STM

Sally Textile Mills Limited

Annual Report | 2019

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	
Muhammad Khalil Latif	
Syed Abid Raza Zaidi	
Usman Shahid	

Audit Committee

Muhammad Khalil Latif	Chairman
Mian Asad Salahuddin	Member
Mian Sohail Salahuddin	Member
Syed Abid Raza Zaidi	Secretary

Human Resources & Remuneration Committee

Muhammad Khalil Latif	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 51st Annual General Meeting of the company will be held on Friday 25th October, 2019 at 10:00 a.m. at **Noor Mahal, 1 Rasool Park, LOS,** Lahore to transact the following business.

1. To confirm the minutes of 50th Annual General Meeting held on 27-10-2018.
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, 2019.
3. To appoint the Auditors and fix their remuneration for the next financial year 2019-2020.
4. Any other matter with the permission of the chair.

By the order of the Board

Date: October 05, 2019
Place: LAHORE

SYED ABID RAZA ZAIDI
(Company Secretary)

NOTES

I. The shares transfer books of the company will remain closed from 18-10-2019 to 25-10-2019. (Both days inclusive). Transfer received in order by the Share Registrar M/S Corplink (Pvt) Ltd Wing Arcade, 1-K, Commercial, Model Town, Lahore 17-10-2019 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 51 واں سالانہ اجلاس عام بروز ہفتہ 25 اکتوبر 2019 کو صبح دس بجے نور محل 1 رسول پارک میں مندرجہ ذیل امور کی انجام دہی کے لیے منعقد ہوگا۔

عمومی امور:

1- کمپنی کے 50 سالانہ اجلاس عام منعقدہ 27 اکتوبر 2018 کی کاروائیوں کی توثیق

2- 30 جون 2019 ختم شدہ سال کے لیے کمپنی کی سالانہ اوسط شدہ حسابات بشمول ان پر آڈیٹرز اور ڈائریکٹرز کی رپورٹوں کی وصولی غور وخوض اور منظوری

3- 30 جون 2020 کو ختم ہونے والے سال کے لیے آڈیٹرز کا تقرر اور ان مشاہرہ کا تعین

4- چیئرمین کی اجازت سے کمپنی کی دیگر کسی امور کی انجام دہی

حسب الحکم بورڈ

سید عابد رضا زیدی

ڈائریکٹر / کمپنی سیکریٹری

لاہور

خواص :

1- کمپنی کے حصص کی منتقلی کی کتابیں 18 اکتوبر 2019 سے 25 اکتوبر 2019 تک (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار میسرز کارپلنک پرائیویٹ لمیٹڈ ونگ ارکیڈ K- کمرشل، ماڈل ٹاؤن لاہور میں 17 اکتوبر 2019 تک موصول ہونے والے ٹرانسفرز کو اجلاس عام میں شرکت کی نئے بروقت سمجھا جائے گا۔

2- سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ میں شیئرز جمع کرانے والے ممبران اپنا امیدوار آئی ڈی نمبر ,CDC اکاؤنٹ / سب اکاؤنٹ نمبر اور اصل کمپیوٹرائز قوم

3- ایک ممبر جو اجلاس ہذا میں شرکت اور ووٹ کا حقدار ہے وہ اپنی جگہ اجلاس میں شرکت، گفتگو اور ووٹ کے لیے کسی دوسرے ممبر کو بطور پراکسی مقرر کر سکتا ہے۔

4- پراکسی فارمز کے موثر ہونے کے لیے ان کا صحیح طور پر پر شدہ ہونا اور کمپنی کے رجسٹرڈ آفس واقع F-4 گلبرگ 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 کمپیوٹرائز قومی شناختی کارڈ (CNIC) کی فوٹو کاپی ابھی تک جمع نہیں کرائی ہے انہیں جلد از جلد ہماری شیئر رجسٹرار کو ارسال کرنے کی گزارش کی جاتی ہے۔

7- پراکسی فارمز معزز ممبران کو بھیجے جا رہے ہیں۔

Key Operating and Financial Data

	2019	2018	2017	2016	2015	2014	2013
	Rupees in million						
OPERATING PERFORMANCE							
Sales	112	1,913	1,647	2,192	3,280	3,796	3,647
Gross (loss)/profit	(155)	(242)	90	(197)	(19)	182	398
(Loss) / Profit before tax	(329)	(373)	(10)	(209)	(210)	7	210
Tax	13	25	10	34	(10)	29	56
(Loss) / Profit after tax	(316)	(398)	(21)	(243)	(200)	(22)	154
FINANCIAL POSITION							
Assets							
Non-current assets	911	957	996	1,042	1,212	1,141	1,050
Current assets	805	838	1,243	1,215	1,260	828	757
Total assets	**1,716**	**1,796**	**2,239**	**2,257**	**2,472**	**1,969**	**1,807**
Equity & liabilities							
Share capital & reserves	(964)	(653)	(256)	(241)	150	336	353
Surplus on revaluation	222	227	230	247	232	248	262
Total equity	(742)	(426)	(26)	7	382	584	615
Non-current liabilities	783	844	808	529	510	416	391
Current liabilities	1,675	1,378	1,457	1,721	1,580	969	801
Total liabilities	2,458	2,222	2,265	2,250	2,090	1,385	1,192
Total	**1,716**	**1,796**	**2,239**	**2,257**	**2,472**	**1,969**	**1,807**

Directors' Report

The Directors of **Sally Textile Mills Limited** ("the Company") present the 51st annual report of the Company for the period ended June 30, 2019.

Overview - Performance review

During the period under review, mill operations had been shut down due to negative viability. As evident from our accounts, there was no business conducted.

The financial results in a summarized form are given hereunder:

Description	June 30, 2019 Rs. in million	June 30, 2018 Rs. in million
Turnover - net	**111.74**	1,912.53
Gross profit/(loss)	**(154.98)**	(242.46)
Loss before tax	**(328.57)**	(372.78)
Loss after tax	**(315.77)**	(397.94)

Loss per share

Loss per share of your company for ended June 30, 2019 is Rs. (35.99) as compared to Rs. (45.35) for the comparative period ended June 30, 2018.

Going Concern assumptions

The Company had been facing operational losses. High cost of business is not being passed on because of slow off-take in the local industry. In addition, delays in approvals/post-approval formalities from financial institutions resulted in further losses.

a. Management remains optimistic that the government will provide relief to this sector as it remains the largest source of employment.

b. The Company has in the past relied on financial support of its sponsors. Same support can be expected provided it is augmented by favorable government policy.

Business, Risk, Challenges and Future Outlook

It is apparent and evident that Pakistani textile Industry is facing an uncertain environment. The industry is facing 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. However, due to negative cash – our CSR levels were curtailed this year.

Health Safety and Environment

Your company is well aware of the importance of 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, 2019 were approved by the Board of Directors on October 04, 2019 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, 2019 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 (Deceased)	2
7.	Syed Abid Raza Zaidi	4
8.	Usman Khalil	0
9.	M.khalil Latif	2

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 (Deceased)	2
2	Mian Asad Salahuddin	4
3	Mian Sohail Salahuddin	4
4	M. Khalil Latif	2

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 retired and are being eligible offer themselves for re-appointment as auditors of the company for the year 2019-20. 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, 2019. 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, 2019

رپورٹ از ڈائریکٹران

صلی ٹیکسٹائل مل کے ڈائریکٹران کمپنی کی 51 ویں سالانہ رپورٹ پیش کر رہے ہیں جس کے ساتھ کمپنی کے حسابات اور آڈیٹری رپورٹ لف ہے۔

از سر نو یہ بات نوٹس میں ہے کہ متعدد بار نقصان کی وجوہات کی بنا پر مل اپریشن بند کر دیے گئے ہیں جسے بطور ثبوت کمپنی کے اکاؤنٹس سے دیکھا جا سکتا ہے۔

مالیاتی نتائج مختصراً یوں ہیں :

تفصیل	30 جون 2018	30 جون 2019
خاص وصولیات	191 کروڑ 35 لاکھ 27 ہزار	11 کروڑ 17 لاکھ 40 ہزار
کل نفع / نقصان	24 کروڑ 24 لاکھ 57 ہزار	15 کروڑ 49 لاکھ 80 ہزار
نقصان قبل از ٹیکس	37 کروڑ 27 لاکھ 80 ہزار روپے	32 کروڑ 85 لاکھ 57 ہزار
نقصان بعد از ٹیکس	30 کروڑ 79 لاکھ 41 ہزار	31 کروڑ 51 لاکھ 70 ہزار

نقصان فی حصہ :

اس سال کمپنی کے ایک شیئر کے مقابل 35 روپے 99 پیسے نقصان ہوا جبکہ گزشتہ سال ایک شیئر کے مقابل 45 سے 35 پیسے نقصان رہا تھا۔

کمپنی موجود برقرار 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 بحران۔ 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۔

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 اور پیش چیلنج اور مستقبل کا منظر نامہ :

یہ واضح ہے کہ پاکستانی ٹیکسٹائل صنعت غیر یقینی حالات کا سامنا کر رہی ہے۔ صنعت کو ان 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 لگاتے

جارہے ہیں اور امید 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 چھونا۔

کمپنی کی سماجی ذمہ داری کی اصول کے حوالے سے جن شعبوں میں کام کیا جاتا ہے وہ یہ ہیں صحت عامہ، تعلیم، حفظم ماحول، صاف پانی، نکاسی آب، بچوں کی بہبود بنیادی ڈھانچے کی تشکیل اور دیگر سماجی بہبود کے کام۔ ہم ان 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 ہنرمند 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 2019 کو ختم ہونے والے مالی سال کی دستاویزات کو ڈائریکٹران نے 4 اکتوبر 2019 کو منظور کیا اور ان کے اجراء کی اجازت دی گزشتہ 6 سالوں کی مالیاتی اعداد وشمار پھرلف کیے جارہے ہیں۔

کارپوریٹ گورننس کے قوائد:

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

حصص کی ملکیت کا نقشہ:

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

بورڈ آف ڈائریکٹر کا اجلاس اور حاضری:

اس سال ڈائریکٹر 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	2	(مرحوم)
سید عابد رضا زیدی	4	
عثمان شاہد	0	

محمد خلیل لطیف 2

آڈٹ کمیٹی کے اجلاس اور حاضری:

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

شیخ عبدالسلام	2	(مرحوم)
محمد خلیل لطیف	2	
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 مین رحمان سرفراز، رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس اس بار ریٹار ہو رہے ہیں لیکن وہ رواں سال کے لیے بھی خدمات دینے کی امیدوار ہیں۔آڈٹ کمیٹی نے ان 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 اترتے ہیں۔کمپنی نیشنل 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 ایگزیکٹو آفیسر

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations 2017 for the year ended June 30, 2019

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

1. The total number of directors are eight as per the following:

   a) Male: Seven
   b) Female: One

2. The composition of board is as follows:

Category	Names
Independent Director	M. Khalil Latif
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;

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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 meeting of the Board;

8. The Board 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 Directors Training Program for its directors during the year.

10. The Board has approved appointment of chief financial officer, 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. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below.-

a) Audit Committee:

1. Sheikh Abdul Salam (Deceased) [14-02-2019]
2. Mr. Muhammad Khalil Latif [14-02-2019]
3. Mian Asad Salahuddin
4. Mian Sohail Salahuddin

b) HR and Remuneration Committee:

1. Sheikh Abdul Salam (Deceased) [14-02-2019]
2. Mr. Muhammad Khalil Latif [14-02-2019]
3. Mst. Munira Salahuddin
4. 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 were as per following,-

a) Audit Committee (Quarterly)

b) HR and Remuneration Committee (Yearly)

15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and 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 registered 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 complied with except that the Board has not yet put in place a mechanism for annual evaluation of its performance.

For and on behalf of the Board

MIAN IQBAL SALAHUDDIN
Chief Executive Officer

Lahore: October 04, 2019

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 were engaged to 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, 2019** 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 to ensure 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.

No information necessary for the purpose of review was provided to us, accordingly, we do not express our conclusion as to whether the Statement of Compliance appropriately reflects 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, 2019**.

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: ***October 04, 2019***

INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of Opinion

We were engaged to audit the annexed financial statements of **SALLY TEXTILE MILLS LIMITED** ['the Company'], which comprise the statement of financial position as at **June 30, 2019**, 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.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the 'Basis for Disclaimer of Opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

We were not provided access to factory premises by the management of the Company because of fear of escalation from labour force due to which we were unable to observe the counting of physical inventories and to conduct physical verification of property, plant and equipment at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory and property, plant and equipment held by the Company at June 30, 2019 which are stated in the statement of financial position at Rs. 565.44 million and Rs. 899.998 million, respectively. Further, the Company was unable to provided us access to its books of account and other information, present at factory premises, which were necessary for the purpose of our audit.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded elements making up 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.

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 responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the 'Basis for Disclaimer of Opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that we are unable to express an opinion as to whether:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) 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) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), and if deductible, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

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 04, 2019***

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019	2018
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2018: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid-up capital	7	**87,750,000**	87,750,000
Surplus on revaluation of property, plant and equipment	8	**222,616,108**	226,964,580
Accumulated loss		**(1,052,407,354)**	(740,978,714)
TOTAL EQUITY		**(742,041,246)**	(426,264,134)
LOAN FROM SPONSORS	9	**617,898,653**	536,882,933
NON-CURRENT LIABILITIES			
Long term finances	10	**-**	127,083,336
Employees retirement benefits	11	**101,907,337**	102,176,007
Deferred taxation	12	**63,191,815**	77,391,073
		165,099,152	306,650,416
CURRENT LIABILITIES			
Trade and other payables	13	**459,033,373**	405,775,267
Unclaimed dividend		**1,010,033**	1,010,033
Short term borrowings	14	**722,658,630**	723,642,983
Accrued interest/markup/profit	15	**181,557,822**	64,104,364
Current portion of non-current liabilities		**310,833,334**	183,749,998
		1,675,093,192	1,378,282,645
TOTAL LIABILITIES		**1,840,192,344**	1,684,933,061
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		**1,716,049,751**	1,795,551,860

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

Lahore
Date : October 04, 2019

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Note	2019	2018
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	**899,998,866**	945,929,046
Long term deposits	18	**11,243,604**	11,243,604
		911,242,470	957,172,650
CURRENT ASSETS			
Stores, spares and loose tools	19	**80,622,598**	80,723,129
Stock in trade	20	**565,440,498**	600,447,470
Trade debts	21	**96,582,970**	100,053,918
Advances, deposits, prepayments and other receivables	22	**47,862,112**	42,602,914
Current taxation	23	**11,797,262**	12,329,835
Cash and bank balances	24	**2,501,841**	2,221,944
		804,807,281	838,379,210
TOTAL ASSETS		**1,716,049,751**	1,795,551,860

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

Lahore
Date : October 04, 2019

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, 2019

	Note	2019	2018
		Rupees	*Rupees*
Sales - *net*	25	**111,744,649**	1,912,527,751
Cost of sales	26	**(266,726,738)**	(2,154,985,019)
Gross loss		**(154,982,089)**	(242,457,268)
Selling and distribution expenses	27	**(1,747,768)**	(9,390,771)
Administrative and general expenses	28	**(27,470,640)**	(51,539,070)
		(29,218,408)	(60,929,841)
		(184,200,497)	
Other income	29	**9,251,173**	2,531,232
Operating loss		**(174,949,324)**	(300,855,877)
Finance cost	30	**(117,583,487)**	(83,057,164)
Notional interest	9.3	**(36,015,720)**	12,182,900
Other charges	31	**(31,031)**	(1,050,410)
Loss before taxation		**(328,579,562)**	(372,780,551)
Taxation	32	**12,802,450**	(25,160,794)
Loss after taxation		**(315,777,112)**	(397,941,345)
Loss per share - ***basic and diluted***	33	**(35.99)**	(45.35)

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

Lahore
Date : October 04, 2019

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
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		-	(5,486,071)
Deferred tax on remeasurements of defined benefit obligation	12.1	-	1,590,961
Deferred tax adjustment on surplus on revaluation of property, plant and equipment attributable to changes in tax rates	8	-	1,186,964
		-	(2,708,146)
Other comprehensive loss		-	(2,708,146)
Loss after taxation		**(315,777,112)**	(397,941,345)
Total comprehensive loss		**(315,777,112)**	(400,649,491)

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

Lahore
Date : October 04, 2019

MIAN IQBAL SALAHUDDIN
Chief Executive

HASSAN SHAHNAWAZ
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019	2018
		Rupees	*Rupees*
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	*34*	**(51,927,941)**	(49,020,728)
Payments for:			
Employees retirement benefits		**(268,670)**	(17,511,702)
Interest/markup/profit on borrowings		**-**	(39,962,970)
Income tax		**(864,235)**	(6,152,457)
Net cash used in operating activities		**(53,060,846)**	(112,647,857)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(339,595)**	(5,725,730)
Proceeds from disposal of property, plant and equipment		**9,664,691**	875,000
Net cash generated from/(used in) investing activities		**9,325,096**	(4,850,730)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		**-**	(30,833,333)
Loan form sponsors obtained		**45,000,000**	140,000,000
Net (decrease)/increase in short term borrowings		**(984,353)**	4,915,185
Net cash generated from financing activities		**44,015,647**	114,081,852
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**279,897**	(3,416,735)
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR		**2,221,944**	5,638,679
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	*35*	**2,501,841**	2,221,944

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

Lahore
Date : October 04, 2019

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, 2019

	Note	Share capital	Capital reserve	Revenue reserves	
		Issued subscribed and paid-up capital	Surplus on revaluation of property, plant and equipment	Accumulated losses	Total equity
	Note	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2017		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 loss		-	1,186,964	(3,895,110)	(2,708,146)
Total comprehensive 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	(740,978,714)	(426,264,134)
Balance as at July 01, 2018		**87,750,000**	**226,964,580**	**(740,978,714)**	**(426,264,134)**
Comprehensive loss					
Loss after taxation		**-**	**-**	**(315,777,112)**	**(315,777,112)**
Other comprehensive loss		**-**	**-**	**-**	**-**
Total comprehensive loss		**-**	**-**	**(315,777,112)**	**(315,777,112)**
Incremental depreciation		**-**	**(4,348,472)**	**4,348,472**	**-**
Transaction with owners		**-**	**-**	**-**	**-**
Balance as at June 30, 2019		**87,750,000**	**222,616,108**	**(1,052,407,354)**	**(742,041,246)**

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

Lahore
Date : October 04, 2019

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, 2019

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. 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.

Pakistan Stock Exchange has placed the Company on defulter segment during the year with effect from Feburary 07, 2019.

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 gross loss of Rs. 154.982 million and loss after taxation of Rs. 315.777 million during the year ended June 30, 2019. As at June 30, 2019, the Company has accumulated losses of Rs. 1,052.407 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 743.203 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. 45 million in the form of long term interest free loans.

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 Critical accounting judgements and key sources of estimation uncertainty

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.

2.4.1 Critical accounting judgements

Judgments made by management in the application of accounting and reporting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

(a) Business model assessment (see note 6.6.2)

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(f) Expected credit losses and impairment of financial assets (see note 6.20.1)

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of inital recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information.

(g) Recoverable amount and impairment of non-financial assets (see note 6.20.2)

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

(h) 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.

(i) 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.

(j) 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.

2.4.2 Key sources of estimation uncertainty

There are no significant estimation uncertainities as at the reporting date.

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, 2019 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, except as stated otherwise.

3.1 IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The Company has applied IFRS 9 in accordance transitions provision set out in the standard.

The date of initial application of IFRS 9 (the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is June 30, 2019. Accordingly, the Company has applied the requirements IFRS 9 to instruments that continue to be recognized as at June 30, 2019. Comparative amounts in relation to instruments that continue to be recognized as at June 30, 2019 have not been restated as allowed by IFRS 9.

Classification and measurement

The classification and measurement requirements for financial liabilities have been substantially carried forward from IAS 39. All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost and accordingly classified as 'financial assets at amortized cost'

- Financial assets that are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding subsequently measured at fair value through other comprehensive income and accordingly classified as 'financial assets at fair value through other comprehensive income [FVTOCI]'

- All other financial instruments are subsequently measured at fair value through profit or loss and accordingly classified as 'financial assets at fair value through profit or loss [FVTPL]'

Despite the foregoing, the Company may make an irrevocable election/designation at initial recognition of financial asset:

- To present subsequent changes in fair value of an equity instrument that is not held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income and classify it as FVTOCI

- To designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured art FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

When a financial asset measured at FVTOCI is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment except for equity instruments measured at FVTOCI, where the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to accumulated profits.

The Company has reviewed and assessed the existing financial assets as at June 30, 2019 based on facts and circumstances that existed at that date and concluded that initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement.

	IAS 39	IFRS 9
Loan from sponsors	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Long term finances	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Short term borrowings	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued interest/markup/profit	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Trade creditors	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Unclaimed dividend	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Long term deposits	Loans and receivables	Financial assets at amortized cost
Trade debts	Loans and receivables	Financial assets at amortized cost
Advances to employees	Loans and receivables	Financial assets at amortized cost
Security deposits	Loans and receivables	Financial assets at amortized cost
Insurance claims receivable	Loans and receivables	Financial assets at amortized cost
Bank balances	Loans and receivables	Financial assets at amortized cost

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit loss to have occurred before the same is recognized.

IFRS 9 requires the Company to measure the loss allowance for financial instrument at an amount equal to lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, except for a purchased or originated credit-impaired financial asset, the Company is required to measure the loss allowance for that financial asset at an amount equal to 12-months expected credit loss. IFRS also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

3.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers' supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has reviewed it existing accounting policy for revenue recognition in light of the requirements of IFRS 15 and has concluded that it is already in line with the requirements of the new standard and thus no change in accounting policy or to the amounts reported in these financial statements is required.

3.3 Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

3.4 IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

3.5 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

3.6 Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;

- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

3.7 Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

3.8 Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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 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
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
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
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020

	Effective date (annual periods beginning on or after)
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	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
IFRS 17 – Insurance contracts (2017)

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that 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.

5 CHANGE IN ACCOUNTING POLICY

The adoption of new and revised standards, interpretations and amendments effective during the year has resulted in changes to accounting policies as follows:

Previous accounting policy	New accounting policy
Impairment of 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.	The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of inital recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. 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. The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.

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.

6.1.3 Spare parts held exclusively for capitalization

These are carried at cost less accumulated impairment. Cost is determined using moving average, except for items in transit, which are carried at invoice price plus related costs incurred upto the reporting date.

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 assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Company determines the classification of its financial instruments at initial recognition as follows:

(a) Financial assets at amortized cost

These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial liabilities at amortized cost

These are financial liabilities which are not derivates, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or financial liabilities that arise when transfer of a financial asset does not qualify for derecognition.

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

A financial asset is derecognized when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Company's obligations specified in the contract expire or a discharged or cancelled.

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 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs, except for trade debts that do not have a significant financing compenent, which are measured at undiscounted invoice price. 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 based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consists of sale of yarn. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers

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.

6.18 Operating segment

The Company is a single operating segment based on internal reporting to the Board of Directors of the Company.

6.19 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.

6.20 Impairment

6.20.1 Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of inital recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.

6.20.2 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 determining 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.

6.21 Dividend distribution to ordinary shareholders

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

		Note	2019	2018
			Rupees	*Rupees*
7	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	8,775,000 (2018: 8,775,000) ordinary shares of Rs. 10 each issued for cash		**87,750,000**	87,750,000
8	**SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**			
	As at beginning of the year		**226,964,580**	230,269,856
	Incremental depreciation recognized in other comprehensive income			
	Incremental depreciation for the year		**(6,124,608)**	(6,417,486)
	Deferred taxation		**1,776,136**	1,925,246
			(4,348,472)	(4,492,240)
	Deferred tax adjustment attributable to changes in tax rates		**-**	1,186,964
	As at end of the year		**222,616,108**	226,964,580
9	**LOAN FROM DIRECTORS AND SPONSORS**			
	Face value	*9.2*	**795,000,000**	750,000,000
	Less: unamortized notional interest	*9.3*	**(177,101,347)**	(213,117,067)
			617,898,653	536,882,933

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	2019	2018
			Rupees	*Rupees*
9.2	Movement during the year is as follows:			
	As at beginning of the year		**750,000,000**	610,000,000
	Obtained during the year		**45,000,000**	140,000,000
	As at end of the year		**795,000,000**	750,000,000
9.3	**Unamortized notional interest**			
	As at beginning of the year		**213,117,067**	200,934,167
	Arising during the year		**16,867,249**	52,475,885
	Amortization for the year		**(52,882,969)**	(40,292,985)
	As at end of the year		**177,101,347**	213,117,067
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**	83,333,334
	Demand finance	*10.2*	**227,500,000**	227,500,000
			310,833,334	310,833,334
	Current maturity presented under current liabilities		**(310,833,334)**	(183,749,998)
			-	127,083,336

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 (2018: 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 50 million is overdue. Upto the reporting date, an amount of Rs. 14.058 million has been accrued on account of interest/markup out of which an amount of Rs. 7.558 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 (2018: 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 125 million is overdue. Upto the reporting date, an amount of Rs. 45.425 million has been accrued on account of interest/markup out of which an amount of Rs. 18.072 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. No acturial valuation has been carried out as at June 30, 2019 as the Company has discontinued the scheme.

	Note	**2018**	2018
		Rupees	*Rupees*
11.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**102,176,007**	97,128,505
Charged to profit or loss for the year		**-**	17,073,133
Benefits paid during the year		**(268,670)**	(17,511,702)
Remeasurements recognized in other comprehensive income		**-**	5,486,071
As at end of the year		**101,907,337**	102,176,007

12 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	*12.1*	**158,885,168**	163,186,481
Deferred tax asset on deductible temporary differences	*12.1*	**(95,693,353)**	(85,795,408)
		63,191,815	77,391,073

12.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2019			
	As at July 01, 2018 *Rupees*	**Recognized in profit or loss** *Rupees*	**Recognized in OCI** *Rupees*	**As at June 30, 2019** *Rupees*
Deferred tax liabilities				
Operating fixed assets	**163,186,481**	**(4,301,313)**	**-**	**158,885,168**
Deferred tax assets				
Employees retirement benefits	**(29,631,042)**	**77,914**	**-**	**(29,553,128)**
Unused tax losses and credits	**(56,164,366)**	**(9,975,859)**	**-**	**(66,140,225)**
	(85,795,408)	**(9,897,945)**	**-**	**(95,693,353)**
	77,391,073	**(14,199,258)**	**-**	**63,191,815**

	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	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

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% (2018: 29%) 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. 208.754 million (2018: Rs. 136.643 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	**2019**	2018
			Rupees	*Rupees*
13	**TRADE AND OTHER PAYABLES**			
	Trade creditors		**138,945,062**	138,665,368
	Accrued liabilities		**185,222,580**	116,369,756
	Advances from customers	*13.1*	**97,941,132**	114,578,304
	Workers' Welfare Fund	*13.2*	**11,743,143**	11,727,078
	Other payables		**25,181,456**	24,434,761
			459,033,373	405,775,267

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

		Note	**2019**	2018
			Rupees	*Rupees*
13.2	**Workers' Welfare Fund**			
	As at beginning of the year		**11,727,078**	11,750,578
	Provision during the year		**16,065**	-
	Paid during the year		**-**	(23,500)
	As at end of the year		**11,743,143**	11,727,078
14	**SHORT TERM BORROWINGS**			
	These represent short term finances obtained from			
	Banking companies	*14.1*	**722,537,650**	722,537,650
	Directors and sponsors	*14.2*	**120,980**	1,105,333
			722,658,630	723,642,983

	Note	2019	2018
		Rupees	*Rupees*

14.1 Banking companies

These represent short term finances utilized under interest/markup arrangements

	Note	2019	2018
Cash finance	*14.1.1*	**648,653,898**	648,653,898
Term loan	*14.1.2*	**73,883,752**	73,883,752
		722,537,650	722,537,650

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 (2018: three months KIBOR plus 2% per annum), payable quarterly. As at reporting date, an amount of Rs 648.653 million is over due. Upto the reporting date, an amount of Rs. 113.811 million has been acrued on account of interest/markup out of which an amount of Rs. 52.316 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 (2018: three months KIBOR plus 2.00 % per annum), payable quarterly. As at reporting date, an amount of Rs 648.653 million is over due. Upto the reporting date, an amount of Rs. 8.262 million has been acrued on account of interest/markup out of which an amount of Rs. 5.869 million is overdue.

14.1.3 The aggregate available short term funded facilities amounts to Rs. 722.537 million (2018: Rs. 722.537 million) out of which Rs. nil (2018: Rs. nil) 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 83.815 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 (2018: Rs. 220,000) for every month it occupies the office premises owned by a director of the Company.

	Note	2019	2018
		Rupees	*Rupees*
17 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	*17.1*	**899,998,866**	945,929,046
Capital work in progress	*17.2*	**-**	-
		899,998,866	945,929,046

17.1 Operating fixed assets

2019

	COST/REVALUED AMOUNT						DEPRECIATION				Net book
	As at July 01, 2018 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2019 Rupees	Rate %	As at July 01, 2018 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2019 Rupees	value as at June 30, 2019 Rupees
Freehold land	142,835,000	-	-	-	142,835,000	-	-	-	-	-	142,835,000
Buildings on freehold land	444,641,284	-	-	-	444,641,284	5	247,915,505	9,836,289	-	257,751,794	186,889,490
Plant and machinery	1,005,387,955	-	-	-	1,005,387,955	5	455,225,860	27,508,105	-	482,733,965	522,653,990
Electric installations	77,583,273	-	-	-	77,583,273	5	39,524,925	1,902,917	-	41,427,842	36,155,431
Tools and equipment	1,590,642	-	-	-	1,590,642	10	1,311,116	27,953	-	1,339,069	251,573
Laboratory equipment	25,168,140	-	-	-	25,168,140	10	21,402,882	376,526	-	21,779,408	3,388,732
Fire fighting equipment	2,652,333	-	-	-	2,652,333	10	1,896,333	75,600	-	1,971,933	680,400
Office equipment	4,750,134	-	-	-	4,750,134	10	3,118,976	163,116	-	3,282,092	1,468,042
Furniture and fixtures	8,968,809	-	-	-	8,968,809	10	6,477,946	249,086	-	6,727,032	2,241,777
Arms and ammunitions	506,989	-	-	-	506,989	10	401,631	10,536	-	412,167	94,822
Vehicles	40,101,097	339,595	(19,698,750)	-	20,741,942	20	30,981,436	1,206,079	(14,785,182)	17,402,333	3,339,609
	1,754,185,656	339,595	(19,698,750)	-	1,734,826,501		808,256,610	41,356,207	(14,785,182)	834,827,635	899,998,866

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

17.1.1 Free hold land of the Company is located at District Johar Abad with a total area of 519 Kanal 8 Marla (2018: 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 operating fixed assets

	2019						
	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 Prado	**3,600,187**	**3,340,672**	**259,515**	**2,400,000**	**2,140,485**	**Negotiation**	**Iqbal Salahuddin, Lahore.**
Honda Civic	**1,766,000**	**1,600,870**	**165,130**	**770,000**	**604,870**	**Negotiation**	**Iqbal Salahuddin, Lahore.**
Honda Civic	**1,387,609**	**1,234,270**	**153,339**	**800,000**	**646,661**	**Negotiation**	**Mehboob Usman, Lahore.**
Toyota Vigo	**2,228,825**	**2,024,208**	**204,617**	**700,000**	**495,383**	**Negotiation**	**Iqbal Salahuddin, Lahore.**
Toyota S/Cabin	**1,620,150**	**1,290,643**	**329,507**	**500,000**	**170,493**	**Negotiation**	**Iqbal Salahuddin, Lahore.**
Suzuki Bolan	**458,849**	**363,624**	**95,225**	**290,000**	**194,775**	**Negotiation**	**Sajjad Ali, Lahore.**
Suzuki Mehran	**395,000**	**365,452**	**29,548**	**250,000**	**220,452**	**Negotiation**	**Iqbal Salahuddin, Lahore.**
Suzuki Cultus	**961,400**	**773,053**	**188,347**	**700,000**	**511,653**	**Negotiation**	**Majid Latif, Lahore.**
Honda Civic	**1,324,500**	**384,988**	**939,512**	**1,350,000**	**410,488**	**Negotiation**	**Nadeem Abbas, Lahore.**
Honda City	**1,599,040**	**399,760**	**1,199,280**	**511,056**	**(688,224)**	**Negotiation**	**Rabia Hasan, Karachi.**
Suzuki Cultus	**992,985**	**848,047**	**144,938**	**144,706**	**(232)**	**Negotiation**	**Abdusalam, Lahore.**
Honda Civic	**2,332,110**	**1,382,848**	**949,262**	**859,709**	**(89,553)**	**Negotiation**	**Yusuf Salahuddin, Lahore.**
Motor Bike	**105,200**	**78,541**	**26,659**	**45,000**	**18,341**	**Negotiation**	**Sajjad Ali, Lahore.**
Motor Bike	**101,100**	**74,947**	**26,153**	**45,000**	**18,847**	**Negotiation**	**Abdur Razzaq, Lahore.**
Motor Bike	**72,720**	**42,127**	**30,593**	**28,000**	**(2,593)**	**Negotiation**	**Zafar Abbas, Lahore.**
Motor Bike	**76,960**	**50,472**	**26,488**	**25,000**	**(1,488)**	**Negotiation**	**Naeem, Lahore**
Motor Bike	**76,605**	**50,718**	**25,887**	**25,000**	**(887)**	**Negotiation**	**Atif, Lahore**
Motor Bike	**105,200**	**75,707**	**29,493**	**35,000**	**5,507**	**Negotiation**	**Allah Dad, Lahore.**
Motor Bike	**92,100**	**77,936**	**14,164**	**35,000**	**20,836**	**Negotiation**	**Yousuf, Lahore.**
Motor Bike	**94,350**	**75,457**	**18,893**	**35,000**	**16,107**	**Negotiation**	**Rafique, Lahore.**
Motor Bike	**93,385**	**76,629**	**16,756**	**35,000**	**18,244**	**Negotiation**	**Umair Butt, Lahore.**
Motor Bike	**109,100**	**98,361**	**10,739**	**45,000**	**34,261**	**Negotiation**	**Iqbal Salahuddin, Lahore.**
Motor Bike	**105,375**	**75,852**	**29,523**	**36,220**	**6,697**	**Negotiation**	**Iqbal Salahuddin, Lahore.**
	19,698,750	**14,785,182**	**4,913,568**	**9,664,691**	**4,751,123**		

	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		

	Note	2019	2018
		Rupees	*Rupees*

17.1.4 The depreciation charge for the year has been allocated as follows:

	Note	2019	2018
Cost of sales	*26*	**39,727,390**	41,694,032
Administrative and general expenses	*28*	**1,628,817**	2,631,443
		41,356,207	44,325,475

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:

	2019		
	Cost	**Accumulated depreciation**	**Net book value**
	Rupees	***Rupees***	***Rupees***
Freehold land	**144,868**	**-**	**144,868**
Buildings on freehold land	**142,157,800**	**56,518,090**	**85,639,710**
Plant and machinery	**1,151,056,760**	**466,628,746**	**684,428,014**
Electric installation	**55,565,912**	**27,316,301**	**28,249,611**
Laboratory equipment	**4,282,115**	**3,723,902**	**558,213**
Fire fighting equipment	**382,181**	**287,459**	**94,722**

	2018		
	Cost	Accumulated depreciation	Net book value
	Rupees	*Rupees*	*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

15.1.6 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

	2019			
	As at July 01, 2018	**Additions**	**Transfers**	**As at June 30, 2019**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	-	-	-	-
	-	-	-	-

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

18 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 '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	2019	2018
		Rupees	*Rupees*
19 STORES, SPARES AND LOOSE TOOLS			
Stores		**38,539,753**	38,244,270
Spares and loose tools		**42,082,845**	42,478,859
		80,622,598	80,723,129

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	2019	2018
20 STOCK IN TRADE			
Raw material		**456,545,598**	459,551,667
Work in process		**-**	27,674,737
Finished goods	*20.1*	**108,894,900**	113,221,066
		565,440,498	600,447,470

20.1 Stock of finished goods include stock of waste valued at net realizable value of Rs. nil. (2018: Rs. 966,816).

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

	Note	2019	2018
		Rupees	*Rupees*
21 TRADE DEBTS			
Local		**96,582,970**	100,053,918
		96,582,970	100,053,918
22 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers		**5,466,084**	318,007
Advances to employees	*22.1*		
- against purchases and expenses		**718,035**	578,351
- against salaries and benefits		**12,837,167**	6,037,793
Security deposits		**1,613,107**	1,613,107
Prepayments		**3,444,223**	5,943,226
Sales tax refundable		**20,534,172**	24,551,311
Insurance claims receivable		**1,922,460**	1,922,460
Other receivables		**1,326,864**	1,638,659
		47,862,112	42,602,914

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

		Note	2019 Rupees	2018 Rupees
23	**CURRENT TAXATION**			
	Advance income tax/income tax refundable		**13,194,070**	35,692,917
	Provision for taxation	*32*	**(1,396,808)**	(23,363,082)
			11,797,262	12,329,835
24	**CASH AND BANK BALANCES**			
	Cash in hand		**28,802**	79,017
	Cash at banks			
	current accounts		**2,471,277**	2,129,451
	deposit/saving accounts	*24.1*	**1,762**	13,476
			2,473,039	2,142,927
			2,501,841	2,221,944

24.1 Effective markup rate in respect of deposit/saving accounts, for the year, ranges from 5% to 5.5% (2018: 4.5% to 5%).

		Note	2019 Rupees	2018 Rupees
25	**SALES - NET**			
	Yarn		**110,790,102**	1,880,077,640
	Waste		**954,547**	32,450,111
			111,744,649	1,912,527,751
26	**COST OF SALES**			
	Raw material consumed	*26.1*	**75,709,751**	1,485,542,077
	Stores, spares and loose tools consumed		**3,021,321**	59,455,159
	Salaries, wages and benefits	*26.2*	**75,032,666**	199,168,268
	Power and fuel		**35,757,109**	310,556,695
	Insurance		**2,259,264**	8,573,637
	Vehicle running and maintenance		**395,871**	1,252,631
	Depreciation	*17.1.4*	**39,727,390**	41,694,032
	Others		**2,822,463**	5,095,454
	Manufacturing cost		**234,725,835**	2,111,337,953
	Work in process			
	As at beginning of the year		**27,674,737**	26,551,504
	As at end of the year		**-**	(27,674,737)
			27,674,737	(1,123,233)
	Cost of goods manufactured		**262,400,572**	2,110,214,720
	Finished goods			
	As at beginning of the year		**113,221,066**	157,991,365
	As at end of the year		**(108,894,900)**	(113,221,066)
			4,326,166	44,770,299
			266,726,738	2,154,985,019
26.1	**Raw material consumed**			
	As at beginning of the year		**459,551,667**	807,678,103
	Purchased during the year		**72,703,682**	1,137,415,641
	As at end of the year		**(456,545,598)**	(459,551,667)
			75,709,751	1,485,542,077

26.2 These include charge in respect of employees retirement benefits amounting to Rs. nil (2018: Rs. 11,724,485).

	Note	2019 Rupees	2018 Rupees
27 SELLING AND DISTRIBUTION EXPENSES			
Salaries wages and benefits	27.1	**573,285**	5,765,146
Inland transportation		**965,463**	1,050,668
Ocean freight and forwarding		**920**	5,106
Traveling		**-**	33,320
Communication		**9,100**	107,610
Insurance		**23,838**	95,356
Commission		**171,112**	1,909,085
Vehicle running and maintenance		**4,050**	394,590
Others		**-**	29,890
		1,747,768	9,390,771

27.1 These include charge in respect of employees retirement benefits amounting to Rs. nil (2018: Rs. 3,081,371).

	Note	2019 Rupees	2018 Rupees
28 ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' remuneration		**2,159,191**	8,399,333
Salaries and benefits	28.1	**9,949,845**	18,547,247
Traveling, conveyance and entertainment		**243,807**	549,743
Printing and stationery		**211,620**	484,419
Electricity, water and gas		**3,385,822**	1,570,638
Communication		**622,385**	808,314
Vehicles running and maintenance		**1,331,893**	3,021,423
Legal and professional		**1,522,481**	5,725,699
Auditor's remuneration	28.2	**850,000**	850,000
Fee and subscription		**325,580**	3,613,808
Rent rates and taxes		**2,640,000**	2,640,000
Insurance		**243,765**	1,185,159
Repair and maintenance		**-**	95,608
Depreciation	17.1.4	**1,628,817**	2,631,443
Others		**2,355,434**	1,416,236
		27,470,640	51,539,070

28.1 These include charge in respect of employees retirement benefits amounting to Rs. nil (2018: Rs. 2,267,277).

	Note	2019 Rupees	2018 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

		Note	2019 Rupees	2018 Rupees
29	**OTHER INCOME**			
	Gain on financial instruments			
	Return on bank deposits		**50**	81,851
	Other income			
	Gain on disposal of operating fixed assets	*17.1.3*	**4,751,123**	554,871
	Scrap sale		**4,500,000**	1,894,510
			9,251,123	2,449,381
			9,251,173	2,531,232
30	**FINANCE COST**			
	Interest/markup/profit on borrowings:			
	long term finances		**36,009,427**	28,692,014
	short term borrowings		**81,444,031**	53,415,719
	Bank charges and commission		**130,029**	949,431
			117,583,487	83,057,164
31	**OTHER CHARGES**			
	Donations		**31,031**	894,000
	Others		**-**	156,410
			31,031	1,050,410
32	**PROVISION FOR TAXATION**			
	Current taxation			
	current year	*32.1*	**1,396,808**	23,363,082
	prior year		**-**	32,137
			1,396,808	23,395,219
	Deferred taxation			
	changes attributable to origination and reversal of temporary differences	*12*	**(14,199,258)**	3,192,058
	changes attributable to changes in tax rates		**-**	(1,426,483)
			(14,199,258)	1,765,575
			(12,802,450)	25,160,794

32.1 Provision for current tax has been made under Section 113 (2018: Section 113) 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.

33.1 Assessments for the tax years up to 2018 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

		Unit	2019	2018
33	**LOSS PER SHARE**			
	Loss attributable to ordinary shareholders	*Rupees*	**(315,777,112)**	(397,941,345)
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**8,775,000**	8,775,000
	Loss per share - *Basic*	*Rupees*	**(35.99)**	(45.35)

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

	Note	2019	2018
		Rupees	*Rupees*
34 CASH USED IN OPERATIONS			
Loss before taxation		**(328,579,562)**	(372,780,551)
Adjustments for non-cash and other items			
Interest/markup/profit on borrowings		**117,453,458**	82,107,733
Notional interest		**36,015,720**	(12,182,900)
Gain on disposal of operating fixed assets		**(4,751,123)**	(554,871)
Provision for employees retirement benefits		**-**	17,073,133
Depreciation		**41,356,207**	44,325,475
		190,074,262	130,768,570
Operating loss before changes in working capital		**(138,505,300)**	(242,011,981)
Changes in working capital			
Stores, spares and loose tools		**100,531**	3,905,153
Stock in trade		**35,006,972**	391,773,502
Trade debts		**3,470,948**	(14,874,955)
Advances, prepayments and other receivables		**(5,259,198)**	3,581,448
Trade and other payables		**53,258,106**	(191,393,895)
		86,577,359	192,991,253
Cash used in operations		**(51,927,941)**	(49,020,728)
35 CASH AND CASH EQUIVALENTS			
Cash and bank balances	*24*	**2,501,841**	2,221,944
		2,501,841	2,221,944

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:

		2019	2018
		Rupees	*Rupees*

36.1 Transactions with related parties

Nature of relationship	Nature of transactions	2019 Rupees	2018 Rupees
Key management personnel	Short term employee benefits	**2,159,191**	9,612,882
Sponsors	Long term loan obtained	**45,000,000**	140,419,383
	Short term borrowing obtained/(repaid)	**(984,353)**	-
	Rent paid	**2,640,000**	2,640,000

Balances with related parties

Nature of relationship	Nature of balances	2019 Rupees	2018 Rupees
Key management personnel	Short term employee benefits payable	**-**	535,000
Sponsors	Long term loan	**795,000,000**	750,000,000
	Short term borrowings	**120,980**	1,105,333

37 FINANCIAL INSTRUMENTS

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

	Note	2019	2018
		Rupees	*Rupees*
Financial assets			
Cash in hand	*24*	**28,802**	79,017
Financial assets at amortized cost			
Long term deposits	*18*	**11,243,604**	11,243,604
Trade debts	*21*	**96,582,970**	100,053,918
Advances to employees	*22*	**12,837,167**	6,037,793
Security deposits	*22*	**1,613,107**	1,613,107
Insurance claims receivable	*22*	**1,922,460**	1,922,460
Bank balances	*24*	**2,501,841**	2,221,944
		126,729,951	123,171,843
Financial liabilities			
Financial liabilities at amortized cost			
Loan from sponsors	*9*	**617,898,653**	536,882,933
Long term finances	*10*	**83,333,334**	83,333,334
Short term borrowings	*14*	**722,537,650**	722,537,650
Accrued interest/markup/profit	*15*	**181,557,822**	64,104,364
Trade creditors	*13*	**138,945,062**	138,665,368
Accrued liabilities	*13*	**185,222,580**	116,369,756
Unclaimed dividend		**1,010,033**	1,010,033
		1,930,505,134	1,662,903,438

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 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthty counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade debts 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.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordnace with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counterparty.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward?looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade debts to have low credit risk where the customer has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is ocnsidered to be credit?impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Company's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade debts: Liftime ECL Other assets: Twelve month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Amount is written-off

38.1.2 Maximum exposure to credit risk

The maximum exposure to credit risk as at the reporting date is as follows:

	Note	**2019**	2018
		Rupees	*Rupees*
Long term deposits	*18*	**11,243,604**	11,243,604
Trade debts	*21*	**96,582,970**	100,053,918
Advances to employees	*22*	**622,385**	808,314
Security deposits	*22*	**1,613,107**	1,613,107
Insurance claims receivable	*22*	**1,922,460**	1,922,460
Bank balances	*24*	**2,473,039**	2,142,927
		114,457,565	117,784,330

38.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

	Note	**External credit rating**	**Internal credit risk grading**	**12-month or life-time ECL**	**Gross carrying amount**	**Loss allowance**
Long term deposits	*18*	N/A	Performing	12-month ECL	11,243,604	-
Trade debts	*21*	N/A	Performing	12-month ECL	96,582,970	-
Advances to employees	*22*	N/A	Performing	Lifetime ECL	622,385	-
Security deposits	*22*	N/A	Performing	Lifetime ECL	1,613,107	-
Insurance claims receivable	*22*	N/A	Performing	Lifetime ECL	1,922,460	-
Bank balances	*24*	A1 - A1+	N/A	12-month ECL	2,473,039	-
					114,457,565	**-**

(a) **Long term deposits**

Long term deposits comprise security deposits placed with various utility companies and regulatory authorities. These deposits are substantially perpetual in nature. Therefore, no credit risk has been associated with these financial assets and acordingly no loss allownace has been made.

(b) **Trade debts**

For trade debts, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade debts by using internal credit risk gradings. As at the reporting date, all trade debts are considered 'performing' including those past due amounting to Rs. 72.3 million as there is no significant increase in credit risk in respect of these debts since initial recognition. The ageing analysis of trade debts as at the reporting date is as follows:

	2019	2018
	Gross carrying amount	Gross carrying amount
	Rupees	*Rupees*
Neither past due nor impaired	**24,280,171**	24,280,171
Past due by 0 to 6 months	**43,243,682**	46,714,630
Past due by 6 to 12 months	**16,486,187**	16,486,187
Past due by over one year	**12,572,930**	12,572,930
	96,582,970	100,053,918

(c) **Advanes to employees**

Advances to employees have been given against future salaries and post-employment benefits. Accordingly, these are considered to have no credit risk.

(d) **Security Deposits**

Security deposits comprise deposits placed with utility companies and yarn suppliers. These deposits are substantially perpetual in nature. Therefore, no credit risk has been associated with these financial assets and acordingly no loss allownace has been made.

(e) **Insurance claim receivables**

These are claims receivable against group life, health and vehicles insurance. Management expect a full recovery against these claims. Therefore no credit risk is associated with these balances.

(f) **Bank balances**

The bankers of the Company have reasonably high credit ratings as determined by various indpendent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

38.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade debts. The Company's two (2018: nil) significant customers account for Rs. 49.58 million (2018: Rs. nil) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2018: 10%) 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.

38.1.5 Collateral held

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

38.1.6 Changes in impairment allowance for expected credit losses

The management does not changes any impairment allowance for expected credit losses .

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 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 and also has continued financial support of its directors and sponsors.

38.2.2 Exposure to liquidity risk

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

	2019				
	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	**617,898,653**	**795,000,000**	**-**	**795,000,000**	**-**
Long term finances	**310,833,334**	**336,685,305**	**303,388,935**	**33,296,370**	**-**
Short term borrowings	**722,537,650**	**722,537,650**	**722,537,650**	**-**	**-**
Accrued interest/markup/profit	**181,557,822**	**181,557,822**	**181,557,822**	**-**	**-**
Trade creditors	**138,945,062**	**138,945,062**	**138,945,062**	**-**	**-**
Accrued liabilities	**185,222,580**	**185,222,580**	**185,222,580**	**-**	**-**
	2,156,995,101	**2,359,948,419**	**1,531,652,049**	**828,296,370**	**-**

	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	536,882,933	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	-	-
	1,889,393,405	2,135,318,871	1,248,655,055	886,663,816	-

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:

	2019		
	Principal	**interest/markup**	**Total**
	Rupees	***Rupees***	***Rupees***
Long term finances	**175,000,000**	**25,631,126**	**200,631,126**
Short term borrowings	**722,537,650**	**58,184,335**	**780,721,985**
	897,537,650	**83,815,461**	**981,353,111**

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 rate risk management

The Company manages interest rate risk by analysing 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.

(b) 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:

	2019	2018
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**1,762**	13,476
Financial liabilities	**617,898,653**	536,882,933
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**1,033,370,984**	1,033,370,984

(c) 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.

(d) 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 (2018: Rs. 10.33 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

38.3.3 Other price risk

Othre 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	2019	2018
Total debt	*Rupees*	**928,731,987**	847,716,267
Total equity	*Rupees*	**(742,041,246)**	(426,264,134)
Total capital employed		**186,690,741**	421,452,133
Gearing	*% age*	**497.47%**	201.14%

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

40.1 Financial Instruments

40.1.1 Financial instruments measured at fair value

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:

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.

40.1.2 Financial instruments not measured at fair value

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

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	**2019**	2018
				Rupees	*Rupees*
Freehold land	-	142,835,000	-	**142,835,000**	142,835,000
Buildings on freehold land	-	-	186,889,490	**186,889,490**	196,725,779
Plant and machinery	-	-	522,653,990	**522,653,990**	550,162,095
Electric installation	-	-	36,155,431	**36,155,431**	38,058,348
Laboratory equipment	-	-	3,388,732	**3,388,732**	3,765,258
Fire fighting equipment	-	-	680,400	**680,400**	756,000

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 (2018: 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. 9.344 million (2018: Rs. 9,836 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. 26.133million (2018: Rs. 27,508 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.1.8 million (2018: Rs. 1.9 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. 169,437 (2018: Rs. 188,263).
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. 34,020 (2018: Rs. 37,800).

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.

		2019	2018
		Rupees	*Rupees*
41	**RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY**		
	Mortgages and charges		
	Charge over current assets	**513,840,000**	502,500,000
	Charge over fixed assets	**1,008,282,000**	1,308,622,000
	Pledge		
	Raw material	**456,545,598**	459,551,667
	Finished goods	**108,894,900**	112,254,250

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:

		2019	
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**795,000**	**1,155,000**	**3,000,000**
Allowances and perquisites	**147,810**	**61,381**	**-**
Post employment benefits	**-**	**-**	**-**
	942,810	**1,216,381**	**3,000,000**
Number of persons	**1**	**3**	**2**

		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

Remuneration, allowances and meeting fee include Rs. nil (2018: Rs. 2,520,000) paid to non-executive directors of the Company.

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

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. 47.841 million of revenue derived from sales to three 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

	2019	2018
Total number of employees	**8**	1,078
Average number of employees	**406**	1,076

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	2019	2018
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*	**660,570**	**5,336,992**

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 GENERAL

47.1 Figures have been rounded off to the nearest rupee.

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

Lahore
Date : October 04, 2019

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 **30-06-2019**

2.2 No. of Shareholders	------Shareholdings------ From	To	Total Shares Held
937	1	100	60,640
314	101	500	83,192
76	501	1,000	64,199
112	1,001	5,000	300,490
26	5,001	10,000	210,049
13	10,001	15,000	168,694
5	15,001	20,000	89,205
2	20,001	25,000	47,000
2	25,001	30,000	55,000
3	30,001	35,000	100,841
2	35,001	40,000	77,000
1	40,001	45,000	40,500
1	45,001	50,000	47,393
3	55,001	60,000	170,100
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
1,507			**8,775,000**

	Share held	Percentage
2.3 Categories of shareholders		
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	6,262,918	71.3723
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	-	-
2.3.3 NIT and ICP	362,924	4.1359
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	10,000	0.1140
2.3.7 Share holders holding 10% or more	6,254,918	71.2811
2.3.8 General Public		
a. Local	1,876,973	21.3900
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
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2019

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)		-	-
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 SALAH UDDIN (CDC)	1,554,328	17.7131
4	MIAN YOUSAF SALAH UDDIN (CDC)	1,543,820	17.5934
5	MIAN SOHAIL SALAHUDDIN (CDC)	5,000	0.0570
6	MR. MUHAMMAD KHALIL LATIF (CDC)	500	0.0057
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

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

51st 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 51st Annual General meeting of the Company to be held Friday, 25th October 2019 at 10:00 am at Noor Mahal, 1 Rasool Park, LOS, 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.

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