Annual Report
2016

Sally Textile Mills Limited

Mission Statement

The Mission of Sally Textile Mills Limited is to be the finest organization, and to conduct business responsibly and in a straight forward way.

Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society.

Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.

We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the organization because

In Allah We Believe & In People We Trust

We will always conduct ourselves with integrity and strive to be the best

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Company Information

Board Of Directors

Mian Iqbal Salahuddin	Chief Executive Officer
Mst. Munira Salahuddin	
Mian Yousaf Salahuddin	
Mian Asad Salahuddin	
Mian Sohail Salahuddin	
Sheikh Abdul Salam	
Syed Abid Raza Zaidi	

Audit Committee

Sheikh Abdul Salam	Chairman
Mian Asad Salahuddin	Member
Mian Sohail Salahuddin	Member
Syed Abid Raza Zaidi	Secretary

Human Resources & Remuneration Committee

Sheikh Abdul Salam	Chairman
Mst. Munira Salahuddin	Member
Mian Sohail Salahuddin	Member

Chief Financial Officer

Mr. Hasan Shahnawaz

Company Secretary

Syed Abid Raza Zaidi

Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants

Bankers

National Bank Of Pakistan
Silk Bank Limited
The Bank of Punjab
Meezan Bank Limited
Habib Bank Limited

Registered Office

4-F, Gulberg II, Lahore.
Phones : (042) 35754371, 35754373
E-mail : sallytex@hotmail.com
Fax : (042) 35754394

Mills

Muzaffargarh Road, Jauharabad
Phones: (0454) 720645, 720546, 720311

Vision and Mission Statement

Vision

To achieve consistent superior performance in all respects, provide quality products to our valued customer and run the company purely on professional grounds

Mission

- Continuous improvement in total quality performance by achieving high standards in our products and providing these to our customers without error, on time and every time.
- We are dedicated to supply the product of highest quality and standards, yet at a reasonable cost for our national and international customer's satisfaction.
- All of our commitments, actions and products must be recognized as an expression of quality.
- We are committed to improve our skills and know-how, competency, practical experience and training of employees by implementing quality system.
- We continuously improve the performance of quality standards through practical participation of our employees at all levels.
- Our mission is to meet National and International Standards, Customers' Satisfaction and Continuous Improvements in our standards through use of latest methods and employees satisfaction.

Statement of Ethics and Business Practices

We believe that a complete code of ethics is essential for the maintenance of integrity and professionalism in the day-to-day functioning of Sally Textile Mills Limited. We always place the Company's interest first through resource management namely human, financial and other infra structural facilities and to ensure reasonable return to all the shareholders. Conduct business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objective and supports unconditionally the Compliance with best Practices of Corporate Governance for the betterment of corporate culture. We develop and observe cost effective practices in our activities and strive for excellence and quality. We encourage initiative and self-realization in employees through meaningful empowerment.

Notice of Annual General Meeting

Notice is hereby given that 48th Annual General Meeting of the company will be held on Friday 28th October, 2016 at 10:00 a.m. at Four Seasons Hall, 34-Shahrah-e-Fatima Jinnah, Queens Road, Mozang, Lahore to transact the following business.

1. To confirm the minutes of 47th Annual General Meeting held on 31-10-2015.

2. To receive and adopt the audited accounts of the company along with the Directors and auditor's report for the year ended June 30, 2016.

3. To appoint the auditors and fix their remuneration for the next financial year 2016-2017.

4. Any other matter with the permission of the chair.

By the order of the Board

Date: October 08, 2016
Place: LAHORE

SYED ABID RAZA ZAIDI
(Director / CO-Secretary)

NOTES:

I. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf. Proxies in order to be executive must be received to Shares Registrar **M/S Corplink (Pvt) Ltd** Wing Arcade, 1-K, Commercial, Model Town, Lahore not later than 48 hours before commencement of the meeting.

II. The Proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

III. Attested copies of NIC / Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

IV. The proxy shall produce his original NIC/Passport at the time of the meeting.

V. The shares transfer books of the company will remain closed for fifteen days from 29-10-2016 to 12-11-2016. (Both days inclusive).

VI. Share holders whose shares are deposited with Central Depositary System (CDS) are requested to bring their National Identity Card (NIC) along with their Account Number in CDS for verification. In case of corporate entity, the Board of Directors Resolution / Power of Attorney with specimen signatures of the nominee shall be produced (unless provided earlier) at the time of meeting.

VII. Shareholders are advised to notify change in their addresses, if any and send their e-mail addresses for easily correspondence.

Key Operating and Financial Data

	2016	2015	2014	2013	2012	2011	2010
	Rupees in million						
OPERATING PERFORMANCE							
Sales	2,192	3,280	3,796	3,647	2,887	2,843	1,746
Gross (loss)/profit	(197)	(19)	182	398	241	304	257
(Loss) / Profit before tax	(209)	(210)	7	210	98	248	146
Tax	34	(10)	29	56	62	29	11
(Loss) / Profit after tax	(243)	(200)	(22)	154	36	219	135
FINANCIAL POSITION							
Assets							
Non-current assets	1,042	1,212	1,141	1,050	995	862	759
Current assets	1,215	1,260	828	757	670	606	447
Total assets	**2,257**	**2,472**	**1,969**	**1,807**	**1,665**	**1,468**	**1,206**
Equity & liabilities							
Share capital & reserves	(91)	150	336	353	211	166	(52)
Surplus on revaluation	98	232	248	262	277	196	203
Total equity	7	382	584	615	488	362	151
Non-current liabilities	529	510	416	391	352	260	352
Current liabilities	1,721	1,580	969	801	825	846	703
Total liabilities	2,250	2,090	1,385	1,192	1,177	1,106	1,055
Total	**2,257**	**2,472**	**1,969**	**1,807**	**1,665**	**1,468**	**1,206**

Directors' Report

The Director's of Sally Textile Mills Limited ("the Company") present the 48th annual report of the Company together with audited accounts and auditor's report thereon for the year ended June 30, 2016.

Overview

This financial year was very tough and challenging for the textile spinning industry in Pakistan. The industry continues to struggle through a global economic downturn. Weak export market has caused many units to sell their product locally which has added immense downward pressure on yarn prices within Pakistan. Customers attributed this diminishing demand to high inventory levels and global recession in textiles. Electricity and Gas curtailment also led to reduced capacity utilization which amplified to additional losses. High cost of business and production has made Pakistani textile sector uneconomical in the international market. In addition to this, import of Indian yarn which has caused severe issues in the local market. During the period under review, many spinning units have shut down their operations as production viability remains very low.

Performance review

The Company registered negative growth in sales turnover of Rs. 2,192 million as compared to Rs. 3,279 million for the comparative year. Owing to the adversities being faced and lack of timely and favorable government policies to rescue this sector. The Company posted gross loss of Rs. (197.17) million as compared to gross loss of Rs. (18.95) million for the last year. The Directors of the company are committed to the business and in line with their commitment they have injected over Rs. 241 million as additional sponsors loan to the company. The Directors are firm in their resolve to continue running the mills operations as evident from the injection of their funds into the business.

The financial results in a summarized form are given hereunder:

Description	June 30, 2016 Rs. in million	June 30, 2015 Rs. in million
Turnover - net	2,192.21	3,279.67
Gross Loss	(197.17)	(18.95)
Loss before tax	(208.75)	(210.43)
Loss after tax	(243.12)	(200.41)

Loss per Share

Loss per share of your company for the year ended June 30, 2016 is Rs. (27.71) as compared to Rs. (22.84) for the comparative year 30-June-2015.

Going Concern assumptions

The Company has been facing operational losses since the previous year mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavorable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As the statutory auditor of the company raise doubts on the company's ability to continue as a going concern. However these financial are prepared on going concern basis on the grounds that.

a. Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.

b. The Company has continued financial support of its sponsors in the form of interest free loans. During the year, the sponsors provided financial support amounting to Rs. 241 million in the form of long term interest free loans. Further, the sponsors have extended the repayment tenor of long term loans provided by them to June 30, 2021.

c. The Company has undrawn short term finance facilities of Rs. 216.44 million as at June 30, 2016. The management expects continued support of its bankers in providing financial support to the Company.

d. The Company has drawn up cost cutting planning aimed at curtailing/reducing fixed costs and rationalizing variable costs. The Company, during the year, has cancelled a lease of production facility acquired in earlier years subject to operating lease

Cash Flow Management

Board of directors places great importance for an effective cash flow management so as to ensure smooth running of the business. For this purpose cash inflows and outflows are projected on regular basis and verified periodically. Working capital requirements have been planned to be financed through internal cash generation and short term financing from external sources.

Business, Risk, Challenges and Future Outlook

It is apparent that the Pakistani textile Industry is facing an uncertain environment. The industry is facing an unprecedented crises and it seems that these conditions will continue to hit the industry until the government takes radical steps to revive it. However it is hoped the revival of textile sector is predicted from the upcoming financial year, and know it seems that the industry in Pakistan is on the way of improvement.

Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. The company's CS responsibilities are fulfilled through monetary contributions in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes contributions to hospitals and education programs engaged in assisting the under privileged patients students and children's of various walks of life.

Health Safety and Environment

Your company is well aware of the importance of skilled workers and staff therefore the company is strongly committed towards all aspects of safety, health and environment connected with our business.

Financial Statements

The Financial statements for the year ended June 30, 2016 were approved by the Board of Directors on October 07, 2016 and authorized for their issuance. Operating and financial data of last six years is annexed.

Code of corporate governance

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its listing regulations, relevant for the year ended June 30, 2016 have been adopted by the company and have been duly complied with. Statement to this effect is annexed to the report.

Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per law.

Board Meeting and Attendance

During the year four meetings of the Board of Directors of the company were held attendance by each director is narrated below:-

Sr. No.	Name	Attendance
1	Mian Iqbal Salahuddin	4
2	Mian Yousaf Salahuddin	4
3	Mian Asad Salahuddin	4
4	Mst. Munira Salahuddin	4
5	Mian Sohail Salahuddin	4
6	Sh. Abdul Salam	4
7	Syed Abid Raza Zaidi	4

Audit Committee Meeting and Attendance

During the year four meetings of the audit committee of the company were held; attendance by each member is as under.

Sr. No.	Name	Attendance
1	Sh. Abdul Salam	4
2	Mian Asad Salahuddin	4
3	Mian Sohail Salahuddin	4

HR and Remuneration Committee

During the year, one meeting of HR and Remuneration Committee of the company was held; attendance by each member is as under.

Sr. No.	Name	Attendance
1	Sh. Abdul Salam	1
2	Mian Sohail Salahuddin	1
3	Mst. Munera Salahuddin	1

Auditors

The present auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants retire and being eligible offer themselves for re-appointment as auditors of the company for the year 2016-17. The audit committee has recommended the appointment of aforesaid auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants, as external auditor for the year ended June 30, 2017. The External auditors, M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and its entire partner are in compliance with the International Federation of Accountants' guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians, staff and workers who have vigorously to meet the target. Your directors also extend their appreciation to the company's banker, buyers and suppliers for their cooperation.

For and on behalf of the Board

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore: October 07, 2016

Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Clause 5.19 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code of Corporate Governance in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes

Category	Names
Independent Director	Sheikh Abdul Salam
Executive Directors	Mian Iqbal Salahuddin
	Mian Yousaf Salahuddin
	Syed Abid Raza Zaidi
Non-Executive Directors	Mst. Munira Salahuddin
	Mian Asad Salahuddin
	Mian Sohail Salahuddin

   The independent director meets the criteria of independence under clause 5.19.1(b) of the Code of Corporate Governance

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. a DFI or NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the board during the year 2015-16.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has not arranged director training programme for its directors during the year. However three of our directors are exempted from directors training program based on the criteria defined in PSX regulations and one of the Director has obtained certification under Directors Training Program during last year.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The board has formed an Audit Committee. It comprises of three members, of whom all are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors the chairman of the committee is an independent director.

18. The board has set up an effective internal audit function.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. The company has complied with requirements relating to maintenance of register of persons having excess to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with except that the Board has not yet put in place a mechanism for annual evaluation of its performance.

For and on behalf of the Board

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore: October 07, 2016

Review Report on Statement of Compliance with Best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **SALLY TEXTILE MILLS LIMITED** for the year ended **June 30, 2016** to comply with the requirements of Regulation No 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

There were no related party transactions falling within the ambit of Regulation No. 5.19.6 of the Rule Book of Pakistan Stock Exchange Limited.

Based on our review, except for the instance of non-complaince as described in the preceding paragraph, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with best practices contained in the Code as applicable to the Company for the year ended **June 30, 2016.**

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance

Reference	Description
Paragraph 9	The Board has not arranged any directors training program for its directors during the year.
Paragraph 24	The Board has not yet put in place a mechanism for annual evaluation of its performance.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Lahore: ***October 07, 2016***

Auditors' Report to the Members

We have audited the annexed balance sheet of **SALLY TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2016 and the related profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that-

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion-

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, other comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 2.2 to the financial statements which refers to the fact that the Company has incurred gross loss of Rs. 197.16 million and loss after taxation of Rs. 243.13 million during the year ended June 30, 2016. As at June 30, 2016, the Company has accumulated losses of Rs. 178.79 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 505.7 million. The Company has been unable to pay interest/mark-up on borrowings amounting to Rs. 19.565 which is overdue as at June 30, 2016. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis for reasons explained in note 2.2. Our opinion is not qualified in respect of this matter.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Lahore: ***October 07, 2016***

Balance Sheet
as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
20,000,000 (2015: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid-up capital	6	**87,750,000**	87,750,000
Accumulated (loss)/profit		**(178,786,031)**	62,504,323
TOTAL EQUITY		**(91,036,031)**	150,254,323
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	**97,696,814**	231,919,804
LOAN FROM SPONSORS - *UNSECURED*	8	**281,327,513**	184,955,753
NON-CURRENT LIABILITIES			
Long term finances - *secured*	9	**66,666,668**	100,000,000
Employees retirement benefits	10	**108,760,950**	123,345,561
Deferred taxation	11	**72,714,541**	101,470,490
		248,142,159	324,816,051
CURRENT LIABILITIES			
Trade and other payables	12	**673,531,120**	613,259,785
Short term borrowings	13	**969,569,438**	941,965,819
Accrued interest/markup	14	**44,236,478**	24,530,623
Current portion of non-current liabilities		**33,333,332**	-
		1,720,670,368	1,579,756,227
TOTAL LIABILITIES		**1,968,812,527**	1,904,572,278
CONTINGENCIES AND COMMITMENTS	15		
TOTAL LIABILITIES		**2,256,800,823**	2,471,702,158

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore
Date : October 07, 2016

MIAN IQBAL SALAHUDDIN
Chief Executive

Balance Sheet
as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**1,030,583,357**	1,200,388,165
Long term deposits - *unsecured, considered good*	*17*	**11,243,604**	11,243,604
		1,041,826,961	1,211,631,769
CURRENT ASSETS			
Stores, spares and loose tools	*18*	**58,571,748**	59,758,543
Stock in trade	*19*	**991,631,247**	973,527,734
Trade debts	*20*	**97,500,398**	162,519,130
Advances, deposits, prepayments and other receivables	*21*	**24,730,421**	31,032,617
Current taxation	*22*	**34,477,967**	19,768,821
Cash and bank balances	*23*	**8,062,081**	13,463,544
		1,214,973,862	1,260,070,389
TOTAL ASSETS		**2,256,800,823**	2,471,702,158

MIAN YOUSAF SALAHUDDIN
Director

Profit and loss account

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	*Rupees*
Turnover - *net*	*24*	**2,192,217,474**	3,279,668,569
Cost of sales	*25*	**(2,389,386,168)**	(3,298,618,175)
Gross loss		**(197,168,694)**	(18,949,606)
Selling and distribution expenses	*26*	**(15,446,468)**	(18,732,654)
Administrative and general expenses	*27*	**(48,517,239)**	(52,072,849)
		(63,963,707)	(70,805,503)
Other income	*28*	**3,197,165**	1,234,589
Operating loss		**(257,935,236)**	(88,520,520)
Finance cost	*29*	**(93,609,916)**	(96,233,402)
Notional interest	*8.2*	**144,628,240**	(21,278,095)
Other charges	*30*	**(1,834,352)**	(4,399,263)
Loss before taxation		**(208,751,264)**	(210,431,280)
Taxation	*31*	**(34,376,338)**	10,020,630
Loss after taxation		**(243,127,602)**	(200,410,650)
Loss per share - *basic and diluted*	*32*	**(27.71)**	(22.84)

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore
Date : October 07, 2016

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Statement of profit or loss and other comprehensive Income

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	*Rupees*
Items that may be reclassified subsequently to profit or loss		**-**	-
Items that will not be reclassified to profit or loss			
Incremental depreciation	*7*	**1,002,398**	13,851,179
Revaluation surplus realized on disposal of property, plant and equipment	*7*	**-**	502,109
Remeasurements of defined benefit obligation	*10.4*	**1,051,796**	364,506
Taxation relating to items that will not be reclassified to profit or loss	*11.1*	**(216,946)**	(80,571)
		1,837,248	14,637,223
Other comprehensive income		**1,837,248**	14,637,223
Loss after taxation		**(243,127,602)**	(200,410,650)
Total comprehensive loss		**(241,290,354)**	(185,773,427)

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore
Date : October 07, 2016

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Cash flow statement

for the year ended June 30, 2016

	Note	2016	2015
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	33	**(87,084,466)**	(250,660,712)
Payments for:			
Employees retirement benefits		**(20,529,300)**	(12,556,572)
Interest/markup on borrowings		**(72,937,102)**	(84,593,515)
Income tax		**(20,988,366)**	(52,524,849)
Dividend on ordinary shares		**(485)**	(4,230,545)
Net cash used in operating activities		**(201,539,719)**	(404,566,193)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(72,495,363)**	(131,234,511)
Proceeds from disposal of property, plant and equipment		**30,000**	3,150,000
Net cash used in investing activities		**(72,465,363)**	(128,084,511)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**-**	100,000,000
Loan form sponsors obtained		**241,000,000**	-
Net increase in short term borrowings		**27,603,619**	422,316,520
Net cash generated from financing activities		**268,603,619**	522,316,520
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,401,463)**	(10,334,184)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**13,463,544**	23,797,728
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	34	**8,062,081**	13,463,544

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore
Date : October 07, 2016

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Statement of changes in equity

for the year ended June 30, 2016

	Issued subscribed and paid-up capital	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*
Balance as at July 01, 2014	87,750,000	248,277,750	336,027,750
Comprehensive loss			
Loss after taxation	-	(200,410,650)	(200,410,650)
Other comprehensive income	-	14,637,223	14,637,223
Total comprehensive loss	-	(185,773,427)	(185,773,427)
Transaction with owners	-	-	-
Balance as at June 30, 2015	87,750,000	62,504,323	150,254,323
Balance as at July 01, 2015	**87,750,000**	**62,504,323**	**150,254,323**
Comprehensive loss			
Loss after taxation	**-**	**(243,127,602)**	**(243,127,602)**
Other comprehensive income	**-**	**1,837,248**	**1,837,248**
Total comprehensive loss	**-**	**(241,290,354)**	**(241,290,354)**
Transaction with owners	**-**	**-**	**-**
Balance as at June 30, 2016	**87,750,000**	**(178,786,031)**	**(91,036,031)**

The annexed notes 1 to 47 form an integral part of these financial statements.

Lahore
Date : October 07, 2016

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Notes to and forming part of financial statements
for the year ended June 30, 2016

1 REPORTING ENTITY

Sally Textile Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 4 F, Gulberg II, Lahore. The manufacturing facility, including the power generation unit, is located at Joharabad District Khushab in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 prevail.

2.2 Appropriateness of the going concern assumption

The Company has been facing operational losses since the previous year mainly due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourbale textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 197.16 million and loss after taxation of Rs. 243.13 million during the year ended June 30, 2016. As at June 30, 2016, the Company has accumulated losses of Rs. 178.79 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 505.7 million. The Company has been unable to pay interest/mark-up on borrowings amounting to Rs. 19.565 which is overdue as at June 30, 2016. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.

b) The Company has continued financial support of its sponsors in the form of interest free loans. During the year, the sponsors provided financial support amounting to Rs. 241 million in the form of long term interest free loans. Further, the sponsors have extended the repayment tenor of long term loans provided by them to June 30, 2021 (see note 9).

c) The Company has undrawn short term finance facilities of Rs. 216.44 million as at June 30, 2016 (see note 13.1.2). The management expects continued support of its bankers in providing finacial support to the Company.

d) The Company has drawn up cost cutting planning aimed at curtailing/reducing fixed costs and rationalizing variable costs. The Company, during the year, has cancelled a lease of production facility acquired in earlier years subject to operating lease (see note 15.2.3).

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.4 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. There are no estimation uncertainties as at the reporting date. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.4.1 ***Depreciation method, rates and useful lives of operating fixed assets (see note 5.1.1)***

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.4.2 ***Amortization method, rates and useful lives of intangible assets (see note 5.1.1)***

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.4.3 ***Taxation (see note 5.15)***

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.4.4 ***Provisions (see note 5.10)***

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4.5 ***Obligation under defined benefit plan (see note 5.5)***

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.4.6 ***Revaluation of property, plant and equipment (see note 5.2)***

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.4.7 ***Net realizable values of stock in trade (see note 5.4)***

The company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.5 **Functional currency**

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 **NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.**

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurement (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements)

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Classification and Measurement of Share-based Payment Transactions	January 01, 2018
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts	January 01, 2018
Annual Improvements 2012-2014 cycle	January 01, 2016

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement.* The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.

- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.

- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.

- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

- The carrying amount of an asset does not limit the estimation of probable future taxable profits.

- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings on freehold land, plant and machinery, electric installation, laboratory equipment and fire fighting equipment which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

5.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

5.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

5.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Stores and spares held exclusively for capitalization are recognized as capital work in progress.

5.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

5.5 Employee benefits

Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 10 to the financial statements.

5.6 Financial instruments

5.6.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

5.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

(b) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

5.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

5.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

5.6.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

5.9 Trade and other payables

5.9.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.9.2 Non-financial liabilities

These, on initial recognition and subsequently, are measured at cost.

5.10 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.11 Trade and other receivables

5.11.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.11.2 Non-financial assets

These, on initial recognition and subsequently, are measured at cost.

5.12 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For local sales transfer usually occurs on dispatch of goods to customers. For export sales transfer occurs upon loading the goods onto the relevant carrier.

Interest income is recognized using effective interest method.

5.13 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ('OCI'). OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

5.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

5.15 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

5.15.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

5.15.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.16 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.17 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

5.18 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

5.19 Impairment

5.19.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

5.19.2 Non-financial assets

The carrying amount of the Company’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determine the recoverable amount. An impairment loss is reversed only to that extent that the asset’s carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

5.20 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company’s financial statements in the year in which the dividends are approved by the Company’s shareholders.

		Note	2016	2015
			Rupees	Rupees
6	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	8,775,000 (2015: 8,775,000) ordinary shares of Rs. 10 each issued for cash		**87,750,000**	87,750,000
7	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**			
	As at beginning of the year		**231,919,804**	248,450,696
	Recognized during the year			
	Deficit for the year		**(190,290,605)**	-
	Deferred taxation		**53,969,793**	-
			(136,320,812)	-
	Incremental depreciation recognized in other comprehensive income			
	Incremental depreciation for the year		**(1,262,884)**	(20,369,381)
	Deferred taxation		**260,486**	6,518,202
			(1,002,398)	(13,851,179)
	Surplus realized on disposal of property, plant and equipment			
	Surplus realized		**-**	(738,396)
	Deferred taxation		**-**	236,287
			-	(502,109)
	Deferred tax adjustment attributable to changes in proportion of income taxation under final tax regime		**1,675,657**	(4,888,535)
	Deferred tax adjustment attributable to changes in tax rates		**1,424,563**	2,710,931
	As at end of the year		**97,696,814**	231,919,804
8	**LOAN FROM DIRECTORS AND SPONSORS - UNSECURED**			
	Face value		**450,000,000**	209,000,000
	Less: unamortized notional interest	*8.2*	**(168,672,487)**	(24,044,247)
			281,327,513	184,955,753

8.1 This loan has been obtained from sponsors of the Company and is unsecured and interest free. The loan was originally payable by June 30, 2016, however on June 30, 2016, the tenure of this loan (including the amount received during the year) has been extended to June 30, 2021. The loan has been carried at amortized cost which has been determined using a discount rate of 9.85% (2015: 13%), being the average effective borrowing rate of the Company.

		Note	2016	2015
			Rupees	Rupees
8.2	**Unamortized notional interest**			
	As at beginning of the year		**24,044,247**	45,322,342
	Arising during the year		**168,672,487**	-
	Amortization for the year		**(24,044,247)**	(21,278,095)
	As at end of the year		**168,672,487**	24,044,247
9	**LONG TERM FINANCES - SECURED**			
	These represent long term finances utilized under interest/markup arrangements from banking companies			
	Demand finance	*9.1*	**100,000,000**	100,000,000
	Current maturity presented under current liabilities		**(33,333,332)**	-
			66,666,668	100,000,000

9.1 The finance has been obtained from Silk Bank Limited to finance long term working capital requirement and is secured by charge over operating fixed and current assets of the Company and personal guarantees of the Company's directors. The finance carries markup at three months KIBOR plus 3.5% per annum (2015: three months KIBOR plus 3.5% per annum), payable quarterly. The finance is repayable in twelve equal quarterly installments with the first installment due in August 2016.

10 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on balance sheet represents present value of defined benefit obligation.

		Note	**2016**	2015
			Rupees	*Rupees*
10.1	**Movement in present value of defined benefit obligation**			
	As at beginning of the year		**123,345,561**	105,745,315
	Charged to profit or loss for the year	*10.2*	**6,996,485**	30,521,324
	Benefits paid during the year		**(20,529,300)**	(12,556,572)
	Remeasurements recognized in other comprehensive income	*10.4*	**(1,051,796)**	(364,506)
	As at end of the year		**108,760,950**	123,345,561
10.2	**Charge to profit or loss**			
	Current service cost		**13,770,722**	17,341,943
	Past service cost		**1,770,416**	-
	Gain loss on settlement		**(19,570,042)**	-
	Interest cost		**11,025,389**	13,179,381
			6,996,485	30,521,324
10.3	**The charge to profit or loss has been allocated as follows**			
	Cost of sales	*25*	**5,864,579**	27,583,641
	Selling and distribution expenses	*26*	**39,847**	200,785
	Administrative and general expenses	*27*	**1,092,059**	2,736,898
			6,996,485	30,521,324
10.4	**Remeasurements recognized in other comprehensive income**			
	Actuarial loss arising from changes in:			
	Demographic assumptions		**-**	-
	Financial assumptions		**-**	-
	Experience adjustments		**(1,051,796)**	(364,506)
			(1,051,796)	(364,506)

10.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2016	2015
Discount rate	**7.25%**	9.75%
Expected rates of increase in salary	**6.25%**	8.75%
Expected average remaining working lives of employees	**10 years**	8 years

10.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is eight years.

10.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2017 amounts to Rs. 19.43 million.

10.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2016		2015	
	Change in actuarial assumption	**Defined benefit obligation**	**Change in actuarial assumption**	**Defined benefit obligation**
		Rupees		***Rupees***
Discount rate	+ 1%	100,416,733	+ 1%	112,934,089
	- 1%	118,432,848	- 1%	135,439,941
Expected rate of increase in salary	+ 1%	118,432,848	+ 1%	135,439,941
	- 1%	100,269,590	- 1%	112,754,950

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

10.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculation by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculation by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	**2016**	2015
		Rupees	*Rupees*
11 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*11.1*	**116,922,971**	183,819,588
Deferred tax asset on deductible temporary differences	*11.1*	**(44,208,430)**	(82,349,098)
		72,714,541	101,470,490

11.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016			
	As at July 01, 2015	**Recognized in profit or loss**	**Recognized in OCI**	**As at June 30, 2016**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets	**183,819,588**	**(9,826,604)**	**(57,070,013)**	**116,922,971**
Deferred tax assets				
Employees retirement benefits	**(27,264,466)**	**4,614,200**	**216,946**	**(22,433,320)**
Unused tax losses and credits	**(55,084,632)**	**33,309,522**	**-**	**(21,775,110)**
	(82,349,098)	**37,923,722**	**216,946**	**(44,208,430)**
	101,470,490	**28,097,118**	**(56,853,067)**	**72,714,541**

	2015			
	As at July 01, 2014	Recognized in profit or loss	Recognized in OCI	As at June 30, 2015
	Rupees	*Rupees*	*Rupees*	*Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	168,611,297	13,030,687	2,177,604	183,819,588
Deferred tax assets				
Employees retirement benefits	(22,667,963)	(4,677,074)	80,571	(27,264,466)
Unused tax losses and credits	-	(55,084,632)	-	(55,084,632)
	(22,667,963)	(59,761,706)	80,571	(82,349,098)
	145,943,334	(46,731,019)	2,258,175	101,470,490

11.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 31% (2015: 32%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

11.3 Deferred tax asset relating to unused tax losses and credits has been recognized only to the extent of unabsorbed depreciation losses as the same are available for an infinite time under the present income tax laws. Deferred tax asset amounting to Rs. 54.52 million related to unused losses and credits has not been recognized as future taxable profits are not expected to be available against which these losses and credits could be utilized.

	Note	**2016**	2015
		Rupees	*Rupees*
12 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**429,346,618**	384,447,806
Accrued liabilities		**100,943,554**	96,610,666
Advances from customers - *Unsecured*	*12.1*	**108,499,408**	106,151,204
Workers' Profit Participation Fund	*12.2*	**-**	-
Workers' Welfare Fund	*12.3*	**11,771,578**	11,184,701
Unclaimed dividend		**1,010,033**	1,010,518
Letter of credit payable		**5,104,692**	-
Sales tax payable		**613,563**	-
Other payables - *Unsecured*		**16,241,674**	13,854,890
		673,531,120	613,259,785

12.1 These represent advances received from customers adjustable against future sales.

		Note	2016	2015
			Rupees	*Rupees*
12.2	**Workers' Profit Participation Fund**			
	As at beginning of the year		-	1,635,907
	Interest on funds utilized by the Company	*12.2.1*	-	17,849
	Charged to profit or loss for the year	*30*	-	-
	Paid during the year		-	(1,653,756)
	As at end of the year		-	-

12.2.1 Interest is charged at nil (2015: 13%) per annum.

		Note	2016	2015
12.3	**Workers' Welfare Fund**			
	As at beginning of the year		**11,184,701**	10,373,322
	Charged to profit or loss for the year	*30*	**586,877**	811,379
	Paid/adjusted during the year		-	-
	As at end of the year		**11,771,578**	11,184,701

13 SHORT TERM BORROWINGS

These represent short term finances obtained from

	Note	2016	2015
Banking companies - *secured*	*13.1*	**965,933,488**	938,493,869
Directors and sponsors - *unsecured*	*13.2*	**3,635,950**	3,471,950
		969,569,438	941,965,819

13.1 Banking companies

These represent short term finances utilized under interest/markup arrangements

	Note	2016	2015
Cash finance	*13.1.1*	**965,933,488**	938,493,869
		965,933,488	938,493,869

13.1.1 The facility has been obtained from various banking companies for working capital requirements and is secured by charge over current assets and operating fixed assets of the Company, pledge of stock and personal guarantees of the Company's Directors. The facility carries interest/markup at one to three months KIBOR plus 2% per annum (2015: three to six months KIBOR plus 1.75% to 2.5% per annum), payable quarterly.

13.1.2 The aggregate available short term funded facilities amounts to Rs. 1,182.4 million (2015: Rs. 978 million) out of which Rs. 216.44 million (2015: Rs. 39.51 million) remained unavailed as at the reporting date.

13.1.3 For restrictions on title, and assets pledged as security, refer to note 40 to the financial statements.

13.2 Directors and sponsors

These represent interest free loans obtained from directors and sponsors of the Company and are repayable on demand.

14 ACCRUED INTEREST/MARKUP

This includes overdue interest/markup amounting to Rs. 19.565 million out of which Rs. 8.46 million has been paid after the reporting period.

15 CONTINGENCIES AND COMMITMENTS

15.1 Contingencies

The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.

	2016	2015
	Rupees	*Rupees*

15.2 Commitments

	2016	2015
15.2.1 Commitments under irrevocable letters of credit for:	**-**	26,270,501

15.2.2 The Company is committed to pay Rs. 220,000 (2015: Rs. 220,000) for every month it occupies the office premises owned by a director of the Company.

15.2.3 The Company had acquired a production facility subject to operating lease. Lease agreement covers a period of ten years and was renewable/extendable on mutual consent. Lease rentals were payable monthly in arrears. The lease has been cancelled by the Company during the year.

15.2.4 The Company had acquired a production facility subject to operating lease. Lease agreement initially covers a period of six months and is renewable/extendable on mutual consent. Lease rentals are payable monthly in arrears. Commitments for payments in future periods under the lease agreement are as follows:

	Note	**2016**	2015
		Rupees	*Rupees*
- payments not later than one year		**6,000,000**	6,000,000
- payments later than one year		**-**	-
		6,000,000	6,000,000

16 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	*16.1*	**1,028,394,197**	1,200,388,165
Capital work in progress	*16.2*	**2,189,160**	-
		1,030,583,357	1,200,388,165

16.1 Operating fixed assets

	2016												
	COST/REVALUED AMOUNT							DEPRECIATION					Net book
	As at July 01, 2015 Rupees	Additions Rupees	Revaluation Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2016 Rupees	Rate %	As at July 01, 2015 Rupees	For the year Rupees	Revaluation Rupees	Adjustment Rupees	As at June 30, 2016 Rupees	value as at June 30, 2016 Rupees
Freehold land	71,417,500	-	71,417,500	-	-	142,835,000	-	-	-	-	-	-	142,835,000
Buildings on freehold land	336,205,265	-	106,079,897	-	-	442,285,162	5	163,976,418	10,296,965	52,643,738	-	226,917,121	215,368,041
Plant and machinery	1,457,902,374	12,500	(528,131,122)	-	70,169,053	999,952,805	5	574,664,986	34,945,762	(213,507,357)	-	396,103,391	603,849,414
Electric installations	79,693,558	-	(2,222,215)	-	-	77,471,343	5	34,187,352	2,208,437	(974,446)	-	35,421,343	42,050,000
Tools and equipment	1,586,142	-	-	-	-	1,586,142	10	1,208,086	37,806	-	-	1,245,892	340,250
Laboratory equipment	21,228,180	-	3,939,960	-	-	25,168,140	10	16,882,499	476,889	3,160,285	-	20,519,673	4,648,467
Fire fighting equipment	2,791,329	-	(138,996)	-	-	2,652,333	10	1,702,634	102,957	(86,591)	-	1,719,000	933,333
Office equipment	4,432,734	109,450	-	-	-	4,542,184	10	2,569,207	197,088	-	-	2,766,295	1,775,889
Furniture and fixtures	8,829,209	15,200	-	-	-	8,844,409	10	5,586,743	325,092	-	-	5,911,835	2,932,574
Arms and ammunitions	506,989	-	-	-	-	506,989	10	362,464	14,453	-	-	376,917	130,072
Vehicles	42,491,873	-	-	(117,320)	-	42,374,553	20	25,556,599	3,386,343	-	(99,546)	28,843,396	13,531,157
	2,027,085,153	137,150	(349,054,976)	(117,320)	70,169,053	1,748,219,060		826,696,988	51,991,792	(158,764,371)	(99,546)	719,824,863	1,028,394,197

	2015												
	COST/REVALUED AMOUNT							DEPRECIATION					Net book
	As at July 01, 2014 Rupees	Additions Rupees	Revaluation Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2015 Rupees	Rate %	As at July 01, 2014 Rupees	For the year Rupees	Revaluation Rupees	Adjustment Rupees	As at June 30, 2015 Rupees	value as at June 30, 2015 Rupees
Freehold land	71,417,500	-	-	-	-	71,417,500	-	-	-	-	-	-	71,417,500
Buildings on freehold land	327,162,287	-	-	-	9,042,978	336,205,265	5	155,348,026	8,628,392	-	-	163,976,418	172,228,847
Plant and machinery	1,341,549,675	-	-	(2,000,000)	118,352,699	1,457,902,374	5	532,615,145	42,501,374	-	(451,533)	574,664,986	883,237,388
Electric installations	79,693,558	-	-	-	-	79,693,558	5	31,792,289	2,395,063	-	-	34,187,352	45,506,206
Tools and equipment	1,586,142	-	-	-	-	1,586,142	10	1,166,080	42,006	-	-	1,208,086	378,056
Laboratory equipment	21,228,180	-	-	-	-	21,228,180	10	16,399,645	482,854	-	-	16,882,499	4,345,681
Fire fighting equipment	2,791,329	-	-	-	-	2,791,329	10	1,581,668	120,966	-	-	1,702,634	1,088,695
Office equipment	4,352,084	80,650	-	-	-	4,432,734	10	2,367,105	202,102	-	-	2,569,207	1,863,527
Furniture and fixtures	8,587,954	241,255	-	-	-	8,829,209	10	5,240,635	346,108	-	-	5,586,743	3,242,466
Arms and ammunitions	506,989	-	-	-	-	506,989	10	346,406	16,058	-	-	362,464	144,525
Vehicles	40,232,948	4,008,925	-	(1,750,000)	-	42,491,873	20	22,774,702	3,918,635	-	(1,136,738)	25,556,599	16,935,274
	1,899,108,646	4,330,830	-	(3,750,000)	127,395,677	2,027,085,153		769,631,701	58,653,558	-	(1,588,271)	826,696,988	1,200,388,165

16.1.1 Disposal of property, plant and equipment

	2016						
	Cost/revalued amount *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*	**Disposal proceeds** *Rupees*	**Gain/(loss) on disposal** *Rupees*	**Mode of disposal**	**Particulars of buyer**
Vehicles							
Honda CD 70	**66,320**	**51,228**	**15,092**	**20,000**	**4,908**	**Company policy**	**Mr. Shahid Masih**
Honda CD 70	**51,000**	**48,318**	**2,682**	**10,000**	**7,318**	**Company policy**	**Mr. Karamat Ali**
	117,320	**99,546**	**17,774**	**30,000**	**12,226**		

	2015						
	Cost/revalued amount *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Plant and machinery							
Simplex FL-16 machine	2,000,000	451,533	1,548,467	1,750,000	201,533	Negotiation	Ghazi Fabrics Limited
Vehicles							
Honda Civic LEA - 916	1,750,000	1,136,738	613,262	1,400,000	786,737	Insurance claim	E.F.U General Insurance Limited
	3,750,000	1,588,271	2,161,729	3,150,000	988,270		

16.1.2 Transfers represent transfers from capital work in progress on related assets becoming available for use.

	Note	**2016** *Rupees*	2015 *Rupees*
16.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*25*	**48,068,816**	54,170,655
Administrative and general expenses	*27*	**3,922,976**	4,482,903
		51,991,792	58,653,558

16.1.4 Most recent valuation of land, building, plant and machinary was carried out by an independent valuer Messrs Engineering Services (Private) Limited as on October 21, 2015. For basis of valuation and other fair value measurement disclosures, refer to note 39.

Had there been no revaluation, the cost, accumulated depreciation and net book values of revalued items would have been as follows:

	2016		
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*
Freehold land	**144,868**	**-**	**144,868**
Buildings on freehold land	**139,801,678**	**42,472,009**	**97,329,669**
Plant and machinery	**1,145,621,610**	**353,141,327**	**792,480,283**
Electric installation	**55,453,982**	**22,624,941**	**32,829,041**
Laboratory equipment	**4,282,115**	**3,516,390**	**765,725**
Fire fighting equipment	**382,181**	**252,246**	**129,935**

	2015		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*Rupees*
Freehold land	144,868	-	144,868
Buildings on freehold land	139,801,678	37,349,395	102,452,283
Plant and machinery	1,075,440,057	313,270,826	762,169,231
Electric installation	55,453,982	20,897,097	34,556,885
Laboratory equipment	4,282,115	3,431,309	850,806
Fire fighting equipment	382,181	237,809	144,372

16.2 Capital work in progress

	2016			
	As at July 01, 2015	**Additions**	**Transfers**	**As at June 30, 2016**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**-**	**2,189,160**	**-**	**2,189,160**
Plant and machinery	**-**	**70,169,053**	**(70,169,053)**	**-**
	-	**72,358,213**	**(70,169,053)**	**2,189,160**

	2015			
	As at July 01, 2014	Additions	Transfers	As at June 30, 2015
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	491,996	8,550,982	(9,042,978)	-
Plant and machinery	-	118,352,699	(118,352,699)	-
	491,996	126,903,681	(127,395,677)	-

17 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	Note	**2016**	2015
		Rupees	*Rupees*
18 STORES, SPARES AND LOOSE TOOLS			
Stores		**12,156,195**	10,712,790
Spares and loose tools		**46,415,553**	49,045,753
		58,571,748	59,758,543

18.1 It is impracticable to distinguish spares and loose tools each from the other.

18.2 There no stores and spares held exclusively for capitalization.

	Note	**2016**	2015
19 STOCK IN TRADE			
Raw material		**772,968,632**	748,174,701
Work in process		**45,321,014**	51,958,065
Finished goods	*19.1*	**173,341,601**	173,394,968
		991,631,247	973,527,734

19.1 Stock of finished goods include stock of waste valued at net realizable value ofRs. 789,159 (2015: Rs. 1,553,470).

19.2 Details of stock pledged as security are referred to in note 40 to the financial statements.

		Note	2016	2015
			Rupees	*Rupees*
20	**TRADE DEBTS**			
	Local - *unsecured*		**97,500,398**	162,519,130
			97,500,398	162,519,130
21	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured, considered good*		**8,668,590**	14,403,782
	Advances to employees - *unsecured, considered good*	*21.1*	**2,463,625**	2,080,982
	Security deposits		**5,858,811**	5,858,811
	Prepayments		**6,738,497**	6,558,671
	Letters of credit		**-**	21,375
	Sales tax refundable		**-**	1,790,748
	Insurance claims receivable		**860,298**	177,648
	Other receivables - *unsecured, considered good*		**140,600**	140,600
			24,730,421	31,032,617

21.1 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

		Note	2016	2015
			Rupees	*Rupees*
22	**CURRENT TAXATION**			
	Advance income tax/income tax refundable		**34,797,026**	40,730,236
	Provision for taxation	*31*	**(319,059)**	(20,961,415)
			34,477,967	19,768,821
23	**CASH AND BANK BALANCES**			
	Cash in hand		**1,825,549**	1,139,537
	Cash at banks			
	current accounts		**6,160,485**	12,288,025
	deposit/saving accounts	*23.1*	**76,047**	35,982
			6,236,532	12,324,007
			8,062,081	13,463,544

23.1 Effective markup rate in respect of deposit/saving accounts, for the year, ranges from 4% to 5% (2015: 5% to 6%).

24 TURNOVER - NET

	2016		
	Local	**Export**	**Total**
	Rupees	***Rupees***	***Rupees***
Yarn	**1,462,716,910**	**754,244,887**	**2,216,961,797**
Waste	**46,738,132**	**-**	**46,738,132**
	1,509,455,042	**754,244,887**	**2,263,699,929**
Sales tax	**(50,833,922)**	**(20,648,533)**	**(71,482,455)**
	1,458,621,120	**733,596,354**	**2,192,217,474**

	2015		
	Local	Export	Total
	Rupees	*Rupees*	*Rupees*
Yarn	2,234,692,849	1,035,268,554	3,269,961,403
Waste	81,521,021	-	81,521,021
	2,316,213,870	1,035,268,554	3,351,482,424
Sales tax	(50,769,222)	(21,044,633)	(71,813,855)
	2,265,444,648	1,014,223,921	3,279,668,569

24.1 Yarn export sales include indirect exports amounting to Rs. 692,210,589 (2015: Rs. 1,014,223,921).

	Note	**2016**	2015
		Rupees	*Rupees*
25 COST OF SALES			
Raw material consumed	*25.1*	**1,516,994,677**	2,321,642,954
Stores, spares and loose tools consumed		**91,220,448**	140,923,814
Salaries, wages and benefits	*25.2*	**260,689,187**	317,985,893
Power and fuel		**430,063,198**	530,275,927
Insurance		**10,559,824**	8,943,495
Vehicle running and maintenance		**2,406,390**	3,621,611
Rent, rates and taxes	*25.3*	**12,000,000**	13,800,000
Depreciation	*16.1.3*	**48,068,816**	54,170,655
Others		**6,621,610**	7,672,690
Manufacturing cost		**2,378,624,150**	3,399,037,039
Work in process			
As at beginning of the year		**51,958,065**	36,909,183
As at end of the year		**(45,321,014)**	(51,958,065)
		6,637,051	(15,048,882)
Cost of goods manufactured		**2,385,261,201**	3,383,988,157
Finished goods			
As at beginning of the year		**173,394,968**	88,024,986
Purchase during the year		**4,071,600**	-
As at end of the year		**(173,341,601)**	(173,394,968)
		4,124,967	(85,369,982)
		2,389,386,168	3,298,618,175

25.1 Raw material consumed

As at beginning of the year	**748,174,701**	393,900,755
Purchased during the year	**1,541,788,608**	2,675,916,900
As at end of the year	**(772,968,632)**	(748,174,701)
	1,516,994,677	2,321,642,954

25.2 These include charge in respect of employees retirement benefits amounting to Rs. 5,864,579 (2015: Rs. 27,583,641).

25.3 This represents rent of production facility acquired subject to operating lease. See note 15.2.3.

		Note	2016 Rupees	2015 Rupees
26	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries wages and benefits	*26.1*	**3,353,462**	2,632,620
	Inland transportation		**2,849,358**	4,857,160
	Ocean freight and forwarding		**1,057,579**	-
	Traveling		**126,891**	169,958
	Communication		**688,392**	359,240
	Insurance		**83,199**	120,913
	Commission		**6,444,762**	9,804,319
	Vehicle running and maintenance		**760,205**	720,094
	Others		**82,620**	68,350
			15,446,468	18,732,654

26.1 These include charge in respect of employees retirement benefits amounting to Rs. 39,847 (2015: Rs. 200,785).

		Note	2016 Rupees	2015 Rupees
27	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Directors' remuneration		**8,757,622**	9,469,751
	Salaries and benefits	*27.1*	**19,247,826**	20,945,315
	Traveling, conveyance and entertainment		**453,495**	521,982
	Printing and stationery		**796,029**	826,772
	Electricity, water and gas		**1,478,649**	1,775,646
	Communication		**1,423,216**	1,391,840
	Vehicles running and maintenance		**3,611,149**	4,357,754
	Legal and professional charges		**1,317,527**	1,237,260
	Auditors' remuneration	*27.2*	**850,000**	810,000
	Fee and subscription		**1,053,494**	1,453,187
	Rent rates and taxes		**2,640,000**	2,640,000
	Insurance		**2,265,661**	1,113,231
	Repair and maintenance		**121,750**	279,837
	Depreciation	*16.1.3*	**3,922,976**	4,482,903
	Others		**577,845**	767,371
			48,517,239	52,072,849

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 1,092,059 (2015: Rs. 2,736,898).

		Note	2016 Rupees	2015 Rupees
27.2	**Auditor's remuneration**			
	Annual statutory audit		**682,500**	650,000
	Half yearly review		**105,000**	100,000
	Review report under Code of Corporate Governance		**52,500**	50,000
	Out of pocket expenses		**10,000**	10,000
			850,000	810,000

		Note	2016	2015
			Rupees	*Rupees*
28	**OTHER INCOME**			
	Gain on financial instruments			
	Return on bank deposits		**4,084**	246,319
	Foreign exchange gain		**514,126**	-
	Other income			
	Gain on disposal of operating fixed assets	*16.1.1*	**12,226**	988,270
	Scrap sale		**2,666,729**	-
			3,197,165	1,234,589
29	**FINANCE COST**			
	Interest/markup/profit on borrowings:			
	long term finances		**10,113,552**	1,683,068
	short term borrowings		**82,529,405**	93,024,363
	Interest on workers' profit participation fund		**-**	17,849
	Bank charges and commission		**966,959**	1,508,122
			93,609,916	96,233,402
30	**OTHER CHARGES**			
	Workers' Profit Participation Fund	*12.2*	**-**	-
	Workers' Welfare Fund	*12.3*	**586,877**	811,379
	Donations	*30.1*	**1,247,475**	3,587,884
			1,834,352	4,399,263

30.1 None of the directors or their spouses had any interest in donations made by the Company.

		Note	2016	2015
			Rupees	*Rupees*
31	**PROVISION FOR TAXATION**			
	Current taxation			
	current year	*31.1*	**319,059**	20,961,415
	prior year		**5,960,161**	15,748,974
			6,279,220	36,710,389
	Deferred taxation			
	changes attributable to origination and reversal of temporary differences	*11*	**29,843,507**	(45,019,425)
	changes attributable to changes in tax rates		**(1,746,389)**	(1,711,594)
			28,097,118	(46,731,019)
			34,376,338	(10,020,630)

31.1 Provision for taxation has been made under section 113, 154 and 169 (2015: section 113, 154 and section 169) of the Income Tax Ordinance, 2001 ("the Ordinance"), there is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

31.2 Assessments for the tax years up to 2015 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

31.3 The Government of Pakistan vide Finance Act 2015 notified a reduced tax rate of 32% for tax year 2016 as compared to 33% applicable to previous year for Companies.

		Unit	2016	2015
32	**LOSS PER SHARE**			
	Loss attributable to ordinary shareholders	*Rupees*	**(243,127,602)**	(200,410,650)
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**8,775,000**	8,775,000
	Loss per share - *Basic*	*Rupees*	**(27.71)**	(22.84)

There is no anti-dilutive effect on the basic loss per share of the Company.

		Note	2016	2015
			Rupees	*Rupees*
33	**CASH GENERATED FROM OPERATIONS**			
	Loss before taxation		**(208,751,264)**	(210,431,280)
	Adjustments for non-cash and other items			
	Interest / markup on borrowings		**92,642,957**	94,707,431
	Notional interest		**(144,628,240)**	21,278,095
	Gain on disposal of operating fixed assets		**(12,226)**	(988,270)
	Provision for employees retirement benefits		**6,996,485**	30,521,324
	Depreciation		**51,991,792**	58,653,558
			6,990,768	204,172,138
	Operating loss before changes in working capital		**(201,760,496)**	(6,259,142)
	Changes in working capital			
	Stores, spares and loose tools		**1,186,795**	(6,073,498)
	Stock in trade		**(18,103,513)**	(454,692,810)
	Trade debts		**65,018,732**	16,974,656
	Advances, prepayments and other receivables		**6,302,196**	16,852,043
	Trade and other payables		**60,271,820**	182,538,039
			114,676,030	(244,401,570)
	Cash used in operations		**(87,084,466)**	(250,660,712)
34	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	*23*	**8,062,081**	13,463,544
			8,062,081	13,463,544

35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise key management personnel and sponsors of the Company. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Transactions with sponsors are limited to provision of interest free loans to the Company and rental payments for office premises used by the Company. Details of transactions and balances with related parties is as follows:

		2016 Rupees	2015 Rupees

35.1 Transactions with related parties

Nature of relationship	Nature of transactions	2016 Rupees	2015 Rupees
Key management personnel	Short term employee benefits	**8,757,622**	9,469,751
Sponsors	Long term loan obtained	**241,000,000**	209,000,000
	Short term borrowing obtained	**164,000**	3,471,950
	Rent paid	**2,640,000**	2,640,000
Nature of relationship	**Nature of balances**		
Key management personnel	Short term employee benefits payable	**592,250**	650,000
Sponsors	Long term loan	**450,000,000**	209,000,000
	Short term borrowings	**3,635,950**	3,471,950

36 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

	Note	2016 *Rupees*	2015 *Rupees*
Financial assets			
Cash in hand	*23*	**1,825,549**	1,139,537
Loans and receivables			
Long term deposits	*17*	**11,243,604**	11,243,604
Trade debts	*20*	**97,500,398**	162,519,130
Security deposits	*21*	**5,858,811**	5,858,811
Insurance claims receivable	*21*	**860,298**	177,648
Cash and bank balances	*23*	**8,062,081**	13,463,544
		125,350,741	194,402,274
Financial liabilities			
Financial liabilities at amortized cost			
Loan from sponsors	*8*	**281,327,513**	184,955,753
Long term finances	*9*	**100,000,000**	100,000,000
Short term borrowings	*13*	**965,933,488**	938,493,869
Accrued interest/markup		**44,236,478**	24,530,623
Trade creditors	*12*	**429,346,618**	384,447,806
Accrued liabilities	*12*	**100,943,554**	96,610,666
Unclaimed dividend	*12*	**1,010,033**	1,010,518
		1,922,797,684	1,730,049,235

37 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company’s exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

37.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

37.1.1 Maximum exposure to credit risk

Credit risk principally arises from the Company's loans and receivables. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	**2016**	2015
		Rupees	*Rupees*
Loans and receivables			
Long term deposits	*17*	**11,243,604**	11,243,604
Trade debts	*20*	**97,500,398**	162,519,130
Security deposits	*21*	**5,858,811**	5,858,811
Insurance claims receivable	*21*	**860,298**	177,648
Cash at banks	*23*	**6,236,532**	12,324,007
		121,699,643	192,123,200

37.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2016	2015
	Rupees	*Rupees*
Customers	**97,500,398**	162,519,130
Banking companies and financial institutions	**12,955,641**	18,360,466
Utility companies and regulatory authorities	**11,243,604**	11,243,604
	121,699,643	192,123,200

37.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 'cash deposits', 'insurance claims receivable' and 'cash at bank'. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts and utility companies and regulatory authorities which are counter parties to 'long term deposits'. Credit risk in respect of 'long term deposits' is considered to be insignificant as non-performance by these parties is not expected. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2016		2015	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**43,377,939**	**-**	76,371,499	-
Past due by 0 to 6 months	**34,891,215**	**-**	70,220,755	-
Past due by 6 to 12 months	**8,061,326**	**-**	4,290,770	-
Past due by over one year	**11,169,918**	**-**	11,636,106	-
	97,500,398	**-**	162,519,130	-

The Company's three (2015: three) significant customers account for Rs. 25.83 million (2015: Rs. 39.44 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 5% of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. The Company believes that no impairment allowance is necessary for receivables past due by upto 12 months based on historical default rates.

37.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

37.1.5 Credit risk management

As mentioned in note 37.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

37.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

37.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2016				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**	**More than five years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Loan from sponsors	**281,327,513**	**450,000,000**	**450,000,000**	**-**	**-**
Long term finances	**100,000,000**	**114,498,391**	**41,449,463**	**73,048,928**	**-**
Short term borrowings	**965,933,488**	**965,933,488**	**965,933,488**	**-**	**-**
Accrued interest/markup	**44,236,478**	**44,236,478**	**44,236,478**	**-**	**-**
Trade creditors	**429,346,618**	**429,346,618**	**429,346,618**	**-**	**-**
Accrued liabilities	**100,943,554**	**100,943,554**	**100,943,554**	**-**	**-**
	1,921,787,651	**2,104,958,529**	**2,031,909,601**	**73,048,928**	**-**

	2015				
	Carrying amount	Contractual cash flows	One year or less	One to five years	More than five years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Loan from sponsors	184,955,753	209,000,000	209,000,000	-	-
Long term finances	100,000,000	126,899,529	10,899,782	115,999,747	-
Short term borrowings	938,493,869	938,493,869	938,493,869	-	-
Accrued interest/markup	24,530,623	24,530,623	24,530,623	-	-
Trade creditors	384,447,806	384,447,806	384,447,806	-	-
Accrued liabilities	96,610,666	96,610,666	96,610,666	-	-
	1,729,038,717	1,779,982,493	1,663,982,746	115,999,747	-

37.2.2 Overdue financial liabilities

As at June 30, 2016, accrued interest/markup amounting to Rs. 19.565 million is overdue out of which Rs. 8.46 million has been paid after the reporting period. The management of the Company expects to be able to settle the remaining overdue financial liabilities in due course.

37.2.3 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. The Company also has continued financial support from its sponsors in the form of interest free loans for any short term or long term liquidity requirements.

37.3 Market risk

37.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Company is not currently exposed to currency risk as at the reporting date.

37.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

(a) Interest/markup bearing financial instruments

The effective interest/markup rates for interest/markup bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/markup bearing financial instruments as at the reporting date are as follows:

	2016	2015
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**76,047**	35,982
Financial liabilities	**281,327,513**	184,955,753
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**1,032,600,156**	938,493,869

(b) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for fixed rate financial assets and liabilities at fair value through profit or loss.

(c) Cash flow sensitivity analysis for variable rate instruments and cash flow hedges

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 10.33 million (2015: Rs. 9.38 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

(d) Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

37.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

38 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and loan from sponsors, including current maturity. Total capital employed includes total equity, as shown in the balance sheet plus surplus on revaluation of property, plant and equipment, plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	**2016**	2015
Total debt	*Rupees*	**381,327,513**	284,955,753
Total equity	*Rupees*	**6,660,783**	382,174,127
		387,988,296	667,129,880
Gearing	*% age*	**98.28%**	42.71%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

39 FAIR VALUE MEASUREMENTS

39.1 Financial Instruments

The Company measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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 fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

39.1.1 Financial instruments measured at fair value

a) Recurring fair value measurements

There are no recurring fair value measurements as at the reporting date.

b) Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

39.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

39.2 Assets and liabilities other than financial instruments.

39.2.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	**2016**	2015
				Rupees	*Rupees*
Freehold land	-	142,835,000	-	**142,835,000**	71,417,500
Buildings on freehold land	-	-	215,368,041	**215,368,041**	172,228,847
Plant and machinery	-	-	603,849,414	**603,849,414**	883,237,388
Electric installation	-	-	42,050,000	**42,050,000**	45,506,206
Laboratory equipment	-	-	4,648,467	**4,648,467**	4,345,681
Fire fighting equipment	-	-	933,333	**933,333**	1,088,695

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	**Significant inputs**	**Sensitivity**
Buildings on freehold land	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would results in a significant increase in fair value of buildings by Rs. 10.768 million (2015: Rs. 8.611 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of plant and machinery by Rs. 30.192 million (2015: Rs. 44.162 million).
Electric installation	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of electric installation by Rs. 2.102 million (2015: Rs. 2.275 million).
Laboratory equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of laboratory equipment by Rs. 232,423 (2015: Rs. 217,284).

	Valuation technique	Significant inputs	Sensitivity
Fire fighting equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would results in a significant increase in fair value of fire fighting equipment by Rs. 46,667 (2015: Rs. 54,435).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 16.1.4.

There were no transfers between fair value hierarchies during the year.

39.2.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

	2016	2015
	Rupees	***Rupees***
40 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**516,000,000**	516,000,000
Charge over fixed assets	**2,238,122,000**	2,238,122,000
Pledge		
Raw material	**772,968,632**	748,174,701
Finished goods	**103,744,492**	113,816,007

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2016		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**3,180,000**	**3,126,316**	**8,628,000**
Allowances and perquisites	**1,419,622**	**1,031,684**	**132,000**
Post employment benefits	**-**	**-**	**1,108,200**
	4,599,622	**4,158,000**	**9,868,200**
Number of persons	**1**	**3**	**8**

	2015		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	3,180,000	3,067,669	8,186,400
Allowances and perquisites	2,209,751	1,012,331	132,000
Post employment benefits	-	-	1,083,233
	5,389,751	4,080,000	9,401,633
Number of persons	1	3	8

Remuneration, allowances and meeting fee include Rs. 2,268,000 (2015: Rs. 2,520,000) paid to non-executive directors of the Company.

Additionally the chief executive, directors and executives are also provided company maintained vehicles.

42 SEGMENT INFORMATION

42.1 The Company is a single reportable segment.

42.2 All non-current assets of the Company are situated in Pakistan.

42.3 All sales of the Company have originated from Pakistan.

43 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,522 (2015: 1,664). Average number of persons employed by the Company during the year are 1,456 (2015: 1,568).

44 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going concern assumption, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

45 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2016**	2015
Owned			
Number of spindles installed	*No.*	**56,076**	56,076
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	**8,555,000**	8,555,000
Actual production converted into 40s count	*Kgs*	**3,684,634**	5,263,000
Leased			
Number of spindles installed	*No.*	**16,320**	26,468
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	**2,662,257**	4,560,053
Actual production converted into 40s count	*Kgs*	**1,467,269**	1,912,600

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year.

46 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 07, 2016 by the Board of Directors of the Company.

47 GENERAL

47.1 Figures have been rounded off to the nearest rupee.

47.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

Lahore
Date : October 07, 2016

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **0002900**

2. Name of the Company **SALLY TEXTILE MILLS LIMITED**

3. Pattern of holding of the shares held by the shareholders as at **30-06-2016**

	------Shareholding------		
4. No. of Shareholders	**From**	**To**	**Total Shares Held**
941	1	100	61,516
324	101	500	87,128
95	501	1,000	82,160
132	1,001	5,000	358,100
26	5,001	10,000	199,566
14	10,001	15,000	185,694
6	15,001	20,000	98,705
3	20,001	25,000	74,000
2	30,001	35,000	65,841
2	35,001	40,000	76,000
1	40,001	45,000	40,500
1	45,001	50,000	47,393
1	50,001	55,000	53,500
1	55,001	60,000	59,200
1	90,001	95,000	94,000
1	95,001	100,000	95,500
1	125,001	130,000	129,500
1	155,001	160,000	156,000
1	215,001	220,000	218,000
1	345,001	350,000	348,279
3	1,540,001	1,545,000	4,631,468
1	1,610,001	1,615,000	1,612,950
1559			**8,775,000**

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	6,256,918	71.3039
5.2 Associated Companies, undertakings and related parties.	-	-
5.3 NIT and ICP	14,645	0.1669
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	25,726	0.2932
5.5 Insurance Companies	1,100	0.0125
5.6 Modarabas and Mutual Funds	358,279	4.0830
5.7 Share holders holding 10% or more	6,244,418	71.1615
5.8 General Public		
a. Local	1,879,873	21.4231
b. Foreign	0	-
5.9 Others (to be specified)		
1- Joint Stock Companies	76,001	0.8661
2- Pension Funds	31,841	0.3629
3- Foreign Companies	129,500	1.4758
4- Others	1,117	0.0127

6. Signature of Company Secretary	
7. Name of Signatory	
8. Designation	Company Secretary
9. NIC Number	
10 Date	30 / 06 / 2016

Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2016

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)			
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	348,279	3.9690
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MIAN IQBAL SALAHUDDIN	1,543,820	17.5934
2	MST. MUNIRA SALAHUDDIN	1,612,950	18.3812
3	MIAN ASAD SALAHUDDIN	1,543,828	17.5935
4	MIAN YOUSAF SALAHUDDIN	1,543,820	17.5934
5	MIAN SOHAIL SALAHUDDIN	7,500	0.0855
6	SH. ABDUL SALAM	2,500	0.0285
7	SYED ABID RAZA ZAIDI	2,500	0.0285
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		68,667	0.7825
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	MST. MUNIRA SALAHUDDIN	1,612,950	18.3812
2	MIAN ASAD SALAHUDDIN	1,543,828	17.5935
3	MIAN IQBAL SALAHUDDIN	1,543,820	17.5934
4	MIAN YOUSAF SALAHUDDIN	1,543,820	17.5934

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No	NAME	SALE	PURCHASE
	Nil	-	-

FORM OF PROXY

Sally Textile Mills Limited

4 - F, Gulberg II, Lahore.

I/We ____

of ____

being a member of SALLY TEXTILE MILLS LIMITED, hereby appoint

(NAME)

of ____

or failing him ______________________________________

(NAME)

of ____

(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf, at the 48th Annual General Meeting of the Company to be held at the FOUR SEASONS HALL, Queens Road, Lahore on Friday, October 28th 2016 at 10:00 a.m. and at every adjournment thereof.

As witness my hand this ____________ day of ________________ 2016

Signed by the said in the presence of ____________________________

____

Signature

Witness

____

Signature

Affix
Revenue Stamp

Note: Proxies on order to be effective, mut be received at the Company's Registered Office not less than forty-eight hours before the time for holding the meeting and mut be duly stamped, signed and witnessed.

AFFIX
CORRECT
POSTAGE

The Company Secretary
SALLY TEXTILE MILLS LIMITED
4-F, Gulberg II, Lahore.

REGISTERED OFFICE :
4 - F, Gulberg II, Lahore.
Phones : 042 - 35754371, 35754372, 35754373
Fax : 042 - 35754394
E-mail: sallytex@hotmail.com