Annual Report 2017

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 49th Annual General Meeting of the company will be held on Tuesday 31st October, 2017 at 10:30 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 48th Annual General Meeting held on 28-10-2016.
2. To receive and adopt the audited accounts of the company along with the Directors and Auditor's reports for the year ended June 30, 2017.
3. To appoint the auditors and fix their remuneration for the next financial year 2017-2018.
4. To elect Directors of the company in accordance to the provision of the section 159 of the Companies Act 2017. The number of Directors to be elected has been fixed at seven in the Board meeting held on 7th October, 2017. Name of Directors retiring and eligible to file nominations are as under:

1. Mian Iqbal Salahuddin (CEO)	2. Mrs. Munira Salahuddin
3. Mian Yousaf Salahuddin	4. Mian Asad Salahuddin
5. Mian Sohail Salahuddin	6. Sheikh Abdul Salam
7. Syed Abid Raza Zaidi	

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

By the order of the Board

Date: October 07, 2017
Place: LAHORE

SYED ABID RAZA ZAIDI
(Director / CO-Secretary)

NOTES

I. The shares transfer books of the company will remain closed from 24-10-2017 to 31-10-2017. (Both days inclusive). Transfer received in order by the Share Registrar M/S Corplink (Pvt) Ltd Wing Arcade, 1-K, Commercial, Model Town, Lahore 23-10-2017 will be consider in time for the purpose of attendance at the Annual General Meeting.

II. Any person seeking to Contest the election of Directors shall lodge with the company at its registered office not later that fourteen (14) days before the date of meeting a letter of intention to offer himself / herself for election as a Director in term of section 159 (3) of the Companies Act, 2017 along with the following documents:

a) A letter of consent to act as a Director of the Company, if elected.
b) A declaration under rule 3(4) of the Public Sector Companies (Corporate Governance) Rules, 2013 that he or she is not serving as Director of more than five public sector companies or listed companies except subsidiaries thereof.
c) A declaration that the person is aware of the duties and powers of Directors under the Companies Act 2017, the Memorandum and Articles of Associations of the Company, the Pakistan Stock Exchange Rules and Public Sector Companies (Corporate Governance) Rules 2013, and has read the provisions contained therein.
d) A declaration that he or she is a registered tax payer and has not convicted by any court of competent jurisdiction as a defaulter in the payment of any loan to a banking company, development financial institution or a non-banking financial institution and neither he/she nor his/her spouse is engaged in the business of stock brokerage.

III. A member, who has deposited his/her shares into Central Depositary Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

IV. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote instead of his/her.

V. Forms of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the company situated at 4-F, Gulberg-II, Lahore not later than 48 hours before the time of the meeting.

VI. Members are requested to promptly notify Share Registrar of the Company of any change in their addresses.

VII. Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to our Share Registrar at the earliest.

VIII. Pursuant to Notification vide SRO. 787 (1)/2014 of September 08, 2014, Securities & Exchange Commission of Pakistan (SECP) has directed to facilitate the members of the Company receiving Annual Financial Statements and Notices through electronic mail system (e-mail). We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and notices of the company through e-mail in future. Please ensure that your e-mail has sufficient rights and space available to receive such e-mail which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered e-mail address.

IX. Form of proxy is being sent to the members.

اطلاع برا ئے سالانہ اجلاسِ عام

بذریعہ اشتہار مطلع کیا جاتا ہے کہ کمپنی کا انچاسواں (49) سالانہ اجلاسِ عام بروز منگل 31 اکتوبر 2017 کو صبح ساڑھے دس بجے فورسیزن ہال 34 شاہراہِ فاطمہ جناح (کو ئینز روڈ)مزنگ لاہور مندرجہ ذیل امور کی انجام دہی کیلئے منعقد ہوگا،

عمومی امور:

1. کمپنی کے اڑتالسویں سالانہ اجلاسِ عام منعقدہ 28 اکتوبر 2016 کی کاروا ئیوں کی توثیق .
2. 30 جون 2017 ختم شد ہ سال کیلئے کمپنی کے سالانہ آوڈٹ شدہ حسابات بشمول ان پر آڈیٹرز اور ڈا ئریکٹرز کی روپورٹوں کی وصولی غور و خوض اور منظوری۔
3. 30جون 2018 کو ختم ہونے والے سال کیلئے آڈیٹرز کا تقرر اور ان مشاہرہ کا تعین۔
4. انتخاب برائے کمپنی ڈائریکٹرانز با مطابق سیکشن 159 کمپنیز آرڈینس 2017۔
5. 7 اکتوبر 2017 کو منعقد ہونیوالے اجلاس میں بورڈ کی جانب سے طے کردہ7ڈا ئریکٹرز بمعہ (سی ای او)کا نتخاب برا ئے اگلےتین سال موجودہ ڈا ئریکٹران اپنا دورانیہ پورا کرچکے ہوں دورانیہ پورا کر لینے والے ڈائریکٹرز کے نام درج ذیل ہیں۔
تاہم متذکرہ بالاسبکدوش شدہ ڈائریکٹران بھی نئے انتخاب میں حصہ لینے کے مجاز ہوں گے۔

1- میاں اقبال صلاح الدین ڈائریکٹر(سی ای او) 2- مسز منیرہ صلاح الدین ڈائریکٹر
3-میاں یوسف صلاح الدین ڈائریکٹر 4- میاں اسد صلاح الدین ڈائریکٹر
5- میاں سُہیل صلاح الدین ڈائریکٹر 6- شیخ عبدالسلام ڈائریکٹر
7- سید عابد رضا زیدی ڈائریکٹر

6. چیئرمین کی اجازت سے کمپنی کے دیگر کسی امور کی انجام دہی۔

حسب الحکم بورڈ
سید عابد رضا زیدی
ڈائریکٹر/کمپنی سیکرٹری
لاہور۔

نو س:

1) کمپنی کے حصص کی منتقلی کی کتابیں 24 اکتوبر 2017ء سے 31 اکتوبر 2017، تک (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار میسرز کارپلنک پرائیویٹ لیمٹیڈ ونگ آرکیڈ K- کمرشل ، ماڈل ٹاؤن لاہورمیں 23 اکتوبر 2017ء تک موصول ہونے والے ٹرانسفرز کو اجلاسِ عام میں شرکت کے لئےبروقت سمجھا جائیگا۔
2) ڈائریکٹر زکے انتخاب میں حصہ لینے کا خواہشمند کوئی بھی شخص اجلاس کی تاریخ سے (14) دن قبل کمپنی کے رجسٹرڈ آفس میں کمپنیز ایکٹ 2017 کی شق (3) 159 کے تحت بطور ڈائریکٹر انتخاب میں حصہ لینے کے ارادے کا خط مع درج ذیل دستاویزات جمع کرائےگا۔

أ. کمپنی کے ڈائریکٹرکے طور پر کام کرنے کی رضا مندی کا خط ،اگر منتخب ہوجا ئے۔
ب. پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز ،2017 رول (4) 3 کے تحت ایک توثیقی بیان کہ پانچ سے زائد پبلک سیکٹر کمپنیز یا لمیٹڈ کمپنیز میں بطور ڈائریکٹر خدمات سر انجام نہیں دے رہا/رہی ما سوائے ان کی ذیلی کمپنیوں کے۔
ج. توثیقی بیان کہ وہ کمپنیز ایکٹ 2017ء کمپنی کے میمورینڈم اینڈ آرٹیکلز آف ایسوسی ایشن، پاکستان اسٹاک ایکسچینج کے رولز اور پبلک سیکٹر کمپنیز(کارپوریٹ گورننس) رولز ،2013 سے آگاہ ہے اور اس نے ان میں موجود ضابطوں کو پڑھا ہے۔
د. توثیقی بیان کہ وہ ایک رجسٹرڈ ٹیکس دہندہ ہے ،اور مجاز احاطہ اختیار کی حاملِ عدالت سے کسی بینکینگ کمپنی ، ترقیاتی مالیاتی ادارے یا کسی غیر بینکینگ مالیاتی ادارے کا نا دہندہ ہونے کی بناء پر سزا یافتہ نہیں ہے اور نہ ہی اس کی بیوی/ خاوند اسٹاک ایکسچینج کے

کاروبار سے منسلک ہے۔

3) سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹیڈ میں شیئرز جمع کرانے والے ممبران اپنا اُمیدوار آئی ڈی نمبر ،CDC اکاوٗنٹ / سب اکاوٗنٹ نمبر اور اصل کمپیوٹرا ئز ڈقومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ اجلاس میں شرکت کے وقت ضرور ساتھ لا ئیں۔

4) ایک ممبر جو اجلاس ہذا میں شرکت اور ووٹ کا حقدار ہے وہ اپنی جگہ اجلاس میں شرکت ، گفتگو اور ووٹ کے لئے کسی دوسرے ممبر کو بطور پر اکسی مقرر کرسکتا ہے۔

5) پراکسی فارمز کے مو ئثر ہونے کے لئےان کا صحیح طور پر پُر شدہ ہونا اور کمپنی کے رجسٹر ڈ آفس واقع F-4گلبرگ II لاہور میں سالانہ اجلاسِ عام کے وقت سے 48 گھنٹے قبل موصول ہونا ضروری ہے۔

6) ممبر خضرات سے درخواست ہے کہ اپنے پتوں میں کسی بھی تبدیلی کی بابت فوری طور کمپنی کے شیئر رجسٹرار کو مطلع کریں۔

7) جن ممبران نے اپنے کمپیوٹرا ئز قومی شناختی کارڈ (CNIC) کی فوٹو کاپی ابھی تک جمع نہیں کرا ئی ہے، اُنہیں جلد از جلد ہماری شیئر رجسٹرار کو ارسال کرنے کی گذارش کی جاتی ہے۔

8) 08 ستمبر 2014، کے نوٹیفیکیشن SRO.787(1)/2014کے تحت سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے ہدایت کی ہے کہ کمپنیز اپنے شیئر ہولڈرز کو سالانہ اجلاسِ عام (AGM) کے نوٹس کے ہمراہ آڈٹ شدہ فنانشل اسٹیٹ منٹس بذریعہ الیکٹرونک میل سسٹم (ای میل) بھیجنے کی سہولت دیں۔ ہم بخوشی اپنے ممبر خضرات کو جو آ ئندہ سالانہ آڈٹ شدہ فنانشل اسٹیٹ منٹس اور کمپنی کے نوٹس بذریعہ ای میل وصول کرنا چاہیں،یہ سہولت پیش کرتے ہیں۔ براہ مہربانی اس بات کویقینی بنا ئیں کی ایسی ای میل ، جو کہ سا ئز میں ایک MBسے زیادہ ہوسکتی ہے، وصول کرنے کےلئے آپ کے ای میل اکاوٗنٹ میں دستیاب نیز اس کا اختیار موجود ہو۔ مزید برآں رکن کی ذمہ داری ہوگی کہ وہ اپنے رجسٹرڈ ای میل ایڈریس میں کسی تبدیلی سے شیئر رجسٹرار بروقت آگاہ کرے۔

پراکسی فارم سالانہ رپورٹ کے ہمراہ منسلک ہے جوممبران کو ارسال کیا جا رہا ہے۔

Key Operating and Financial Data

	2017	2016	2015	2014	2013	2012	2011
	Rupees in million						
OPERATING PERFORMANCE							
Sales	1,647	2,192	3,280	3,796	3,647	2,887	2,843
Gross (loss)/profit	90	(197)	(19)	182	398	241	304
(Loss) / Profit before tax	(10)	(209)	(210)	7	210	98	248
Tax	27	34	(10)	29	56	62	29
(Loss) / Profit after tax	(38)	(243)	(200)	(22)	154	36	219
FINANCIAL POSITION							
Assets							
Non-current assets	1,014	1,042	1,212	1,141	1,050	995	862
Current assets	1,243	1,215	1,260	828	757	670	606
Total assets	**2,239**	**2,257**	**2,472**	**1,969**	**1,807**	**1,665**	**1,468**
Equity & liabilities							
Share capital & reserves	(130)	(91)	150	336	353	211	166
Surplus on revaluation	105	98	232	248	262	277	196
Total equity	26	7	382	584	615	488	362
Non-current liabilities	755	529	510	416	391	352	260
Current liabilities	1,458	1,721	1,580	969	801	825	846
Total liabilities	2,213	2,250	2,090	1,385	1,192	1,177	1,106
Total	**2,239**	**2,257**	**2,472**	**1,969**	**1,807**	**1,665**	**1,468**

Directors' Report

The Director's of Sally Textile Mills Limited ("the Company") present the 49th annual report of the Company together with audited accounts and auditor's report thereon for the year ended June 30, 2017.

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. 1,647 million as compared to Rs. 2,192 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 profit of Rs. 90.93 million as compared to gross loss of Rs. (197.17) 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. 160 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, 2017 Rs. in million	June 30, 2016 Rs. in million
Turnover - net	1,647.56	2,192.21
Gross profit/(loss)	90.93	(197.17)
Loss before tax	(10.35)	(208.75)
Loss after tax	(37.76)	(243.12)

Loss per Share

Loss per share of your company for the year ended June 30, 2017 is Rs. (4.30) as compared to Rs. (27.71) for the comparative year June 30, 2016.

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. 160 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. 217.28 million as at June 30, 2017. 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, 2017 were approved by the Board of Directors on October 07, 2017 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, 2017 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 2017-18. 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, 2018. 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, 2017

رپورٹ از ڈائریکٹران

صلی ٹیکسٹائل مل کے ڈائریکٹران کمپنی کی 49 ویں سالانہ رپورٹ پیش کر رہے ہیں جس کے ساتھ کمپنی کے حسابات اور آڈیٹر کی رپورٹ لف ہے۔

حرفِ آغاز

یہ مالی سال پاکستان میں ٹیکسٹائل سپننگ (دھاگہ سازی) کے شعبے کے لئے مشکل گزار ہے۔ صنعت کو بین الاقوامی کساد بازاری کا سامنا رہا ہے۔ برآمدات کے کم ہو جانے سے مقامی صنعت کو اپنی مصنوعات مقامی منڈی میں بیچنا پڑیں جس سے دھاگے کی قیمتیں گر گئیں۔ گاہکوں کا یہ کہنا تھا کہ نیا آرڈر اس لئے ممکن نہیں کہ پہلے سٹاک موجود ہیں اور عالمی منڈی میں مندی ہے۔ بجلی اور گیس کی سپلائی میں تعطل یا کمی سے ملیں اپنی پوری استعداد کے مطابق کام نہیں کر پائیں۔ کاروباری اور پیداواری اخراجات بڑھنے سے پاکستانی صنعت عالمی منڈی میں مقابلے کے قابل نہیں رہی۔ اس پر متزاد بھارت سے دھاگے کی درآمد جس نے مقامی منڈی کو مسائل سے دوچار کر دیا۔ اس مالی سال میں بہت سی پیداواری یونٹوں نے پیداواری عمل بند کر دیا کیونکہ اس کا نتیجہ نقصان کی صورت میں نکل رہا تھا۔

اس سال کمپنی کی وصولیات 164.7 کروڑ روپے رہیں بمقابل گزشتہ سال کہ جب یہی وصولیات 219.2 کروڑ روپے رہیں۔ اس کا سبب بُرے حالات کار تھے اور حکومت کی طرف سے ضروری اقدام کا بر وقت سامنے نہ آنا تھا۔ کمپنی کا اس سال کا Gross Profit 9 کروڑ 9 لاکھ، 32 ہزار روپے رہا جبکہ گزشتہ سال نقصان کی رقم 19 کروڑ، 71 لاکھ، 70 ہزار روپے تھی۔ کمپنی ڈائریکٹران ہر صورت کمپنی کے ساتھ ہیں اور انہوں نے کمپنی کے استحکام کی خاطر 16 کروڑ، روپے کا قرض کمپنی کو جاری کیا ہے۔ ڈائریکٹران مل کو چلتا رکھنے کے حق میں ہیں۔ یہی وجہ ہے کہ انہوں نے مزید رقم کاروبار میں لگائی ہے۔

مالیاتی نتائج مختصراً یوں رہے:

تفصیل	30جون2017	30جون2016
خالص وصولیات	164 کروڑ، 75لاکھ، 61ہزار روپے	219 کروڑ، 22لاکھ، 10ہزار روپے
کل نفع/(نقصان)	9 کروڑ، 9لاکھ، 32ہزار روپے	(19 کروڑ، 71لاکھ، 70ہزار روپے)
نقصان قبل از ٹیکس	1 کروڑ، 3لاکھ، 53ہزار روپے	20 کروڑ، 87لاکھ، 50ہزار روپے
نقصان بعداز ٹیکس	3 کروڑ۔ 77لاکھ، 57ہزار روپے	24 کروڑ، 31لاکھ، 20ہزار روپے

نقصان فی حصہ

اس سال کمپنی کے ایک شیئر کے مقابل 4روپے 30پیسے نقصان ہوا جبکہ گذشتہ سال ایک شیئر کے مقابل 27روپے، 71پیسے نقصان رہا تھا۔

کمپنی کا وجود برقرار رہنے کے مفروضات

کمپنی گزشتہ سال سے خسارے پر چل رہی ہے جس کے اسباب یہ ہیں۔ ملکی اور غیر ملکی منڈیوں میں مصنوعات کی قیمتوں میں کمی۔ بجلی کا بُحران۔ انڈین دھاگے کی بڑی مقدار کا مقامی منڈی میں پھینکا جانا۔ معاشی عدم استحکام اور حکومت کی ناموافق ٹیکسٹائل پالیسی۔ کمپنی اپنی استعداد کار کے مطابق کام نہیں کر سکی جس سے مطلوبہ نفع کشید نہ ہو سکا۔ کمپنی کے باضابطہ آڈیٹران کو کمپنی کے رواں رہنے کے بارے میں شک ہے۔ تاہم موجودہ مالیاتی تخمینہ جات اس بنیاد پر تیار کئے گئے ہیں کہ کمپنی رواں رہے گی۔ اس حوالے سے ہمارے دلائل یہ ہیں:

اَ. کمپنی انتظامیہ اُمید رکھتی ہے کہ حکومت انڈین یارن کی مقابل منڈی میں ذخیرہ گردی کی روک تھام کی تاکہ مقامی صنعت چل سکے۔

ب. کمپنی سپانسرز نے کمپنی کے ساتھ مال معاونت کو جاری رکھا ہے۔ جس کی صورت بلا

سُود قرضہ ہے۔ رواں سال سپانسرز نے کمپنی کو16 کروڑ روپے طویل مدت بلا سُود قرض کے طور پر جاری کئے۔ مزید یہ کہ سپانسرز نے سابقہ قرضوں کی واپسی کے لئے کمپنی کو30 جون2021تک کی مہلت جاری کر دی ہے۔

ج. کمپنی نے 21 کروڑ، 72 لاکھ، 81 ہزار روپے کے ممکنہ قلیل مدت قرض کو حاصل نہ کرنے کا فیصلہ کیا ہے اس بنا پر کہ کمپنی کے بینک اپنی مالی معاونت جاری رکھیں گے۔

د. کمپنی نے اخراجات میں کمی لانے کا اہتمام کیا ہے۔ یوں معیّن لاگت اور متبدّل لاگت کو کم کرنے کی کوشش کی گئی ہے۔ رواں سال کے دوران کمپنی نے پرانے کٹے ہوئے فیکٹری لیز معاہدے کو منسوخ کیا ہے جو فیکٹری گزشتہ سالوں میں لی گئی تھی اور خسارے میں چل رہی تھی۔

نقدی کے بہاؤ کا انتظام

ڈائریکٹران نقدی بہاؤ کی اہمیت کو بخوبی سمجھتے ہیں کی کاروبار کی روانی میں اس کا کتنا عمل دخل ہے۔ اس مقصد کی خاطر نقدی کی آمد و رفت کو مسلسل جانچا جاتا ہے اور وقتاً فوقتاً اس کی توثیق کی جاتی ہے۔ چالو سرمائے کی ضرورت کو دیکھ کر اس کی فراہمی کا انتظام کیا جاتا ہے کمپنی کے اندرونی ذرائع اور بیرونی ذرائع کی قلیل مدت فنانسنگ کے ذریعے۔

کاروباری خدشات، درپیش چیلنج اور مستقبل کا منظر نامہ

یہ واضح ہے کہ پاکستانی ٹیکسٹا ئل صنعت غیر یقینی حالات کا سامنا کر رہی ہے۔ صنعت کو اَن دیکھے بحرانوں کا سامنا ہے جن میں کو ئی کمی نہیں آسکی جب تک حکومت اس سلسلے میں راست اقدام نہیں اٹھاتی۔ تاہم اگلے سال سے ٹیکسٹا ئل صنعت کی بہتری کے اندازے لگا ئے جا رہے ہیں اور اُمید ہے کہ ٹیکسٹا ئل صنعت بہتری کی طرف جا ئے گی۔

کمپنی کی سماجی ذمہ داری

آپ کی کمپنی اپنی سماجی ذمہ داریوں کو بہت اہمیت دیتی ہے اور اس کا عزم ہے بہترین معیارات کو چُھونا۔

کمپنی کی سماجی ذمہ داری کی اصول کے حوالے سے جن شعبوں میں کام کیا جاتا ہے وہ یہ ہیں: صحت عامہ، تعلیم، حفظِ ماحول، صاف پانی، نکاسی آب، بچوں کی بہبود، بنیادی ڈھانچے کی تشکیل اور دیگر سماجی بہبود کے کام۔ ہم اُن ہسپتالوں اور تعلیمی اداروں کی مدد کرتے ہیں جو محروم طبقات کے مریضوں، طالبعلموں اور بچوں کا خیال رکھتے ہیں

صحت، حفاظت اور ماحول

آپ کی کمپنی ہنر مند افرادی قوت کی اہمیت کا احساس رکھتی ہے چنانچہ کمپنی میں خطروں سے بچاؤ، صحت کی حفاظت اور ماحول کی صفائی کا خیال رکھا جاتا ہے۔

مالیاتی دستاویزات

30 جون 2017 کو ختم ہونے والے مالی سال کی دستاویزات کو ڈائریکٹران نے 7 اکتوبر 2017 کو منظور کیا اور ان کے اجراء کی اجازت دی گزشتہ 6 سالوں کے مالیاتی اعداد و شمار پھر لف کئے جا رہے ہیں۔

کارپوریٹ گورننس کے قواعد

پاکستان سٹاک ایکسچینج کی طرف سے مقرر کردہ متعلقہ قواعد کو کمپنی نے نہ صرف اختیار کیا ہے بلکہ اُن پر عملدرآمد بھی ہوا ہے۔ متعلقہ دستاویزات ہے۔

حصص کی ملکیت کا نقشہ

یہ نقشہ بھی حسابات کے ساتھ منسلک ہے چیف ایگزیکٹو، چیف فنانشل آفیسر اور کمپنی سیکرٹری اور ان کے متعلقین میں سے کسی نے کمپنی حصص کا کوئی لین دین نہیں کیا سوائے اُس کے جو رپورٹ کر دیا گیا ہے۔

بورڈ آف ڈائریکٹرز کا اجلاس اور حاضری

اس سال ڈائریکٹرز کے 4-اجلاس ہوئے جن کی حاضری رپورٹ پیش خدمت ہے۔

میاں اقبال صلاح الدین	4
میاں یوسف صلاح الدین	4
میاں اسد صلاح الدین	4
مسمات منیرہ صلاح الدین	4
میاں سہیل صلاح الدین	4
شیخ عبدالسلام	4
سید عابد رضا زیدی	4

آڈٹ کمیٹی کے اجلاس اور حاضری

رواں سال کمیٹی کے 4-اجلاس ہوئے جن کی حاضری رپورٹ پیش خدمت ہے۔

شیخ عبدالسلام	4
میاں اسد صلاح الدین	4
میاں سہیل صلاح الدین	4

انسانی وسائل اور معاوضہ کمیٹی

رواں سال کمیٹی کا ایک اجلاس ہوا جس کی شرکت کی رپورٹ حاضر ہے۔

شیخ عبدالسلام	1
میاں سہیل صلاح الدین	1
مسمات منیرہ صلاح الدین	1

آڈیٹرز

موجودہ آڈیٹرز میں رحمان سرفراز، رحیم اقبال رفیق، چارٹرڈ اکاونٹنٹس اس بار ریٹائر ہو رہے ہیں لیکن وہ رواں سال کے لئے بھی خدمات دینے کے اُمیدوار ہیں۔ آڈٹ کمیٹی نے اُن کے تقرر کی سفارش کی ہے بطور بیرونی آڈیٹر برائے سال جو 30 جون 2018 کو ختم ہو رہا ہے۔ ICAP کی کوالٹی ریویو پروگرام میں مذکورہ آڈیٹران کو تسلی بخش درجہ دیا گیا ہے۔ تمام ممبران ICAP کی شرائط پر پورا اُترتے ہیں۔ یہ کمپنی انٹرنیشنل فیڈریشن آف اکاونٹس کے معیارات پر بھرپور اترتی ہے۔

حرف تشکر

ڈائریکٹران، کمپنی کے مینجروں، کاریگروں، عملے اور کارکنوں کی تمام ترکاوشوں کو تحسین کی نگاہ سے دیکھتے ہیں۔ ڈائریکٹران کمپنی کے بینکوں، خریداروں اور سپلائرز کے تعاون کو بھی خراج تحسین پیش کرتے ہیں۔

منجانب بورڈ

میاں اقبال صلاح الدین

چیف ایگزیکٹیو آفیسر

لاہور: 07 اکتوبر 2017ء

Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19 of listing regulations 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
Non-Executive Directors	Syed Abid Raza Zaidi
	Mst. Munira Salahuddin
	Mian Asad Salahuddin
	Mian Sohail Salahuddin

The independent directors 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 (excluding the listed subsidiaries of listed holding companies where applicable).

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 2016-17.

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, 2017

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, 2017** 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, 2017.**

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: ***IRFAN RAHMAN MALIK***

Lahore: ***October 07, 2017***

Auditors' Report to the Members

We have audited the annexed balance sheet of **SALLY TEXTILE MILLS LIMITED** ("the Company") as at June 30, 2017 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: ***IRFAN RAHMAN MALIK***

Lahore: ***October 07, 2017***

Balance Sheet
as at June 30, 2017

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
20,000,000 (2016: 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		**(218,194,971)**	(178,786,031)
TOTAL EQUITY		**(130,444,971)**	(91,036,031)
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	**104,830,328**	97,696,814
LOAN FROM SPONSORS - *UNSECURED*	8	**409,065,833**	281,327,513
NON-CURRENT LIABILITIES			
Long term finances - *secured*	9	**222,916,668**	66,666,668
Employees retirement benefits	10	**97,128,505**	108,760,950
Deferred taxation	11	**78,403,423**	72,714,541
		398,448,596	248,142,159
CURRENT LIABILITIES			
Trade and other payables	12	**598,179,195**	673,531,120
Short term borrowings	13	**718,727,798**	969,569,438
Accrued interest/markup		**21,959,601**	44,236,478
Current portion of non-current liabilities		**118,749,999**	33,333,332
		1,457,616,593	1,720,670,368
TOTAL LIABILITIES		**1,856,065,189**	1,968,812,527
CONTINGENCIES AND COMMITMENTS	14		
TOTAL LIABILITIES		**2,239,516,379**	2,256,800,823

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore
Date : October 07, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

Balance Sheet
as at June 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	**984,848,920**	1,030,583,357
Long term deposits - *unsecured, considered good*	16	**11,243,604**	11,243,604
		996,092,524	1,041,826,961
CURRENT ASSETS			
Stores, spares and loose tools	17	**84,628,282**	58,571,748
Stock in trade	18	**992,220,972**	991,631,247
Trade debts	19	**85,178,963**	97,500,398
Advances, deposits, prepayments and other receivables	20	**46,184,362**	24,730,421
Current taxation	21	**29,572,597**	34,477,967
Cash and bank balances	22	**5,638,679**	8,062,081
		1,243,423,855	1,214,973,862
TOTAL ASSETS		**2,239,516,379**	2,256,800,823

The annexed notes 1 to 46 form an integral part of these financial statements.

MIAN YOUSAF SALAHUDDIN
Director

Profit and loss account

for the year ended June 30, 2017

	Note	2017	2016
		Rupees	*Rupees*
Turnover - *net*	*23*	**1,647,561,116**	2,192,217,474
Cost of sales	*24*	**(1,556,628,505)**	(2,389,386,168)
Gross profit/(loss)		**90,932,611**	(197,168,694)
Selling and distribution expenses	*25*	**(10,177,583)**	(15,446,468)
Administrative and general expenses	*26*	**(43,478,178)**	(48,517,239)
		(53,655,761)	(63,963,707)
Other income	*27*	**3,964,661**	3,197,165
Operating profit/(loss)		**41,241,511**	(257,935,236)
Finance cost	*28*	**(82,856,844)**	(93,609,916)
Notional interest	*8.3*	**32,261,680**	144,628,240
Other charges	*29*	**(999,425)**	(1,834,352)
Loss before taxation		**(10,353,078)**	(208,751,264)
Taxation	*30*	**(27,404,514)**	(34,376,338)
Loss after taxation		**(37,757,592)**	(243,127,602)
Loss per share - *basic and diluted*	*31*	**(4.30)**	(27.71)

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore
Date : October 07, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Statement of profit or loss and other comprehensive Income

for the year ended June 30, 2017

	Note	2017	2016
		Rupees	*Rupees*
Items that may be reclassified subsequently to profit or loss		**-**	-
Items that will not be reclassified to profit or loss			
(Decremental)/incremental depreciation	*7*	**(1,819,974)**	1,002,398
Remeasurements of defined benefit obligation	*10.4*	**240,895**	1,051,796
Taxation relating to items that will not be reclassified to profit or loss	*11.1*	**(72,269)**	(216,946)
		(1,651,348)	1,837,248
Other comprehensive (loss)/income		**(1,651,348)**	1,837,248
Loss after taxation		**(37,757,592)**	(243,127,602)
Total comprehensive loss		**(39,408,940)**	(241,290,354)

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore
Date : October 07, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Cash flow statement

for the year ended June 30, 2017

	Note	2017	2016
		Rupees	*Rupees*
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	32	**(10,107,751)**	(87,084,466)
Payments for:			
Employees retirement benefits		**(27,046,930)**	(20,529,300)
Interest/markup on borrowings		**(104,045,095)**	(72,937,102)
Income tax		**(11,568,991)**	(20,988,366)
Dividend on ordinary shares		**-**	(485)
Net cash used in operating activities		**(152,768,767)**	(201,539,719)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(1,649,662)**	(72,495,363)
Proceeds from disposal of property, plant and equipment		**1,170,000**	30,000
Net cash used in investing activities		**(479,662)**	(72,465,363)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**250,000,000**	-
Repayment of long term finances		**(8,333,333)**	-
Loan form sponsors obtained		**160,000,000**	241,000,000
Net (decrease)/increase in short term borrowings		**(250,841,640)**	27,603,619
Net cash generated from financing activities		**150,825,027**	268,603,619
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,423,402)**	(5,401,463)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**8,062,081**	13,463,544
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	33	**5,638,679**	8,062,081

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore
Date : October 07, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Statement of changes in equity

for the year ended June 30, 2017

	Issued subscribed and paid-up capital	Accumulated profit/(loss)	Total equity
	Rupees	*Rupees*	*Rupees*
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)
Balance as at July 01, 2016	**87,750,000**	**(178,786,031)**	**(91,036,031)**
Comprehensive loss			
Loss after taxation	**-**	**(37,757,592)**	**(37,757,592)**
Other comprehensive loss	**-**	**(1,651,348)**	**(1,651,348)**
Total comprehensive loss	**-**	**(39,408,940)**	**(39,408,940)**
Transaction with owners	**-**	**-**	**-**
Balance as at June 30, 2017	**87,750,000**	**(218,194,971)**	**(130,444,971)**

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore
Date : October 07, 2017

MIAN IQBAL SALAHUDDIN
Chief Executive

MIAN YOUSAF SALAHUDDIN
Director

Notes to and forming part of financial statements

for the year ended June 30, 2017

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

During the year, the Companies Act 2017 ('the Act') has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') and Islamic Financial Accounting Standards ('IFASs') issued by the Institute of Chartered Accountants of Pakistan ('ICAP') as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

2.2 Appropriateness of the going concern assumption

The Company has been facing operational losses for the past two years 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 a result, the Company has incurred loss after taxation of Rs. 37.757 million during the year ended June 30, 2017. As at June 30, 2017, the Company has accumulated losses of Rs. 218.195 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 214.193 million. These factors indicate existence of material uncertainty that raises doubts about the Company's ability to continue as a going concern and that the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. However, these financial statements have been prepared on going concern basis based on the following:

a) The Company has cancelled the lease of rented production facility which has already started to increase profitability due to reduction in fixed overheads following the cancellation of lease.

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. 160 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. 56.56 million as at June 30, 2017 (see note 13.1.3). The management expects continued support of its bankers in providing finacial support to the Company.

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 14 – Regulatory Deferral Accounts (2014)

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Equity Method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)

IAS 27 - Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

IFRS 11 - Joint Arrangements has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 - Business Combinations and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.

- Disclose the information required by IFRS 3 - Business Combinations and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture have been amended to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.

- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)

IAS 1 Presentation of Financial Statements has been amended to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

- Additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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.

	Effective date (annual periods beginning on or after)
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021
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
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)	January 01, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40 - Investment Property)	January 01, 2018
Annual Improvements to IFRS 2014–2016 Cycle	January 01, 2018
Companies Act, 2017	July 01, 2017

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 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.

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	**2017**	2016
			Rupees	*Rupees*
6	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	8,775,000 (2016: 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		**97,696,814**	231,919,804
	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			
	Decremental/(incremental) depreciation for the year		**2,599,963**	(1,262,884)
	Deferred taxation		**(779,989)**	260,486
			1,819,974	(1,002,398)
	Deferred tax adjustment attributable to changes in proportion of income taxation under final tax regime		**5,690,704**	1,675,657
	Deferred tax adjustment attributable to changes in tax rates		**(377,164)**	1,424,563
	As at end of the year		**104,830,328**	97,696,814
8	**LOAN FROM DIRECTORS AND SPONSORS - UNSECURED**			
	Face value	*8.2*	**610,000,000**	450,000,000
	Less: unamortized notional interest	*8.3*	**(200,934,167)**	(168,672,487)
			409,065,833	281,327,513

8.1 This loan has been obtained from sponsors of the Company and is unsecured and interest free. The loan is repayable by June 30, 2021. The loan has been carried at amortized cost which has been determined using a discount rate of 9.85%, being the average effective borrowing rate of the Company.

		2017	2016
		Rupees	*Rupees*
8.2	Movement during the year is as follows:		
	As at beginning of the year	**450,000,000**	209,000,000
	Obtained during the year	**160,000,000**	241,000,000
	As at end of the year	**610,000,000**	450,000,000
8.3	**Unamortized notional interest**		
	As at beginning of the year	**168,672,487**	24,044,247
	Arising during the year	**59,972,440**	168,672,487
	Amortization for the year	**(27,710,760)**	(24,044,247)
	As at end of the year	**200,934,167**	168,672,487

		Note	2017	2016
			Rupees	*Rupees*
9	**LONG TERM FINANCES - SECURED**			
	These represent long term finances utilized under interest/markup arrangements from banking companies			
	Demand finance	*9.1*	**91,666,667**	100,000,000
	Demand finance	*9.2*	**250,000,000**	-
			341,666,667	100,000,000
	Current maturity presented under current liabilities		**(118,749,999)**	(33,333,332)
			222,916,668	66,666,668

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 (2016: three months KIBOR plus 3.5% per annum), payable quarterly. The finance was originally repayable in twelve equal quarterly installments with the first installment due in August 2016. During the year, after the payment of first installment, the lender has allowed a grace period of one year whereby the next installment is due in November 2017.

9.2 The finance has been obtained from National Bank of Pakistan 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 2% per annum, payable quarterly. The finance is repayable in eight equal semi annual installments with the first installment due in June 2017.

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	2017	2016
			Rupees	*Rupees*
10.1	**Movement in present value of defined benefit obligation**			
	As at beginning of the year		**108,760,950**	123,345,561
	Charged to profit or loss for the year	*10.2*	**15,655,380**	6,996,485
	Benefits paid during the year		**(27,046,930)**	(20,529,300)
	Remeasurements recognized in other comprehensive income	*10.4*	**(240,895)**	(1,051,796)
	As at end of the year		**97,128,505**	108,760,950
10.2	**Charge to profit or loss**			
	Current service cost		**8,750,662**	13,770,722
	Past service cost		**-**	1,770,416
	Gain on settlement		**-**	(19,570,042)
	Interest cost		**6,904,718**	11,025,389
			15,655,380	6,996,485
10.3	**The charge to profit or loss has been allocated as follows**			
	Cost of sales	*24*	**10,446,807**	5,864,579
	Selling and distribution expenses	*25*	**2,986,204**	39,847
	Administrative and general expenses	*26*	**2,222,369**	1,092,059
			15,655,380	6,996,485

		Note	2017	2016
			Rupees	*Rupees*
10.4	**Remeasurements recognized in other comprehensive income**			
	Actuarial loss arising from changes in:			
	Demographic assumptions		**-**	-
	Financial assumptions		**-**	-
	Experience adjustments		**(240,895)**	(1,051,796)
			(240,895)	(1,051,796)

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:

	2017	2016
Discount rate	**7.75%**	7.25%
Expected rates of increase in salary	**6.75%**	6.25%
Expected average remaining working lives of employees	**10 years**	10 years

10.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is seven 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, 2018 amounts to Rs. 17.102 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:

	2017		2016	
	Change in actuarial assumption	**Defined benefit obligation**	**Change in actuarial assumption**	**Defined benefit obligation**
		Rupees		***Rupees***
Discount rate	+ 1%	90,374,971	+ 1%	100,416,733
	- 1%	104,930,461	- 1%	118,432,848
Expected rate of increase in salary	+ 1%	104,930,461	+ 1%	118,432,848
	- 1%	90,256,240	- 1%	100,269,590

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	**2017**	2016
		Rupees	*Rupees*
11 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*11.1*	**169,503,974**	116,922,971
Deferred tax asset on deductible temporary differences	*11.1*	**(91,100,551)**	(44,208,430)
		78,403,423	72,714,541

11.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017			
	As at July 01, 2016	**Recognized in profit or loss**	**Recognized in OCI**	**As at June 30, 2017**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets - owned	**116,922,971**	**57,894,543**	**(5,313,540)**	**169,503,974**
Deferred tax assets				
Employees retirement benefits	**(22,433,320)**	**(6,777,501)**	**72,269**	**(29,138,552)**
Unused tax losses and credits	**(21,775,110)**	**(40,186,889)**	**-**	**(61,961,999)**
	(44,208,430)	**(46,964,390)**	**72,269**	**(91,100,551)**
	72,714,541	**10,930,153**	**(5,241,271)**	**78,403,423**

	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 - owned	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

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 30% (2016: 31%) 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. 84.604 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	2017	2016
			Rupees	*Rupees*
12	**TRADE AND OTHER PAYABLES**			
	Trade creditors - *Unsecured*		**249,291,218**	429,346,618
	Accrued liabilities		**111,744,320**	100,943,554
	Advances from customers - *Unsecured*	*12.1*	**199,588,054**	108,499,408
	Workers' Welfare Fund	*12.2*	**11,750,578**	11,771,578
	Unclaimed dividend		**1,010,033**	1,010,033
	Letter of credit payable		**5,104,692**	5,104,692
	Sales tax payable		**-**	613,563
	Other payables - *Unsecured*		**19,690,300**	16,241,674
			598,179,195	673,531,120

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

		Note	2017	2016
			Rupees	*Rupees*
12.2	**Workers' Welfare Fund**			
	As at beginning of the year		**11,771,578**	11,184,701
	Paid during the year		**(21,000)**	
	Charged to profit or loss for the year	*29*	**-**	586,877
	As at end of the year		**11,750,578**	11,771,578
13	**SHORT TERM BORROWINGS**			
	These represent short term finances obtained from			
	Banking companies - *secured*	*13.1*	**718,041,848**	965,933,488
	Directors and sponsors - *unsecured*	*13.2*	**685,950**	3,635,950
			718,727,798	969,569,438
13.1	**Banking companies**			
	These represent short term finances utilized under interest/markup arrangements			
	Cash finance	*13.1.1*	**644,158,096**	965,933,488
	Term loan	*13.1.2*	**73,883,752**	-
			718,041,848	965,933,488

13.1.1 These facilities have been obtained from various banking companies for working capital requirements and are 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 three months KIBOR plus 2% per annum (2016: three to six months KIBOR plus 2% per annum), payable quarterly.

13.1.2 The facility has been obtained from banking company 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 three months KIBOR plus 1.75 % per annum, payable quarterly.

13.1.3 The aggregate available short term funded facilities amounts to Rs. 774.6 million (2016: Rs. 1,182.4 million) out of which Rs. 56.56 million (2016: Rs. 216.44 million) remained unavailed as at the reporting date.

13.1.4 For restrictions on title, and assets pledged as security, refer to note 39 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 CONTINGENCIES AND COMMITMENTS

14.1 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.

14.2 Commitments

14.2.1 The Company is committed to pay Rs. 220,000 (2016: Rs. 220,000) for every month it occupies the office premises owned by a director of the Company.

14.2.2 The Company had acquired a production facility subject to operating lease. Lease agreement initially covered a period of six months 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.

	Note	**2017**	2016
		Rupees	*Rupees*
- payments not later than one year		**-**	6,000,000
- payments later than one year		**-**	-
		-	6,000,000

15 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	*15.1*	**982,492,798**	1,028,394,197
Capital work in progress	*15.2*	**2,356,122**	2,189,160
		984,848,920	1,030,583,357

15.1 Operating fixed assets

2017

	COST/REVALUED AMOUNT							DEPRECIATION					Net book
	As at July 01, 2016 *Rupees*	Additions *Rupees*	Revaluation *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2017 *Rupees*	Rate %	As at July 01, 2016 *Rupees*	For the year *Rupees*	Revaluation *Rupees*	Adjustment *Rupees*	As at June 30, 2017 *Rupees*	value as at June 30, 2017 *Rupees*
Freehold land	**142,835,000**	**-**	**-**	**-**	**-**	**142,835,000**	**-**	**-**	**-**	**-**	**-**	**-**	**142,835,000**
Buildings on freehold land	**442,285,162**	**-**	**-**	**-**	**-**	**442,285,162**	**5**	**226,917,121**	**10,768,402**	**-**	**-**	**237,685,523**	**204,599,639**
Plant and machinery	**999,952,805**	**-**	**-**	**-**	**-**	**999,952,805**	**5**	**396,103,391**	**30,192,471**	**-**	**-**	**426,295,862**	**573,656,943**
Electric installations	**77,471,343**	**31,000**	**-**	**-**	**-**	**77,502,343**	**5**	**35,421,343**	**2,102,950**	**-**	**-**	**37,524,293**	**39,978,050**
Tools and equipment	**1,586,142**	**4,500**	**-**	**-**	**-**	**1,590,642**	**10**	**1,245,892**	**34,166**	**-**	**-**	**1,280,058**	**310,584**
Laboratory equipment	**25,168,140**	**-**	**-**	**-**	**-**	**25,168,140**	**10**	**20,519,673**	**464,847**	**-**	**-**	**20,984,520**	**4,183,620**
Fire fighting equipment	**2,652,333**	**-**	**-**	**-**	**-**	**2,652,333**	**10**	**1,719,000**	**93,333**	**-**	**-**	**1,812,333**	**840,000**
Office equipment	**4,542,184**	**47,700**	**-**	**-**	**-**	**4,589,884**	**10**	**2,766,295**	**181,246**	**-**	**-**	**2,947,541**	**1,642,343**
Furniture and fixtures	**8,844,409**	**75,000**	**-**	**-**	**-**	**8,919,409**	**10**	**5,911,835**	**294,161**	**-**	**-**	**6,205,996**	**2,713,413**
Arms and ammunitions	**506,989**	**-**	**-**	**-**	**-**	**506,989**	**10**	**376,917**	**13,007**	**-**	**-**	**389,924**	**117,065**
Vehicles	**42,374,553**	**1,324,500**	**-**	**(1,984,173)**	**-**	**41,714,880**	**20**	**28,843,396**	**2,734,881**	**-**	**(1,479,538)**	**30,098,739**	**11,616,141**
	1,748,219,060	**1,482,700**	**-**	**(1,984,173)**	**-**	**1,747,717,587**		**719,824,863**	**46,879,464**	**-**	**(1,479,538)**	**765,224,789**	**982,492,798**

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

15.1.1 Disposal of property, plant and equipment

	2017						
	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							
Toyota Corolla	**1,919,173**	**1,431,063**	**488,110**	**1,150,000**	**661,890**	**Company policy**	**Tauseef Brothers**
Honda CD 70	**65,000**	**48,475**	**16,525**	**20,000**	**3,475**	**Company policy**	**Mr. Adnan**
	1,984,173	**1,479,538**	**504,635**	**1,170,000**	**665,365**		

	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		

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

	Note	**2017** *Rupees*	2016 *Rupees*
15.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*24*	**43,656,169**	48,068,816
Administrative and general expenses	*26*	**3,223,295**	3,922,976
		46,879,464	51,991,792

15.1.4 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 38.

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

	2017		
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*
Freehold land	**144,868**	**-**	**144,868**
Buildings on freehold land	**139,801,678**	**47,338,492**	**92,463,186**
Plant and machinery	**1,145,621,610**	**392,765,341**	**752,856,269**
Electric installation	**55,484,982**	**24,266,843**	**31,218,139**
Laboratory equipment	**4,282,115**	**3,592,963**	**689,152**
Fire fighting equipment	**382,181**	**265,240**	**116,941**

	2016		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*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

15.2 Capital work in progress

	2017			
	As at July 01, 2016	**Additions**	**Transfers**	**As at June 30, 2017**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**2,189,160**	**166,962**	**-**	**2,356,122**
Plant and machinery	**-**	**-**	**-**	**-**
	2,189,160	**166,962**	**-**	**2,356,122**

	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

16 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	**2017**	2016
		Rupees	*Rupees*
17 STORES, SPARES AND LOOSE TOOLS			
Stores		**45,944,373**	12,156,195
Spares and loose tools		**38,683,909**	46,415,553
		84,628,282	58,571,748

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

17.2 There no stores and spares held exclusively for capitalization.

18 STOCK IN TRADE			
Raw material		**807,678,103**	772,968,632
Work in process		**26,551,504**	45,321,014
Finished goods	*18.1*	**157,991,365**	173,341,601
		992,220,972	991,631,247

18.1 Stock of finished goods include stock of waste valued at net realizable value of Rs. 700,065 (2016: Rs. 789,159).

18.2 Details of stock pledged as security are referred to in note 39 to the financial statements.

		Note	2017	2016
			Rupees	*Rupees*
19	**TRADE DEBTS**			
	Local - *unsecured*		**85,178,963**	97,500,398
			85,178,963	97,500,398
20	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured, considered good*		**11,468,269**	8,668,590
	Advances to employees - *unsecured, considered good*	*20.1*	**6,118,487**	2,463,625
	Security deposits		**5,858,811**	5,858,811
	Prepayments		**4,387,784**	6,738,497
	Sales tax refundable		**16,911,951**	-
	Insurance claims receivable		**1,298,460**	860,298
	Other receivables - *unsecured, considered good*		**140,600**	140,600
			46,184,362	24,730,421

20.1 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	2017	2016
			Rupees	*Rupees*
21	**CURRENT TAXATION**			
	Advance income tax/income tax refundable		**46,048,208**	34,797,026
	Provision for taxation	*30*	**(16,475,611)**	(319,059)
			29,572,597	34,477,967
22	**CASH AND BANK BALANCES**			
	Cash in hand		**3,700,804**	1,825,549
	Cash at banks			
	current accounts		**1,891,427**	6,160,485
	deposit/saving accounts	*22.1*	**46,448**	76,047
			1,937,875	6,236,532
			5,638,679	8,062,081

22.1 Effective markup rate in respect of deposit/saving accounts, for the year, ranges from 4.5% to 5%(2016: 4% to 5%).

23 **TURNOVER - NET**

	2017		
	Local	**Export**	**Total**
	Rupees	*Rupees*	*Rupees*
Yarn	**1,625,309,316**	**-**	**1,625,309,316**
Waste	**22,251,800**	**-**	**22,251,800**
	1,647,561,116	**-**	**1,647,561,116**
Sales tax	**-**	**-**	**-**
	1,647,561,116	**-**	**1,647,561,116**

	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

23.1 Yarn export sales include indirect exports amounting to Rs. nil (2016: Rs. 692,210,589).

		Note	2017	2016
			Rupees	*Rupees*
24	**COST OF SALES**			
	Raw material consumed	*24.1*	**947,540,046**	1,516,994,677
	Stores, spares and loose tools consumed		**53,546,957**	91,220,448
	Salaries, wages and benefits	*24.2*	**167,916,609**	260,689,187
	Power and fuel		**294,366,090**	430,063,198
	Insurance		**8,936,785**	10,559,824
	Vehicle running and maintenance		**1,532,741**	2,406,390
	Rent, rates and taxes	*24.3*	**-**	12,000,000
	Depreciation	*15.1.3*	**43,656,169**	48,068,816
	Others		**5,013,362**	6,621,610
	Manufacturing cost		**1,522,508,759**	2,378,624,150
	Work in process			
	As at beginning of the year		**45,321,014**	51,958,065
	As at end of the year		**(26,551,504)**	(45,321,014)
			18,769,510	6,637,051
	Cost of goods manufactured		**1,541,278,269**	2,385,261,201
	Finished goods			
	As at beginning of the year		**173,341,601**	173,394,968
	Purchase during the year		**-**	4,071,600
	As at end of the year		**(157,991,365)**	(173,341,601)
			15,350,236	4,124,967
			1,556,628,505	2,389,386,168
24.1	**Raw material consumed**			
	As at beginning of the year		**772,968,632**	772,968,632
	Purchased during the year		**982,249,517**	1,516,994,677
	As at end of the year		**(807,678,103)**	(772,968,632)
			947,540,046	1,516,994,677

24.2 These include charge in respect of employees retirement benefits amounting to Rs. 10,446,807 (2016: Rs. 5,864,579).

24.3 This represented rent of production facility acquired subject to operating lease. See note 14.2.2.

		Note	2017	2016
			Rupees	*Rupees*
25	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries wages and benefits	*25.1*	**5,879,729**	3,353,462
	Inland transportation		**2,543,304**	2,849,358
	Ocean freight and forwarding		**-**	1,057,579
	Traveling		**39,064**	126,891
	Communication		**115,270**	688,392
	Insurance		**88,446**	83,199
	Commission		**846,295**	6,444,762
	Vehicle running and maintenance		**518,785**	760,205
	Others		**146,690**	82,620
			10,177,583	15,446,468

25.1 These include charge in respect of employees retirement benefits amounting to Rs. 2,986,204 (2016: Rs. 39,847).

		Note	2017	2016
			Rupees	*Rupees*
26	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Directors' remuneration		**7,928,692**	8,757,622
	Salaries and benefits	*26.1*	**17,999,764**	19,247,826
	Traveling, conveyance and entertainment		**621,010**	453,495
	Printing and stationery		**614,919**	796,029
	Electricity, water and gas		**1,180,585**	1,478,649
	Communication		**1,242,900**	1,423,216
	Vehicles running and maintenance		**2,886,865**	3,611,149
	Legal and professional charges		**1,299,011**	1,317,527
	Auditors' remuneration	*26.2*	**850,000**	850,000
	Fee and subscription		**602,094**	1,053,494
	Rent rates and taxes		**2,640,000**	2,640,000
	Insurance		**1,598,351**	2,265,661
	Repair and maintenance		**-**	121,750
	Depreciation	*15.1.3*	**3,223,295**	3,922,976
	Others		**790,692**	577,845
			43,478,178	48,517,239

26.1 These include charge in respect of employees retirement benefits amounting to Rs. 2,222,369 (2016: Rs. 1,092,059).

		Note	2017	2016
			Rupees	*Rupees*
26.2	**Auditor's remuneration**			
	Annual statutory audit		**682,500**	682,500
	Half yearly review		**105,000**	105,000
	Review report under Code of Corporate Governance		**52,500**	52,500
	Out of pocket expenses		**10,000**	10,000
			850,000	850,000

		Note	2017	2016
			Rupees	Rupees
27	**OTHER INCOME**			
	Gain on financial instruments			
	Return on bank deposits		**85,658**	4,084
	Foreign exchange gain		**-**	514,126
	Other income			
	Gain on disposal of operating fixed assets	15.1.1	**665,365**	12,226
	Scrap sale		**3,213,638**	2,666,729
			3,964,661	3,197,165
28	**FINANCE COST**			
	Interest/markup/profit on borrowings:			
	long term finances		**19,237,633**	10,113,552
	short term borrowings		**62,530,585**	82,529,405
	Bank charges and commission		**1,088,626**	966,959
			82,856,844	93,609,916
29	**OTHER CHARGES**			
	Workers' Welfare Fund	12.2	**-**	586,877
	Donations	29.1	**999,425**	1,247,475
			999,425	1,834,352

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

		Note	2017	2016
			Rupees	Rupees
30	**PROVISION FOR TAXATION**			
	Current taxation			
	current year	30.1	**16,475,611**	319,059
	prior year		**(1,250)**	5,960,161
			16,474,361	6,279,220
	Deferred taxation			
	changes attributable to origination and reversal of temporary differences	11	**13,652,948**	29,843,507
	changes attributable to changes in tax rates		**(2,722,795)**	(1,746,389)
			10,930,153	28,097,118
			27,404,514	34,376,338

30.1 Provision for taxation has been made under section 113, 154 and 169 (2016: section 113, 154 and 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.

30.2 Assessments for the tax years up to 2016 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

30.3 The Government of Pakistan vide Finance Act 2016 notified a reduced tax rate of 31% for tax year 2017 as compared to 32% applicable to previous year for Companies.

	Unit	2017	2016

31 LOSS PER SHARE

	Unit	2017	2016
Loss attributable to ordinary shareholders	*Rupees*	**(37,757,592)**	(243,127,602)
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**8,775,000**	8,775,000
Loss per share - *Basic*	*Rupees*	**(4.30)**	(27.71)

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

32 CASH GENERATED FROM OPERATIONS

	Note	2017 Rupees	2016 Rupees
Loss before taxation		**(10,353,078)**	(208,751,264)
Adjustments for non-cash and other items			
Interest/markup on borrowings		**81,768,218**	92,642,957
Notional interest		**(32,261,680)**	(144,628,240)
Gain on disposal of operating fixed assets		**(665,365)**	(12,226)
Provision for employees retirement benefits		**15,655,380**	6,996,485
Depreciation		**46,879,464**	51,991,792
		111,376,017	6,990,768
Operating loss before changes in working capital		**101,022,939**	(201,760,496)
Changes in working capital			
Stores, spares and loose tools		**(26,056,534)**	1,186,795
Stock in trade		**(589,725)**	(18,103,513)
Trade debts		**12,321,435**	65,018,732
Advances, prepayments and other receivables		**(21,453,941)**	6,302,196
Trade and other payables		**(75,351,925)**	60,271,820
		(111,130,690)	114,676,030
Cash used in operations		**(10,107,751)**	(87,084,466)

33 CASH AND CASH EQUIVALENTS

	Note	2017 Rupees	2016 Rupees
Cash and bank balances	*22*	**5,638,679**	8,062,081
		5,638,679	8,062,081

34 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:

34.1 Transactions with related parties

Nature of relationship	**Nature of transactions**	2017 Rupees	2016 Rupees
Key management personnel	Short term employee benefits	**7,928,692**	8,757,622
Sponsors	Long term loan obtained	**160,000,000**	241,000,000
	Short term borrowing (repaid) /obtained	**(2,950,000)**	164,000
	Rent paid	**2,640,000**	2,640,000

		2017	2016
		Rupees	*Rupees*
Balances with related parties			
Nature of relationship	**Nature of balances**		
Key management personnel	Short term employee benefits payable	**583,000**	592,250
Sponsors	Long term loan	**610,000,000**	450,000,000
	Short term borrowings	**685,950**	3,635,950

35 FINANCIAL INSTRUMENTS

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

	Note	2017	2016
		Rupees	*Rupees*
Financial assets			
Cash in hand	*22*	**3,700,804**	1,825,549
Loans and receivables			
Long term deposits	*16*	**11,243,604**	11,243,604
Trade debts	*19*	**85,178,963**	97,500,398
Security deposits	*20*	**5,858,811**	5,858,811
Insurance claims receivable	*20*	**1,298,460**	860,298
Cash and bank balances	*22*	**5,638,679**	8,062,081
		112,919,321	125,350,741
Financial liabilities at amortized cost			
Loan from sponsors	*8*	**409,065,833**	281,327,513
Long term finances	*9*	**91,666,667**	100,000,000
Short term borrowings	*13*	**718,041,848**	965,933,488
Accrued interest/markup		**21,959,601**	44,236,478
Trade creditors	*12*	**249,291,218**	429,346,618
Accrued liabilities	*12*	**111,744,320**	100,943,554
Unclaimed dividend	*12*	**1,010,033**	1,010,033
		1,602,779,520	1,922,797,684

36 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:

36.1 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.

36.1.1 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	2017	2016
		Rupees	*Rupees*
Loans and receivables			
Long term deposits	*16*	**11,243,604**	11,243,604
Trade debts	*19*	**85,178,963**	97,500,398
Security deposits	*20*	**5,858,811**	5,858,811
Insurance claims receivable	*20*	**1,298,460**	860,298
Cash at banks	*22*	**1,937,875**	6,236,532
		105,517,713	121,699,643

36.1.2 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:

	2017	2016
	Rupees	*Rupees*
Customers	**85,178,963**	97,500,398
Banking companies and financial institutions	**9,095,146**	12,955,641
Utility companies and regulatory authorities	**11,243,604**	11,243,604
	105,517,713	121,699,643

36.1.3 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:

	2017		2016	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**12,634,382**	**-**	43,377,939	-
Past due by 0 to 6 months	**45,388,501**	**-**	34,891,215	-
Past due by 6 to 12 months	**14,642,863**	**-**	8,061,326	-
Past due by over one year	**12,513,217**	**-**	11,169,918	-
	85,178,963	**-**	97,500,398	-

The Company's five (2016: three) significant customers account for Rs. 40.51 million (2016: Rs. 25.83 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 over one year based on historical default rates.

36.1.4 Collateral held

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

36.1.5 Credit risk management

As mentioned in note 36.1.3 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.

36.2 Liquidity risk

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

36.2.1 Exposure to liquidity risk

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

	2017				
	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	**409,065,833**	**610,000,000**	**610,000,000**	**-**	**-**
Long term finances	**341,666,667**	**392,993,599**	**144,626,393**	**248,367,206**	**-**
Short term borrowings	**718,041,848**	**719,479,241**	**719,479,241**	**-**	**-**
Accrued interest/markup	**21,959,601**	**21,959,601**	**21,959,601**	**-**	**-**
Trade creditors	**249,291,218**	**249,291,218**	**249,291,218**	**-**	**-**
Accrued liabilities	**111,744,320**	**111,744,320**	**111,744,320**	**-**	**-**
	1,851,769,487	**2,105,467,979**	**1,857,100,773**	**248,367,206**	**-**

	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	-

36.2.3 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.

36.3 Market risk

36.3.1 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.

36.3.2 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:

	2017	2016
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**46,448**	76,047
Financial liabilities	**409,065,833**	281,327,513
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**940,958,516**	1,032,600,156

(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. 9.41 million (2016: Rs. 10.33 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.

36.3.3 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.

37 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	2017	2016
Total debt	*Rupees*	**750,732,500**	381,327,513
Total equity	*Rupees*	**(25,614,643)**	6,660,783
		725,117,857	387,988,296
Gearing	*% age*	**103.53%**	98.28%

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.

38 FAIR VALUE MEASUREMENTS

38.1 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:

38.1.1 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.

38.1.2 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.

38.2 Assets and liabilities other than financial instruments.

38.2.1 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	2017	2016
				Rupees	*Rupees*
Freehold land	-	142,835,000	-	**142,835,000**	142,835,000
Buildings on freehold land	-	204,599,639	-	**204,599,639**	215,368,041
Plant and machinery	-	573,656,943	-	**573,656,943**	603,849,414
Electric installation	-	39,978,050	-	**39,978,050**	42,050,000
Laboratory equipment	-	4,183,620	-	**4,183,620**	4,648,467
Fire fighting equipment	-	840,000	-	**840,000**	933,333

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

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 7.142 million (2016: Rs. 7.142 million).
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. 10.230 million (2016: Rs. 10.768 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. 28.683 million (2016: Rs. 30.192 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.1.999 million (2016: Rs. 2.102 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. 209,181 (2016: Rs. 232,423).
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. 42,000 (2016: Rs. 46,667).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 15.1.4.

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

38.2.2 Non-recurring fair value measurements

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

	2017	2016
	Rupees	*Rupees*
39 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	**807,678,103**	772,968,632
Finished goods	**94,575,471**	103,744,492

40 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:

	2017		
	Chief Executive	**Directors**	**Executives**
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	**3,180,000**	**3,208,125**	**8,036,000**
Allowances and perquisites	**471,192**	**1,069,375**	**132,000**
Post employment benefits	**-**	**-**	**1,041,200**
	3,651,192	**4,277,500**	**9,209,200**
Number of persons	**1**	**3**	**8**

	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

Remuneration, allowances and meeting fee include Rs. 2,494,800 (2016: Rs. 2,268,000) paid to non-executive directors of the Company.

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

41 SEGMENT INFORMATION

41.1 The Company is a single reportable segment.

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

41.3 All sales of the Company have originated from Pakistan.

42 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,093 (2016: 1,522). Average number of persons employed by the Company during the year are 1,075 (2016: 1,456).

43 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.

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2017**	2016
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*	**5,428,412**	3,684,634
Leased			
Number of spindles installed	*No.*	**16,320**	16,320
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	**2,662,257**	2,662,257
Actual production converted into 40s count	*Kgs*	**592,402**	1,467,269

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.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 07, 2017 by the Board of Directors of the Company.

46 GENERAL

46.1 Figures have been rounded off to the nearest rupee.

46.2 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, 2017

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 **30-06-2017**

4. No. of Shareholders	------Shareholding------ From	To	Total Shares Held
943	1	100	60,984
315	101	500	83,203
79	501	1,000	66,615
121	1,001	5,000	327,750
25	5,001	10,000	202,049
12	10,001	15,000	158,194
5	15,001	20,000	84,205
5	20,001	25,000	114,000
2	25,001	30,000	54,000
2	30,001	35,000	66,841
2	35,001	40,000	77,000
1	45,001	50,000	47,393
3	55,001	60,000	173,600
1	80,001	85,000	83,000
1	90,001	95,000	94,000
1	125,001	130,000	129,500
1	140,001	145,000	145,000
1	205,001	210,000	210,000
1	345,001	350,000	348,279
1	520,001	525,000	523,534
1	1,020,001	1,025,000	1,020,286
1	1,540,001	1,545,000	1,542,220
1	1,550,001	1,555,000	1,554,228
1	1,605,001	1,610,000	1,609,119
1526			**8,775,000**

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	6,267,418	71.4236
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	6,254,918	71.2811
5.8 General Public		
a. Local	1,867,473	21.2817
b. Foreign	0	-
5.9 Others (to be specified)		
1- Joint Stock Companies	77,901	0.8878
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	2017

SALLY TEXTILE MILLS LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2017

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	1,554,328	17.7131
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	1,554,328	17.7131
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
1	MIAN ASAD SALAHUDDIN	-	10,500

Notes

FORM OF PROXY
Sally Textile Mills Limited
4 - F, Gulberg II, Lahore.

49th Annual
General Meeting

Important

Instruments of Proxy will not be considered as valid unlessDeposited or received at the company's Head Office at 4-F, Gulberg-II, Lahore not later than 48 hours before the time holding the meeting.

Registered folio/participants______________________
ID No. and A/c No. _____________________________
____
Number of shares held:___________________________
____

I/We____
of____
being a member of Sally Textile Mills Limited, hereby appoint ___________________________ _______________
___________________of ___________________ another member of the company as my / our proxy to attend & vote for me / us and on my / our behalf at the 49th Annual General meeting of the Company to be held Tuesday, October 31, 2017 at 10:30 am at Four Season Hall 34 Sharah-e-Fatima (Queens Road) Mozang Lahore and at any adjournment thereof.

WITNESSES

1. Signature:___________________________
   Name:_______________________________
   Address:____________________________
   ____
   CNIC or ____________________________
   Passport No. ________________________

Signature of Shareholder

Revenue Stamp

2. Signature:___________________________
   Name: _______________________________
   Address: ____________________________
   ____
   CNIC or ____________________________
   Passport No. ________________________

(Signature should agree with the Specimen signature registered With the Company)

AFFIX
CORRECT
POSTAGE

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

پراکسی فارم

49واں سالانہ اجلاسِ عام

رجسٹرڈ فولیونمبر/ ______________
پارٹیسپنٹ شناخت نمبر
اکاؤنٹ ______________
نمبر
____
مجموعی ______________
شیئرز

اہم نوٹ

پراکسی فارم اس وقت تک قابل قبول نہیں ہوگا جب تک یہ جنرل میٹنگ کے وقت سے 48 گھنٹے پہلے کمپنی کے ہیڈ آفس میں وصول نہ ہوجائے۔

میں مسمی/

مسماۃ ______________ سکنہ ______________

ضلع ______________ بخیثیت ممبر صلی ٹیکسٹائل ملز لمیٹیڈ،مسمی/

مسماۃ ______________

سکنہ ______________ کو بطور مختار(پراکسی) مقرر کرتا /کرتی ہوں تاکہ وہ میری جگہ اورمیری ظرف سے کمپنی کے سالانہ اجلاسِ عام (یا جو بھی صورت حال ہو) ، جو مورخہ 31 اکتوبر 2017 بروز منگل 10:30 بجے بمقامفورسیزنہال 34 شاہراہِ فاطمہ(کوئینزروڈ)مزنگلاہور میں منعقد ہوگا، اس میں اور اس کے کسی ملتوی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

گواہان

1. دستخط ______________

نام ______________

پتہ ______________

CNIC/پاسپورٹ نمبر ______________

دستخط شیئر ہولڈر

ریونیو
اسٹیمپ

(دستخط کمپنی میں درج نمونہ کے مطابق ہونے چاہیئے)

2. دستخط ______________

نام ______________

پتہ ______________

CNIC/پاسپورٹ نمبر ______________

AFFIX
CORRECT
POSTAGE

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