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## COMPANY PROFILE & BUSINESS AT A GLANCE

Salfi Textile Mills Limited (STML) is one of the three premier textile spinning Companies of Tata Pakistan Textile Group. STML was incorporated in Pakistan in 1968 and is quoted on the Pakistan Stock Exchange, has an equity base of Rs 4.3 Billion and turnover of approximately 7 Billion. It is set up with 36,708 spindles and has capacity to process around 53 million lbs. of cotton to produce 44 million lbs. of different counts catering to both domestic and international customers in 19 countries.

STML is a proud recipient of numerous accolades including 5th Employer of the Year Award by Employer's Federation of Pakistan (EFP) and Corporate Philanthropy Award by Pakistan Center for Philanthropy (PCP).

With a keen focus on health, safety & environment, STML is a reputable corporate citizen. In late 1990's the Company developed a Quality Management System based on ISO-9001 standard and has since been maintaining it as base Management System across the company integrating the requirement of other international and national standards on Occupational Health and Safety, Environment Management and Energy Management Systems. STML also maintains certification on "OEKO Tex Standard 100" and has recently gone through the audit process for certification on Global Organic Textile Standard (GOTS) and Organic Content Standard (OCS) to manufacture its products according to the standards our customers expect.

STML ensures reliable and trustworthy partners in its supply chain hence maintaining membership with world renowned names in textile like International Cotton Association (ICA), Cotton USA (CA) and Better Cotton Initiative (BCI).

STML has the capability to produce the following type of yarns

- 100% COTTON CARDED WEAVING YARNS
- 100% COTTON CARDED COMPACT WEAVING YARNS
- 100% COTTON CARDED WEAVING SIRO YARNS
- 100 % COTTON CARDED SLUB YARNS
- 100% COTTON CARDED WEAVING SIRO SLUB YARNS

For further information please visit our website [www.tatapakistan.com](http://www.tatapakistan.com)



## GROUP INFORMATION

### TATA GROUP

Tata Group is a large well respected conglomerate in Pakistan with diversified interests in textiles, food and power generation. The group's activities started in 1969 and since then has expanded into textile spinning business and has established it's self as a premier brand. In recent years it has expanded into Food business. Tata group has sizable exports and contributes valuable foreign exchange to the national exchequer.

### TATA TEXTILE MILLS LIMITED (TTML)

TTML is a public limited company incorporated in 1987 and listed on Pakistan Stock Exchange and is a modern spinning unit consisting of 44,400 Spindles setup for the manufacturing of Cotton Yarn. The TATA Brand quickly became the standard for the yarn market. TTML main office is located in Textile Plaza Karachi and its manufacturing facility is located in Muzaffargarh which is close to Multan. Management is continuously striving to diversify its product line and lately has added dual, slub and Lycra range of yarns. Management is taking further initiatives to enhance production, conserve energy consumption by introducing high fuel efficient gas generators and will install a 1 MW solar project to control the cost of power.

### ISLAND TEXTILE MILLS LIMITED (ITML)

ITML is a public limited company incorporated in 1970 and listed on Pakistan Stock Exchange. Tata Group took over the management of this running spinning unit in Kotri, Sindh in 1981 which quickly established a name in spinning of cotton yarns. ITML office located at Textile Plaza, Karachi and its manufacturing facilities are located at Kotri Industrial Estate in the Province of Sindh. In view of emergent business needs, a strategic expansion plan was made and executed in 2014 with the ground breaking of its 2nd unit. In 2015, after rigorous efforts 2nd unit of ISLAND TEXTILE MILLS LTD. which is the only state-of-the-art Reiter spinning mill of Pakistan. This plant is completely automated from Blow room to winding.

### SALFI TEXTILE MILLS LIMITED (STML)

STML is a public limited company incorporated in Pakistan in 1968 and is listed on Pakistan Stock Exchange. Its office is located in Textile Plaza, Karachi and the manufacturing facility is located at Landhi Industrial Estate in the Province of Sindh. With the incorporation of STML Tata Group gained a foothold in the Synthetic Yarn Market in 4 subsequent decades of successful operation. In 2005 a complete renovation of STML was carried out and capacity enhanced to 36,708 Spindles with latest machinery.

### TATA ENERGY LIMITED (TEL)

TEL was incorporated in 1994 as a Public Company Limited. The principal activity of the company is generation and supply of electric power with 10 MW capacity. The office of the Company is situated at Textile Plaza, Karachi. TEL's power generation capacity is installed at two locations in the years 1995 and 1998 respectively. The first one is situated at Landhi Industrial Area supplying electrical power to Salfi Textiles Mills Limited. The second one is situated at Kotri Industrial Area supplying Electrical power to Island Textiles Mills Limited.

### TATA BEST FOODS LIMITED (TBFL)

The Group has also diversified into Food business. TBFL's principal activity is processing of meat at its internationally approved facility located at Landhi, Karachi to prepare, process, preserve, pack and market meat and related products for export and local sale to restaurants, hotel chains and grocery stores. TBFL is a manufacturer-cum-exporter and playing a vital role in the modernization of the meat industry in Pakistan besides contributing valuable foreign exchange to the economy.



## COMPANY INFORMATION

### BOARD OF DIRECTORS

Mr. Anwar Ahmed Tata - Chairman  
Mr. Adeel Shahid Tata - Chief Executive  
Mr. Shahid Anwar Tata - Executive Director  
Mr. Bilal Shahid Tata - Non Executive Director  
Mr. Farooq Advani - Non Executive Director  
Miss Samar Shahid Tata - Non Executive Director  
Mr. Muhammad Naseem - Independent Director

### AUDIT COMMITTEE

Mr. Muhammad Naseem - Chairman  
Mr. Farooq Advani - Member  
Mr. Bilal Shahid Tata - Member  
Mr. Ghulam Raza Hemani - Secretary

### HR & REMUNERATION COMMITTEE

Mr. Muhammad Naseem - Chairman  
Mr. Adeel Shahid Tata - Member  
Mr. Bilal Shahid Tata - Member  
Mr. Farooq Advani - Member  
Miss Samar Shahid - Member  
Mr. M. Ali Mirza - Secretary

### CHIEF FINANCIAL OFFICER

Mr. Haseeb Hafeezuddeen

### COMPANY SECRETARY

Mr. Muhammad Hussain

### Internal Auditor

Mr. Ghulam Raza Hemani

### AUDITORS

M/s. Deloitte Yousuf Adil  
Chartered Accountants

### BANKERS

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Bank Islami Pakistan Limited  
Dubai Islamic Bank (Pakistan) Limited  
JS Bank Limited  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
Soneri Bank Limited  
Samba Bank Limited  
The Bank of Punjab

### LEGAL ADVISOR

Ameen Bandukda & Co. Advocates

### REGISTERED OFFICE

6th Floor Textile Plaza,  
M.A Jinnah Road Karachi.  
Tel# 32412955-3 Lines 32426761-2-4  
Fax# 32417710  
Email: [stm.corporate@tatapakistan.com](mailto:stm.corporate@tatapakistan.com)

### FACTORY LOCATION

HX-, Landhi Industria Area  
Landhi, Karachi

### SHARE REGISTRAR

CDC Share Registrar Service Limited  
CDC House, 99-B  
Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal  
Tel# (Toll Free) 0800-CDCPL (23275)  
Fax: (92-21) 34326053

### WEB

[www.tatapakistan.com](http://www.tatapakistan.com)



## PROFILE OF DIRECTORS

### Anwar Ahmed Tata Chairman

Mr. Anwar Ahmed Tata, holding a Master's Degree in Commerce, is one of the founding members of Tata Pakistan and has invested over fifty years into developing the Company through manufacturing, sales management, marketing management and general management into what it is today. With his expertise and diversified experience, he has taken Tata Pakistan to a level which is appreciated by both local and international business communities.



### Shahid Anwar Tata Chief Executive

Mr. Shahid Anwar Tata holds a Bachelor's degree in Commerce and has been with the family textile spinning business since Graduation. He is serving as Director and CEO for Tata Pakistan Group which comprises of three independent publically listed spinning mills, a power producing company and a food processing business. He is also serving as a Board Member of Textile Institute of Pakistan (TIP) and as a Vice Chairman of National Textile Foundation, Pakistan.

With over 30 years of experience and in-depth knowledge of textile business Mr. Shahid Anwar Tata is constantly striving and inspiring his team of professionals to embrace modern technology for greater efficiency, produce quality products while maintaining a fair and equitable treatment towards staff and workers.

He has a strong desire to contribute back to the society and is actively involved in philanthropy and supports many institutions in health and education sectors such as, Bait-UI-Sukoon Cancer Hospital, Indus Hospital, The Citizen Foundation, etc.



### **Adeel Shahid Tata**

Director

Mr. Adeel Shahid Tata is Finance graduate from Bentley College U.S.A. and has spent 10 years managing the textile business. He provides a new style of management to the group. He is dynamic and passionate about his work and brings freshness to the style of business. Further he has also done number of professional courses in supply chain, cotton management, risk management, creative thinking and maintains several professional memberships like APTMA, YPO, etc. to stay current with ways of working and technology.



### **Bilal Shahid Tata**

Director

Mr. Bilal Shahid Tata holds a Master's Degree in Business Administration from Cardiff University, UK. He has more than 10 years of experience in Business Management and is well versed in finance and strategy. He is also serving as a CEO of Tata Best Foods Limited which is a state of the art Meat Processing unit setup in Karachi for the purpose of processing meat for Export and Domestic markets. He has been instrumental in conceptualizing and setting up of this business and has been leading it from day one.

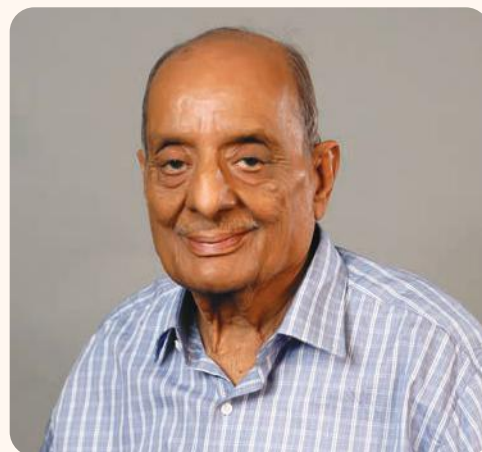




## Muhammad Naseem

Director

Mr. Muhammad Naseem holds a Master's Degree in Business Administration and an LLB. He has more than 40 years of experience in business management. He has also completed his Director Certification Course from IBA. He is serving as a Director of the Board of Listed Companies.



## Farooq Advani

Director

Mr. Farooq Advani brings with him over 45 years' of experience of business and financial management in the Textile manufacturing, Power and Food businesses. He is a Fellow Member of Institute of Chartered Accountant of Pakistan (ICAP).

He worked for in the areas of Accounts, Corporate Affairs, Sales Tax, Income Tax, HR, IT, Cost & Budget and Insurance. He has also served as the Director on the Board of Listed & unlisted Companies, Company Secretary, Chief Financial Officer, Head of Cost & Budget, Head of Information Technology and Project director of ERP Implementation.

He has Core Competencies in Financial Analysis, Audit Compliance, Internal Control, Operating & Working Capital Matrics, Cash-flow Management and Modeling, Business Valuation, Cross Functional Team Leadership, Decision Making & Risk Analysis.



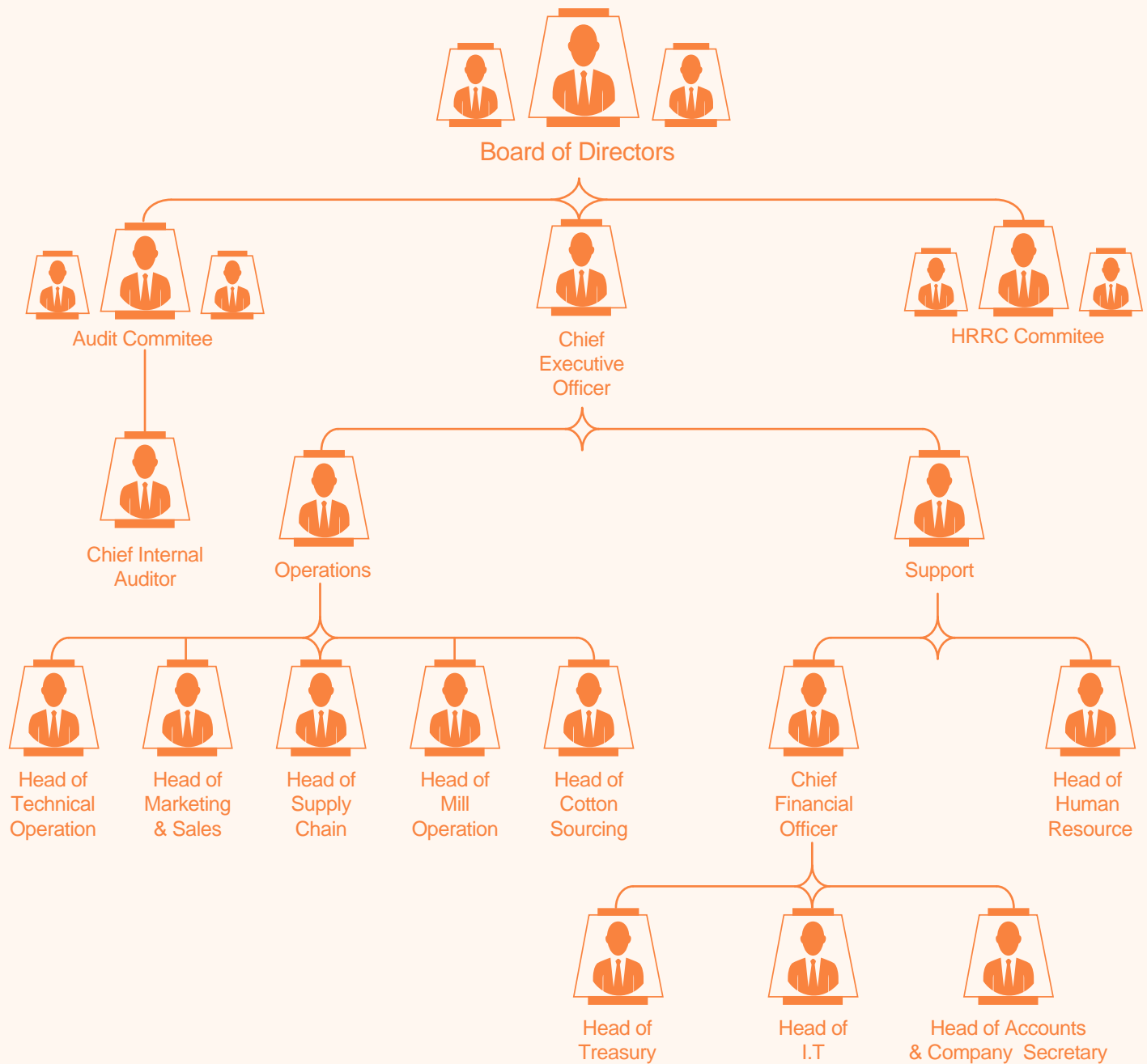
## Samar Shahid Tata

Director

Ms. Samar Shahid Tata is the new face of Tata Group. She holds a Master Degree Developmental Psychology from Columbia University New York. She has considerable experience to the field of education and has worked on several projects and served with the following organizations Haque Academy, Karachi, Pakistan, Social and Emotional Development, Teachers College, Columbia University, Chase Lab, Teachers College, Columbia University, Karachi American School Alumni Production Association, Karachi, Pakistan, Brandeis Child and Adolescent Development Lab, Brandeis University, Waltham, MA, Karwan-e-Hayat: Institute for Mental Health, Karachi, Pakistan, War Against Rape, Karachi, Global Brigades- Public Health, Tegucigalpa, Honduras and Citizens' Archive of Pakistan, Karachi.



## ORGANIZATIONAL CHART





## KEY MANAGEMENT STAFF

Chief Financial Officer  
Mr. Haseeb Hafeezuddeen

Head of Human Resource  
Mr. Muhammad Ali Mirza

Head of Marketing & Sales  
Mr. Muhammad Ejaz Ramzan

Head of Treasury  
Mr. Owais Ahmed Abbasi

Head of Cotton Sourcing  
Mr. Usman Kausar Lutfi

Head of Accounts & Company Secretary  
Mr. Muhammad Hussain Rasheed

Head of Mills Operations  
Mr. Adnan Alam

Head of Information Technology  
Mr. Muhammad Yasir Khan

Head of Technical Operations  
Mr. Tariq Haroon Dada

Chief Internal Auditor  
Mr. Ghulam Raza Hemani

Head of Supply Chain  
Mr. Abdul Lateef Bawany



## VISION STATEMENT

We envision our credibility as one of the world's leading companies known for its values, principally honest business practices and optimum quality standards in diversified product range with sustained growth.

## MISSION STATEMENT

We shall remain committed to exceeding the highest expectations of our customers. We strive for the production of best quality yarns for high value products.

## CULTURE

We are one team that is encouraging and supportive which is committed to the success of our clients. We pursue excellence through continuous improvement and effective, efficient execution. We are accountable for decisions we make are responsive and collaborate to achieve the best result. We communicate honestly creating an open, transparent, and trust-based environment. We care and have respect for our people, our clients and our community and we all lead by example, every day.

## VALUES

A Commitment to

- |                                     |                                   |
|-------------------------------------|-----------------------------------|
| • Ethical Practices                 | • Innovative and Quality Products |
| • Produce with Efficient Technology | • Help the needy                  |
| • Build Strong Communities          | • Respect People and Laws         |





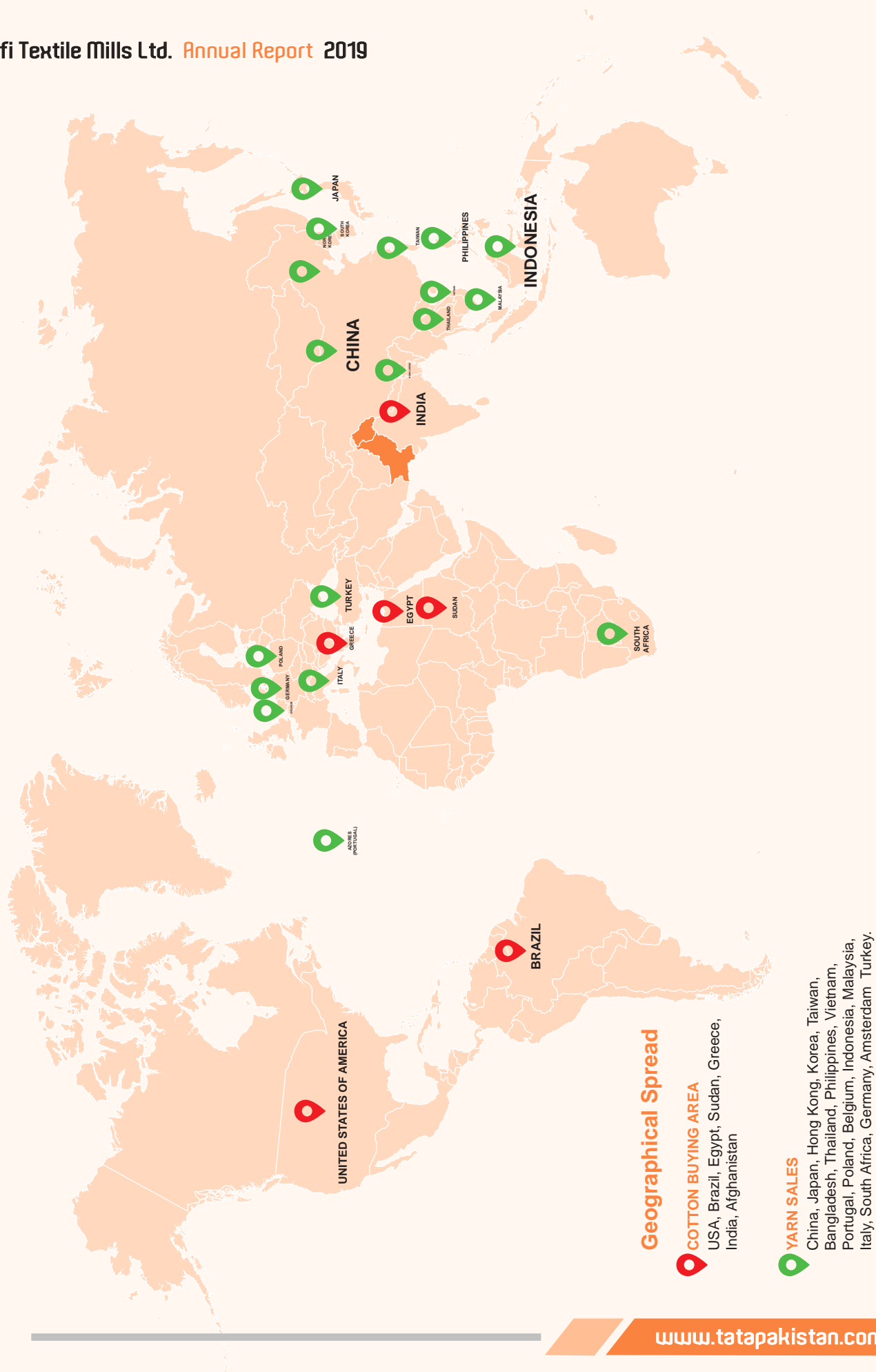
## STRATEGIC OBJECTIVES

- To remain an ethical Company.
- Ensure a fair return to shareholders.
- Maintain our reputation as the quality leader in our markets.
- To capitalize on export opportunities and leverage them to take advantage of economies of scale.
- To acquire and invest in modern technology to increase productivity and operational excellence while reducing costs to remain competitive with international markets.
- Maintain focus on CSR, environmental and safety management in order to reap corporate benefits as good corporate citizen & employer.
- Provide proper working conditions, training and development of personnel aligned to the strategic needs of the company.

## OUR VALUES

- We take pride in uncompromising integrity through each individual's effort towards quality product for our customers and sizable contributions to the National Exchequer.
- We are honest and ethical in our dealings at all times through compliance with the applicable laws & regulations.
- We endeavor to exceed the expectation of all stakeholders.
- We encourage employees to be creative and seek innovative solutions.
- We value the self-esteem of all stakeholders be it employees, suppliers, customers or shareholders.
- We believe in fairness to all stakeholders.
- We are committed to promote coherent culture, diversity, effective team work, open communication, feedback and performance evaluation sustain equity and transparency of employees, which supplements mutual trust and respect among employees and with management.
- We have established ourself as a quality product supplier



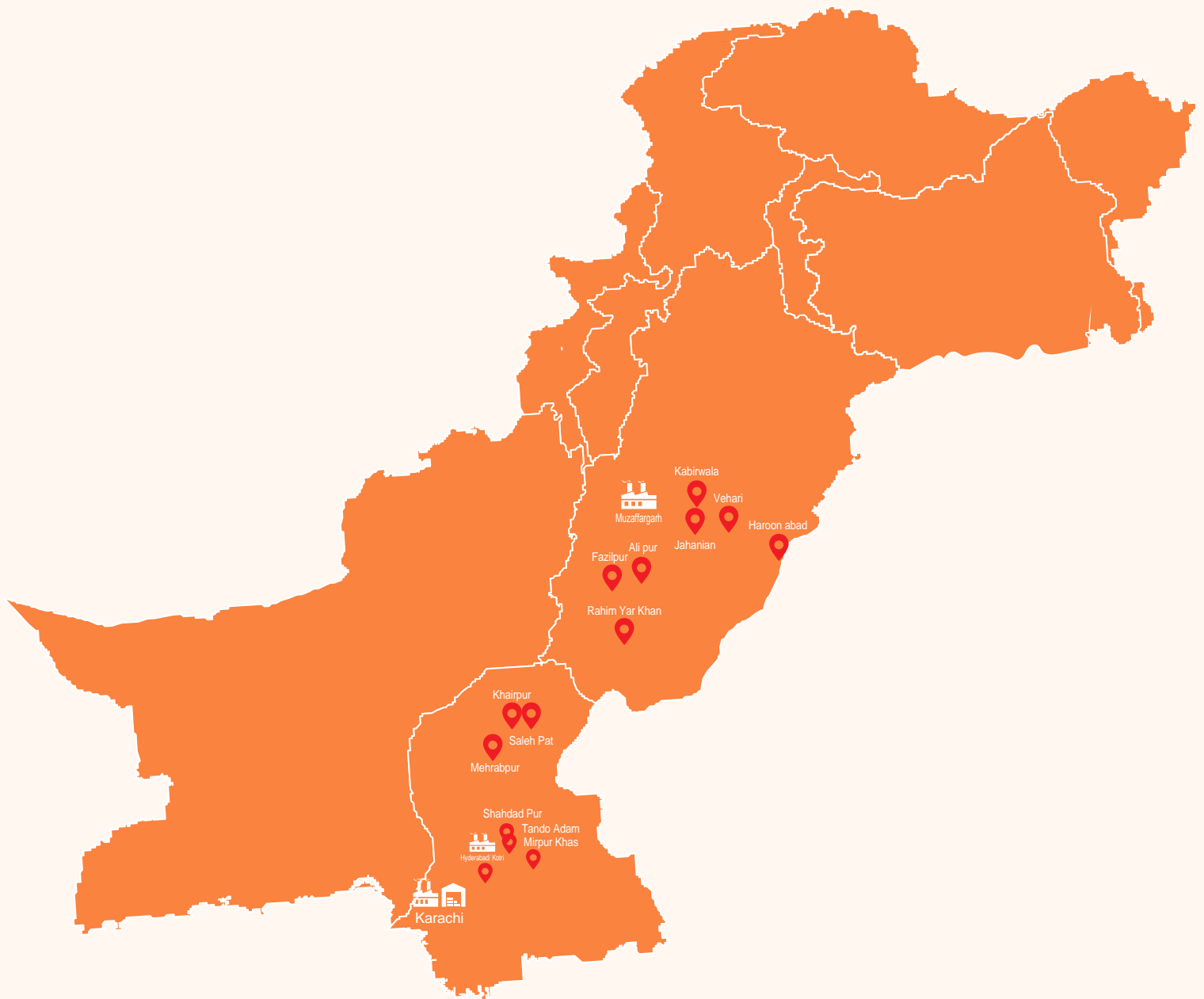


**Geographical Spread**

**COTTON BUYING AREA**  
USA, Brazil, Egypt, Sudan, Greece, India, Afghanistan

**YARN SALES**  
China, Japan, Hong Kong, Korea, Taiwan, Bangladesh, Thailand, Philippines, Vietnam, Portugal, Poland, Belgium, Indonesia, Malaysia, Italy, South Africa, Germany, Amsterdam, Turkey





#### COTTON BUYING AREA

**PUNJAB:** Ali Pur, Kabirowala, Khanewal, Fazilpur, Haroonabad, Jahania, Lodhran, Vehari, R.Y.Khan

**SINDH:** Tandoadam, Sanghar, Khairpur, Mehrabpur, Salehpat, Kotri, Mirpurkhas, Shahdadpur

#### HEAD OFFICE:



Karachi, Pakistan

#### MANUFACTURING LOCATIONS



Landhi Industrial Area, Karachi



Kotri Industrial Area, Jamshoro



Khanpur, Muzaffargarh

## OUR ROAD TO SUCCESS

The sponsors of the company started off with a humble embroidery unit, called Naveena Industries in late 1960's and now five decades later it has grown into a multi-unit yarn spinner under the umbrella of TATA PAKISTAN which enjoys considerable market position and repute. After steadily growing in the domestic market, we expanded into the international market and quickly became a supplier of choice for leading textile manufacturers. We have climbed the ladder of success by setting higher targets and achieving our goals with patience and consistency.

**2019**

2019 is the year of Artificial Intelligence, Uster Sentinel (End down Monitoring) installed in Tata and Salfi Textile Mills. Pinter Caipo Slub and Slub-Lycra attachments are installed in Tata Textile Mills which is one of the specialized yarn of TATA group. New Savio Auto Winder is inducted in Tata Textile Mills to improve the quality of core yarns. Bobbin sorting machines and new cards are inducted in Island Textile Mills which is one step forward toward automation.

**2018**

Japanese HFO 6MW power plant installed in Tata Textile Mills as a backup of WAPDA. As we are a big producer of Slub yarn, hence slub modification installed in Salfi Textile Mills. Also installed Bar Code System for Packing in Salfi Textile Mills. Receive 5th employer of the year award from Employer Federation of Pakistan.

**2017**

Construction of new residential colony for worker at Salfi Textile Mills. Purchase of 15 kanal land for 132KV grid station at Tata Textile Mills. Dual core attachments are installed in Tata Textile Mill which also one of the critical quality yarn that we are producing. Installation of 4 Italian Roving frames in Tata Textile Mills. Latest Uster Tester-6 instrument is installed in Island Textile Mills for quality analysis.

**2016**

As compact yarn demand is increasing day by day,

Suessen Compact system is installed on 9072 spindles in Tata Textile Mills. Latest 3 Spanish Roving frames Electro Jet installed in Salfi Textile Mills and replace the old ones.

**2015**

Inauguration of 2nd unit of Island Textile Mills Limited, Consisting of 26784 Spindles is the only state of the art Reiter Spinning Mill of Pakistan.

**2014**

The ground breaking of the 2nd unit of Island Textile Mills Ltd. held as a strategic expansion plan. Salfi Textile Mills Ltd. achieved OEKO TEX Standard 100 Certification and Tata Textile Mills Ltd. successfully passed the Corporate Social Responsibility Audit by SGS Pakistan.

**2013**

Became a Member of "Better Cotton Initiative (BCI)". Tata Best Foods achieved certification on "Global Standard for Food Safety" (BRC) and "Halal Food Management System" by Bureau Veritas Pakistan and SGS Pakistan respectively. All the Legacy System based Operations at Tata Pakistan got completely upgraded to ERP Systems.

**2012**

Tata Best Food Ltd. started business operations. Machinery Upgradation – Installed latest Uster Quantum 3 clearers and Trutzschler Securomat. Now Tata Textile Mills Ltd. has become the only company in Pakistan with this technology.

**2011**

The state of the art Tata Pakistan Corporate Office at 6th Floor of Textile Plaza, Karachi became functional after its renovation.

**2009**

Tata Textile Mills Limited achieved OEKO TEX Standard 100 Certification. Tata Best Food Ltd. Initiated commercial business of Halal Meat Trading with U.A.E.



2008

Ground Breaking of Tata Best Foods Ltd processing facility held in Karachi.

2007

The production capacity of Salfi Textile Mills Limited got enhanced by 100%.

2005

Tata Textile Mills Ltd. became the first Usterized Textile Mills in Pakistan. Achieved Supima Certifications. Completed renovation of Salfi Textile Mills Karachi having 36,324 Spindles with latest machinery.

2004

Tata Textile Mills Limited, Unit 2 with 25,200 Spindles & producing 100% US Cotton yarns started production.

1999

All the Associated Companies of Tata Pakistan Group received Corporate ISO-9002 Certification and is complying and maintaining its Management System based on ISO-9001.

1997

Tata Textile Mills Limited received ISO-9002 Certification being the first Spinning Mill in Pakistan to get this certification.

1991

Tata Textile Mills Limited, Muzaffargarh a most modern Spinning Unit, Consisting of 19,200 Spindles, is setup for the manufacturing of cotton yarn. Its "Tata Brand" quickly became the standard for the yarn in the spinning industry.

1983

Acquired a large spinning unit i.e. Salfi Textile Mills Limited, Karachi – Sindh. With its acquisition, the company gained a foothold in the synthetic yarn market.

1981

The company took over the management of a running spinning unit i.e. Island Textile Mills limited, Kotri, Sindh and quickly established a name in the spinning of cotton yarns.

1973

Dada Enterprises, a tannery business was acquired in Pakistan . At present, it's a leading exporter of Leather and Leather Garments.

1969

Naveena Industries an embroidery unit was acquired in Pakistan.

## SWOT ANALYSIS

S

### STRENGTHS

- Strong controls environment and corporate governance
- 48 years of business and spinning experience and strong market reputé for quality products
- Ethical business practices
- Self-power generation capability
- Excellent relationships with banks and business community
- Experienced technical staff
- State-of-the-art plant and production facilities

W

### WEAKNESSES

- Size of spinning capacity smaller compared to Chinese rivals
- Labor intensive operations
- Access to financing
- Lower level of manufacturing automation
- Commodity which is affected by business cyclicity
- Cost of sales can be impacted by cotton volatility
- Lack of vertical integration
- Dependence on few countries for sales

O

### OPPORTUNITIES

- Devaluation of Rupee makes us more competitive in International markets.
- New government incentives for textile sector.
- Vertical integration into weaving and garments
- Expand into untapped markets with value added innovative products
- Develop innovative product range utilizing experienced technical staff
- Greater MIS & manufacturing automation for efficiencies and faster decision making.

T

### THREATS

- Higher cost of doing business (energy, interest, taxes, inflation)
- Slow and stuck up tax refunds overhang on liquidity.
- Political Instability
- Speculative cotton trade
- Failure of cotton crop due to natural disasters
- Inconsistent govt. policies e.g. GIDC & Sales Tax
- Trade wars leading to uncertainty over export orders
- Fluctuating interest & exchange rates
- Availability of subsidized yarn by regional competitors



## STEEPLES ANALYSIS

We believe following Social, Technological, Environmental, Economic, Political, Ethical and Seasonality factors impact Tata's business environment.

### SOCIAL

- High population growth rate
- Rising per capita income
- Growing middle class
- Increasing demand for cotton clothing

### TECHNOLOGICAL

- Need to invest in new technology to keep cost of production competitive with industry.
- Seed R&D slow in Pakistan resulting in cotton crop being 40% lower than demand.

### ENVIRONMENTAL

- Cotton is totally recyclable
- Scarcity of water affects cotton crop output

### ETHICAL

- Tax evasion & questionable business activities in Pakistan
- Inaccurate declarations of imports & under invoicing in Pakistan
- Bribe and connection culture in Pakistan

### POLITICAL

- Uncertainty about government policies
- Lack of implementation and very slow progress of tax reforms in Pakistan
- Improvement in law and order situation in Pakistan
- Growing Chinese influence
- Harsh economic circumstances due to IMF package have impacted industries

### LEGAL

- Import barriers in international market

- Anti-dumping rules in international market & intensified international trade measures
- SRO's culture is finishing in Pakistan coupled with inadequate tariff protection and incentives to promote exports
- Slow court procedures in Pakistan holds up tax refunds

### ECONOMIC

- Steep rise in Borrowing rates impacting cost of working capital
- Sharp devaluation impacts input cost of imported cotton
- Harsh economic measures will slow economy and GDP
- Slowdown in China shifting production to Pakistan
- Government slow to process tax refunds thereby increases borrowing
- Increasing tariff barriers in export markets
- Regional exchange rate fluctuation
- Increasing sea freight rates for exports
- Increasing minimum wage and labor costs
- Volatile commodity prices

### SEASONALITY

- Purchase of cotton crop August to Dec puts high demand on working capital
- Exports slow down during Chinese new year holidays
- Not able to utilize full benefit of devaluation as foreign buyers expect discounts

## Calendar Of Corporate Events

Notable Events For The Financial Year	
BOD Meeting for Yearly Accounts - 2018	September 24, 2018
Annual General Meeting – 2018	October 22, 2018
BOD Meeting for first quarter ended September 30, 2018	October 25, 2018
BOD Meeting for Half year ended December 31, 2018	February 27, 2019
BOD Meeting for third quarter ended March 31, 2019	April 30, 2019

Tentative Dates for Next Financial Year	
BOD Meeting for approval of Annual Budget	July 10, 2019
BOD Meeting for Yearly Accounts – 2019	October 22, 2019
BOD Meeting for first quarter ended September 30, 2019	October 29, 2019
Annual General Meeting – 2019	November 21, 2019
BOD Meeting for Half year ended December 31, 2019	February 27, 2020
BOD Meeting for third quarter ended March 31, 2020	April 28, 2020



## OBJECTIVES AND KEY PERFORMANCE INDICATORS

The Company constantly strives to set and achieve its objectives by implementing strategies which focus on ethics, quality, being fair, being competitive, maintaining good relationships, sustainability, technology improvements, product diversity and seeking growth.

	OBJECTIVES	STRATEGY AND KEY PERFORMANCE INDICATORS
1	Keeping true to providing best corporate governance and ethical way of doing business	<ul style="list-style-type: none"> <li>• Circulation of ethical practice policies among staff and reinforcement of ethical practices across the organization</li> <li>• Abide by the Code of Corporate Governance and new CCG initiatives of SECP</li> <li>• Ensuring that SOP's, work instructions &amp; job descriptions are aligned with appropriate policies</li> <li>• Zero tolerance towards fraudulent actions</li> </ul>
2	Maintain quality of yarn and ensure best quality for customers	<ul style="list-style-type: none"> <li>• Retain/attain International and National certifications</li> <li>• Quality control &amp; quality assurance</li> <li>• Manufacture according to customer expectations</li> <li>• Ensure worker training and management seminars for latest quality initiatives</li> <li>• Maintain effective contact with customers and obtain feedback on quality</li> </ul>
3	Maximize sales and identify new markets	<ul style="list-style-type: none"> <li>• Review &amp; monitor relationships with agents/brokers</li> <li>• Constantly reviewing pricing to ensure competitiveness and selling opportunity and shifts in buying patterns</li> <li>• Develop new yarn counts</li> </ul>
4	Maintain and increase manufacturing effectiveness	<ul style="list-style-type: none"> <li>• Identify opportunities for cost reduction</li> <li>• Invest in new technologies to achieve labor, cost and energy efficiencies</li> </ul>
5	Ensure improvement in all areas of operations be it sales, administration, finance or information technology	<ul style="list-style-type: none"> <li>• Identify automation opportunities</li> <li>• Ensure availability of resources capex, financing, staffing, time, etc. to achieve efficiency projects</li> </ul>
6	Maximize returns to shareholders through the efficient and effective use of financial resources	<ul style="list-style-type: none"> <li>• Make timely sales and collections</li> <li>• Procure fit for purpose, lower cost quality raw materials while keeping holding periods to a minimum.</li> <li>• Efficient use of finance facilities to minimize finance cost</li> </ul>
7	Suitable human capital management through proper hiring, training, appraisals and counselling	<ul style="list-style-type: none"> <li>• Timely appraisals and performance feedbacks</li> <li>• Develop appropriate training for all staff levels</li> <li>• Reduce safety incidents</li> <li>• Appropriate succession planning for key positions</li> </ul>



## Stakeholder Engagement

Good relationships are maintained with all the stakeholders through effective and timely communication besides having a customer-centric approach.

Stakeholders	Why they are Important	Nature of Engagement	Frequency
Shareholders	<ol style="list-style-type: none"> <li>1. They Own the Company</li> <li>2. They expect a return on their investment</li> <li>3. Decisions are made that increase shareholder value</li> </ol>	<ol style="list-style-type: none"> <li>1. AGM</li> <li>2. EOGM's</li> <li>3. Interim Reports</li> <li>4. Annual Reports</li> <li>5. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Annually</li> <li>2. If/when needed</li> <li>3. Quarterly</li> <li>4. Annually</li> <li>5. Continuously available</li> </ol>
Customers	<ol style="list-style-type: none"> <li>1. They buy our products which drives our revenues</li> <li>2. They expect quality and drive demand for our products</li> <li>3. They are our business partners</li> </ol>	<ol style="list-style-type: none"> <li>1. Direct relationships</li> <li>2. Customer gatherings</li> <li>3. Satisfaction surveys</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous</li> <li>2. Regularly</li> <li>3. Annually</li> <li>4. Continuously available</li> </ol>
Employees	They deliver Tata's success and Company could not function without them.	<ol style="list-style-type: none"> <li>1. Interaction with management</li> <li>2. Appraisals</li> <li>3. Employees events</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Daily</li> <li>2. Annual/semi-annual</li> <li>3. Regularly</li> <li>4. Continuously available</li> </ol>
Suppliers	Reliable and reasonable provision of raw materials determines our ability to supply finished goods	<ol style="list-style-type: none"> <li>1. Direct relationships</li> <li>2. Meetings</li> <li>3. Trade shows</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Daily</li> <li>2. Regularly</li> <li>3. Regularly</li> <li>4. Continuously available</li> </ol>
Government Bodies	Determine trade policies that could positively or negatively impact Tata	<ol style="list-style-type: none"> <li>1. Issue specific meetings / discussion / correspondence</li> <li>2. Submission of statutory returns and reports</li> <li>3. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. As required</li> <li>2. As required</li> <li>3. Continuously available</li> </ol>
Conditions affects our operations	<ol style="list-style-type: none"> <li>1. Provide manpower for our operations</li> <li>2. Their living</li> <li>3. Our CSR initiatives are also aimed towards them</li> </ol>	<ol style="list-style-type: none"> <li>1. Tata TCF school</li> <li>2. Tata health facility</li> <li>3. Mosque</li> <li>4. Website</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous</li> <li>2. Continuous</li> <li>3. Continuous</li> <li>4. Continuously available</li> </ol>
Banks	Provision of finance and trade facilities	<ol style="list-style-type: none"> <li>1. Direct relationships</li> <li>2. Meetings</li> <li>3. Financial reporting</li> <li>4. Websites</li> </ol>	<ol style="list-style-type: none"> <li>1. Regular</li> <li>2. As needed</li> <li>3. Periodic</li> <li>4. Continuously available</li> </ol>

## RISK &amp; OPPORTUNITY REPORT

Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
<b>Financial Risk</b>	Devaluation of PKR against foreign currencies may negatively impact Company's financial performance	High	External	<ul style="list-style-type: none"> <li>Ensuring a balanced ratio between export &amp; domestic sales as needed</li> <li>Appropriate hedging instruments such as forward cover &amp; currency options if/when needed</li> <li>Sourcing a greater share of raw cotton locally within the country</li> <li>The Company mainly meets its working capital requirements through short-term financing facilities. In order to mitigate the risk of rising interest rates, management minimizes working capital requirements, negotiates prevailing market rates and maintains an efficient portfolio of sources of funds</li> </ul>
	Payment defaults by customers	Low	External	Credit worthiness is assessed for each customer and credit limits are assigned according to our credit policy
<b>Financial Opportunity</b>	Devaluation of PKR could make exports more competitive in international markets & provide opportunities for inventory gain	High	External	Maintaining an opportunistic position and supply flexibility to take advantage of devaluing PKR to increase exports to certain export markets

Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
<b>Operational Risk</b>	Employee turnover amongst senior management positions	Medium-Low	Internal	Strong succession planning & HR policies, employee engagement initiatives, workplace satisfaction surveys, training/development, rotational policies and compensation audits are in place.
	Volatility in the international/Local price of Cotton	High	External	Well versed and dedicated procurement department, buying experience along with a diversified supplier base and large volumes keep the company relatively insulated from volatility in cotton prices.
	Energy shortage in Pakistan	High	External	Tata has its own power generation capability. Management utilizes all energy sources to keep the energy mix cost at lowest level.
	Work place incidents injuries & safety	Medium	Internal	The Company has formulated and implemented a 'safety and security policy' throughout its manufacturing and administrative facilities. Moreover, all assets are insured through reputable institutions in order to safeguard assets against any unforeseen event of damage, fire, the , act of terrorism etc.
<b>Commercial Risk</b>	Increased competition between local and international suppliers of the product.	MediumW	External	The Company believes that its years of experience, quality, research and development, brand image and customer loyalty are success factors to sustain it even in this fast shifting global economic scenario.



Risk / Opportunity Category	Major Business Risk / Opportunity	Sensitivity	Source of Risk/ Opportunity	Mitigating Factors / Steps to create value
<b>Strategic Risk</b>	Economic and Political stability of the country	High	External	The Company believes in an open and transparent relationship with the Government, regulator and other political stakeholders. As part of the larger industry, Company through its representatives, provide valuable suggestions to the regulator, particularly during the budgetary process through APTMA. We regularly monitor economic and legal impacts of Government policies and political actions on the Company as well as the textile industry.
	Shift in production technologies may make Tata's processes obsolete and its product and prices non-competitive in local and/or international markets	Medium	External	Tata strongly believes in introducing new technologies to achieve production efficiencies and reduce cost and stay aligned to the international market.

## Risk Management

The management of the company follow the rigorous approach to risk management which is essential to running a successful and sustainable business. The board of directors of the company are closely connected to effective risk management. Risk assessment, reporting and control help to enhance governance and control policies, to keep company aligned with its objectives. Our board member have diversified skills, knowledge and experience which enable them to identify and manage the key risks that are likely to arise. They also steer the culture of an organization which promotes an appropriate balance between risk and opportunities.

### **Potential Opportunities**

Pakistan is one of those countries where upper middle class and middle class population forms majority. This factor opens up the opportunity to sell knitted wear and garments to the local mainstream population of the country. The ever so competitive local and international market has made it difficult for companies to sustain. This provides our Company the opportunity to acquire smaller players of the market and increase its market share and economic efficiencies.

### **Key sources of uncertainty**

- Adverse impact of policies formed by the regulators
- Natural catastrophes such as heavy rains and floods that could destroy local cotton crop
- Adverse interest rate and exchange rate movements

### **Political Instability**

The political conditions have been unstable due to change in government and change in policies drive forward better governance

Stable political situation in the country improves the overall business performance, investor confidence and also encourages foreigners to deal with some of the prestigious companies in the country, which may have impact on Company's share price.

### **Exchange Rate**

Salfi has to import the cotton from various countries and its direct export has constrained to 50%, through which the entity is exposed to exchange rate risk. Any favorable or unfavorable movement in exchange rates might affect the company's profitability and hence, affect the share price. The company has also adopted effective strategies to minimize the risk of exchange rates.

### **Interest Rate**

The Company's Finance Cost is 5% percent of the turnover. Any adverse interest rate movement might affect the company's profitability and hence, affect the share price.

### **Availability of Raw Material**

The Company's performance is largely dependent upon the availability of raw material, which is highly sensitive to seasonal fluctuations. Thus, any negative or positive change in the crop yield will dampen the Company's performance and influence the share price.

## CODE OF CONDUCT

The Code of Conduct is equally applicable on employees as well as the Board of Directors of the Company. The Company constantly endeavors to do the following.

### 1. HONEST AND ETHICAL CONDUCT

- a. The company expect all the employees, Officers and Directors to act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, while working at the Company's premises, at offsite locations, at Company's sponsored business and social events, and/or at any other place where the Directors/Officers represent the Company. We consider honest conduct to be conduct that is free from fraud and/or deception. We consider ethical conduct to be conduct conforming to the accepted professional standards of conduct. Ethical conduct includes ethical handling of actual or apparent conflicts of interest as specified below between personal and professional relationships.

### 2. CONFLICTS OF INTEREST

- a. Every employee should conduct his/her personal and business affairs in a manner such that neither a conflict, nor the appearance of a conflict, arises between those interests and the interests of the company.
- b. An employee should avoid any situation in which he or she, or a family member, might profit personally either (directly or indirectly), from the company's facilities, its products, or company's relationships with its vendors or customers.
- c. An employee should not permit himself/herself (or members of his / her family) to be obligated (other than in the course of normal business relationships) to any organization or individual with whom the company has a business relationship.
- d. In case an employee is offered or receives something of value which he/she believes may be impermissible under this Code, he / she should disclose the matter.
- e. All employees shall avoid any kind of bribery, extortion and all other forms of corruption.
- f. Conflict of interest shall be avoided and promptly disclosed where they exist and guidance should be sought from superiors.

### 3. COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS

- a. All employees, officers and Directors must comply with all applicable governmental laws, rules and regulations. Directors/Officers must acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to recognize potential dangers, and to know when to seek advice from the Finance and/or Legal Advisor /Legal Counsel. Violations of applicable governmental laws, rules and regulations may subject Directors/Officers to individual criminal and/or civil liability. Such individual violations may also subject the Company to civil and/or criminal liability and/ or the loss of business.

### 4. MISCELLANEOUS

- a. All employee shall maintain the confidentiality of confidential information of the Company or that of



any customer, supplier or business associate of the Company to which Company has a duty to maintain confidentiality, except when disclosure is authorized or legally mandated.

- b. All employee shall deal fairly with customers, suppliers and competitors. They should not take unfair advantage of anyone through manipulation, concealment, abuse of confidential, proprietary or trade secret information, misrepresentation of material facts, or any other unfair dealing-practices.
- c. All employee should protect Company's assets and property and ensure its efficient use. Theft, carelessness, and waste of the Company's assets and property have a direct impact on the Company's profitability. Company's assets should be used only for legitimate business purposes.
- d. Any question or interpretation under this Code of Ethics and Business Conduct will be handled by the Board or any person /committee authorized by the Board of the Company. The Board of Directors or any designated person/committee has the authority to waive compliance with this Code of business conduct. The person-seeking waiver of this Code shall make full disclosure of the particular circumstances to the Board or the designated person/ committee.
- e. This Code of conduct is not intended to and does not create any rights for any employee, customer, client, supplier, competitor, shareholder or any other person or entity.
- f. If any employee or Directors who knows of or suspects of a violation of applicable laws, rules or regulations or Code of conduct, he/she must immediately report the same to the Board of Directors or any designated person/committee thereof. Such person should as far as possible provide the details of suspected violations with all known particulars relating to the issue.
- g. Violations of Code of Ethics will result in disciplinary action, which may even include termination of services of the officer and disqualification from being a Board Member. The Company's Board or any Committee/person designated by the Board for this purpose shall determine appropriate action in response to violations.





## CHAIRMAN'S REVIEW

### Assalam-o-Alaikum

I am pleased to present the audited accounts along with the Auditor's report for the year ended June 30, 2019. The Company has incurred an After-Tax Loss of Rs. 87 million (2018 After Tax Profit of Rs. 234 million) due to sudden and frequent foreign currency movements experienced during the year despite 13.63% increase in turnover to Rs 6.77 Billion (2018 5.96 Billion) on sales volume of 44 million lbs. (2018 46 million lbs.) amid a global economic slowdown.

The Company's profitability was affected by multiple factors including unprecedented devaluation of Rupee, which affected the cost of imported cotton. In addition, economic slow-down in Pakistan and China along with China-USA trade tensions affected yarn prices negatively. Profitability was further affected by higher interest cost and general impact of inflation leading to increased cost of locally procured goods and services. The China-USA trade conflict and Chinese economic slow-down impacted its yarn imports which left major yarn exporting countries, especially Pakistan and India, devastated. The Company had to place heavy reliance on imported cotton due to lower than targeted domestic crop size and as such the raw material margin was negatively impacted by the devaluation of Pak Rupee. Further a sharp increase in discount rate from 6.75% to 13.75% significantly increased financial charges by 51.49% to Rs. 345 million (2018 Rs. 228 million).

Although a number of Companies in the Textile Spinning Sector have posted very good results for the Financial Year, the management regrets that the Company was not able to achieve better results. The China-US trade dispute affected commodity prices, especially the cotton prices, which decreased by 20 cents and the Company was left with Cotton purchased at higher rates resulting in loss.

### Coming year.

The withdrawal of Sales Tax Zero Rating for the textile sector resulting in the imposition of 17 percent Sales Tax and exorbitant increase in rates of many other Income Tax Withholding schemes has disrupted the local yarn trade on which the Company places heavy reliance. Hence, both the huge increase in taxes and global economic slow-down has adversely impacted our profitability. Although, the Government has been able to bring down the current account deficit through steep devaluation of Pak Rupee, however, meager efforts have been expended towards trade development to enhance exports. Pakistan is still faced with a large fiscal deficit and the Government is forced to collect massive amount of taxes and borrow from whatever source they can. This is resulting in extreme liquidity shortage in the market, leaving precious little resources for the Private Sector.

### Raw Material

As the situation stands, the Pakistani crop has further deteriorated and the size of the crop is estimated around 9 Million bales which is about 2 Million bales less than last year, leading to very high prices in the Local Cotton market. This shortage and subsequent rise in Domestic Cotton prices will keep pressure on our Company's profitability in this coming year.

### Board performance and effectiveness



An annual evaluation of the Board performance was conducted in compliance with the requirement of the Code of Corporate Governance and the Companies Act, 2017. The purpose of this evaluation is to ensure that the Board performance is measured in the context of overall corporate objectives and governance structure of the Company. The Board, during the year, played a pivotal role in steering the Company forward in a progressively challenging landscape. Through the commitment and effective oversight of the Directors, your Company ensured transparency of corporate governance and compliance.

The Board performed its role and responsibilities for the overall management and supervision of the affairs of the Company and remained duly cognizant of its fiduciary responsibilities. It is also important to mention and highlight the key role played by the Audit Committee in directing the management towards areas of improvements and recommending effective solutions.

On behalf of the Board, I wish to acknowledge the contribution of all our employees in the continued success of the Company. I also wish to thank our shareholders, customers, suppliers, bankers and other stakeholders for their confidence and support. The Board looks forward with confidence to the year ahead.



**ANWAR AHMED TATA  
CHAIRMAN**

**Karachi:**

**Date: October 22, 2019**

## **DIRECTORS' REPORT TO THE MEMBERS**

The Directors' of the Company are pleased to present their report along with the audited Financial Statements of the Company for the year ended June 30, 2019.

### **GLOBAL MACROECONOMIC OUTLOOK**

World Economic Outlook of IMF has indicated global growth at 3.3% in 2019, down from 3.6% in 2018 due to lower global expansion in the second half of 2018 caused by U.S.-China trade tensions, macroeconomic stress in Turkey and Argentina and tighter credit policies in China however, growth is expected to level out at 3.6% over the medium term beyond 2020. China is expected to slow down to 5.5% by 2024 resulting from China's growth decline, increase in trade tensions with the United States, slow-down in Euro Zone, a no-deal Brexit withdrawal of UK from EU, weak economic data pointing to a global growth slowdown and further slowdown in Eurozone. In light of this, the imperative is to take actions that boost potential output growth, improve inclusiveness, strengthen resilience, resolve trade disagreements cooperatively in order to stabilize a slowing global economy. For us, this will mean developing more value added yarns, exploring newer export markets and to make further inroads into the local market.

### **GLOBAL COTTON SCENARIO**

The Global Cotton Market remains in turmoil from impact of the weaker Chinese demand, changing supply chains and the need to move a very large US and Brazilian crop amid weak demand. There has been projection of lower global cotton use in 2019/2020 caused by a large drop in Chinese consumption and slower demand at the consumer level in Europe. Overall, global cotton consumption for 2019/2020 is estimated at 120 million bales however, this is only a 2.4 million bales reduction from 2017/2018 versus a 13 million bale reduction during the global financial crisis of 2008. World trade is estimated at 40 million bales vs 2015/2016 when trade fell to 35 million bales on a consumption of 113 million bales. Given higher production and marginally lower demand it is likely that cotton prices will remain stable hence we should purchase cotton throughout the year thereby maintaining normal stocks to meet production requirements.

### **YARN INDUSTRY IN PAKISTAN**

Spinning industry provides the raw material for the knitting and weaving industry and it focuses on improving yarn quality that will ensure competitiveness and higher yarn prices. The spinning industry developments are targeted towards higher productivity with effective quality control by selecting suitable equipment and spinning conditions to match with the raw materials. Pakistan has the inherent advantage of being the 5th largest producer of cotton in the world with large spinning capacity in Asia. In fact, Pakistan contributes 5% to the global spinning capacity after China and India. Pakistan's textile sector contributes 8.5% to Pakistan's total economic output of \$300 billion and spinning supports all value-added processes of weaving, knitting, processing, garments and made-ups. Pakistan's spinning sector caters to the requirements of the domestic industry and about one-third of the total production of yarn is exported to different destinations.

### **Production of yarn**

At present spinning sector comprises of approximately 400 spinning mills in the country with 10 million spindles in operation. The production of yarn is approximately 2.3 million MT. The production of yarn share in coarse counts is 47%, medium counts 24%, whereas fine and super counts 5% and mixed polyester 24% respectively.

### Exports of cotton yarn

Cotton yarn exports have been showing a declining for many years and have decreased from a high of US\$ 2.25 billion in 2012-13 to only US\$ 1.14 billion in 2018-19 with a reduction of 16% over the same period last year and cumulative decline of almost 50% since 2013. Both domestic and foreign factors played a role in the lower quantum exports during the period. On the domestic front, yarn production was basically unchanged from last year, at 2.3 million MT. However, demand for yarn by spinners has been rising in response to higher demand by local garment manufacturers. The stagnant production amid higher demand boosted domestic yarn prices. As a result, it made more business sense for domestic spinners to cater to the local demand instead of exports. Pakistan has been reliant on a single country China for its yarn exports in the lower counts. The slowdown of imports to China, Bangladesh and Hong Kong due to reduced demand has adversely affected the competitive position of Pakistani yarn. The average unit price realization of Pakistani cotton yarn in the international markets is low compared to that of its competitors due to cotton quality which is the result of unsatisfactory storage/handling of seed cotton by growers, malpractices of ginners involving a mixing of cotton varieties, low standards of ginning, addition of excess moisture just before pressing lint into bales and production of mostly coarse/medium count yarns.

### Raw material

Pakistan is among the leading cotton producing countries, however its cotton production is on downward side and managed to produce only 10.8 million bales 25% less than target of 14.4 million against a total requirement of around 16 million bales. Pakistan therefore depends on imported cotton to meet its needs but the government has imposed duty on import of cotton. Government of Pakistan and the Textile Ministry needs to invest heavily in seed technology and work closely with farmers to bring them up to date with modern farming techniques to enhance the output of major cash crop across the cotton growing areas of the country.

### Challenges

The textile spinning industry currently faces massive challenges. This year added new uncertainties mainly due to abrupt devaluation and exchange losses which resulted in higher cost of raw materials, interest rate hike from 6.75% to 13.75% resulting in inflation and affecting the sourcing of the Company, withdrawal of the export rebate for spinning segment reduced incentive to export. The trade war among world economies was another reason which resulted in fewer orders from China which is Pakistan's largest market. The company was able to sell its yarn locally but had to provide significantly higher credit in the local market which results in higher financing cost. Non-conducive government taxation policies which tend to favor composite units rather than standalone companies is another reason which is hurting exports. The Finance Act of 2019 has introduced some unfavorable taxation policies including removal of zero rating which provides for charging of 17% sales tax on local sales and payment of 10% sales tax on local purchase of cotton which will further impact liquidity at a time of high interest rates. 10% BMR tax credit on investments has also been withdrawn reducing incentive to invest and boost capacity to earn foreign exchange. The government is also not providing timely Sales Tax, Income Tax and Export Rebate refunds and a secondary market for refund bonds has not developed so liquidity remains tied up at very high interest rates. Collectively all these factors are damaging the textile sector and its ability to earn valuable foreign exchange.

## PAKISTAN ECONOMY

FY 2018-19 saw domestic GDP grow at a rate of 3.3% compared to 5.8% during the preceding year. Although the deep structural issues afflicting the economy had started re-surfacing towards the end of 2018, the fallout was felt widely across the country during the outgoing financial year and further exacerbated based on Government taking the difficult decisions required to get the economy back on a sustainable growth track and it is expected that economic activity will remain at the current level for the next two years. The formidable challenge that the new government now faces is raising aggregate demand in a high interest rate environment with limited fiscal space.

Despite the tough conditions, we expect the government to not deter from pursuing sustainable policies in order to build a foundation for future economic and political stability. Documentation of the economy and enhancing the tax base is proving to be a painful undertaking in the short-term, however, the country as a whole and the organized sector in particular stand to benefit from such measures in the long run.

During FY19, cotton production declined by 17.5 percent, compared to last year. This prevented the textile sector from taking full advantage of the recent bouts of exchange rate depreciation, as exports barely grew from last year's level. Higher production costs, especially the high cost of electricity, imported machinery and labor cost, amid depressed prices in the international market, have eaten into the margins of the industry. Leading domestic textile firms continued to shift their attention to the domestic markets, where the margins have tended to be higher compared to exports. As a result, the exportable surplus has waned. Therefore, the economy kept on missing out on a significant chunk of foreign exchange earnings that the textile sector could potentially have generated.

Pakistan's cotton yarn exports declined 15.4 percent to US\$ 835.7 million in Jul-Mar FY19. The decline was almost entirely driven by a 15.9 percent drop in shipments, as unit prices rose marginally.

## Performance of the Company's Business

Volumes	June-2019	June-2018	Variation
	Amount in PKR	Amount in PKR	%
Sales	6,770,628,949	5,958,498,617	13.63%
Cost of Sales	(6,263,343,896)	(5,285,316,364)	18.50%
Gross Profit	507,285,053	673,182,253	-24.64%
Finance Cost	345,352,741	227,975,180	51.49%
(Loss) / Profit before taxation	(95,666,298)	297,910,074	-132.11%
(Loss) / Profit after taxation	(86,914,757)	234,440,017	-137.07%
(Loss) / Earnings per Share	(26.00)	70.14	-137.07%

The unprecedented devaluation and start of serious economic slow-down coupled with China-USA trade issues has had a significant effect on the current year's financial results. Despite the record highest ever sales of over Rs.6.770 billion i.e. 13.63% higher than last year, profit before tax for the year decreased by 132.11%. Unfortunately, during the current year, we placed heavy reliance on imported cotton and cotton prices increased due to rupee devaluation while New York prices kept sliding downwards, so regrettably we could not take the advantage of devaluation had we purchased cotton locally. This has been one of the major



reasons for the loss and what affected our financial results for the year under review. A sharp increase in discount rate from 6.75% to 13.75% was another factor that has affected our profitability with increase in financial charges by 51.49% i.e. increase from Rs. 227.975 million to Rs. 345.352 million.

STML produces a range of products which meets a diverse set of market needs and continuously searches for new markets and products and strives to ensure timely access to high quality and low cost raw material by following fair procurement practices, diversified suppliers and following the market trends closely.

As a socially responsible entity, we are constantly exploring ways to minimize our waste and are taking all necessary steps to reduce its impact on the environment.

We endeavor to achieve zero accidents at our production facility and offices and through extensive employee training in order to foster a safe working environment.

The company places great emphasis on producing products of quality as per specifications to ensure customer satisfaction.

### **Capital Structure**

Debt to equity ratio on 30 June 2019 was maintained at 49:51 as on 30 June 2018.

### **Dividends**

Since the results for the year under review are not encouraging, therefore your directors recommend to pass on the dividend for the year.

### **PACRA Credit Rating**

PACRA rating exercise as of June 30, 2019 has been maintained at previous levels A3 for Short Term and BBB Long Term.

### **Auditors**

The present auditors M/s Deloitte Yousuf Adil, Chartered Accountants retire and offer themselves for re-appointment. They have confirmed achieving satisfactory QCR rating from Institute of Chartered Accountants of Pakistan (ICAP) and compliance with the Guidelines on the Code of Ethics of International Federation of Accountants (IFAC) as adopted by ICAP. The Board of Directors has recommended their re-appointment as auditors of the company for the year ending June 30, 2020, at a fee to be mutually agreed.

### **Pattern of Shareholding**

Information on the pattern of holding is annexed.

## **HUMAN RESOURCES**

### **Industrial Relations**

We recognize our employees as our most valuable assets. The management therefore ensures a harmonious working relationship with employees and strives to provide a congenial working environment both at head

office and in the factories. Importance is placed on maintaining a good work-life balance. The management also ensures compliance with all employment laws and labor legislations. In turn, employees work hard towards the achievement of their targets without disputes.

#### Long Service Awards

Long service awards are provided to recognize and reward devotion and loyalty of employees who have a long tenure with the company.

#### Gratuity

The company provides terminal benefit to employees in the form of non-contributory defined-benefit gratuity scheme. The value of the Gratuity liability at the end of the year was Rs. 100.189 million.

#### Training

Training is essential for improving the competencies of employees so that they are able to help the company achieve its objectives. Keeping this in view, various technical and soft-skills training programs were conducted during FY 2018-19 which included Energy Management System, Energy System Optimization, Energy Conservation and Renewable Energy conducted by UNIDO for technical staff at the mills and at head office. Training for MS Excel Advanced, an essential tool for manipulation of data, were provided to various employees at the Corporate Office and Mills. Diploma on Cotton Grading and Classification, essential for purchase of good quality cotton and leads to good quality yarn, was imparted to our cotton sourcing team by Karachi Cotton Association to identify and grade cotton.

#### Health Safety & Environment

The Company endeavors to keep its work force, infrastructure & operations safe and secure and encourages healthy work environment and practices and takes initiatives to remain working environment safe. Awareness training & drills are carried out consistently to remain abreast with latest development in HSE, ensure compliance with legal requirements and manage HSE challenges due to technological advancement and development. Objectives are defined to review the progress of HSE measures, initiatives and opportunity for development and improvement. Regular performance reviews are convened at appropriate levels with regular frequency covering following items: Use of Personal Protective Equipment (PPE's), Regular Drills, Awareness & Training Sessions, HSE Monitoring / Audit Reports, Results of Environmental Test Reports, Incident/Accident Reporting and Confirmation of Regulatory Compliance and HSE Performance Report to Executive Management on Quarterly basis by EVP Technical Operations.

#### Corporate Social Responsibility

The Company realizes its responsibility towards the society and strives to contribute in various areas by improving the economic conditions of the people, protecting the environment through our initiatives and friendly policies and contributing in the well-being of the humanity in general. In this regard, the Company has shown has consistently shown commitment to make education more easily available and to provide financial support for students. Another goal is make health care more accessible without any discrimination, to all

patients regardless of their ability to pay. In addition to the above, the Company has been and is constantly engaged in number of philanthropic activities in areas of Education and Sports, Health Care Services and General Financial Aid.

## **FUTURE OUTLOOK**

The future outlook for the upcoming financial year seem quite challenging given the revenue targets set by the Government, high interest rates, withdrawal of SRO 1125 (1) of 2011 and the trade dispute between the global giants however, the government's main focus is to document the economy and the aggressive steps being taken in this respect will hopefully bring about long term sustainability and growth of the Country. The steps which have already been taken will slow down the economic activities in the first two quarters of this financial year but it is expected to start picking up the pace.

The Company has developed a strategy to overcome the challenges by focusing on the domestic market that is expanding capacity to cater to foreign brands, develop new products for the local market and value added yarn for the export market. It is also hoped that the ongoing trade war between global giant once ended will have a positive impact on World Economy and Company's exports in particular. In addition to the introduction of sales tax refunds bonds for export oriented Companies, it is hoped that government will come up with some other plan for the textile sector including but not limited to the resolution of GIDC matter, timely release of sales/Income tax and DLT refund to dilute the impact of the abolition of tax credits on capital investment & increase in turnover tax. This will hopefully boost the confidence of the textile sector and to allow the Company to compete in the global market. With the approval of the IMF bailout package, concessional loan obtained from friendly countries, strict policies to regulate the foreign exchange transactions and better balance of trade during this year, mainly on account of reduction in import bills, it is expected that rupee will find its stability and plateaued interest rates will start to reduce in the coming year.

The Company is aggressively addressing its cost increases and will carry measured quantity and right mix of cotton stocks in an effort to reduce carrying cost. The Company will also devise strategies to maximize its profit margins and to generate positive cash flows. In addition, CAPEX is being planned to improve machine efficiency output and reduce energy costs which will provide positive cash flow benefit future years.

## **Financial Data and Graphs**

Highlights of the operating/financial data and graphs are presented in the financial highlight section

## **Corporate Governance Matters**

All matters pertaining to the Policy, Board and Governance are addressed in the Corporate Governance Section and considered to be part of the Directors Report.

## **Chairman's Review**

The Directors of the Company endorse the contents of the Chairman's review, which is deemed to be a part of the Directors' Report.

### **Acknowledgement**

We sincerely acknowledge and appreciate the untiring endeavors of our various teams who are constantly engaged in upholding their commitment to make this organization surpass all the benchmarks of quality and productivity set by the giants of the Industry. As a team we stand highly grateful towards our vendors, bankers and business associates for standing by us during the crests and toughs of the business and socioeconomic conditions all around. Above all, we would like to extend highest order gratitude towards our customers who have continued to value and rely their credence in our product line.

#### **ON BEHALF OF THE BOARD OF DIRECTORS**



**ADEEL SHAHID TATA  
CHIEF EXECUTIVE**



**BILAL SHAHID TATA  
DIRECTOR**

**Karachi:**

**Date: October 22, 2019**



## CORPORATE GOVERNANCE

### Governance Framework

The main philosophy of business followed by the sponsors of Tata Pakistan for the last 30 years has been to create value for all stakeholders through fair and sound business practices, which translates into policies approved by the Board and implemented throughout the company to enhance the economic and social values of all stakeholders of the company. Our Governance strategy is to ensure that the Company follows the direction defined by its Core Values, current regulatory framework and industry best practices. The Board, discharges its responsibilities as defined by the “Code of Corporate Governance” (CCG), listing requirements of Pakistan Stock Exchange Limited (PSX) and the Corporate Financial Reporting Framework of Securities & Exchange Commission of Pakistan (SECP). Our approach towards corporate governance ensures ethical behavior, transparency, accountability in all that we do and to attaining a fair value for the shareholders.

### Compliance Statement

Living up to its standards, the Board of Directors have, throughout the year 2018-19, complied with the Code of Corporate Governance, the listing requirements of the Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan (SECP). The Directors confirm that that the following has been complied with:

- a) The financial statements have been prepared which fairly represent the state of affairs of the company, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgment.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom have been disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The Internal Audit function is based on a combined system led by the Chief Internal Auditor supported by in-house staff as well as M/s EY Ford Rhodes, Chartered Accountants.
- f) There are no significant doubts upon the company’s ability to continue as a going concern.
- g) There is no material departure from the best practices of corporate governance as per regulations.

### The Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The Board is headed by Chairman Mr. Anwar Tata, a Non- Executive Director and out of seven directors, one is an independent directors. The current Board composition reflects a good mix of experience, backgrounds, skills and qualifications. All directors have many years of experience, and are fully aware of their duties and responsibilities under the Code of Corporate Governance. At present, four (4) Directors have acquired the formal Directors Training Certificates, while all the other directors possess sufficient skills and experience of

Board room as described in the Code of Corporate Governance. To further its role of providing oversight and strategic guidelines to the company, the Board has formulated role and responsibilities of Chairman and Chief Executive Officer. The Board has constituted two Sub Committees, namely Board Audit Committee (BAC) and Human Resources & Remuneration Committee (HR&RC). The composition, role and responsibilities of the Committees are clearly defined in their respective Terms of References.

All the Board members are given appropriate documents in advance of each meeting which normally includes a detailed analysis of business and matters, where the Board will be required to make a decision or give its approval. During the year 2018-19, the Board had four (4) meetings during this year to review the quarterly results. The average attendance of the directors in Board meetings during the year was 89%.

The Board of Directors has complied with the Code of Corporate Governance, the listing requirements of Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities & Exchange Commission of Pakistan.

### **Board Evaluation**

As required by the Listed Companies Code of Corporate Governance Regulations 2017 the Board has developed a mechanism for evaluation of performance of the Board of Directors. During the year a comprehensive questioner was circulated among all members of the Board for evaluation of performance of the Board of Directors.

The Board Performance Evaluation will be considered the following process:

- Each Board Member will be asked to complete the Evaluation Questioners Form by selecting the appropriate rating that most closely reflects his performance and the Board's as a whole related to each practice
- The Human Resource and Remuneration Committee (consist of director, detail is below) will review the performance of each Director and a Board as whole.
- In addition to Board Members completing the form as a self-evaluation, Human Resource and Remuneration Committee may ask individuals who interact with the Board Members to provide feedback.
- The result of all Board Members will be consolidated into a summarized document for discussion and review by the Board of Directors.
- The Performance of Board will be reviewed twice in a year and the result will be compiled for year as whole.

### **Changes in the Board**

During the year, one casual vacancy occurred in the Board which was filled within 90 days with the appointment of Miss Samar Shahid Tata as Director in place of Mr. Aijaz Ahmed Tariq who resigned, Mr. Farooq Advani as Director in Place of Sheikh Kausar Ejaz.

### **Composition of Board**

The Board of Directors consists of qualified individuals possessing knowledge, experience and skills in various professions, with the leadership and vision to provide oversight to the company. The current Board

composition reflects a good mix of experience, diversity in backgrounds, skills and qualifications. All directors have many years of experience, and are fully aware of their duties and responsibilities under the Code of Corporate Governance. The composition of the Board is in compliance with the requirements of the Code of Corporate Governance regulations, 2017 applicable on listed entities which is given below:

#### Total Number of Directors

a) Male	6
b) Female	1

#### Composition:

i. Independent Directors	1
ii. Executive Directors	2
iii. Non-Executive Director	4

The names of the directors as at June 30, 2019 are as follows

1) Mr. Anwar Ahmed Tata	Chairman
2) Mr. Shahid Anwar Tata	Director
3) Mr. Adeel Shahid Tata	Director / Chief Executive Officer
4) Mr. Bilal Shahid Tata	Director
5) Mr. Farooq Advani	Director
6) Miss Samar Shahid Tata	Director
7) Mr. Muhammad Naseem	Director

#### Committees of the Board

The Board has constituted two sub committees namely Audit Committee and Human Resource & Remuneration Committee. The role and responsibilities of the Committees are clearly defined in their respective Terms of Reference. The composition of both these committees is disclosed as follows:

#### Audit Committee

Mr. Muhammad Naseem	Chairman (Independent)
Mr. Farooq Advani	Member
Mr. Bilal Shahid Tata	Member

#### Human Recourse and Remuneration Committee

Mr. Muhammad Naseem	Chairman (Independent)
Mr. Adeel Shahid Tata	Member
Mr. Bilal Shahid Tata	Member
Mr. Farooq Advani	Member
Miss Samar Shahid Tata	Member

#### Detail of Board and its Committee Meetings

During the year under review, four Board of Directors Meetings, four Audit Committee Meetings and one Human Resource & Remuneration committee meeting were held. The attendance of the directors is as follow:

Name of Director	Number of Meeting Attended		
	Board Meeting	Audit Committee	Human Resource & Remuneration Committee
Mr. Anwar Ahmed Tata	4	N/A	N/A
Mr. Shahid Anwar Tata	3	N/A	N/A
Mr. Adeel Shahid Tata	4	N/A	1
Mr. Bilal Shahid Tata	4	3	1
Mr. Muhammad Naseem	4	4	1
Mr. Farooq Advani	4	3	-
Miss Samar Shahid Tata**	2	N/A	N/A
Sheikh Kausar Ejaz *	1	1	N/A
Mr. Aijaz Ahmed Tariq*	-	N/A	N/A

(Leave of absence was granted to the Directors who could not attend the Meetings due to their pre-occupations)

\* Resigned from the Board

\*\* Appointed by the Board of Director

### Directors' Remuneration

Through the Articles of the Company, the Board of Directors is authorized to fix remuneration of the Directors. In this regard, the Board of Directors have developed a comprehensive Remuneration policy for Non-executive and Independent Directors of the Company in accordance with the Companies Act 2017 and the Listed Companies (Code of Corporate Governance) Regulations 2017. Non-executive directors including the independent director are entitled only for fee for attending the meetings.

### Directors' Training

The Directors of the Company are adequately trained to perform their duties and are aware of their powers and responsibilities under the Companies Act, 2017 and the Regulations of PSX Rule book.

### Detail of Share Trading

Apart from the following transactions, the Chief Executive, Directors, Chief Financial Officer, Company Secretary, Head of Internal Audit, other Executives and their spouse(s) and minor children did not carry out any transaction in the shares of the company during the year.

	Opening Balance (July 1, 2018)	Purchase/Gift	Sale/Gift	Closing Balance (June 30, 2019)
Sheikh Kausar Ejaz**	2,500	-	2,500	-
Mr. Farooq Advani*	-	100	-	100
Miss Samar Shahid Tata*	-	100	-	100
Mr. Aijaz Ahmed Tariq**	2,500	2,300	4,800	-
Mr. Anwar Ahmed Tata	1,303,732	4,800	-	1,308,532

\* Appointed during the year

\*\*Resigned during the year



### **Role and Responsibilities of the Chairman and CEO**

The Board of Directors provides the overall direction for the Company operations and provides oversight for various policies and monitors the management in the light of operational and financial plans. The roles of Board and the Chief Executive Officer have been clearly defined where the Board is responsible for strategic guidance and providing directions for sustainable business. The Chairman and the Chief Executive have separate and distinct roles. The Chairman has all the powers vested in him under the Code of Corporate Governance and presides over all Board meetings. The Chief Executive performs his duties under the powers vested by the law and the Board and recommends and implements the business plans and is responsible for overall control and operation of the Company.

### **Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit**

The Chief Financial Officer (CFO) and the Head of Internal Audit possess the requisite qualification and experience as prescribed in the Code of Corporate Governance. The Company Secretary possesses the requisite qualification and experience as prescribed in the Companies Act, 2017. The appointment, remuneration and terms and conditions of employment of CFO, the Company Secretary and the Head of Internal Audit were determined by the Board of Directors. The removal of CFO and Company Secretary whenever applicable is made with the approval of Board of Directors.

### **Business Philosophy & Best Corporate Practice**

We believe in ethical practices, sustainable manufacturing processes, transparent reporting to the shareholders and in the best practices of Corporate Governance to ensure success and better results for all stakeholders. The Board members actively participate in the meetings to provide guidance concerning the company's business activities, operational plans, review corporate operations and formulate and review all significant policies. The Board firmly adheres to the best ethical practices and fully recognizes its responsibilities for protection and efficient utilization of company assets for legitimate business objectives and compliance with laws and regulations. The Chairman ensures that the discussions held during the Board meetings and the consequent decisions arising are duly recorded and circulated to all the directors within 14 days. The CFO and the Company Secretary attended all the meetings of the Board as required by the Code of Corporate Governance. All periodic financial statements and other working papers for the consideration of the Board/ Committees are circulated to the directors well before the meetings so as to give sufficient time to the directors to make decisions on an informed basis. This year the Board has held four meetings, agendas of which were duly circulated at least a week before the meetings.

### **Timely Communication of Financial results**

The quarterly un-audited financial statements and the half-yearly financial statements (reviewed by the Auditors) were duly circulated within thirty (30) days and sixty (60) days respectively along with the Directors' Report. Annual financial statements, Board of Directors' Report, Auditors' Report and other statutory statements and information are being circulated for consideration and approval by the shareholders within 122 days from the close of the financial year however, we are taking measures to reduce this time. Periodic financial statements of the Company are circulated to Directors duly endorsed by the CEO and the CFO. Half-yearly and annual accounts are initialed by the external auditors before presenting it to the Audit Committee and the Board of Directors for approval.

### **Risk & Opportunity Management**

Risk management is crucial to any business, which includes identification and assessment of various risks followed by coordinated application of resources, to economically minimize, monitor and control the impact of such risks and maximize the realization of opportunities. Management periodically reviews major financial and operating risks faced by the business. The Audit Committee is responsible for the Risk Management. Despite the facts that the Company's financial performance during the year was not encouraging as compared to last year and yet some uncertainties remain resulting from level of cotton production in the country, local and international cotton pricing, international yarn pricing, impact of trade wars between US and China and exchange rate fluctuations may have an impact on the future financial results of the Company. For more details on risk & opportunity management, refer Risk & Opportunity Report in these financial Statments.

### **Internal Control Framework**

The Company maintains an established control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are documented in manuals.

The Board Audit Committee has been entrusted with the main responsibility of Internal Controls. The Audit Committee receives the Audit reports by the Internal and External auditors, and after detailed deliberations, and suggesting improvements, periodic reports are submitted to the Board of Directors. The Company places a high value on transparency, both internally and externally, in its corporate management. It focuses consistently on the implementation of efficient management practices for the purpose of achieving clear and quantifiable commitments. The Company has a Cost & Management Accountant posted as Head of Internal Audit, who is being assisted by M/s EY Ford Rhodes and in-house executives to carry out the Internal Control functions.

The management has placed an explicit internal control framework with clear structures, authority limits, and accountabilities, well defined policies and detailed procedures, enabling the Audit Committee and the Board to have clear understanding of risk areas and to place effective controls to mitigate these risks.

### **Whistleblowing & Speak-up Policy**

The Company is committed to do business in ethical and compliance manner. For the purpose, Company has implemented whistle blower policy to encourage the employees and other parties (customers and vendors etc.) to report without any fear of retaliation, an unethical behaviors, malpractices, wrongful conduct, fraud, violation of the company's policies & values, violation of law by any employee.

### **Disclosure of Conflict of Interest**

The Company has taken measures to prevent conflict of interests between directors, employees and the Company. In this regard, a clear policy on conflict of interests is contained in the Code of Conduct duly approved by the Board of Directors. The Company annually circulates and obtains a confirmation from all employees and Directors that they have read and understood the Code of Conduct. Further, the Directors and key employees are reminded of insider trading and avoiding in the dealing of shares during the closed period. Every Director is required to bring to the attention of the board complete details regarding any material transaction which has a conflict of interest for prior approval of the Board. The interested Directors neither

participate in discussions nor vote on such matters. The complete details of all transaction with related parties are submitted to the Audit Committee who recommends them to the Board for approval in each quarter. These transactions are also fully disclosed in the annual financial statement of the company.

### **Corporate Social Responsibility**

Salfi Textile Mills Ltd. is committed to achieving tangible, sustainable fulfillment of its corporate social responsibility. During the year under review the Company contributed Rs.1.000 million in Health Sector by collaborating with Baitul Sukoon Hospital, for health and well-being of the poor people of the country.

Our role as a corporate citizen is as important to us as satisfaction of our customers and earning a fair return for our shareholders. We are committed to work for the betterment and prosperity of our stakeholders. Management has endeavored to provide a safe and healthy work atmosphere by adopting practices and creating working conditions which are safe and healthy for our employees, vendors, contractors, suppliers and customers.

### **Sustainability Measures**

All aspects of sustainability including efficient operational procedures, effective internal controls, ethical behavior, and energy conservation are an integral part of our business model. We also believe that employees are most critical in the progress, growth and sustainability of any organization.

### **Engaging Stakeholders & Transparency**

Development of stakeholders' relationship is of significant importance for the company. Building "stakeholder's engagement", compliance with regulatory requirements and terms and conditions are one of the main business principles by which we abide. To bring an accurate understanding of the company's management policies and business activities to all its stakeholders, it strives to make full disclosure of all material information to all stakeholders by various announcements on its website, to the Stock Exchange and other sources available to help investors to make informed decisions. It encourages full participation of the members in the Annual General Meetings by sending corporate results and sufficient information following the prescribed timeline so as to enable the shareholders to participate on an informed basis. While increasing management transparency, it aims to strengthen its relationships and trust with shareholders and investors. Our stakeholders include but are not limited to customers, employees, government, shareholders, suppliers, local communities and bankers.

### **Policy for Investor Grievances**

The Company has an "Investor Relation Policy" that sets out principles for providing shareholders and prospective investors with necessary information to allow them to make well informed investment decisions and ensure a level playing field.

Investor grievances and complaints are very important and are properly reviewed to minimize the recurrence of similar issues in future. The following principles are adhered to with regards to investor grievances:

- a) Investors are treated fairly at all times.
- b) Complaints raised are dealt with in a courteous and timely manner.
- c) Various modes of communication like email, telephone, meetings and raising matters at the Annual General Meeting are available to investors to raise grievances.

- d) Queries and complaints are treated fairly and efficiently.
- e) Employees work in good faith and without prejudice towards the interest of the creditors.
- f) Detailed company information regarding financial highlights, investor information, and other requisite information specified under the relevant regulations has been placed on the corporate website of the company which is updated on regular basis.

#### Issues Raised at Last AGM

While general clarifications were sought by shareholders on company published financial statements during the 51<sup>st</sup> Annual General Meeting of the Company held on October 22, 2018, no significant issues were raised.

#### Pattern of Shareholding

A statement on the pattern of shareholding along with categories of shareholders, where disclosure is required under the reporting framework and the statement of shares held by the directors and executives as on 30th June 2019 is annexed.

#### Mechanism for Providing Information and Recommendation to the Board

##### Formal Reporting Line

The current organization/structure of the Company consists of various departments/divisions, each of which is led by a divisional head. These divisional heads are responsible for their respective divisions and the Board can then have access to them.

##### Employees

Employees are encouraged to express their views and forward their suggestions. We follow an open door policy and employees are free to send emails, phone or even talk directly to the CEO. The employees can give suggestions, grievances and concerns or raise any matter related to the Company. In case the matter is of significant nature, the same is addressed in the meetings of the Managing Committee, the Board of Directors or the relevant Board Committees. The Company also has a speak-up policy to enable employees to raise serious concerns to the management regarding the business or Company without fear and repercussions. The CEO also meets the all departmental and divisional heads on frequent basis through which they are provided an opportunity to express their concerns and suggestions directly to the CEO. These meeting are aimed at capturing free and first hand suggestions.

##### Shareholders

Every year the Annual General Meeting of shareholders is held in accordance with the requirements of the Companies' Act 2017 which is attended by the Board, CEO, Company Secretary, CFO and the senior management of the Company. The interactive session with the shareholders allows the shareholders to ask questions on financial, economic, social and other issues and also give suggestions and recommendations. The CEO responds to all questions. The Company has also provided contact details of all relevant personals for general and specific queries on its website.



**Managing Conflict of Interest**

As per the Code of Corporate Governance, the Company circulates the Code of Conduct to all employees and Directors. Further, the Directors and key employees are reminded of insider trading and to avoid dealing in shares during closed period. Every Director is required to bring to the attention of the Board complete details regarding any material transaction which has a conflict of interest for prior approval of the Board. The interested Directors neither participate in discussions nor vote on such matters. The complete details of all transactions with related parties are provided to the Board for approval. These transactions are also fully disclosed in the annual financial statement of the Company.

**Safety of company records**

Tata Pakistan has a proper “Document & Record Control Policy” for retaining, maintaining and retrieving administrative control of all documents and data that relate to the Company and has taken the following concrete measures to ensure safety/security of the records. All important documents such as, minutes and proceedings of the Board & its sub-committees, annual general meetings, statutory certificates, title documents of the company’s property and all other important communications and records are kept in a fire proof secure safe. All other important accounting records are outsourced with a record management company.

**Human Resources Management**

A comprehensive set of policies has been implemented to cover all aspects related to HR. The main focus of the policies is to train, motivate and retain valuable human assets for the future growth of the Company. In order to maintain continuity of the business operations, particularly at senior management and key managerial levels, a Well-defined Succession Policy is in practice.

**Information Technology Policy**

A well-defined Information Technology Policy is place to help achieve efficient and effective use of I.T resources for the company so as to establish priorities, strategy delivery, increase productivity and deliver right services to users. The I.T Steering Committee comprising of CEO, COO, CFO and Head of Departments who are responsible for taking major I.T decisions. The I.T Head is responsible for ensuring communication of I.T security policies to all users of Group Companies. Further, External Auditor review IT control and policies annually. The Policy on Information Technology is focused upon information security, human resource security, access control, information system acquisition development and maintenance, business continuity management, incident management, website and ERP.

## **Report of the Audit Committee on adherence to the Code of Corporate Governance**

The Board Audit Committee has concluded its annual review of the conduct and operations of the company for the year ended 30 June 2019 and reports that:

The company has adhered in full, without any material departure, with both the mandatory and voluntary provisions of the listing regulations of the Pakistan Stock Exchange, Code of Corporate Governance and Company's Code of Conduct.

The company has issued a "Statement of Compliance with the Code of Corporate Governance" which has also been reviewed and certified by the auditors of the company.

Appropriate accounting policies have been consistently applied except those disclosed in financial statements. Applicable accounting standards were followed in preparation of the financial statements of the company on a going concern basis for the financial year ended 30 June 2019, which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the company for the year under review.

The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the company and the Chairman and Board of Directors Report. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the company.

Accounting estimates are based on reasonable and prudent judgment. Proper, accurate and adequate accounting records have been maintained by the company in accordance with the Companies Act 2017.

The financial statements comply with the requirements of the Fourth Schedule to the Companies Act 2017 and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.

All direct and indirect trading in and holdings of the company's shares by Directors, executives or their spouses were notified in writing to the Company Secretary along with the price, number of shares, form of share certificates and nature of transaction. All such transactions have been disclosed.

### **INTERNAL AUDIT FUNCTION**

The internal control framework was effectively implemented by appointing Head of Internal Audit in compliance of the Code of Corporate Governance, who is assisted by the internal auditors M/s EY Ford Rhodes and in house executives. The Head of Internal Audit reports directly to the Chairman of the Board Audit Committee.

The company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.

The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the company and the shareholders wealth through effective

financial, operational and compliance controls and risk management at all levels within the company.

Coordination between the external and internal auditors was facilitated to ensure efficiency and contribution to the company's objectives, including a reliable financial reporting system and compliance with laws and regulations.

### **EXTERNAL AUDITORS**

The statutory auditors of the company, Deloitte Yousuf Adil, Chartered Accountants, have completed their audit of the company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the financial year ended 30 June 2019 and shall retire on the conclusion of the 33rd Annual General Meeting for the year 2019.

The final Management Letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next Board Audit Committee meeting.

The Audit firm has been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP. The auditors have indicated their willingness to continue as auditors.

Being eligible for reappointment under the listing regulations, the Board Audit Committee recommends their reappointment for the financial year ending 30 June 2020 on terms & remuneration negotiated by the Chief Executive Officer.

**Muhammad Naseem**  
**Chairman**  
**Board Audit Committee**

**Karachi**

**Dated: October 22, 2019**





**Statement of Compliance with Listed Companies  
(Code of Corporate Governance) Regulations, 2017**

**Name of Company:** Salfi Textile Mills Limited.

**Year ended:** June 30, 2019

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

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

a. Male: 6

b. Female: 1

2. The composition of board is as follow:

Category	Names
Independent Director	Mr. Muhammad Naseem
Executive Director	Mr. Shahid Anwar Tata
	Mr. Adeel Shahid Tata
Non-Executive Directors	Mr. Anwar Ahmed Tata
	Mr. Bilal Shahid Tata
	Mr. Farooq Advani
	Miss Samar Shahid Tata

- The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
- 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.
- 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.
- 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.
- 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.
- The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.-
- During the year Miss Samar Shahid completed the Directors Training program, all the remaining directors have obtained DTP in prior years except for two directors which are exempt from DTP as per the certificate of exemption issued by the Commission.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorse the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
  - a. Audit Committee
    - i. Mr. Muhammad Naseem -Chairman
    - ii. Mr. Farooq Advani -Member
    - iii. Mr. Bilal Shahid Tata -Member
  - b. HR and Remuneration Committee
    - i. Mr. Muhammad Naseem -Chairman
    - ii. Mr. Adeel Shahid Tata -Member
    - iii. Mr. Bilal Shahid Tata -Member
    - iv. Mr. Farooq Advani -Member
    - v. Miss Samar Shahid Tata -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 of the committee were as following:
  - a. Audit Committee - Quarterly
  - b. HR and Remuneration Committee - Annual
15. The board has set up an effective internal audit function supervised by a qualified Head of Internal Audit who is considered suitably experienced for the purpose and is conversant with the policies and procedures of the company. During the year some of the internal audit activities were outsourced to Professional Firm who provided the services under supervision of Head of Internal Audit.
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 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 listing regulations 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.

**ON BEHALF OF THE BOARD OF DIRECTORS**



**ADEEL SHAHID TATA**  
**CHIEF EXECUTIVE**



**BILAL SHAHID TATA**  
**DIRECTOR**

**Karachi**

**Dated: October 22, 2019**

## KEY OPERATING AND FINANCIAL DATA

RATIOS		2019	2018	2017	2016	2015	2014
<b>PROFITABILITY RATIOS</b>							
Gross Profit Ratio	%	7.49	11.30	7.42	0.37	6.05	8.59
Net (Loss) / Profit to sales	%	(1.41)	5.00	1.81	(7.63)	(2.32)	(0.03)
EBITDA Margin to sales	%	5.94	11.24	7.88	(1.24)	3.50	6.02
Operating leverage ratio	%	(3.85)	7.32	36.92	(50.90)	21.47	(3.46)
Return on Equity	%	(2.01)	7.19	1.68	(17.89)	(5.74)	1.59
Return on capital employed	%	5.65	10.49	5.41	(7.28)	(1.28)	9.00
<b>LIQUIDITY RATIOS</b>							
Current Ratio	Times	0.83	0.84	0.81	0.78	0.98	1.24
Quick/Acid test Ratio	Times	0.23	0.39	0.30	0.37	0.40	0.41
Cash on current liabilities	Times	0.00	0.00	0.01	0.02	0.02	0.03
Cash flow from operations to sales	Times	0.06	0.12	0.08	(0.01)	0.04	0.07
<b>INVESTMENT / MARKET RATIOS</b>							
(Loss) / Earning per Shares	Rs	(26.00)	70.14	10.97	(114.95)	(43.60)	10.42
Price/Earning ratio	Times	(5.07)	2.35	10.75	(1.05)	(2.68)	11.52
Price to Book ratio	%	10.21	16.92	18.05	18.87	15.39	18.31
Dividend Yield ratio	%	0.00	1.21	0.00	0.00	0.00	1.25
Dividend Payout ratio	%	0.00	2.85	0.00	0.00	0.00	14.40
Dividend Cover ratio	Times	0.00	35.07	0.00	0.00	0.00	6.95
Cash Dividend per Share	Rs	-	2.00	-	-	-	1.50
Book Value per Share as at June 30th	Rs	1,290.55	975.20	653.59	642.48	758.86	655.40
Market Value per Share as at June 30th	Rs	131.77	165.00	118.00	121.21	116.77	120.00
<b>CAPITAL STRUCTURE RATIOS</b>							
Financial Leverage ratio	Times	0.77	0.78	1.36	0.95	0.78	0.53
Weighted average cost of debt	%	11.06%	8.31%	7.12%	8.58%	9.65%	17.18%
Debt to equity ratio	%	45:55	43:57	46:54	37:63	44:56	43:57
Interest Cover / Time Interest earned ratio	Times	0.72	2.31	1.54	(1.25)	0.29	0.99
<b>ACTIVITY / TURNOVER RATIOS</b>							
Total Assets Turnover ratio	Times	0.80	0.93	0.94	1.00	0.88	1.20
Fixed Assets Turnover ratio	Times	1.27	1.41	1.56	1.44	1.32	1.83
No. of days in Inventory	Days	129	77	103	54	84	74
No. of days in Receivables	Days	22	37	28	22	30	19
No. of days in Payables	Days	25	13	20	43	31	29
Operating cycle	Days	126	97	112	29	81	63
Inventory Turnover Ratio	Times	3.00	5.00	4.00	7.00	4.00	5.00
Debtors Turnover Ratio	Times	16.18	9.86	12.64	16.63	11.86	18.78
Return on assets	%	(1.03)	3.66	0.65	(7.72)	(2.88)	0.90

## COMMENTS ON THE PERFORMANCE OF THE COMPANY

### STATEMENT OF FINANCIAL POSITION

Over six years, the asset base of the Company elevated mainly due to investment in property, plant and equipment, stock-in-trade and trade debtors which is aligned with upward movement of exchange rates to put up with growing demand of business.

The shareholder's equity consists of share capital, reserves and revaluation surplus, pursuant to a change as per Companies Act, 2017. The increase in equity over the past six years primarily due to an increase in retained earnings of the Company and revaluation surplus.

The non-current liabilities of the Company are on a reducing trend over. However, The current liabilities have increased substantially to fund working capital requirements on account of stocks, receivables and stuck up income and sales tax refunds.

### STATEMENT OF COMPREHENSIVE INCOME

The turnover enhanced 47% over past six years pursuant to an increase in selling prices and hence a similar impact was ensued in terms of augmented cost of sales.

In 2019, the Company benefitted from the highest turnover in absolute and stood at Rs 6.77 billion on back of exchange devaluation and improved pricing but was simultaneously impacted by the sudden exchange devaluations which impacted the cost of raw materials consequently gross margin was impacted.

Finance cost increased by 52% over last year mainly on account of sudden hike in interest rates by SBP which was part several unprecedented measures being taken by the Government to manage the economy under direction of IMF and increase in short-term running finance to cater to the rising financing needs required to fund working capital requirements.

A decline in other income is on account of withdrawal export rebate scheme by the government.

The impact of the afore-stated, together with taxes translated into reduced profitability in the current year.

### CASHFLOW ANALYSIS

The Company's fixed assets are financed from long-term borrowings and working capital requirement is fulfilled through short term running finance from reputable banks. The Company mostly generated money from its operating activities until this year, when due to an escalation in the working capital requirements, resulting from cash being used up mainly to finance Stock-in-trade to benefit from buying opportunities which later did not materialize. Cash from operations was also impacted by lower profitability, higher interest cost and higher taxes paid. The cash used in investing activities comprises mainly of investment in capital expenditure for BMR purposes. The financing activities of the Company comprises mainly of scheduled long-term loans repayments and obtaining short term financing to fund the significantly higher stocks in trade position.



## **RATIO ANALYSIS**

### **PROFITABILITY RATIOS**

The Company exhibited healthy gross profit of Rs 507 million despite escalation in raw material costs and gross profit ratio in current year was higher than average of last 6 years mainly due to improved local pricing and exchange devaluation benefits. However, Net Profit to sales was impacted due to higher finance cost and governments withdrawal of the export rebate scheme.

### **INVESTMENT / MARKET RATIOS**

The earnings per share Rs. 26.00 (Negative) of the Company is lower than bumper profit last year Rs. 70.14 due to combined effect of higher investment in raw materials and higher cost due to devaluation, higher interest cost and withdrawal of export rebates scheme.

### **LIQUIDITY RATIOS**

The current ratio was slightly lower than last year and lower than average of last 6 year on account of higher short term borrowing to fund working capital requirements. The liquidity situation is stretched but company is able to manage to settle its current ration by curtailing investment in stocks and improving profitability.

### **CAPITAL STRUCTURE RATIOS**

The gearing level of the Company demonstrated an upward trend mainly due to higher short term borrowing to fund working capital requirements.

### **ACTIVITY/ TURNOVER RATIOS**

The operating cycle demonstrated a fluctuating trend over past six years ranging from 126 days in 2019, being the highest to 29 days in 2016, being the lowest. Stock days on hand increased to capitalize on buying opportunities which later turned around due to trade conflict between the trading giants. Payable days were slightly lower but in line with past trend and practice.

## Analysis of the Financial Position

	2019	2018	2017	2016	2015	2014
	----- Rupees in million -----					
Property, plant and equipment	5,331	4,221	3,388	3,455	3,360	2,521
Other non current assets	19	3	2	3	4	6
Current assets	3,123	2,174	2,238	1,517	1,700	1,322
<b>Total assets</b>	<b>8,473</b>	<b>6,398</b>	<b>5,628</b>	<b>4,975</b>	<b>5,064</b>	<b>3,849</b>
Shareholders' equity	4,314	3,260	2,185	2,148	2,537	2,191
Non current liabilities	418	542	667	872	790	593
Current portion of long term financing	129	241	209	167	132	122
Short term borrowings	2,966	1,951	2,185	1,080	1,110	500
Other current liabilities	646	404	382	708	495	443
<b>Total equity &amp; liabilities</b>	<b>8,473</b>	<b>6,398</b>	<b>5,628</b>	<b>4,975</b>	<b>5,064</b>	<b>3,849</b>
<b>Vertical Analysis</b>	<b>Percentage</b>					
Property, plant and equipment	62.92	65.97	60.20	69.45	66.35	65.50
Other non current assets	0.22	0.05	0.04	0.06	0.08	0.16
Current assets	36.86	33.98	39.77	30.49	33.57	34.34
<b>Total assets</b>	<b>100.00</b>	<b>100.00</b>	<b>100.01</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Shareholders' equity	50.91	50.95	38.82	43.18	50.10	56.92
Non current liabilities	4.93	8.47	11.85	17.53	15.60	15.41
Current portion of long term financing	1.52	3.77	3.71	3.36	2.61	3.17
Short term borrowings	35.01	30.49	38.82	21.71	21.92	12.99
Other current liabilities	7.63	6.32	6.80	14.22	9.77	11.51
<b>Total equity &amp; liabilities</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Horizontal Analysis</b>	<b>Percentage</b>					
Property, plant and equipment	26.30	24.59	(1.94)	2.83	33.28	7.00
Other non current assets	533.33	50.00	(33.33)	(25.00)	(33.33)	-
Current assets	43.65	(2.86)	47.53	(10.76)	28.59	(14.10)
<b>Total assets</b>	<b>32.43</b>	<b>13.68</b>	<b>13.13</b>	<b>(1.76)</b>	<b>31.57</b>	<b>(1.33)</b>
Shareholders' equity	32.33	49.20	1.72	(15.33)	15.79	4.78
Non current liabilities	(22.88)	(18.74)	(23.51)	10.38	33.22	(27.43)
Current portion of long term financing	(46.47)	15.31	25.15	26.52	8.20	153.48
Short term borrowings	52.02	(10.71)	102.31	(2.70)	122.00	(17.21)
Other current liabilities	59.90	5.76	(46.05)	43.03	11.74	29.83
<b>Total equity &amp; liabilities</b>	<b>32.43</b>	<b>13.68</b>	<b>13.13</b>	<b>(1.76)</b>	<b>31.57</b>	<b>(1.33)</b>

## Analysis of the Comprehensive Income

	2019	2018	2017	2016	2015	2014
	Rupees in million					
Net sales	6,771	5,958	5,284	4,976	4,448	4,613
Cost of sales	(6,263)	(5,285)	(4,892)	(4,957)	(4,179)	(4,217)
<b>Gross profit</b>	<b>508</b>	<b>673</b>	<b>392</b>	<b>19</b>	<b>269</b>	<b>396</b>
Administration, selling and distribution expenses	(228)	(189)	(200)	(228)	(219)	(228)
Other operating expenses	(39)	(22)	(7)	(9)	(16)	(27)
Other operating income	9	64	87	8	8	37
<b>Operating profit/(loss) before financing cost</b>	<b>250</b>	<b>526</b>	<b>272</b>	<b>(210)</b>	<b>42</b>	<b>178</b>
Finance cost	(345)	(228)	(176)	(169)	(145)	(180)
<b>(Loss)/Profit before taxation</b>	<b>(95)</b>	<b>298</b>	<b>96</b>	<b>(379)</b>	<b>(103)</b>	<b>(2)</b>
Taxation	9	(63)	(59)	(4)	(42)	36
<b>(Loss)/Profit after taxation</b>	<b>(86)</b>	<b>235</b>	<b>37</b>	<b>(383)</b>	<b>(145)</b>	<b>34</b>

## Vertical Analysis

	Percentage					
Net sales	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(92.5)	(88.7)	(92.6)	(99.6)	(94.0)	(91.4)
<b>Gross profit</b>	<b>7.5</b>	<b>11.3</b>	<b>7.4</b>	<b>0.4</b>	<b>6.1</b>	<b>8.6</b>
Administration, selling and distribution expenses	(3.4)	(3.2)	(3.8)	(4.6)	(4.9)	(4.9)
Other operating expenses	(0.6)	(0.4)	(0.1)	(0.2)	(0.4)	(0.6)
Other operating income	0.1	1.1	1.7	0.2	0.2	0.8
<b>Operating profit/(loss) before financing cost</b>	<b>3.7</b>	<b>8.8</b>	<b>5.2</b>	<b>(4.2)</b>	<b>0.9</b>	<b>3.9</b>
Finance cost	(5.1)	(3.8)	(3.3)	(3.4)	(3.3)	(3.9)
<b>(Loss)/Profit before taxation</b>	<b>(1.4)</b>	<b>5.0</b>	<b>1.8</b>	<b>(7.6)</b>	<b>(2.3)</b>	<b>(0.1)</b>
Taxation	0.1	(1.1)	(1.1)	(0.1)	(0.9)	0.8
<b>(Loss)/Profit after taxation</b>	<b>(1.3)</b>	<b>3.9</b>	<b>0.7</b>	<b>(7.7)</b>	<b>(3.3)</b>	<b>0.7</b>

## Horizontal Analysis

	Percentage					
Net sales	13.7	12.8	6.2	11.9	(3.6)	17.5
Cost of sales	18.5	8.0	(1.3)	18.6	(0.9)	30.0
<b>Gross profit</b>	<b>(24.5)</b>	<b>71.7</b>	<b>1,963.2</b>	<b>(92.9)</b>	<b>(32.1)</b>	<b>(42.0)</b>
Administration, selling and distribution expenses	20.6	(5.5)	(12.3)	4.1	(4.0)	8.7
Other operating expenses	77.3	214.3	(22.2)	(43.8)	(40.7)	(65.2)
Other operating income	(85.9)	(26.4)	987.5	-	(78.4)	(33.7)
<b>Operating (loss)/profit before financing cost</b>	<b>(52.5)</b>	<b>93.4</b>	<b>(229.5)</b>	<b>(600.0)</b>	<b>(76.4)</b>	<b>(60.6)</b>
Finance cost	51.3	29.6	4.1	16.6	(19.4)	47.6
<b>(Loss)/Profit before taxation</b>	<b>(131.9)</b>	<b>210.4</b>	<b>(125.3)</b>	<b>268.0</b>	<b>5,050.0</b>	<b>(100.6)</b>
Taxation	(114.3)	6.8	1,375.0	(90.5)	(216.7)	16.2
<b>(Loss)/Profit after taxation</b>	<b>(136.6)</b>	<b>535.1</b>	<b>(109.7)</b>	<b>164.1</b>	<b>(526.5)</b>	<b>(90.6)</b>

## Analysis of the Cash Flows

	2019	2018	2017	2016	2015	2014
	----- Rupees in million -----					
Net cash (used in)/generated from operating activities	(710)	467	(886)	166	(341)	383
Net cash (outflows)/inflows from investing activities	(60)	(32)	(76)	(241)	(457)	(267)
Net cash inflows/(outflows) from financing activities	545	(514)	27	214	304	220
Net increase/(decrease) in cash and cash equivalents	(225)	(79)	(935)	139	(494)	336

### Vertical Analysis

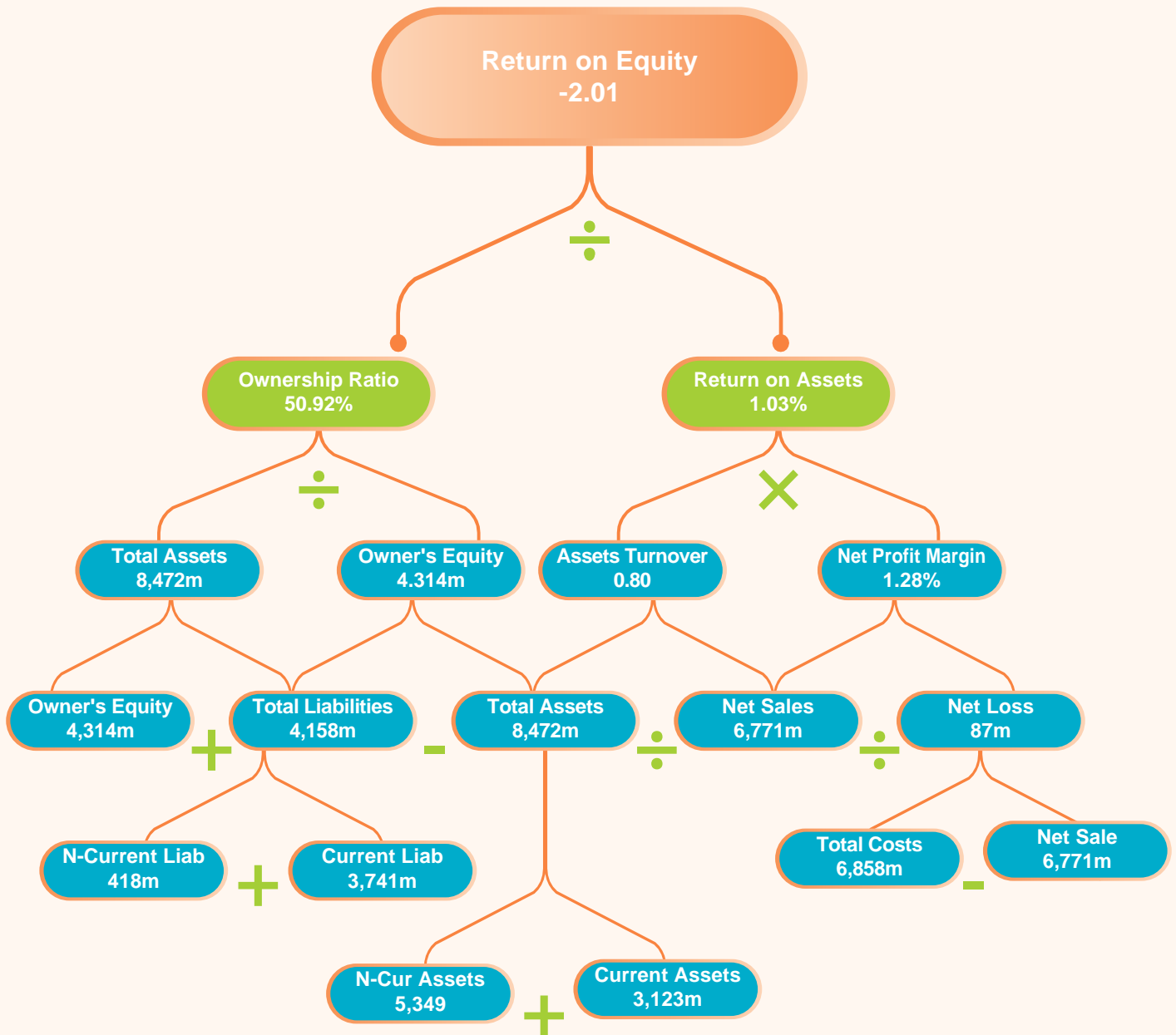
		Percentage				
Net cash (used in)/generated from operating activities	315.56	(591.14)	94.76	119.42	69.03	113.99
Net cash (outflows)/inflows from investing activities	26.66	40.51	8.13	(173.38)	92.51	(79.47)
Net cash inflows/(outflows) from financing activities	(242.22)	650.63	(2.89)	153.96	(61.54)	65.48
Net increase in cash and cash equivalents	100.00	100.00	100.00	100.00	100.00	100.00

### Horizontal Analysis

		Percentage				
Net cash (used in)/generated from operating activities	(252.03)	(152.71)	(633.73)	(148.68)	(189.03)	(346.31)
Net cash (outflows)/inflows from investing activities	87.50	(57.89)	(68.46)	(47.26)	71.16	(40.89)
Net cash inflows/(outflows) from financing activities	(206.03)	(2,003.70)	(87.38)	(29.61)	38.18	(50.87)
Net increase/(decrease) in cash and cash equivalents	184.81	(91.55)	(772.66)	(128.14)	(247.02)	(310.80)



# DuPont Analysis

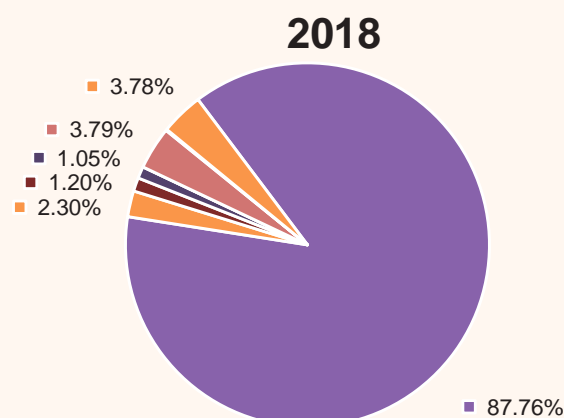
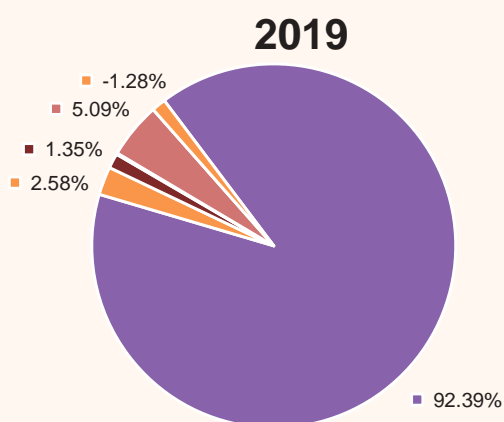


**Statement of Value Additions and its Distribution**

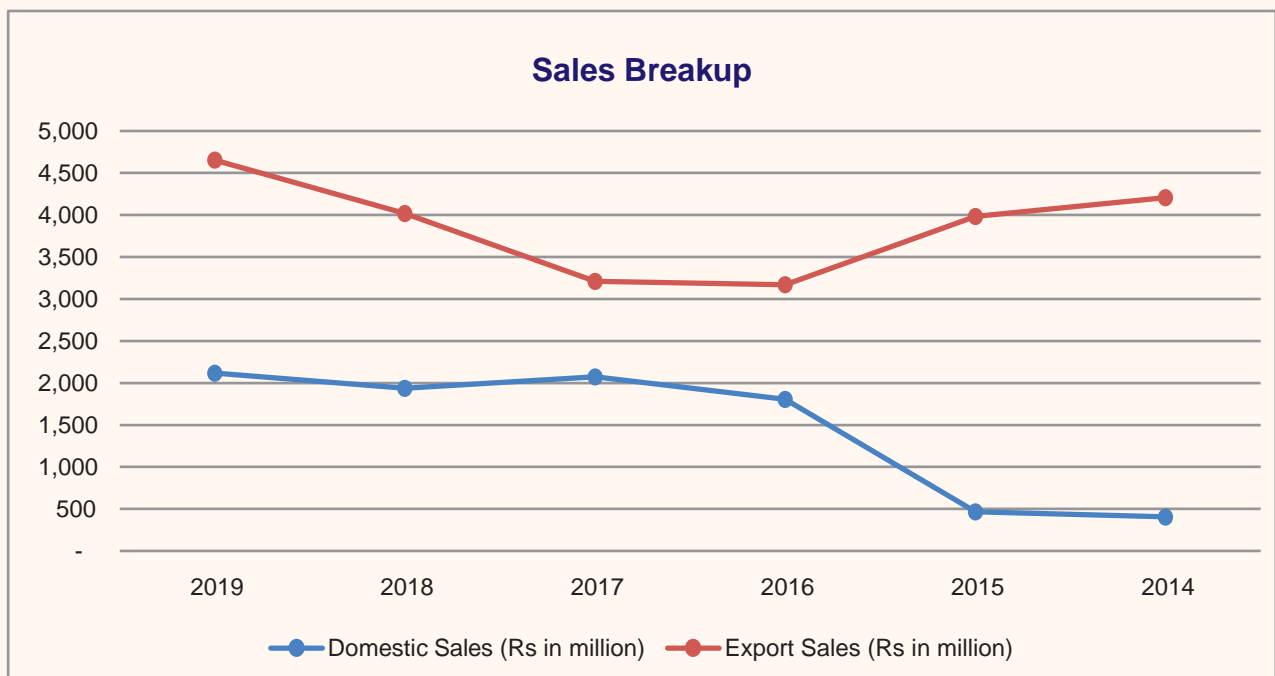
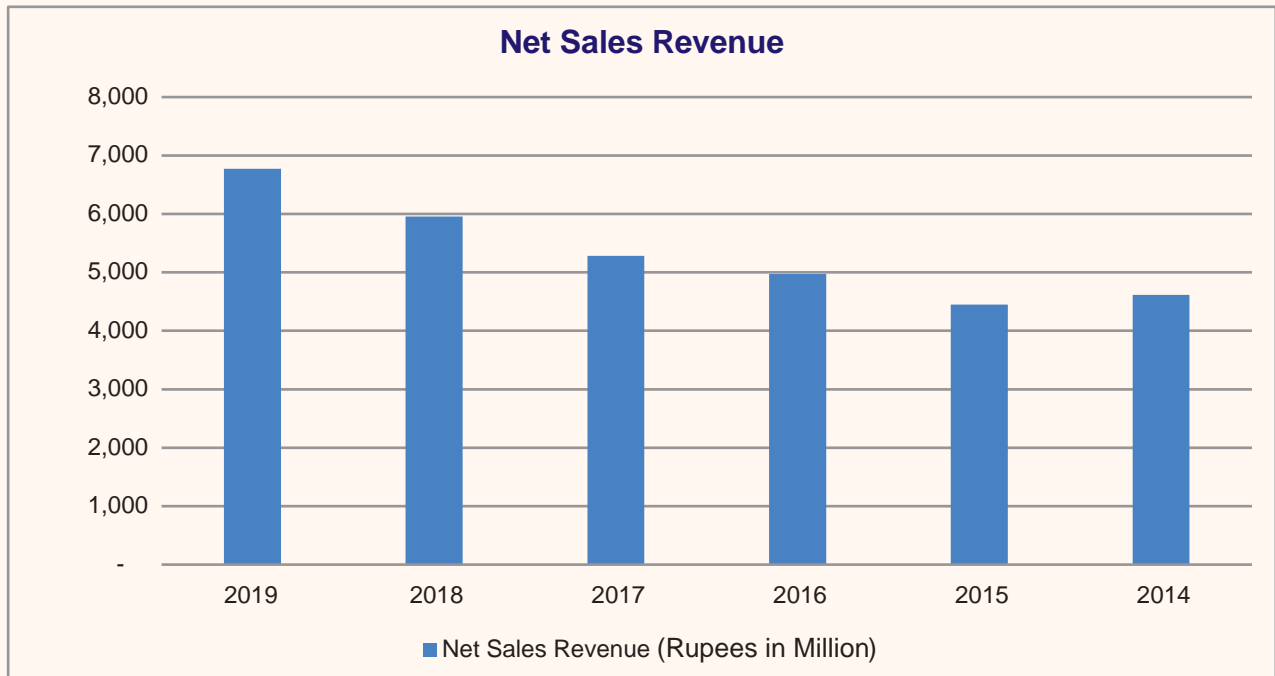
	2019		2018	
	Rs. In '000'		Rs. In '000'	
<b>Wealth generated</b>				
Sales including sales tax	6,770,629	99.87%	5,958,499	98.94%
Other operating income	8,923	0.13%	63,997	1.06%
	<b>6,779,552</b>	<b>100.00%</b>	<b>6,022,496</b>	<b>100.00%</b>

**Wealth distribution**

Cost of sales	6,263,344	92.39%	5,285,316	87.76%
Administrative, distribution and others	174,751	2.58%	138,731	2.30%
Employees	91,770	1.35%	72,564	1.20%
Income tax	(8,752)	-0.13%	63,470	1.05%
Financial charges	345,353	5.09%	227,975	3.79%
Dividend to shareholders	-	0.00%	6,685	0.11%
Distribution within business	(86,915)	-1.28%	227,755	3.78%
	<b>6,779,552</b>	<b>100.00%</b>	<b>6,022,496</b>	<b>100.00%</b>

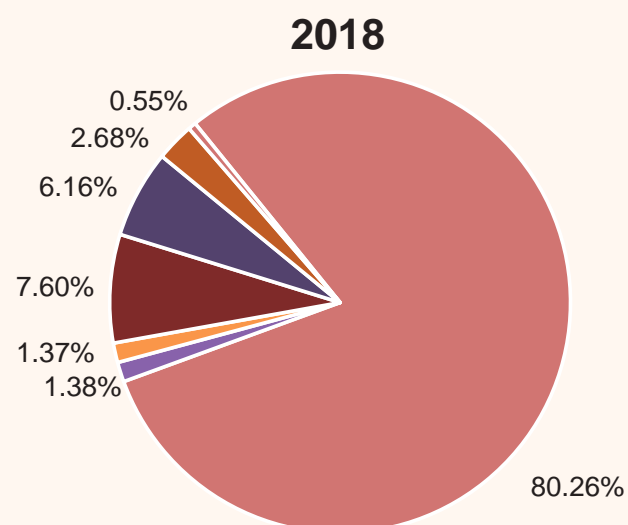
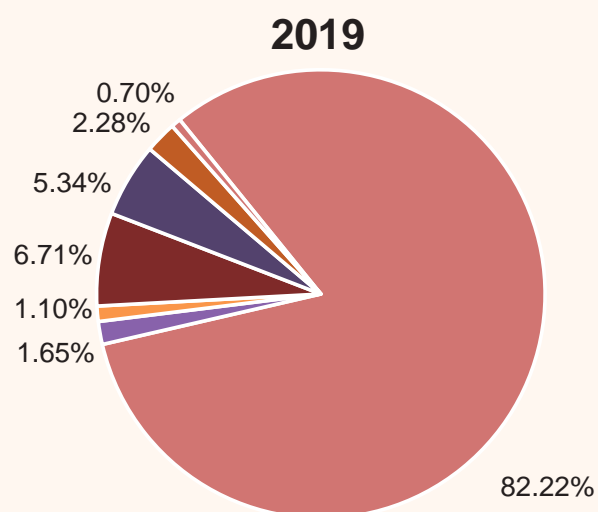


- Cost of sales
- Administrative, distribution and others
- Employees
- Income tax
- Sales tax
- Financial charges
- Dividend to shareholders
- Distribution within business



## Analysis of Costs

	2019		2018	
	Rs. In '000'		Rs. In '000'	
Raw Material Consumed	5,309,996	82.22%	4,115,407	80.26%
Stores and Spares	106,620	1.65%	70,958	1.38%
Packing Material	71,358	1.10%	70,303	1.37%
Power and Fuel	433,191	6.71%	389,939	7.60%
Salaries, wages and benefits	344,707	5.34%	315,650	6.16%
Depreciation	147,261	2.28%	137,578	2.68%
Others	45,035	0.70%	27,972	0.55%
<b>Total</b>	<b>6,458,168</b>	<b>100.00%</b>	<b>5,127,808</b>	<b>100.00%</b>



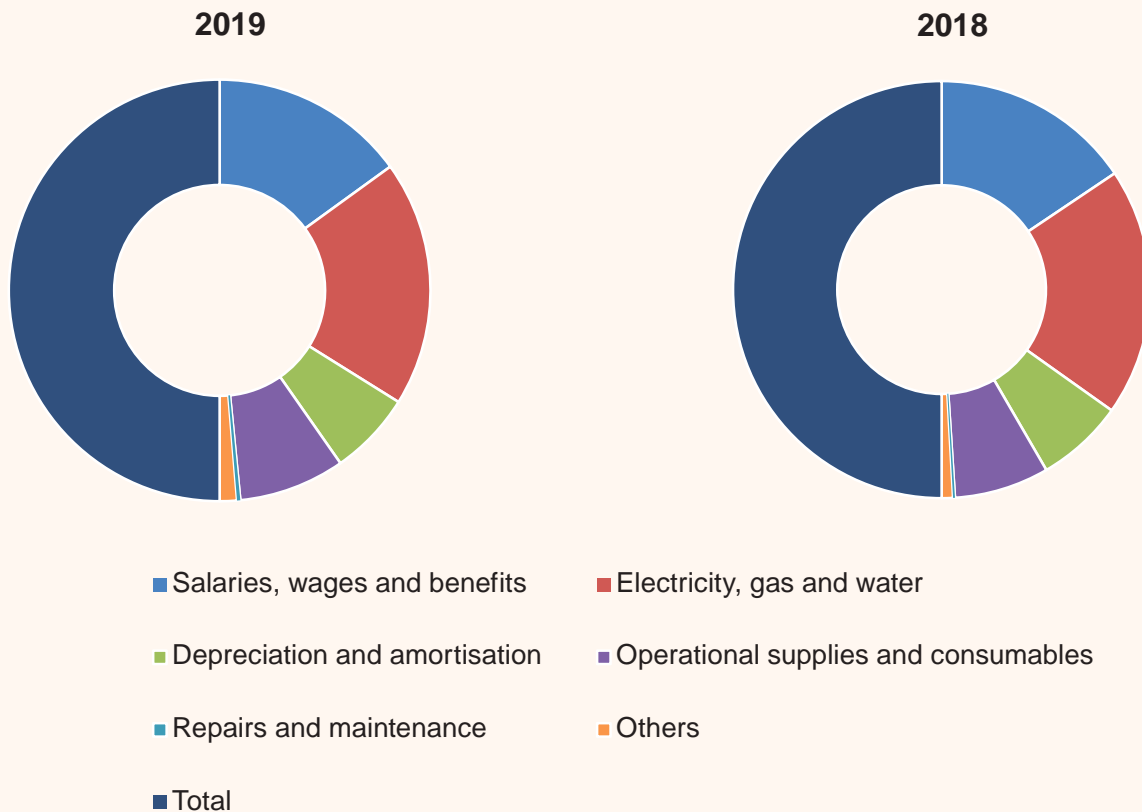
- Raw Material Consumed
- Stores and Spares
- Packing Material
- Power and Fuel
- Salaries, wages and benefits
- Depreciation
- Others

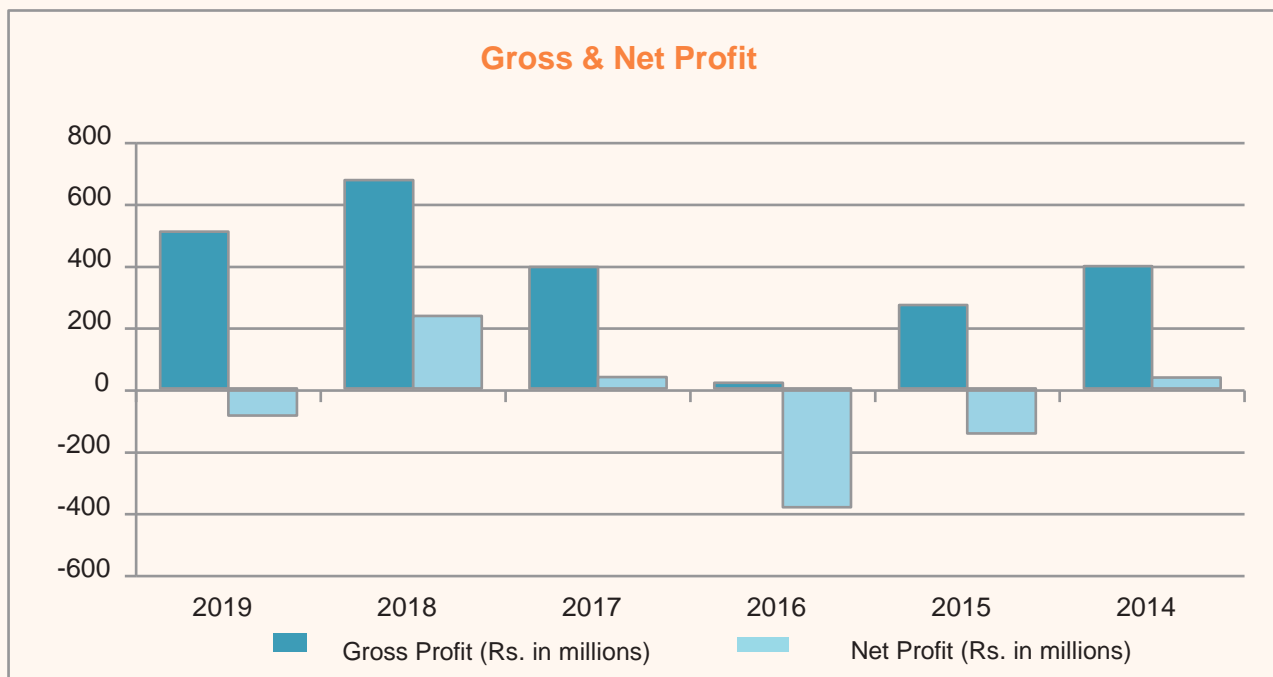
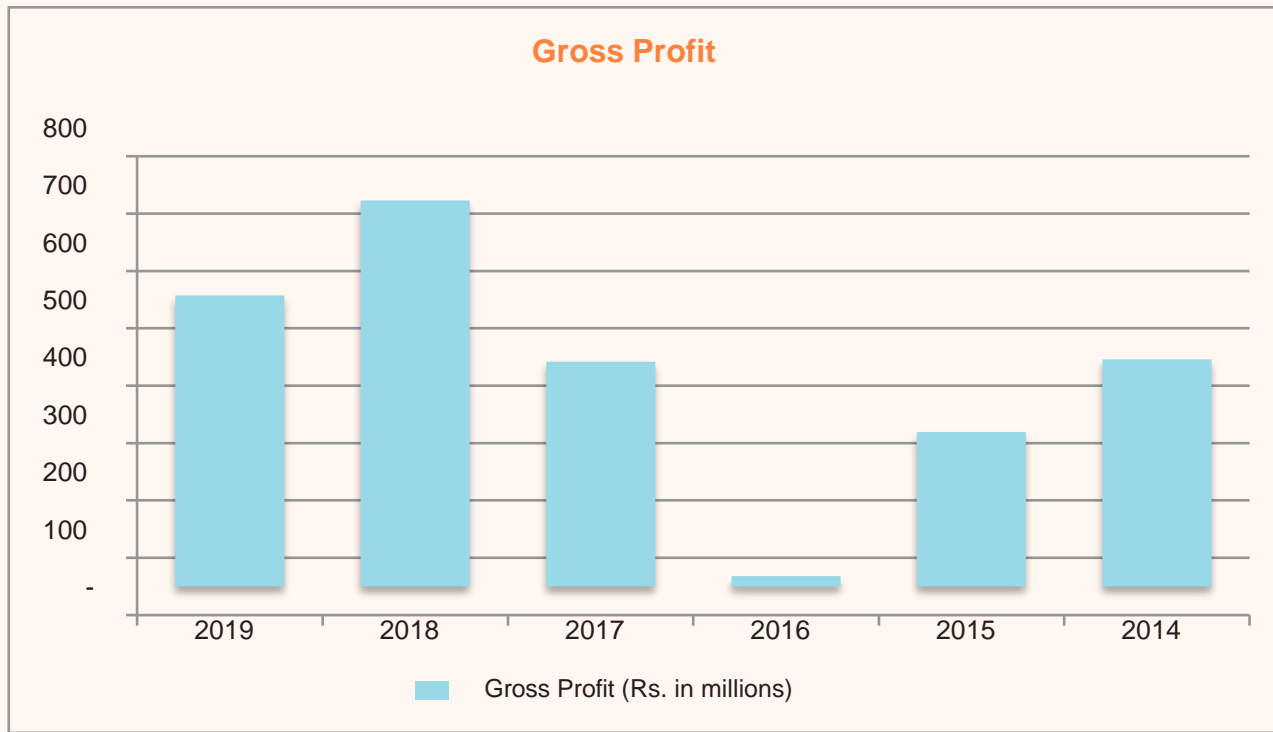


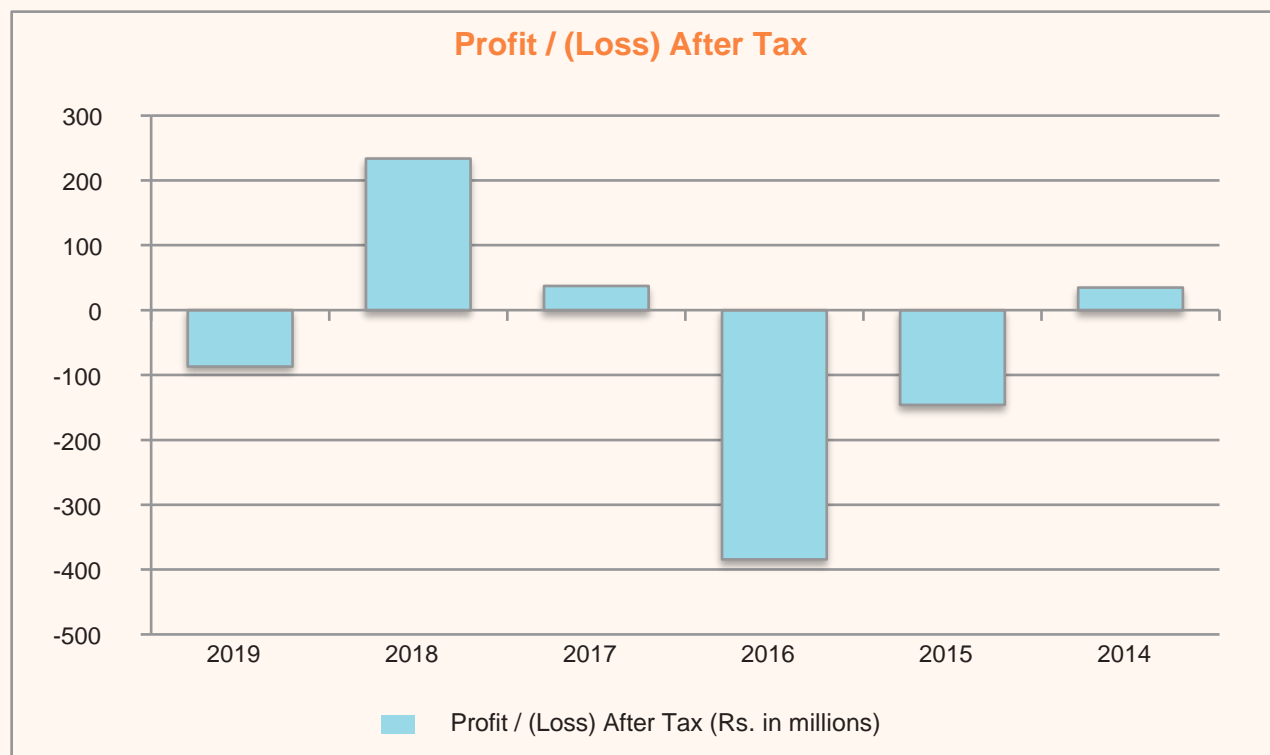
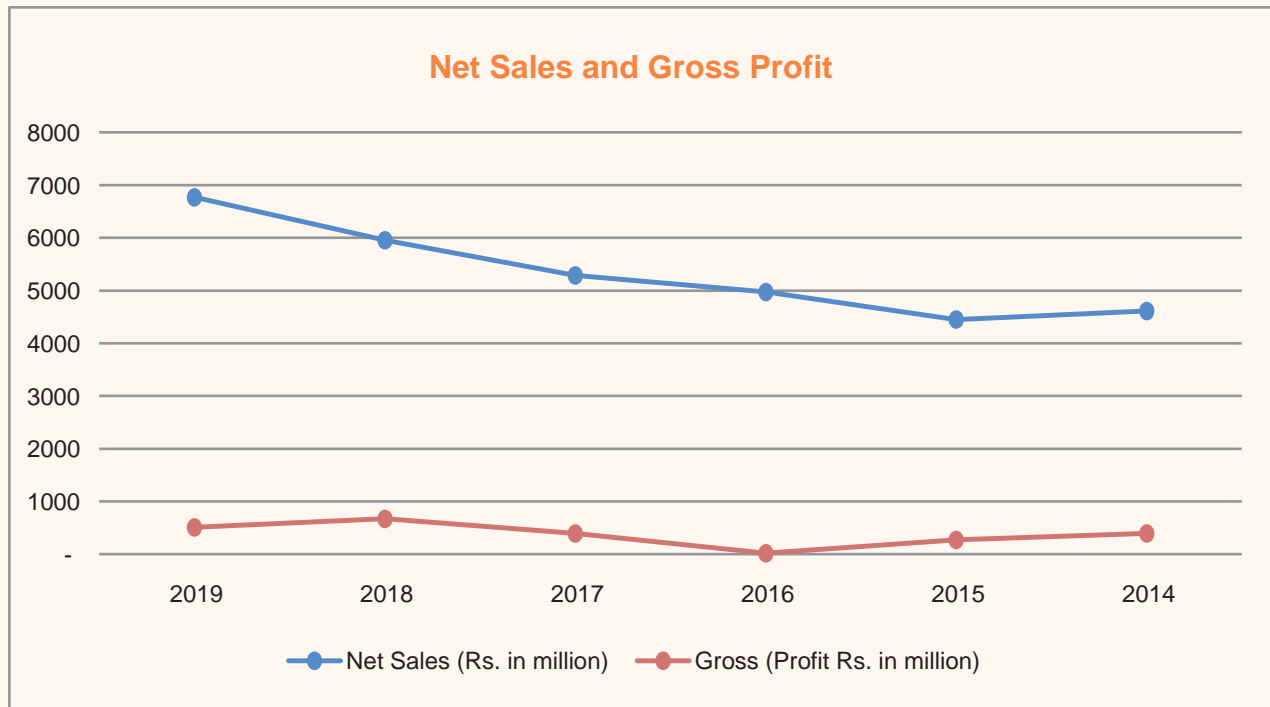
**CONVERSION COST**

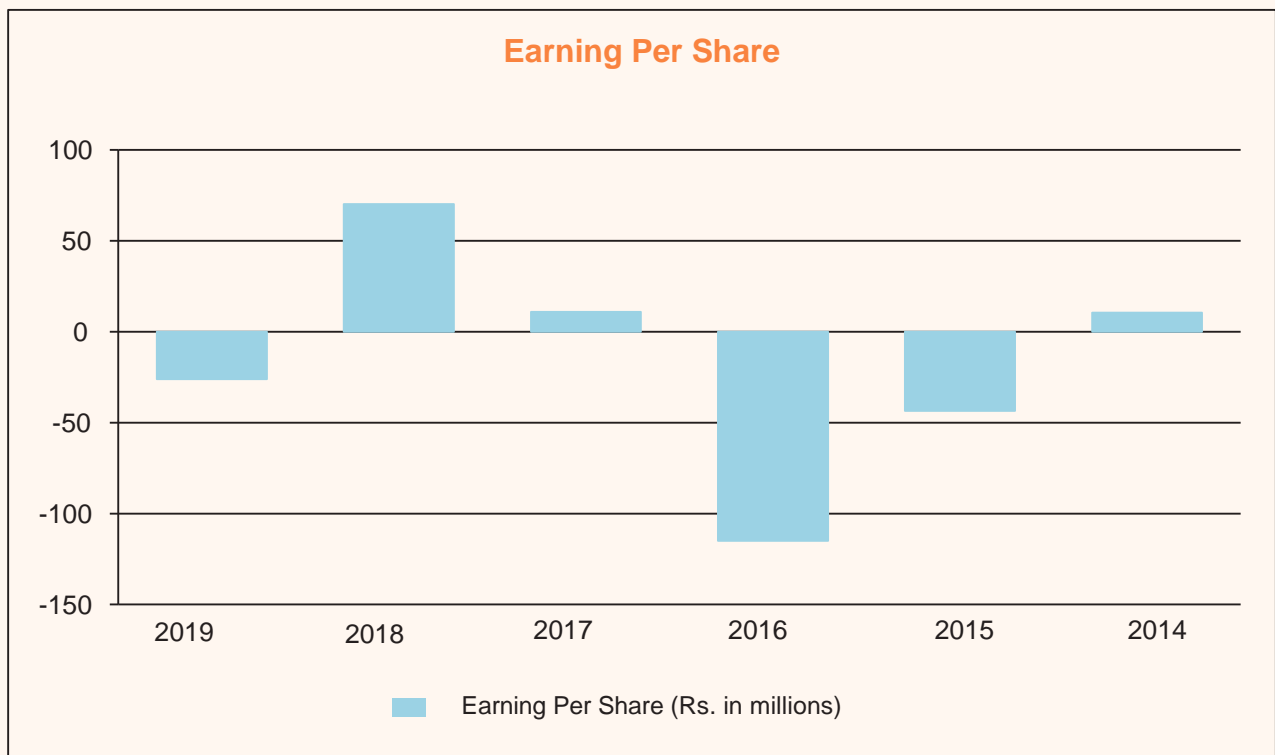
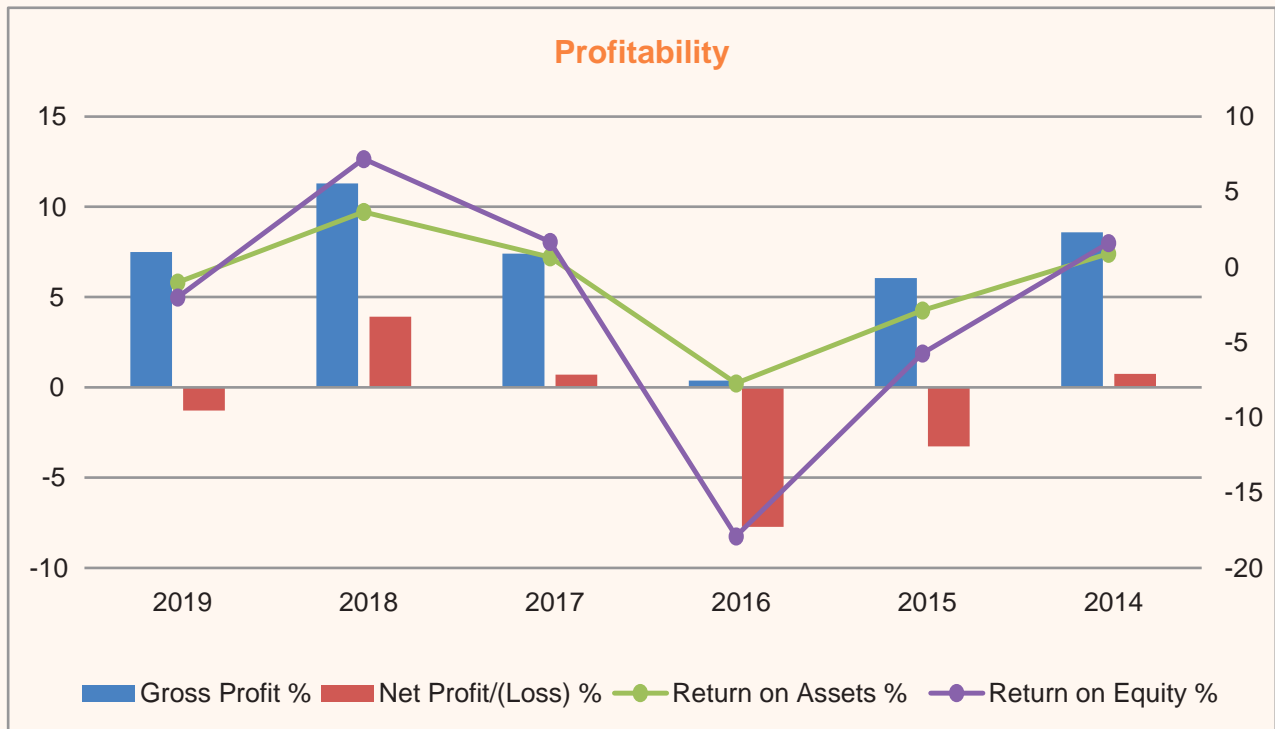
Salaries, wages and benefits
Electricity, gas and water
Depreciation and amortisation
Operational supplies and consumables
Repairs and maintenance
Others
<b>Total</b>

2019	2018
...Rs in Million ...	
345	316
433	390
147	138
187	149
6	3
30	18
<b>1,148</b>	<b>1,013</b>

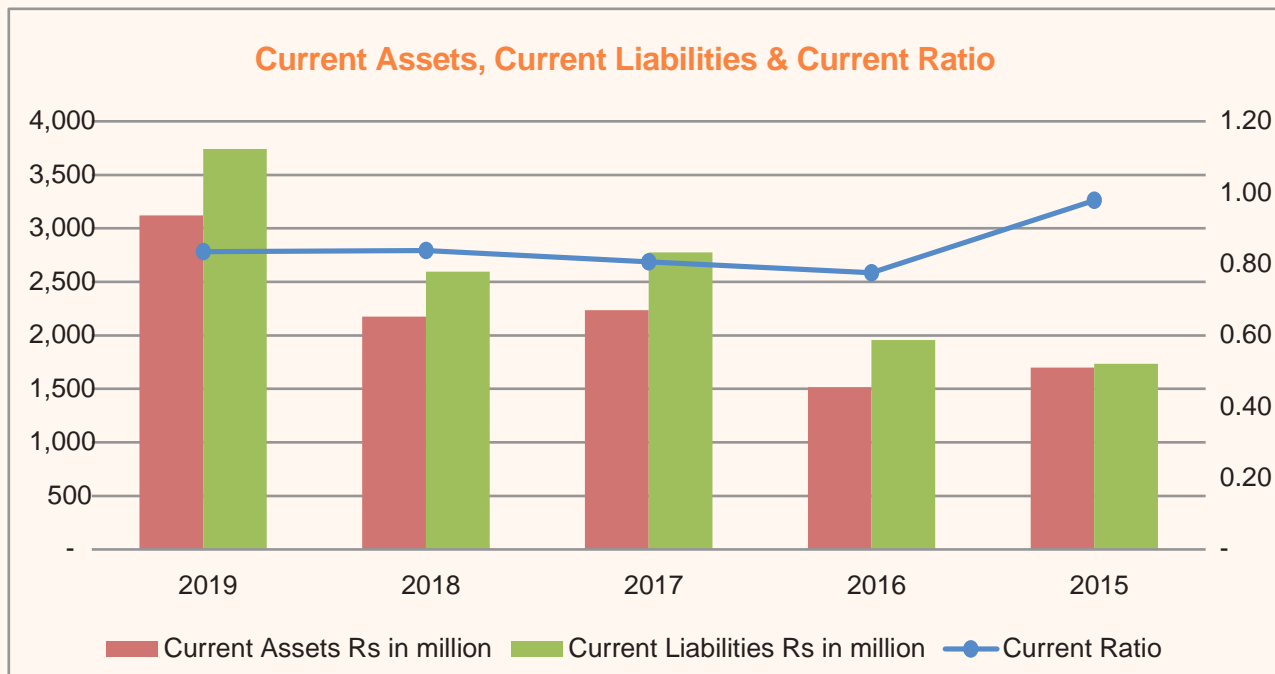
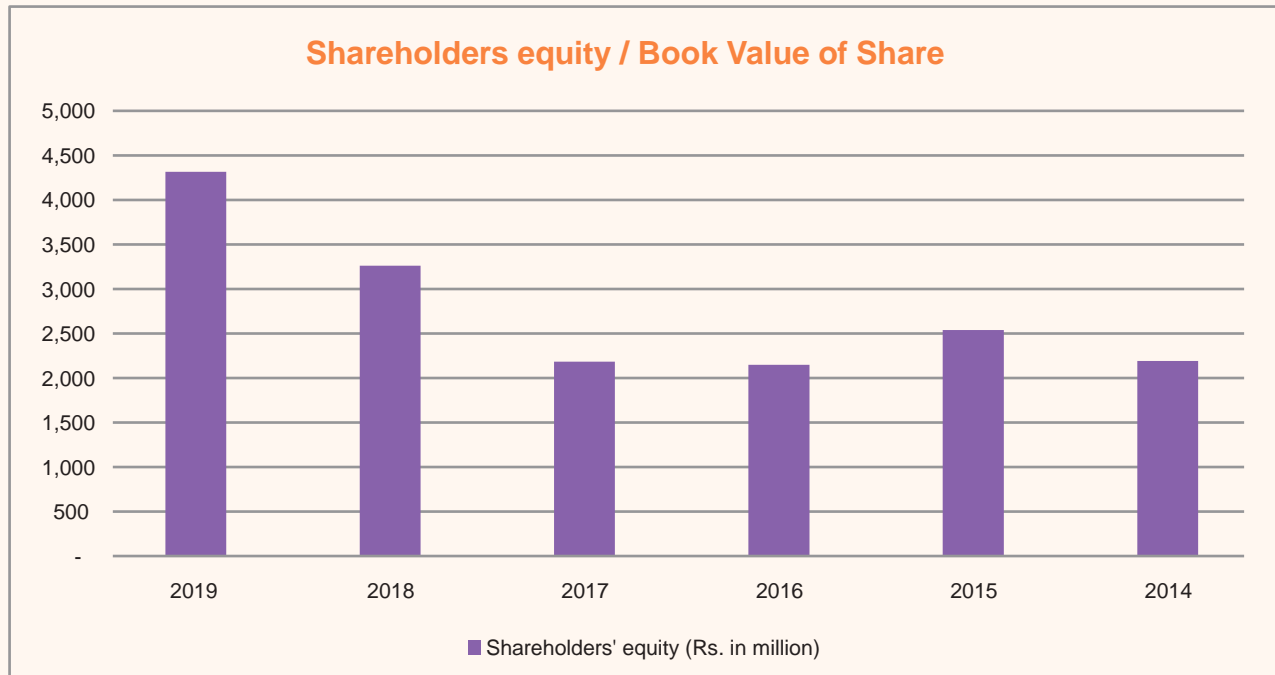


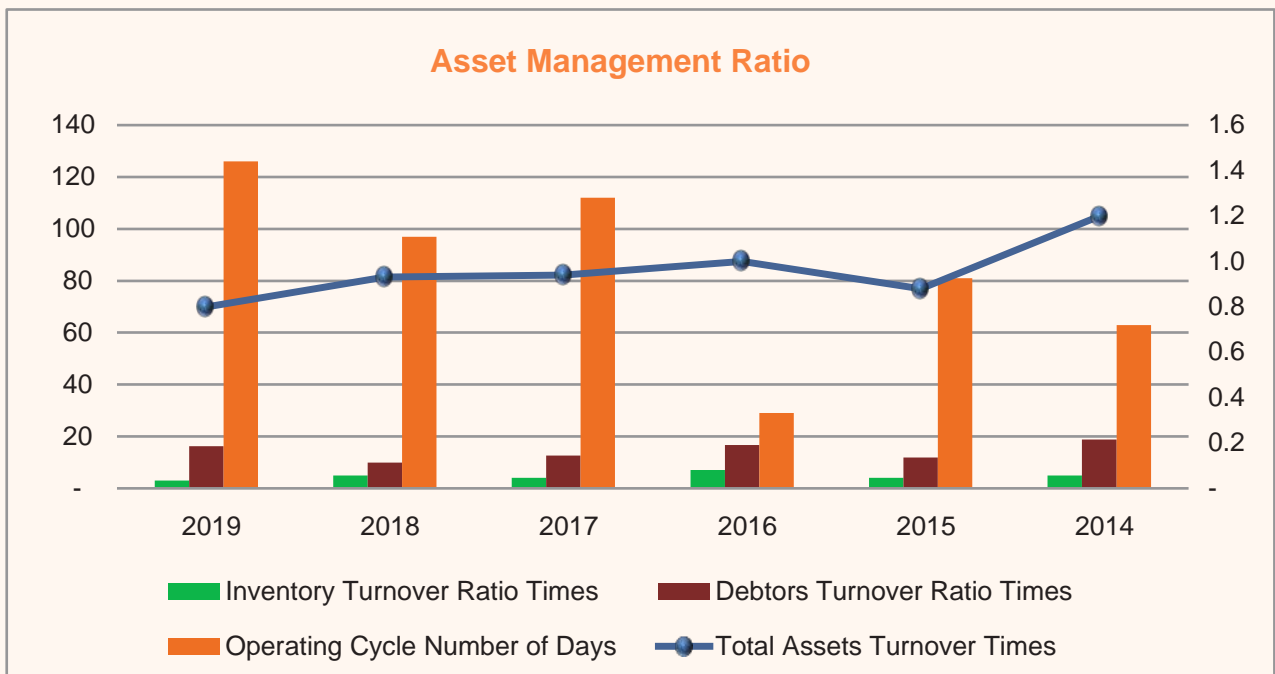
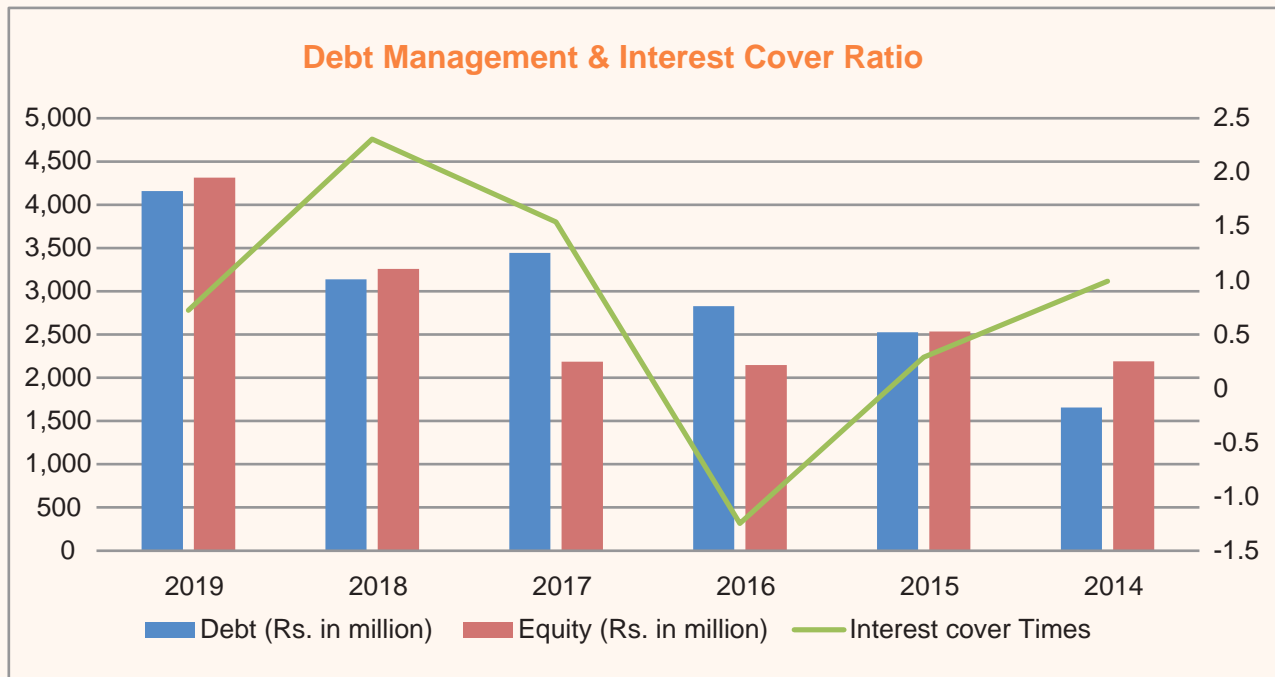












## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2019

NO. OF SHAREHOLDERS	SHARE-HOLDING		TOTAL SHARES HELD
	FROM	TO	
755	1	100	32,671
150	101	500	32,668
30	501	1000	23,886
27	1001	5000	55,600
2	5001	10000	18,287
2	10001	15000	25,000
1	15001	20000	16,750
1	20001	25000	23,400
1	25001	30000	30,000
1	100001	105000	104,645
1	365001	370000	366,300
1	1300001	1305000	1,304,831
1	1305001	1310000	1,308,532
<b>973</b>			<b>3,342,570</b>

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDER	SHARES HELD	PERCENTAGE
Directors, their Spouse(s) and Minor	9	2,632,788	78.77
Associated Companies, Undertakings and	1	366,300	10.96
Related Parties	3	17,958	0.54
Public Sector companies & Corporations	2	10,127	0.30
Banks, Development Finance Institutions,	1	104,645	3.13
Non-Banking Finance Companies,	7	5,143	0.15
Insurance Companies, Takaful, Modarbas	950	205,609	6.15
Mutual Funds			
Others			
General Public	<b>973</b>	<b>3,342,570</b>	<b>100.00</b>

### DETAIL CATEGORIES OF SHAREHOLDERS

#### DIRECTORS, THEIR SPOUSE(S) & MINOR CHILDREN

	No. of Shareholders	Shares Held
Mr. Anwar Ahmed Tata (Chairman/Director)	1	1,308,532
Mr. Shahid Anwar Tata (Director)	1	1,304,831
Mr. Adeel Shahid Tata (Chief Executive)	1	8,720
Mr. Bilal Shahid Tata (Director)	1	2,505
Mr. Muhammad Naseem (Director)	1	2,500
Mr. Farooq Advani (Director)	1	100
Miss Samar Shahid (Director)	1	100
Mrs. Parveen Anwar (W/o Mr. Anwar Ahmed Tata)	1	2,750
Mrs. Saiqa Shahid (W/o Mr. Shahid Anwar Tata)	1	2,750
	<b>9</b>	<b>2,632,788</b>

## DETAIL CATEGORIES OF SHAREHOLDERS

### ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Island Textile Mills Ltd.	1	366,300
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### PUBLIC SECTOR COMPANIES AND CORPORATION

M/S Investment Corporation of Pakistan	1	16,750
IDBL (ICP Unit)	1	1,150
National Bank of Pakistan	1	58
	<b>3</b>	<b>17,958</b>

### BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARBAS AND PENSION FUNDS

M/S Central Insurance Company Ltd.	1	560
Trustee National Bank of Pakistan Employee Pension Fund	1	9,567
	<b>2</b>	<b>10,127</b>

### MUTUAL FUNDS

CDC Trustee National Investment (Unit) Trust	1	104,645
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### OTHERS

Trustee National Bank Of Pakistan Emp Benevolent Fund Tr	1	336
M/s Naseer Shahid Ltd.	1	20
M/s The Administrator Abandoned Properties	1	50
Fateh Textile Mills Ltd.	1	55
Maple Leaf Capital Limited	1	1
Fikrees (Pvt) Ltd.	1	61
B.R.R. Investments (PVT) Limited	1	4,620
	<b>7</b>	<b>5,143</b>

### GENERAL PUBLIC

Local	950	205,609
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### Grand Total

<b>973</b>	<b>3,342,570</b>
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### SHAREHOLDERS HOLDING 5% OR MORE Name of Shareholder

	Shares Held	Percentage
Mr. Anwar Ahmed Tata	1,308,532	39.15
Mr. Shahid Anwar Tata	1,304,831	39.04
Island Textile Mills Ltd.	366,300	10.96

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **52<sup>nd</sup> Annual General Meeting** of the Shareholders of **Salfi Textile Mills Limited** will be held on **Thursday, the November 21, 2019 at 3:30 p.m.** at **5<sup>th</sup> Floor, Textile Plaza, M. A. Jinnah Road, Karachi** to transact the following businesses:

## **ORDINARY BUSINESS**

1. To confirm the minutes of the last Extra Ordinary General Meeting held on October 24, 2019.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2019 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2020. The present auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants, retiring and being eligible, have offered themselves for reappointment.

## **SPECIAL BUSINESS**

### **Ordinary Resolution**

4. To consider and pass the following ordinary resolutions:
  - a) "RESOLVED that the transactions carried out in normal course of business with associated companies as disclosed in Note No. 37 of the audited financial statements for the year ended June 30, 2019 be and are hereby ratified and approved."
  - b) "RESOLVED that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2020 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

### **Special Resolution**

5. To consider and approve the adoption of revised Article of Association and if thought fit, to pass the following resolution as Special Resolutions, with or without modification so as to conform to the provisions of Companies Act, 2017 and other Rules / Regulations made thereunder from time to time.

**"Resolved** that the changes/update in Articles of Association, as proposed by the Board of Directors, be and are hereby adopted."

**"Further Resolved** that the Company Secretary, be and hereby authorized and empowered to do all acts, deeds and things that may be necessary to give effect to this resolution."

**"Further Resolved** that in case the Securities Exchange Commission of Pakistan (SECP) suggests any correction in the text of the Articles of Association, the Company Secretary be and is hereby authorized to make necessary corrections in the documents as permitted under the law in letter and spirit."

6. To transact any other ordinary business or businesses with the permission of the **Chairman**. Statement under section 134(3) of the Companies Act, 2017 pertaining to the Special Business is being annexed.

**By Order of the Board of Directors**



**Muhammad Hussain**  
**Company Secretary**

**Karachi:**  
**Dated: October 30, 2019**



**Notes:**

1. The Register of Member and Share Transfer Books of the Company will remain closed from November 14, 2019 to November 21, 2019 (both days inclusive). Transfer received in order at the office of Share Register, M/s CDC Share Registrar Service Limited, CDC, House, 99-B, Block S.M.C.H.S., Main Shahra-e-Faisal, Karachi by the close of business on November 13, 2019 will be considered in time to attend and vote at the meeting.
2. A member entitled to attend, speak and vote at this meeting may appoint any other member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order, must be received at the Company's Registered Office duly stamped and signed not later than 48 hours before the time of the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the Board of Directors' resolution/power of attorney with specimen signature of the nominee.
4. Members are requested to notify their change of address, Zakat declaration (CZ-50) and tax exemption certificate (if any) immediately to Company's Share Registrar CDC Share Registrar Services Limited
5. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.
6. **CNIC / NTN** Pursuant to the directive of the Securities Exchange Commission of Pakistan (SECP), CNIC of members are mandatorily required to be mentioned on Tax/ Zakat certificate. Members are therefore requested to submit a copy of their valid CNIC (if not already provided) to Company's Share Registrar CDC Share Registrar Service Limited.
7. **UNCLAIMED DIVIDENDS & BONUS SHARES** Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact Company's Share Registrar CDC Share Registrar Services Limited to collect/ enquire about their unclaimed dividend or pending shares, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.
8. **E-DIVIDEND** As per Section 242 of the Companies Act, 2017, in case of a Public listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, CDC Share Registrar Services Limited on E-Dividend mandate form. Please note that after 31st October 2017 all cash dividends, declared by the Company, will only be remitted to designated bank accounts and not otherwise, so please ensure an early update of your particulars to avoid any inconvenience in future.
9. **E-Voting** Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

10. **Video Conference** Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, 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 provide the information to the Share Registrar Office of the Company i.e. Messrs. CDC Share Registrar Services Limited, CDC House, 99-B, Shahr-ah-e- Faisal, Karachi PABX No. (+9221) 111-111-500 and email [info@cdcpak.com](mailto:info@cdcpak.com)
11. **CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS** With reference to SRO 787(I/2014 dated 8th September 2014 issued by SECP, shareholders have an option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Shares Registrar, M/s CDC Share Registrar Services Limited at CDC House, 99-B, Block-B, S.M.C.H.S, Shahr-ah-e-Faisal, Karachi to update our record if they wish to receive Annual Audited Financial Statement and Notice of General Meeting through email. However, if a shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven (7) days of receipt of such request.
12. **DEDUCTION OF INCOME TAX FROM DIVIDEND** Members are informed that the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from dividend payment, have been revised in case of person not appearing in Active Tax Payer List (ATL) which as under:
  - a) For filers of income tax returns 15%.
  - b) For non-filers of income tax returns 30%.

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, members whose names are not entered in to the ATL provided on website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL.

Further, according to clarification received from FBR, withholding tax will be determined separately on Filer/Non-Filer status of Principal Member as well as Join-holder(s) based on their shareholding proportions, in case of joint accounts.
13. **PLACEMENT OF AUDITED FINANCIAL ON WEBSITE** Annual Audited Financial Statements of the Company for the year ended June 30,2019 have been placed on Company's website i.e. [www.tatapakistan.com/salfi-textile-mills](http://www.tatapakistan.com/salfi-textile-mills)

### **Statement under Section 134(3)(B) of the Companies Act, 2017**

This statement is annexed to the notice of Annual General Meeting of the members of Salfi Textile Mills Ltd. to be held on November 21, 2019 and sets out the material facts concerning the following Special Business to be transacted at the meeting for approval of members.

#### **Ordinary Resolution**

1. Agenda Item No. 5(a) of the Notice – Transactions carried out with associated companies during the year ended June 30, 2019 to be passed as an Ordinary Resolution.
- The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to clause 15 of Listed Companies Code of Corporate Governance Regulations 2017.
- During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the

associated companies, the quorum of directors could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions carried out during the financial year ended June 30, 2019 with associated companies shown in note No. 37 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.

2. Agenda Item No. 5(b) of the Notice – Authorization to the Chief Executive Officer for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2020 to be passed as an Ordinary Resolution.

The Company is expected to be conducting transactions with associated companies in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated companies. Therefore, such transactions with associated companies have to be approved by the shareholders.

In order to comply with the provisions of clause 15 of Listed Companies Code of Corporate Governance Regulations 2017, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2020.

### **Special Resolution**

#### **Revision of Article of Association of Company**

In order to comply with the requirements laid down in the Companies Act, 2017 and the rules and regulations introduced by the Commission for listed companies, it is proposed to substitute the present Articles of Association with new Article of Association and to pass the following resolution with or without modification, as Special Resolution;

“Resolved that the changes/update in Articles of Association, as proposed by the Board of Directors, be and are hereby adopted.”

“Further Resolved that the Company Secretary, be and hereby authorized and empowered to do all acts, deeds and things that may be necessary to give effect to this resolution.”

“Further Resolved that in case the Securities Exchange Commission of Pakistan (SECP) suggests any correction in the text of the Articles of Association, the Company Secretary be and is hereby authorized to make necessary corrections in the documents as permitted under the law in letter and spirit.”

S. No	Clause No. Subject	Present	Proposed Change / Amendments
1	General Updated/replaced in Whole Article of Association	Companies Ordinance 1984	Companies Act 2017
		Code of Corporate Governance	Listed Companies (Code of Corporate Governance) Regulations 2017
		Stock Exchange	Pakistan Stock Exchange

S. No	Clause No. Subject	Present	Proposed Change / Amendments
2	2 Interpretation	Code of Corporate Governance” means under the Listing Requirements as directed by the Commission in accordance with section 34 (4) of the Securities and Exchange Ordinance.	Code of Corporate Governance” means the Listed Companies (Code of Corporate Governance) Regulation 2017
		“Commission” means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission Act.	Commission” means the Securities and Exchange Commission of Pakistan.
		"Register" means, unless the context otherwise requires, both the Register of the Members to be kept at the office, pursuant to Section 147 of the Companies Ordinance 1984 and Central Depository Register.	"Register" means, unless the context otherwise requires, both the Register of the Members to be kept at the office, pursuant to Section 119 and 120 of the Act and Central Depository Register.
		“Registrar” means a registrar defined in Section 2(1)(31), performing the duty of registration of companies under the Ordinance.	“Registrar” means a registrar defined in Section 2(1) (57) performing the duty of registration of companies under the Companies Act 2017.
			“Share Registrar” means the Registrar appointed by Board of Directors possessing such qualification and performing such functions as specified by the Commission under the Share Registrar and Balloters Regulations 2017
		“Ordinance” means Companies Ordinance, 1984, applicable to Pakistan or any modification or re-enactment thereof for the time being in force	“Act” means the Companies Act, 2017, as in force and any amendment or re-enactment thereof for the time being in force
Business			
3	5 Commencement	Section 146	Section 19
CAPITAL AND SHARES			

S. No	Clause No. Subject	Present	Proposed Change / Amendments
4	9 Issue of Shares	Section 73	Section 68 to 70
5	11 Power To Issue Shares with Different Rights and Privileges	Section 90 , 85 and 95(4)	Section 58 , 86 and 87
6	13 Allotment of Shares under the control of the Directors	Section 73	Section 68 to 70
		Provided that upon issue of any shares the Directors shall comply with the provisions of Section 86 of the Ordinance	Deleted
7	14 Register of Members to be kept	Section 147	Section 119 and 120
CERTIFICATE			
8	26 Certificates	Section 74	Section 71
9	27 As to issue of new certificate in place of one defaced, lost or destroyed	Section 75	Section 73
		In case of loss or destruction, the Member to whom the new certificate is given shall repay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss and to such indemnity. Within 45 days	In case of loss or destruction, the Member to whom the new certificate is given shall repay to the Company all expenses incidental to the investigation by the Company of the evidence of such destruction or loss and to such indemnity. Within 30 days
LIEN			
10	39 Company's lien on shares and dividends	section 251	section 241



S. No	Clause No. Subject	Present	Proposed Change / Amendments
<b>MEETINGS</b>			
11	44 When General Meetings to be held	A general meeting, to be called annual general meeting, shall be held in accordance with the section 158 and the Listing Requirements, within eighteen months from the date of incorporation of the company and thereafter once at least in every year within the period as per applicable law.	A general meeting, to be called annual general meeting, shall be held in accordance with the provisions of section 132 of the Act and the Rule book of Pakistan Stock Exchange, within sixteen months from the date of incorporation of the company and thereafter once in every calendar year within a period of one hundred and twenty days following the close of financial year or the period as per applicable law.
			Annual general meetings shall be held in the town in which the registered office of the company is situate or in a nearest city
12	45 ordinary and Extraordinary Meetings	section 157 158	section 131 and 132
13	46-A Attendance at General Meeting through Video Conference	The company may provide video conference facility to its Members at places other than the town in which general meeting is taking place after considering the geographical dispersal of its Members, subject to the condition that Members collectively holding ten percent (10%) or more shareholding residing at a geographical location provide their consent to participate in the general meeting through video conference at least ten (10) days prior to the date of the general meeting. The company shall arrange video conference facility subject to availability of such facility in that city and intimation to the Members shall be given by the Company at least five (5) days before the date of general meeting regarding venue of video conference facility along with complete information. However, the quorum, as required under the Ordinance, as well as the Chairman of the general meeting, shall be present at the place of the general meeting.	The company may provide video link facility to its Members on the demand residing in a city subject to the condition that Members collectively holding ten percent (10%) or more shareholding provide their consent to participate in the general meeting through video link at least seven days prior to the date of the general meeting.
14	47 Notice of Meeting	Section 132 of Act 2(1)(36)	Section 132 of Act 2(1)(36)

S. No	Clause No. Subject	Present	Proposed Change / Amendments
			In the case of an emergency affecting the business of the Company, hold, with permission of the Registrar and/or Commissioner Securities Exchange Commission of Pakistan
<b>PROCEEDINGS AT GENERAL MEETINGS</b>			
15	51 Quorum	At least Ten members or such other numbers as required by the applicable law, entitled to vote and present in person, representing not less than twenty five per cent of the total voting power either of their own account or as proxy shall be a quorum for General Meeting for all purposes.	Save as herein otherwise provided, not less than ten members having twenty five per cent of the voting power, present personally, or through video link or such other number as required by the applicable law, personally present shall be a quorum.
16	58 What is to be evidence of the passing of a resolution where poll not demanded	by proxy	through video link
17	59 Poll	Section 167 and 168	Section 143 and 145
<b>VOTES OF MEMBERS</b>			
18	63 Votes of members	Section 160	Section 134 and 135
19	63-A E-Voting	The provisions and requirements for E-voting as prescribed by the Commission from time to time shall be deemed to be incorporated in these Articles of Association, irrespective of the other provisions of these Articles and notwithstanding anything contradictory therein	A member may exercise his vote at a meeting by postal ballot or electronic means by e-voting in the manner prescribed by the Commission under the Companies (Postal Ballot Regulations, 2018 as may be in force from time to time.
20	68 Proxies permitted	Section 162	Section 138

S. No	Clause No. Subject	Present	Proposed Change / Amendments
21	69 Form of Proxy	Regulation 39	Regulation 42
<b>DIRECTORS</b>			
22	79 When office of Director is vacated	section 187, 188 , 217 and 195	section 153 , 171 ,,212 and 182
<b>ELECTION OF DIRECTORS</b>			
23	83 Term of office of Directors	Section 178	Section 159
24	84 Directors to fix number of Directors	section 174	section 154
25	86 Casual Vacancy	If at any meeting at which an election of Directors ought to take place, the places of the retiring Directors are not filled up, the directors so retiring shall continue to perform their functions till their successors are elected: provided that the directors so continuing to perform their function shall take immediate steps to hold the election of directors and in case of any impediment the circumstances of the case shall be reported to the Registrar within fifteen days of the expiry of term laid down in applicable law.	The directors may at any time appoint any persons to be a Director to fill a casual vacancy in the Board within a period of ninety (90) days. Any director so appointed shall hold office for the remainder of the term of the Director in whose place he is appointed
26	88 Removal of Director	Section 181 , 176 ,180 and 178	Section 163 , 157 or Section 161 and 159

S. No	Clause No. Subject	Present	Proposed Change / Amendments
<b>PROCEEDINGS OF DIRECTORS</b>			
27	89 Meeting of Directors	The Chief Executive Officer / Managing Director or any Director may at any time convene a meeting of the Directors. The Board may determine to hold a meeting through telephone and video conferencing or any other technology whereby all the Directors can simultaneously,	At least once in each quarter of a year. The Chairman may at any time, and shall on the written requisitions of the Managing Director, or of any two Directors, summon a meeting of the Board. At least seven days' notice shall be given to all the Directors for the meeting of the Board, and such notice shall set forth the purpose or purposes for which such meeting is summoned, and such notice shall be sent by courier, facsimile or email to the Directors. With the consent in writing of all the Directors entitled to receive notice of a meeting, or to attend or vote at any such meeting, a meeting of the Board may be convened by shorter notice than specified in this Article. The Board may determine to hold a meeting through telephone and video conferencing or any other technology whereby all the Directors can simultaneously,
<b>MINUTES</b>			
28	99 Register of Directors and officers to be kept at the Registered Office	Section 205 (1) , 219	Section 197 and 209
<b>POWERS OF DIRECTORS</b>			
29	104 Register of Mortgage debentures and charges be kept	section 135 , 121 , 122 , 130 and 132	section 112 , 100 , 107 and 109
<b>MANAGEMENT OF BUSINESS</b>			
30	107 The appointment of Managing Director or Chief Executive Officer	section 198 to 201	section 186 to 189

S. No	Clause No. Subject	Present	Proposed Change / Amendments
31	108 Other Principal Officers	Section 204(a)	Section 194 and 195
<b>THE SEAL</b>			
32	111 Official Seal	Section 213	Section 203
<b>DIVIDENDS AND RESERVE</b>			
33	112 Declaration of dividend	Section 248 to 251	Section 240 to 242 Dividend payable in cash shall only be paid through electronic mode directly in the bank account designated by the entitled Members. A notice of the foregoing seeking information from Member for payment of dividend through electronic mode shall be obtained by the Company in accordance with the provision of Section 242 of the Act. The Company shall place Standard Request Form for payment of dividend electronically on website of the Company.
34	119 Unclaimed Dividends	All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and all dividend unclaimed for three (3) years after having been declared may be forfeited by the Directors for the benefit of the company.	Dividends which have been declared by the Company and remained un-claimed or un-paid for a period of three (3) years from the date it is due and payable or any share which remained un-claimed for a period of three (3) years, the Company shall give ninety (90) days notice to the Member/Shareholders to file claim in accordance with the provisions of section 244 of the Act.  After expiry of notice period of ninety (90) days, final notice in the specified form shall be published in two daily newspaper of which one will be in Urdu and one in English having wide circulation.



S. No	Clause No. Subject	Present	Proposed Change / Amendments
			If no claim is made before the Company by the Members / Shareholders, the Company shall after ninety (90) days from the date of publication of the notice, the un-claimed / un-paid dividends shall be deposited to the credit of the Federal Government. The un-claimed shares shall be reported and delivered to the Commission.
35	120 Dividend in specie	section 73	section 70
<b>CAPITALISATION OF RESERVES, ETC</b>			
36	121 Capitalization of Reserves	Section 86(2) , 73	Section 83 ,and 70
<b>ACCOUNTS</b>			
37	123 Place where Books of accounts to be kept	Section 230	Section 220
38	127 Transmission of Annual Audited Accounts and Quarterly Accounts	section 245 and the Listing Requirements	section 237 and the Listing Regulation
<b>AUDIT</b>			
39	128 Accounts to be audited	section 252 to 257	section 246 to 249 and 251
<b>INDEMNITY</b>			
40	133 Directors and other Right to Indemnity	Section 488	Section 492
<b>AMALGAMATION, DIVISION AND RECONSTRUCTION</b>			
41	136 Amalgamation, Division and Reconstruction	Section 287	Section 282

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated companies.



**Deloitte Yousuf Adil**  
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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SALFI TEXTILE MILLS LIMITED**  
**Review Report on the Statement of Compliance contained in Listed Companies**  
**(Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Salfi Textile Mills Limited (the Company) for the year ended June 30, 2019 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, 2019.

**Chartered Accountants**

*Deloitte Yousuf Adil*

Place: Karachi

Date: October 22, 2019

Member of  
Deloitte Touche Tohmatsu Limited



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SALFI TEXTILE MILLS LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the annexed financial statements of Salfi Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 comprehensive income, the statement of changes in equity and the cash flow statement 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, 2019 and of the loss and 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.

#### 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.

Following are the key audit matters:

Member of  
Deloitte Touche Tohmatsu Limited



Key audit matter	How our audit addressed the key audit matter
<b>1. Revenue Recognition</b>	
<p>The Company is engaged in manufacturing and sale of yarn. Revenue recognition policy has been explained in notes 3.17, and the related amounts of revenue recognized during the year are disclosed in note 24 to the financial statements.</p> <p>The Company generates revenue from sale of goods to domestic and export customers.</p> <p>Revenue from the local (including indirect exports) and export sales is recognized when control of goods is transferred to the customer.</p> <p>We identified revenue recognition as key audit matter since it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not have been recognized on point in time basis i.e. when control of goods is transferred to the customer, in line with the accounting policy adopted and may not have been recognized in the appropriate period.</p>	<p>Our audit procedures to assess the recognition of revenue, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>obtained understanding and evaluated design and implementation of controls designed to ensure that revenue is recognized in the appropriate accounting period and based on transfer of control of goods to the customers;</li> <li>assessed appropriateness of the Company's accounting policies for revenue recognition in light of applicable accounting and reporting standards;</li> <li>checked on a sample basis whether the recorded local and export sales transactions were based on actual transfer of control of goods to the customer;</li> <li>tested timeliness of revenue recognition by comparing individual sales transactions before and after the year end to underlying documents.</li> </ul>
<b>2. Valuation of stock in trade</b>	
<p>Stock-in-trade has been valued following an accounting policy as stated in note 3.4 and the related value of stock-in-trade is disclosed in note 8 to the financial statements. Stock-in-trade forms material part of the Company's assets comprising of around 26% of total assets.</p> <p>The valuation of finished goods within stock-in-trade at cost has different components, which includes judgment in relation to the allocation of overheads costs, which are incurred in bringing the finished goods to its present location and condition. Judgments are also involved in determining the net realizable value (estimated selling price in the ordinary course of business less estimated cost of completion and estimated costs necessary to make the sale) of stock-in-trade items in line with accounting policy.</p> <p>Due to the above factors, we have considered the valuation of stock in trade as key audit matter.</p>	<p>Our audit procedures to address the valuation of stock-in-trade, included the following:</p> <ul style="list-style-type: none"> <li>obtained an understanding of mechanism of recording purchases and valuation of stock-in-trade;</li> <li>tested on a sample basis purchases with underlying supporting documents;</li> <li>verified on test basis, the weighted average calculations of raw material stock as per accounting policy;</li> <li>verified the calculations of the actual overhead costs and checked allocation of labor and overhead costs to the finished goods and work in process;</li> <li>obtained an understanding of management's process for determining the net realizable value and checked:</li> </ul>

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> <li>• future selling prices by performing a review of sales close to and subsequent to the year-end; and</li> <li>• determination of cost necessary to make the sales; and</li> <li>• checked the calculations of net realizable value of itemized list of stock-in-trade, on selected sample and compared the net realizable value with the cost to ensure that valuation of stock-in-trade is in line with the accounting policy.</li> </ul>
<b>3. Revaluation of leasehold land, buildings on leasehold land and plant and machinery</b>	
<p>As disclosed in note 3.1 to the accompanying financial statements, leasehold land, buildings on leasehold land and plant and machinery are carried at revaluation model.</p> <p>The revaluation exercise performed by the management external valuer (the expert) during the year has resulted in an increase of Rs. 1,218 million bringing carrying value from Rs. 4,069 million to Rs. 5,288 million.</p> <p>We have considered the above matters to be a key audit matter due to the judgements inherent within the valuation exercise.</p>	<p>Our audit procedures to address the revaluation of leasehold land, buildings on leasehold land and plant and machinery, included the following:</p> <ul style="list-style-type: none"> <li>• discussed with management and challenged the appropriateness of the valuation methodology adopted by the management expert through involvement of our own valuation expert;</li> <li>• our valuation expert checked the reasonableness of the fair values recorded by management;</li> <li>• checked the relevance, completeness and accuracy of source data;</li> <li>• assessed the accounting implications in accordance with the applicable financial reporting standards.</li> </ul>

### 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 annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement of therein, we are required to communicate the matter to those charged with governance and take necessary actions as required under law. We have nothing to report in this regard.





### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of 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 policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

- a) 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 comprehensive income, the statement of changes in equity and the cash flow statement 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 auditor's report is Nadeem Yousuf Adil.

*Deloitte Yousuf Adil*

Chartered Accountants

Date: October 22, 2019

Place: Karachi

Member of  
Deloitte Touche Tohmatsu Limited



# FINANCIAL STATEMENTS

*for the year ended June 30, 2019*






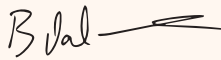
# STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2019

ASSETS	Note	2019 Rupees	2018
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	4	5,330,656,869	4,220,702,992
Intangible assets	5	901,797	604,307
Long-term investments	6	16,901,973	699,470
Long-term deposits		1,023,209	1,229,384
		<b>5,349,483,848</b>	4,223,236,153
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	7	47,698,458	46,486,039
Stock-in-trade	8	2,211,910,712	1,111,076,970
Trade debts	9	418,505,701	604,134,267
Loans and advances	10	310,329,976	235,275,427
Trade deposits and short-term prepayments	11	1,535,290	1,863,219
Other receivables	12	15,263,620	73,326,030
Other financial assets	13	24,740,448	24,740,448
Sales tax refundable		85,659,008	67,996,099
Cash and bank balances	14	6,962,725	9,716,040
		<b>3,122,605,938</b>	2,174,614,539
<b>TOTAL ASSETS</b>		<b>8,472,089,786</b>	6,397,850,692
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	15	33,425,700	33,425,700
Reserves	16	505,996,360	505,888,640
Unappropriated profit		386,081,755	431,386,450
Surplus on revaluation of property, plant and equipment	17	3,388,247,967	2,288,969,521
		<b>4,313,751,782</b>	3,259,670,311
<b>NON CURRENT LIABILITIES</b>			
Long-term finances	18	216,844,298	346,134,850
Deferred liabilities	19	200,727,689	195,795,537
		<b>417,571,987</b>	541,930,387
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	467,397,886	280,051,385
Unclaimed dividend		1,270,551	1,120,901
Interest / mark-up accrued on borrowings	21	105,821,317	59,857,085
Short-term borrowings	22	2,965,649,300	1,951,037,712
Current portion of long-term finances	18	129,306,393	241,367,586
Provision for income tax		71,320,570	62,815,325
		<b>3,740,766,017</b>	2,596,249,994
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,472,089,786</b>	6,397,850,692
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
ADEEL SHAHID TATA  
CHIEF EXECUTIVE


  
HASEEB HAFEEZUDEEN  
CHIEF FINANCIAL OFFICER

  
BILAL SHAHID TATA  
DIRECTOR


# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 .....Rupees.....	2018
Revenue from contract with customers - net	24	6,770,628,949	5,958,498,617
Cost of goods sold	25	(6,263,343,896)	(5,285,316,364)
Gross profit		507,285,053	673,182,253
Distribution cost	26	(105,024,987)	(89,382,201)
Administrative expenses	27	(122,593,909)	(99,845,006)
Other operating expenses	28	(38,902,423)	(22,067,156)
Finance cost	29	(345,352,741)	(227,975,180)
		(611,874,060)	(439,269,543)
		(104,589,007)	233,912,710
Other income	30	8,922,709	63,997,364
(Loss) / profit before taxation		(95,666,298)	297,910,074
Taxation	31	8,751,541	(63,470,057)
(Loss) / profit for the year		(86,914,757)	234,440,017
<b>Other comprehensive income for the year</b>			
<b>Item that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit liability	19.1.3	302,637	2,832,604
Less: deferred tax thereon		(29,460)	-
Adjustment of surplus on revaluation of property, plant and equipment due to change in tax rate		1,402,321	-
Surplus of revaluation on land, buildings on leasehold land and plant and machinery		1,218,258,478	944,848,790
Less: deferred tax thereon		(72,252,608)	(107,159,839)
		1,147,681,368	840,521,555
<b>Items that will be reclassified subsequently to profit or loss</b>			
Unrealised gain on remeasurement of available-for-sale investment	6.1	-	45,717
Total comprehensive income for the year		1,060,766,611	1,075,007,289
(Loss) / earnings per share	32	(26.00)	70.14

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
ADEEL SHAHID TATA  
CHIEF EXECUTIVE

  
HASEEB HAFEEZUDEEN  
CHIEF FINANCIAL OFFICER

  
BILAL SHAHID TATA  
DIRECTOR


# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 .....Rupees.....	2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(95,666,298)	297,910,074
<b>Adjustments for</b>			
Depreciation	4.2	152,275,626	143,816,020
Amortization	5	248,221	229,010
Provision for staff gratuity		30,232,770	30,846,346
Provision for compensated absences		6,070,487	5,968,896
Finance cost	29	345,352,741	227,975,180
Gain on disposal of property, plant and equipment	30	(880,752)	(71,274)
Unrealised loss on long term investments		197,497	-
<b>Operating cash flows before working capital</b>		<b>437,830,292</b>	<b>706,674,252</b>
<b>(Increase) / decrease in current assets</b>			
Stores, spares and loose tools		(1,212,419)	(8,556,908)
Stock in trade		(1,100,833,742)	264,840,483
Trade debts		185,628,566	(186,098,308)
Loans and advances		(28,944,503)	5,309,365
Trade deposits and short-term prepayments		327,929	(82,030)
Other receivables		58,062,410	(23,908,583)
Sales tax refundable		(17,662,909)	(7,231,218)
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		187,346,501	(5,065,097)
<b>Cash (used in) / generated from operations</b>		<b>(279,457,875)</b>	<b>745,881,956</b>
Finance cost paid		(299,388,509)	(211,325,384)
Income taxes paid		(108,141,115)	(43,312,914)
Staff gratuity paid		(16,534,065)	(18,725,631)
Compensated absences paid		(6,126,295)	(5,627,148)
<b>Net cash (used in) / generated from operating activities</b>		<b>(709,647,859)</b>	<b>466,890,879</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(47,923,985)	(32,948,318)
Proceeds from disposal of property, plant and equipment	4.5	4,833,712	1,357,621
Purchase of Intangible asset		(545,711)	(576,821)
Long-term deposits received / (paid)		206,175	(50,000)
Long-term investment		(16,400,000)	-
<b>Net cash used in investing activities</b>		<b>(59,829,809)</b>	<b>(32,217,518)</b>




	Note	2019 .....Rupees.....	2018
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term finances		(241,351,745)	(208,657,459)
Short-term borrowings obtained / (paid off) - net		793,241,671	(305,639,027)
Dividend paid		(6,535,490)	(2,703)
<b>Net cash generated from / (used in) financing activities</b>		<b>545,354,436</b>	(514,299,189)
<b>Net decrease in cash and cash equivalents (A+B+C)</b>		<b>(224,123,232)</b>	(79,625,828)
<b>Cash and cash equivalents at beginning of the year</b>		<b>(1,332,482,816)</b>	(1,252,856,988)
<b>Cash and cash equivalents at end of the year</b>	33	<b>(1,556,606,048)</b>	(1,332,482,816)

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
ADEEL SHAHID TATA  
CHIEF EXECUTIVE


  
HASEEB HAFEEZUDEEN  
CHIEF FINANCIAL OFFICER

  
BILAL SHAHID TATA  
DIRECTOR

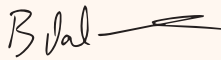
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

		Revenue Reserves					Capital Reserve	
		Share capital	General reserve	Other reserve (See 16 Note)	Unrealised loss on investment available-for-sale	Unappropriated profit	Revaluation Surplus	Total
		Rupees						
Note		33,425,700	500,000,000	5,996,360	(153,437)	152,727,917	1,492,666,482	2,184,663,022
<b>Balance at June 30, 2017</b>								
<b>Total comprehensive income for the year</b>								
Profit for the year		-	-	-	-	234,440,017	-	234,440,017
<b>Other comprehensive income</b>								
Surplus of revaluation on leasehold land, buildings on leasehold land plant and machinery-net of Tax		-	-	-	-	-	837,688,951	837,688,951
Gain on remeasurement of :								
Investment classified available for sale		-	-	-	45,717	-	-	45,717
Defined benefit liability		-	-	-	-	2,832,604	-	2,832,604
Other comprehensive income		-	-	-	45,717	2,832,604	-	2,878,321
		-	-	-	45,717	237,272,621	837,688,951	1,075,007,289
Transfer from surplus on revaluation of property, plant and equipment on account of:								
-incremental depreciation		-	-	-		41,073,515	(41,073,515)	-
-disposal		-	-	-		312,397	(312,397)	-
17		-	-	-	-	41,385,912	(41,385,912)	-
<b>Balance at June 30, 2018</b>		<b>33,425,700</b>	<b>500,000,000</b>	<b>5,996,360</b>	<b>(107,720)</b>	<b>431,386,450</b>	<b>2,288,969,521</b>	<b>3,259,670,311</b>
Impact of IFRC-9		-	-	-	107,720	(107,720)	-	-
Transaction with owners								
Final cash dividend for the year ended June 30, 2018 @ Re. 2 per share		-	-	-	-	(6,685,140)	-	(6,685,140)
<b>Total comprehensive income for the year</b>								
Loss for the year		-	-	-	-	(86,914,757)	-	(86,914,757)
<b>Other comprehensive income</b>								
Surplus on leasehold land, buildings on leasehold land and plant and machinery - net of tax		-	-	-	-	-	1,147,408,191	1,147,408,191
Gain on remeasurement of defined benefit plan		-	-	-	-	302,637	-	302,637
Defined benefit liability		-	-	-	-	(29,460)	-	(29,460)
Other comprehensive income		-	-	-	-	273,177	-	273,177
		-	-	-	107,720	(93,434,440)	1,147,408,191	1,054,081,471
Transfer from surplus on revaluation of property, plant and equipment on account of:								
-incremental depreciation		-	-	-	-	47,197,880	(47,197,880)	-
-disposal		-	-	-	-	931,865	(931,865)	-
17		-	-	-	-	48,129,745	(48,129,745)	-
<b>Balance at June 30, 2019</b>		<b>33,425,700</b>	<b>500,000,000</b>	<b>5,996,360</b>	<b>-</b>	<b>386,081,755</b>	<b>3,388,247,967</b>	<b>4,313,751,782</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
ADEEL SHAHID TATA  
CHIEF EXECUTIVE

  
HASEEB HAFEEZUDEEN  
CHIEF FINANCIAL OFFICER

  
BILAL SHAHID TATA  
DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Salafi Textile Mills Limited (the Company) is a public limited company incorporated in Pakistan on January 05, 1968 under the Companies Act, 1913 (repealed) now The Companies' Act 2017 and listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 6th floor Textile Plaza, M.A. Jinnah Road, Karachi in the province of Sindh. The principal activity of the Company is manufacturing and sale of yarn. The Company's manufacturing facilities are located at Landhi Industrial Estate, Karachi in the Province of Sindh.

### 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:

- property, plant and equipment measured at revalued amounts less accumulated depreciation thereon; and
- recognition of certain staff retirement benefits at present value.
- certain financial instruments measured at fair value.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is Company's functional and presentation currency.

#### 2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. Areas where judgments and estimates made by the management that may have a significant effect on the amounts recognised in the financial statements are included in the following notes:

- revaluation of certain items of property, plant and equipment (note 3.1)
- useful lives of property, plant and equipment (note 3.1)
- useful lives of intangible assets (note 3.2)
- valuation of stores and spares and stock-in-trade (note 3.3 and 3.4)
- impairment of financial and non-financial assets (note 3.7)
- staff retirement benefit - gratuity scheme (note 3.12)
- taxation (note 3.16)

#### 2.5 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures, except for IFRS 9.

<b>Standards / Amendments / Interpretation</b>	<b>Effective from accounting period beginning on or after:</b>
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4 'Insurance Contracts' - Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard superseded IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	January 01, 2018
IFRS 15 'Revenue from contracts with customer' - This standard superseded IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IAS 40 'Investment Property' - Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration' - Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

## **2.5.1 Changes in accounting policies due to the applicability of certain international financial reporting standards (IFRS)**

### **IFRS 15 Revenue from contracts with customers**

The Company has adopted IFRS 15 from 01 July 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results.

#### **Impact of adoption of IFRS 15 on these unconsolidated financial statements:**

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition of the Company because there is mostly one performance obligation and revenue is recognized at a point of time except of the terminologies that are to be used in accordance with IFRS 15 as mentioned below and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

The effect of adopting IFRS 15 is only to the extent of change in terminologies as in accordance with IFRS 15 "Contract liabilities" is used for "Advance from Customers" and "Revenue from contracts with customers" is used for "Sales".

Certain annual improvements have also been made to a number of IFRSs, which do not have a significant effect on the financial reporting of the Company and therefore have not been discussed here.

## **2.5.2 New accounting standards and amendments that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
	Effective from accounting period beginning on or after:
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments' - Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to References to the Conceptual Framework in IFRS Standards "Certain annual improvements have also been made to a number of IFRSs."	January 01, 2020
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):	
<ul style="list-style-type: none"> <li>- IFRS 1 'First Time Adoption of International Financial Reporting Standards'</li> <li>- IFRS 14 'Regulatory Deferral Accounts'</li> <li>- IFRS 17 'Insurance Contracts'</li> </ul>	

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented, unless otherwise stated in note 3.7.

#### 3.1 Property, plant and equipment

Property, plant and equipment except leasehold land, buildings on leasehold land and plant and machinery are stated at cost less accumulated depreciation and impairment, if any.

Leasehold land, buildings on leasehold land and plant and machinery are stated at revalued amounts being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses, if any. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the reporting date.



Depreciation is charged to income applying the reducing balance method at the rates specified in note 4. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

The depreciation method and assets' useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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 year in which these are incurred.

Assets are derecognised when disposed or when no future economic benefit are expected to flow from their use or disposal. Gains and losses on disposal of assets, if any, are recognized as and when incurred.

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus / deficit on revaluation of property, plant and equipment is transferred directly to unappropriated profits.

#### **Capital work-in-progress (CWIP)**

Capital work-in-progress is stated at cost less any impairment loss, if any. All expenditures including borrowing cost as referred in Note 3.18, connected to specific assets incurred during installation and construction period are carried under CWIP. Items are transferred to operating assets as and when assets are ready for their intended use.

### **3.2 Intangible assets**

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably.

Costs associated with developing or maintaining computer software programs are generally recognised as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognised as an intangible asset. Direct costs include the purchase cost of software and related overheads. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any, thereon.

Intangible assets with a definite useful life are amortised on a straight line basis over its useful life. Amortization on all additions in intangible assets is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Amortisation charge is recognised in the profit and loss account. The rates of amortization are disclosed in note 5.

### **3.3 Stores, spares and loose tools**

These are valued at cost less allowance for obsolete and slow moving items. The cost is determined on moving average basis less allowance for obsolete and slow moving items. Stores and spares in transit are stated at invoice values plus other charges incurred thereon upto the reporting date.

### **3.4 Stock-in-trade**

These are valued at lower of cost and net realizable value. Cost is determined on the following basis:

Raw material - at moving average cost.

Material in transit - at invoice value plus other charges incurred upto reporting date

Work-in-process - at average manufacturing cost.

Finished goods - at average manufacturing cost.

Average manufacturing cost signifies, in relation to work in process and finished goods, the monthly average cost which consists of prime cost and appropriate manufacturing overheads.

Waste stock is valued and recorded at net realizable value.

Net realizable value (NRV) represents the estimated selling price at which the inventories can be realized in the normal course of business less estimated cost of completion and costs necessary to make sale.

Where NRV charge subsequently reverses, the carrying value of the related items is also increased to the extent that the revised carrying value does not exceed the amount that would have been determined had no NRV charge been recognised. A reversal of NRV is recognised in the profit and loss account.

### 3.5 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value and subsequently measured at amortized cost less loss allowance, if any. The Company always measures the loss allowance for trade debts at an amount equal to lifetime expected credit losses (ECL). The expected credit losses on trade debts are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Trade debts and other receivables considered irrecoverable are written off.

Exchange gains or losses arising in respect of trade and other receivables in foreign currency are adjusted from their respective carrying amounts.

### 3.6 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value, and short-term running finances. Running finances under mark-up arrangements are shown with short-term borrowings in current liabilities on the balance sheet.

### 3.7 Adoption of IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2014. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018, and consequently has been adopted by the Company. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

IFRS 9 introduces new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below except the General Hedge Accounting which the Company does not apply. The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### 3.7.1 Classification and measurement

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVTOCI") and
- Fair value through profit or loss ("FVTPL").

##### Financial asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL;

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **Financial Asset at FVTOCI**

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVTOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

#### **Financial asset at FVTPL**

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss.

#### **Recognition**

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

#### **Classification and measurement of financial liabilities**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **Impairment of financial assets**

For financial assets measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Company is required to measure loss allowance of an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity and the cash flows that the Company expects to receive).

#### Impact of the new impairment model

The Company always recognises lifetime ECL for trade debts. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The impact of ECL on trade debts is very minimal and hence, the same has not been accounted for in these financial statements.

For other financial assets, majority of the assets of the Company exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

#### Impact of change in accounting policies due to adoption of IFRS 9

Financial assets and financial liabilities	Original classification as per IAS 39	New classification as per IFRS 9	Carrying amount as per IAS 39 as on June 30, 2018	Carrying amount on initial adoption of IFRS 9 on July 01, 2018	Effect on July 01, 2018 on Retained Earnings
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#### Financial assets

Long term deposits	LR	AC	1,229,384	1,229,384	-
Trade debts	LR	AC	604,134,267	604,134,267	-
Loans to employees	LR	AC	5,011,336	5,011,336	-
Other receivables	LR	AC	4,472,428	4,472,428	-
Cash and bank balances	LR	AC	9,009,492	9,009,492	-
Other financial assets	HTM	AC	24,740,448	24,740,448	-
Long-term investment	AFS	FVTPL	699,470	699,470	-

#### Financial liabilities

Long term finance including current portion	OFL	AC	587,502,436	587,502,436	-
Trade and other payables	OFL	AC	190,509,163	190,509,163	-
Unclaimed dividend	OFL	AC	1,120,901	1,120,901	-
Interest / mark-up accrued on borrowings	OFL	AC	59,857,085	59,857,085	-
Short term borrowings	OFL	AC	1,951,037,712	1,951,037,712	-

- "LR" is loans and receivables
- "AC" is amortised cost
- "HTM" is held to maturity
- "FVTPL" is fair value through profit or loss
- "AFS" is available for sale
- "OFL" is other financial liabilities

### **3.7.2 Fair value measurement principles and provision**

The fair value of financial instruments is determined as follows:

#### **Basis of valuation of equity securities:**

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

#### **Basis of valuation of instruments at amortised cost**

Subsequent to initial recognition, financial assets classified as amortised cost are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

### **3.7.3 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the entity has transferred substantially all risks and rewards of ownership.

### **3.7.4 Offsetting of financial instruments**

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Company has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **3.8 Transition to IFRS 9 Financial Instruments**

Accounting policies applied to financial instruments prior to July 01, 2018.

### **3.8.1 Financial instruments**

#### **Financial assets**

The Company classifies its financial assets at initial recognition in the following categories depending on the purpose for which the financial assets were acquired:

#### **(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term and are classified as current assets.

#### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise trade debts, loans, advances, deposits, other receivables and cash and bank balances in the balance sheet.

#### **(iii) Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or the management intends to dispose of the investments within twelve months from the reporting date.

**(iv) Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has intention and ability to hold till maturity are classified in this category.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised on trade date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the profit and loss account as a reclassification adjustment. Mark-up on available-for-sale debt securities calculated using the effective interest rate method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other income when the Company's right to receive payments is established. Amortization of premium on acquisition of the investments is carried out using the effective yield method and charged to profit and loss account.

The fair values of quoted equity investments are based on current market prices. Subsequent to initial measurement equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment in value, if any.

The Company assesses at each reporting date whether there is objective evidence that any investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit and loss account as a reclassification adjustment. Impairment losses recognised in the profit and loss account on equity instruments classified as available-for-sale are not reversed through the profit and loss account.

**Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective yield method.

A financial liability is derecognised when obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

**3.8.2 Derivatives**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair values. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.



### **3.8.3 Impairment**

#### **Financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### **3.8.4 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the Company has a legal enforceable right to set off the balances and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### **3.9 Share capital**

Ordinary shares are classified as equity and are recorded at their face value.

### **3.10 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved for distribution to shareholders.

### **3.11 Surplus on revaluation of fixed assets**

Increases in the carrying amounts arising on revaluation of leasehold land, buildings on leasehold land and plant and machinery 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 to retained earnings.

### **3.12 Staff retirement benefits**

The Company manages two unfunded schemes for its workmen and non-workmen categories, the details of which are as follows:

#### **Defined benefit plan - Workmen**

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and charged to profit and loss and other comprehensive income. The most recent valuation was carried out as at June 30, 2019 using Projected Unit Credit Method. The amount recognized in the balance sheet represents the present value of defined benefit obligations. Remeasurement which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

#### **Defined benefit plan - Non workmen**

The Company also maintains a retirement plan for all its employees under non-workmen category. Under this plan, every eligible employee is entitled to receive benefit of one month salary based on last month of each year's service. The Company accounts for liability of each employee at year end and such liability is treated as full and final with respect to that year. In future years, the liability amount is not revised for any increase or decrease in salary of any non-workmen.

**Compensated absences**

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned based on one gross salary of the employee. Under the policy, leaves of 10 and 14 days for non-workmen and workmen category respectively can be accumulated and carried forward.

**3.13 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

**3.14 Provisions**

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of the past event 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 amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

**3.15 Trade and other payables**

These are stated initially at fair value and subsequently measured at amortized cost using the effective interest rate method. Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liability.

**3.16 Taxation****Current**

Provision for current taxation is based on taxable income at the current tax rates after taking into account tax credits and rebates available, if any or on turnover at the specified rates or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. The charge for current tax also includes adjustments, where necessary, relating to prior years which arise due to assessment framed / finalized during the year.

**Deferred**

Deferred tax is provided using the balance sheet liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, after considering the effects on deferred taxation on the portion of income subject to final tax regime.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences and carried forward unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan.

**3.17 Revenue recognition**

Revenue from contracts with customers is recognized at the point in time when the performance obligation is satisfied i.e control of goods is transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled to in exchange for those goods.

Interest income is recognized on time proportionate basis using the effective rate of return.

**3.18 Borrowing cost**

Borrowing costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs eligible for capitalization are determined using effective interest rate method.

**3.19 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**3.20 Segment reporting**

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker (CODM). The Company considers Chief Executive as its CODM 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.

**3.21 Foreign currency transactions and translation**

Foreign currency transactions are translated into Pak Rupees (functional currency) using the exchange rate prevailing at the dates of transactions. Monetary assets and liabilities in foreign currencies are translated at year end into Pak Rupees using the exchange rate at the reporting date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translations of monetary assets and liabilities denominated in foreign currencies at reporting date are included in profit and loss account.

**3.22 Impairment of Non-financial assets**

The Company assesses at each reporting date whether there is any indication that assets except deferred tax asset and stock in trade may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as an increase in revaluation surplus.

		2019	2018
	Note	.....Rupees.....	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	4.1	5,287,733,452	4,195,788,725
Capital work in progress	4.7	42,923,417	24,914,267
		<b>5,330,656,869</b>	<b>4,220,702,992</b>

4.1 Operating assets

Particulars	Cost / revalued amount at July 01, 2018	Additions	Disposals	Adjustment of Accumulated Depreciation	Revaluation Surplus	Cost / revalued amount at June 30, 2019	Accumulated depreciation at July 01, 2018	Depreciation for the year	Accumulated depreciation on disposals	Adjustment of Revaluation	Accumulated depreciation at June 30, 2019	Carrying value at June 30, 2019	Rate
													%
Leasehold land	1,340,000,000	-	-	-	476,000,000	1,816,000,000	-	-	-	-	-	1,816,000,000	-
Buildings on leasehold land													
- Godown	218,654,106	1,837,367	-	(10,948,016)	127,779,675	337,323,132	-	10,948,017	-	10,948,017	-	337,323,132	5
- Mills	548,163,843	-	-	(27,408,192)	363,642,491	884,398,142	-	27,408,192	-	27,408,192	-	884,398,142	5
- Others	118,900	1,779,718	-	-	-	1,898,618	96,255	51,263	-	-	147,518	1,751,100	10
Office premises	450,000	-	-	-	-	450,000	425,795	2,420	-	-	428,215	21,785	10
Plant and machinery	2,000,921,090	22,594,310	2,200,000	(100,436,730)	250,836,312	2,171,714,982	-	100,436,730	-	100,436,730	-	2,171,714,982	5
Electric installations	31,352,042	-	3,392,393	-	-	27,959,649	24,594,719	671,188	(3,224,409)	-	22,041,498	5,918,151	10
Mill equipment	38,800,457	250,000	-	-	-	39,050,457	12,897,112	2,604,918	-	-	15,502,030	23,548,427	10
Furniture and fixtures	21,059,897	684,900	-	-	-	21,724,797	11,706,940	990,600	-	-	12,697,540	9,027,257	10
Office equipment	31,821,253	2,788,540	787,898	-	-	33,821,895	19,872,011	3,561,936	(723,869)	-	22,710,078	11,111,817	10-30
Leasehold improvements	19,716,700	-	-	-	-	19,716,700	9,325,757	1,039,094	-	-	10,364,851	9,351,849	10
Vehicles	60,654,120	-	5,408,690	-	-	55,245,430	37,005,094	4,561,268	(3,887,742)	-	37,678,620	17,566,810	20
<b>June 30, 2019</b>	<b>4,311,712,408</b>	<b>29,914,835</b>	<b>11,788,981</b>	<b>(138,792,938)</b>	<b>1,218,258,478</b>	<b>5,409,303,802</b>	<b>115,923,683</b>	<b>152,275,626</b>	<b>(7,836,020)</b>	<b>138,792,939</b>	<b>121,570,350</b>	<b>5,287,733,452</b>	

For comparative period

Particulars	Cost / revalued amount at July 01, 2017	Revaluation				Cost / revalued amount at June 30, 2018	Accumulated depreciation at July 01, 2017	Depreciation for the year	Accumulated depreciation on disposals	Adjustment of Revaluation	Accumulated depreciation at June 30, 2018	Carrying value at June 30, 2018	Rate
		Additions	Disposals	Adjustment Of Accumulated Depreciation	Revaluation Surplus								
-----Rupees-----													
Leasehold land	696,000,000	-	-	-	644,000,000	1,340,000,000	-	-	-	-	-	1,340,000,000	-
Buildings on leasehold land													
- Godown	178,220,521	-	-	(25,418,702)	65,852,287	218,654,106	17,376,501	8,042,201	-	25,418,702	-	218,654,106	5
- Mills	534,160,275	2,106,077	-	(58,885,995)	70,783,486	548,163,843	33,788,424	25,097,571	-	58,885,995	-	548,163,843	5
- Others	118,900	-	-	-	-	118,900	93,739	2,516	-	-	96,255	22,645	10
Office premises	450,000	-	-	-	-	450,000	423,106	2,689	-	-	425,795	24,205	10
Plant and machinery	2,134,112,275	4,354,202	(246,409)	(301,511,995)	164,213,017	2,000,921,090	205,046,003	96,495,593	(29,585)	301,512,011	-	2,000,921,090	5
Electric installations	31,352,042	-	-	-	-	31,352,042	23,843,905	750,814	-	-	24,594,719	6,757,323	10
Mill equipment	36,616,947	4,143,657	(1,960,147)	-	-	38,800,457	11,981,649	2,587,759	(1,672,296)	-	12,897,112	25,903,345	10
Furniture and fixtures	21,941,826	709,609	(1,591,538)	-	-	21,059,897	12,021,539	1,009,194	(1,323,793)	-	11,706,940	9,352,957	10
Office equipment	26,913,386	4,968,128	(60,261)	-	-	31,821,253	17,213,601	2,716,319	(57,909)	-	19,872,011	11,949,242	10-30
Leasehold improvements	19,716,700	-	-	-	-	19,716,700	8,171,208	1,154,549	-	-	9,325,757	10,390,943	10
Vehicles	62,481,800	-	(1,827,680)	-	-	60,654,120	32,364,399	5,956,815	(1,316,120)	-	37,005,094	23,649,026	20
-----													
June 30, 2018	3,742,084,672	16,281,673	(5,686,035)	(385,816,692)	944,848,790	4,311,712,408	362,324,074	143,816,020	(4,399,703)	385,816,708	115,923,683	4,195,788,725	

#### 4.2 Depreciation for the year has been allocated as under:

	Note	2019 Rupees.....	2018 Rupees.....
Cost of goods manufactured	25.1	147,145,788	137,568,846
Administrative expenses	27	5,129,838	6,247,174
		<b>152,275,626</b>	<b>143,816,020</b>

4.3 Revaluation of leasehold land, buildings on leasehold land and plant and machinery had been carried out in 1994, 2003, 2005 (land only), 2008, 2011, 2015, 2018 and 2019 (leasehold land, buildings on leasehold land and plant and machinery) by independent professional valuer M/s. Iqbal A. Nanjee & Co. on the basis of market value and depreciated replacement values. Revaluation surplus has been credited to equity account to comply with the requirements of Companies Act, 2017. Had there been no revaluation, the related figures of leasehold land, buildings on leasehold land and plant and machinery would have been as follows:

	2019 Rupees.....			2018 Rupees.....		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold land	29,583,387	-	29,583,387	29,583,387	-	29,583,387
Buildings on leasehold land	597,814,607	159,007,032	438,807,575	595,977,240	136,008,600	459,968,640
Plant and machinery	1,821,250,190	641,192,382	1,180,057,808	1,808,636,477	586,578,825	1,222,057,652
	<b>2,448,648,184</b>	<b>800,199,414</b>	<b>1,648,448,770</b>	<b>2,434,197,104</b>	<b>722,587,425</b>	<b>1,711,609,679</b>

4.4 Force sale values of leasehold land, buildings on leasehold land and plant and machinery is Rs. 1452.8 million, 977.37 million and 1737.37 million respectively.

#### 4.5 Disposal of property, plant and equipment

Details of property, plant and equipment disposed off during the year are as follows:

Particulars	Cost / revalued amount	Accumulated depreciation	Write down value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of buyers
Plant and machinery	2,200,000	-	2,200,000	1,483,761	(716,239)	Negotiation	MKM Textile International Ehsan Town, Sammundri Road, N/A
Electric installation	3,751,593	3,537,992	213,601	-	(213,601)	Write off	Various
Computers	428,698	410,286	18,411	14,550	(3,861)	Negotiation	Various
Vehicle	5,408,690	3,887,742	1,520,948	3,335,401	1,814,453	Negotiation	Various
<b>June 30, 2019</b>	<b>11,788,981</b>	<b>7,836,020</b>	<b>3,952,960</b>	<b>4,833,712</b>	<b>880,752</b>		
June 30, 2018	5,686,035	4,399,703	1,286,332	1,357,621	71,289		



**4.6** Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location	Usage of immovable property	Total Area (In acres)	Covered Area (In sq.ft)
a) HX-1, Landhi Industrial Area, Karachi.	Manufacturing facility	18.80	818,928
b) W5/02 and W5/03, North Western Industrial Zone, Port Qasim Authority, Karachi.	Warehouse	10	435,600
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		..... Rupees.....	
<b>4.7 Capital work in progress</b>			
Buildings		38,647,400	16,455,832
Plant and machinery		328,988	8,345,411
Mill equipment		3,947,029	113,024
	<b>4.7.1</b>	<b>42,923,417</b>	<b>24,914,267</b>

**4.7.1 Capital work in process-movement**

	Building	Plant and machinery	Mill Equipment	Furniture & fixture	Total
<b>Year ended June 30, 2019</b>					
Balance as at July 1, 2018	16,455,832	8,345,411	113,024	-	24,914,267
Additions during the year	25,808,653	14,577,887	6,872,545	664,900	47,923,985
Transfer to operating assets/Expense	(3,617,085)	(22,594,310)	(3,038,540)	(664,900)	(29,914,835)
<b>Balance as at June 30, 2019</b>	<b>38,647,400</b>	<b>328,988</b>	<b>3,947,029</b>	<b>-</b>	<b>42,923,417</b>
<b>Year ended June 30, 2018</b>					
Balance as at July 1, 2017	4,014,128	150,000	3,720,140	363,375	8,247,643
Additions during the year	14,547,781	12,549,613	5,504,669	346,234	32,948,297
Transfer to operating assets/Expense	(2,106,077)	(4,354,202)	(9,111,785)	(709,609)	(16,281,673)
<b>Balance as at June 30, 2018</b>	<b>16,455,832</b>	<b>8,345,411</b>	<b>113,024</b>	<b>-</b>	<b>24,914,267</b>

## 5. INTANGIBLE ASSETS

	Cost		Amortization		Carrying value at June 30, 2019	Rate of amortization %
	At July 01, 2018	At June 30, 2019	At July 01, 2018	Charge for the year		
License fee	1,244,123	1,244,123	667,816	47,305	715,121	20
ERP software	6,211,304	6,757,015	6,183,304	200,916	6,384,220	20
<b>June 30, 2019</b>	<b>7,455,427</b>	<b>8,001,138</b>	<b>6,851,120</b>	<b>248,221</b>	<b>7,099,341</b>	<b>901,797</b>

## For comparative period

	Cost		Amortization		Carrying value at June 30, 2018	Rate of amortization %
	At July 01, 2017	At June 30, 2018	At July 01, 2017	Charge for the year		
License fee	667,302	1,244,123	621,803	46,013	667,816	20
ERP software	6,211,304	6,211,304	6,000,307	182,997	6,183,304	20
<b>June 30, 2018</b>	<b>6,878,606</b>	<b>7,455,427</b>	<b>6,622,110</b>	<b>229,010</b>	<b>6,851,120</b>	<b>604,307</b>

## 6. LONG-TERM INVESTMENTS

## Fair value through profit and loss

Listed shares - Samba Bank Limited

## Amortised cost

Government bonds

## 6.1 Listed shares - Samba Bank Limited

As at July 01

Unrealized loss on remeasurement at fair value

As at June 30

**6.2** This represent 164 government bonds having face value Rs. 100,000 received as refund against sales tax refundable with maturity of three years and carrying markup @ 10% per annum.

## 7. STORES, SPARES AND LOOSE TOOLS

Stores and spares  
Loose tools

**7.1** Stores, spares and loose tools include items which may result in fixed capital expenditure but are not distinguishable.

	2019	2018
	Rupees.....	Rupees.....
	501,973	699,470
	16,400,000	-
	16,901,973	699,470
	699,470	653,753
	(197,497)	(45,717)
	501,973	699,470
	47,683,770	46,470,816
	14,688	15,223
	47,698,458	46,486,039

	Note	2019 .....Rupees.....	2018
<b>8. STOCK-IN-TRADE</b>			
Raw material	8.1	1,842,166,424	936,157,237
Work-in-process		48,511,950	37,442,750
Finished goods	8.2	321,093,336	125,971,653
Waste		139,002	11,505,330
		<b>2,211,910,712</b>	<b>1,111,076,970</b>

**8.1** It includes raw material in transit amounting to Rs. 35.62 million (2018 : 20.23 million).

**8.2** Net realizable value of finished goods was lower than its cost, which resulted in a write down of Rs. 0.13 million (2018 : Rs. 0.41 million) charged to cost of sales.

	Note	2019 .....Rupees.....	2018
<b>9. TRADE DEBTS</b>			
<b>Considered good</b>			
Export - secured	9.1	106,055,558	312,673,721
Local - unsecured	9.2	312,450,143	291,460,546
<b>Considered doubtful</b>			
Local - unsecured		1,055,936	1,055,936
Provision for doubtful debts	9.4	(1,055,936)	(1,055,936)
		-	-
		<b>418,505,701</b>	<b>604,134,267</b>

**9.1** These are secured against letters of credit in favour of the Company.

**9.2** Trade debts are non-interest bearing and are generally on 7 to 45 (2018: 7 to 45) days credit term.

**9.3** As at June 30, 2019, local trade debts aggregating Rs. 294.4 million (2018: Rs. 290.9 million) were past due. The aging of these past due trade debts is as follows:

	2019 .....Rupees.....	2018
<b>9.3.1 Aging of trade debts past due but not impaired</b>		
1-30 days	287,234,731	200,003,275
31-90 days	7,151,418	79,748,352
91 & above	13,850	11,149,160
	<b>294,399,999</b>	<b>290,900,787</b>
<b>9.4</b> The movement in provision for the year is as follows:		
Balance at the beginning of the year	1,055,936	1,055,936
Provision for the year	-	-
Balance at the end of the year	<b>1,055,936</b>	<b>1,055,936</b>

	Note	2019 .....Rupees.....	2018
<b>10. LOANS AND ADVANCES</b>			
<b>Considered good</b>			
Due from employees	10.1	10,576,984	5,011,336
Advance:			
to suppliers		27,541,584	7,771,288
against letters of credit		3,729,294	340,579
against expenses		484,791	264,947
Advance income tax		267,997,323	221,887,277
		<u>310,329,976</u>	<u>235,275,427</u>
<b>10.1</b> These represent short-term interest free loan to employees as per Company's policy. These are adjustable against salaries and recoverable within a period of one year.			
	Note	2019 .....Rupees.....	2018
<b>11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Deposits		-	21,825
Short-term prepayments		1,535,290	1,841,394
		<u>1,535,290</u>	<u>1,863,219</u>
<b>12. OTHER RECEIVABLES</b>			
Rebate on export sales		10,885,811	68,853,602
Other receivables	12.1	4,377,809	4,472,428
		<u>15,263,620</u>	<u>73,326,030</u>
<b>12.1</b> It includes related party balances amounting to Rs. 0.71 million with Tata Best Foods Limited and Rs. 0.007 million with Island Textile Mills Limited (2018: Rs. 0.118 million with Tata Best Foods Limited and Rs. 0.007 million with Island Textile Mills Limited).			
	Note	2019 .....Rupees.....	2018
<b>13. OTHER FINANCIAL ASSETS</b>			
<b>Amortised cost</b>			
Term Deposit Receipts	13.1	24,740,448	24,740,448
<b>13.1</b> This represent investment made in term deposit receipts held for a period of six months with a markup rate ranging between 5.8% to 8.9% (2018: 5.25% to 5.75% ) per annum.			

	Note	2019 .....Rupees.....	2018
<b>14. CASH AND BANK BALANCES</b>			
Cash at bank			
In current accounts		5,320,676	8,163,424
In savings accounts	14.1	1,275,491	846,068
		6,596,167	9,009,492
Cash in hand		366,558	706,548
		6,962,725	9,716,040

**14.1** These carry markup rates ranging from 4.5% to 10.25% (2018: 3.75% to 4.5%) per annum.

#### 15. SHARE CAPITAL

2019	2018		2019	2018
Number of ordinary shares			.....Rupees.....	
		<b>Authorized capital</b>		
5,000,000	5,000,000	Ordinary shares of Rs. 10 each	50,000,000	50,000,000
		<b>Issued, subscribed and paid-up capital</b>		
		Ordinary shares of Rs. 10 each fully paid:		
2,000,000	2,000,000	In cash	20,000,000	20,000,000
1,038,700	1,038,700	Issued against settlement of loan	10,387,000	10,387,000
303,870	303,870	Bonus shares	3,038,700	3,038,700
3,342,570	3,342,570		33,425,700	33,425,700

**15.1** The Company has one class of ordinary shares which carries no right to fixed income. The shareholders are entitled to receive dividend from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

**15.2** Shares of the Company held by an associated company at the reporting date are as follows:

	2019	2018
Name of the associated company	Number of ordinary shares of Rs. 10 each	
Island Textile Mills Limited	366,300	366,300

**15.3** The Company has no reserved shares for issuance under options and sales contracts.

	Note	2019 .....Rupees.....	2018
<b>16. RESERVES</b>			
General reserves		500,000,000	500,000,000
Other reserve	16.1	5,996,360	5,996,360
Unrealized loss on investment classified as available-for-sale		-	(107,720)
		505,996,360	505,888,640

**16.1** This represents remission of principal amount payable to an associated undertaking and directors in view of revival package in the year 1983.

**17. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT**

This represents surplus over book values resulting from the revaluation of leasehold land, buildings on leasehold land and plant and machinery. (Refer note 4.3).

	Note	2019 .....Rupees.....	2018
<b>Balance at July 01</b>		<b>2,396,129,360</b>	1,492,666,482
Revaluation surplus during the year		<b>1,218,258,478</b>	944,848,790
Transferred to unappropriated profit on account of			
- incremental depreciation		<b>(47,197,880)</b>	(41,073,515)
- disposal		<b>(931,865)</b>	(312,397)
Related deferred tax liability	-	<b>(5,270,607)</b>	-
		<b>(53,400,352)</b>	(41,385,912)
Balance at June 30		<b>3,560,987,486</b>	2,396,129,360
<b>Less:</b>			
<b>Related deferred tax liability</b>			
Balance at July 01		<b>107,159,839</b>	-
Effect of revaluation carried out during the year	19.2	<b>72,252,608</b>	107,159,839
Adjustment due to change in rate on			
- income subject to final tax regime	17.1	<b>(1,402,321)</b>	-
Transferred to profit and loss on account of:			
- incremental depreciation - net of deferred tax		<b>(5,179,937)</b>	-
- disposal - net of deferred tax		<b>(90,670)</b>	-
Balance at June 30		<b>(172,739,519)</b>	(107,159,839)
		<b>3,388,247,967</b>	2,288,969,521

**17.1** This represents effect on opening deferred tax liability due to revision of deferred tax rate from 9.87% to 9.73% (2018: 9.87%) in order to incorporate the affect of change in proportion of export sales to local sales which falls under Final Tax Regime (FTR).

**18. LONG-TERM FINANCE****From banking companies - secured**

	Note	2019 .....Rupees.....	2018
Term finance	18.1	<b>345,183,833</b>	585,484,554
Car finance	18.2	<b>966,858</b>	2,017,882
		<b>346,150,691</b>	587,502,436
<b>Less: Current portion shown under current liabilities</b>			
Term finance		<b>(128,443,887)</b>	(240,300,723)
Car finance		<b>(862,506)</b>	(1,066,863)
		<b>(129,306,393)</b>	(241,367,586)
		<b>216,844,298</b>	346,134,850

**18.1** These facilities are obtained from a banking company which are secured against first equitable mortgage on fixed assets and first specific charge over imported machinery and are subject to mark-up rate of 3 - 6 months KIBOR plus 1 % to 1.25 % per annum (2018: 3 - 6 months KIBOR plus 1 % to 1.25 % per annum). These finances are repayable in six monthly installments upto March 2023.



- 18.2** These represents finances obtained from a banking company which are secured against vehicles acquired from such loans and guarantees of the Company. These finances are subject to mark-up at the rate of three months KIBOR plus 1% per annum (2018: three months KIBOR plus 1% per annum) and are repayable in 60 monthly installments ending in April 2020.

**18.3 Long term financing**

	2019 .....Rupees.....	2018
Balance as on July 01,	587,502,436	796,159,895
Additions	-	-
Repayment	(241,351,745)	(208,657,459)
Balance as on	346,150,691	587,502,436
Less: current portion of long term financing	(129,306,393)	(241,367,586)
	216,844,298	346,134,850

**18.4 Reconciliation of liabilities arising from long term financing activities**

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes, if any. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Cash flows		
	July 1, 2018	Obtained	Repaid
Term finance	585,484,608	-	(240,300,773)
Car finance	2,017,828	-	(1,050,972)
	587,502,436		(241,351,745)
			346,150,691

**19. DEFERRED LIABILITIES**

	Note	2019 .....Rupees.....	2018
Staff gratuity	19.1	100,189,129	86,793,061
Compensated absences		1,786,829	1,842,637
Deferred taxation	19.2	98,751,731	107,159,839
		200,727,689	195,795,537

**19.1 Staff gratuity**

**Defined Benefit Scheme**

Workmen	19.1.1	48,794,420	42,914,393
Non workmen	19.1.13	51,394,709	43,878,668
		100,189,129	86,793,061

**19.1.1 Workmen**

The details of the workmen - defined benefit scheme obligation based on actuarial valuations carried out by independent actuary as at June 30, 2019 under the Projected Unit Credit Method, are as follows:

	2019 .....Rupees.....	2018
<b>Net liability in the balance sheet</b>		
Present value of defined benefit obligation	48,794,420	42,914,393

	2019	2018
	.....Rupees.....	
<b>19.1.2 Expense recognised in the profit and loss account</b>		
Current service cost	13,525,541	15,719,281
Interest cost	4,179,723	3,004,936
	<u>17,705,264</u>	<u>18,724,217</u>
<b>19.1.3 Remeasurement gains recognised in other comprehensive income</b>		
Actuarial gains on defined benefit obligation	-	-
Changes in financial assumptions	(302,637)	(2,832,604)
Experience adjustments	<u>(302,637)</u>	<u>(2,832,604)</u>
<b>19.1.4 Movement in defined benefit obligation</b>		
Balance at July 01	42,914,393	39,753,580
Current service cost	13,525,541	15,719,281
Interest cost	4,179,723	3,004,936
Actuarial gain	(302,637)	(2,832,604)
Benefits paid during the year	<u>(11,522,600)</u>	<u>(12,730,800)</u>
Balance at June 30	<u>48,794,420</u>	<u>42,914,393</u>
<b>19.1.5 Movement in net liability in the balance sheet</b>		
Balance at July 01	42,914,393	39,753,580
Add: Charge for the year	17,705,264	18,724,217
Remeasurements gain recognised in other comprehensive income	(302,637)	(2,832,604)
Less: Payment made during the year	<u>(11,522,600)</u>	<u>(12,730,800)</u>
Balance at June 30	<u>48,794,420</u>	<u>42,914,393</u>
<b>19.1.6 The principal assumptions used in the valuation of gratuity</b>		
	2019	2018
Discount rate ( % per annum )	12	11.25
Expected rate of salary increase ( % per annum )	12	11.25
Mortality rate	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
Expected withdrawal rate for actuarial assumptions	Moderate	Moderate
<b>19.1.7 Sensitivity analysis</b>		
The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:		

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
		.....Rupees.....	
Discount rate	1%	(4,705,346)	6,174,984
Expected rate of salary increase	1%	6,604,425	(5,136,187)
Mortality age	1 year	-	-
Withdrawal rates	10%	-	-

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	.....Rupees.....		
<b>For comparative period</b>			
Discount rate	1%	(5,785,283)	7,225,802
Expected rate of salary increase	1%	7,600,269	(6,161,925)
Mortality age	1 year	-	-
Withdrawal rates	10%	-	-

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes 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 the reporting period) has been applied as when calculating the liability for gratuity recognised within the balance sheet.

#### 19.1.8 The scheme exposes the Company to the actuarial risks such as:

##### Mortality / withdrawal risks

The risks that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

##### Longevity risks

The risk arises when the actual lifetime of the retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

##### Salary risks

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

19.1.9 Expected contribution to the scheme for the year ending June 30, 2020 is Rs. 20,601,787.

19.1.10 The weighted average duration of the defined benefit obligation in years is 10.435 (2018: 18)

19.1.11 The expected maturity analysis of undiscounted retirement benefit obligation is:

	2019	2018
	Undiscounted payments	
	-----Rupees-----	
Year 1	2,914,048	2,966,798
Year 2	4,672,763	4,420,710
Year 3	6,042,447	6,082,453
Year 4	7,186,381	6,660,825
Year 5	8,139,585	7,645,575
Year 6-10	48,640,401	52,431,418
Year 11 and above	179,203,208	606,609,525

19.1.12 There are no plan assets against defined benefit obligation.

	2019	2018
	.....Rupees.....	
<b>19.1.13 Non workmen</b>		
Balance at July 01	43,878,668	37,751,370
Transfer During the year	119,000	-
Charge for the year	12,408,506	12,122,129
Payment during the year	(5,011,465)	(5,994,831)
Balance at June 30	51,394,709	43,878,668

## 19.2 Deferred taxation

	Balance At July 01, 2018	Deferred tax recognised in Profit and loss account	Other comprehensive income	Balance At June 30, 2019
	Rupees			
Movement for the year ended June 30, 2019				
Deferred tax liabilities on taxable temporary differences arising in respect of :				
- Property, plant and equipment	99,475,258	(415,982)	-	99,059,276
- Surplus on revaluation of property, plant and equipment	107,159,839	(5,270,607)	70,850,287	172,739,519
- Trade debts	-	2,342,433	-	2,342,433
	206,635,097	(3,344,156)	70,850,287	274,141,228
Deferred tax assets on deductible temporary differences arising in respect of :				
- Staff gratuity	(8,562,298)	(1,219,729)	29,460	(9,752,567)
- Leave encashment	(184,263)	10,330	-	(173,933)
- Provision of doubtful debts	(104,200)	(201,992)	-	(306,192)
- Intangible assets	(1,457)	(125,557)	-	(127,014)
- Unused tax losses	(90,623,040)	(74,406,751)	-	(165,029,791)
	107,159,839	(79,287,856)	70,879,747	98,751,731

Deferred taxation	Balance At July 01, 2017	Deferred tax recognised in Profit and loss account	Other comprehensive income	Balance At June 30, 2018
	Rupees			
<b>Movement for the year ended June 30, 2018</b>				
Deferred tax liabilities on taxable temporary differences arising in respect of :				
- Property, plant and equipment	-	99,475,258	-	99,475,258
- Surplus on revaluation of property, plant and equipment	-	-	107,159,839	107,159,839
- Trade debts	-	-	-	-
	-	99,475,258	107,159,839	206,635,097
Deferred tax assets on deductible temporary differences arising in respect of :				
- Staff gratuity	-	(8,562,298)	-	(8,562,298)
- Leave encashment	-	(184,263)	-	(184,263)
- Provision of doubtful debts	-	(104,200)	-	(104,200)
- Intangible assets	-	(1,457)	-	(1,457)
- Unused tax losses	-	(90,623,040)	-	(90,623,040)
	-	-	107,159,839	107,159,839

	Note	2019 .....Rupees.....	2018
<b>20. TRADE AND OTHER PAYABLES</b>			
Creditors		287,140,328	57,266,460
Accrued liabilities	20.1 & 20.2	161,139,417	133,242,703
Contract liabilities		-	61,520,708
Workers' profit participation fund	20.3	-	15,987,518
Workers' welfare fund		14,948,993	11,226,586
Withholding income tax		4,114,468	752,730
Sales tax		-	-
Others		54,680	54,680
		<b>467,397,886</b>	<b>280,051,385</b>

**20.1** This includes Rs. 78.768 million (2018: Rs. 19.32 million) payable to Tata Energy Limited in respect of power charges.

**20.2** This includes Rs. 96.93 million (2018: Rs. 79.96 million), as provision for Sindh Development and Infrastructure Cess which was levied by the Sindh Excise and Tax Department on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was challenged by the Company along with other companies in the Sindh High Court (SHC). The High Court of Sindh through an interim order passed on May 31, 2011 ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure cess should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. The management is confident for a favorable outcome however, as a matter of prudence, the Company has paid Rs. 96.93 million (50%) of the value of infrastructure cess in cash and recorded liability for the remaining amount which is supported by a bank guarantee.

	Note	2019 .....Rupees.....	2018
<b>20.3 Worker's Profits Participation Fund</b>			
Opening balance		15,987,518	3,323,853
Add: Allocation for the year	28	-	15,987,518
Interest on funds utilized in the Company's business (note 29)	20.3.1	1,530,860	155,515
		<b>17,518,378</b>	<b>19,466,886</b>
Less: Payment made to the fund during the year		<b>(17,518,378)</b>	<b>(3,479,368)</b>
Closing balance		-	15,987,518

**20.3.1** Interest on funds utilized is charged @ 15% (2018: 8.25%) per annum

	Note	2019 .....Rupees.....	2018
<b>21. INTEREST / MARK-UP ACCRUED ON BORROWINGS</b>			
Long-term finances		12,504,056	20,121,629
Short-term borrowings		93,317,261	39,735,456
		<b>105,821,317</b>	<b>59,857,085</b>

**22. SHORT-TERM BORROWINGS****From banking companies - secured**

	Note	2019 .....Rupees.....	2018
Finance against import / export	22.1	1,328,055,527	608,838,856
Finance against export	22.2	74,025,000	-
Running / cash finances	22.3	1,563,568,773	1,342,198,856
	22.4	2,965,649,300	1,951,037,712

**22.1** These facilities are secured against pledge of imported cotton, stock and trust receipts. These facilities are subject to markup rate of relevant month KIBOR plus 0.75% to 1.5% (2018: relevant month KIBOR plus 0.75% to 1.25%) per annum.

**22.2** These facilities are secured against against hypothecation of current and fixed assets. These facilities are subject to fixed rate ranging from 3.15% to 3.25% inclusive of libor per annum.

**22.3** These facilities are secured against pledge of stock, hypothecation of current assets & fixed assets. These facilities are subject to markup rate of relevant month Kibor plus 0.75% to 2% (2018: 0.75% to 1.50%) per annum.

**22.4** Total facilities available to the Company from various commercial banks amounted to Rs. 3,856 million (2018: Rs.4,070 million) out of which aggregate unavailed facilities amounted to Rs. 890 million (2018: Rs. 2,119 million).

**22.5 Reconciliation of liabilities arising from long term financing activities**

The table below details changes in the Company's liabilities arising from the financing activities, including both cash and non-cash changes, if any. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	Cash flows			
	July 1, 2018	Obtained	Repaid	June 30, 2019
Finance against import	608,838,856	1,438,433,198	(719,216,527)	1,328,055,527
Finance against export	-	74,025,000	-	74,025,000
Running / cash finances	1,342,198,856	516,764,917	(295,395,000)	1,563,568,773
	1,951,037,712	2,029,223,115	(1,014,611,527)	2,965,649,300

**23. CONTINGENCIES AND COMMITMENTS****23.1 Contingencies**

There is no contingent liability against the Company as at June 30, 2019 and June 30, 2018.

**23.2 Commitments**

	Note	2019 .....Rupees.....	2018
(i) Civil works		1,044,926	27,001,630
(ii) Letters of credit			
- stores and spares		3,014,370	4,479,143
- raw materials		123,503,096	47,706,048
- machinery		267,436,275	3,517,120



			2019	2018
		Note	.....Rupees.....	
(iii)	Bank guarantees issued on behalf of the Company	23.2.1	125,799,008	106,299,008
(iv)	Bills discounted			
	- local		10,105,445	25,026,800
	- export		1,256,129,352	461,937,458
(v)	Outstanding sales contract		115,797,292	499,194,562

**23.2.1** This includes bank guarantee related to Sindh Development and Maintenance of Infrastructure Cess amounting to Rs. 96.9 million (2018: Rs.92 million).

#### 24. REVENUE FROM CONTRACT WITH CUSTOMERS - NET

			2019	2018
		Note	.....Rupees.....	
Export				
-Yarn			3,409,971,489	2,633,395,391
-Yarn (indirect export)			1,243,037,314	1,386,701,241
			4,653,008,803	4,020,096,632
Local				
-Yarn			2,001,056,722	1,726,712,482
-Raw material			-	126,694,331
-Waste			116,563,424	84,995,172
			2,117,620,146	1,938,401,985
			6,770,628,949	5,958,498,617
Less:				
Sales tax			-	-
			6,770,628,949	5,958,498,617

**24.1** Following are the details of sales as per location:

##### Jurisdiction

Asia	6,740,034,142	5,773,796,391
Europe	30,594,807	184,702,226
	6,770,628,949	5,958,498,617

#### 25. COST OF GOODS SOLD

Cost of goods manufactured	25.1	6,447,099,251	5,122,439,125
Finished goods (including waste stock)			
Opening stock		137,476,983	176,102,191
Closing stock	8	(321,232,338)	(137,476,983)
		(183,755,355)	38,625,208
Cost of manufactured goods sold		6,263,343,896	5,161,064,333
Cost of raw material sold		-	124,252,031
		6,263,343,896	5,285,316,364

##### 25.1 Cost of goods manufactured

Raw material	25.1.1	5,309,995,825	4,115,407,114
Packing material		71,358,047	70,303,253
Stores and spares		106,619,685	70,958,362
Power and fuel		433,191,201	389,939,095
Salaries, wages and benefits	25.1.2	344,707,076	315,650,357
Depreciation	4.2	147,145,788	137,568,846
Insurance		9,081,846	7,374,938
Amortization	5	115,362	9,613
Repairs and maintenance		5,771,109	2,905,324
Other overheads		30,182,512	17,691,542
		6,458,168,451	5,127,808,444

	Note	2019 .....Rupees.....	2018
Work-in-process			
Opening stock		37,442,750	32,073,431
Closing stock	8	(48,511,950)	(37,442,750)
		(11,069,200)	(5,369,319)
		<u>6,447,099,251</u>	<u>5,122,439,125</u>
<b>25.1.1 Raw material consumed</b>			
Opening stock		936,157,237	1,167,741,831
Purchases - net		6,216,005,012	3,883,822,520
		7,152,162,249	5,051,564,351
Closing stock	8	(1,842,166,424)	(936,157,237)
		<u>5,309,995,825</u>	<u>4,115,407,114</u>

**25.1.2** Salaries, wages and benefits include Rs. 23.7 million (2018: Rs. 24.59 million) in respect of staff retirement benefits.

## 26. DISTRIBUTION COST

	Note	2019 .....Rupees.....	2018
Brokerage and commission		30,420,397	27,772,745
Export expenses		39,283,843	32,848,702
Local freight and handling		7,886,981	6,330,799
Sea freight		22,745,438	17,790,749
Staff salaries and benefits	26.1	2,834,610	3,887,068
Bank charges		193,155	47,663
Local selling expenses		1,540,352	684,240
Others		120,211	20,235
		<u>105,024,987</u>	<u>89,382,201</u>

**26.1** Staff salaries and benefits include Rs. 0.21 million (2018 : Rs. 0.25 million) in respect of staff retirement benefits.

## 27. ADMINISTRATIVE EXPENSES

	Note	2019 .....Rupees.....	2018
Staff salaries and benefits	27.1	80,615,717	62,051,620
Directors' remuneration		8,320,000	6,625,000
Depreciation	4.2	5,129,838	6,247,174
Legal and professional		4,283,602	2,477,223
Rent, rates and taxes		4,090,200	4,090,200
Fees and subscription		4,526,570	4,726,195
Utilities		1,859,849	1,928,775
Advertisement		135,700	-
Traveling and conveyance		1,276,878	617,381
Provision for doubtful debts	9.4	-	-
Vehicles running		3,814,744	3,356,185
Printing and stationery		1,060,363	707,466
Postage and telephone		2,708,337	2,099,374
Amortization	5	132,859	219,397
Auditors' remuneration	27.3	1,223,621	969,600
Donation	27.2	1,000,000	1,200,000
Repairs and maintenance		1,051,379	1,227,777
Insurance		414,737	690,812
Others		949,515	610,827
		<u>122,593,909</u>	<u>99,845,006</u>

**27.1** Staff salaries and benefits include Rs. 6.19 million (2018 : Rs. 6 million) in respect of the staff retirement benefits.

**27.2** None of the directors or their spouse had any interest in the donee's fund.

**27.3 Auditors' remuneration**

**Note**

**2019** **2018**  
**.....Rupees.....**

Annual audit fee		<b>840,000</b>	650,000
Fee for review of :			
- Condensed interim financial information		<b>100,000</b>	75,000
- Statement of compliance with Code of Corporate Governance		<b>30,000</b>	25,000
Certifications and other services		<b>253,621</b>	219,600
		<b>1,223,621</b>	969,600

**28. OTHER OPERATING EXPENSES**

Workers' profit participation fund		-	15,987,518
Workers' welfare fund		<b>3,722,407</b>	6,079,638
Exchange loss - net		<b>34,982,519</b>	-
Unrealized loss on long term investment	6.1	<b>197,497</b>	-
		<b>38,902,423</b>	22,067,156

**29. FINANCE COST**

Interest / mark-up on:			
long-term finances		<b>44,258,430</b>	49,300,162
short-term borrowings		<b>258,865,597</b>	161,224,776
Workers' Profit Participation Fund		<b>1,530,860</b>	155,515
Letters of credit discounting charges		<b>29,254,608</b>	11,075,376
Bank charges and guarantee commission		<b>11,443,246</b>	6,219,351
		<b>345,352,741</b>	227,975,180

**30. OTHER INCOME**

**Income from financial assets**

Profit on term deposits receipts		<b>1,441,860</b>	1,245,496
Profit on savings accounts		<b>483,618</b>	255,850
		<b>1,925,478</b>	1,501,346

**Income from non-financial assets**

License income		<b>1,424,100</b>	2,365,100
Rent income		<b>600,000</b>	600,000
Insurance claim		-	81,601
Rebate on export sales		<b>4,092,379</b>	51,988,061
Exchange gain - net		-	7,389,982
Gain on disposal of property, plant and equipment		<b>880,752</b>	71,274
		<b>6,997,231</b>	62,496,018
		<b>8,922,709</b>	63,997,364

**31. TAXATION**

Current			
- for the year		<b>71,320,562</b>	62,815,325
- for prior year		<b>(784,247)</b>	654,732
Deferred	31.1	<b>(79,287,856)</b>	-
		<b>(8,751,541)</b>	63,470,057

**31.1** The Company, being prudent, has recognized deferred tax only to the extent of taxable temporary differences.

**31.2** The numerical reconciliation between the tax expense and accounting profit has not been presented for the current and comparative year in these financial statements as the total income of the Company for the current and comparative years attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001 and its export sales fall under final tax regime.

### 32. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company which is as follows :

	Note	2019 .....Rupees.....	2018
(Loss) / profit for the year		<b>(86,914,757)</b>	234,440,017
Weighted average number of ordinary shares in issue		<b>3,342,570</b>	3,342,570
(Loss) / earnings per share		<b>(26.00)</b>	70.14

### 33. CASH AND CASH EQUIVALENTS

Cash and bank balances	14	<b>6,962,725</b>	9,716,040
Short-term running / cash finances	22	<b>(1,563,568,773)</b>	(1,342,198,856)
		<b>(1,556,606,048)</b>	(1,332,482,816)

### 34. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in these financial statements in respect of remuneration and benefits to the Chief Executive and Executives are as follows:

	2019		2018	
	Chief Executive	Executives	Chief Executive	Executives
	..... Rupees.....			
Remuneration	<b>7,830,000</b>	<b>49,945,050</b>	6,300,000	42,150,112
Bonus / Ex-gratia	<b>600,000</b>	<b>2,986,062</b>	510,000	3,057,037
Retirement benefits	<b>670,000</b>	<b>4,288,150</b>	600,000	2,840,850
Leave encashment	-	<b>1,429,385</b>	-	946,950
Medical	-	<b>411,276</b>	-	309,340
	<b>9,100,000</b>	<b>59,059,923</b>	7,410,000	49,304,289
No. of person(s)	<b>1</b>	<b>12</b>	1	12

**34.1** The Chief Executive and certain executives are also entitled for use of Company maintained cars.

**34.2** An amount of Rs. 0.49 million (2018: Rs 0.24 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

### 35. PLANT CAPACITY AND ACTUAL PRODUCTION

	2019	2018
Number of spindles installed	<b>36,708</b>	36,708
Number of spindles worked	<b>36,708</b>	36,708
Number of shifts per day	<b>3</b>	3
Installed capacity after conversion into 20/s count-kgs	<b>12,806,181</b>	12,806,181
Actual production of yarn after conversion into 20/s count-kgs	<b>12,222,081</b>	11,988,203

**36. NUMBER OF EMPLOYEES**

Average number of employees during the year  
Number of employees as at June 30

2019	2018
1,243	1,239
1,218	1,218

**37. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated undertakings, directors, key management personnel and their relatives. The Company carries out transactions with various related parties at agreed terms. Detail of related parties (with whom the Company has transacted) along with relationship and transactions with them, other than those which have been disclosed elsewhere in these financial statements, are as follows:

**37.1 Name and nature of relationship****Associated Companies due to common directorship & common management**

- Island Textile Mills Limited
- Tata Textile Mills Limited
- Tata Energy Limited
- Tata Best Foods Limited

**Associated Companies due to shareholding in the company**

- Island Textile Mills Limited (note 15)

**Relationship with the Company****Associated undertakings**

	2019 .....Rupees.....	2018
Purchase of power	424,833,872	383,101,706
Sale of goods	-	126,694,331
Purchase of goods	-	20,000,000
Purchase of store items	36,363	
Share of expenses paid	973,656	2,404,784
Share of expenses received	3,782,809	4,379,309
License income	1,424,100	2,365,100
Rent income	600,000	600,000
Sale of stores items	-	405,000
Dividend paid	732,600	-
Rent expense	4,090,200	4,090,200
Dividend paid	5,244,976	-

**Directors****Liquidity and interest risk table**

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Interest rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
<b>2019</b> ..... Rupees .....							
Long-term finance	3 & 6 month KIBOR Plus 1 & 1.25%	17,364,458	36,361,935	75,580,000	216,844,298	-	346,150,691
Trade and other payables		287,140,328	161,139,417	-	-	-	448,279,745
Interest / mark-up accrued on borrowings		93,317,261	12,504,056	-	-	-	105,821,317
Short-term borrowings	month KIBOR plus 0.75% to 1.5%	-	-	2,965,649,300	-	-	2,965,649,300
Unclaimed dividend		1,270,551	-	-	-	-	1,270,551
		399,092,598	210,005,408	3,041,229,300	216,844,298	-	3,867,171,604

	Interest rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
<b>2018</b>		<b>Rupees</b>					
Long-term finance	7.04%-13%	17,370,164	93,753,335	130,245,083	346,133,854	-	587,502,436
Trade and other payables		57,266,460	133,242,703	-	-	-	190,509,163
Interest / mark-up accrued on Short-term borrowings		29,099,415	21,803,573	8,954,097	-	-	59,857,085
	Three months KIBOR plus 0.3% to 1.5%	-	-	1,951,037,712	-	-	1,951,037,712
Unclaimed dividend		1,120,901	-	-	-	-	1,120,901
		<b>104,856,940</b>	<b>248,799,611</b>	<b>2,090,236,892</b>	<b>346,133,854</b>	<b>-</b>	<b>2,790,027,297</b>

### 38. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 38.1 Financial instrument by category

##### Financial assets as per balance sheet

##### Amortized cost

	2019	2018
	<b>Rupees</b>	
- Long-term deposits	1,023,209	1,229,384
- Trade debts	418,505,701	604,134,267
- Loans to employees	10,576,984	5,011,336
- Trade deposits	-	21,825
- Other receivables	4,377,809	4,472,428
- Cash and bank balances	6,596,167	9,009,492
- Other financial assets	24,740,448	24,740,448
	<b>465,820,318</b>	<b>648,619,180</b>

##### Fair value through profit and loss

- Long-term investment	16,901,973	699,470
	<b>482,722,291</b>	<b>649,318,650</b>

##### Financial liabilities as per balance sheet

##### Financial liabilities measured at amortized cost

- Long-term finance	346,150,691	587,502,436
- Trade and other payables	448,279,745	190,509,163
- Unclaimed dividend	1,270,551	1,120,901
- Interest / mark up accrued on borrowings	105,821,317	59,857,085
- Short-term borrowings	2,965,649,300	1,951,037,712
	<b>3,867,171,604</b>	<b>2,790,027,297</b>

#### 38.2 Financial risk management objectives and policies

##### 38.2.1 Financial risk factors

##### Introduction and overview

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

- market risk
- credit risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing these risks.

##### Financial risk factors and risk management framework

The Company's overall risk management program focuses on having cost effective funding as well as management of financial risk to minimize earnings volatility and provide maximum return to shareholders.



The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on internal controls set on different activities of the Company by the Board of Directors. These controls reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Board along with the Company's finance and treasury department oversees the management of the financial risks reflecting changes in the market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate policies and procedures and that the financial risk are identified, measured and managed in accordance with the Company policies and risk appetite.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

### 38.2.2 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

#### (a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exports yarn to foreign customers which exposes it to currency risk. As at June 30, 2019, financial assets includes trade debts and bank accounts in foreign currency amounting to Rs. 107.81 million (2018: Rs. 313.90 million) equivalent to US\$ 0.66 million (2018: US\$ 2.59 million) and financial liabilities include foreign bills payable, foreign commission payable and finance against import and export amounting to Rs. 82.43 million (2018: Rs. 8.41 million) equivalent to US\$ 0.50 million (2018: US\$ 0.07 million). The average rate applied during the year is Rs.136.3 / US \$ (2018: Rs. 109.9 /US \$) and the spot rate as at June 30, 2019 was Rs.164 / US\$ (2018: Rs. 121.4 /US\$).

At June 30, 2019, if the Rupee had weakened / strengthened by 10 % against the US Dollar with all other variables held constant, loss for the year would have been higher / lower by Rs. 2.41 million (2018: Rs. 32.30 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts, US Dollar bank balance and US Dollar denominated borrowings and payables.

#### (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 changes in market interest rates.

The Company's interest rate risk arises from savings accounts with banks, other financial assets (TDRs), long term finances and short term borrowings amounting to Rs. 3.31 billion (financial liabilities on a net basis) (2018: Rs. 2.51 billion). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

##### **Variable rate instruments**

Financial assets

- savings accounts with banks

Less: financial liabilities

- long-term finances

- short-term borrowings

Net financial liabilities at variable interest rates

<b>Carrying amount</b>	
<b>2019</b>	<b>2018</b>
<b>..... Rupees .....</b>	
<b>1,275,491</b>	846,068
<b>346,150,691</b>	587,502,436
<b>2,965,649,300</b>	1,951,037,712
<b>(3,311,799,991)</b>	(2,538,540,148)
<b>(3,310,524,500)</b>	(2,537,694,080)

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates had been 100 basis points lower / higher and all other variables were held constant, the Company's loss for the year ended June 30, 2019 would increase / decrease by Rs. 33.1 million (2018: Rs. 25.37 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

**Fixed rate instruments**

The Company has invested an amount of Rs 24.74 million (2018: Rs 24.74 million) at interest rate of 5.8% to 8.9% per annum (2018: 5.25% to 5.75% per annum) in Term Deposits Receipts (TDRs) and Rs.16.4 million (2018: Nil) in government bonds.

**(c) Equity price risk**

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at reporting date the Company is not materially exposed to equity securities price risk as it only has an investment amounting to Rs. 0.50 million (2018: Rs. 0.70 million) in the shares of Samba Bank Limited.

If equity price would have been 10% higher / lower with all others variables held constant, other comprehensive income for the year of the Company would have been higher / lower by Rs. 0.050 million (2018: Rs. 0.070 million)

**38.2.3 Credit risk and concentration of credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Financial assets which are subject to credit risk amounted to Rs. 460.44 million (2018: Rs. 323 million).

The Company is exposed to credit risk from its operating activities (primarily balances with banks, trade debts and loans) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating. The names and credit rating of major banks where the Company maintains its bank balances are as follows:

Name of Bank	Credit Rating	
	Short-term	Long-term
Allied Bank Limited	A1+	AAA
Askari Bank Limited	A1+	AA+
Bank Alfalah Limited	A1+	AA+
BankIslami Pakistan Limited	A1	A+
Dubai Islamic Bank Limited	A-1	AA
Habib Bank Limited	A-1+	AAA
Habib Metropolitan Bank Limited	A1+	AA+
JS Bank Limited	A1+	AA-
MCB Bank Limited	A1+	AAA
Meezan Bank Limited	A-1+	AA+
National Bank of Pakistan	A1+	AAA
Soneri Bank Limited	A1+	AA-
The Bank of Punjab	A1+	AA

#### **Credit risk related to receivables**

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of customers, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. At June 30, 2019, the Company had approximately 5 (2018: 5 ) major customers that owed more than Rs. 10 million each and accounted for approximately 95.42% (2018: 91.26%) of local trade debts.

#### **Credit risk related to other assets**

Credit risk from other assets primarily relates to Company's investment in term deposits issued by a bank (note 14). The risk is managed through ensuring that such investments are made in instruments issued by reputed banks with good credit ratings. The credit rating of the investee banks is A1+ and AA- for short term and long term respectively.

### **38.2.4 Liquidity risk**

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short term borrowings. 93% of the Company's debt will mature in less than one year at June 30, 2019 (2018: 86%) based on the carrying value of borrowings reflected in the financial statements.

### **38.2.5 Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operational behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

## **39. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

IFRS 13, 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at year end, there are no financial instruments carried at fair value which require classification in the above mentioned levels.

As at year end, long term investment comprising listed shares of Samba Bank Limited amounting to Rs. 0.501 million (2018: Rs. 0.699 million) are classified as level 1. Other than that, there are no such financial assets or liabilities which can be classified under the above levels. There have been no transfers between levels.

The Company's leasehold land, buildings on leasehold land, plant and machinery are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Company's leasehold land, building and plant and machinery as at June 30, 2019 were performed by M/s Iqbal A. Nanjee & Company (Private) Limited (valuer), independent valuer not related to the Company. The valuer is listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties, plant and machinery. The fair value of the leasehold land was determined by ascertaining the current market value of similar land, which is being sold in the near surroundings. The fair value of the buildings on leasehold land was determined by carrying out the physical inspection of building with actual measurement and have worked out covered area of each building occupation wise with specification of civil works. The fair value of the plant and machinery and electric installations was determined by comparing the values of similar plants from various machinery dealers. In estimating the fair value of the assets, the highest and best use of the premises is its current use.

Details of Company's leasehold land, buildings on leasehold land and plant and machinery and information about the fair value hierarchy as at end of 30 June 2019 and 30 June 2018 are as follows:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees-----			
Leasehold land	-	1,816,000,000	-	1,816,000,000
Buildings on leasehold	-	1,221,721,274	-	1,221,721,274
Plant and machinery	-	2,171,714,982	-	2,171,714,982
	-	5,209,436,256	-	5,209,436,256
<b>June 30, 2018</b>				
	Level 1	Level 2	Level 3	Total
	----- Rupees-----			
Leasehold land	-	1,340,000,000	-	1,340,000,000
Buildings on leasehold	-	766,817,949	-	766,817,949
Plant and machinery	-	2,000,921,090	-	2,000,921,090
	-	4,107,739,039	-	4,107,739,039

There were no transfers between levels of fair value hierarchy during the year.

#### 40. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company is not subject to any externally imposed capital requirements.

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 dividend payment to the shareholders or issue new shares. The Company's overall strategy remains unchanged from previous year.

The gearing ratio at June 30, 2019 and June 30, 2018 were as follows:

	2019 .....Rupees.....	2018
Total debts	3,311,799,991	2,538,540,148
Less: cash and bank balances	(6,962,725)	(9,716,040)
Net debt	3,304,837,266	2,528,824,108
Total equity	4,313,751,782	3,259,670,311
Adjusted capital	7,618,589,048	5,788,494,419
Gearing ratio	0.43	0.44

#### 41. CORRESPONDING FIGURES


Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

#### 42. DATE OF AUTHORIZATION FOR ISSUE


These financial statements have been approved by the board of directors of the Company and authorized for issue on October 22, 2019

#### 43. GENERAL

Figures have been rounded off to the nearest Rupee.

  
ADEEL SHAHID TATA  
CHIEF EXECUTIVE

  
HASEEB HAFEEZUDEEN  
CHIEF FINANCIAL OFFICER

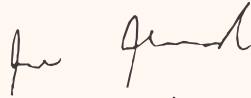
  
BILAL SHAHID TATA  
DIRECTOR

کپاس کی فصل کی پیداوار اچھی معلوم ہوتی ہے لیکن حالیہ سیلابوں اور بارشوں کے باعث فصل کو ہونے والے نقصان کے بارے میں ہم بے یقینی کی کیفیت میں ہیں اور صرف کپاس کی اچھی پیداوار مقدار اور معیار دونوں کیلئے ہی دعا گو ہو سکتے ہیں۔ اس کے بعد ہم مقامی کپاس پر زیادہ انحصار کرنے کا ارادہ رکھتے ہیں اور درآمد شدہ کپاس پر طویل مدتی پوزیشن نہیں لیں گے۔

بورڈ کی کارکردگی اور تاثیر:

کوڈ آف کارپوریٹ گورننس اور کمپنیز ایکٹ 2017 کے تقاضوں کی تعمیل میں بورڈ کی کارکردگی کا سالانہ تخمینہ لگایا گیا تھا۔ اس تخمینہ کا مقصد یہ یقینی بنانا ہے کہ کمپنی کے مجموعی کاروباری مقاصد اور انتظامی ڈھانچے کے تناظر میں بورڈ کی کارکردگی کی پیمائش یقینی بنائی جائے۔ بورڈ نے اس سال کے دوران کمپنی کو بالحاظ ترقی چیلنج سے بھرپور راستے پر آگے بڑھانے میں ایک اہم کردار ادا کیا۔ ڈائریکٹرز کے عزم اور موثر نگرانی کے ذریعے آپ کی کمپنی نے کارپوریٹ گورننس اور کمپلائنس کی شفافیت یقینی بنائی۔ بورڈ نے کمپنی کی مجموعی مینجمنٹ اور معاملات کی نگرانی کے لئے اپنا کردار اور ذمہ داریاں ادا کیں اور اپنی امانتی ذمہ داریوں سے بخوبی واقف رہے۔ آڈٹ کمیٹی اور افرادی وسائل اور مشاہرہ کمیٹی کی طرف سے اپنے متعلقہ شعبوں میں رہنمائی اور موثر حل تجویز کرنے کے ذریعے ادا کئے گئے اہم کرداروں کا ذکر اور نشاندہی کرنا بھی اہم ہے۔

آخر میں بورڈ کی جانب سے میں کمپنی کی مسلسل کامیابی میں اپنے تمام ملازمین کی شراکت کا اعتراف کرنا چاہتا ہوں۔ میں اپنے شراکت داروں، صارفین، سپلائرز، بینکرز اور دوسرے اسٹیک ہولڈرز کے اعتماد اور ان کی حمایت کیلئے بھی ان کا شکریہ ادا کرنا چاہتا ہوں۔ بورڈ مکمل اعتماد کے ساتھ اگلے سال کا منتظر ہے۔



انوار احمد ٹاٹا  
چیئرمین

کراچی؛

مورخہ: 22 اکتوبر 2019ء



## چیرمین کا جائزہ

السلام علیکم،

مجھے 30 جون 2019ء کو ختم ہونے والے مالی سال کیلئے سالانہ رپورٹ میں مالیاتی نتائج بمعہ آڈیٹرز رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ کمپنی نے دوران سال اچانک اور غیر مستحکم غیر ملکی کرنسی کی نقل و حرکت کے باعث بعد از ٹیکس گھٹا مبلغ 86.915 ملین روپے (2018 میں مبلغ 234.440 ملین روپے کا منافع) حاصل کیا۔ اس کے باوجود یارن کی فروخت کا حجم مبلغ 43.155 ملین پاؤنڈز کے کاروبار میں 13.63 فیصد اضافہ ہوا۔

کمپنی کے منافع کو متعدد عوامل نے متاثر کیا جن میں روپے کی قدر میں مثالی کمی، پاکستان اور چین میں معاشی سست روی، چین امریکہ تجارتی تنازعہ جس نے یارن کی قیمتوں، درآمد شدہ کپاس کی لاگت، زیادہ شرح سود اور افراط زر کے عمومی اثرات کو متاثر کیا، شامل ہیں۔ چین امریکہ ٹیرف تجارتی تنازعہ اور عالمی اور چینی معاشی سست روی کے باعث یارن کی فروخت کی قیمتیں نیچے گرتی رہیں، اور اس کے ساتھ ہی چین کی طرف سے کپاس کی درآمد بھی کم ہوگئی جس کے باعث یارن کے بڑے برآمداتی ملک خاص طور پر پاکستان اور بھارت متاثر ہوئے کمپنی نے فصلوں کے ہدف سے کم مقدار کی وجہ سے درآمد شدہ کپاس پر بھاری انحصار کیا جو کہ پاکستانی روپے کی قدر میں کمی اور ڈسکاؤنٹ ریٹ میں 6.75 فیصد سے 13.75 تک تیزی سے اضافہ ایک اور پہلو تھا جس نے ہمارے منافع کو متاثر کیا ہے جس سے مالی معاوضوں میں 50 فیصد کا اضافہ جو کہ 227.975 ملین روپے سے 345.353 ملین روپے ہو گیا۔

آنے والا سال:

اس سال کا آغاز ٹیکسٹائل سیکٹر سے حاصل ہونے والی زیروریننگ سے دستبرداری کے ساتھ ہوا اور اس کے نتیجے میں 17 فیصد سیلز ٹیکس لگایا گیا اور بہت سارے ود ہولڈنگ ٹیکسوں کی شرح میں غیر معمولی اضافہ ہوا جس سے مقامی مارکیٹ جس پر ہم یارن کی فروخت پر زیادہ بھروسہ کرتے ہیں، پر مکمل طور پر خلل پڑا۔ لہذا عالمی معاشی سست روی کے ساتھ ٹیکسوں میں زبردست اضافے نے ہماری فروخت کو بری طرح متاثر کیا۔ اگرچہ حکومت نے پاکستانی روپے کی قیمت میں کمی کے ذریعے کرنٹ اکاؤنٹ خسارے کو تقریباً ختم کر دیا ہے، تاہم برآمدات کو بڑھانے کیلئے تجارتی ترقی کی طرف بہت کم کوششیں کی گئیں۔ پاکستان کو اب بھی شدید مالی خسارے کا سامنا ہے جس کے لئے اس پر دباؤ ڈالا جا رہا ہے کہ وہ بڑے پیمانے پر ٹیکس اکٹھا کرے، اس کے نتیجے میں مارکیٹ میں لیکویڈٹی کی انتہائی قلت پیدا ہوگئی جس سے نجی شعبے کے لئے قیمتی وسائل بڑھ گئے۔

پہلے دو تین مہینوں کے دوران ایف بی آر کی دستاویزیاتی ضرورت کے نفاذ کے ساتھ اور خریداروں کی نشاندہی کرنے کی شرط کا بھی ٹیکسٹائل انڈسٹری کے چلنے پر بڑا اثر پڑا ہے۔ روپے کی قدر میں کمی کے بعد 17 فیصد سیلز ٹیکس کے نتیجے میں لیکویڈٹی میں مزید بگاڑ کا امکان پیدا ہو گیا۔ جس سے اس کا زندہ رہنا مشکل ہو جائے گا کیونکہ کمپنی کی لیکویڈٹی انسانی جسم میں خون کی طرح ہے۔

خام مال:

ملک میں خام مال کی دستیابی میں شدید کمی واقع ہوئی ہے اور اب بھی مارکیٹ غیر مستحکم ہے کیونکہ ہمیں نہیں معلوم کہ مارکیٹ کون سی سمت اختیار کرے گی۔ اس دور میں غیر یقینی صورتحال اور زیادہ سود کی لاگت کے اس عرصہ کے دوران، کمپنی کی پالیسی اور مقصد کم سے کم خام مال اور تیار سامان کی انونٹری کے ساتھ موثر انداز میں چلنا ہے۔

## اعتراف:

ہم اپنی تمام ٹیموں کی محنت اور کاوشوں کا اعتراف کرتے ہیں اور ان کی محنت کو قابل تحسین گردانتے ہیں جو کمپنی کی ترقی اور اعلیٰ معیار کو برقرار رکھنے میں اپنا بھرپور کردار ادا کر رہے ہیں اور ان کی انہی کوششوں کی وجہ سے آج ہم اپنی انڈسٹری کی بڑی کمپنیوں کے قائم کردہ معیارات کو برقرار رکھنے میں کامیاب رہے ہیں۔ بحیثیت ایک ٹیم ہم اپنے، وینڈرز بینکرز اور کاروباری ایسوسی ایٹس کا بھی شکریہ ادا کرتے ہیں جو ہر قسم کے معاشی اور سماجی مسائل و حالات میں ہمارے ساتھ کھڑے رہے۔ لیکن ان سب سے زیادہ ہم اپنے صارفین کے شکر گزار ہیں جو ہماری مصنوعات کی رینج کو پسند کرتے ہیں اور ہمیں مزید محنت اور جدت پیدا کرنے کی جلا جھٹتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



بلال شاہد ٹاٹا

ڈائریکٹر



عدیل شاہد ٹاٹا

چیف ایگزیکٹو

کراچی مورخہ 22 اکتوبر 2019ء

اسی تناظر میں کمپنی نے تعلیم کے حصول کے خلاف رکاوٹوں کو توڑنے اور اس قوم کے مستقبل کی تعمیر کیلئے مدد کرنے کیلئے مستقل عزم کا اظہار کیا ہے۔ ہمارے ہدف میں ایک ہدف یہ بھی ہے کہ تمام مریضوں کو ان کی ادائیگی کی اہلیت سے قطع نظر بغیر کسی امتیاز کے، صحت کی دیکھ بھال کو قابل رسائی بنا کر معیاری صحت کا نظام مرتب کریں۔ مذکورہ بالا کے علاوہ کمپنی تعلیم اور کھیلوں، ہیلتھ کیئر سروسز اور جنرل فنانشل ایڈ کے شعبوں میں متعدد مختیر خدمات انجام دے رہی ہے اور مستقل طور پر مصروف عمل ہے۔

**مستقبل کا نظریہ:**

حکومت کی طرف سے مقرر کردہ محصولاتی اہداف، اعلیٰ شرح سود، 2011 کے SRO 1125 کی واپسی اور بڑے عالمی ممالک کے مابین تجارتی تنازعہ کے پیش نظر آئندہ مالی سال کیلئے مستقبل کا نقطہ نظر کافی چیلنجنگ نظر آتا ہے۔ تاہم حکومت کی اہم توجہ معیشت کو دستاویزی بنانا ہے اور اس ضمن میں اٹھائے جانے والے اقدامات سے امید ہے کہ ملک میں طویل مدتی استحکام اور ترقی ہوگی۔ پہلے سے اٹھائے گئے اقدامات اس مالی سال کے پہلے دوسہ ماہیوں میں معاشی سرگرمیوں کو کم کر دیں گی لیکن توقع ہے کہ اس رفتار میں اضافہ شروع ہوگا۔

کمپنی نے چیلنجز پر قابو پانے کیلئے ملکی مارکیٹ پر توجہ مرکوز کر کے حکمت عملی تیار کی ہے جو غیر ملکی برانڈز کو پورا کرنے کی صلاحیت میں توسیع کر رہی ہے۔ مقامی مارکیٹ کیلئے نئی مصنوعات اور برآمدی منڈی میں ویلیو ایڈڈ یارن تیار کرے گی۔ یہ امید بھی کی جاتی ہے کہ عالمی طاقت کے مابین ایک بار ختم ہونے والی تجارت کی جنگ عالمی معیشت اور خاص طور پر کمپنی کی برآمدات پر مثبت اثرات مرتب کرے گی۔ برآمدی کمپنیوں کے لئے سیلز ٹیکس ریفرنڈم یا نڈز متعارف کرانے کے علاوہ، امید ہے کہ حکومت ٹیکسٹائل شعبے کے لئے کچھ اور لائحہ عمل تیار کرے گی بشمول لیکن GIDC معاملے کی قرارداد تک محدود نہیں، بروقت سیلز/انکم ٹیکس کی ادائیگی اور DTL کی واپسی ٹیکس کریڈٹ کے خاتمے کے اثرات کو کم کرنے کے لئے سرمائے میں سرمایہ کاری اور ٹرن اوور ٹیکس میں اضافہ۔ اس سے امید ہے کہ ٹیکسٹائل کے شعبے کا اعتماد بڑھے گا اور کمپنی کو عالمی مارکیٹ میں برابری کا موقع ملے گا۔ IMF بیل آؤٹ پیکیج کی منظوری کے ساتھ دوست ممالک سے حاصل کردہ مراعات یافتہ قرضے، غیر ملکی زرمبادلہ کے لین دین کو منظم کرنے کیلئے سخت پالیسیاں، اور سال کے دوران تجارت میں بہترین توازن، بنیادی طور پر درآمدی بلوں میں کمی کے باعث توقع کی جا رہی ہے کہ روپیہ مستحکم ہو جائے گا۔ اس کے استحکام اور سود کی شرح آنے والے سالوں میں کم ہونا شروع ہو جائے گی۔

کمپنی مستقل طور پر اپنی لاگت میں اضافے پر توجہ دے رہی ہے اور آنے والے دنوں میں کپاس کے اسٹاکس میں مقررہ مقدار اور لاگت کو کم کرنے کی کوشش کرے گی۔ کمپنی اپنے منافع کے زیادہ سے زیادہ حصول اور نقد رقم کے مثبت حصول کیلئے حکمت عملی بھی تیار کرے گی۔ اس کے علاوہ CAPEX کے ذریعے مشین کی کارکردگی کو بہتر بنانے اور توانائی کے اخراجات کو کم کرنے کی منصوبہ بندی کی جا رہی ہے جو آئندہ سالوں میں مثبت کیش فلو سے فائدہ اٹھائے گی۔

**مالیاتی ڈیٹا اور گرافس:**

آپریٹنگ/مالیاتی ڈیٹا اور گراف کی تفصیلات مالی سیکشن میں پیش کی گئی ہیں۔

**کارپوریٹ گورننس کے معاملات:**

آپ کے پڑھنے کی سہولت کیلئے پالیسی، بورڈ اور گورننس سے متعلق تمام معاملات کارپوریٹ گورننس سیکشن میں پیش کئے جاتے ہیں اور انہیں ڈائریکٹرز کی رپورٹ کا حصہ سمجھا جاتا ہے۔

**چیئرمین کا جائزہ:**

کمپنی کے ڈائریکٹرز چیئرمین کی جائزہ رپورٹ کی توثیق کرتے ہیں جو کہ ڈائریکٹرز کی رپورٹ کا حصہ ہے۔

ہے۔ اس کے نتیجے میں ملازمین بغیر کسی تنازعہ کے اپنے اہداف کے حصول کیلئے سخت محنت کرتے ہیں۔

طویل خدمات کے سلسلے میں ایوارڈز:

طویل خدمت کے ایوارڈز ان ملازمین کی عقیدت اور وفاداری کو پہچاننے اور انعام دینے کیلئے فراہم کئے جاتے ہیں جن کا کمپنی کے ساتھ طویل عرصہ ہوتا ہے۔

گرہجیوٹی:

یہ کمپنی ملازمین کو غیر شراکت دار تعریفی فوائد گرہجیوٹی اسکیم کی شکل میں حتمی فائدہ فراہم کرتی ہے۔ سال کے آخر میں گرہجیوٹی واجبات کی مالیت 100.189 ملین روپے تھی۔

تربیت:

ملازمین کی صلاحیتوں کو بہتر بنانے کیلئے تربیت ضروری ہے تاکہ وہ کمپنی کو اس کے مقاصد کے حصول میں مدد کر سکیں۔ اس بات کو مد نظر رکھتے ہوئے مالیاتی سال 2018-19 کے دوران تربیت کی ضرورت کے تجزیہ کے نتائج کو مد نظر رکھتے ہوئے مختلف ٹیکنیکی اور مہارتوں کے تربیتی پروگرامز کا انعقاد کیا گیا۔ دوران سال کی جانے والی کچھ نمایاں تربیت میں درج ذیل شامل تھیں: انرجی مینجمنٹ سسٹم کی تربیت مل اور ہیڈ آفس میں ٹیکنیکی عملے کیلئے UNIDO کے اشتراک سے کی گئی۔ اس کے علاوہ UNIDO نے ہمارے عملے کے لئے توانائی سسٹم کی اصلاح، توانائی کے تحفظ اور قابل تجدید توانائی سمیت بہت سی دوسری تربیتیں بھی انجام دیں۔ M/S Excel Advanced ڈیٹا کے ساتھ کام کرنے والے ان تمام لوگوں کیلئے ایک لازمی ٹول ہے۔ ملازمین کو اعلیٰ درجے کی اسکیمل مہارت کی فراہمی کیلئے کارپوریٹ آفس اور مل میں دوران سال متعدد تربیتیں انجام دی گئیں۔ کپاس کی گریڈنگ اور درجہ بندی ہمارے کاروبار کیلئے ضروری خام مال ہے اور اچھے معیار کی کپاس اچھے معیار کے یارن کی پہچان سمجھا جاتا ہے۔ لہذا ہماری کپاس کے ذرائع کی ٹیم کو کپاس کی شناخت اور درجہ بندی کرنے کی مہارت سے آراستہ کرنے کیلئے انہیں کپاس کی گریڈنگ اور درجہ بندی پر 2 ہفتوں کا ڈپلومہ فراہم کر لیا گیا۔ یہ تربیت کراچی کاٹن ایسوسی ایشن نے کی۔

روزگار کے مساوی مواقع: ہم ایک مساوی مواقع کے حامل آجر ہیں اور زیادہ سے زیادہ تنوع کی حوصلہ افزائی کرتے ہیں۔ اہلیت (بشمول قابلیت) کی بنیاد پر افراد کیلئے مواقع فراہم کئے جاتے ہیں۔ اپنی وابستگی کے سچے ہونے کی وجہ سے ہم نے کمپنی میں متعدد قابل افراد کو ملازمت دی ہے۔ ہمارا مستقبل میں تنوع کو مزید جامع بنانا ہے۔

صحت حفاظت اور ماحول:

کمپنی اپنے کام کی قوت، انفراسٹرکچر اور آپریشن کو محفوظ رکھنے کی کوشش کرتی ہے۔ صحت مند کام کے ماحول اور طریقوں کی حوصلہ افزائی کرتی ہے اور ماحول دوست رہنے کیلئے اقدامات کرتی ہے۔

شعور، بیداری، تربیت اور مشقوں کو مستقل طور پر آگے بڑھایا گیا ہے تاکہ وہ HSE کی تازہ ترین ترقی کے ساتھ برابر ہیں۔ قانونی تقاضوں کی تعمیل کو یقینی بنانے اور ٹیکنیکی ترقی کی وجہ سے HSE چیلنجز کا انتظام کریں۔ HSE اقدامات، پیشرفت، ترقی اور بہتری کے مواقعوں کا جائزہ لینے کیلئے مقاصد بیان کئے گئے ہیں۔ کارکردگی کے جائزے درج ذیل تعامل کے ساتھ باقاعدہ طور پر مناسب سطح پر طلب کئے جاتے ہیں، (PPE's) کا استعمال باقاعدہ مشقیں، آگاہی اور تربیت سیشنز، HSE مانیٹرنگ / آڈٹ رپورٹس، ماحولیاتی ٹیسٹ رپورٹس کے نتائج، واقعہ / حادثے کی رپورٹنگ اور ریگولیٹری تعمیل کے استحکام کی توثیق بذریعہ EVP ٹیکنیکل آپریشنز ڈپارٹمنٹ کے ذریعہ سہ ماہی بنیاد پر ایگزیکٹو مینجمنٹ کو کارکردگی کی رپورٹ۔

کارپوریٹ سوشل ذمہ داری:

ملک میں کارپوریٹ سیکٹر کے سرفہرست کھلاڑیوں میں شامل ہونے کے ناطے ہمیں معاشرے کیلئے اپنی ذمہ داری کا مکمل طور پر احساس ہے۔ ہماری خواہش ہے کہ معاشرے میں لوگوں کے معاشی حالات کو اٹھائیں، اپنے اقدامات اور دوستانہ پالیسیوں کے ذریعہ ماحول کی حفاظت کریں اور عام طور پر انسانیت کی فلاح و بہبود میں اپنا حصہ ڈالیں۔

13.75 فیصد تک تیزی سے اضافہ ایک اور پہلو تھا جس نے ہمارے منافع کو متاثر کیا ہے جس سے مالی معاوضہ میں 51.49 فیصد کا اضافہ ہوا۔

یہ کمپنی مستقل حکمت عملی کے ذریعہ اپنے مقاصد کو حاصل کرنے میں کامیاب رہی ہے جس میں اخلاقیات، معیار، مسابقت، مصنوعات کا فرق، مستحکم کاروباری طریقے اور ممکن حد تک اعلیٰ معیار والی مصنوعات میں اضافے پر زور دیا گیا ہے۔

سلفی کمپنی کی مصنوعات کی ایک طویل ریٹج ہے جو کہ مارکیٹ کی ضروریات پر قائم ہے اور یہ مستقل طور پر نئی مارکیٹوں اور مصنوعات کیلئے جدوجہد کر رہی ہے۔ سلفی کمپنی اس بات کو یقینی بناتی ہے کہ اعلیٰ معیاری اور کم اخراجات کے خام مال کے حصول کیلئے سپلائرز کے ساتھ بہترین روابط قائم کئے جائیں اور مارکیٹ کے طریقہ کار کا قریب سے جائزہ لیا جائے۔

ایک معاشرتی ذمہ دار ادارہ کی حیثیت سے ہم اپنے wastage کو کم سے کم کرنے کیلئے مستقل طریقے تلاش کر رہے ہیں اور ماحولیات پر پڑنے والے اثرات کو کم کرنے کیلئے تمام ضروری اقدامات کر رہے ہیں۔

ہماری پیداواری کارکردگی کی بناء پر حادثات کا تناسب صفر ہے جو کہ ہمارے ملازمین کی مرہون منت ہے جن کو کام کے ماحول کے مطابق باقاعدہ تربیت دی جاتی ہے۔ ہماری کمپنی اپنے صارفین کو مطمئن کرنے کیلئے اعلیٰ معیاری پیداوار کو یقینی بناتی ہے۔

سرمایہ کی ساخت:

30 جون 2019 کو ایکویٹی کا تناسب 49.51 تھا جس کا موازنہ 30 جون 2018 کی ایکویٹی 49.51 سے کیا جاسکتا ہے۔

ڈویڈنڈز:

رواں سال کیلئے نتائج جو کہ حوصلہ افزا نہیں لہذا آپ کے ڈائریکٹرز یہ سفارش کرتے ہیں کہ سال رواں کے ڈویڈنڈ کو موخر کیا جائے،

PACRA ریٹنگ:

PACRA کی مشق کے تحت مختصر مدتی مالیاتی ریٹنگ A3 اور طویل مدتی مالیاتی ریٹنگ BBB ہے۔

آڈیٹرز:

کمپنی کے موجودہ آڈیٹرز میسرز ڈیلویٹ یوسف عادل چارٹرڈ اکاؤنٹینٹس ہیں جو کہ سبکدوش ہو رہے ہیں اور اہل ہونے کی حیثیت سے خود کو دوبارہ تقرری کے لئے پیش کرنے کے اہل ہیں۔ انہوں نے انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان (ICAP) سے اطمینان بخش QCR کی درجہ بندی حاصل کرنے اور ICAP کے ذریعہ بین الاقوامی فیڈریشن آف اکاؤنٹینٹس (IFAC) کے ضابطہ اخلاق کے رہنما اصولوں کی تعمیل کی تصدیق کی ہے۔ بورڈ آف ڈائریکٹرز نے باہمی اتفاق رائے کے تحت میسرز ڈیلویٹ یوسف عادل چارٹرڈ اکاؤنٹینٹس کو بطور آڈیٹرز مالیاتی سال 30 جون 2020 کیلئے انہی شرائط و ضوابط اور اجرت پر دوبارہ تقرر کرنے کیلئے سفارش پیش کی ہے۔

شیئر ہولڈنگ کا اسلوب:

شیئر ہولڈنگ کے اسلوب کی معلومات سالانہ رپورٹ کے ساتھ منسلک ہیں۔

ہیومن ریسورسز:

صنعتی تعلقات:

ہم اپنے ملازمین کو اپنا قیمتی اثاثہ تسلیم کرتے ہیں۔ لہذا انتظامیہ ملازمین کے ساتھ پرامن تعلقات کو یقینی بناتی ہے اور ہیڈ آفس اور فیکٹریوں میں کام کرنے کے لئے سازگار ماحول مہیا کرنے کی کوشش کرتی ہے۔ کام اور زندگی کے درمیان توازن کو برقرار رکھنے پر اہمیت دی جاتی ہے۔ انتظامیہ روزگار کے تمام قوانین اور مزدور قانون سازی کی تعمیل کو بھی یقینی بناتی

## پاکستان کی معیشت:

مالیاتی سال 2018-19 میں ملکی جی ڈی پی میں 3.3 فیصد کی شرح سے اضافہ دیکھا گیا جبکہ گذشتہ سال کے دوران یہ شرح 5.8 فیصد تھی۔ اگرچہ معیشت کو متاثر کرنے والے گہرے ساختی امور نے 2018 کے اختتام کی طرف دوبارہ بحرانی شروع کر دی تھی۔ حکومت کا معیشت کو پائیدار نموء کی راہ پر گامزن کرنے کیلئے درکار مشکل فیصلوں کو لینے کی بنیاد پر اس میں مزید شدت پیدا ہو گئی ہے اور توقع کی جا رہی ہے کہ آئندہ دو سالوں کیلئے بھی معاشی سرگرمی موجودہ سطح پر برقرار رہے گی۔ نئی حکومت کو اب جو مشکل چیلنج درپیش ہے وہ محدود مالی وسائل کے ساتھ اعلیٰ شرح سود والے ماحول میں مجموعی طلب کو بڑھا رہا ہے۔ سخت شرائط کے باوجود ہم توقع کرتے ہیں کہ حکومت آئندہ معاشی اور سیاسی استحکام کی بنیاد پانے کیلئے پائیدار پالیسیوں پر عمل پیرا ہونے سے نہیں رکے گی۔ معیشت کی دستاویزات اور ٹیکس کی بنیاد میں مختصر مدت کیلئے اضافہ ایک تکلیف دہ اقدام ثابت ہو رہا ہے، تاہم پورے ملک اور خاص طور پر منظم شعبے کو طویل مدت تک اس طرح کے اقدامات سے فائدہ اٹھانا ہے۔ مالیاتی سال 2019ء کے دوران، کپاس کی پیداوار میں گذشتہ سال کے مقابلے میں 17.5 فیصد کمی واقع ہوئی ہے۔ اس سے ٹیکسٹائل کے شعبے کو حالیہ ایکسچینج ریٹ میں کمی کا فائدہ اٹھانے سے روکا گیا۔ کیونکہ گذشتہ سال سے برآمدات میں بمشکل اضافہ ہوا تھا۔ بین الاقوامی منڈی میں مایوس کن قیمتوں کے درمیان زیادہ پیداواری لاگت، خاص طور پر بجلی کی زیادہ قیمت، درآمدی مشینری اور مزدوری کی لاگت نے اس صنعت کا مارجن ختم ہو گیا ہے۔ معروف ملکی ٹیکسٹائل کمپنیوں نے اپنی توجہ گھریلو منڈیوں کی طرف مبذول کروائی جہاں برآمدات کے مقابلے میں مارجن زیادہ ہوتا ہے۔ اس کے نتیجے میں برآمد ہونے والا سرپلس ختم ہو گیا ہے۔ لہذا معیشت غیر ملکی زرمبادلہ کی کمائی سے محروم رہتی رہی جو ٹیکسٹائل کا شعبہ ممکنہ طور پر حاصل کر سکتا ہے۔

جولائی، مارچ مالیاتی سال 2019ء میں پاکستان کی کپاس کی برآمدات 15.4 فیصد کم ہو کر 835.7 ملین امریکی ڈالر رہی۔ یہ کمی تقریباً پوری طرح سے ترسیلات میں 15.9 فیصد کمی کی وجہ سے چل رہی تھی کیونکہ یونٹ کی قیمتوں میں معمولی اضافہ ہوا تھا۔

کمپنی کے کاروبار کی کارکردگی اور ترقی:

تناسب فیصد	جون 2018 رقم پاکستانی روپے میں	جون 2019 رقم پاکستانی روپے میں	حجم
13.63%	5,958,498,617	6,770,628,949	فروخت
18.50%	(5,285,316,364)	(6,263,343,896)	فروخت کی قیمت
-24.64%	673,182,253	507,285,053	مجموعی منافع
51.49%	227,975,180	345,352,741	مالیاتی قیمت
-132.11%	297,910,072	(95,666,298)	قبل از ٹیکس (گھاٹا) / منافع
-137.07%	234,440,017	(86,914,757)	بعد از ٹیکس (گھاٹا) / منافع
-137.07%	70.14	(26.00)	(گھاٹا) / آمدنی فی شیئر

چین امریکہ تجارتی تنازع اور سنگین معاشی سست روی کی بے مثال روپے کی قدر میں کمی نے مل کر رواں سال کے مالی نتائج پر نمایاں اثر ڈالا ہے۔ گذشتہ سال کے مقابلے میں اب تک کی سب سے زیادہ فروخت 6.770 ملین روپے یعنی 13.63 فیصد زیادہ ریکارڈ ہونے کے باوجود سال کیلئے قبل از ٹیکس منافع میں 132.11 فیصد کمی واقع ہوئی ہے۔ بد قسمتی سے رواں سال کے دوران ہم نے روپے کی قدر میں کمی کے باعث درآمد شدہ کپاس اور کپاس کی قیمتوں پر زیادہ انحصار کیا جبکہ گلوبل نیویارک کی قیمتیں نجلی سطح میں گرتی رہیں، لہذا ہمیں یہ احساس ہے کہ یہ روپے کی قدر میں کمی کا فائدہ مقامی طور پر کپاس خرید کر نہ کر سکے، جو کہ کم منافع کی ایک بڑی وجہ رہی ہے، مزید یہ کہ ڈسکاؤنٹ ریٹ میں 6.75 فیصد سے



### سوتی کپاس کی برآمد:

سوتی کپاس کی برآمدات کئی سالوں سے کم ہو رہی ہے اور 2012-13 میں 2.25 بلین امریکی ڈالر کی بلنڈی سے کم ہو کر گزشتہ سال کی اسی مدت کے مقابلے میں 16 فیصد کی کمی کے ساتھ 2018-19 میں صرف 1.14 بلین امریکی ڈالر ہو گئی ہے اور 2013 کے بعد سے اب تک تقریباً 50 فیصد کی کمی واقع ہوئی ہے۔ اس مدت کے دوران ملکی اور غیر ملکی دونوں عوامل نے کم برآمدات میں اپنا کردار ادا کیا۔ ملکی سطح پر یارن کی پیداوار میں گزشتہ سال کے مقابلے میں بنیادی طور پر کوئی تبدیلی نہیں ہوئی، جس کی اوسط 2.3 ملین میٹرک ٹن تھی۔ تاہم مقامی گارمنٹس بنانے والوں کی زیادہ طلب کے جواب میں اسپنرز کے ذریعہ یارن کی مانگ میں اضافہ ہوتا رہا ہے۔ زیادہ طلب کے دوران مستحکم پیداوار نے ملکی یارن کی قیمتوں میں اضافہ کیا۔ نتیجے کے طور پر اس نے ملکی اسپنرز کے لئے برآمدات کے بجائے مقامی طلب کو پورا کرنے کیلئے مزید کاروباری احساس پیدا کیا۔ ٹیلی سطح پر یارن برآمد کرنے کیلئے پاکستان کسی ایک ملک چین پر انحصار کرتا رہا ہے۔ طلب کی وجہ سے چین، بنگلہ دیش اور ہانگ کانگ کو درآمدات کی سست روی نے پاکستانی یارن کی مسابقتی پوزیشن کو بری طرح متاثر کیا ہے۔ بین الاقوامی منڈیوں میں سوتی کپاس کی اوسط یونٹ قیمت کا حصول کپاس کے معیار کی وجہ سے اس کے حریفوں کے مقابلے میں کم ہے جو کاشت کاروں کے ذریعہ کپاس کے بیج کو غیر اطمینان بخش ذخیرہ کرنے/سنبھالنے، کپاس کی اقسام میں ملاوٹ کرنے والے جز کی بددیانتی، جنگ کے معیار میں کمی، بیلز اور پیداوار میں زیادہ تر موٹے/درمیانے درجے کی یارن میں لنٹ دبانے سے پہلے زیادہ نمی کا نتیجہ ہے۔

### خام مال:

پاکستان کپاس کی پیداوار کرنے والے صف اول کے ممالک میں شامل ہے، تاہم اس کی کپاس کی پیداوار ٹیلی سطح پر ہے اور یہ صرف 10.8 ملین بیلز کی مجموعی ضرورت کے مقابلے میں 14.4 ملین ہدف سے 25 فیصد کم پیداوار حاصل کرنے میں کامیاب ہے۔ لہذا پاکستان اپنی ضروریات 16 ملین بیلز کو پورا کرنے کیلئے درآمد شدہ کپاس پر انحصار کرتا ہے لیکن حکومت نے کپاس کی درآمد پر ڈیوٹی عائد کر دی ہے۔ حکومت پاکستان اور وزارت ٹیکسٹائل کو زیادہ سے زیادہ بیج کی ٹیکنالوجی میں سرمایہ کاری کرنے اور کسانوں کے ساتھ مل کر کام کرنے کی ضرورت ہے تاکہ وہ جدید کاشتکاری کے جدید ٹیکنیکوں سے ملک میں کپاس کی کاشت کرنے والے بڑے علاقوں میں پیداوار میں اضافہ کر سکیں۔

### چیلنجز:

فی الحال ٹیکسٹائل اسپننگ کی صنعت کو بڑے پیمانے پر چیلنجز کا سامنا ہے۔ اس سال غیر یقینی صورتحال میں اضافہ ہوا جس کی بنیادی وجہ قیمتوں میں اچانک کمی اور خسارہ میں تبدیلی ہے جس کے نتیجے میں خام مال کی زیادہ قیمت شرح سود میں 6.75 فیصد سے 13.75 فیصد اضافہ ہوا جس کے نتیجے میں افراط زر اور کمپنی کے ذرائع کو متاثر کیا گیا، اسپننگ کے شعبے کیلئے برآمد کی چھوٹ واپس لینے سے برآمدات میں کمی ہوئی۔ عالمی معیشتوں کے مابین تجارتی جنگ کے باعث چین جو پاکستان کی سب سے بڑی منڈی ہے، کی طرف سے کم آرڈر برآمد ہوئے۔ کمپنی مقامی طور پر اپنا یارن فروخت کرنے میں کامیاب رہی تھی لیکن اسے مقامی مارکیٹ میں نمایاں طور پر زیادہ کریڈٹ فراہم کرنا پڑا جس کے نتیجے میں زیادہ مالی لاگت خرچ ہوتی ہے۔ غیر متناسب حکومتی ٹیکس پالیسیاں جو اکیلے کمپنیاں کھڑی کرنے کے بجائے جامع یونٹوں کی حامی ہیں۔ 2019 کے فنانس ایکٹ نے کچھ نامناسب ٹیکس پالیسیاں متعارف کروائی ہیں جن میں زیورینٹنگ کو ختم کرنا شامل ہے جس میں مقامی فروخت پر 17 فیصد سیلز ٹیکس وصول کرنا اور کپاس کی مقامی خریداری پر 10 فیصد سیلز ٹیکس کی ادائیگی کی سہولت فراہم کی گئی ہے جس کی وجہ سے سود کی شرح میں اضافے سے لیکوئیٹیڈ پر مزید اثر پڑے گا۔ سرمایہ کاری پر 10 فیصد BMR ٹیکس کریڈٹ بھی واپس لیا گیا ہے جس میں سرمایہ کاری کی ترغیب کم ہو اور غیر ملکی زرمبادلہ حاصل کرنے کی صلاحیت میں اضافہ ہو۔ حکومت وقتی طور پر سیلز، انکم ٹیکس اور برآمداتی چھوٹ کی واپسی کی فراہمی بھی نہیں کر رہی ہے اور رقم کی واپسی بانڈز کے لئے ایک ثانوی مارکیٹ تیار نہیں ہوئی ہے۔ لہذا بہت زیادہ شرح سود پر لیکوئیٹیڈ جکڑی ہوئی ہے۔ اجتماعی طور پر یہ تمام عوامل ٹیکسٹائل کے شعبے اور قیمتی زرمبادلہ حاصل کرنے کی اس کی صلاحیت کو نقصان پہنچا رہے ہیں۔

## ممبران کیلئے ڈائریکٹر کی رپورٹ

کمپنی کے ڈائریکٹر 30 جون 2019ء کو ختم ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ مالیاتی حسابات کے ساتھ اپنی رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔  
عالمی اقتصادی جائزہ:

IMF کے ورلڈ اکنامک آؤٹ لک نے 2019ء میں امریکہ اور چین کے تجارتی تنازع، ترکی اور ارجنٹائن میں معاشی تنازع اور چین میں سخت کریڈٹ پالیسیوں کے باعث 2018ء کی دوسری ششماہی میں عالمی توسیع کے سبب 2018ء میں عالمی سطح پر 3.3 فیصد تک کمی کا اشارہ کیا ہے۔ تاہم توقع کی جا رہی ہے کہ 2020ء سے آگے کی درمیانی مدت کے دوران ترقی کی شرح 3.6 فیصد ہو جائے گی۔ توقع کی جا رہی ہے کہ 2024ء تک چین کی شرح 5.5 فیصد تک کم ہو جائے گی جس کے نتیجے میں چین کی شرح نمو، امریکہ کے ساتھ تجارتی تناؤ میں اضافہ، یوروزون میں سست روی، یورپین یونین کی برطانیہ سے نوڈیل بریکسٹ سے دستبرداری اور مستقل طور پر کمزور معاشی اعداد و شمار کی طرف اشارہ کرتے ہوئے یوروزون میں عالمی سطح پر ترقی کی سست روی اور مزید سست ہو جائے گی۔ اس روشنی میں لازمی طور پالیسی اقدامات اٹھانے ہیں جو کہ ممکنہ پیداوار میں اضافے کو فروغ دیں، شمولیت کو بہتر بنائیں اور ابھرنے کی قوت دیں، تجارتی اختلافات کو باہمی تعاون کے ساتھ حل کریں تاکہ آہستہ آہستہ عالمی معیشت کو استحکام حاصل ہو۔ ہمارے نزدیک اس کا مطلب زیادہ ویلیو ایڈڈ یارن تیار کرنا، نئی برآمدی منڈیوں کی کھوج کرنا اور مقامی مارکیٹ میں مزید راستہ بنانا ہے۔

کپاس کا عالمی منظر نامہ:

عالمی کپاس مارکیٹ کمزور چینی طلب کے اثرات، سپلائی چین کو تبدیل کرنے اور کمزور طلب کے درمیان ایک بہت بڑی امریکی اور برازیل کی فصل کو منتقل کرنے کی ضرورت کے بحران سے دوچار ہے۔ یورپ میں صارفین کی سطح پر چینی کی کھپت اور سست طلب میں کمی کے باعث 2019/2020 میں عالمی کپاس کے کم استعمال کا تخمینہ لگایا گیا ہے۔ مجموعی طور پر 2019/2020 کے لئے عالمی کپاس کی کھپت میں 120 ملین بیلز کا تخمینہ لگایا گیا ہے۔ تاہم یہ 2017/2018 کے مقابلے میں صرف 2.4 ملین بیلز کی کمی ہے جو 2008 کے عالمی مالیاتی بحران کے دوران 13 ملین بیلز کی کمی ہے۔ عالمی تجارت کا تخمینہ 40 ملین بیلز جس کا مقابلہ 2015/2016 سے کیا جاسکتا ہے جبکہ 113 ملین بیلز کی کھپت پر تجارت 35 ملین بیلز تک گر گئی۔ اعلیٰ پیداوار اور معمولی کم طلب کے پیش نظر یہ امکان ہے کہ کپاس کی قیمتیں مستحکم رہیں گی۔ لہذا ہمیں سال بھر کپاس کی خریداری کرنی چاہئے تاکہ اس طرح پیداواری ضروریات کو پورا کرنے کے لئے عام اسٹاک کو برقرار رکھا جاسکے۔

پاکستان میں یارن کی صنعت:

اسپننگ کی صنعت ٹنگ اور ویونگ صنعت کے لئے خام مال مہیا کرتی ہے اور اس کی توجہ یارن کے معیار کو بہتر بنانے پر مرکوز ہے جو مقابلہ کرنے کی اہلیت اور یارن کی قیمتوں کو یقینی بنائے گی۔ اسپننگ کی صنعت کی پیشرفت کو موثر کوالٹی کنٹرول کے ساتھ اعلیٰ پیداواری صلاحیت کی طرف موزوں کیا جاتا ہے تاکہ وہ خام مال سے ملنے کیلئے موزوں سامان اور اسپننگ کے حالات کا انتخاب کر کے موثر کوالٹی کنٹرول کے ساتھ رہے۔ ایشیاء میں اسپننگ کی بڑی گنجائش رکھنے والے کپاس کی دنیا میں پانچویں سب سے بڑے پیداواری ہونے کا موروثی فائدہ پاکستان کو حاصل ہے۔ درحقیقت چین اور ہندوستان کے بعد عالمی سطح پر اسپننگ صلاحیت میں پاکستان کا حصہ 5 فیصد ہے۔ پاکستان کے ٹیکسٹائل کے شعبے نے پاکستان کی 300 بلین ڈالر کی مجموعی اقتصادی پیداوار میں 8.5 فیصد کا حصہ ڈالا ہے اور اسپننگ کے تمام ویلیو ایڈڈ، ویونگ، ٹنگ، پروسیسنگ، گارمنٹس اور میڈاپس کی حمایت کرتا ہے۔ پاکستان کا اسپننگ سیکٹر ملکی صنعت کی ضروریات کو پورا کرتا ہے اور کپاس کی مجموعی پیداوار کا تقریباً ایک تہائی مختلف ملکوں میں برآمد کیا جاتا ہے۔

یارن کی پیداوار:

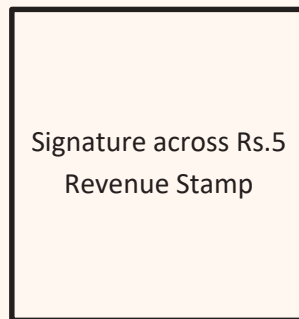
اس وقت اسپننگ سیکٹر ملک میں لگ بھگ 400 اسپننگ ملز پر مشتمل ہے جس میں 10 ملین اسپنڈلز کام کر رہے ہیں۔ یارن کی پیداوار تقریباً 2.3 ملین میٹرک ٹن ہے۔ کورس کاؤنٹ میں یارن کے حصہ کی پیداوار 47.1 فیصد، میڈیم کاؤنٹ میں 23.7 فیصد جبکہ فائن اور سپر کاؤنٹ میں 5.4 فیصد اور مکسڈ پلیسٹر 23.8 فیصد بالترتیب ہے۔

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# Form of Proxy

I/We \_\_\_\_\_ of \_\_\_\_\_, being a Member of Salfi Textile Mills Limited, holder of \_\_\_\_\_, Ordinary Share(s) as per Register Folio No \_\_\_\_\_ hereby Appoint Mr. \_\_\_\_\_, having CNIC No. \_\_\_\_\_ as my/our proxy in my/our absence to attend and vote for me/us, and on my/our behalf at the Annual General Meeting of the company to be held on November 21, 2019 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019.



Witness 1 \_\_\_\_\_

Witness 2 \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

CNIC # \_\_\_\_\_

CNIC # \_\_\_\_\_

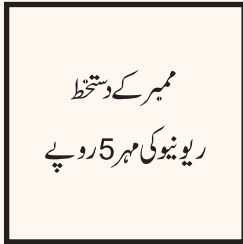
## NOTES:

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not member of the company qualified to vote except that a corporation being a member may appoint a person who is not a member.
2. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.
3. CDC Shareholders or their Proxies should bring their original CNICs or Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detail procedure is given in Notes to the Notice of AGM.

## پراکسی فارم (مختار نامہ)

میں/ہم \_\_\_\_\_ کا/کی \_\_\_\_\_  
 بحیثیت رکن سلفی ٹیکسٹائل ملز لمیٹڈ اور حامل \_\_\_\_\_ عام حصص بمطابق رجسٹرڈ فو لیو نمبر \_\_\_\_\_  
 بذریعہ ہذا محترم/محترمہ \_\_\_\_\_ کمپیوٹرائزڈ قومی شناختی کارڈ نمبر \_\_\_\_\_  
 مورخہ 21 نومبر 2019ء

کو اپنے/ہمارے ایماء پر: \_\_\_\_\_  
 منعقد ہونے والے کمپنی کے غیر معمولی اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار نامہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔



آج بروز ..... بتاریخ ..... 2019 کو میرے/ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

گواہان

گواہان

-2

-1

دستخط: \_\_\_\_\_

دستخط: \_\_\_\_\_

نام: \_\_\_\_\_

نام: \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: \_\_\_\_\_

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: \_\_\_\_\_

نوٹ:

1- پراکسی تقرری کے آلات تقرر کرنے والے کے دستخط یا اس کے باقاعدہ با اختیار وکیل کے تحریری اجازت نامہ، یا اگر تقرر کرنے والا کارپوریشن ہے تو عام مہر یا ایک آفیشل دستخط کے تحت یا ایسے با اختیار وکیل کے دستخط ہوں گے۔ جو کمپنی کا رکن نہیں ہے اسے پراکسی مقرر نہیں کیا جائے گا سوائے ایک کارپوریشن کے جو ووٹ ڈالنے کے لئے ایک غیر رکن شخص کو پراکسی مقرر کر سکتی ہے۔

2- پراکسی اور مختار نامہ یا دیگر اتھارٹی (اگر کوئی ہوں) تقرری کے آلات، جس کے تحت یہ دستخط شدہ ہو یا اس مختار نامہ کی نوٹریلی مصدقہ کاپی، کمپنی کے دفتر میں کم از کم 48 (اڑتالیس) گھنٹے قبل اجلاس جس میں ووٹ دینے کے مقاصد کے لئے انشرومنٹ میں نامزد شخص کی جمع کروایا جائے گا، بصورت دیگر پراکسی کا انشرومنٹ کارآمد تصور نہ ہوگا۔

3- سی ڈی سی حصص یا فیگان یا ان کے پراکسیز کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ معہ پارٹیشنٹ (شرکت) آئی ڈی نمبر اور اکاؤنٹ نمبر اپنی شناخت کی سہولت کے لئے اپنے ہمراہ لانا چاہئے۔ تفصیلی طریقہ کار نوٹس AGM کے نوٹ میں دیا گیا ہے۔