

Saif Textile Mills Limited

29th Annual Report 2018



Saif Group



Certified ISO 9001:2008
Certified ISO 14001:2004



ENTITY RATING OF SAIF TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited

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RIETER

CORPORATE INFORMATION

BOARD OF DIRECTORS

Osman Saifullah Khan	Chairman/ Director
Hoor Yousafzai	Director
Assad Saifullah Khan	Director
Jehannaz Saifullah Khan	Director
Faisal Saifullah Khan	Director
Rana Muhammad Shafi	Director
Muhammad Danish	Director
Zaheen-ud-Din-Qureshi	Chief Executive

AUDIT COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

HR & REMUNERATION COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sabir Khan

HEAD OF INTERNAL AUDIT

Fahad Talal

LEGAL ADVISOR

Dr. Pervez Hassan
Hassan & Hassan, Advocates
Salahuddin Saif & Aslam
(Attorney's at Law)

AUDITORS

M/s Shinewing Hameed Chaudhri & Co.
Chartered Accountants
HM House, 7-Bank Square, Lahore

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Industrial and Commercial Bank of China Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Soneri Bank Limited
Summit Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

City Centre Plaza
3rd Floor Plot # 40 Main Bank Road Saddar
Rawalpindi
Telephone: +92-51-5700824-5700825-26
Fax: +92-51-5700829
Email: stm@saifgroup.com

REGISTERED OFFICE

APTMA House, Tehkal Payan, Jamrud Road,
Peshawar
Telephone: +92-91-5843870, 5702941
Fax: +92-91-5840273
Email: peshawar@saifgroup.com

SHARES REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
HM House, 7-Bank Square, Lahore
Telephone: +92-42-37235081-37235082
Fax: +92-42-37358817
Email: info@hmaconsultants.com

MILLS

Industrial Estate, Gadoon Amazai, District
Swabi
Telephone: +92-0938-270313, 270429
Fax: +92-0938-270514
Email: stmghdn@saifgroup.com

CYBER

www.saiftextile.com

Vision

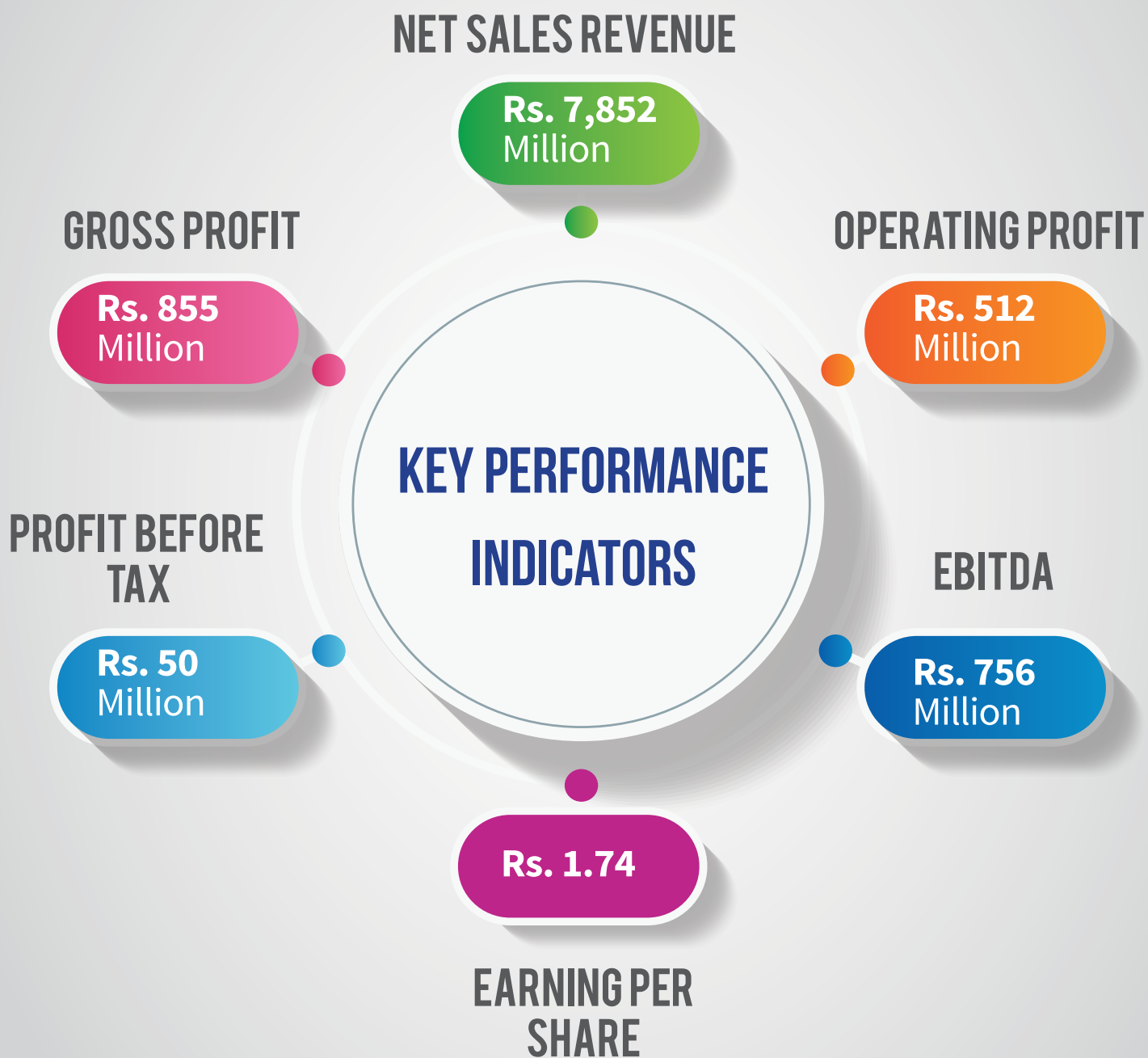
To attain market leadership through unmatched quality, a diverse and unique product mix, empowered employees, world class systems, and the highest ethical and professional standards.



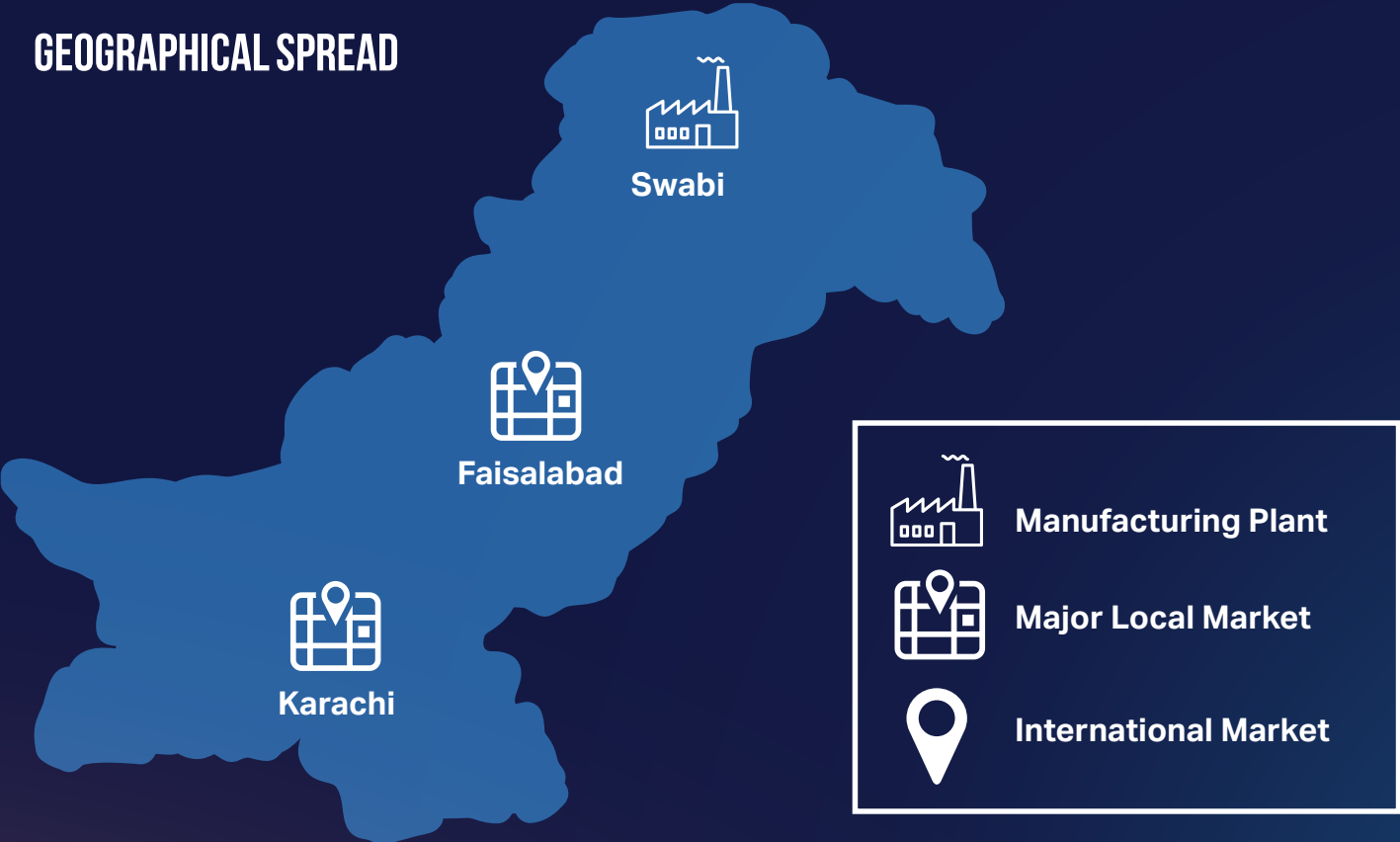


Mission

- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- Earn and sustain the trust of our stakeholders through efficient resource management.
- Provide the highest quality products and services consistent with customer needs and continue to earn the respect, confidence and goodwill of our customers and suppliers.
- Foster a culture of trust and openness in order to make professional life at the Saif Textile Mills Limited a stimulating and challenging experience for all our people.
- Strive for the continuous development of Pakistan while adding value to the textile sector.



GEOGRAPHICAL SPREAD



Quality Statement

We strive to manufacture quality yarn as per our customer's requirement. This is achieved by:

- Our commitment to quality
- Extensive process monitoring and
- Training of personnel

Our Products

Our products dyed yarns, melange yarns, special yarns for knitting and weaving and surgical cotton.

• Accru Yarn

Saif Textile is one of few largest fancy yarns manufacturing company in Pakistan. Our passion for fancy yarn has made us a trendsetter in this industry. We are constantly searching throughout the world to find ideas for new yarns, with various cottons & fibers to lead the industry with our innovative and top quality products.

Saif Textile Mills can deliver yarns fully palletized, as well as Soft wound yarn on Dye/Perforated plastic cones with the option of 4° 20' and 0° cylindrical cone angles. All yarns are Automatically Palletized (Sangrato, Italy), Sequentially contamination controlled – Joss Vision Shield and Loptex, Loepfe Zenit Yarn cleared.

• Dyed Yarn

Saif Textile also offers wide range of dyed yarns, produced and dyed with state of the art machinery from Thiese Germany with highly automated operations, automatic dyestuff machine from Date Color, Yarn dyeing shades are electronically measured by using state of the art spectrophotometers.

• Melange Yarn

Saif Textile focus on the supply of top dyed melange yarn keeping in view latest trends and fashion, care for environment and technology.

• Surgical Cotton

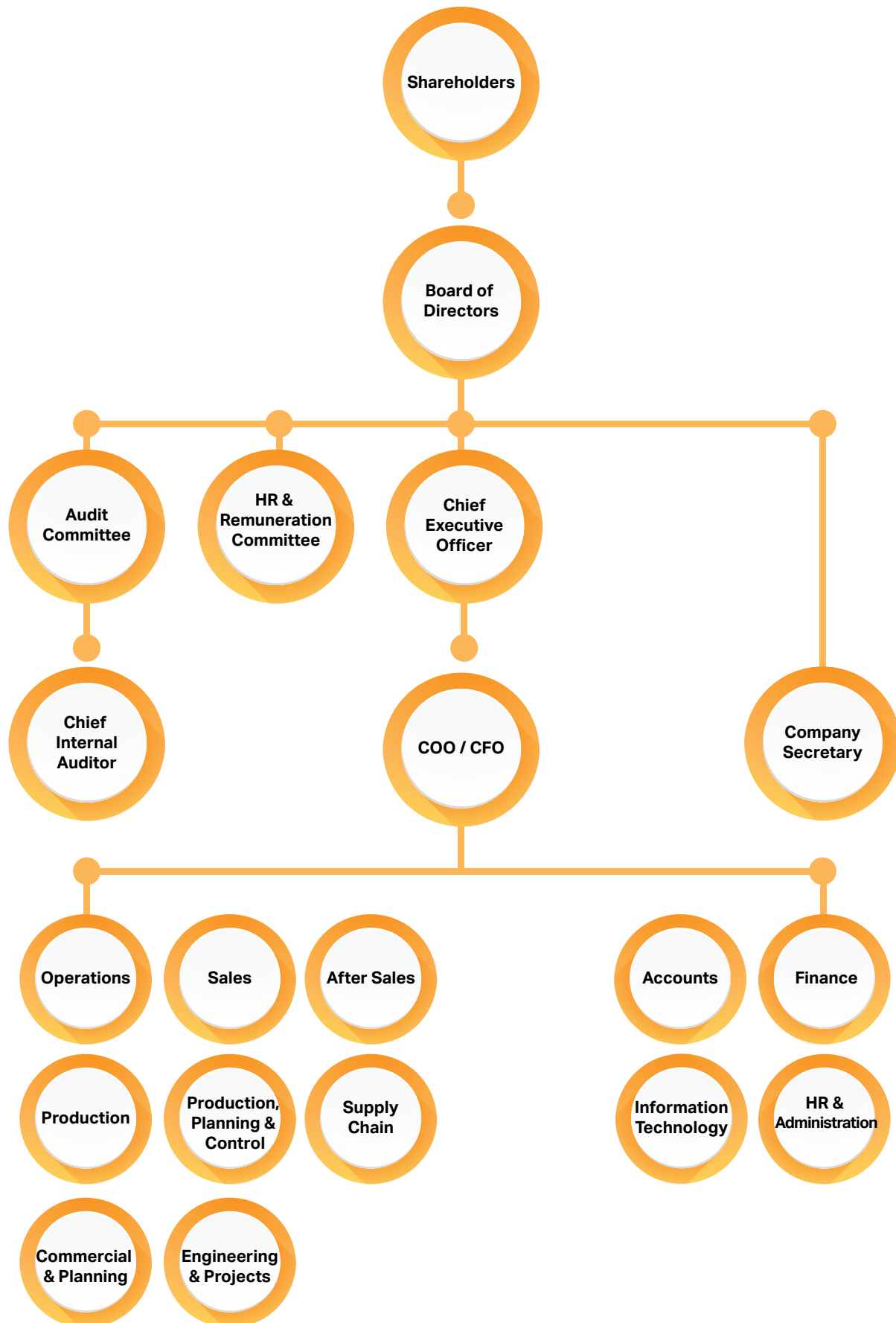
Surgical Cotton is being supplied to various local and international customers dealing with healthcare products.

Our Customers

Local (Karachi, Lahore, Multan and Faisalabad)

Export (Turkey, Poland, Germany, Geneva, Tajikistan and Russia)

ORGANIZATION CHART



NOTICE OF 29TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 29th Annual General Meeting of Saif Textile Mills Limited will In shaa Allah be held on Friday October 26, 2018 at 11:00 a.m. at its registered office, APTMA House Tehkal payan, Jamrud Road, Peshawar, to transact the following business:

• **ORDINARY BUSINESS:-**

1. To confirm minutes of the last Extra Ordinary General Meeting of the Company held on March 31, 2018.
2. To receive, consider and adopt the annual audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2018.
3. To approve cash dividend @ 7.50% i.e. Rs.0.75/- per share for the year ended June 30, 2018 as recommended by the Board of Directors.
4. To appoint auditors and to fix their remuneration for the financial year ending June 30, 2019, who will hold office till conclusion of the next Annual General Meeting. The Board on the recommendation of the Audit Committee has proposed the appointment of M/s Shinewing Hameed Chaudhri Chartered Accountants as external auditors. The retiring auditors being eligible, have offered themselves for re-appointment.

• **SPECIAL BUSINESS:-**

5. To consider and approve the following resolution(s), with or without modification, as special resolution for sharing of common expenses, sale and purchase of goods with associated companies including M/s. Kohat Textile Mills Limited & Mediterranean Textile Company.

Resolved that the company be and is hereby authorized to share common expenses with M/s. Kohat Textile Mills Limited an associated company or any other associated Company which

may include but not limited to office rents, administrative salaries, utilities expenses, repair and maintenance and other miscellaneous expenses etc. (collectively the "Administrative Expenses"), in respect of its joint offices.

Further Resolved that Chief Executive & Secretary of company be and are hereby authorized to take all legal and other corporate formalities with regard to these matters on behalf of the company and to do all such acts, deeds and things as may be deemed necessary and beneficial for the Company.

Resolved Further that the Related Party Transactions of sale and purchase of goods to / from associated companies as disclosed in notes to the audited financial statements be and are hereby ratified, approved and confirmed.

Further Resolved that the Chief Executive of the company be and is hereby authorized to approve the Related Party Transactions regarding sale and purchase of goods to / from associated companies as disclosed in notes to the financial statements.

6. To transact any other business with the permission of the Chair.

Attached to this Notice is a Statement of Material Facts covering the above-mentioned special business, as required under Section 134(3) of the Companies Act, 2017.

BY ORDER OF THE BOARD



SABIR KHAN
Company Secretary

Peshawar,
October 5, 2018

NOTICE OF 29TH ANNUAL GENERAL MEETING

NOTES:

1. The Shares Transfer Books of the Company will remain closed from October 20, 2018 to October 26, 2018 (both days inclusive) transfers received in order at the office of the Company's Shares Registrar. M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore by the close of business on dated October 19, 2018 will be treated in time.
2. A member entitled to attend and vote at the meeting, may appoint another person / member as a proxy to attend, speak and vote on behalf of him/her. Proxy Forms duly stamped with Rs.5/- revenue stamp, signed and witnessed by two persons, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual beneficial owners of CDC, entitled to attend and vote at the meeting must bring his/her CNIC or passport to prove his/her identity and the proxy shall produce his/ her original CNIC or passport. In case of corporate members, the Boards' resolution or power of attorney with specimen signatures of the nominee shall require to be produced at the time of meeting.
4. For the convenience of Members, a Standard Request Form with appropriate details has been uploaded on the Company's website <www.saiftextile.com>. Those Members who opt to receive the hard copies of the annual audited financial statements instead of sending the same through CD/DVD/USB

at their registered addresses may apply to the Company Secretary at his postal address i.e. APTMA House Tehkal Payan Jamrud Road, Peshawar or email address c.a@saifgroup.com.

5. Members are requested to submit an attested photocopy of their valid Computerized National Identity Cards (CNICs) as per SECP's direction, if not provided earlier.
6. Members are requested to promptly notify any change in their address.
7. Pursuant to Section 132(2) of the Companies Act, 2017 if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please fill the following form and submit to the registered address of the Company within seven (07) days before holding of annual general meeting.

I/ We, _____
of _____, being
a member of Saif Textile Mills Limited,
holder of _____ Ordinary
Shares as per Register Folio No./ CDC A/C
No. _____ hereby opt for Video
Conference Facility at _____

Signature of member

NOTICE OF 29TH ANNUAL GENERAL MEETING

If the Company receives consent from members holding an aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through Video Conference at least 07 days prior to the date of meeting, the Company will arrange Video Conference facility in that city subject to availability of such facility in that city.

8. **DIVIDEND PAYMENTS THROUGH ELECTRONIC MODE:**

In order to receive the future dividends through electronic mode as per requirements of Section 242 of the Companies Act, 2017 shareholders are requested to provide the following detail to our share registrar M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore.

STATEMENT OF MATERIAL FACTS U/S 134(3) OF THE COMPANIES ACT, 2017

The transactions with associated companies regarding sharing of common expenses and sale and purchase of goods require approval of the Board on the recommendation of the audit committee on quarterly basis pursuant to clause (15) of the Listed Companies (Code of Corporate Governance) Regulations, 2017, however, the majority of company's directors being interested in the said transactions due to their common directorship and holding of shares in the associated companies, the quorum of the directors could not be formed for approval of these transactions pursuant to section 207 of the Companies Act, 2017, thus, these transactions are being place before the members for their approval.

Name of Shareholder	
Folio / CDS Account No.	
CNIC	
Email	
Title of Bank Account	
Bank Account (IBAN) Number (24-Digits)	
Bank's Name	
Branch Name and Address	
Contact No.	

CHAIRMAN'S REVIEW REPORT

As the Chairman of the Board, I hereby present my review on the overall performance of the Board as required under section 192 of Companies Act, 2017.

The directors as a body are under an equitable duty to act bona fide in the interest of the company. Therefore, the Board is to ensure that the company is being managed in a way its objectives are achieved, whilst safeguarding the integrity of the company and the interests of its stakeholders. I am satisfied that the Board has been working well given its organizational model and the Board structure. The Board members have the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to effectively govern the business. The Board committees will strive to become an ever more effective tool for governance and monitoring. Individual Board members appear to be hard-working and demonstrate a strong commitment towards overall performance of the company. Their behaviour in the Board meetings is mostly seen to be professional and constructive. The Board has been focused and committed to company's values and mission. Time was suitably apportioned to both strategic and operational level discussions and suggesting appropriate resolutions.

Attendance of Board members at Board meetings and committee meetings was always robust. There was no code of conduct violation. Performance objectives were reviewed against actual results and were found satisfactory given the overall volatility in our industry.

The role of the Board has been pivotal in achieving the company's objectives. The Board has developed short, medium and long-term plans to achieve its strategic objectives. Independent and Non-Executive Directors provide depth of expertise and support for effective decision making.

On overall basis, I believe that the strategic direction of the company for the long-term is clear and appropriate. Further, the processes adopted in developing and reviewing the overall corporate strategy and achievement of company's objectives are commendable which are truly reflected by the improving financial results of the company.

I shall remain firmly committed to ensuring that your company complies with all the relevant codes, rules, regulations and ensuring that our management team continues to make decisions that will create value for shareholders.

I would also like to recognize the role and efforts of the executive management team for their prudent and insightful leadership during the past year as well as their flexibility and willingness to receive feedback. I would also like to express my gratitude for the efforts of all our workers for their dedication and all stakeholders for their trust in us.



Islamabad
September 28, 2018

(Osman Saifullah Khan)
Chairman

DIRECTOR'S REPORT TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of Board of Directors, it gives me pleasure to present the 29th Annual Audited Financial statements for the year ended June 30, 2018.

GENERAL MARKET CONDITIONS

Financial year 2018 remained a very tough year for the spinning industry. The industry faced volatility in raw material prices due to sudden devaluation of PKR and hike in oil prices. The increase in petroleum prices not only impacted the cost of raw materials but also the overall cost through inflation. The volatility in global markets created pressure on local yarn prices as well. Meanwhile, the impact of PKR devaluation hasn't been completely absorbed in the yarn prices as yet. However, despite the tough business environment, your company managed to improve its profitability compared to last year.

OPERATING RESULTS

The major highlights of your Company's performance are as follows:

TURNOVER

Total sales increased by 3.51%. This was achieved due to better sale rates compared to last year.

PROFITABILITY

EBITDA of your Company has increased to Rs 756 million (9.62%) compared to last year's Rs 744 million (9.47%). Profit Before Tax & before exchange loss increased to Rs. 127.30 million from Rs. 107.90 million compared to last year.

Pre-tax profit of the company reduced to Rs 49.822 million from Rs 106.520 million due to exchange loss of Rs 77.421 million due to

sudden devaluation of PKR. Company has sustained exchange loss on translation of its foreign currency loan. Despite adverse impact of devaluation of Rs 77.421, EPS has increased to Rs 1.74 from Rs 0.87 as compared to last year.

PROFIT APPROPRIATION

The Board in its meeting held on September 28, 2018 has recommended a final cash dividend @ 7.50% i.e., Re. 0.75 per share for all shareholders of the Company. (2017: final cash dividend @ 10% i.e., Rs. 1 per share).

EARNINGS / (LOSS) PER SHARE

Earnings per share during the period under report worked out to Rs. 1.74 (2017: Rs 0.87 earnings per share)

CORPORATE GOVERNANCE

We are pleased to report that your Company has taken necessary steps to comply with the provisions of the Code of Corporate Governance, as incorporated in the listing rules of the Stock Exchanges.

The statement on Corporate Governance and Financial Reporting Frame Work is given below:

- The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as

DIRECTOR'S REPORT TO THE SHAREHOLDERS

- applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of shareholding.
- There has been no material departure from the best practices of code of corporate governance, as detailed in the listing regulations.
- The key operating and financial data of the Company for last six years is given below :

	2018	2017	2016	2015	2014	2013
	(Rupees in thousand)					
Operating Fixed Assets	4,991,596	4,485,732	4,604,928	3,521,737	3,372,503	2,591,121
Net Worth (Restated)	2,401,918	2,273,053	2,240,867	1,683,278	1,804,965	1,720,307
Turnover	7,852,240	7,586,301	6,697,773	7,945,789	7,925,862	7,679,220
Gross Profit	855,018	763,013	621,988	701,134	946,438	1,151,545
Gross Profit Margin (% age)	10.89	10.06	9.28	8.82	11.94	15.00
Net Profit/(Loss)-After Taxation	45,868	22,945	(49,132)	(54,588)	158,333	435,101
Net Profit/(Loss) Margin (% age)	0.58	0.30	(0.73)	(0.69)	2.00	5.67

- The board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- Regarding outstanding taxes and levies, please refer note 20 to the annexed audited statements.
- Attendance of Board Meetings**
- During the year under report four meetings of the Board of Directors were held. The attendance by each Director was as follows:

Name of Director	Meetings Attended
Mr. Osman Saifullah Khan	03
Mr. Jehangir Saifullah Khan	01
Ms. Hoor Yousafzai	03
Mr. Assad Saifullah Khan	04
Ms. Jehannaz Saifullah Khan	02
Mr. Faisal Saifullah Khan	00
Mr. Muhammad Danish	02
Rana Muhammad Shafi	04
Mr. Zaheen-Ud-Din Qureshi	04

Composition of Board

The board of Directors as at June 30, 2018 consist of:

	Directors	Numbers
a)	Male	05
b)	Female	02

	Composition	Numbers
a)	Independent Director	01
b)	Non-Executive Directors	06

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Leave of absence was granted to Directors who could not attend any of the Board meetings.

ELECTION OF DIRECTORS

On March 31, 2018 election of directors held and seven members elected as director of the Company.

PERFORMANCE EVALUATION OF DIRECTORS ON THE BOARD

The evaluation of Board's role of oversight and its effectiveness is continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company;
- Strategy formulation for sustainable operation;
- Board's independence; and
- Evaluation of Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference.

CEO PERFORMANCE EVALUATION

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

DIRECTORS' REMUNERATION

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his/her own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For information on remuneration of Directors and CEO in 2017-18, please refer notes to the Financial Statements.

EXTERNAL AUDITORS

The present auditors, M/s Shinewing Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of this Annual General Meeting to be held on October 26, 2018 until conclusion of next Annual General Meeting.

MATERIAL CHANGES

There have been no material changes since June 30, 2018 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

PATTERN OF SHAREHOLDING

The pattern of shareholding under section 227(2) (f) of the Companies ACT, 2017 and additional information as required by the Code of Corporate Governance is enclosed.

HUMAN RESOURCE MANAGEMENT

Human resource planning and management is one of the most important considerations with the senior management. The Company has established a HR & R Committee which is involved in the selection, evaluation, compensation and succession planning of key management personnel. It is also involved in recommending improvements in the human resource policies and procedures and their periodic review.

RISK MANAGEMENT & INTERNAL CONTROL

The Company's risk management policy implicates to continually assess the environment to build resilience against any threats. The Board has effectively implemented and monitored internal control framework through an independent internal audit function which is completely independent from External Audit Function.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

HEALTH, SAFETY & ENVIRONMENT

We strongly believe in maintaining the highest standards in health, safety and environment (HSE) to ensure the well-being of the people who work with us as well as of the communities where we operate.

CORPORATE SOCIAL RESPONSIBILITY

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base.

FUTURE OUTLOOK

International Trade Scenario is becoming quite unpredictable. Trade protectionism is on the rise worldwide, resulting a major shift in regional

trade patterns. Although import of Cotton Yarn in China has increased by 11% but higher quality and lower priced yarns from Vietnam and Central Asia has replaced Pakistani and Indian yarns to a greater extent. We will remain focused to local markets as a policy and increase our penetration in value added apparel and knitwear yarn markets.

ACKNOWLEDGEMENT

The Board places on record its appreciation for the support of our bankers and our valued customers.

I would also like to highlight the hard work put in by the members of our corporate family.

We are confident they will continue to show the same dedication in the days ahead.

For and on Behalf of the Board



Zaheen Ud Din Qureshi
Chief Executive Officer

Place: Islamabad

Dated: September 28, 2018



Assad Saifullah Khan
Director

ڈائریکٹر رپورٹ برائے شیئر ہولڈر

(انٹرنل کنٹرول)

مستقبل کا نقطہ نظر:

بین الاقوامی تجارت کافی غیر متوقع صورت حال سے دوچار ہے
تجفّظ تجارت کا احساس بین الاقوامی طور پر ابھر کر سامنے آیا
ہے جس کا نتیجہ علاقائی تجارت کے طریقہ کار میں اہم تبدیلی ہے
اگرچہ اسے سوئی کپاس کی درآمد میں 11% تک اضافہ
ہوا ہے لیکن ویت نام اور سنٹرل ایشیاء کی اعلیٰ کوالٹی اور کم قیمت
کے سوت نے پاکستانی اور انڈین سوت سے کافی حد تک بدل
دیا ہے۔ ہم نے بطور پالیسی مقامی مارکیٹوں پر اپنی توجہ مرکز کئے
ہوئے ہیں اور لباس و پوشاک کے سوئی مارکیٹوں میں اپنی
تجارتی سرگرمیاں میں اضافہ کر رہے ہیں۔
اظہار تشکر:

بورڈ ہذا اپنے بینکرز اور معزز صارفین کی معاونت کو خراج
تحسین پیش کرتا ہے۔ میں اپنی کارپوریٹ فیملی ممبران کے سخت
محنت کو بھی خراج تحسین پیش کرتا ہوں۔
ہمیں امید ہے کہ وہ آئندہ بھی اسی لگن اور تعاون کا مظاہرہ
کریں گے۔

کمپنی ہذا کی ریک منیجٹ پالیسی ماحول کو کنٹرول کرنے کیلئے
مسلل مصروف پیکار ہے تاکہ ہر قسم کے خطرات کو روکنے کیلئے
حفاظتی اقدامات کیے جاسکے۔ بورڈ ہذا نے ایک خود مختار / آزاد
داخلی آڈٹ فنکشن کے ذریعے سے داخلی کنٹرول فریم ورک پر
مؤثر طریقے سے عمل درآمد اور نگرانی کر رہا ہے جو کہ مکمل طور پر
بیرونی آڈٹ فنکشن سے آزاد ہے۔

صحت، تحفظ اور ماحول

ہم صحت، تحفظ اور ماحول کے اعلیٰ معیارات کو برقرار رکھنے پر
بہت زیادہ یقین کرتے ہیں تاکہ ان لوگوں کی فلاح و بہبود کو یقینی
بنایا جائے جو ہمارے ساتھ کام کرتے ہیں اور اس کے ساتھ
ساتھ وہ کمیونٹیاں جہاں ہم کاروبار کرتے ہیں۔

انضمامی سماجی ذمہ داری

کمپنی ہذا، سماجی، ماحولیاتی اور اخلاقی معاملات کو مجموعی
کاروباری ماحول کے تناظر سے دیکھتی / سمجھتی ہے۔ کمپنی تمام
اسٹیک ہولڈرز کے بہترین مفاد میں کام سرانجام دینے کا عہد
کئے ہوئے ہے، خاص طور پر کمیونٹی جہاں ہم رہتے ہیں اور
جہاں ہم اپنے صارفین کے متلاشی ہوتے ہیں۔

بورڈ آف ڈائریکٹر کی جانب سے:

Asad S. Khan

اسد سیف اللہ خان

ڈائریکٹر

سید

ذہین الدین قریشی

چیف ایگزیکٹو

بمقام: اسلام آباد

تاریخ: 28 ستمبر، 2018

اختتام سے جو مورخہ 26 اکتوبر 2018 کو منعقد ہونا ہے، اگلی سالانہ جنرل میٹنگ کے اختتام تک کمپنی ہذا کی باحیثیت آڈیٹرز آفس سنبھالنے کی سفارش کی ہے۔

میٹریل / مادی تبدیلیاں

30 جون، 2018 سے مذکورہ رپورٹ کی تاریخ تک یہاں کسی قسم کی کوئی مادی تبدیلی نہیں ہوئی اور اس مدت کے دوران کمپنی ہذا نے کسی قسم کا کوئی عہد / معاہدہ نہیں کیا جس سے کمپنی ہذا کی مالیاتی حیثیت پر کسی قسم کے کوئی برے اثرات مرتب ہو سکے۔

حصص رکھنے کا نمونہ (پیٹرن آف شیئر ہولڈنگ):

سیکشن (f) (2) 227 کمپنیز ایکٹ، 2017 کے تحت حصص رکھنے کا نمونہ اور اضافی معلومات جو انضمامی نظم و ضبط کے قوانین کے مطابق مطلوب ہیں، لف ہذا ہے۔

ہیومن ریسورسز منیجمنٹ

سینئر انتظامیہ کیلئے ہیومن ریسورسز منیجمنٹ سب سے اہم پہلو میں سے ایک ہے۔ کمپنی ہذا نے اس سلسلہ میں ایچ آر اینڈ آر (HR&R) کمیٹی قائم کی ہے جو اہم انتظامی اشخاص / سٹاف کا انتخاب کرنے، تجزیہ / تشخیص کرنے، معاوضہ ادا کرنے اور ان کی جانشینی کی منصوبہ بندی کرتا ہے۔ یہ انسانی وسائل کی پالیسیوں اور طریقہ کار وضع کرنے اور وقتاً فوقتاً ان کا جائزہ لینے میں بھی اپنی سفارشات پیش کرتا ہے

نظم و نسق برائے خطرات اور داخلی کنٹرول (ریسک منیجمنٹ اینڈ

کارکردگی کو ان کی ذمہ داریوں سے عہدہ براہ ہونے کے لحاظ سے تشخیص کرنا۔

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا جائزہ:

چیف ایگزیکٹو آفیسر (C.E.O) کی کارکردگی کا باقاعدہ جائزہ / تشخیص آزمائشی (جانچ پڑتال) نظام کے ذریعے سے کیا جاتا ہے جس کی بنیاد مقداری اور قابل قدر اقدار پر مبنی ہے۔ اس میں بشمول کاروباری کارکردگی، منافع سے متعلق مقاصد کے حصول، ادارے کی ترقی، جانشینی کی منصوبہ بندی، منظم کامیابی شامل ہیں۔

ڈائریکٹرز کی تنخواہ / معاوضہ:

بورڈ ممبران کی تنخواہ بورڈ ہذا خود منظور کرتا ہے، تاہم، انضمامی نظم و ضبط کے قوانین کے مطابق، اس امر کو یقینی بنایا گیا ہے کہ کوئی بھی ڈائریکٹر اپنی ہی تنخواہ کے فیصلے میں حصہ نہیں لے سکتا۔ کمپنی ہذا اجلاس میں شرکت کی فیس کے علاوہ کسی بھی غیر ایگزیکٹو ڈائریکٹرز کو معاوضہ کی ادائیگی نہیں کرتی۔ سال 2017-2018 میں ڈائریکٹرز اور سی ای او کی تنخواہ کے سلسلہ میں برائے مہربانی مالیاتی گوشوارے کے نوٹس ملاحظہ فرمائیں۔

خارجی آڈیٹرز:

موجودہ آڈیٹرز، ایم / ایس شائن ونگ حمید چوہدری اینڈ کو چارٹرڈ اکاؤنٹنٹ ریٹائرڈ ہو گئے ہیں اور اس کے اہل ہیں کہ خود کو دوبارہ تعیناتی کیلئے پیش کر سکیں۔ جیسا کہ آڈٹ کمیٹی نے تجویز دی ہے کہ بورڈ ہذا نے انہیں اس سالانہ جنرل میٹنگ

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

* بورڈ آف ڈائریکٹرز نے ایک مشن سٹیٹمنٹ (مقصدی بیان / دعویٰ) اور مجموعی انضمامی حکمت عملی کا ایک سٹیٹمنٹ اختیار کیا ہوا ہے۔

* ٹیکس اور محصول کے بقایا جات کے بارے میں معلومات کیلئے برائے مہربانی لف آڈٹ شدہ شوگوارے کے نوٹ 20 ملاحظہ فرمائیں:

جدول بورڈ ہذا

مورخہ 30 جون 2018 تک بورڈ ہذا مشتمل ہے:

نمبر شمار	ڈائریکٹرز	تعداد
الف	مرد	05
ب	عورت	02

نمبر شمار	عمومی تفصیل	تعداد
الف	خود مختار ڈائریکٹرز	01
ب	نان-ایگزیکٹو ڈائریکٹرز	06

* بورڈ اجلاس میں حاضری

* زیر جائزہ رپورٹ میں حالیہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہیں:

ڈائریکٹر کا نام	حاضر اجلاس
عثمان سیف اللہ خان	03
جہانگیر سیف اللہ خان	01
حور یوسف ذئی	03
اسد سیف اللہ خان	04
جہاں ناز سیف اللہ خان	02
فیصل سیف اللہ خان	00
محمد دانش	02
رانا محمد شفیع	04
ذہین الدین قریشی	04

وہ ڈائریکٹرز جو کسی بھی بورڈ اجلاس میں حاضر نہیں ہو سکتے تھے انہیں غیر حاضری کی اجازت دی گئی۔

ڈائریکٹرز کا الیکشن

مورخہ 31 مارچ 2018 کو ڈائریکٹرز کا الیکشن منعقد ہوا اور سات ممبران با حیثیت ڈائریکٹر کمپنی ہذا منتخب ہوئے۔

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ:

بورڈ ہذا کے کردار کی تشخیص / قدر پیمائی کی بہت احتیاط سے نگرانی کی جاتی ہے اور اس کا موثر ہونا ایک مسلسل مرحلہ ہے جس کا تخمینہ مذکورہ بورڈ خود کرتا ہے۔ مرکز شدہ اہم شعبے درج ذیل ہیں:

* دیرپا کاروباری امور (آپریشن) کیلئے حکمت عملی وضع کرنا۔

* بورڈ کی خود مختاری، اور۔

* متعلقہ حوالہ جات کی شرائط کے مطابق بورڈ کمیٹی کی

1.74 روپے ریکارڈ کی گئی (2017: فی حصص آمدنی مبلغ * بین الاقوامی اکاؤنٹنگ کا معیار جیسا کہ پاکستان میں لاگو ہے، مالیاتی گوشوارے تیار کرنے کے سلسلہ میں اس کی پیروی کی جاتی ہے۔)

انضمامی نظم و ضبط

ہمارے لئے یہ خوشی کا امر ہے کہ آپ کی کمپنی نے اسٹاک ایکسچینج کے قواعد کے مطابق انضمامی نظم و ضبط کے قوانین کی شرائط کے ساتھ عمل پیرا ہونے کیلئے ضروری اقدامات کیے ہیں: انضمامی نظم و ضبط اور مالیاتی رپورٹنگ فریم ورک کی تفصیل درج ذیل دی گئی ہے:

* کمپنی ہذا کی انتظامیہ کی جانب سے تیار کردہ مالیاتی گوشوارے، اس کے معاملات، اس کے آپریشن (کاروباری امور) کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی منصفانہ عکاسی کرتا ہے۔

* کمپنی ہذا نے بکس آف اکاؤنٹس کا باقاعدہ ریکارڈ رکھا ہے۔

* مالیاتی گوشوارے تیار کرنے کیلئے مناسب اکاؤنٹنگ پالیسیوں کا مستقل طور پر اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے موزوں اور محتاط فیصلے پر مبنی ہے۔

* کمپنی ہذا کی گزشتہ چھ سالوں کے اہم آپریشن (کاروباری امور چلانے) اور مالیاتی اعداد و شمار درج ذیل دیئے گئے ہیں:

2013	2014	2015	2016	2017	2018	
2,591,121	3,372,503	3,521,737	4,604,928	4,485,732	4,991,596	آپریٹنگ مقررہ اثاثہ جات
1,720,307	1,804,965	1,683,278	2,240,867	2,273,053	2,401,918	کل مالیت
7,679,220	7,925,862	7,945,789	6,697,773	7,586,301	7,852,240	کل کاروباری حجم
1,151,545	946,438	701,134	621,988	763,013	855,018	کل منافع
15.00	11.94	8.82	9.28	10.06	10.89	کل منافع شرح (%)
435,101	158,333	(54,588)	(49,132)	22,945	45,868	مجموعی منافع / نقصان (بعد از ٹیکس)
5.67	2.00	(0.69)	(0.73)	0.30	0.58	مجموعی منافع / نقصان کی شرح (%)

ڈائریکٹر رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

منافع کی شرح:

آپ کی کمپنی کی EBITDA میں گزشتہ سال مبلغ 744 ملین روپے (9.47%) کی نسبت مبلغ 756 ملین روپے (9.62%) کا اضافہ ہوا ٹیکس (کی کٹوتی) سے قبل اور ایکسیجنگ لاس (نقصان) سے قبل گزشتہ سال مبلغ 107.90 ملین روپے کی نسبت مبلغ 127.30 ملین روپے کا اضافہ ہوا۔ ٹیکس (کی کٹوتی) سے قبل ایکسیجنگ لاس (نقصان) مبلغ 77.421 ملین روپے کی وجہ سے اور پاکستانی روپے میں اچانک کمی کی وجہ سے آپ کی کمپنی کے منافع میں مبلغ 106.520 ملین روپے سے مبلغ 49.822 ملین روپے کی کمی واقع ہوئی۔ کمپنی ہڈانے ایکسیجنگ لاس (نقصان) کو اپنی فارن کرنسی قرضہ کے لین دین سے برداشت کیا۔ روپے میں کمی مبلغ 77.421 روپے کی برے اثرات کے باوجود، فی حصص آمدنی (EPS) میں گزشتہ سال مبلغ 0.87 روپے کی نسبت مبلغ 1.74 روپے کا اضافہ ہوا۔

منافع میں تخصیص:

بورڈ کا اجلاس منعقدہ مورخہ 28 ستمبر 2018 میں حتمی کیش ڈیویڈنڈ بحساب 7.50% یعنی 0.75 روپے فی حصص کمپنی کے تمام شیئر ہولڈرز کیلئے سفارش کی گئی۔ (2017/ حتمی کیش ڈیویڈنڈ بحساب 10% یعنی 1 روپے فی حصص)۔

آمدنی/نقصان) فی حصص:

زیر جائزہ رپورٹ کے دوران فی حصص آمدنی مبلغ

یہ میرے لئے خوشی کا امر ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے انیسویں سالانہ آڈٹ شدہ مالیاتی گوشوارے برائے اختتامی سال جون 30، 2018 پیش کر رہا ہوں۔

مارکیٹ کی عمومی صورت حال:

مالیاتی سال 2018 دھاگہ کا تنے کی صنعت کیلئے بہت ہی مشکل سال رہا ہے۔ پاکستانی روپے میں اچانک کمی اور تیل کی قیمتوں میں اضافہ کی وجہ سے صنعت کو خال مال کی قیمتوں میں اتار چڑھاؤ کا سامنا رہا۔ پٹرولیم کی قیمتوں میں اضافہ کی وجہ سے نہ صرف خام مال کی لاگت میں اثرات مرتب ہوئے بلکہ مہنگائی کی وجہ سے مجموعی لاگت میں بھی اثرات مرتب ہوئے۔ بین الاقوامی مارکیٹ میں اتار چڑھاؤ نے بھی مقامی سوت کی قیمتوں میں بھی دباؤ ڈالا جبکہ پاکستانی روپے کی کمی کے اثرات نے بھی سوت کی قیمتوں کو مکمل طور پر مدغم نہیں کیا۔ تاہم سخت کاروباری ماحول کے باوجود، آپ کی کمپنی نے گزشتہ سال کی نسبت اپنے

منافع کی شرح میں بہتری لائی

آپریٹنگ (جاری کاروبار) کے نتائج:

آپ کی کمپنی کی کارکردگی کے اہم پہلوؤں درج ذیل ہیں:

کاروبار حجم:

کل سیلز (فروخت) میں 3.51% کا اضافہ ہوا۔ یہ حصول گزشتہ سال کی نسبت بہتر فروخت کی شرح کی وجہ سے حاصل

ہوا۔

The Company considers social, environmental, and ethical matters in the context of the overall business environment. The Company is committed to work in the best interest of all the stakeholders, in particular the community in which we live and forms our customer base. STML was incorporated with the aim of providing employment to the locals.

Environment Protection

Textile manufacturing especially dyeing can cause significant harm to environment if adequate measures are not taken to mitigate hazardous effects of textile processes. The Company is deeply concerned and has established a waste water treatment plant at production facilities of Dyeing.

Energy Conservation

In addition to investing in the alternative energy sources, conservation of energy sources are under special focus of the Company. The Company is in the process of replacement of conventional tube lights with LED lights and installation of solar panels.

Iftar Arrangements

Iftar arrangements were made during the Holy Month of Ramdan at factory premises, like previous years. This benevolent gesture was open for all, bringing ease and joy to the locality.

Masjid

A masjid has been built by the STML in Gadoon industrial area to facilitate both, employees and locals.

Equal Opportunity Employer

The Company believes in providing equal opportunity to everyone around. The Company laws in this regard have complied with and no discrimination upon race, religion, age, national origin, gender, or disability is acceptable. No harassment or discrimination of any kind is tolerated; directors and employees adhere standards with regard to child labor and forced labor.

Occupational Safety and Health

STML has a comprehensive policy for health and safety standards. The Company provide each employee with a safe work environment and comply with all applicable health and safety laws. Workers are engaged in manufacturing activities after taking into account professional safety measures. STML also provide health and life insurance to its employees.

Educational Assistance for Children of Employees

STML provide Educational Assistance to low income staff members, so that they can afford quality education for their children. This assistance is provided till completion of secondary school certification. A special school bus is also arranged for providing free conveyance to children.

Medical Benefits

STML provide medical facilities to all regular employees and their immediate family members. The company has also established dispensary at its production facility.

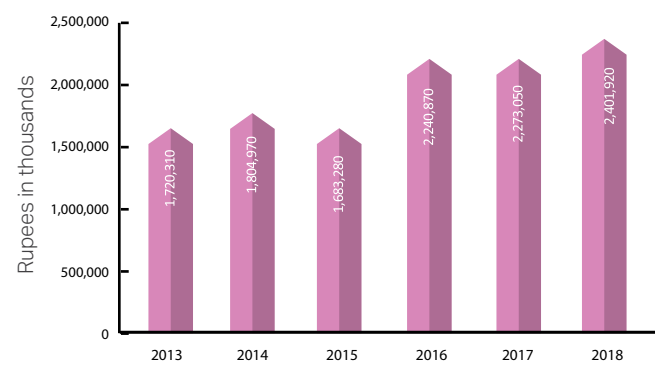
HORIZONTAL ANALYSIS

	2018	Variance vs Last year increase/ (decrease)%	2017	Variance vs Last year increase/ (decrease)%	2016	Variance vs Last year increase/ (decrease)%	2015	Variance vs Last year increase/ (decrease)%	2014
Operating Results									
Sales-net	7,852	3.51	7,586	13.26	6,698	(15.71)	7,946	0.25	7,926
Cost of sales	6,997	2.55	6,823	12.29	6,076	(16.14)	7,245	3.80	6,980
Gross Profit	855	12.06	763	22.67	622	(11.27)	701	(25.90)	946
Distribution cost	145	(10.49)	162	17.39	138	(17.86)	168	(11.58)	190
Administrative expenses	197	(5.29)	208	-	208	4.52	199	8.15	184
Other operating expenses	11	-	11	77.42	6	(31.11)	9	(60.87)	23
Finance Cost	385	22.22	315	(2.78)	324	(12.20)	369	16.77	316
Exchange fluctuation loss	77	5,823	1	(56.67)	3	(76.92)	13	(63.89)	36
Other operating income	10	(75.64)	41	238.67	12	500.00	2	(94.74)	38
Profit / (Loss) before taxation	50	(53.08)	106	(335.27)	(45)	(17.82)	(55)	(123.40)	235
Provision for taxation	4	(94.73)	84	2,285	4	2,034	0	(99.79)	77
Profit / (Loss) for the year	46	99.21	23	(146.90)	(49)	(11.72)	(55)	(134.91)	158
Balance Sheet									
NON CURRENT ASSETS									
Property, plant and equipment	4,992	11.28	4,486	(2.58)	4,605	30.75	3,522	4.45	3,372
Intangible assets	9	(25.00)	12	2,024	1	67.66	0	(34.31)	1
Long term loans	12	(14.29)	14	(6.67)	15	(21.05)	19	58.33	12
Long term deposits	10	2.13	9	4.44	9	(10.00)	10	11.11	9
Deferred taxation - net	-	-	-	-	-	(100.00)	165	50.00	110
Total non current assets	5,023	11.09	4,521	(2.34)	4,630	24.57	3,716	6.07	3,504
CURRENT ASSETS									
Stores, spare parts and loose tools	278	(14.20)	324	69.63	191	17.90	162	43.36	113
Stock-in-trade	1,836	(9.51)	2,029	14.89	1,766	11.70	1,581	6.46	1,485
Trade debts	1,269	24.66	1,018	34.12	759	(12.76)	870	-	870
Loans and advances	95	28.38	74	(44.36)	133	40.00	95	179.41	34
Trade deposits and short term prepayments	1	(36.07)	1	40.00	1	(87.50)	8	(38.46)	13
Other receivables	80	(21.57)	102	325.00	24	(22.58)	31	72.22	18
Investments	5	(20.63)	6	5.00	6	-	6	-	6
Taxation - net	324	(0.31)	325	1.25	321	27.89	251	9.13	230
Tax refunds due from Government	75	(64.45)	211	31.06	161	87.21	86	28.36	67
Cash and bank balances	19	(29.63)	27	(27.03)	37	2.78	36	44.00	25
Total current assets	3,982	(3.30)	4,118	21.14	3,399	8.73	3,126	9.26	2,861
Total assets	9,004	4.23	8,639	7.60	8,029	17.34	6,842	7.51	6,365
CURRENT LIABILITIES									
Trade and other payables	657	13.47	579	(13.97)	673	(8.06)	732	19.22	614
Unclaimed dividend	8	1.27	8	(1.25)	8	-	8	14.29	7
Accrued mark-up and interest	236	19.80	197	19.39	165	26.92	130	(22.62)	168
Short term borrowings	3,299	(3.82)	3,430	23.92	2,768	18.29	2,340	19.39	1,960
Current portion of non-current liabilities	321	(33.68)	484	21.61	398	17.06	340	51.11	225
Total current liabilities	4,521	(3.77)	4,698	17.10	4,012	13.01	3,550	19.37	2,974
WORKING CAPITAL	(539)	(7.08)	(580)	(5.35)	(613)	44.58	(424)	275.22	(113)
TOTAL CAPITAL EMPLOYED	4,483	13.76	3,941	(1.88)	4,017	22.00	3,292	(2.90)	3,391
NON CURRENT LIABILITIES									
Sub-ordinated loan	608	15.81	525	0.38	523	2.75	509	3.04	494
Long term financing	1,221	41.32	864	(11.66)	978	4.49	936	(0.32)	939
Liabilities against assets subject to finance lease	23	35.29	17	41.67	12	-	-	-	-
Long term deposits	7	40.00	5	(9.09)	6	205.56	2	-	2
Long term security deposits	2	-	2	-	2	-	2	-	2
Staff retirement benefits - gratuity	118	(12.59)	135	(11.18)	152	(5.00)	160	6.67	150
Deferred taxation - net	103	(14.17)	120	16.50	103	-	-	-	-
Total Non current liabilities	2,082	24.82	1,668	(6.05)	1,776	10.36	1,609	1.39	1,587
Net worth	2,401	5.64	2,273	1.43	2,241	33.12	1,684	(6.66)	1,804
Net worth represented by:									
Issued, subscribed and paid-up capital	264	-	264	-	264	-	264	-	264
Reserves	1,363	3.65	1,315	4.70	1,256	(2.97)	1,295	(8.13)	1,409
Surplus on revaluation of PPE	774	11.53	694	(3.61)	720	476.00	125	(4.58)	131
	2,401	5.63	2,273	1.47	2,240	33.06	1,684	(6.68)	1,804
Total liabilities	9,004	4.23	8,639	7.62	8,028	17.32	6,842	7.50	6,365

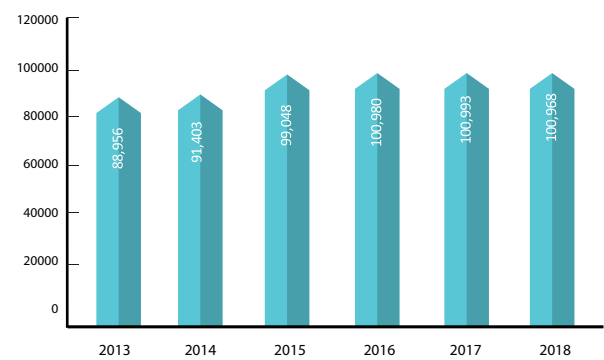
VERTICAL ANALYSIS

	2018	%	2017	%	2016	%	2015	%	2014	%
Operating Results										
Sales-net	7,852	100.00	7,586	100.00	6,698	100.00	7,946	100.00	7,926	100.00
Cost of sales	6,997	89.11	6,823	89.94	6,076	90.71	7,245	91.18	6,980	88.06
Gross Profit	855	10.89	763	10.06	622	9.29	701	8.82	946	11.94
Distribution cost	145	1.85	162	2.14	138	2.06	168	2.11	190	2.40
Administrative expenses	197	2.51	208	2.74	208	3.11	199	2.50	184	2.32
Other operating expenses	11	0.14	11	0.15	6	0.09	9	0.11	23	0.29
Finance Cost	385	4.90	315	4.15	324	4.84	369	4.64	316	3.99
Exchange fluctuation loss	77	0.98	1	0.02	3	0.04	13	0.16	36	0.45
Other operating income	10	0.13	41	0.54	12	0.18	2	0.03	38	0.48
Profit / (Loss) before taxation	50	0.64	106	1.40	(45)	(0.67)	(55)	(0.69)	235	2.96
Provision for taxation	4	0.06	84	1.10	4	0.05	0	0.00	77	0.97
Profit / (Loss) for the year	46	0.58	23	0.30	(49)	(0.73)	(55)	(0.69)	158	1.99
Balance Sheet										
NON CURRENT ASSETS										
Property, plant and equipment	4,992	55.44	4,486	51.93	4,605	57.36	3,522	51.47	3,372	52.98
Intangible assets	9	0.10	12	0.14	1	0.01	0	0.00	1	0.01
Long term loans	12	0.13	14	0.16	15	0.19	19	0.28	12	0.19
Long term deposits	10	0.11	9	0.11	9	0.11	10	0.15	9	0.14
Deferred taxation - net	-	-	-	-	-	-	165	2.41	110	1.73
Total non current assets	5,023	55.78	4,521	52.34	4,630	57.66	3,716	54.31	3,504	55.05
CURRENT ASSETS										
Stores, spare parts and loose tools	278	3.09	324	3.75	191	2.38	162	2.37	113	1.78
Stock-in-trade	1,836	20.39	2,029	23.49	1,766	22.00	1,581	23.11	1,485	23.33
Trade debts	1,269	14.09	1,018	11.78	759	9.45	870	12.71	870	13.67
Loans and advances	95	1.06	74	0.86	133	1.66	95	1.39	34	0.53
Trade deposits and short term prepayments	1	0.01	1	0.02	1	0.01	8	0.12	13	0.20
Other receivables	80	0.89	102	1.18	24	0.30	31	0.45	18	0.28
Investments	5	0.06	6	0.07	6	0.07	6	0.09	6	0.09
Taxation - net	324	3.60	325	3.76	321	4.00	251	3.67	230	3.61
Tax refunds due from Government	75	0.83	211	2.44	161	2.01	86	1.26	67	1.05
Cash and bank balances	19	0.21	27	0.31	37	0.46	36	0.53	25	0.39
Total current assets	3,982	44.22	4,118	47.66	3,399	42.34	3,126	45.69	2,861	44.95
Total assets	9,004	100.00	8,639	100.00	8,029	100.00	6,842	100.00	6,365	100.00
CURRENT LIABILITIES										
Trade and other payables	657	7.30	579	6.70	673	8.38	732	10.70	614	9.65
Unclaimed dividend	8	0.09	8	0.09	8	0.10	8	0.12	7	0.11
Accrued mark-up and interest	236	2.62	197	2.28	165	2.06	130	1.90	168	2.64
Short term borrowings	3,299	36.64	3,430	39.70	2,768	34.48	2,340	34.20	1,960	30.79
Current portion of non-current liabilities	321	3.57	484	5.60	398	4.96	340	4.97	225	3.54
Total current liabilities	4,521	50.21	4,698	54.38	4,012	49.98	3,550	51.88	2,974	46.73
WORKING CAPITAL	(539)	(5.99)	(580)	(6.72)	(613)	(7.64)	(424)	(6.20)	(113)	(1.78)
TOTAL CAPITAL EMPLOYED	4,483	49.79	3,941	45.62	4,017	50.04	3,292	48.12	3,391	53.27
NON CURRENT LIABILITIES										
Sub-ordinated loan	608	6.75	525	6.08	523	6.52	509	7.44	494	7.76
Long term financing	1,221	13.56	864	10.00	978	12.18	936	13.68	939	14.75
Liabilities against assets subject to finance lease	23	0.26	17	0.20	12	0.15	-	-	-	-
Long term deposits	7	0.08	5	0.06	6	0.07	2	0.03	2	0.03
Long term security deposits	2	0.02	2	0.02	2	0.02	2	0.03	2	0.03
Staff retirement benefits - gratuity	118	1.31	135	1.56	152	1.89	160	2.34	150	2.36
Deferred taxation - net	103	1.14	120	1.39	103	1.28	-	-	-	-
Total Non current liabilities	2,082	23.12	1,668	19.31	1,776	22.12	1,609	23.51	1,587	24.93
Net worth	2,401	26.67	2,273	26.31	2,241	27.92	1,684	24.60	1,804	28.34
Net worth represented by:										
Issued, subscribed and paid-up capital	264	2.93	264	3.06	264	3.29	264	3.86	264	4.15
Reserves	1,363	15.14	1,315	15.22	1,256	15.65	1,295	18.92	1,409	22.14
Surplus on revaluation of PPE	774	8.60	694	8.03	720	8.97	125	1.83	131	2.06
	2,401	26.67	2,273	26.31	2,240	27.90	1,684	24.60	1,804	28.34
Total liabilities	9,004	100.00	8,639	100.00	8,028	100.00	6,842	100.00	6,365	100.00

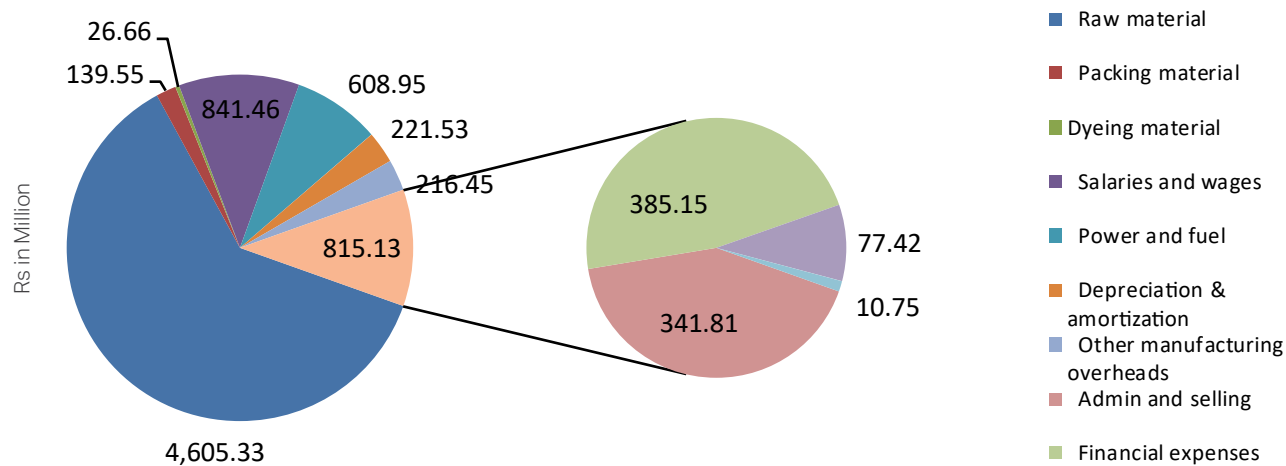
Net Worth



Spindles Installed

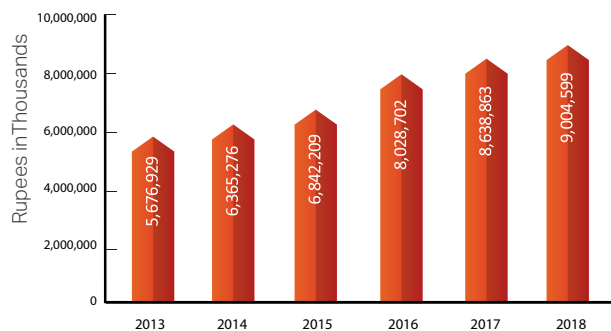


Cost Distribution

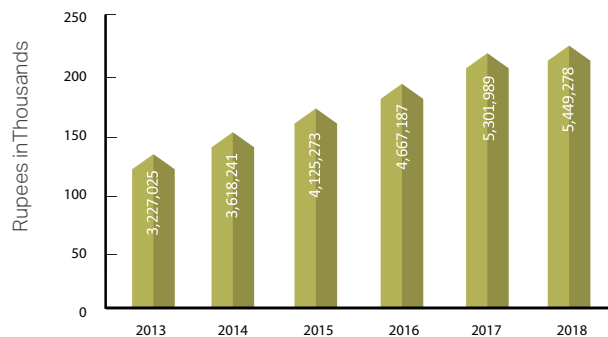


GRAPHICAL ANALYSIS

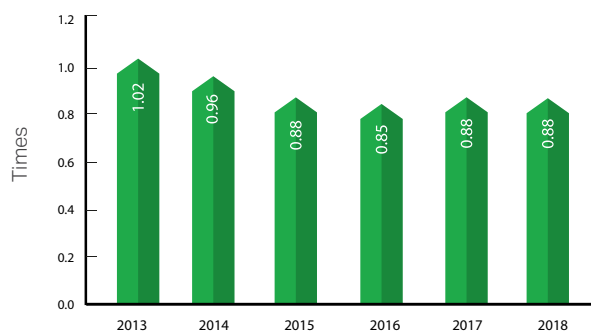
Total Assets



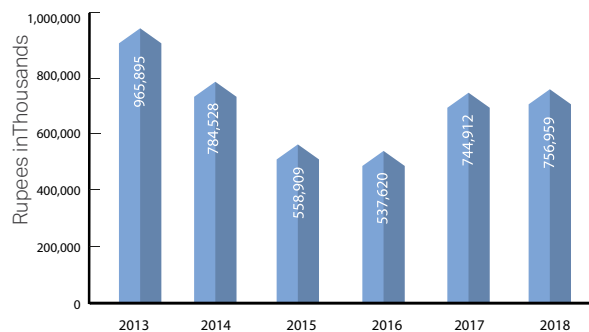
Total debt



Current Ratio



EBITDA



PATTERN OF SHAREHOLDINGS

As at June 30, 2018

Number of ShareHolders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
367	1 -	100	16,737	0.06
433	101 -	500	119,060	0.45
170	501 -	1000	143,188	0.54
311	1001 -	5000	701,270	2.66
62	5001 -	10000	498,257	1.89
17	10001 -	15000	206,391	0.78
15	15001 -	20000	271,993	1.03
9	20001 -	25000	216,951	0.82
6	25001 -	30000	173,010	0.66
5	30001 -	35000	166,000	0.63
6	35001 -	40000	233,000	0.88
4	45001 -	50000	196,000	0.74
1	50001 -	55000	53,466	0.20
1	60001 -	65000	65,000	0.25
4	70001 -	75000	295,500	1.12
2	75001 -	80000	157,500	0.60
1	85001 -	90000	88,500	0.34
1	90001 -	95000	94,000	0.36
1	100001 -	105000	102,500	0.39
1	105001 -	110000	107,129	0.41
1	110001 -	115000	111,360	0.42
1	125001 -	130000	127,450	0.48
1	130001 -	135000	135,000	0.51
1	140001 -	145000	141,000	0.53
1	165001 -	170000	169,000	0.64
2	180001 -	185000	365,456	1.38
1	215001 -	220000	217,000	0.82
1	270001 -	275000	274,500	1.04
1	285001 -	290000	288,159	1.09
3	295001 -	300000	896,715	3.39
1	350001 -	355000	350,650	1.33
1	400001 -	405000	404,000	1.53
1	435001 -	440000	437,286	1.66
1	465001 -	470000	468,500	1.77
1	720001 -	725000	720,946	2.73
1	795001 -	800000	798,600	3.02
1	800001 -	805000	800,087	3.03
1	1030001 -	1035000	1,031,848	3.91
1	1670001 -	1675000	1,672,871	6.33
1	13095001 -	13100000	13,097,000	49.59
1,440			26,412,880	100.00

PATTERN OF SHAREHOLDINGS

As at June 30, 2018

Sr. #	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	8	7,500	0.0284
2	Associated Companies, Undertakings and Related Parties	1	13,097,000	49.5857
3	NIT and ICP	2	128,678	0.4872
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	4	334,684	1.2671
5	Insurance Companies	1	1,031,848	3.9066
6	Modarbas and Mutual Funds	8	2,036,811	7.7114
7	General Public (Local)	1,387	9,293,678	35.1862
8	Others	29	482,681	1.8274
	TOTAL:	1,440	26,412,880	100.0000

PATTERN OF SHAREHOLDINGS

As at June 30, 2018

Sr. No	Name Of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
1	Rana Muhammad Shafi	500	0.0019
2	Osman Saifullah Khan (05039)	3,500	0.0133
3	Ms. Jehanaz Saifullah Khan	500	0.0019
4	Jehangir Saifullah Khan	1,000	0.0038
5	Mr. Muhammad Danish	500	0.0019
6	Mr. Assad Saifullah Khan	500	0.0019
7	Mr. Faisal Saifullah Khan	500	0.0019
8	Mrs. Hoor Yousufzai	500	0.0019
	Running Total:	7,500	0.0284
Associated Companies, Undertakings and Related Parties			
1	Saif Holdings Ltd.	13,097,000	49.5857
	Running Total:	13,097,000	49.5857
NIT and ICP			
1	National Bank of Pakistan	127,450	0.4825
2	Investment Corp of Pakistan	1,228	0.0046
	Running Total:	128,678	0.4872
Banks, Development Financial Institutions, Non Banking Financial Institutions			
1	Classical Insights Fund Lp	297,500	1.1263
2	National Bank of Pakistan	1,129	0.0043
3	Atlas Bot Investment Bank Ltd.	55	0.0002
4	Acadian Frontier Markets Equity Fund	36,000	0.1363
	Running Total:	334,684	1.2671
Insurance Companies			
1	State Life Insurance Corp. of Pakistan	1,031,848	3.9066
	Running Total:	1,031,848	3.9066
Modarbas and Mutual Funds			
1	Golden Arrow Selected Stocks Fund Limited	217,000	0.8216
2	CDC - Trustee AKD Opportunity Fund	141,000	0.5338
3	First UDL Modaraba	4,669	0.0177
4	Crescent Standard Modaraba	14	0.0001
5	First I.B.L. Modaraba	977	0.0037
6	CDC - Trustee National Investment (Unit) Trust	1,672,871	6.3335
7	Golden Arrow Selected Stock Fund Limited	215	0.0008
8	First Inter Fund Modaraba	65	0.0002
	Running Total:	2,036,811	7.7114
General Public (Local)			
	Running Total:	9,293,678	35.1862

PATTERN OF SHAREHOLDINGS

As at June 30, 2018

S NO	NAME OF SHAREHOLDERS	SHARE HELD	Percentage
Others			
1	Muhammad Ahmed Nadeem Securities (Smc-Pvt) Limited	105	0.0004
2	Fikrees (Private) Limited	500	0.0019
3	RS Publishers (Private) Limited	11,500	0.0435
4	Y.S. Securities & Services (Pvt) Ltd.	1,083	0.0041
5	Dr. Arslan Razaque Securities (Pvt.) Limited	210	0.0008
6	Pearl Securities Limited - MF	18,500	0.0700
7	Premier Fashions (Pvt) Ltd	102,500	0.3881
8	Prudential Securities Limited	26	0.0001
9	The Northern Trust Company	100	0.0004
10	Eastman Consulting (Pvt) Ltd.	50	0.0002
11	Networth Securities Limited	5,000	0.0189
12	Taurus Securities Limited	100	0.0004
13	Fortune Securities Limited	200	0.0008
14	Javed Omer Vohra & Co. Ltd.	8,758	0.0332
15	BMA Capital Management Ltd.	344	0.0013
16	International Securities Ltd.	118	0.0004
17	Morgan Stanley Trust Co.	100	0.0004
18	BAWA Securities (Pvt) Ltd. - MF	25,000	0.0947
19	Trustee National Bank Of Pakistan Employees Pension Fund	183,956	0.6965
20	Khadim Ali Shah Bukhari & Co. Limited	80	0.0003
21	Pyramid Investments (Pvt) Ltd.	495	0.0019
22	Trustee National Bank Of Pakistan EMP Benevolent Fund	6,455	0.0244
23	Maple Leaf Capital Limited	1	0.0000
24	MRA Securities Limited - MF	20,000	0.0757
25	Seven Star Securities (Pvt.) Ltd.	46,000	0.1742
26	S.H. Bukhari Securities (Pvt) Limited	500	0.0019
27	Time Securities (Pvt.) Limited - MF	34,000	0.1287
28	Sarfraz Mahmood (Private) Ltd	500	0.0019
29	Seven Star Securities (Pvt.) Ltd.	16,500	0.0625
	Running Total:	482,681	1.8274
	Grand Total:	26,412,880	100

Shareholders Holding 5% or more voting rights:

Saif Holdings Ltd.	13,097,000	49.5857
CDC - Trustee National Investment (Unit) Trust	1,672,871	6.3335
Total:	14,769,871	55.9192

STATEMENT OF COMPLIANCE WITH THE (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Saif Textile Mills Limited for the Year Ended June 30, 2018

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

1. The total number of directors are 7 as per the following:

Directors	Numbers
a) Male	05
b) Female	02

2. The composition of Board is as follows:

S.No	Directors	Numbers
a.	Independent Director(s)	Mr. Muhammad Danish
b.	Other Non-executive Directors	Osman Saifullah Khan
		Ms. Hoor Yousafzai
		Mr. Assad Saifullah Khan
		Mr. Faisal Saifullah Khan
		Ms. Jehannaz Saifullah Khan
		Rana Muhammad Shafi

Elections were held on March 31, 2018 after completion of extensive statutory formalities, only one independent director contested and elected as independent director therefore members were unable to elect two independent directors.

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

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Mr. Assad Saifullah Khan, & Ms. Hoor Yousafzai have already attained the DTP Certification. The Company will arrange the DTP Certification for remaining directors within stipulated time as prescribed in CCG Regulations 2017.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment

STATEMENT OF COMPLIANCE WITH THE (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Saif Textile Mills Limited for the Year Ended June 30, 2018

and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a)	Audit Committee	
	Mr. Muhammad Danish	Chairman
	Ms. Hoor Yousafzai	Member
	Mr. Assad Saifullah Khan	Member
b)	HR and Remuneration Committee	
	Mr. Muhammad Danish	Chairman
	Ms. Hoor Yousafzai	Member
	Mr. Assad Saifullah Khan	Member

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

Four (4) Audit Committee meetings were held during the year 2017-18, one (01) for each yearly, 1st quarterly, half yearly and 3rd quarterly. The committee met at least once every quarter of the financial year.

b) HR and Remuneration Committee

One (01) HR and Remuneration Committee meeting was held during the year 2017-18. The committee met once in the financial year.

15. The board has set up an effective internal audit function, who are considered suitably qualified and experienced person 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 other requirements of the Regulations have been complied with.

FOR AND ON BEHALF OF THE BOARD



OSMAN SAIFULLAH KHAN

Chairman

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Saif Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2018, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 20.3 to the financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.1.140 billion. Our report is not qualified in respect of this matter.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Following are the key audit matters:

S. No.	Description	How the matter was addressed in our audit
1.	<p>Compliance with Laws and Regulations - Changes in 4th Schedule</p> <p>The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Company's financial statements for the year ended June 30, 2018.</p> <p>The changes are considered as a key audit matter because failure to comply with the requirements of the Act, 2017 could have financial and reputational impact on the Company.</p> <p>Refer note 1, 2.1, 5, 6, 14.5, 21.4, 26, 27, 31, and 47 for changes in disclosures made through the Act, 2017.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - Obtained an understanding of the related provisions and schedules of the Act, 2017 applicable to the Company and prepared document to assess the Company's compliance with the disclosure requirement of the Act, 2017. - We discussed the applicable changes with the Company's management and those charged with governance as to whether the Company is in compliance with such changes. - We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance. - We ensured that the financial statements have been prepared in accordance with the approved accounting standards and the Act, 2017.
2.	<p>Property, plant and equipment</p> <p>The Company's Property, plant and equipment represent 99% (2017: 99%) of the total non-current assets of the Company. Further, these represent 55% (2017: 51%) of the total assets of the Company as at the reporting date. Judgement is exercised in determining the following:</p> <ul style="list-style-type: none"> - useful lives and residual values; - assessing whether there are any indicators of impairment present; and - when performing impairment assessments where indicators have been identified 	<p>The following was performed on the assessment of useful lives and residual values:</p> <ul style="list-style-type: none"> - Obtained the useful lives and residual values assessment and confirmed that this was reviewed and considered in the year under review; - Followed up on changes made to useful lives and corroborated by inspection of assets and discussion with operational personnel that the amendment was appropriate; and - Confirmed by inspection of the fixed asset register and discussion with operational management that there were no material assets still in use with a nil value.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

S. No.	Description	How the matter was addressed in our audit
	Based on the value of the balance, as at reporting date, as well as the judgements involved in determining useful lives and residual values this has been identified as a key audit matter.	<p>In considering whether impairment is required the Company's consideration of impairment indicators such as reduced capacity, forecasts, market demand for products, and the condition of the plants was reviewed. In addition, the following was performed:</p> <ul style="list-style-type: none"> - Mills were inspected to identify any damages or non-operating assets; - Discussions were held with the management, engineers and other technicians to identify any potential impairments; and - Production analyses at the various mills was performed and compared to standard capacity to assist in identifying possible impairment indicators. <p>Based on the tests performed we are of the view that property, plant and equipment appears to be valued appropriately.</p>
3.	<p>Valuation of stock-in-trade</p> <p>The total value of stock in trade as at the reporting date amounts to Rs.1.835 billion representing 46% of the Company's total current assets (2017: Rs.2.209 billion, 49% of the Company's total current assets. Stock in trade as at reporting date mainly includes raw material and finished goods. (note 25)</p> <p>The valuation of finished goods at cost has different components, which includes judgment and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to its present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of finished and in determining the appropriate value of slow moving and obsolete stocks.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> - assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis; - tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

S. No.	Description	How the matter was addressed in our audit
	We identified this matter as key in our audit due to the judgement and assumption applied by the Company in determining the cost and NRV of stock in trade at the year-end.	<ul style="list-style-type: none"> - assessed the management determination of A Grade and B Grade inventories and NRV of inventories thereon by performing tests on the sale price secured by the Company for similar items; and - tested the cost of inventories and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices; <p>We reviewed the Company's disclosure in the financial statement in respect of stock in trade.</p>
4.	<p>Contingencies</p> <p>The Company is subject to litigations involving different courts pertaining to Gas Infrastructure Development Cess and taxation, which require management to make assessment and judgements with respect to likelihood and impact of such litigations. Management has engaged independent legal counsel on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>Due to magnitude of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts we have considered above referred contingencies as one of the key audit matters.</p>	<p>We performed following audit procedures:</p> <ul style="list-style-type: none"> - Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances. - Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations. - We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. - The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

Information Other than the Financial Statements and Auditor's Report thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial

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 is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors'

report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

a) 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 other 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 deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), 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 auditors' report is Mr. Nafees ud din.

Shine Wing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

LAHORE; 28 September 2018

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Saif Textile Mills Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required

and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried-out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the note reference where this is stated in the Statement of Compliance:

Serial no:	Note reference	Description
(i)	2 (b)	The Company has appointed only one independent director on its Board.

Shine Wing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din
LAHORE; 28 September 2018

FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

			(Re-stated)	(Re-stated)
		2018	2017	2016
	Note	Rupees in '000		
Equity and Liabilities				
Share Capital and Reserves				
Authorised capital				
30,000,000 ordinary shares of Rs.10 each		300,000	300,000	300,000
Issued, subscribed and paid-up capital	7	264,129	264,129	264,129
Reserves	8	265,981	265,981	265,981
Unappropriated profit		1,097,183	1,049,296	990,419
Surplus on revaluation of property, plant and equipment	9	774,625	693,647	720,338
Total Shareholders' equity		2,401,918	2,273,053	2,240,867
Non-current Liabilities				
Sub-ordinated loan	10	608,000	525,000	523,500
Long term financing	11	1,220,781	863,676	977,872
Liabilities against assets subject to finance lease	12	22,885	17,221	11,959
Long term deposits	13	6,847	5,097	5,542
Staff retirement benefits - gratuity	14	117,523	135,379	151,966
Deferred taxation - net	15	102,937	120,162	103,396
		2,078,973	1,666,535	1,774,235
Current Liabilities				
Trade and other payables	16	659,052	581,166	674,928
Unclaimed dividend		8,330	7,914	7,962
Accrued mark-up and interest	17	235,829	196,882	164,895
Short term borrowings	18	3,299,165	3,429,881	2,767,636
Current portion of non-current liabilities	19	321,332	483,432	398,179
		4,523,708	4,699,275	4,013,600
		6,602,681	6,365,810	5,787,835
Contingencies and Commitments				
	20	9,004,599	8,638,863	8,028,702

ZAHEEN UD DIN QURESHI
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at June 30, 2018

		2018	(Re-stated) 2017	(Re-stated) 2016
	Note		Rupees in '000	
Assets				
Non-current Assets				
Property, plant and equipment	21	4,991,596	4,485,732	4,604,928
Intangible assets	22	9,485	12,102	565
Long term loans	23	12,282	13,652	14,950
Long term deposits		9,553	9,453	9,353
		5,022,916	4,520,939	4,629,796
Current Assets				
Stores, spare parts and loose tools	24	278,387	324,401	190,366
Stock-in-trade	25	1,835,839	2,029,069	1,765,510
Trade debts	26	1,268,412	1,017,609	758,712
Loans and advances	27	95,407	74,146	133,186
Short term prepayments		896	1,356	1,315
Other receivables	28	79,914	101,646	24,380
Investments	29	5,081	6,270	6,147
Deposit for shares	30	-	-	-
Taxation - net	31	324,309	325,065	321,414
Tax refunds due from Government	32	74,638	211,343	160,612
Cash and bank balances	33	18,800	27,019	37,264
		3,981,683	4,117,924	3,398,906
		9,004,599	8,638,863	8,028,702

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

ZAHEEN UD DIN QURESHI
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS


For the Year Ended June 30, 2018

		2018	2017
	Note	Rupees in '000	
Sales - net	34	7,852,240	7,586,301
Cost of sales	35	(6,997,222)	(6,823,288)
Gross profit		855,018	763,013
Distribution cost	36	(145,216)	(161,670)
Administrative expenses	37	(196,589)	(208,171)
Other income	38	9,994	40,645
Other expenses	39	(10,751)	(11,037)
Profit from operations		512,456	422,780
Finance cost - net	40	(385,153)	(314,877)
		127,303	107,903
Exchange fluctuation loss - net	41	(77,421)	(1,383)
Profit before taxation		49,882	106,520
Taxation	42	(4,014)	(83,575)
Profit after taxation		45,868	22,945
Earnings per share - basic and diluted	43	1.74	0.87

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the Year Ended June 30, 2018

	Note	2018 Rupees in '000	2017
Profit after taxation		45,868	22,945
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to statement of profit or loss:			
Loss on re-measurement of staff retirement benefit obligation		(5,799)	(919)
Impact of deferred tax		1,682	251
		(4,117)	(668)
Surplus on revaluation of property, plant and equipment		146,561	-
Impact of deferred tax		(42,503)	-
		104,058	-
		99,941	(668)
Total comprehensive income for the year		145,809	22,277

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

		2018	2017
		Rupees in '000	
Cash generated from / (used in) operating activities	44	872,082	(172,628)
Cash flow from investing activities			
Additions to property, plant and equipment		(621,345)	(220,624)
Sale proceeds of operating fixed assets / insurance claims received		19,517	6,884
Net cash used in investing activities		(601,828)	(213,740)
Cash flow from financing activities			
Long term financing - obtained		661,126	342,974
- repaid		(468,284)	(374,775)
Liabilities against assets subject to finance lease - net		7,827	8,120
Short term borrowings - net		(130,716)	662,245
Finance cost paid		(322,429)	(262,441)
Dividend paid		(25,997)	-
Net cash (used in) / generated from financing activities		(278,473)	376,123
Net decrease in cash and cash equivalents		(8,219)	(10,245)
Cash and cash equivalents - at beginning of the year		27,019	37,264
Cash and cash equivalents - at end of the year		18,800	27,019

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

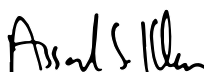
For the Year Ended June 30, 2018

	Share Capital	Reserves			surplus on revaluation of property, plant and equipment	Total
		Capital	Revenue	Unappropriated profit		
Rupees in '000						
Balance as at July 01, 2016 - (as previously reported)	264,129	115,981	150,000	990,419	-	1,520,529
Effect of retrospective restatement due to change in policy (note 5)	-	-	-	-	720,338	720,338
Balance as at July 01, 2016 - restated	264,129	115,981	150,000	990,419	720,338	2,240,867
Total comprehensive income for the year ended June 30, 2017						
Profit for the year	-	-	-	22,945	-	22,945
Other comprehensive loss	-	-	-	(668)	-	(668)
	-	-	-	22,277	-	22,277
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation (net of deferred taxation)	-	-	-	36,600	(36,600)	-
Deferred tax adjustment due to reduction in tax rate	-	-	-	-	9,909	9,909
Balance as at June 30, 2017 - restated	264,129	115,981	150,000	1,049,296	693,647	2,273,053
Transactions with owners						
Cash dividend for the year ended June 30, 2017 at the rate of Re.1 per share	-	-	-	(26,413)	-	(26,413)
Total comprehensive income for the year ended June 30, 2018						
Profit for the year	-	-	-	45,868	-	45,868
Other comprehensive (loss) / income	-	-	-	(4,117)	104,058	99,941
	-	-	-	41,751	104,058	145,809
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):						
- on account of incremental depreciation	-	-	-	30,795	(30,795)	-
- upon sale of revalued assets	-	-	-	1,754	(1,754)	-
Deferred tax adjustment due to reduction in tax rate	-	-	-	-	9,469	9,469
Balance as at June 30, 2018	264,129	115,981	150,000	1,097,183	774,625	2,401,918

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

Saif Textile Mills Limited (the Company) is a Public Limited Company incorporated in Pakistan on December 24, 1989 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and its shares are quoted on Pakistan Stock Exchange. The Company is principally engaged in manufacture and sale of yarn.

Sawabi	Purpose
Industrial Estate, Gadoon Amazai	Mills / factory
Peshawar	
APTMA House, Tehkal Payan, Jamrud Road	Registered office
Rawalpindi	
City centre, Main Bank Road, Saddar Cantt	Head office
Karachi	
2nd Floor, The Plaza, Block-9, Clifton	Marketing office

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 of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) 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 Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain operating fixed assets which have been included at their revalued amounts and staff retirement benefits (gratuity) stated at their present value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand unless otherwise specified.

3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

3.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

Certain standards, amendments and interpretations to IFRSs are effective for accounting periods beginning on July 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- (a) Amendments to IAS 7, 'Statement of cash flows'. The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments only resulted in some additional disclosures in the Company's financial statements.
- (b) IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.
- (c) The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 5 to these financial statements.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the incorporation of significant additional disclosures and elimination of duplicative disclosures with the IFRS disclosure requirements.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2017 and have not been early adopted by the Company:

- (a) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is assessing the impact of this standard on its financial statements.

- (c) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 01, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company is assessing the impact of these changes on its financial statements.
- (d) Annual improvements to IFRS Standards 2015-2017 Cycle applicable to accounting periods beginning on or after January 01, 2019. The new cycle of improvements addresses improvements to following approved accounting standards:
 - IAS 12 Income Taxes. The amendment clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.
 - IAS 23 'Borrowing Costs'. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non – qualifying assets – are included in that general pool.

The Company has yet to assess the impact of these changes on its financial statements.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

3.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses.

In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Obligation of defined benefit - note 4.3 & 14
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - note 4.5, 15, 31 & 42

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- Useful lives, residual values and depreciation method of property, plant and equipment. note 4.7 & 21.1
- Provision for impairment of inventories - note 4.10, 4.11, 24 & 25
- Provision for doubtful trade receivables - note 4.12
- Provision for impairment losses - note 4.15
- Estimation of provisions - note 4.16

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

4.1 Borrowings and borrowing cost

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalized as part of the cost of that asset.

4.2 Interest rate and cross currency swaps

In certain cases, the Company uses interest rate and cross currency swaps to hedge its risk associated primarily with mark-up payments and foreign currency fluctuations. The calculation involves use of estimates with regard to mark-up and foreign currency rates, which fluctuate with the market forces.

4.3 Staff retirement benefits - gratuity

The Company operates an un-funded staff retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2018 on the basis of the projected unit credit method by an independent Actuary.

Actuarial gains and losses are recognised in the statement of comprehensive income in the period in which these occur and past-service costs are recognised immediately in the statement of profit or loss.

4.4 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.5 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in statement of profit or loss, except to the extent that it relates to items recognised in statement of other comprehensive income or directly in equity. In this case, the tax is also recognised in statement of other comprehensive income or directly in equity, respectively.

(a) Current

Provision for current year's taxation is determined in accordance with the prevailing law of

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

taxation on income enacted or substantively enacted by the end of the reporting period and is based on current rates of taxation being applied on the taxable income for the year, after taking into account tax credits and rebates available, if any, and taxes paid under the Final Tax Regime. The tax charge also includes adjustments, where necessary, relating to prior years which arise from assessments finalised during the year.

(b) Deferred

The Company accounts for deferred taxation using the statement of financial position liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liability is recognised for taxable temporary differences and deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is charged or credited to the statement of profit or loss except for deferred tax arising on surplus on revaluation of property, plant and equipment, which is charged to revaluation surplus.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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 realised.

4.6 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

4.7 Property, plant and equipment

Leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air-conditioning equipment are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation of property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984. During the financial year, the Company change its accounting policy as detailed in note 5 to the financial statements.

The revaluation is measured on individual asset; if an asset's carrying amount is increased as a result of revaluation, the surplus is recognised in statement of other comprehensive income and accumulated in equity under the heading of revaluation surplus on property, plant and equipment. However, the surplus is recognised in statement of profit or loss to

NOTES TO THE FINANCIAL STATEMENTS

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the extent that it reverses revaluation decrease of the same asset previously recognised in statement of profit or loss. If an asset's carrying amount is decreased as a result of revaluation, the deficit on revaluation of asset is recognised in statement of profit or loss. However, the decrease is recognised in statement of other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 21.1. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to operating fixed assets is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Gain / loss on disposal of property, plant and equipment, if any, is taken to statement of profit or loss.

4.8 Assets subject to finance lease

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 21.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed-off.

Finance cost and depreciation on leased assets are currently charged to income.

4.9 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only

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For the Year Ended June 30, 2018

capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 22.

4.10 Stores, spare parts and loose tools

Stores, spare parts and loose tools are stated at cost. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the reporting date. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

4.11 Stock-in-trade

Basis of valuation are as follows:

Particulars	Mode of valuation
--------------------	--------------------------

Raw materials:

At mills	- At lower of moving average cost and market value.
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In transit	- At cost accumulated to the balance sheet date.
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Work-in-process	- At manufacturing cost.
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Finished goods	- At lower of cost and net realisable value.
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Waste	- At net realisable value.
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- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

4.12 Trade debts and other receivables

Trade debts and other receivables are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

4.13 Financial assets 'at fair value through profit or loss'

Financial assets 'at fair value through statement of profit or loss' are marked to market using the closing market rates and are carried on the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to statement of profit or loss in the period in which these arise.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

4.15 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

4.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.17 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing on reporting date except where forward exchange rates are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to statement of profit or loss.

4.18 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the statement of profit or loss for the year.

Financial instruments carried on the statement of financial position include deposits, trade debts, other receivables, investments, bank balances, sub-ordinated loan, long term financing, liabilities against assets subject to finance lease, trade & other payables, accrued mark-up & financial charges and short term borrowings. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.19 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

4.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- Local sales through agents are recorded on intimation from agents whereas direct sales are recorded when goods are dispatched to customers.
- Export sales are booked on shipment of goods.
- Rebate on export sales is recorded on 'accrual basis'.
- Return on bank deposits is accounted for on 'accrual basis'.
- Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

4.21 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 50 to these financial statements.

5. CHANGE IN ACCOUNTING POLICY

5.1 Section 235 (Treatment of surplus arising out of revaluation of fixed assets) of the repealed Companies Ordinance, 1984 has not been carried forward in the Companies Act, 2017. Previously, section 235 of the repealed Companies Ordinance, 1984 specified the accounting treatment and presentation of the surplus on revaluation of fixed assets, which was not in accordance with the IFRS requirements. Accordingly, in accordance with the requirements of International Accounting Standard (IAS) 16, Property, plant and equipment, surplus on revaluation of fixed assets will now be presented under equity.

5.2 Following the change and application of IAS 16, the Company's policy for surplus on revaluation of fixed assets stands amended as follows:

"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 reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of 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 revaluation surplus on property, plant and equipment to retained earnings".

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

5.3 The effect of change in accounting policy is summarised below:

	As previously reported	Re- statement	As restated
	Rupees in '000		
As at June 30, 2017			
Effect on statement of financial position			
Surplus on revaluation of property, plant and equipment	693,647	-	693,647
Total shareholder's equity	1,579,406	693,647	2,273,053
Effect on statement of changes in equity			
Surplus on revaluation of property, plant and equipment	-	693,647	693,647
As at June 30, 2016			
Effect on statement of financial position			
Surplus on revaluation surplus on property, plant and equipment	720,338	-	720,338
Total shareholder's equity	1,520,529	720,338	2,240,867
Effect on statement of changes in equity			
Surplus on revaluation of property, plant and equipment	-	720,338	720,338

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

6. SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- (a) The Company, during the current financial year, has obtained long term finances aggregated Rs.661.126 million from The Bank of Khyber, JS Bank Ltd. and United Bank Ltd. as part of its proposed BMR plan.
- (b) Due to applicability of the Companies Act, 2017 to the financial statements of the Company, amounts reported for the previous years have been restated. For detailed information please refer to note 5.
- (c) All other significant transactions and events that have affected the Company financial position and performance during the year have been adequately disclosed in these financial statements. For detail performance review of the Company refer Chairman's Review Report and Directors' Report on the Company's operations.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

7. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2018	2017		2018	2017
--- No. of shares ---			--- Rupees in '000 ---	
17,312,468	17,312,468	ordinary shares of Rs.10 each issued for cash	173,125	173,125
9,100,412	9,100,412	ordinary shares of Rs.10 each issued as fully paid bonus shares	91,004	91,004
<u>26,412,880</u>	<u>26,412,880</u>		<u>264,129</u>	<u>264,129</u>

7.1 Saif Holdings Limited held 13,097,000 shares of the Company as at June 30, 2018 and 2017.

7.2 Voting rights, board selection, right of first refusal and block voting are in proportion to the shareholding of a shareholder.

8. RESERVES

	Note	2018	2017
		---- Rupees in '000 ----	
Capital - share premium account	8.1	115,981	115,981
Revenue - general reserve		150,000	150,000
		<u>265,981</u>	<u>265,981</u>

8.1 Share premium account

Premium received on:

3,820,780 shares @ Rs.7 per share issued
during the year 1992

26,745 26,745

2,303,569 shares @ Rs.5 per share issued
during the year 1996

11,518 11,518

562,019 shares @ Rs.5 per share allotted
during the year 1997

2,810 2,810

7,500,000 shares @ Rs.10 per share allotted
during the year 2007

75,000 75,000

116,073 116,073

Less: preliminary expenses written-off during
the year 1992

92 92

115,981 115,981

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

9. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net

9.1 The Company had revalued its leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air conditioning equipment during the financial years ended 2006, 2009 and 2016. These fixed assets were revalued by independent Valuers on the basis of market value / depreciated market values.

9.2 The Company as at June 30, 2018 has again revalued its above mentioned fixed assets. The latest revaluation exercise was carried-out by M/s. MYK Associates (Pvt.) Ltd. (Independent Valuers and Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.146.561 million has been credited to this account to comply with the requirements of International Accounting Standards (IAS-16). The year-end balance has been arrived at as follows:

	Note	2018 ---- Rupees in '000 ----	2017
Opening balance		693,647	720,338
Add: Surplus arisen on revaluation carried-out at the year-end		146,561	-
Less: related deferred taxation		(42,503)	-
		<u>797,705</u>	<u>720,338</u>
Less: transferred to unappropriated profit on account of: (net of deferred taxation)			
- incremental depreciation for the year		30,795	36,600
- upon sale of revalued assets		1,754	-
Add: adjustment resulting from reduction in tax rate		9,469	9,909
Closing balance		<u>774,625</u>	<u>693,647</u>

10. SUB-ORDINATED LOAN - Unsecured

The Company, Aqua Nominees Ltd. - London (ANL) and Habib Bank Ltd., United Bank Ltd., Faysal Bank Ltd., The Bank of Punjab, HSBC Bank Middle East Ltd., Allied Bank Ltd., National Bank of Pakistan, Al Baraka Bank (Pakistan) Ltd., MCB Bank Ltd. (Formerly NIB Bank Ltd.), Dubai Islamic Bank Pakistan Ltd., Meezan Bank Ltd. and Bank Alfalah Ltd. (the Banks) had entered into a sub-ordination agreements whereby ANL, in consideration of the Banks providing finance facilities to the Company, had offered and undertaken to treat 50% of the loan amount of U.S.\$ 10 million extended by it to the Company as sub-ordinated loan. Accordingly, an amount of U.S.\$ 5 million, extended by ANL to the Company, shall remain sub-ordinate to the finance facilities extended by the Banks to the Company; neither the Company shall make any payments pertaining to the sub-ordinated loan to ANL nor shall ANL make a demand for payments of any amount whatsoever with respect to the sub-ordinated loan unless and until:

- the entire amount of finance facilities extended by the Banks to the Company

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

have been paid in full by the Company and the Banks have notified to ANL of such payments; or

- the Banks otherwise give permission in writing to the Company to make full or part of the payments due under the sub-ordinated loan.

This loan, during the current financial year, carried mark-up at the rates ranging from 2.930% to 4.020% (2017: 2.405 % to 2.930%) per annum.

11. LONG TERM FINANCING - Secured		2018	2017
	Note	---- Rupees in '000 ----	
United Bank Limited (UBL)			
- demand finance - I	11.1	-	15,000
- demand finance - II	11.2	19,355	116,131
- demand finance - III	11.3	150,000	200,000
- demand finance - IV	11.4	100,000	72,974
- long term finance facility (LTFF)	11.4	251,400	-
The Bank of Punjab (BoP)			
- term finance - I	11.5	18,783	37,565
- term finance - II	11.6	55,556	166,667
Habib Bank Limited (HBL)			
- demand finance - I	11.7	33,138	99,415
- demand finance - II	11.8	178,486	223,108
Soneri Bank Limited (SBL)			
- term finance	11.9	59,971	79,967
Askari Bank Limited (ABL)			
- diminishing musharkah	11.10	40,625	60,937
Summit Bank Limited (SMBL)			
- demand finance	11.11	140,625	150,000
Dubai Islamic Bank Pakistan Limited (DIBPL)			
- islamic finance facility	11.12	106,667	120,000
The Bank of Khyber (BoK)			
- demand finance	11.13	300,000	-
JS Bank Limited (JS Bank)			
- demand finance	11.14	80,000	-
		1,534,606	1,341,764
Less: current portion grouped under current liabilities		313,825	478,088
		<u>1,220,781</u>	<u>863,676</u>

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For the Year Ended June 30, 2018

- 11.1** These finances had been obtained from UBL against a demand finance facility of Rs.75 million. The principal balance of this finance facility was repayable in 10 equal half-yearly instalments commenced from December, 2013. This finance facility carried mark-up at the rate of 6-months KIBOR + 200 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.15% and 8.89% (2017: 8.13% and 8.53%) per annum. This finance facility was secured against first registered pari passu hypothecation charge over fixed assets of the Company for Rs.100 million.
- 11.2** These finances have been obtained from UBL against a demand finance facility of Rs.300 million. The Bank has disbursed the total amount in eight tranches of different amounts and each tranche is repayable in 16 equal quarterly instalments commenced from December, 2014. This finance facility carries mark-up at the rate of 3 months KIBOR + 125 basis points; effective mark-up rates charged, during the current financial year, ranged from 7.40% to 8.17% (2017: 7.30% to 7.40%) per annum. This finance facility is secured against first pari passu hypothecation charge on all fixed assets of the Company for Rs.400 million.
- 11.3** These finances have been obtained from UBL against a demand finance facility of Rs.200 million. The principal balance is repayable in 16 equal quarterly installments commenced from June, 2017. This finance facility carries mark-up at the rate of 3-months KIBOR + 125 basis points; effective mark-up rates charged, during the current financial year, ranged from 7.39% to 8.17% (2017: 7.29% to 7.39%) per annum. This finance facility is secured against joint first pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.700 million.
- 11.4** The Company, during the preceding financial year, obtained a demand finance facility of Rs.500 million from UBL. During the year, the bank converted the said facility in demand finance of Rs.100 million and LTFF under SBP scheme of Rs.400 million. The Bank against the demand finance facility, disbursed Rs.100 million in five tranches of different amount and Rs.251.400 million under LTFF in sixteen tranches of different amounts. Each tranche under the finance facilities is repayable in 20 equal quarterly instalments commenced from January, 2018. The demand finance facility carries mark-up at the rate of 3-months KIBOR + 125 basis points; whereas LTFF carries mark-up at SBP rate of 2% + 3% spread. Effective mark-up rate charged, during the current financial year, on demand finance and LTFF ranged from 7.38 to 7.66% and 5% (2017: 5%) per annum respectively. These finance facilities are secured against first joint pari passu hypothecation charge over present and future fixed and current assets of the Company for Rs.667 million.
- 11.5** These finances have been obtained from BoP against a term finance facility of Rs.130 million. The principal balance of this finance facility is repayable in 14 half-yearly instalments commenced from October, 2012. This finance facility carries mark-up at the rate of 6-months KIBOR + 225 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.40% to 8.46% (2017: 8.30% and 8.61%) per annum. This finance facility is secured against first pari passu hypothecation charge over fixed assets of the Company for Rs.174 million.
- 11.6** These finances have been obtained from BoP against a term finance facility of Rs.500 million. The principal balance of this term finance facility is repayable in 9 equal half-yearly instalments commenced from November, 2014. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points; effective mark-up rates charged, during the current financial year, ranged from 7.25% to 7.31% (2017: 7.16% and 7.28%) per annum. This finance facility is secured against first pari passu charge over all present and future fixed and current assets of the Company for Rs.667 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- 11.7** These finances have been obtained from HBL against a demand finance facility of Rs.270 million. The principal balance of this finance facility is repayable in 8 half-yearly instalments commenced from April, 2015. This finance facility carries mark-up at the rate of 6-months KIBOR + 110 basis points; effective mark-up rates charged, during the current financial year, ranged from 7.27% to 7.60% (2017: 7.15% and 7.46%) per annum. This finance facility is secured against first pari passu charge over all present and future fixed assets of the Company for Rs.360 million.
- 11.8** These finances have been obtained from HBL against a demand finance facility of Rs.290 million. The Bank has disbursed the total amount in five tranches of different amounts and each tranche is repayable in 78 equal monthly installments commenced from January, 2016. This finance facility carries mark-up at the rate of 1-month KIBOR + 100 basis points; effective mark-up rates charged, during the current financial year, ranged from 7.25% to 8.01% (2017: 7.22% to 7.28% per annum) per annum. This finance facility is secured against joint first pari passu charge over all present and future moveable and immovable fixed and current assets of the Company and a ranking charge for Rs.386.660 million.
- 11.9** These finances have been obtained from SBL against a term finance facility of Rs.100 million. The principal balance of this term finance facility is repayable in 10 equal half-yearly instalments commenced from December, 2016. This finance facility carries mark-up at the rate of 6-months KIBOR + 100 basis points; effective mark-up rate charged, during the current financial year, ranged from 7.15% to 7.21% (2017: 7.06% to 7.15%) per annum. This finance facility is secured against joint pari passu charge over current and fixed assets of the Company for Rs.133.334 million.
- 11.10** These finances have been obtained from ABL against a diminishing musharakah finance facility of Rs.75 million. The principal balance of this finance facility is repayable in 48 equal monthly instalments of Rs.1.563 million each commenced from September, 2016. This finance facility carries profit at the rate of 3-months KIBOR + 90 basis points per annum payable monthly basis; effective profit rates charged, during the current financial year, ranged from 7.02% to 7.37% (2017: 6.91% to 7.04%) per annum. This finance facility is secured against first pari passu charge on current and fixed assets of the Company for Rs.100 million.
- 11.11** The Company, during the preceding financial year, obtained a demand finance facility of Rs.150 million from SABL. The principal balance is repayable in 16 equal quarterly instalments commenced from April, 2018. This finance facility carries mark-up at the rate of 3-months KIBOR + 1.20%; effective mark-up rates charged, during the current financial year, ranged from 7.34% to 7.63% (2017: 7.29% to 8.32%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.200 million.
- 11.12** The Company, during the preceding financial year, obtained an islamic finance facility of Rs.120 million from DIBPL. The principal balance is repayable in 9 equal half-yearly instalments commenced from April, 2018. This finance facility carries profit at the rate of 6-months KIBOR + 1.50%; effective mark-up rate charged, during the current financial year, ranged from 7.66% to 8.02% (2017: 7.66%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.160 million.
- 11.13** The Company, during the current financial year, obtained a demand finance facility of Rs.300 million from BoK. The principal balance is repayable in 10 equal quarterly instalments commencing September, 2019. This finance facility carries mark-up at the rate of 6-months KIBOR + 1.25%; effective mark-up rates charged, during the current financial year, was

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For the Year Ended June 30, 2018

7.73 per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.400 million.

- 11.14** The Company, during the current financial year, obtained a demand finance facility of Rs.300 million from JS bank. The Bank, against the said facility, has disbursed Rs.80 million in three tranches of different amounts till reporting date. The principal balance is repayable in 16 equal quarterly instalments commencing July, 2019. This finance facility carries mark-up at the rate of 1-months KIBOR + 1.50%; effective mark-up rates charged, during the current financial year, ranged from 7.99% to 8.47% per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.375 million over all present and future fixed and current assets of the Company.

12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2018			2017		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
----- Rupees in '000 -----						
Minimum lease payments	9,933	30,632	40,565	7,040	22,373	29,413
Less: finance cost allocated to future periods	2,426	3,168	5,594	1,696	2,185	3,881
	7,507	27,464	34,971	5,344	20,188	25,532
Less: security deposits adjustable on expiry of lease terms	-	4,579	4,579	-	2,967	2,967
Present value of minimum lease payments	7,507	22,885	30,392	5,344	17,221	22,565

- 12.1** The Company has entered into finance lease arrangements with MCB Bank Ltd. (Formerly NIB Bank Ltd.), Meezan Bank Ltd., and Bank Alfalah Ltd. for lease of vehicles. The liabilities under the lease agreements are payable in quarterly and monthly installments by April, 2023, and are subject to finance cost at the rates ranging from 7.39% to 10.00% (2017: 7.04% to 7.65%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. The lease finance facilities are secured against title of the leased vehicles in the name of the banks and post dated cheques of all principal installments.

13. LONG TERM DEPOSITS

These deposits have been received in accordance with the Company's Car Incentive Scheme and against these deposits vehicles have been provided to the employees. These are adjustable after specified periods by transfer of title of vehicles to the respective employees.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

14. STAFF RETIREMENT BENEFITS - (Gratuity)

14.1 The Company's obligation as per the latest actuarial valuation in respect of defined benefit gratuity plan is as follows:

	2018	2017
The movement in the present value of defined benefit obligation is as follows:	--- Rupees in '000 ---	
Balance at beginning of the year	135,379	151,966
Current service cost	19,407	25,783
Interest cost	8,494	8,932
Benefits paid	(51,556)	(52,221)
Remeasurement of obligation	5,799	919
Balance at end of the year	117,523	135,379
Expense recognised in statement of profit or loss is as follows:		
Current service cost	19,407	25,783
Interest cost	8,494	8,932
Charge for the year	27,901	34,715
Remeasurement recognised in statement of other comprehensive income		
Experience adjustment	5,799	919
Actuarial assumptions used	2018	2017
Discount rate	9.00%	7.75%
Expected rate of increase in future salaries	8.00%	5.75%
Demographic assumptions		
- Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)
- retirement age	60 years	60 years

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For the Year Ended June 30, 2018

14.2 Sensitivity analysis for actuarial assumptions:

The calculation of defined benefit obligation is sensitive to assumptions set-out above. The following table summarizes how defined benefit obligation would have increased / decreased as a result of change in respective assumption by one percent.

	Increase in assumptions	Decrease in assumptions
	----- Rupees in '000 -----	
Discount rate	107,882	129,151
Increase in salaries	129,265	107,594

The sensitivity analysis are based on a change in an assumption while holding all other assumptions constants. In practice, this is unlikely to occur, and change in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Expected maturity analysis of undiscounted obligation is as follows:

Time in years	Rupees in 000'
1	17,231
2	11,009
3	11,732
4	10,098
5	17,351
next five years	66,689

14.3 Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows::

	2018	2017	2016	2015	2014
	----- Rupees in '000 -----				
Present value of defined benefit obligation	117,523	135,379	151,966	159,611	109,705
Experience adjustment:					
loss / (gain) on obligation	5,799	919	(5,515)	3,769	13,039

14.4 Based on actuary's advice, the expected contribution for the year ending June 30, 2019 to gratuity plan amounts to Rs.26.390 million.

14.5 Gratuity includes liability in respect of key management personnel aggregating to Rs.6.952 million (2017: Rs.4.990 million)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

15. DEFERRED TAXATION - net

	Note	2018 --- Rupees in '000 ---	2017
This is composed of the following:			
Taxable temporary difference			
arising in respect of:			
- accelerated tax depreciation allowances		525,282	490,141
- surplus on revaluation of property, plant and equipment		289,661	271,087
- lease finances		942	489
		815,885	761,717
Deductible temporary difference			
arising in respect of:			
- unused tax losses	15.1	632,837	594,283
- provision for doubtful deposit for shares		2,655	2,736
- provision for doubtful debt		290	7,500
- staff retirement benefits - gratuity		31,202	37,036
- minimum tax	15.1	45,964	-
		712,948	641,555
Net deferred tax liability		102,937	120,162

- 15.1** Deferred tax asset on unused tax losses and minimum tax paid under section 113 of the Income tax Ordinance, 1984, aggregating Rs.111.291 million (2017: Rs.501.469 million) and Rs.108.180 million (2017: Rs.108.180 million) respectively has not been recognised based on the uncertainty of availability of future taxable profits.

16. TRADE AND OTHER PAYABLES

		2018 --- Rupees in '000 ---	2017
Creditors		147,187	121,851
Bills payable	16.1	157,655	204,842
Due to related parties	16.2	140,355	79,666
Accrued expenses		209,302	167,327
Security deposits	16.3	2,000	2,000
Workers' (profit) participation fund		2,553	5,337
Tax deducted at source		-	143
		659,052	581,166

- 16.1** These are secured against import documents.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- 16.2** These balances, arisen in the normal course of business are interest free, are due to the following related parties:

	2018	2017
	--- Rupees in '000 ---	
Mediterranean Textile Company (S.A.E.), Egypt	140,323	79,634
Lahore Compost (Pvt.) Ltd.	32	32
	<u>140,355</u>	<u>79,666</u>

- 16.3** This represent interest free security deposit received from the Company's transport contractor. The amount received has been utilised for the purpose of the business in accordance with the written agreement with the contractor.

17. ACCRUED MARK-UP AND INTEREST

	Note	2018	2017
		--- Rupees in '000 ---	
Sub-ordinated loan		123,035	89,300
Long term financing			
- from banking companies		29,212	32,028
- others	17.1	28,762	24,836
		57,974	56,864
Liabilities against assets subject			
to finance lease		220	232
Short term financing		54,600	50,486
		<u>235,829</u>	<u>196,882</u>

- 17.1** This represents mark-up payable on U.S.\$ 5 million loan obtained from Aqua Nominees Ltd. - London. The Company has repaid the principal balance of this loan during the financial year ended June 30, 2014.

18. SHORT TERM BORROWINGS

	Note	2018	2017
		--- Rupees in '000 ---	
Running / cash finances - secured	18.1	3,298,051	3,429,881
Temporary bank overdraft - unsecured	18.2	1,114	-
		<u>3,299,165</u>	<u>3,429,881</u>

- 18.1** Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.4.072 billion (2017: Rs.4.072 billion) and are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current financial year, carried mark-up at the rates ranging from 6.54% to 7.96% (2017: 6.55% to 8.55%) per annum and are expiring on various dates by January, 2019. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.2.545 billion (2017: Rs.2.563 billion) of which the amount remained unutilised at the year-end was Rs.2.032 billion (2017: Rs.1.998 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring on various dates by August, 2019.

- 18.2** These have arisen due to issuance of cheques in excess of balance at bank accounts.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

19. CURRENT PORTION OF NON-CURRENT LIABILITIES

	Note	2018 --- Rupees in '000 ---	2017
Long term financing	11	313,825	478,088
Liabilities against asset subject to finance lease	12	7,507	5,344
		<u>321,332</u>	<u>483,432</u>

20. CONTINGENCIES AND COMMITMENTS

Contingencies

20.1 The Company had imported textile plant & machinery availing exemption from customs duty and sales tax on import thereof under SROs 554(1)/98 and 987(1)/99. In case conditions of the aforementioned SROs are violated, the amounts of customs duty and sales tax exempted aggregating Rs.151.014 million shall be recoverable by the Customs Authorities along with penalties under section 202 of the Customs Act, 1969.

20.2 Guarantees aggregating Rs.213.203 million (2017: Rs.205.203 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

20.3 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication.

Sui Northern Gas Pipelines Limited, along with gas bill for the month of June, 2018, has raised GIDC demands aggregating Rs.1,140.419 million which are payable in case of an adverse judgment by the SCP. Provisions for the GIDC demands aggregating Rs.1,140.419 million have not been made in the books of account as the management expects a favourable judgment by the SCP due to meritorious legal grounds.

Commitments

20.4 Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.142.378 million (2017: Rs.155.419 million).

21. PROPERTY, PLANT AND EQUIPMENT

	Note	2018 --- Rupees in '000 ---	2017
Operating fixed assets	21.1	4,908,370	4,471,486
Capital work-in-progress	21.9	565	14,246
Stores to be capitalised currently in transit		82,661	-
		<u>4,991,596</u>	<u>4,485,732</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

21.1 Operating Fixed assets - tangible

	Owned														Leased vehi- cles	Total
	Build- ings on leasehold land	Plant & machin- ery	Genera- tors	Electric installa- tions	Aircon- ditioning equipment	Furniture and fixtures	Office equip- ment	Telephone installa- tions	Weighing scales	Fire extin- guishing equip- ment	Gas fittings	Vehi- cles				
----- Rupees in '000 -----																
COST / REVALUATION																
Balance as at July 01, 2016	252,738	1,024,320	4,095,413	609,929	105,816	123,049	18,869	43,558	4,614	3,161	3,171	1,218	117,586	16,816	6,420,258	
Additions during the year	-	12,139	167,872	11,000	1,014	1,172	1,767	6,059	731	2	-	-	5,283	12,848	219,887	
Disposals during the year	-	-	-	-	-	-	-	(512)	(168)	-	-	-	(14,184)	-	(14,864)	
Balance as at June 30, 2017	252,738	1,036,459	4,263,285	620,929	106,830	124,221	20,636	49,105	5,177	3,163	3,171	1,218	108,685	29,664	6,625,281	
Balance as at July 01, 2017	252,738	1,036,459	4,263,285	620,929	106,830	124,221	20,636	49,105	5,177	3,163	3,171	1,218	108,685	29,664	6,625,281	
Additions during the year	-	79,789	424,950	14,112	1,033	918	5,260	7,884	471	70	-	-	1,303	16,577	552,367	
Disposals during the year	-	-	(49,937)	-	-	-	(1,516)	(2,047)	(968)	-	-	-	(19,857)	-	(74,325)	
Balance as at June 30, 2018	252,738	1,116,248	4,638,298	635,041	107,863	125,139	24,380	54,942	4,680	3,233	3,171	1,218	90,131	46,241	7,103,323	
DEPRECIATION																
Balance as at July 01, 2016	-	-	1,531,863	143,596	28,356	43,157	11,192	19,932	2,278	1,428	1,398	625	57,345	280	1,841,450	
Charge for the year	2,753	51,358	198,441	35,433	5,868	6,016	865	2,622	276	173	177	60	11,982	5,034	321,058	
On disposals during the year	-	-	-	-	-	-	-	(359)	(49)	-	-	-	(8,305)	-	(8,713)	
Balance as at June 30, 2017	2,753	51,358	1,730,304	179,029	34,224	49,173	12,057	22,195	2,505	1,601	1,575	685	61,022	5,314	2,153,795	
Balance as at July 01, 2017	2,753	51,358	1,730,304	179,029	34,224	49,173	12,057	22,195	2,505	1,601	1,575	685	61,022	5,314	2,153,795	
Charge for the year	2,753	52,134	136,426	22,379	3,678	3,791	1,220	3,104	260	159	160	54	8,782	6,986	241,886	
Elimination against revaluation surplus	(1,297)	(18,176)	(83,795)	(23,374)	(17,787)	(2,132)	-	-	-	-	-	-	-	-	(146,561)	
On disposals during the year	-	-	(38,991)	-	-	-	(1,026)	(1,089)	(341)	-	-	-	(12,720)	-	(54,167)	
Balance as at June 30, 2018	4,209	85,316	1,743,944	178,034	20,115	50,832	12,251	24,210	2,424	1,760	1,735	739	57,084	12,300	2,194,953	
BOOK VALUE AS AT																
JUNE 30, 2017	249,985	985,101	2,532,981	441,900	72,606	75,048	8,579	26,910	2,672	1,562	1,596	533	47,663	24,350	4,471,486	
BOOK VALUE AS AT																
JUNE 30, 2018	248,529	1,030,932	2,894,354	457,007	87,748	74,307	12,129	30,732	2,256	1,473	1,436	479	33,047	33,941	4,908,370	

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- 21.2** Revaluation surplus on each class of assets, as a result of latest revaluation as detailed in note 9.2, has been determined as follows:

Particulars	Leasehold land	Buildings on leasehold land	Plant and machinery	Generators	Electric Installations	Air Conditioning equipments	Total
--- Rupees in '000 ---							
Cost / revaluation							
as at June 30, 2018	252,738	1,116,247	4,638,299	635,040	107,865	125,137	6,875,326
Accumulated depreciation							
as at June 30, 2018	5,506	103,493	1,827,739	201,407	37,904	52,962	2,229,011
Book value before revaluation adjustments							
as at June 30, 2018	247,232	1,012,754	2,810,560	433,633	69,961	72,175	4,646,315
Revalued amounts	248,529	1,030,930	2,894,355	457,007	87,748	74,307	4,792,876
Revaluation surplus / (deficit)"	1,297	18,176	83,795	23,374	17,787	2,132	146,561

- 21.3** Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2018	2017
	--- Rupees in '000 ---	
- leasehold land	110,133	111,479
- buildings on leasehold land	429,188	370,820
- plant & machinery	2,621,668	2,331,584
- generators	440,964	449,617
- electric installations	42,289	43,477
- air-conditioning equipment	57,612	59,719
	<u>3,701,854</u>	<u>3,366,696</u>

- 21.4** Leasehold land of the Company and building thereon represents 402,304 square meters of land located at Industrial Estate, Gadoon Amazai, District Sawabi Khyber Pakhtunkhwa.

- 21.5** Based on the latest revaluation exercise carried-out on June 30, 2018, forced sale value of the Company's revalued assets was Rs.3,898.273 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

21.6 Disposal of operating fixed assets

Asset Description	Cost / Revaluation	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain / (loss)	Mode of disposal	Particulars of buyer
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----- Rupees in '000 -----

Assets having net book value exceeding Rs.500,000 each

Plant & Machinery

Savio Auto Cone Winder	7,745	6,520	1,225	1,216	(9)	Negotiation	Abbas Corporation, Lahore.
Savio Auto Cone Winder	7,745	6,520	1,225	1,216	(9)	--- do ---	--- do ---
R.N Machine for Dyeing	2,708	815	1,893	1,871	(22)	--- do ---	--- do ---
Fourteen Ring Frames	31,339	24,998	6,341	3,656	(2,685)	--- do ---	Noshad Textile Machinery Traders
	49,537	38,853	10,684	7,959	(2,725)		

Vehicles

Honda Civic	2,396	1,558	838	838	-	Company policy	Mr. Muhammad Ishaq - an employee
Honda City	1,732	818	914	1,050	136	--- do ---	Mr. Salman Shafiq - an ex-employee
Audi A-6	7,715	3,000	4,715	5,156	441	Negotiation	Saif Holding Limited - a related party
	11,843	5,376	6,467	7,044	577		

Various assets having net book value upto Rs.500,000 each

	12,945	9,938	3,005	4,514	1,509
2018	<u>74,325</u>	<u>54,167</u>	<u>20,156</u>	<u>19,517</u>	<u>(639)</u>
2017	<u>14,864</u>	<u>8,713</u>	<u>6,151</u>	<u>6,884</u>	<u>733</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

21.7 Depreciation for the year has been apportioned as under:

	2018	2017
	--- Rupees in '000 ---	
Cost of sales	221,533	300,279
Administrative expenses	20,353	20,779
	<u>241,886</u>	<u>321,058</u>

21.8 The management, during the current year, in order to ascertain the useful life of plant & machinery, generators, electric installations and air conditioning equipment has carried-out an internal exercise and assessed their remaining useful life. Keeping in consideration the assessed useful life of aforementioned assets, the depreciation rate of aforementioned assets has been reduced to 5% per annum from 7.5% per annum. The aforementioned revision has been accounted for as change in accounting estimates in accordance with the requirements of IAS 8 (Accounting policies, changes in accounting estimates and errors). The effect of this change in accounting estimate has been recognised prospectively in the statement of profit or loss of the current year. Had there been no revision, profit before taxation and the carrying value of operating fixed assets would have been lower by Rs.82.933 million. Accordingly, earning per share of Rs.4.86 for the year ended June 30, 2018 would have been loss per share of Rs.1.40.

21.9 Capital work-in-progress

	2018	2017
	--- Rupees in '000 ---	
Advance payments		
- factory buildings	43	43
- plant & machinery	257	6,586
- furniture and fixtures	-	7,117
- vehicles	265	500
	<u>565</u>	<u>14,246</u>

22. INTANGIBLE ASSETS - Computer software

Cost at beginning of the year	19,265	6,654
Add: Addition during the year	-	12,611
	<u>19,265</u>	<u>19,265</u>
Less: amortisation:		
- at beginning of the year	7,163	6,089
- charge for the year	2,617	1,074
- at end of the year	9,780	7,163
Book value as at June 30,	<u>9,485</u>	<u>12,102</u>

22.1 Amortisation is charged to income applying the straight-line method at the rate of 20% per annum.

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For the Year Ended June 30, 2018

23. LONG TERM LOANS - Considered good		2018	2017
	Note	--- Rupees in '000 ---	
Loans and advances to employees	23.1	15,493	17,686
Less: amounts due within twelve months and shown under current assets		3,211	4,034
		12,282	13,652
23.1 These loans are interest free and have been advanced for construction of house, employees' children educational expenses and for other purposes. These are recoverable in monthly instalments and are adjustable against the gratuity balances of the employees at the end of respective employment terms.			
24. STORES, SPARE PARTS AND LOOSE TOOLS		2018	2017
		--- Rupees in '000 ---	
Stores including in-transit inventory valuing Rs.22.683 million (2017: Rs.94.93 million)		197,831	245,049
Spare parts		77,644	76,644
Loose tools		2,912	2,708
		278,387	324,401
25. STOCK-IN-TRADE			
Raw materials:			
- at mills		932,047	913,017
- in transit		117,104	267,198
		1,049,151	1,180,215
Work-in-process		210,201	141,902
Finished goods		576,487	706,952
		1,835,839	2,029,069
25.1 Stock-in-trade inventory valuing Rs.1,239.844 million (2017: Rs.1,358.374 million) which is pledged with commercial banks as security for short term borrowings (note 18).			

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

26. TRADE DEBTS		2018	2017
	Note	--- Rupees in '000 ---	
Unsecured - local	26.1	1,030,221	893,951
Secured			
- export	26.2	156,374	148,339
- local		82,817	319
		239,191	148,658
Less: provision for doubtful debts - local		(1,000)	(25,000)
		<u>1,268,412</u>	<u>1,017,609</u>

- 26.1** At June 30, 2018, trade debts aggregating to Rs.33.034 million (2017: Rs.134.553 million) were past due but not impaired. These relate to various customers for which there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2018	2017
	--- Rupees in '000 ---	
Past due within 30 days	20,194	46,415
Past due beyond 30 days	12,840	88,138
	<u>33,034</u>	<u>134,553</u>

- 26.2** With respect to outstanding foreign debts break-up of sales made in each foreign jurisdiction along with its credit terms is as follows:

		2018	2017
Foreign jurisdictions	Credit terms	--- Rupees in '000 ---	
Asia	Confirmed Lc	100,749	81,612
Europe	-- do --	318,817	196,218
South America	-- do --	69,085	40,265
Australia	-- do --	22,516	13,220
		<u>511,167</u>	<u>331,315</u>

27. LOANS AND ADVANCES - Considered good		2018	2017
	Note	--- Rupees in '000 ---	
Current portion of long term loans to employees		3,211	4,034
Advances to:			
- related parties - Key Management Personnel	27.1	1,400	-
- employees		4,966	4,000
- suppliers		85,830	66,112
		<u>95,407</u>	<u>74,146</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

27.1 (a) This represents interest free loan provided to Mr. Zaheen-ud-din (Chief Executive Officer). The loan is recoverable in monthly instalments of Rs.175 thousand each.

(b) Maximum aggregate amount due from the key management personnel at any month-end during the current financial year was Rs.2.100 million (2017: Rs.Nil million).

28. OTHER RECEIVABLES

		2018	2017
	Note	--- Rupees in '000 ---	
Insurance claims receivable		14,596	24,018
Due from related parties	28.1	9,522	3,960
Receivable from Sui Northern Gas Pipelines Ltd.	28.2	23,331	23,331
Advances against letters of credit		2,421	16,545
Duty drawback of taxes	28.3	4,364	8,112
Mark-up subsidy	28.4	25,680	25,680
		<u>79,914</u>	<u>101,646</u>

28.1 These balances, arisen in the normal course of business are interest free, are due from the following related parties:

	2018	2017
	--- Rupees in '000 ---	
- Saif Energy Ltd.	437	437
- Saif Holdings Ltd.	9,074	3,371
- Saif Power Ltd.	11	152
	<u>9,522</u>	<u>3,960</u>

28.1.1 The maximum outstanding balance due from the related parties at the end of any month during the year was as follows:

	2018	2017
	--- Rupees in '000 ---	
- Saif Energy Ltd.	437	437
- Saif Holdings Ltd.	10,889	3,621
- Saif Power Ltd.	169	152

28.2 This represents excessive gas bills paid, during the financial year ended June 30, 2010 and 2015, under protest against which the Company has filed a complaint with the Oil & Gas Regulatory Authority, Islamabad. Presently, the Company's case is pending with the Regional Detection & Evaluation Committee of Sui Northern Gas Pipelines Ltd. for final decision.

28.3 These represent duty drawback of taxes booked under "Duty Drawback Of Taxes Order 2017-17". This incentive has been given by the Federal Government to encourage the exporter.

28.4 These represent mark-up subsidy claims booked under the Government's "Technology Up-gradation Support Order 2010". These claims have been duly verified by the banks of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

29.	INVESTMENTS - Quoted	2018	2017
	(at fair value through statement of profit or loss)	Note	--- Rupees in '000 ---
	National Bank of Pakistan 105,000 (2017: 105,000) ordinary shares of Rs.10 each		6,196 6,070
	Pakistan Petroleum Ltd. 500 (2017: 500) ordinary shares of Rs.10 each		74 77
			6,270 6,147
	Adjustment on remeasurement to fair value - net		(1,189) 123
			5,081 6,270
30.	DEPOSIT FOR SHARES		
	Security Electric Power Company Ltd. - SEPCL (an Ex - Associated Company)	30.1	10,000 10,000
	Less: provision for doubtful deposit for shares	30.2	10,000 -
			- -
30.1	The Company had deposited Rs.5 million during the financial year ended September 30, 1994 and Rs.5 million during the financial year ended September 30, 1998 with SEPCL for purchase of shares. Shares against these deposits, however, have not been issued so far.		
30.2	Full provision against these doubtful deposits was made as the management was of the view that SEPCL had abandoned the project due to IPP crisis and SEPCL utilised this amount in payment of penalty imposed by the Private Power Infrastructure Board (Ministry of Water and Power). The Company had filed a complaint before the Wafaqi Muhtasib for recovery of the said deposit along with penalty. As remote chances of recovery existed, full provision for doubtful deposits for shares was made in the books of account during the financial year ended September 30, 2000.		
31.	TAXATION - net	2018	2017
	Note	--- Rupees in '000 ---	
	Balance of advance tax		
	at beginning of the year	325,065	321,414
	Add: income tax deducted / paid during the year	71,340	70,300
		396,405	391,714
	Less: provision made for		
	- current year	52,602	58,058
	- prior year	(11)	(1,409)
		52,591	56,649
	Less: refunds received during the year	(19,505)	(10,000)
	Balance of advance tax at end of the year	324,309	325,065

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- 31.1** Management has provided sufficient tax provision in the financial statement as per the applicable provisions of the Income Tax Ordinance, 2001 (the Ordinance). A comparison of last three years of income tax provision as per the financial statements with the tax assessed is presented below:

	2017	2016	2015
	--- Rupees in '000 ---		
Income tax provision for the year - accounts	58,058	4,805	52,099
Income tax as per assessment	58,046	6,214	60,022

- 31.2** Income tax assessments of the Company have been finalized by the Income Tax Department or deemed to be assessed under section 120 of the Ordinance upto the tax year 2017.

- 31.3** No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent tax payable under sections 113 (minimum tax on turnover) and 154 (tax on export proceeds) of the Ordinance after adjusting tax credit under section 65B of the Ordinance.

32. TAXES REFUNDS DUE FROM GOVERNMENT

		2018	2017
	Note	--- Rupees in '000 ---	
Sales tax refundable		69,604	206,309
Minimum tax paid under protest	32.1	5,034	5,034
		<u>74,638</u>	<u>211,343</u>

- 32.1** The Company had made payments aggregating Rs.12.736 million till September 30, 2003 under protest; however, Rs.3.000 million were adjusted against the completed assessment during the financial year ended September 30, 2004. The Company, during the financial year ended June 30, 2008, had received refund of Rs.4.702 million.

33. CASH AND BANK BALANCES

		2018	2017
	Note	--- Rupees in '000 ---	
Cash-in-hand	33.1	321	275
Cash at banks on:			
- current accounts	33.2	17,378	25,893
- saving accounts		1,101	851
		<u>18,800</u>	<u>27,019</u>

- 33.1** This represents foreign currency of U.S.\$ 2,000 (2017: U.S.\$ 2,000) and Euro 500 (2017: Euro 500) in hand at the year-end.

- 33.2** These include foreign currency balances of U.S.\$ 48,962 (2017: U.S.\$ 48,964).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

34. SALES - Net

	Note	2018 --- Rupees in '000 ---	2017
Own manufactured goods:			
Local			
- yarn		6,713,407	6,369,763
- waste		58,115	35,718
- surgical cotton		11,681	15,865
		6,783,203	6,421,346
Export			
- yarn		383,961	415,550
- surgical cotton		279,761	244,599
		663,722	660,149
Trading activities:			
Local			
- yarn		374,672	543,381
- raw materials		30,643	23,392
Less: sales return		-	(70,079)
		405,315	496,694
		7,852,240	7,578,189
Duty drawback of taxes	28.3	-	8,112
		7,852,240	7,586,301

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

35. COST OF SALES	Note	2018	2017
		--- Rupees in '000 ---	
Raw materials consumed	35.1	4,605,330	4,213,448
Salaries, wages and benefits	35.2	841,463	758,112
Packing materials consumed		139,549	157,407
Dyes and chemical consumed		26,656	18,415
Power and fuel		608,953	570,285
Repair and maintenance		155,752	127,548
Depreciation	21.7	221,533	300,279
Insurance		25,103	24,097
Rent		7,448	6,062
Vehicles' running and maintenance		9,723	7,218
Travelling and conveyance		3,656	3,288
Textile cess		100	100
Others		14,672	10,868
		6,659,938	6,197,127
Adjustment of work-in-process			
Opening		141,902	115,699
Closing		(210,201)	(141,902)
		(68,299)	(26,203)
Cost of goods manufactured		6,591,639	6,170,924
Adjustment of finished goods			
Opening stock		706,952	725,178
Purchases		275,118	634,138
Closing stock		(576,487)	(706,952)
		405,583	652,364
		6,997,222	6,823,288
35.1 Raw materials consumed			
Opening stock		1,180,215	924,633
Purchases (for manufacturing)		4,441,698	4,444,177
Cost of raw materials sold		30,643	23,392
		4,472,341	4,467,569
		5,652,556	5,392,202
Less: closing stock		1,049,151	1,180,215
		4,603,405	4,211,987
Add: cotton cess		1,925	1,461
		4,605,330	4,213,448

35.2 These include Rs.16.275 million (2017: Rs.20.250 million) in respect of staff retirement benefits - gratuity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

36.	DISTRIBUTION COST		2018	2017
		Note	--- Rupees in '000 ---	
	Staff salaries and benefits	36.1	18,601	15,291
	Travelling		5,937	5,325
	Communication		89	1,668
	Loading and unloading		27,195	27,257
	Freight on local yarn sales		7,817	9,235
	Freight on export yarn sales		31,663	33,835
	Export expenses		1,731	1,920
	Insurance		456	418
	Commission on sales		42,101	35,017
	Quality claims on sale supplies		9,626	6,704
	Provision for doubtful debts	26	-	25,000
			<u>145,216</u>	<u>161,670</u>

36.1 These include Rs.3.721 million (2017: Rs.4.632 million) in respect of staff retirement benefits - gratuity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

37. ADMINISTRATIVE EXPENSES

		2018	2017
	Note	--- Rupees in '000 ---	
Directors' meeting fee		130	110
Salaries and benefits	37.1	109,863	130,035
Travelling and conveyance:			
- directors		77	583
- others		3,008	2,842
Rent, rates and taxes		4,498	4,359
Entertainment		2,759	2,719
Communication		6,298	5,750
Printing and stationery		2,036	1,911
Electricity, gas and water		2,906	6,345
Insurance		2,657	2,882
Repair and maintenance		2,264	4,567
Vehicles' running and maintenance		9,546	12,701
Advertisement		305	153
Fees and subscription		20,191	7,278
Newspapers and periodicals		151	141
Depreciation	21.7	20,353	20,779
Amortisation	22	2,617	1,074
Auditors' remuneration	37.2	1,525	1,510
Legal and professional (other than Auditors)		5,212	2,147
Others		193	285
		<u>196,589</u>	<u>208,171</u>

37.1 These include Rs.7.904 million (2017: Rs.9.834 million) in respect of staff retirement benefits - gratuity.

37.2 Auditors' remuneration

	2018	2017
	--- Rupees in '000 ---	
Statutory audit	1,150	1,150
Half yearly review	140	140
Consultancy and certification charges	195	195
Out-of-pocket expenses	40	25
	<u>1,525</u>	<u>1,510</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

- 37.3** The Company, during the current financial year, has shared administrative expenses aggregating Rs.14.695 million (2017: Rs.6.679 million) with Kohat Textile Mills Ltd. a related party on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

38. OTHER INCOME		2018	2017
	Note	--- Rupees in '000 ---	
Sale of scrap - net of sales tax of Rs.1,887 thousand (2017: Rs.1,602 thousand)		9,934	8,432
Reversal of prior years' workers' welfare fund		-	30,522
Gain on sale of operating fixed assets	21.6	-	733
Dividends		4	792
Profit on bank deposits		56	43
Gain on remeasurement of investments to fair value	29	-	123
		<u>9,994</u>	<u>40,645</u>
39. OTHER EXPENSES			
Donations	39.1	6,370	5,700
Loss on sale of operating fixed assets	21.6	639	-
Loss on remeasurement of investments to fair value	29	1,189	-
Workers' (profit) participation fund		2,553	5,337
		<u>10,751</u>	<u>11,037</u>

- 39.1** These include an amount of Rs.6.000 million (2017: Rs.5.500 million), which represents amount donated to Saifullah Foundation for Sustainable Development (a Social Welfare Society) administered by the following directors of the Company:

- Mr. Osman Saifullah Khan
- Mr. Jehangir Saifullah Khan*

* Mr. Jehangir Saifullah Khan remained on the board of directors of the Company till March, 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

40.	FINANCE COST - net		2018	2017
			--- Rupees in '000 ---	
	Mark-up on subordinated loan		17,923	13,954
	Mark-up on long term financing		98,320	95,279
	Less: mark-up subsidy	28.4	-	(25,680)
			98,320	69,599
	Mark-up on short term borrowings		248,141	209,463
	Lease finance charges		2,451	1,529
	Interest on workers' (profit) participation fund		120	-
	Bank and other charges		18,198	20,332
			385,153	314,877
41.	EXCHANGE FLUCTUATION LOSS - net			
	Exchange fluctuation loss / (gain) on:			
	- foreign currency financing		83,000	1,500
	- others - net		(5,579)	(117)
			77,421	1,383
42.	TAXATION			
	Current	31	52,591	56,649
	Deferred			
	- relating to temporary differences	15	(58,046)	17,017
	- resulting from reduction in tax rate		9,469	9,909
			(48,577)	26,926
			4,014	83,575
43.	BASIC EARNINGS PER SHARE			
43.1	Profit per share			
	Profit after taxation attributable to ordinary shareholders		45,868	22,945
			----	----
			----- No. of shares -----	
	Weighted average number of ordinary shares outstanding during the year		26,412,880	26,412,880
			----- Rupees -----	
	Earnings per share		1.74	0.87

43.2 Diluted

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2018 and June 30, 2017 which would have any effect on the earnings per share if the option to convert is exercised.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

44. CASH FLOW FROM OPERATING ACTIVITIES	2018	2017
	--- Rupees in '000 ---	
Profit for the year - before taxation	49,882	106,520
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	244,503	322,132
Staff retirement benefits - gratuity (net)	(23,655)	(17,506)
Unclaimed payable balances written-back	-	(30,522)
Loss / (gain) on sale of operating fixed assets - net	639	(733)
Finance cost	366,955	294,545
Exchange fluctuation loss on foreign currency loan	83,000	1,500
Exchange fluctuation gain (others) - net	(5,579)	(117)
Provision for doubtful debts	-	25,000
Loss / (gain) on remeasurement of investments to fair value - net	1,189	(123)
Profit before working capital changes	716,934	700,696
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	46,014	(134,035)
Stock-in-trade	193,230	(263,559)
Trade debts	(250,803)	(283,897)
Loans and advances	(21,261)	59,040
Trade deposits and short term prepayments	460	(41)
Other receivables	21,732	(77,266)
Tax refunds due from Government	136,705	(50,731)
Increase / (decrease) in trade and other payables	77,886	(63,288)
	203,963	(813,777)
Cash generated from / (used in) operating activities	920,897	(113,081)
Income tax paid	(51,835)	(60,300)
Long term loans	1,370	1,298
Long term deposits	(100)	(100)
Long term deposits from employees	1,750	(445)
Net cash generated form / (used in) operating activities	872,082	(172,628)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

45.1 Financial Risk Factors

The Company has exposure to the following risks from its use of financial instruments:

- market risk
- credit risk; and
- liquidity risk.

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by a treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

45.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on financing, import of raw materials, plant & machinery, stores & spares, foreign debtors and claims receivables denominated in U.S. Dollar, Euro, Swiss Frank and Japanese Yen. The Company's exposure to foreign currency risk for U.S. Dollar, Euro, Swiss Frank and Japanese Yen are as follows:

	2018			
	Rupees	U.S. \$	Euros	JPY
	----- in '000 -----			
Sub-ordinated loan	608,000	5,000	-	-
Bills payable	157,655	942	300	-
Due to a related party	140,323	1,154	-	-
	905,978	7,096	300	-
Trade debts	(156,374)	(1,141)	(126)	-
Bank balances	(6,265)	(51)	-	-
Gross reporting date exposure	743,339	5,904	174	-
Outstanding letters of credit	299,352	1,037	61	7,000
Net exposure	1,042,691	6,941	235	7,000

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

	2017				
	Rupees	U.S. \$	Euros	CHF	JPY
	----- in '000 -----				
Sub-ordinated loan	525,000	5,000	-	-	-
Bills payable	204,842	1,803	110	22	-
Due to related party	79,634	759	-	-	-
	809,476	7,562	110	22	-
Trade debts	(148,339)	(1,274)	(123)	-	-
Bank balances	(5,131)	(49)	-	-	-
Gross reporting date exposure	656,006	6,239	(13)	22	-
Outstanding letters of credit	155,419	1,385	61	13	1434
Net exposure	811,425	7,624	48	35	1,434

The following significant exchange rates have been applied:

	Average rate		Reporting rate	
	2018	2017	2018	2017
U.S. Dollar to Rupee	109.17	104.89	121.40/121.60	104.80/105
Euro to Rupee	123.52	118.67	141.33/141.57	119.91/120.14
CHF to Rupee	111.70	107.34	122.11/122.32	109.54/109.75
JPY to Rupee	1.20	1.15	1.0973/1.0991	0.937/0.939

Sensitivity analysis

At June 30, 2018, if Rupee had strengthened by 10% against U.S.\$, Euro and CHF with all other variables held constant, profit after taxation for the year would have been higher / lower by the amount shown below mainly as a result of foreign exchange gains on translation of foreign currency financial liabilities and foreign exchange loss on translation of foreign currency financial assets.

	2018	2017
Effect on profit for the year	- - Rupees in '000 - -	
U.S.\$ to Rupee	71,793	65,510
Euro to Rupee	2,459	(156)
CHF to Rupee	-	241

The weakening of Rupee against U.S. Dollar, Euro and CHF would have had an equal but opposite impact on profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2018	2017	2018	2017
	Effective rate		Carrying amount	
Financial liabilities	%	%	--- in '000 ---	
Variable rate instruments				
Sub-ordinated loan	2.930 to 4.019	2.405 to 2.930	608,000	525,000
Long term financing	5 to 8.89	5 to 8.61	1,534,606	1,341,764
Liabilities against assets subject to finance lease	7.39 to 10.00	7.04 to 7.65	30,392	22,565
Short term borrowings	6.14 to 7.96	6.55 to 8.55	3,299,165	3,429,881

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2018, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.49.250 million (2017: Rs.53.192. million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result 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 instruments or its issuer or factors affecting all similar financial instruments traded in the market.

The Company is exposed to equity securities price risk because of its investments classified as fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors.

A 10% increase / decrease in market value of equity investments, profit before taxation for the year would have been higher / lower by Rs.508 thousand (2017: Rs.627 thousand).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

45.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss to the Company if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from long term deposits, trade debts, trade deposits, investments and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 30 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2018 along with comparative is tabulated below:

	2018	2017
	--- Rupees in '000 ---	
Long term deposits	9,553	9,453
Trade debts	1,269,412	1,042,609
Other receivables	79,914	101,646
Investments	5,081	6,270
Bank balances	18,479	26,744
	<u>1,382,439</u>	<u>1,186,722</u>
Trade debts exposure by geographic region is as follows:		
Domestic	1,113,038	894,270
Export	156,374	148,339
	<u>1,269,412</u>	<u>1,042,609</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

The majority of export debts of the Company are situated in Europe, Asia and America.

The ageing of trade debts at the balance sheet date is as follows:

	2018	2017
	--- Rupees in '000 ---	
Not yet due	1,080,004	908,056
Past due		
- upto 30 days	20,194	46,415
- more than 30 days	12,840	88,138
	<u>1,113,038</u>	<u>1,042,609</u>

Provision is made for doubtful receivables according to the Company's policy. As at June 30, 2018, the Company's management believes that impairment allowance amounting Rs.1 million is sufficient in respect of doubtful trade debts. During the current financial year, bad debts amounting Rs.24 million has been written off. Debts aggregating Rs.828.563 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

Investments comprise of share-holdings in listed securities. The management assesses the credit quality ratings of its holdings and diversifies its portfolio accordingly.

45.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity 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 table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2018				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----- Rupees in '000 -----				
Sub-ordinated loan	608,000	622,756	24,439	48,878	549,439
Long term financing	1,534,606	1,321,378	365,650	932,408	23,320
Liabilities against assets subject to finance lease	30,392	35,986	9,933	26,053	-
Trade and other payables	656,499	656,499	656,499	-	-
Accrued mark-up and interest	235,829	235,829	235,829	-	-
Short term borrowings	3,299,165	3,411,182	3,411,182	-	-
	<u>6,364,491</u>	<u>6,283,630</u>	<u>4,703,532</u>	<u>1,007,339</u>	<u>572,759</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

	2017				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----- Rupees in '000 -----				
Sub-ordinated loan	525,000	586,540	15,385	30,770	540,385
Long term financing	1,341,764	1,520,882	546,933	955,307	18,642
Liabilities against assets					
subject to finance lease	22,565	26,446	7,040	19,406	-
Trade and other payables	583,600	583,600	583,600	-	-
Accrued mark-up and interest	196,882	196,882	196,882	-	-
Short term borrowings	3,429,881	3,528,938	3,528,938	-	-
	<u>6,099,692</u>	<u>6,443,288</u>	<u>4,878,778</u>	<u>1,005,483</u>	<u>559,027</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

45.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

At June 30, 2018, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

45.6 Financial instruments by category

	Loans and receivables		Financial assets at fair value through statement of profit or loss	
	2018	2017	2018	2017
Financial assets as per statement of financial position	- - Rupees in '000 - -			
Long term loans	12,282	13,652	-	-
Long term deposits	9,553	9,453	-	-
Trade debts	1,269,412	1,042,609	-	-
Loans and advances	9,577	8,034	-	-
Other receivables	79,914	101,646	-	-
Investments	-	-	5,081	6,270
Bank balances	18,800	27,019	-	-
	<u>1,399,538</u>	<u>1,202,413</u>	<u>5,081</u>	<u>6,270</u>

Financial liabilities as per statement of financial position	Financial liabilities measured at amortised cost	
	2018	2017
	- - Rupees in '000 - -	
Sub-Ordinated loan	608,000	525,000
Long term financing	1,534,606	1,341,764
Liabilities against assets subject to finance lease	30,392	22,565
Long term deposits	6,847	5,097
Trade and other payables	659,052	589,080
Accrued mark-up and interest	235,829	196,882
Short term borrowings	3,299,165	3,429,881
	<u>6,373,891</u>	<u>6,110,269</u>

45.7 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Accrued mark-up and interest	Dividend
..... Rupees in '000					
Balance as at July 01, 2017	1,341,764	22,565	3,429,881	196,882	7,914
Changes from financing activities					
Finances obtained	661,126	-	-	-	-
Finances repaid	(468,284)	-	(130,716)	-	-
Finance leases obtained	-	16,577	-	-	-
Repayment of finance lease liabilities	-	(8,750)	-	-	-
Finance cost paid	-	-	-	(322,429)	-
Dividends paid	-	-	-	-	(25,997)
Dividend declared	-	-	-	-	26,413
Total changes from financing					
cash flows	1,534,606	30,392	3,299,165	(125,547)	8,330
Other changes					
Mark-up / Interest expense	-	-	-	361,376	-
Balance as at June 30, 2018	<u>1,534,606</u>	<u>30,392</u>	<u>3,299,165</u>	<u>235,829</u>	<u>8,330</u>

46. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

47. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of the Associated Companies, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Pursuant to recent decisions of Supreme Court of Pakistan related to discretionary beneficial ownership in overseas trusts on a prudent basis and in good faith transactions with Aqua Nominee Limited have been disclosed in note 10 irrespective of the absence of significant influence and the fact that the companies are not associated under Companies Act, 2017.

47.1 Name and nature of relationship

Associated Companies and undertaking (due to common directorship)

Saif Holdings Ltd.

Kohat Textile Mills Ltd.

Saif Power Ltd.

Saif Energy Ltd.

Saif Healthcare Ltd.

Mediterranean Textile Company (S.A.E.), Egypt

Lahore Compost (Pvt.) Ltd.

Saifullah Foundation for Sustainable Development

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity. The Company considers its Chief Executive, directors and all team members of its management team to be its key management personnel.

47.2 Significant transactions with the related parties

	2018	2017
Sales of:		
- goods and services	-	20,349
- fixed assets	6,684	-
Sales return:		
- raw material	-	72,181
- yarn	-	80,158
Purchase of:		
- raw material	6,266	33,721
- yarn	202,076	589,261
- fixed assets	1,250	1,449
Purchase return:		
- raw material	-	34,899
Key management personnel		
- remuneration and other employment benefits	27,005	22,189
Others - consultancy charges	9,450	-

48. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Director		Executives *	
	2018	2017	2018	2017	2018	2017
	----- Rupees in '000 -----					
Meeting fees	20	15	-	5	-	-
Managerial remuneration	14,460	11,547	-	5,700	30,501	31,287
House rent and utilities	248	180	-	666	16,775	17,208
Retirement benefits	-	-	-	-	6,728	8,869
Medical expenses reimbursed	199	266	-	-	778	958
	14,927	12,008	-	6,371	54,782	58,322
Number of persons	1	2	-	1	11	14

*Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

48.1 Meeting fees of Rs.110 thousand (2017: Rs.90 thousand) were also paid to six (2017: six) non-executive directors during the year.

48.2 Chief executive and some of the executives have also been provided with the Company maintained cars and residential telephones.

			2018	2017
			--- Rupees in '000 ---	
49.	CAPACITY AND PRODUCTION			
49.1	Spinning units			
	No. of spindles installed		100,968	100,993
	Average of spindles shifts installed	Figure in '000	110,560	110,587
	Average of spindles shifts worked	Figure in '000	107,052	106,572
	No. of days worked		365	365
	No. of shifts worked		1,095	1,095
	Average count		31.78	31.24
	Actual production	Kgs Figure in '000	18,129	18,779

It is difficult to describe precisely the production capacity in textile spinning industry since it fluctuates widely depending on various factors, such as count of yarn spun, spindles speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

49.2	Dyeing		2018	2017
	Cotton / Fibre Dyeing Unit			
	Total number of days worked		365	365
	No. of shift worked		1,095	1,095
	Installed capacity	Kgs Figure in '000	2,920	2,920
	Actual production	Kgs Figure in '000	2,549	2,477

50. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

50.1 Yarn sales represent 95% (2017: 96%) of the total sales of the Company.

50.2 92% (2017: 91%) of the Company's sales relate to customers in Pakistan.

50.3 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

50.4 The Company does not have any customer having sales of ten percent or more during the year ended June 30, 2017 and 2018.

51. NUMBER OF EMPLOYEES

2018 **2017**
--- Rupees in '000 ---

Number of employees as at June 30,

- at mills *	2,660	2,329
- at head office	127	127

* These include 25 employees working on contractual basis.

Average number of employees during the year

- at mills	2,571	2,254
- at head office	127	127

52. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on September 28, 2018 has proposed a final cash dividend of Re.0.75 (2017: Rs.1) per share for the year ended June 30, 2018. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 26, 2018. These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in year ending June 30, 2019.

53. GENERAL AND CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, except for the following, no material re-arrangements and re-classifications have been made in these financial statements.

As required by provisions of the Companies Act, 2017, unclaimed dividends have been disclosed as a separate line item on the face of statement of financial position whereas revaluation surplus on property, plant and equipment has been reclassified and made part of equity as fully detailed in note 5.

54. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 28, 2018 by the Board of Directors of the Company.



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

FORM OF PROXY

I/we.....of.....being a member of
Saif Textile Mills Limited hereby appoint Mr./Ms.....
offalling whom Mr./Ms.....
ofas my proxy to attend act for me, and on my behalf, at the annual
General Meeting of the Company to be held on Friday, 26 October, 2018 at 11:00 a.m. at
APTMA house, Tehkal Payan, Jamrud Road Peshawar and any adjournment there of
Dated thisday of2018.

Revenue
Stamp
Rs..5/-

Specimen Signature of Proxy

Folio No.....

Participant I.D No.....

Sub Account No.

Signature of Shareholder

Specimen Signature of Alternate Proxy

Folio No.....

Folio No.....

Participant I.D No.....

Participant I.D No.....

Sub Account No.....

Sub Account No.....

Note:

- i) If a member is unable to attend the Meeting, he/she may appoint another member as his/her proxy and send this form to Saif Textile Mills Limited, APTMA House, Tehkal Payan, Jamrud Road, Peshawar to reach not less than 48 hours before the time appointed for holding the meeting.
- ii) Attested copies of CNIC or the Passport of the beneficial owners and the Proxy shall be furnished with the Proxy form.
- iii) The Proxy shall produce his original CNIC or original Passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signature shall be submitted (unless it has been Provided earlier) along with Proxy Form to the Company.

فارم آف پراکسی

میں / ہم سکنہ سیف
 ٹیکسٹائل ملز لمیٹڈ کارکن ہوتے ہوئے بذریعہ ہذا مسمیٰ / مسماۃ / بیگم سکنہ
 کو تعینات کرتے ہوئے بطور متبادل مسمیٰ / مسماۃ / بیگم
 سکنہ کو اپنا پراکسی مقرر کرتا ہوں
 جو کہ میری جانب سے میری عدم موجودگی کی صورت میں کمپنی کی سالانہ عمومی اجلاس جو کہ بروز جمعہ مورخہ ۲۶ اکتوبر ۲۰۱۸ء کو آچھا ہاؤس، تہکال پایاں، جمروڈ روڈ، پشاور میں منعقد ہوگا یا التواء کی صورت میں حاضر ہو کر میری نمائندگی کرے۔
 مورخہ بروز ماہ ۲۰۱۸ء

پراکسی کے دستخط کا نمونہ
 فوئیو نمبر
 شرکت کنندہ کی شناختی کارڈ نمبر
 ذیلی اکاؤنٹ نمبر
 متبادل پراکسی کے دستخط کا نمونہ
 فوئیو نمبر
 شرکت کنندہ کی شناختی کارڈ نمبر
 ذیلی اکاؤنٹ نمبر

حصہ دار کا دستخط
 فوئیو نمبر
 شرکت کنندہ کی شناختی کارڈ نمبر
 ذیلی اکاؤنٹ نمبر

نوٹ:








- (i) اگر کوئی ممبر اجلاس میں حاضر ہونے سے قاصر ہے تو وہ اپنا پراکسی تعینات کرنے کا مجاز ہے اور فارم ہذا کو اجلاس کے انعقاد کے لئے مقررہ وقت سے کم از کم ۴۸ گھنٹے پہلے تک سیف ٹیکسٹائل ملز لمیٹڈ واقع آچھا ہاؤس، تہکال پایاں، جمروڈ روڈ، پشاور میں جمع کرادے۔
- (ii) مستفید مالکان اور پراکسی کے شناختی کارڈ یا پاسپورٹ کے مصدقہ نقول پراکسی فارم کے ساتھ منسلک ہونا چاہیئے۔
- (iii) اجلاس کے وقت پراکسی کو اپنا اصلی پاسپورٹ پیش کرنا ہوگا۔
- (iv) کمپنی ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ بشمول نمونہ دستخط (بشرطیکہ پہلے سے کمپنی کو فراہم نہ کیا گیا ہو) پراکسی فارم کے ساتھ جمع کرنا ہوگا۔










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