

Interim Financial Report  
Quarter ended  
September 30, 2014  
(Un-audited)



Sally Textile Mills Limited



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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**

Hasan Shahnawaz

### **Company Secretary**

Syed Abid Raza Zaidi

### **Auditors**

M/s Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

### **Bankers**

National Bank Of Pakistan  
The Bank of Punjab  
KASB Bank Limited  
Meezan Bank Limited  
Habibmetropolitan Bank Limited  
Habib Bank Limited

### **Registered Office**

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

### **Mills**

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

## **Directors' Review**

On behalf of the board of directors of Sally Textile Mills Limited, I am pleased to present the un-audited interim condensed financial statements for the 1st Quarter ended September 30, 2014.

### **Operating Results:**

Economy of Pakistan remained under pressure due to political uncertainty. Reduced energy supply to industry during the better half of this quarter caused severe problems for the spinning sector. Although the company's year-on-year profitability has not shown positive growth; however this quarter has shown signs of improvement. Yarn prices firmed up due to increasing exports of made-ups and value added textile products. Profit margin improved also because your company was able to procure raw material timely and at attractive price thereby reducing average price of raw material for the period under review.

### **Summary of operating result is as under:**

| Description       | Quarter ended<br>September 30, 2014<br><i>Rupees '000'</i> | Quarter ended<br>September 30, 2013<br><i>Rupees '000'</i> |
|-------------------|--|--|
| Turnover-net      | 758,506  | 884,741  |
| Gross profit      | 61,395   | 95,141   |
| Profit before tax | 15,191   | 53,323   |
| Profit after tax  | 7,606  | 36,242   |

### **Earning per Share**

The earning per share of your company for the 1st Quarter ended September 30, 2014 is PKR. 0.87 as compared to September 30, 2013 PKR. 4.13

### **Future Prospects**

Spinning sector may continue face problems due to uncertain political environment and lack of adequate energy supply. However, companies which are focusing on diversifying products may show signs of resilience and improved profitability over the course of next nine months. The directors of your company are confident and will continue efforts to diversify product lines and customer base.

### **Acknowledgement**

Your directors would like to take the opportunity for appreciating support of their shareholders, dedication of company's managers, technicians and workers who are continuously putting their best to achieve their goals. Your directors would also like to put on record the cooperation extended by the company's bankers as well as the reliability of their buyers and suppliers.

For and on behalf of the board

Date: **October 30, 2014**  
Lahore.

**MIAN YOUSAF SALAHUDDIN**  
Director

**Condensed Interim Balance Sheet (Un-audited)**  
**as at September 30, 2014**

|  | September 30<br>2014 | June 30<br>2014 |
|--|----------------------|-----------------|
|  | Rupees in thousand   |                 |
|  | Un-Audited           | Audited         |
| <b>EQUITY AND LIABILITIES</b>                                  |                      |                 |
| <b>Authorized share capital</b>                                |                      |                 |
| 20,000,000 ordinary shares of Rs. 10 each                      | 200,000              | 200,000         |
| <b>Share capital and reserves</b>                              |                      |                 |
| Issued, subscribed and paid-up capital                         | 87,750               | 87,750          |
| Accumulated profit   | 259,195              | 248,278         |
|  | 346,945              | 336,028         |
| <b>Surplus on revaluation of property, plant and equipment</b> | 245,139              | 248,451         |
| <b>Loan from sponsors - Unsecured</b>                          | 168,997              | 163,678         |
| <b>Non-current liabilities</b>                                 |                      |                 |
| Employees retirement benefits                                  | 110,533              | 105,745         |
| Deferred taxation  | 145,943              | 145,943         |
|  | 256,476              | 251,688         |
| <b>Current liabilities</b>                                     |                      |                 |
| Trade and other payables                                       | 352,622              | 434,952         |
| Short term borrowings - Secured                                | 781,388              | 519,649         |
| Accrued interest/mark-up                                       | 23,162               | 14,417          |
| Current tax liability  | 2,766                | -               |
|  | 1,159,939            | 969,018         |
| <b>Contingencies and commitments</b>                           | -                    | -               |
| <b>Total Liabilities</b>                                       | 2,177,497            | 1,968,863       |

Date: October 30, 2014  
Place: Lahore

MIAN ASAD SALAHUDDIN  
Director

| September 30<br>2014 | June 30<br>2014 |
|----------------------|-----------------|
| Rupees in thousand   |                 |
| Un-Audited           | Audited         |

**ASSETS**

**Non-current assets**

|   |                  |           |
|---|------------------|-----------|
| Property, plant and equipment                   | 1,117,230        | 1,129,969 |
| Long term deposits - Unsecured, Considered good | 11,244           | 11,244    |
|   | <b>1,128,474</b> | 1,141,213 |

**Current assets**

|   |                  |         |
|---|------------------|---------|
| Stores, spares and loose tools              | 49,521           | 53,685  |
| Stock in trade                              | 779,360          | 518,835 |
| Trade debts                                 | 167,263          | 179,494 |
| Advances, prepayments and other receivables | 45,315           | 47,885  |
| Current tax asset                           | -                | 3,954   |
| Cash and bank balances                      | 7,565            | 23,797  |
|   | <b>1,049,023</b> | 827,650 |

**Total Assets**

|  |                  |           |
|--|------------------|-----------|
|  | <b>2,177,497</b> | 1,968,863 |
|--|------------------|-----------|

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information

**MIAN YOUSAF SALAHUDDIN**  
Director

**Condensed Interim Profit and Loss Account (Un-audited)**  
**for the quarter ended September 30, 2014**

|   | September 30<br>2014 | September 30<br>2013 |
|---|----------------------|----------------------|
|   | Rupees in thousand   |                      |
|   | Un-Audited           | Un-Audited           |
| <b>Turnover - net</b>                         | 758,506              | 884,741              |
| Cost of sales                                 | (697,111)            | (789,600)            |
| <b>Gross profit</b>                           | <b>61,395</b>        | 95,141               |
| Selling and distribution expenses             | (5,966)              | (8,660)              |
| Administrative and general expenses           | (13,729)             | (12,079)             |
|   | (19,695)             | (20,739)             |
| Other operating income                        | 2                    | 49                   |
| <b>Operating profit</b>                       | <b>41,702</b>        | 74,450               |
| Finance cost                                  | (20,118)             | (11,673)             |
| Notional interest                             | (5,320)              | (4,708)              |
| Other charges                                 | (1,074)              | (4,747)              |
| <b>Profit before taxation</b>                 | <b>15,191</b>        | 53,323               |
| Taxation                                      | (7,585)              | (17,082)             |
| <b>Profit after taxation</b>                  | <b>7,606</b>         | 36,242               |
| <b>Earnings per share - basic and diluted</b> | <b>0.87</b>          | 4.13                 |

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information

Date: October 30, 2014  
Place: Lahore

MIAN ASAD SALAHUDDIN  
Director

MIAN YOUSAF SALAHUDDIN  
Director

**Condensed Interim Statement of Profit & Loss and other Comprehensive Income (Un-audited)  
for the quarter ended September 30, 2014**

|   | September 30<br>2014 | September 30<br>2013 |
|---|----------------------|----------------------|
| Rupees in thousand  |                      |                      |
|   | Un-Audited           | Un-Audited           |
| Items that may be reclassified subsequently to profit or loss | -                    | -                    |
| Items that will not be reclassified to profit or loss         |                      |                      |
| Incremental depreciation                                      | 5,095                | 5,378                |
| Other comprehensive income before taxation                    | 5,095                | 5,378                |
| Taxation  | 1,783                | 1,882                |
| Other comprehensive income after taxation                     | 3,312                | 3,496                |
| Profit after taxation   | 7,606                | 36,242               |
| <b>Total comprehensive income</b>                             | <b>10,918</b>        | <b>39,738</b>        |

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information

Date: October 30, 2014  
Place: Lahore

MIAN ASAD SALAHUDDIN  
Director

MIAN YOUSAF SALAHUDDIN  
Director

**Condensed Interim Cash Flow Statement (Un-audited)**  
for the quarter ended September 30, 2014

|   | September 30<br>2014 | September 30<br>2013 |
|---|----------------------|----------------------|
| Rupees in thousand  |                      |                      |
|   | Un-Audited           | Un-Audited           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                  |                      |                      |
| <b>Profit before taxation</b>                               | 15,191               | 53,323               |
| <b>Adjustments for non-cash and other items</b>             |                      |                      |
| Interest / markup on borrowings                             | 20,007               | 11,575               |
| Notional interest   | 5,320                | 4,708                |
| (Gain)/Loss on disposal of operating fixed assets           | -                    | (48)                 |
| Provision for employees retirement benefits                 | 5,229                | 4,477                |
| Depreciation  | 14,032               | 12,794               |
|   | <b>44,588</b>        | <b>33,505</b>        |
| <b>Operating Cashflow before changes in working capital</b> | <b>59,779</b>        | <b>86,827</b>        |
| <b>Changes in working capital</b>                           |                      |                      |
| Stores, spares and loose tools                              | 4,164                | 6,269                |
| Stock in trade  | (260,525)            | 81,206               |
| Trade debts   | 12,231               | (7,261)              |
| Advances, prepayments and other receivables                 | 2,570                | (27,357)             |
| Trade and other payables                                    | (79,550)             | (96,401)             |
|   | <b>(321,109)</b>     | <b>(43,544)</b>      |
| <b>Cash generated from operations</b>                       | <b>(261,331)</b>     | <b>43,283</b>        |
| Payments for:   |                      |                      |
| Employees retirement benefits                               | (442)                | (2,760)              |
| Interest/markup on borrowings                               | (11,261)             | (13,301)             |
| Income tax  | (864)                | (1,662)              |
| Dividend on ordinary shares                                 | (2,780)              | (1,500)              |
| <b>Net cash flow from operating activities</b>              | <b>(276,678)</b>     | <b>24,060</b>        |

Date: October 30, 2014  
Place: Lahore

MIAN ASAD SALAHUDDIN  
Director

|  | September 30<br>2014 | September 30<br>2013 |
|--|----------------------|----------------------|
| Rupees in thousand   |                      |                      |
|  | Un-Audited           | Un-Audited           |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                   |                      |                      |
| Capital expenditure  | (1,294)              | (3,214)              |
| Proceeds from disposal of property, plant and equipment      | -                    | 900                  |
| <b>Net cash used in investing activities</b>                 | <b>(1,294)</b>       | <b>(2,314)</b>       |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                   |                      |                      |
| Repayment of long term finances                              | -                    | (5,000)              |
| Net Increase /(decrease) in short term borrowings            | 261,739              | (24,075)             |
| Loan from sponsors repaid                                    | -                    | -                    |
| <b>Net cash used in financing activities</b>                 | <b>261,739</b>       | <b>(29,075)</b>      |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>(16,232)</b>      | <b>(7,329)</b>       |
| <b>Cash and cash equivalents as at beginning of the year</b> | <b>23,797</b>        | <b>20,849</b>        |
| <b>Cash and cash equivalents as at end of the year</b>       | <b>7,565</b>         | <b>13,520</b>        |

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information

MIAN YOUSAF SALAHUDDIN  
Director

**Condensed Interim Statement of Changes in Equity (Un-audited)**  
**for the quarter ended September 30, 2014**

|  | Issued<br>subscribed and<br>Paid-up Capital | Accumulated<br>Profit / (Loss) | Total<br>equity |
|--|---|--------------------------------|-----------------|
| Rupees in thousand                                 |   |                                |                 |
| <b>Blance as at July 01, 2013 - Audited</b>        | 87,750                                      | 265,441                        | 353,191         |
| <b>Comprehensive income</b>                        |   |                                |                 |
| Profit after taxation                              | -   | 36,242                         | 36,242          |
| Other comprehensive income                         | -   | 3,496                          | 3,496           |
| <b>Total comprehensive income</b>                  | -   | 39,738                         | 39,738          |
| Final dividend @ 10% i.e. Rs. 1 per ordinary share | -   | (8,775)                        | (8,775)         |
| <b>Transaction with owners</b>                     | -   | -                              | -               |
| <b>Blance as at Sep 30, 2013 Un-audited</b>        | 87,750                                      | 296,404                        | 384,154         |
| <b>Comprehensive income</b>                        |   |                                |                 |
| Loss after taxation                                | -   | (58,452)                       | (58,452)        |
| Other comprehensive income                         | -   | 10,325                         | 10,325          |
| <b>Total comprehensive income</b>                  | -   | (48,127)                       | (48,127)        |
| <b>Transaction with owners</b>                     | -   | -                              | -               |
| <b>Blance as at June 30, 2014- Audited</b>         | 87,750                                      | 248,277                        | 336,027         |
| <b>Comprehensive income</b>                        |   |                                |                 |
| Profit after taxation                              | -   | 7,606                          | 7,606           |
| Other comprehensive income                         | -   | 3,312                          | 3,312           |
| <b>Total comprehensive income</b>                  | -   | 10,918                         | 10,918          |
| <b>Transaction with owners</b>                     | -   | -                              | -               |
| <b>Balance as at September 30, 2014 Un-audited</b> | <b>87,750</b>                               | <b>259,195</b>                 | <b>346,945</b>  |

The annexed notes from 1 to 8 form an integral part of this condensed interim financial information

Date: October 30, 2014  
 Place: Lahore

MIAN ASAD SALAHUDDIN  
 Director

MIAN YOUSAF SALAHUDDIN  
 Director

***Notes to the Condensed Interim Financial Information (Un-audited)  
for the quarter ended September 30, 2014***

**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 Karachi Stock Exchange Limited and Lahore 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 power generation unit, is located at Joharabad District Khushab in the Province of Punjab.

**2. STATEMENT OF COMPLIANCE**

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

**3. BASIS OF MEASUREMENT**

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

**4. FUNCTIONAL CURRENCY**

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

**5. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these financial statements are consistent with those applied in the preparation of of the preceding annual financial statements of the company for the year ended June 30, 2014

**6. DATE OF AUTHORIZATION**

These condensed interim financial information have been approved by the Board of Directors of the Company and authorized for issue on October 30, 2014.

**7. PROVISION FOR TAXATION**

- 7.1** Provision for current tax has been made under section 113 of the Income Tax Ordinance 2001.
- 7.2** No provision of deferred tax has been made as the impact of the same is considered to be immaterial.

**8. GENERAL**

- 8.1** There are no other significant activities since 30 June-2014 that may effect these condensed interim financial information
- 8.2** Comparative figures have been re-arranged where necessary to facilitate comparison. However, there are no significant reclassifications during the period.
- 8.3** Figures have been rounded off to the nearest thousand rupee.

Date: October 30, 2014  
Place: Lahore

MIAN ASAD SALAHUDDIN  
Director

MIAN YOUSAF SALAHUDDIN  
Director

# BOOK POST

UNDER POSTAL CERTIFICATE

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