,841,918</b>
Finance cost paid	(9,916,222)	(17,736,983)
Staff retirement benefits - gratuity paid	(5,163,465)	(3,263,824)
Income taxes - net	3,028,690	2,072,880
	(12,050,997)	(18,927,927)
<b>Net cash used in operating activities</b>	<b>(8,771,669)</b>	<b>(17,086,009)</b>
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(314,990)	(940,700)
<b>Net cash used in investing activities</b>	<b>(314,990)</b>	<b>(940,700)</b>
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Increase in:</b>		
Long term loans obtained from directors-net	-	64,411,392
<b>Payments for:</b>		
Short term borrowings - net	13,459,285	(36,519,288)
long term financing from banking companies	-	(5,431,921)
Liabilities against assets subject to finance lease	(1,878,261)	(2,507,098)
<b>Net cash generated from financing activities</b>	<b>11,581,024</b>	<b>19,953,085</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>2,494,365</b>	<b>1,926,376</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,791,855</b>	<b>1,830,920</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4,286,220</b>	<b>3,757,296</b>

The annexed notes form an integral part of these condensed interim financial statements

Lahore:

Dated: February 29, 2016


  
CHIEF EXECUTIVE


  
DIRECTOR





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

	Issued, subscribed and paid up capital	Accumulated profit/(loss)	Total
	-----Rupees-----		
Balance as at July 01, 2014	44,670,360	(79,509,328)	(34,838,968)
Total comprehensive loss for the period	-	(11,747,800)	(11,747,800)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	5,833,533	5,833,533
<b>Balance as at December 31, 2014</b>	<b>44,670,360</b>	<b>(85,423,594)</b>	<b>(40,753,234)</b>
Balance as at July 01, 2015	44,670,360	(192,963,611)	(148,293,251)
Total comprehensive loss for the period	-	(95,912,511)	(95,912,511)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of tax	-	6,840,822	6,840,822
<b>Balance as at December 31, 2015</b>	<b>44,670,360</b>	<b>(282,035,299)</b>	<b>(237,364,939)</b>

*The annexed notes form an integral part of these condensed interim financial statements*

Lahore:

Dated: February 29, 2016

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*NCO*  
CHIEF EXECUTIVE

*Shamir Khan*  
DIRECTOR




**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2014**
**1 THE COMPANY AND ITS OPERATIONS**

The company is limited by shares, incorporated in Pakistan and is quoted on Pakistan Stock Exchanges. The principal business of the company is manufacture and sale of yarn. The registered office and mills of the company are situated at 3 kilometer Bahi Pheru, Tehsil Chunian, District Kasur in the province of Punjab.

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

This condensed interim financial information is un-audited and has been prepared in accordance with the requirements of the International Financial Reporting Standard (IFRS) IAS 34, "Interim Financial Reporting" as applicable in Pakistan. This condensed interim financial information does not include all of the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the company as at and for the year ended June 30, 2015.

This condensed interim financial information is being submitted to the shareholders as required by the Listing regulations of Pakistan Stock Exchanges and section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements comprise of condensed interim balance sheet, 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 for the half year ended December 31, 2014 which have been subject to a review but not audited. These condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended December 31, 2015.

**2.2 Going concern assumption**

During the interim period, the Company incurred loss amounting to Rs. 95.913 million (December 31, 2014: Rs. 11.748 million) and has reported accumulated losses amounting to Rs. 282.035 million (June 30, 2015: Rs. 192.964 million) at the period end. In addition, the Company's current liabilities exceeded its current assets by Rs. 307.015 million (June 30, 2015: Rs. 185.803 million) at the year end. This results in severe liquidity crisis and inability of the company to comply with loan agreements and inability to pay long term financing from financial institutions amounting to Rs. 66.068 million, short term borrowing amounting to Rs. 66.497 million and accrued markup Rs. 3.462 million. The main reason of loss was due to curtailment of working capital lines by financial institutions, fall in sale price of yarn, electricity and gas crisis, major consumption rate variance, low quality cotton resulted in lower yield and other fixed production overheads. These conditions along with adverse key financial ratios indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on going concern assumption on the basis of following mitigating factors:

- i The management has prepared five years future plan showing profitability. Management believes that, company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose;
- ii Subsequent to interim period, in January 2016 company has entered into contract with various local vendors to purchase the used machinery includes 2 sets of 64-SPINDLE SAVIO ESPERO MODEL-2000, 9 CARDING MACHINE CROSROL MK5 and 11 sets of RING SPINNING FRAMES (FA-507) MODEL-1993 to replace the rated capacity and to increase the efficiency of plant;
- iii The management has also undertaken adequate steps towards the reduction of fixed cost and expenses which are at various stages of implementation. Such steps include, but not limited to, rightsizing of the men power, resource conservation, close monitoring of other fixed cost etc. The management is certain to generate sufficient savings as consequences of adapting all such measures; and
- iv The management has also applied to the financial institutions for settlement and restructuring of overdue of the company. Management is confident that financial institution will respond positively to the request.

The management anticipates that above steps will not only bring the Company out of the existing financial crisis but also contribute significantly towards the improvement of the company financial position in the foreseeable future.

**3 ACCOUNTING POLICIES**

3.1 The accounting policies and methods of computation which have been used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended June 30, 2015.

3.2 Amendments to certain existing standards and new interpretations on approved accounting standards effective during the period either were not relevant to the company's operations or did not have any impact on the accounting policies of the company.

**4 ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT**

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

Judgments and estimates made by management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended June 30, 2015.

The company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2015.





5 PROPERTY, PLANT AND EQUIPMENT

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
-----Rupees-----			
Operating assets - WDV	5.1	808,610,844	827,231,473
Capital work in progress - at cost		238,490	-
		<u>808,849,334</u>	<u>827,231,473</u>
<b>5.1 Operating assets</b>			
Opening written down value		827,231,473	788,647,359
Add: Additions during the period / year	5.1.1	76,500	2,456,293
Surplus arised during the period / year		-	128,781,281
		<u>827,307,973</u>	<u>919,884,933</u>
Less: Disposals during the period / year	5.1.1	-	-
Depreciation during the period / year		(18,697,129)	(3,776,158)
Adjustment due to Surplus		-	(54,877,302)
		<u>808,610,844</u>	<u>827,231,473</u>
Closing net book value			

5.1.1 The cost of additions and deletions to property, plant and equipment were as follows.

	December 31, 2015		June 30, 2015	
	Acquisition	Disposal	Acquisition	Disposal
	Cost		Cost	
-----Rupees-----				
Plant and machinery-Own	-	-	2,286,593	-
Furniture and fixture	-	-	64,200	-
Electric appliances	76,500	-	105,500	-
	<u>76,500</u>	<u>-</u>	<u>2,456,293</u>	<u>-</u>

6 Finished goods amounting to Rs. 33,003,880 (June 30, 2015 : Rs. 15,127,024) are stated at their net releasable value aggregating to Rs. 29,828,536 (June 30, 2015 : Rs.12,705,587). The amount charged to profit and loss account in respect of stocks written down to their net realizable value is Rs. 3,175,344 (June, 2015: Rs.2,421,437). Finished goods also includes Rs. 512,084 (June 30, 2015 : Rs. 416,107) in respect of waste stock being valued at net realizable value.

7 It includes overdue installments of Rs.40,542,270 (June 30, 2015: Rs. 24,302,428).

8 It includes Rs. 138.533 million (June 30, 2015: Rs.138.533 million) subordinated to loans from banking companies.

9 It includes overdue installments of Rs. 25,525,516 (June 30, 2015: Rs.17,330,744).

10 CONTINGENCIES AND COMMITMENTS

There is changes in contingencies and commitments as have been disclosed in the audited financial statements for the year ended June 30, 2015.

10.1 Contingencies

The change in contingencies is as follows:

10.1.1 Al-Baraka Bank (Pakistan) Limited has filed Suit No. 588/1, Dated: 16-09-2015 against the company under section 9 of the FINANCIAL INSTITUTIONS(RECOVERY OF FINANCIES) ORDINANCE, 2001 for recovery of Rs. 38,740,919/- which includes cost price, taxes etc. till realization of whole amount before the Banking Court, Lahore. The company has acknowledged its liability as per loan agreement but the amount of principal and mark up is not reconciled with the financial institutions in accordance with the above mentioned suit. The matter is still pending in the court. Management expects that matter shall be resolved through restructuring agreement of outstanding liability.

10.1.2 Soneri Bank Limited has filed Suit No. 65/2015, Dated: 29-10-2015 against the company under section 16 of the FINANCIAL INSTITUTIONS (RECOVERY OF FINANCIES) ORDINANCE, 2001 for recovery of Rs. 138,425,965/- which includes cost and cost of funds before the Honorable High Court. The company has acknowledged its liability as per loan agreement but the amount of principal and mark up is not reconciled with the financial institutions in accordance with the above mentioned suit. The matter is still pending in the court. The company is contesting its case before honorable court.





## 10.2 Commitments

The change in commitments is as follows:

Letter of credit for other than capital expenditure

(Unaudited)	(Audited)
December 31, 2015	June 30, 2015
-----Rupees-----	
	31,105,143

## 11 EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Loss for the period - Rupees	(74,683,939)	(14,981,184)	(95,912,511)	(11,747,800)
Weighted average number of ordinary shares	4,467,036	4,467,036	4,467,036	4,467,036
Loss per share - basic - Rupees	(16.72)	(3.35)	(21.47)	(2.63)

11.1 There is no dilutive effect on basic earnings / (loss) per share of the company.

## 12 RELATED PARTY TRANSACTIONS

## Transactions with related parties

Remuneration to key management personnel

Long term financing from directors and others-received

(Unaudited)	(Unaudited)
December 31, 2015	December 31, 2014
-----Rupees-----	
1,200,000	1,200,000
-	64,561,392

## 13 CORRESPONDING FIGURES

Figures have been rearranged whenever necessary for the purpose of comparison. However, no significant reclassification is made during the period.

## 14 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements have been authorized for issue on 29th February, 2016 by the board of directors of the company.

## 15 GENERAL

Figures have been rounded off to the nearest rupees.

Lahore:

Dated: February 29, 2016

  
CHIEF EXECUTIVE

  
DIRECTOR