ANNUAL REPORT 2018

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	
Usman Shahid	

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 50th Annual General Meeting of the company will be held on Saturday 27th October, 2018 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 49th Annual General Meeting held on 31-10-2017.
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, 2018.
3. To appoint the Auditors and fix their remuneration for the next financial year 2018-2019.
4. Any other matter with the permission of the chair.

By the order of the Board

Date: October 05, 2018
Place: LAHORE

SYED ABID RAZA ZAIDI
(Company Secretary)

NOTES

I. The shares transfer books of the company will remain closed from 20-10-2018 to 27-10-2018. (Both days inclusive). Transfer received in order by the Share Registrar M/S Corplink (Pvt) Ltd Wing Arcade, 1-K, Commercial, Model Town, Lahore 19-10-2018 will be consider in time for the purpose of attendance at the Annual General Meeting.

II. 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.

III. 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.

IV. 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.

V. Members are requested to promptly notify change in their addresses to Share Registrar of the Company M/S Corplink (Pvt) Ltd, wings arcade, 1-K, commercial, Model Town, Lahore.

VI. 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.

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

اطلاع برائے سالانہ اجلاسِ عام

بذریعہ اشتہار مطلع کیا جاتا ہے کہ کمپنی کا (50) سالانہ اجلاسِ عام بروز ہفتہ 27اکتوبر 2018 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 (49)سالانہ اجلاسِ عام منعقدہ 31 اکتوبر2017 کی کاروا ئیوں کی توثیق ۔
2. 30 جون 2018 ختم شد ہ سال کیلئے کمپنی کے سالانہ آ ؤڈٹ شدہ حسابات بشمول ان پر آڈیٹرز اور ڈا ئریکٹرز کی روپورٹوں کی وصولی غور و خوض اور منظوری۔
3. 30جون 2019 کو ختم ہونے والے سال کیلئے آڈیٹرز کا تقرر اور ان مشاہرہ کا تعین۔
4. چیئرمین کی اجازت سے کمپنی کے دیگر کسی امور کی انجام دہی۔

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

نوٹس:

1) کمپنی کے حصص کی منتقلی کی کتابیں20 اکتوبر2018 سے27 اکتوبر 2018، تک (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار میسرز کارپلنک پرا ئیویٹ لیمٹیڈ ونگ آرکیڈ -K کمرشل ، ماڈل ٹاؤن لاہورمیں 19 اکتوبر 2018ء تک موصول ہونے والے ٹرانسفرز کو اجلاسِ عام میں شرکت کے لئےبروقت سمجھا جا ئیگا۔
2) سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹیڈ میں شیئرز جمع کرانے والے ممبران اپنا اُمیدوار آ ئی ڈی نمبر ،CDC اکاؤنٹ / سب اکاؤنٹ نمبر اور اصل کمپیوٹرا ئز ڈقومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ اجلاس میں شرکت کے وقت ضرور ساتھ لا ئیں۔
3) 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۔
4) پراکسی فارمز کے مو ثر ہونے کے لئےان کا صحیح طور پر پُر شدہ ہونا اور کمپنی کے رجسٹر ڈ آفس واقع F-4گلبرگ IIلاہور میں سالانہ اجلاس عام کے وقت سے 48 گھنٹے قبل موصول ہونا ضروری ہے۔
5) ممبر حضرات سے درخواست ہے کہ اپنے پتوں میں کسی بھی تبدیلی کی بابت فوری طور پر کمپنی کے شیئر رجسٹرار کو مطلع کریں۔
6) 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۔
7) پراکسی فارمز معزز ممبران کو بھیجے جا رہے ہیں۔

Key Operating and Financial Data

	2018	2017	2016	2015	2014	2013	2012
	Rupees in million						
OPERATING PERFORMANCE							
Sales	1,913	1,647	2,192	3,280	3,796	3,647	2,887
Gross (loss)/profit	(242)	90	(197)	(19)	182	398	241
(Loss) / Profit before tax	(373)	(10)	(209)	(210)	7	210	98
Tax	25	10	34	(10)	29	56	62
(Loss) / Profit after tax	(398)	(21)	(243)	(200)	(22)	154	36
FINANCIAL POSITION							
Assets							
Non-current assets	957	996	1,042	1,212	1,141	1,050	995
Current assets	838	1,243	1,215	1,260	828	757	670
Total assets	**1,796**	**2,239**	**2,257**	**2,472**	**1,969**	**1,807**	**1,665**
Equity & liabilities							
Share capital & reserves	(653)	(256)	(241)	150	336	353	211
Surplus on revaluation	227	230	247	232	248	262	277
Total equity	(426)	(26)	7	382	584	615	488
Non-current liabilities	844	808	529	510	416	391	352
Current liabilities	1,378	1,457	1,721	1,580	969	801	825
Total liabilities	2,222	2,265	2,250	2,090	1,385	1,192	1,177
Total	**1,796**	**2,239**	**2,257**	**2,472**	**1,969**	**1,807**	**1,665**

Directors' Report

The Director's of **Sally Textile Mills Limited** ("the Company") present the 50th annual report of the Company together with audited accounts and auditor's report thereon for the year ended June 30, 2018.

Overview

This financial year was catastrophic for textile spinning industry. Weakening currency against the dollar provided little relief to some export oriented industry; however local yarn markets remained under severe pressure. High cost of business and production has made Punjab based textile sector uneconomical both locally and internationally. Financial institutions remained wary of the spinning sector. With little to no additional financial accommodations, in a continuously high cost business industry; this sector is bound to face further difficulties in the upcoming financial year.

Performance review

The Company registered growth in sales turnover of Rs. 1,912 million as compared to Rs. 1,647 million for the comparative year. The Company posted gross profit/ (loss) of Rs. (242.46) million as compared to gross profit of Rs. 90.93 million for the last year. The Directors of the company injected over Rs. 140 million as additional sponsors loan to the company.

The financial results in a summarized form are given hereunder:

Description	June 30, 2018 Rs. in million	June 30, 2017 Rs. in million
Turnover - net	**1,912.53**	1,647.56
Gross profit/(loss)	**(242.46)**	90.93
Loss before tax	**(372.78)**	(10.35)
Loss after tax	**(397.94)**	(20.72)

Loss per Share

Loss per share of your company for the year ended June 30, 2018 is Rs. (45.35) as compared to Rs. (2.36) for the comparative year 30-June-2017.

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. High cost of business is not being passed on because of slow off-take in the (local) grey fabric industry. In addition, delays in approvals from financial institutions have resulted in further losses as the company was unable to capitalize on some opportunities. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As auditors 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 impose a ban on 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. 140 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, 2023.

c. The Company has drawn up cost cutting planning aimed at curtailing/reducing fixed costs and rationalizing variable costs. The sponsors are also looking at various production plans which may give some reprieve to our company.

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 and evident that 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. Our sector remains the highest employment generator for the country. If the government does not facilitate this sector, many units like ours will shut down and thousands of jobs will be lost.

Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities. The company's CSR 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. Due to negative cash – our CSR levels were reduced this year.

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, 2018 were approved by the Board of Directors on October 04, 2018 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, 2018 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	Mst. Munera Salahuddin	1
3	Mian Sohail 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 2018-19. 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 04, 2018

رپورٹ از ڈائریکٹران

صلی ٹیکسٹائل مل کے ڈائریکٹران کمپنی کی 50ویں سالانہ رپورٹ پیش کر رہے ہیں جس کے ساتھ کمپنی کے حسابات اور آڈیٹر کی رپورٹ لف ہے۔

حرفِ آغاز

اس مالیاتی سال کے دوران یہ بات ثابت ہو چکی ہے کہ پاکستان میں خاص کر ٹیکسٹائل انڈسٹری (دھاگہ سازی) بہت بُری طرح مالی بحران کا شکار 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 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 مترادبھارت سے دھاگے کی درآمد جس نے مقامی منڈی کو مسائل سے دوچار کر دیا۔ اس مالی سال میں بہت سی پیداواری عمل بند کر دیا کیونکہ اس کا نتیجہ نقصان کو صورت میں نکل رہا تھا۔

اس سال کمپنی کی وصولیات 191.2 کروڑ روپے رہیں بمقابل گزشتہ سال کہ جب یہی وصولیات 164.7 کروڑ روپے رہیں۔ اس کا سبب بُرے حالات کا رہتے اور حکومت کی طرف سے ضروری اقدام کا بروقت سامنے نہ آنا تھا۔ کمپنی کا اس سال کا مجموعی نقصان 24.24 کروڑ روپے رہا جبکہ گزشتہ سال نقصان کی رقم 9 کروڑ، 9 لاکھ، 32 ہزار روپے تھی۔ کمپنی ڈائریکٹران ہر صورت کمپنی کے ساتھ ہیں اور انہوں نے کمپنی کے استحکام کی خاطر 14 کروڑ، روپے کا قرض کمپنی کی 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 ہے:

تفصیل	30جون 2017	30جون 2018
خاص وصولیات	164 کروڑ، 75 لاکھ، 61 ہزار روپے	191 کروڑ، 25 لاکھ، 27 ہزار
کل نفع/ (نقصان)	9 کروڑ، 9 لاکھ، 32 ہزار روپے	(24 کروڑ، 24 لاکھ، 57 ہزار روپے)
نقصان قبل از ٹیکس	1 کروڑ، 3 لاکھ، 53 ہزار روپے	37 کروڑ، 27 لاکھ، 80 ہزار روپے
نقصان بعد از ٹیکس	2 کروڑ، 7 لاکھ، 16 ہزار روپے	39 کروڑ، 79 لاکھ، 41 ہزار روپے

نقصان فی حصہ

اس سال کمپنی کے ایک شیئر کے مقابل 2 روپے 36 پیسے نقصان ہوا جبکہ گزشتہ سال ایک شیئر کے مقابل 45 روپے، 35 پیسے نقصان رہا تھا۔

کمپنی موجود بر قرار رہنے کے مفروضات

کمپنی گزشتہ سال سے خسارے پر چل رہی ہے جس کے اسباب یہ ہیں۔ ملکی و 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 کیے 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 گی تا کہ مقامی صنعت چل سکے۔

ب. کمپنی سپانسرز نے کمپنی کے ساتھ مال معاونت کو جاری رکھا ہے۔ جس کی صورت بلاسُود قرضہ ہے۔ رواں سال سپانسرز نے کمپنی کو 14 کروڑ روپے طویل مدت بلاسُود قرض کے طور پر جاری کیئے۔ مزید یہ کہ سپانسرز نے سابقہ قرضوں کی واپسی کے لئے کمپنی کو 30 جون 2023 تک کی مہلت جاری کر دی ہے۔

ج. کمپنی نے 21 کروڑ، 23 لاکھ، 60 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 ٹیکسٹائل صنعت غیر یقینی حالات کا سامنا کر رہی ہے۔ صنعت کو اَن دیکھے بحرانوں کا سامنا ہے جن میں کوئی کمی نہیں آسکی جب تک حکومت اس سلسلے میں راست اقدام نہیں اٹھاتی۔ تاہم اگلے سال سے ٹیکسٹائل صنعت کی بہتری کے اندازے لگائے جا رہے ہیں اور اُمید ہے کہ ٹیکسٹائل صنعت بہتری کی طرف جائے 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 چھُونا۔

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 2018 کو ختم ہونے والے مالی سال کی دستاویزات کو ڈائریکٹران نے 4 اکتوبر 2018 کو منظور کیا اور ان کے اجراء کی اجازت دی گزشتہ 6 سالوں کی مالیاتی اعداد و شمار پھر لف کئے جارہے ہیں۔

کارپوریٹ گورننس کے قواعد

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

بورڈ آف ڈائریکٹر 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 اکاؤنٹنٹس اس بار ریٹائر ہو رہے ہیں لیکن وہ رواں سال کے لئے بھی خدمات دینے کی اُمیدوار ہیں۔ آڈٹ کمیٹی نے اُن کے تقرر کی سفارش کی ہے بطور بیرونی آڈیٹر برائے سال جو 30 جون 2019 کو ختم ہو رہا ہے۔ ICAP کی شرائط پر پورا اُترتے ہیں۔ یہ کمپنی انٹرنیشنل فیڈریشن آف اکاؤنٹس کے معیارات پر بھرپور اترتی ہے۔

حرف تشکر

ڈائریکٹران، کمپنی کے مینجروں، کاریگروں، عملے اور کارکنوں کی تمام تر کاوشوں 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 ایگزیکیٹو آفیسر

لاہور: 04 اکتوبر 2018ء

Statement of Compliance with the Code of Corporate Governance for the year ended June 30, 2018

The company has complied with requirements of the Regulations in the following manner:

1. The Total Number of Directors are 8 as per the following:

   a) Male: Seven
   b) Female: One

2. The Composition of Board is as Follows:

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

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. 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.

5. 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.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. 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. The board has complied with the requirements of Act and the regulations with respect to frequency, recording and circulating minutes of the meeting of board.

8. The board of directors have a formal policy and transparent Procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The board has not arranged any training programmed for its directors during the 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 and complied with relevant requirements of the Regulations.

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

12. The board has formed the following Committees:

(A) Audit Committee Comprising of Three members.

a) Sheikh Abdul Salam
b) Mian Asad Salahuddin
c) Mian Sohail Salahuddin

(B) HR and Remuneration Committee Comprising of Three members.

a) Sheikh Abdul Salam
b) Mst. Munera Salahuddin
c) Mian Sohail Salahuddin

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the committee for Compliance.

14. The frequency of meetings (quarterly/ half yearly / yearly) of the Committee aere as per following:

a)	Audit Committee	Quarterly
b)	HR and Remuneration Committee	Yearly

15. The board has set up an effective internal audit function considered suitably qualified nad experienced for the purpose and are conversant with the policies and procedures of the company.

16. 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 and reregistered with Audit Oversight Board of Pakistan, 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.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all offers requirements of the Regulations have been complited 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

Iqbal

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore: October 04, 2018

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of SALLY TEXTILE MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ['the Regulations'] prepared by the Board of Directors of **SALLY TEXTILE MILLS LIMITED** for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulation.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, 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 the requirements contained in the Regulations as applicable to the Company for the year ended **June 30, 2018.**

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 18	The Board has not yet put in place a mechanism for annual evaluation of its performance.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: ***October 05, 2018***

INDEPENDENT AUDITOR'S REPORT

To the members of SALLY TEXTILE MILLS LIMITED
Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of **SALLY TEXTILE MILLS LIMITED** ['the Company'], which comprise the statement of financial position as at **June 30, 2018**, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matter discussed in 'Basis for Adverse Opinion' paragraph, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

We conducted our audit in accordance with International Standards on Auditing ['ISAs'] as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ['the Code'] and we have fulfilled our other ethical responsibilities in accordance with the Code.

The Company has incurred gross loss of Rs. 242.46 million and loss after tax of Rs 397.81 million. As at June 30, 2018 the Company has accumulated losses of Rs. 740.85 million as at reporting date. Its current liabilities exceed its current assets by Rs. 539.77 million. The Company has been unable to repay its debt finances and interest/mark-up thereon on due dates. As a result debt finances amounting to Rs. 490.32 million and interest/mark-up amounting to Rs. 42.04 million are overdue as at June 30, 2018. The production facilities of the Company have remained partially closed during year and substantially entire stock in trade is pledged with the providers of debt finances and thus not available to the Company for sales 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. We consider that in the absence of any favourable settlement with the providers of debt finances, ability to obtain further financing and revival of its operations, the Company may not be able to discharge its liabilities and realize its assets in the normal course of business. Consequently, the use of going concern assumption in the preparation of annexed financial statements is not appropriate and adjustments may be required to the recorded asset amounts and classification of liabilities. The financial statements do not disclose this fact.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. Preparation of financial statements under Companies Act, 2017	
As disclosed in note 3 to the annexed financial statements, the Companies Act, 2017 ['the Act'] became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 3 to the annexed financial statements. Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of property, plant and equipment as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5 to the accompanying financial statements. The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from transition to the new reporting requirements under the Act.	We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of these disclosures and the internal consistency of such disclosures with other elements of the financial statements. In respect of the change in accounting policy for the accounting and presentation of surplus on revaluation of property, plant and equipment, as referred to in note 5 to the financial statements, we assessed the accounting implications in accordance with the accounting and reporting standards as applicable in Pakistan and evaluated its application in the context of the Company.
2. Inventory valuation	
Stock in trade amounts to Rs 600.447 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade. The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales contracts in hand and historically realized sales prices.	To address the valuation of stock in trade, we assessed historical costs recorded in the valuation of stock in trade; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to stock in trade. We also assessed management's determination of the net realizable value of stock in trade by performing tests on the sales prices secured by the Company for similar or comparable items of stock in trade.

Key audit matter	How our audit addressed the key audit matter
The significance of the balance coupled with the judgment involved has resulted in the valuation of stock in trade being identified as a key audit matter The disclosures in relation to stock in trade are included in note 20	
3. Deferred taxation	
At June 30, 2018, the Company had deferred tax asset amounting to Rs. 136.643 million which was not recognized. The analysis of the recognition and recoverability of the deferred tax assets was significant to our audit because the amounts are material, the assessment process is complex and judgmental and is based on assumptions that are affected by expected future market or economic conditions, especially as it relates to future performance of the Company. The disclosures in relation to deferred taxation are included in note 13.	We obtained an understanding of the income tax process, and evaluated the design and tested the effectiveness of controls in this area relevant to our audit. We performed substantive audit procedures on the calculation of deferred tax balances based on tax regulations, and on the analysis of the recoverability of the deferred tax assets. We have evaluated the company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable profits. We have involved internal tax specialists to support us in these procedures. Finally, we reviewed the adequacy of the disclosures made by the company in this area.

Information other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

.We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) except for the effects of matter described in 'Basis for Adverse Opinion' paragraph, proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) except for the effects of matter described in 'Basis for Adverse Opinion' paragraph, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) except for the effects of matter described in 'Basis for Adverse Opinion' paragraph, investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK.**

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: ***October 05, 2018***

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	2018	2017	2016
		Rupees	Rupees (Restated)	Rupees (Restated)
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
20,000,000 (2017: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000	200,000,000
Issued, subscribed and paid-up capital	7	**87,750,000**	87,750,000	87,750,000
Surplus on revaluation of property, plant and equipment	8	**226,964,580**	230,269,856	247,420,183
Accumulated loss		**(740,978,715)**	(343,634,499)	(328,509,400)
TOTAL EQUITY		**(426,264,135)**	(25,614,643)	6,660,783
LOAN FROM SPONSORS - *UNSECURED*	9	**536,882,934**	409,065,833	281,327,513
NON-CURRENT LIABILITIES				
Long term finances - *secured*	10	**127,083,336**	222,916,668	66,666,668
Employees retirement benefits	11	**102,176,007**	97,128,505	108,760,950
Deferred taxation	12	**77,391,073**	78,403,423	72,714,541
		306,650,416	398,448,596	248,142,159
CURRENT LIABILITIES				
Trade and other payables	13	**405,775,267**	597,169,162	672,521,087
Unclaimed dividend		**1,010,033**	1,010,033	1,010,033
Short term borrowings	14	**723,642,983**	718,727,798	969,569,438
Accrued interest/markup/profit	15	**64,104,364**	21,959,601	44,236,478
Current portion of non-current liabilities		**183,749,998**	118,749,999	33,333,332
		1,378,282,645	1,457,616,593	1,720,670,368
TOTAL LIABILITIES		**1,684,933,061**	1,856,065,189	1,968,812,527
CONTINGENCIES AND COMMITMENTS	16			
TOTAL LIABILITIES		**1,795,551,860**	2,239,516,379	2,256,800,823

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date : October 04, 2018

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	2018	2017	2016
		Rupees	*Rupees (Restated)*	*Rupees (Restated)*
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	17	**945,929,046**	984,848,920	1,030,583,357
Long term deposits - *unsecured, considered good*	18	**11,243,604**	11,243,604	11,243,604
		957,172,650	996,092,524	1,041,826,961
CURRENT ASSETS				
Stores, spares and loose tools	19	**80,723,129**	84,628,282	58,571,748
Stock in trade	20	**600,447,470**	992,220,972	991,631,247
Trade debts	21	**100,053,918**	85,178,963	97,500,398
Advances, deposits, prepayments and other receivables	22	**42,602,914**	46,184,362	24,730,421
Current taxation	23	**12,329,835**	29,572,597	34,477,967
Cash and bank balances	24	**2,221,944**	5,638,679	8,062,081
		838,379,210	1,243,423,855	1,214,973,862
TOTAL ASSETS		**1,795,551,860**	2,239,516,379	2,256,800,823

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date : October 04, 2018

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	*Rupees*
Sales - *net*	*25*	**1,912,527,751**	1,647,561,116
Cost of sales	*26*	**(2,154,985,019)**	(1,556,628,505)
Gross (loss)/profit		**(242,457,268)**	90,932,611
Selling and distribution expenses	*27*	**(9,390,771)**	(10,177,583)
Administrative and general expenses	*28*	**(51,539,070)**	(43,478,178)
		(60,929,841)	(53,655,761)
Other income	*29*	**2,531,232**	3,964,661
Operating (loss)/profit		**(300,855,877)**	41,241,511
Finance cost	*30*	**(83,057,164)**	(82,856,844)
Notional interest	*9.3*	**12,182,900**	32,261,680
Other charges	*31*	**(1,050,410)**	(999,425)
Loss before taxation		**(372,780,551)**	(10,353,078)
Taxation	*32*	**(25,160,794)**	(10,363,127)
Loss after taxation		**(397,941,345)**	(20,716,205)
Loss per share - *basic and diluted*	*33*	**(45.35)**	(2.36)

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date : October 04, 2018

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	*Rupees* *(Restated)*
Items that may be reclassified subsequently to profit or loss		**-**	-
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	*11.4*	**(5,486,071)**	240,895
Deferred tax on remeasurements of defined benefit obligation	*12.1*	**1,590,961**	(72,269)
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to changes in tax rates	*8*	**1,186,964**	832,462
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable attributable to change in proportion of income taxation under final tax regime	*8*	**-**	(12,560,309)
		(2,708,146)	(11,559,221)
Other comprehensive loss		**(2,708,146)**	(11,559,221)
Loss after taxation		**(397,941,345)**	(20,716,205)
Total comprehensive loss		**(400,649,491)**	(32,275,426)

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date : October 04, 2018

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	34	**(49,020,728)**	(10,107,751)
Payments for:			
Employees retirement benefits		**(17,511,702)**	(27,046,930)
Interest/markup/profit on borrowings		**(39,962,970)**	(104,045,095)
Income tax		**(6,152,457)**	(11,568,991)
Net cash used in operating activities		**(112,647,857)**	(152,768,767)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(5,725,730)**	(1,649,662)
Proceeds from disposal of property, plant and equipment		**875,000**	1,170,000
Net cash used in investing activities		**(4,850,730)**	(479,662)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**-**	250,000,000
Repayment of long term finances		**(30,833,333)**	(8,333,333)
Loan form sponsors obtained		**140,000,000**	160,000,000
Net increase/(decrease) in short term borrowings		**4,915,185**	(250,841,640)
Net cash generated from financing activities		**114,081,852**	150,825,027
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,416,735)**	(2,423,402)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**5,638,679**	8,062,081
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	35	**2,221,944**	5,638,679

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date : October 04, 2018

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

		Share capital	Capital reserve	Revenue reserves	
		Issued subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Accumulated profit/(loss)	Total equity
	Note	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2016 ***- as originally reported***		87,750,000	97,696,814	(178,786,031)	6,660,783
Impact of change in accouning policy	*5*		149,723,369	(149,723,369)	
Balance as at July 01, 2016 - *restated*		87,750,000	247,420,183	(328,509,400)	6,660,783
Comprehensive loss					
Loss after taxation		-	-	(20,716,205)	(20,716,205)
Other comprehensive (loss)/income		-	(11,727,847)	168,626	(11,559,221)
Total comprehensive loss - *restated*		-	(11,727,847)	(20,547,579)	(32,275,426)
Incremental depreciation - *restated*		-	(5,422,480)	5,422,480	-
Transaction with owners		-	-	-	-
Balance as at June 30, 2017 - *restated*		87,750,000	230,269,856	(343,634,499)	(25,614,643)
Balance as at July 01, 2017 - *restated*		**87,750,000**	**230,269,856**	**(343,634,499)**	**(25,614,643)**
Comprehensive loss					
Loss after taxation		**-**	**-**	**(397,941,345)**	**(397,941,345)**
Other comprehensive income/(loss)		**-**	**1,186,964**	**(3,895,110)**	**(2,708,146)**
Total comprehensive income/(loss)		**-**	**1,186,964**	**(401,836,455)**	**(400,649,491)**
Incremental depreciation		**-**	**(4,492,240)**	**4,492,240**	**-**
Transaction with owners		**-**	**-**	**-**	**-**
Balance as at June 30, 2018		**87,750,000**	**226,964,580**	**(740,978,715)**	**(426,264,135)**

The annexed notes 1 to 48 form an integral part of these financial statements.

Lahore
Date : October 04, 2018

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

1 REPORTING ENTITY

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board [IASB] as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Appropriateness of the going concern assumption

The Company has been facing operational losses 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 unfaviourbale 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. 242.457 million during the year ended June 30, 2018. As at June 30, 2018, the Company has accumulated losses of Rs. 619.944 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 539.773 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

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

b) The Company has continued financial support of its sponsors in the form of interest free loans. During the year, the sponsors provided financial support amounting to Rs. 140 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 10).

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 statement of cash flow, 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 6.1.1)***

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 6.1.1)***

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 6.15)***

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 6.10)***

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 6.5)***

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 6.2)***

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 6.4)***

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.

2.6 Date of authorization for issue

These financial statements were authorized for issue on October 04, 2018 by the Board of Directors of the Company.

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.

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

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

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)

IAS 7 - Statement of Cash Flows have been amended to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 12 - Disclosure of Interests in Other Entities)

IFRS 12 - Disclosure of Interests in Other Entities have been amended to clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

Companies Act, 2017

The Companies Act 2017 ['the Act'] w+'Assets and onwards'!A311as enacted on May 30, 2017. The Act has brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property, plant and equipment as fully explained in note 5 of these financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional/amended disclosures including, but not limited to, particulars of immovable assets of the Company (see note 17.1.1 and 15.1.6), management assessment of sufficiency of tax provision in the financial statements (see note 32.1), change in threshold for identification of executives (see note 42), additional disclosure requirements for related parties (see note 36), disclosure of significant events and transactions affecting the financial position and performance of the Company (see note 6), disclosure relating to number of employess (see note 44) etc.

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)
IFRS 9 – Financial Instruments (2014)	July 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	July 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)	July 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
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:

IFRS 1 - First Time Adoption of International Financial Reporting Standards

IFRS 14 - Regulatory Defferal Accounts

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 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 CHANGE IN ACCOUNTING POLICY

During the year, the Companies Act, 2017 has been enacted and has resulted in change in accounting policy for surplus on revaluation of property, plant and equipment.

- The surplus on revaluation of property, plant and equipment, which was previously disclosed in the statement of financial position of the Company after share capital and reserves, has now been included as part of equity with corresponding inclusion in statement of changes in equity;
- If an asset's carrying amount is increased as a result of revaluation, the increase will be recognised in statement of comprehensive income. However, the increase shall be recognised in statement of profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of profit or loss;
- If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in statement of profit or loss. However, the decrease shall be recognised in statement of comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Previously, section 235 of repealed Companies Ordinance, 1984 allowed that the surplus on revaluation of property, plant and equipment may be applied by the Company in setting off or in diminution of any deficit arising from the revaluation of any other property, plant and equipment of the Company.

The change has been applied retrospectively. The impact of retrospective application is as follows:

	2018	2017
	Rupees	*Rupees*
Impact on profit or loss		
Decrease in current taxation	**1,727,718**	17,041,387
	1,727,718	17,041,387
Impact on other comprehensive income	**1,186,964**	7,242,454
Impact on earnings per share	0.00	0.01
Impact on liabilities	-	-

	2018	2017
	Rupees	*Rupees*
Impact on equity		
Decrease in accumulated profit	**120,904,796**	(149,723,369)
Increase in surplus on revaluation of property, plant and equipment	**(120,904,796)**	149,723,369
	-	-
Impact on assets	**-**	-

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except of change referred to in note 5.

6.1 Property, plant and equipment

6.1.1 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 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 17.1 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.

6.1.2 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.

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

Increases in the carrying amounts arising on revaluation of property, plant and equipment are recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of property, plant and equipment in share capital and reserves. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the surplus on revaluation of property, plant and equipment to accumulated profit.

6.3 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.

6.4 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 material	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.

6.5 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 accounting and reporting standards as applicable in Pakistan. 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 statement of financial position represents the present value of defined benefit obligation. The details of the scheme are referred to in note 11 to the financial statements.

6.6 Financial instruments

6.6.1 Recognition

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

6.6.2 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.

6.6.3 Measurement

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

6.6.4 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.

6.6.5 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.

6.7 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.

6.8 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.

6.9 Trade and other payables

6.9.1 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.

6.9.2 Non-financial liabilities

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

6.10 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.

6.11 Trade and other receivables

6.11.1 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.

6.11.2 Non-financial assets

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

6.12 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.

6.13 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 required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income.'

6.14 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.

6.15 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.

6.15.1 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.

6.15.2 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.

6.16 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.

6.17 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.

6.18 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.

6.19 Impairment

6.19.1 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.

6.19.2 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.

6.20 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.

6 SIGNIFICANT EVENTS AND TRANSACTIONS

During the year, there are no significant events and transactions that have affected the Company’s financial position and performance.

			2018	2017
			Rupees	*Rupees*
7	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	8,775,000 (2017: 8,775,000) ordinary shares of Rs. 10 each issued for cash		**87,750,000**	87,750,000

		Note	**2018**	2017
			Rupees	*Rupees*
				(Restated)
8	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**			
	As at beginning of the year		**230,269,856**	247,420,183
	Incremental depreciation recognized in other comprehensive income			
	Incremental depreciation for the year		**(6,417,486)**	(6,831,580)
	Deferred taxation		**1,925,246**	1,409,100
			(4,492,240)	(5,422,480)
	Deferred tax adjustment attributable to changes in proportion of income taxation under final tax regime		**-**	(12,560,309)
	Deferred tax adjustment attributable to changes in tax rates		**1,186,964**	832,462
			1,186,964	(11,727,847)
	As at end of the year		**226,964,580**	230,269,856
9	**LOAN FROM DIRECTORS AND SPONSORS - UNSECURED**			
	Face value	*9.2*	**750,000,000**	610,000,000
	Less: unamortized notional interest	*9.3*	**(213,117,066)**	(200,934,167)
			536,882,934	409,065,833

9.1 This loan has been obtained from sponsors of the Company and is unsecured and interest free. The loan is payable 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. This loan is subordinated to long term and short term borrowings obtained from various banking institutions.

		Note	**2018**	2017
			Rupees	*Rupees*
9.2	Movement during the year is as follows:			
	As at beginning of the year		**610,000,000**	450,000,000
	Obtained during the year		**140,000,000**	160,000,000
	As at end of the year		**750,000,000**	610,000,000
9.3	**Unamortized notional interest**			
	As at beginning of the year		**200,934,167**	168,672,487
	Arising during the year		**52,475,885**	59,972,440
	Amortization for the year		**(40,292,985)**	(27,710,760)
	As at end of the year		**213,117,066**	200,934,167

		Note	2018	2017
			Rupees	*Rupees*
10	**LONG TERM FINANCES - SECURED**			
	These represent long term finances utilized under interest/markup arrangements from banking companies			
	Diminishing musharakah	*10.1*	**83,333,334**	91,666,667
	Demand finance	*10.2*	**227,500,000**	250,000,000
			310,833,334	341,666,667
	Current maturity presented under current liabilities		**(183,749,998)**	(118,749,999)
			127,083,336	222,916,668

10.1 The finance has been obtained from Silk Bank Limited to finance long term working capital requirements and is secured by charge over operating fixed assets and current assets of the Company and personal guarantees of the Company's directors. The finance carries profit at three months KIBOR plus 3.5% per annum (2017: three months KIBOR plus 3.5% per annum), payable quarterly. The finance is repayable in twelve equal quarterly installments with the first installment due in August 2016. As at reporting date, an amount of Rs 16.67 million is overdue.

10.2 The finance has been obtained from National Bank of Pakistan to finance long term working capital requirements and is secured by charge over operating fixed assets and current assets of the Company and personal guarantees of the Company's directors. The finance carries interest/markup at three months KIBOR plus 2% per annum (2017: three month kibor plus 2.0% per annum), payable quarterly. The finance is repayable in eight equal bi-annual installments with the first installment due in June 2017. As at reporting date, an amount of Rs 40 million is overdue. Upto the reporting date, an amount of Rs. 19.985 million has been accrued on account of interest/markup out of which an amount of Rs. 15.154 million is overdue.

11 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 statement of financial position represents present value of defined benefit obligation.

		Note	2018	2017
			Rupees	*Rupees*
11.1	**Movement in present value of defined benefit obligation**			
	As at beginning of the year		**97,128,505**	108,760,950
	Charged to profit or loss for the year	*11.2*	**17,073,133**	15,655,380
	Benefits paid during the year		**(17,511,702)**	(27,046,930)
	Remeasurements recognized in other comprehensive income	*11.4*	**5,486,071**	(240,895)
	As at end of the year		**102,176,007**	97,128,505
11.2	**Charge to profit or loss**			
	Service cost		**10,224,252**	8,750,662
	Interest cost		**6,848,881**	6,904,718
			17,073,133	15,655,380
11.3	**The charge to profit or loss has been allocated as follows**			
	Cost of sales	*26*	**11,724,485**	10,446,807
	Selling and distribution expenses	*27*	**3,081,371**	2,986,204
	Administrative and general expenses	*28*	**2,267,277**	2,222,369
			17,073,133	15,655,380

	2018	2017
	Rupees	*Rupees*

11.4 Remeasurements recognized in other comprehensive income

Actuarial loss arising from changes in:		
Demographic assumptions	**-**	-
Financial assumptions	**-**	-
Experience adjustments	**5,486,071**	(240,895)
	5,486,071	(240,895)

11.5 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:

	2018	2017
Discount rate	**9.00%**	7.75%
Expected rates of increase in salary	**8.00%**	6.75%
Expected average remaining working lives of employees	**11 years**	10 years

11.6 Average duration of the defined benefit obligation

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

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

The expected charge to profit or loss for the year ending June 30, 2019 amounts to Rs. 19.537 million.

11.8 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:

	2018		2017	
	Change in actuarial assumption	**Defined benefit obligation**	**Change in actuarial assumption**	**Defined benefit obligation**
		Rupees		***Rupees***
Discount rate	+ 1%	95,001,003	+ 1%	90,374,971
	- 1%	110,443,741	- 1%	104,930,461
Expected rate of increase in salary	+ 1%	110,443,741	+ 1%	104,930,461
	- 1%	94,876,180	- 1%	90,256,240

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.

11.9 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	**2018**	2017
		Rupees	*Rupees*

12 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	*12.1*	**163,186,481**	169,503,974
Deferred tax asset on deductible temporary differences	*12.1*	**(85,795,408)**	(91,100,551)
		77,391,073	78,403,423

12.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2018			
	As at July 01, 2017	**Recognized in profit or loss**	**Recognized in OCI**	**As at June 30, 2018**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets - owned	**169,503,974**	**(5,130,529)**	**(1,186,964)**	**163,186,481**
Deferred tax assets				
Employees retirement benefits	**(29,138,552)**	**1,098,471**	**(1,590,961)**	**(29,631,042)**
Unused tax losses and credits	**(61,961,999)**	**5,797,633**	**-**	**(56,164,366)**
	(91,100,551)	**6,896,104**	**(1,590,961)**	**(85,795,408)**
	78,403,423	**1,765,575**	**(2,777,925)**	**77,391,073**

	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	40,853,156	11,727,847	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	(6,111,234)	11,800,116	78,403,423

12.2 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 29% (2017: 30%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

12.3 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. 136.643 million (2017: 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	**2018**	2017
			Rupees	*Rupees*
13	**TRADE AND OTHER PAYABLES**			
	Trade creditors - *Unsecured*		**138,665,368**	249,291,218
	Accrued liabilities		**116,369,756**	111,744,320
	Advances from customers - *Unsecured*	*13.1*	**114,578,304**	199,588,054
	Workers' Welfare Fund	*13.2*	**11,727,078**	11,750,578
	Letter of credit payable		**-**	5,104,692
	Other payables - *Unsecured*		**24,434,761**	19,690,300
			405,775,267	597,169,162

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

13.2 Workers' Welfare Fund

As at beginning of the year	**11,750,578**	11,771,578
Paid during the year	**(23,500)**	(21,000)
As at end of the year	**11,727,078**	11,750,578

14 SHORT TERM BORROWINGS

These represent short term finances obtained from

Banking companies - *secured*	*14.1*	**722,537,650**	718,041,848
Directors and sponsors - *unsecured*	*14.2*	**1,105,333**	685,950
		723,642,983	718,727,798

14.1 Banking companies

These represent short term finances utilized under interest/markup arrangements

Cash finance	*14.1.1*	**648,653,898**	644,158,096
Term loan	*14.1.2*	**73,883,752**	73,883,752
		722,537,650	718,041,848

14.1.1 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 (2017: three months KIBOR plus 2% per annum), payable quarterly. As at reporting date, an amount of Rs 433.654 million is over due. Upto the reporting date, an amount of Rs. 40.629 million has been acrued on account of interest/markup out of which an amount of Rs. 26.884 million is overdue.

14.1.2 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 2.00 % per annum (2017: three months KIBOR plus 1.75 % per annum), payable quarterly.

14.1.3 The aggregate available short term funded facilities amounts to Rs. 722.537 million (2017: Rs. 774.6 million) out of which Rs. nil (2017: Rs. 56.56 million) remained unavailed as at the reporting date.

14.1.4 For restrictions on title, and assets pledged as security, refer to note 41 to the financial statements.

14.2 Directors and sponsors

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

15 ACCRUED MARKUP/INTEREST/PROFIT

As at reporting date interset/markup/profit amounting to Rs 42.037 million is overdue

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 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.

16.1.2 Gas Infrastructure Development Cess ['GIDC'] has been levied with effect from December 15, 2011 on industrial gas customers firstly through OGRA notification and subsequently via GID Cess Ordinance 2014 and GID Cess Act 2015. The Company, along with other industrial concerns, has filed a writ petition in the Honorable High Court of Sindh challenging the imposition of GIDC. On October 26, 2016, the Honorable High Court of Sindh held that enactment of GIDC Act 2015 is ultra-vires to the constitution of Pakistan. The Company has not recognised any provision relating to GIDC aggregating to Rs. 39.39 million.

16.2 Commitments

16.2.1 The Company is committed to pay Rs. 220,000 (2017: Rs. 220,000) for every month it occupies the office premises owned by a director of the Company.

	Note	**2018**	2017
		Rupees	*Rupees*
17 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	*17.1*	**945,929,046**	982,492,798
Capital work in progress	*17.2*	**-**	2,356,122
		945,929,046	984,848,920

17.1 Operating fixed assets

	2018										
	COST/REVALUED AMOUNT						DEPRECIATION				Net book
	As at July 01, 2017 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2018 *Rupees*	Rate %	As at July 01, 2017 *Rupees*	For the year *Rupees*	Adjustment *Rupees*	As at June 30, 2018 *Rupees*	value as at June 30, 2018 *Rupees*
Freehold land	**142,835,000**	-	-	-	**142,835,000**	-	-	-	-	-	**142,835,000**
Buildings on freehold land	**442,285,162**	-	-	**2,356,122**	**444,641,284**	**5**	**237,685,523**	**10,229,982**	-	**247,915,505**	**196,725,779**
Plant and machinery	**999,952,805**	**5,435,150**	-	-	**1,005,387,955**	**5**	**426,295,862**	**28,929,998**	-	**455,225,860**	**550,162,095**
Electric installations	**77,502,343**	**80,930**	-	-	**77,583,273**	**5**	**37,524,293**	**2,000,632**	-	**39,524,925**	**38,058,348**
Tools and equipment	**1,590,642**	-	-	-	**1,590,642**	**10**	**1,280,058**	**31,058**	-	**1,311,116**	**279,526**
Laboratory equipment	**25,168,140**	-	-	-	**25,168,140**	**10**	**20,984,520**	**418,362**	-	**21,402,882**	**3,765,258**
Fire fighting equipment	**2,652,333**	-	-	-	**2,652,333**	**10**	**1,812,333**	**84,000**	-	**1,896,333**	**756,000**
Office equipment	**4,589,884**	**160,250**	-	-	**4,750,134**	**10**	**2,947,541**	**171,435**	-	**3,118,976**	**1,631,158**
Furniture and fixtures	**8,919,409**	**49,400**	-	-	**8,968,809**	**10**	**6,205,996**	**271,950**	-	**6,477,946**	**2,490,863**
Arms and ammunitions	**506,989**	-	-	-	**506,989**	**10**	**389,924**	**11,707**	-	**401,631**	**105,358**
Vehicles	**41,714,880**	-	**(1,613,783)**	-	**40,101,097**	**20**	**30,098,739**	**2,176,351**	**(1,293,654)**	**30,981,436**	**9,119,661**
	1,747,717,587	**5,725,730**	**(1,613,783)**	**2,356,122**	**1,754,185,656**		**765,224,789**	**44,325,475**	**(1,293,654)**	**808,256,610**	**945,929,046**

	2017										
	COST/REVALUED AMOUNT						DEPRECIATION				Net book
	As at July 01, 2016 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2017 *Rupees*	Rate %	As at July 01, 2016 *Rupees*	For the year *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

17.1.1 Free hold land of the Company is located at District Johar Abad with a total area of 519 Kanal 8 Marla (2017: 519 Kanal 8 Marla).

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

17.1.3 Disposal of property, plant and equipment

	2018						
	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	**1,406,513**	**1,135,513**	**271,000**	**800,000**	**529,000**	**Negotiation**	**Hamid Asghar Awan 269-Al Fareed town, Joharabad**
Motor Bike	**89,210**	**68,689**	**20,521**	**35,000**	**14,479**	**Negotiation**	**Saeed and Company 17-Ashrafi Market, Lahore**
Motor Bike	**118,060**	**89,452**	**28,608**	**40,000**	**11,392**	**Negotiation**	**Mohammad Khan 42-G, Gulberg II, Lahore**
	1,613,783	**1,293,654**	**320,129**	**875,000**	**554,871**		

	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							
Honda CD 70	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		

	Note	**2018** *Rupees*	2017 *Rupees*
17.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*26*	**41,694,032**	43,656,169
Administrative and general expenses	*28*	**2,631,443**	3,223,295
		44,325,475	46,879,464

17.1.5 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 40.

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

	2018		
	Cost *Rupees*	**Accumulated depreciation** *Rupees*	**Net book value** *Rupees*
Freehold land	**144,868**	**-**	**144,868**
Buildings on freehold land	**142,157,800**	**52,010,737**	**90,147,063**
Plant and machinery	**1,151,056,760**	**430,606,219**	**720,450,541**
Electric installation	**55,565,912**	**25,829,479**	**29,736,433**
Laboratory equipment	**4,282,115**	**3,661,878**	**620,237**
Fire fighting equipment	**382,181**	**276,934**	**105,247**

	2017		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*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

17.1.6 As per most recent valuation, forced sale values of freehold land, buildings on freehold land, pland and machinery, electric installation, laboratory equipment, fire fighting equipment are as follows:

	Rupees
Freehold land	**121,409,750**
Buildings on freehold land	**187,675,346**
Plant and machinery	**443,114,400**
Electric installation	**34,800,000**
Laboratory equipment	**3,984,400**
Fire fighting equipment	**800,000**
	791,783,896

17.2 Capital work in progress

	2018			
	As at July 01, 2016	**Additions**	**Transfers**	**As at June 30, 2017**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**2,356,122**	**-**	**(2,356,122)**	**-**
	2,356,122	**-**	**(2,356,122)**	**-**

	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
	2,189,160	166,962	-	2,356,122

18 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	**2018**	2017
		Rupees	*Rupees*
19 STORES, SPARES AND LOOSE TOOLS			
Stores		**38,244,270**	45,944,373
Spares and loose tools		**42,478,859**	38,683,909
		80,723,129	84,628,282

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

19.2 There no stores and spares held exclusively for capitalization.

		Note	2018	2017
			Rupees	*Rupees*
20	**STOCK IN TRADE**			
	Raw material		**459,551,667**	807,678,103
	Work in process		**27,674,737**	26,551,504
	Finished goods	*20.1*	**113,221,066**	157,991,365
			600,447,470	992,220,972

20.1 Stock of finished goods include stock of waste valued at net realizable value ofRs. 966,816 (2017: Rs. 700,065).

20.2 Details of stock pledged as security are referred to in note 41 to the financial statements.

		Note	2018	2017
			Rupees	*Rupees*
21	**TRADE DEBTS**			
	Local - *unsecured*		**100,053,918**	85,178,963
			100,053,918	85,178,963
22	**ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured, considered good*		**318,007**	11,468,269
	Advances to employees - *unsecured, considered good*	*22.1*		
	- against purchases and expenses		**578,351**	738,508
	- against salaries and benefits		**6,037,793**	5,379,979
	Security deposits		**1,613,107**	5,858,811
	Prepayments		**5,943,226**	4,387,784
	Sales tax refundable		**24,551,311**	16,911,951
	Insurance claims receivable		**1,922,460**	1,298,460
	Other receivables - *unsecured, considered good*		**1,638,659**	140,600
			42,602,914	46,184,362

22.1 No advances have been given to any of the directors of the Company.

		Note	2018	2017
23	**CURRENT TAXATION**			
	Advance income tax/income tax refundable		**35,692,917**	46,048,208
	Provision for taxation	*32*	**(23,363,082)**	(16,475,611)
			12,329,835	29,572,597
24	**CASH AND BANK BALANCES**			
	Cash in hand		**79,017**	3,700,804
	Cash at banks			
	current accounts		**2,129,451**	1,891,427
	deposit/saving accounts	*24.1*	**13,476**	46,448
			2,142,927	1,937,875
			2,221,944	5,638,679

24.1 Effective markup rate in respect of deposit/saving accounts, for the year, ranges from 4.5% to 5% (2018: 4% to 5%).

25 SALES - NET

	Note	2018 Rupees	2017 Rupees
Yarn		**1,880,077,640**	1,625,309,316
Waste		**32,450,111**	22,251,800
		1,912,527,751	1,647,561,116

26 COST OF SALES

	Note	2018 Rupees	2017 Rupees
Raw material consumed	*26.1*	**1,485,542,077**	947,540,046
Stores, spares and loose tools consumed		**59,455,159**	53,546,957
Salaries, wages and benefits	*26.2*	**199,168,268**	167,916,609
Power and fuel		**310,556,695**	294,366,090
Insurance		**8,573,637**	8,936,785
Vehicle running and maintenance		**1,252,631**	1,532,741
Depreciation	*17.1.4*	**41,694,032**	43,656,169
Others		**5,095,454**	5,013,362
Manufacturing cost		**2,111,337,953**	1,522,508,759
Work in process			
As at beginning of the year		**26,551,504**	45,321,014
As at end of the year		**(27,674,737)**	(26,551,504)
		(1,123,233)	18,769,510
Cost of goods manufactured		**2,110,214,720**	1,541,278,269
Finished goods			
As at beginning of the year		**157,991,365**	173,341,601
As at end of the year		**(113,221,066)**	(157,991,365)
		44,770,299	15,350,236
		2,154,985,019	1,556,628,505

26.1 Raw material consumed

	2018	2017
As at beginning of the year	**807,678,103**	772,968,632
Purchased during the year	**1,137,415,641**	982,249,517
As at end of the year	**(459,551,667)**	(807,678,103)
	1,485,542,077	947,540,046

26.2 These include charge in respect of employees retirement benefits amounting to Rs. 11,724,485 (2017: Rs. 10,446,807).

27 SELLING AND DISTRIBUTION EXPENSES

	Note	2018 Rupees	2017 Rupees
Salaries wages and benefits	*27.1*	**5,765,146**	5,879,729
Inland transportation		**1,050,668**	2,543,304
Ocean freight and forwarding		**5,106**	-
Traveling		**33,320**	39,064
Communication		**107,610**	115,270
Insurance		**95,356**	88,446
Commission		**1,909,085**	846,295
Vehicle running and maintenance		**394,590**	518,785
Others		**29,890**	146,690
		9,390,771	10,177,583

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 3,081,371 (2017: Rs. 2,986,204).

		Note	2018	2017
			Rupees	*Rupees*
28	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Directors' remuneration		**8,399,333**	7,928,692
	Salaries and benefits	*28.1*	**18,547,247**	17,999,764
	Traveling, conveyance and entertainment		**549,743**	621,010
	Printing and stationery		**484,419**	614,919
	Electricity, water and gas		**1,570,638**	1,180,585
	Communication		**808,314**	1,242,900
	Vehicles running and maintenance		**3,021,423**	2,886,865
	Legal and professional		**5,725,699**	1,299,011
	Auditor's remuneration	*28.2*	**850,000**	850,000
	Fee and subscription		**3,613,808**	602,094
	Rent rates and taxes		**2,640,000**	2,640,000
	Insurance		**1,185,159**	1,598,351
	Repair and maintenance		**95,608**	-
	Depreciation	*17.1.4*	**2,631,443**	3,223,295
	Others		**1,416,236**	790,692
			51,539,070	43,478,178

28.1 These include charge in respect of employees retirement benefits amounting to Rs. 2,267,277 (2017: Rs. 2,222,369).

		Note	2018	2017
			Rupees	*Rupees*
28.2	**Auditor's remuneration**			
	Annual statutory audit		**682,500**	682,500
	Limited scope 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
29	**OTHER INCOME**			
	Gain on financial instruments			
	Return on bank deposits		**81,851**	85,658
	Other income			
	Gain on disposal of operating fixed assets	*17.1.3*	**554,871**	665,365
	Scrap sale		**1,894,510**	3,213,638
			2,449,381	3,879,003
			2,531,232	3,964,661
30	**FINANCE COST**			
	Interest/markup/profit on borrowings:			
	long term finances		**28,692,014**	19,237,633
	short term borrowings		**53,415,719**	62,530,585
	Bank charges and commission		**949,431**	1,088,626
			83,057,164	82,856,844

		Note	2018	2017
			Rupees	*Rupees*
31	**OTHER CHARGES**			
	Donations	*31.1*	**894,000**	999,425
	Others		**156,410**	-
			1,050,410	999,425

31.1 Donation amounting to Rs. 600,000 was paid to The Citizens Foundation, Plot # 20, Sector 14, Korangi Industrial Area, Karach. None of the directors or their spouses had any interest in donee.

		Note	2018	2017
			Rupees	*Rupees*
32	**PROVISION FOR TAXATION**			
	Current taxation			
	current year	*32.1*	**23,363,082**	16,475,611
	prior year		**32,137**	(1,250)
			23,395,219	16,474,361
	Deferred taxation			
	changes attributable to origination and reversal of temporary differences	*12*	**3,192,058**	(3,388,439)
	changes attributable to changes in tax rates		**(1,426,483)**	(2,722,795)
			1,765,575	(6,111,234)
			25,160,794	10,363,127

32.1 Provision for current tax has been made under Section 113 (2017: Section 113, 154 and 169) of the Income Tax Ordinance, 2001 ['the Ordinance']. There is no relationship between agreegate tax expense and accounting profit. Accordingly no numeriacal reconciliation has been presented. According to management, the provision for current taxation made in the financial statements is sufficient to discharge tax liability. A comparison of last three years of provision for current taxation with tax assessed is presented below:

	2017	2016	2015
	Rupees	*Rupees*	*Rupees*
Provision for current taxation as per financial statements	16,474,361	6,279,220	36,710,389
Assessment under the Ordinance	16,507,748	317,809	26,921,576

33.1 Assessments for the tax years up to 2017 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

33.2 The Government of Pakistan vide Finance Act 2017 notified a reduced tax rate of 30% for tax year 2018 as compared to 31% applicable to previous year for Companies.

		Unit	2018	2017
33	**LOSS PER SHARE**			
	Loss attributable to ordinary shareholders	*Rupees*	**(397,941,345)**	(20,716,205)
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**8,775,000**	8,775,000
	Loss per share - *Basic*	*Rupees*	**(45.35)**	(2.36)

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

		2018	2017
		Rupees	*Rupees*
34	**CASH USED IN OPERATIONS**		
	Loss before taxation	**(372,780,551)**	(10,353,078)
	Adjustments for non-cash and other items		
	Interest/markup/profit on borrowings	**82,107,733**	81,768,218
	Notional interest	**(12,182,900)**	(32,261,680)
	Gain on disposal of operating fixed assets	**(554,871)**	(665,365)
	Provision for employees retirement benefits	**17,073,133**	15,655,380
	Depreciation	**44,325,475**	46,879,464
		130,768,570	111,376,017
	Operating loss before changes in working capital	**(242,011,981)**	101,022,939
	Changes in working capital		
	Stores, spares and loose tools	**3,905,153**	(26,056,534)
	Stock in trade	**391,773,502**	(589,725)
	Trade debts	**(14,874,955)**	12,321,435
	Advances, prepayments and other receivables	**3,581,448**	(21,453,941)
	Trade and other payables	**(191,393,895)**	(75,351,925)
		192,991,253	(111,130,690)
	Cash used in operations	**(49,020,728)**	(10,107,751)

		Note	2018	2017
			Rupees	*Rupees*
35	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	*24*	**2,221,944**	5,638,679
			2,221,944	5,638,679

36 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. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	**Nature of relationship**	**Basis of relationship**	**Aggregate %age of shareholding in the Company**
Mian Iqbal Salahuddin	Key management personnel	Chief executive officer	17.59%
Ms. Munira Salahuddin	Key management personnel	Director	18.38%
Mian Asad Salahuddin	Key management personnel	Director	17.71%
Mian Yousaf Salahuddin	Key management personnel	Director	17.59%
Mian Sohail Salahuddin	Key management personnel	Director	0.08%
Sheikh Abdul Salam	Key management personnel	Director	0.03%
Syed Abid Raza Zaidi	Key management personnel	Director	0.03%

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:

		2018	2017
		Rupees	*Rupees*

36.1 Transactions with related parties

Nature of relationship	**Nature of transactions**	**2018 Rupees**	**2017 Rupees**
Key management personnel	Short term employee benefits	**9,612,882**	7,928,692
Sponsors	Long term loan obtained	**140,000,000**	160,000,000
	Short term borrowing obtained/(repaid)	**419,383**	(2,950,000)
	Rent paid	**2,640,000**	2,640,000

Balances with related parties

Nature of relationship	**Nature of balances**	**2018 Rupees**	**2017 Rupees**
Key management personnel	Short term employee benefits payable	**535,000**	583,000
Sponsors	Long term loan	**750,000,000**	610,000,000
	Short term borrowings	**1,105,333**	685,950

37 FINANCIAL INSTRUMENTS

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

	Note	**2018**	2017
		Rupees	*Rupees*
Financial assets			
Cash in hand	*24*	**79,017**	3,700,804
Loans and receivables			
Long term deposits	*18*	**11,243,604**	11,243,604
Trade debts	*21*	**100,053,918**	85,178,963
Advances to employees	*22*	**6,037,793**	5,379,979
Security deposits	*22*	**1,613,107**	5,858,811
Insurance claims receivable	*22*	**1,922,460**	1,298,460
Cash and bank balances	*24*	**2,221,944**	5,638,679
		123,171,843	118,299,300

	Note	**2018**	2017
		Rupees	*Rupees*
Financial liabilities			
Financial liabilities at amortized cost			
Loan from sponsors	*9*	**536,882,934**	409,065,833
Long term finances	*10*	**83,333,334**	91,666,667
Short term borrowings	*14*	**722,537,650**	718,041,848
Accrued interest/markup/profit	*15*	**64,104,364**	21,959,601
Trade creditors	*13*	**138,665,368**	249,291,218
Accrued liabilities	*13*	**116,369,756**	111,744,320
Unclaimed dividend		**1,010,033**	1,010,033
		1,662,903,439	1,602,779,520

38 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:

38.1 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.

38.1.1 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	**2018**	2017
		Rupees	*Rupees*
Loans and receivables			
Long term deposits	*18*	**11,243,604**	11,243,604
Trade debts	*21*	**100,053,918**	85,178,963
Security deposits	*22*	**1,613,107**	5,858,811
Insurance claims receivable	*22*	**1,922,460**	1,298,460
Cash at banks	*24*	**2,142,927**	1,937,875
		116,976,016	105,517,713

38.1.2 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:

	2018	2017
	Rupees	*Rupees*
Customers	**100,053,918**	85,178,963
Banking companies and financial institutions	**5,678,494**	9,095,146
Utility companies and regulatory authorities	**11,243,604**	11,243,604
	116,976,016	105,517,713

38.1.3 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:

	2018		2017	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**24,280,171**	**-**	12,634,382	-
Past due by 0 to 6 months	**46,714,630**	**-**	45,388,501	-
Past due by 6 to 12 months	**16,486,187**	**-**	14,642,863	-
Past due by over one year	**12,572,930**	**-**	12,513,217	-
	100,053,918	**-**	85,178,963	-

The Company's five (2017: five) significant customers account for Rs. 67.23 million (2017: Rs. 40.51 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 5% of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. The Company believes that no impairment allowance is necessary for receivables past due by upto 12 months based on historical default rates.

38.1.4 Collateral held

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

38.1.5 Credit risk management

As mentioned in note 38.1.3 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.

38.2 Liquidity risk

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

38.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including interest/markup/profit payments.

	2018				
	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	**536,882,934**	**750,000,000**	**-**	**750,000,000**	**-**
Long term finances	**310,833,334**	**342,204,340**	**205,540,524**	**136,663,816**	**-**
Short term borrowings	**722,537,650**	**723,975,043**	**723,975,043**	**-**	**-**
Accrued interest/markup/profit	**64,104,364**	**64,104,364**	**64,104,364**	**-**	**-**
Trade creditors	**138,665,368**	**138,665,368**	**138,665,368**	**-**	**-**
Accrued liabilities	**116,369,756**	**116,369,756**	**116,369,756**	**-**	**-**
	1,889,393,406	**2,135,318,871**	**1,248,655,055**	**886,663,816**	

	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/profit	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	1,247,100,773	858,367,206	-

38.2.3 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.

38.2.4 Overdue financial liabilities

The Company is facing a temporary liquidity shortfall as a result of which it was unable to meet its obligations in respect of various debt finances. The details are as follows:

	2018		
	Principal	**interest/markup**	**Total**
	Rupees	***Rupees***	***Rupees***
Long term finances	**56,666,667**	**15,154,226**	**71,820,893**
Short term borrowings	**433,654,258**	**26,883,605**	**460,537,863**
	490,320,925	**42,037,831**	**532,358,756**

The management of the Company is in the process of negotiations with the lenders regarding rescheduling/restructuring of overdue debts finances

38.3 Market risk

38.3.1 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.

38.3.2 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/profit bearing financial instruments

The effective interest/markup/profit 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:

	2018	2017
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**13,476**	46,448
Financial liabilities	**536,882,934**	409,065,833
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**1,033,370,984**	1,059,708,515

(b) Fair value sensitivity analysis for fixed rate instruments

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

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

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 10.33 million (2017: Rs. 10.6 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.

38.3.3 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.

39 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 statement of financial position, 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	2018	2017
Total debt	*Rupees*	**847,716,268**	750,732,500
Total equity	*Rupees*	**(426,264,135)**	(25,614,643)
		421,452,133	725,117,857
Gearing	*% age*	**201.14%**	103.53%

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.

40 FAIR VALUE MEASUREMENTS

The Company measures some of its financial 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:

40.1 Financial Instruments

There are no recurring or non-recurring fair value measurements as at the reporting date. The management considers the carrying amount of all the financial instruments to approximate their fair values.

40.2 Assets and liabilities other than financial instruments.

40.2.1 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	**2018**	2017
				Rupees	*Rupees*
Freehold land	-	142,835,000	-	**142,835,000**	142,835,000
Buildings on freehold land	-	-	196,725,779	**196,725,779**	204,599,639
Plant and machinery	-	-	550,162,095	**550,162,095**	573,656,943
Electric installation	-	-	38,058,348	**38,058,348**	39,978,050
Laboratory equipment	-	-	3,765,258	**3,765,258**	4,183,620
Fire fighting equipment	-	-	756,000	**756,000**	840,000

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 (2017: 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. 9.836 million (2017: Rs. 10.230 million).

	Valuation technique	Significant inputs	Sensitivity
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. 27.508 million (2017: Rs. 28.683 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.1.9 million (2017: Rs. 1.99 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. 188,263 (2017: Rs. 209,181).
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. 37,800 (2017: Rs. 42,000).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 17.1.5.

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

40.2.2 Non-recurring fair value measurements

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

	2018	2017
	Rupees	***Rupees***
41 RESTRICTION ON TITLE, AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**502,500,000**	516,000,000
Charge over fixed assets	**1,308,622,000**	2,238,122,000

	2018	2017
	Rupees	*Rupees*
Pledge		
Raw material	**459,551,667**	807,678,103
Finished goods	**112,254,250**	94,575,471

42 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:

	2018		
	Chief Executive	**Directors**	**Executives**
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	**3,180,000**	**4,620,000**	**4,320,000**
Allowances and perquisites	**697,090**	**1,115,792**	**60,000**
Post employment benefits	**-**	**-**	**360,000**
	3,877,090	**5,735,792**	**4,740,000**
Number of persons	**1**	**3**	**3**

	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

Remuneration, allowances and meeting fee include Rs. 2,520,000 (2017: Rs. 2,494,000) paid to non-executive directors of the Company.

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

43 SEGMENT INFORMATION

43.1 The Company is a single reportable segment.

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

43.3 All sales of the Company have originated from Pakistan.

43.4 Sales include Rs. 521 million of revenue derived from sales to two customers. There is no other single significant external customer to whom sales in excess of 10% of the Company's total sales were made during the year.

44 NUMBER OF EMPLOYEES

	Factory		Head office	
	2018	2017	**2018**	2017
Total number of employees	**1,030**	1,093	**48**	53
Average number of employees	**1,025**	1,075	**51**	52

45 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.

46 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2018	2017
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*	**5,336,992**	**5,428,412**
Leased			
Number of spindles installed	*No.*	-	16,320
Plant capacity on the basis of utilization converted into 40s count	*Kgs*	-	2,662,257
Actual production converted into 40s count	*Kgs*	-	592,402

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. During the year, the Company has cancelled the lease of rented facility.

47 RECLASSIFICATIONS

The following have been reclassified for compliance with Fourth Schedule to the Companies Act, 2017.

Particulars	From	To	2018	2017
Unclaimed dividend	Trade and other payables	Statement of Financial Position	**1,010,033**	**1,010,033**

48 GENERAL

48.1 Figures have been rounded off to the nearest rupee.

48.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year other than those referred to in note 47.

Lahore
Date : October 04, 2018

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

FORM 34

THE COMPANIES ACT, 2017
(Section 227(2)(f)
PATTERN OF SHAREHOLDING

1.1 Name of the Company **SALLY TEXTILE MILLS LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2018**

2.2 No. of Shareholders	------Shareholdings------ From	To	Total Shares Held
942	1	100	60,838
315	101	500	82,856
79	501	1,000	67,508
114	1,001	5,000	308,319
26	5,001	10,000	210,922
13	10,001	15,000	168,694
5	15,001	20,000	84,705
5	20,001	25,000	118,000
1	25,001	30,000	25,500
3	30,001	35,000	100,841
2	35,001	40,000	77,000
1	40,001	45,000	40,020
1	50,001	55,000	54,500
2	55,001	60,000	114,600
1	75,001	80,000	76,000
1	90,001	95,000	94,000
1	125,001	130,000	129,500
1	135,001	140,000	140,000
1	215,001	220,000	218,000
1	345,001	350,000	348,279
2	1,540,001	1,545,000	3,087,640
1	1,550,001	1,555,000	1,554,328
1	1,610,001	1,615,000	1,612,950
1519			**8,775,000**

2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	6,267,418	71.4236
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	-	-
2.3.3 NIT and ICP	14,645	0.1669

2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	25,726	0.2932
2.3.5 Insurance Companies	1,100	0.0125
2.3.6 Modarabas and Mutual Funds	358,279	4.0830
2.3.7 Share holders holding 10% or more	6,254,918	71.2811
2.3.8 General Public		
a. Local	1,872,473	21.3387
b. Foreign	0	-
2.3.9 Others (to be specified)		
1- Joint Stock Companies	72,901	0.8308
2- Pension Funds	31,841	0.3629
3- Foreign Companies	129,500	1.4758
4- Others	1,117	0.0127

SALLY TEXTILE MILLS LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2018

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 (CDC)	1,543,820	17.5934
2	MST. MUNIRA SALAHUDDIN (CDC)	1,612,950	18.3812
3	MIAN ASAD SALAHUDDIN (CDC)	1,554,328	17.7131
4	MIAN YOUSAF SALAHUDDIN (CDC)	1,543,820	17.5934
5	MIAN SOHAIL SALAHUDDIN (CDC)	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
	NIL		


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

50th 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 50th Annual General meeting of the Company to be held Saturday, October 27, 2018 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. _______________________

2. Signature:___________________________
   Name: _____________________________
   Address: ___________________________
   ____
   CNIC or ____________________________
   Passport No. _______________________

Signature of
Shareholder

Revenue
Stamp

(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

50واں 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 27 اکتوبر 2018 بروز ہفتہ 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.

REGISTERED OFFICE :
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