



# Annual Report **2020**



**Sally Textile Mills Limited**



## ***Mission Statement***

*The Mission of Sally Textile Mills Limited is to be the finest organization, and to conduct business responsibly and in a straight forward way.*

*Our basic aim is to benefit the customers, employees and shareholders and to fulfill our commitments to the society.*

*Our hallmark is honesty, innovation, teamwork of our people and our ability to respond effectively to change in all aspects of life including technology, culture and environment.*

*We will create a work environment, which motivates, recognizes and rewards achievements at all levels of the organization because*

## ***In Allah We Believe & In People We Trust***

*We will always conduct ourselves with integrity and strive to be the best*

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## Company Information

### Board Of Directors

Mian Iqbal Salahuddin	Chief Executive Officer
Mst. Munira Salahuddin	
Mian Yousaf Salahuddin	
Mian Asad Salahuddin	
Mian Sohail Salahuddin	
Muhammad Khalil Latif	
Syed Abid Raza Zaidi	
Usman Shahid	

### Audit Committee

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

### Human Resources & Remuneration Committee

Muhammad Khalil Latif	Chairman
Mst. Munira Salahuddin	Member
Mian Sohail Salahuddin	Member

### Chief Financial Officer

Mr. Hasan Shahnawaz

### Company Secretary

Syed Abid Raza Zaidi

### Auditors

M/s Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants

### Bankers

National Bank Of Pakistan  
Silk Bank Limited  
The Bank of Punjab  
Meezan Bank Limited  
Habib Bank Limited

### Registered Office

67 C-1, Gulberg III, Lahore.  
Phones : (042) 35754378  
E-mail : sallytex@hotmail.com  
Fax : (042) 35754394

### Mills

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

## Vision and Mission Statement

### Vision

To achieve consistent superior performance in all respects, provide quality products to our valued customer and run the company purely on professional grounds

### Mission

- Continuous improvement in total quality performance by achieving high standards in our products and providing these to our customers without error, on time and every time.
- We are dedicated to supply the product of highest quality and standards, yet at a reasonable cost for our national and international customer's satisfaction.
- All of our commitments, actions and products must be recognized as an expression of quality.
- We are committed to improve our skills and know-how, competency, practical experience and training of employees by implementing quality system.
- We continuously improve the performance of quality standards through practical participation of our employees at all levels.
- Our mission is to meet National and International Standards, Customers' Satisfaction and Continuous Improvements in our standards through use of latest methods and employees satisfaction.

## Statement of Ethics and Business Practices

We believe that a complete code of ethics is essential for the maintenance of integrity and professionalism in the day-to-day functioning of Sally Textile Mills Limited. We always place the Company's interest first through resource management namely human, financial and other infra structural facilities and to ensure reasonable return to all the shareholders. Conduct business as a responsible and law abiding corporate member of society to achieve its legitimate commercial objective and supports unconditionally the Compliance with best Practices of Corporate Governance for the betterment of corporate culture. We develop and observe cost effective practices in our activities and strive for excellence and quality. We encourage initiative and self-realization in employees through meaningful empowerment.

## Notice of Annual General Meeting

Notice is hereby given that 52nd Annual General Meeting of the company will be held on Monday 26th October, 2020 at 10:30 a.m. at its registered office 67/C-I, Gulberg-III, Lahore to transact the following business.

1. To confirm the minutes of 51st Annual General Meeting held on 25-10-2019.
2. To receive and adopt the audited accounts of the company along with the Directors and Auditor's reports for the year ended June 30, 2020.
3. To appoint the auditors and fix their remuneration for the next financial year 2020-2021.
4. To elect Directors of the company in accordance to the provision of the section 159 of the Companies Act 2017. The number of Directors to be elected has been fixed at seven in the Board meeting held on 5th October, 2020. Name of Directors retiring and eligible to file nominations are as under:
 

1. Mian Iqbal Salahuddin (CEO)	2. Mrs. Munira Salahuddin
3. Mian Yousaf Salahuddin	4. Mian Asad Salahuddin
5. Mian Sohail Salahuddin	6. Muhammad Khalil Latif
7. Syed Abid Raza Zaidi	
5. Any other matter with the permission of the chair.

By the order of the Board

Date: October 06, 2020

Place: LAHORE

SYED ABID RAZA ZAIDI

(Company Secretary)

### NOTES

- I. The shares transfer books of the company will remain closed from 16-10-2020 to 26-10-2020. (Both days inclusive). Transfer received in order by the Share Registrar M/S Corplink (Pvt) Ltd Wing Arcade, 1-K, Commercial, Model Town, Lahore 15-10-2020 will be consider in time for the purpose of attendance at the Annual General Meeting.
- II. Any person seeking to Contest the election of Directors shall lodge with the company at its registered office not later that fourteen (14) days before the date of meeting a letter of intention to offer himself / herself for election as a Director in term of section 159 (3) of the Companies Act, 2017 along with the following documents:
  - a) A letter of consent to act as a Director of the Company, if elected.
  - b) A declaration under rule 3(4) of the Public Sector Companies (Corporate Governance) Rules, 2013 that he or she is not serving as Director of more than five public sector companies or listed companies except subsidiaries thereof.
  - c) A declaration that the person is aware of the duties and powers of Directors under the Companies Act 2017, the Memorandum and Articles of Associations of the Company, the Pakistan Stock Exchange Rules and Public Sector Companies (Corporate Governance) Rules 2013, and has read the provisions contained therein.
  - d) A declaration that he or she is a registered tax payer and has not convicted by any court of competent jurisdiction as a defaulter in the payment of any loan to a banking company, development financial institution or a non-banking financial institution and neither he/she nor his/her spouse is engaged in the business of stock brokerage.
- III. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her participant's ID number and CDC account/sub-account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- IV. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote instead of his/her.
- V. Forms of proxy, in order to be valid must be properly filled-in/executed and received at the registered office of the company situated at 67/CI, Gulberg-III, Lahore not later than 48 hours before the time of the meeting.
- VI. Members are requested to promptly notify Share Registrar of the Company of any change in their addresses.

- VII. Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC) are requested to send the same to our Share Registrar at the earliest.
- VIII. In pursuant of circular no. 05 dated March 17, 2020 and circular no. 25 dated August 31, 2020 of "SECP" to avoid COVID 19 situation the proceedings of the meeting will be carried out also through video link facility. In order to attend the meeting through such facility, the members are requested to get themselves registered not later than 72 hours before meeting by providing the following information on contact detail as given below below.

Full Name	CNIC No.	Folio No.	E-mail Address	Cell No.

- IX. Form of proxy is being sent to the members.

## STM صلی ٹیکسٹائل ملز لمیٹڈ

67-C-1 گلیبرگ III لاہور

### اطلاع برائے سالانہ اجلاس عام

بذریعہ اشتہار مطلع کیا جاتا ہے کہ کمپنی کا پانواں (52) سالانہ اجلاس عام بروز پیر 26 اکتوبر 2020ء کو صبح ساڑھے دس بجے 67-C-1 گلیبرگ III لاہور مندرجہ ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

#### خصوصی امور:

- 1- کمپنی کے اکاؤنٹ 51 سالانہ اجلاس عام منعقدہ 25 اکتوبر 2019ء کی کارروائیوں کی توثیق۔
- 2- 30 جون 2020ء ختم شدہ سال کیلئے کمپنی کے سالانہ آڈٹ شدہ حسابات بشمول ان پر آڈیٹرز اور ڈائریکٹرز کی رپورٹوں کی وصولی غور و خوض اور منظوری۔
- 3- 30 جون 2020ء کو ختم ہونے والے سال کیلئے آڈیٹرز کا تقرار اور ان مشاہرہ کا تعین۔
- 4- انتخاب برائے کمپنی ڈائریکٹرز با مطابق سیکشن 158 کمپنیز آرڈیننس 2017ء
- 5- 05 اکتوبر 2020ء کو منعقد ہونے والے اجلاس میں بورڈ کی جانب سے طے کردہ 7 ڈائریکٹرز بمعدہ (سی ای او) کا انتخاب برائے اگلے تین سال موجودہ ڈائریکٹران اپنا دورانیہ پورا کر چکے ہوں دورانیہ پورا کر لینے والے ڈائریکٹرز کے نام درج ذیل ہیں۔  
تاہم حذر کردہ بالاسکدہ ڈائریکٹران بھی سنے انتخاب میں حصہ لینے کے مجاز ہوں گے۔

- 1- میاں اقبال صلاح الدین (ڈائریکٹر) سی ای او
- 2- مسز میر صلاح الدین (ڈائریکٹر)
- 3- میاں یوسف صلاح الدین (ڈائریکٹر)
- 4- میاں اسد صلاح الدین (ڈائریکٹر)
- 5- میاں شکیل صلاح الدین (ڈائریکٹر)
- 6- محمد طفیل لطیف (ڈائریکٹر)
- 7- سید عابد رضا بی بی (ڈائریکٹر)
- 6- چیئرمین کی اجازت سے کمپنی کے دیگر کسی امور کی انجام دہی۔

حسب اہم بورڈ

سید عابد رضا زیدی

ڈائریکٹر/کمپنی سیکرٹری لاہور

مورخہ 06 اکتوبر 2020ء

#### نوٹس:

- 1- کمپنی کے حصص کی منتقلی کی کتابیں 16 اکتوبر 2020ء سے 26 اکتوبر 2020ء تک (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئرز رجسٹر اور میسرز کارپنٹک پرائیویٹ لمیٹڈ ونگ آرکائیو 1-K کرشل ماڈل ٹاؤن لاہور میں 15 اکتوبر 2020ء تک موصول ہونے والے فرانسفرز کو اجلاس عام میں شرکت کیلئے بروقت سمجھا جائے گا۔
- 2- ڈائریکٹرز کے انتخاب میں حصہ لینے کا خواہشمند کوئی بھی شخص اجلاس کی تاریخ سے (14) دن قبل کمپنی کے رجسٹرڈ آفس میں کمپنیز ایکٹ 2017ء کی شق (3) 159 کے تحت بطور ڈائریکٹر انتخاب میں حصہ لینے کے ارادے کا خط مع درج ذیل دستاویزات جمع کرائے گا۔  
ا- کمپنی کے ڈائریکٹر کے طور پر کام کرنے کی رضامندی کا خط اگر منتخب ہو جائے۔  
ب- پبلک سیکرٹری (کارپورٹ گورننس) رولز، 2017ء (4) 3 کے تحت ایک توثیقی بیان کہ پانچ سے زائد پبلک سیکرٹریز یا لمیٹڈ کمپنیز میں بطور ڈائریکٹر خدمات سرانجام نہیں دے رہا/رہی ماسوائے ان کی ذیلی کمپنیوں کے۔  
ج- توثیقی بیان کہ وہ کمپنیز ایکٹ 2017ء کی شق 3 کے تحت ایک توثیقی بیان کہ پانچ سے زائد پبلک سیکرٹریز یا لمیٹڈ کمپنیز (کارپورٹ گورننس) رولز، 2013ء سے آگاہ ہے اور اس نے ان میں موجود ضابطوں کو پڑھا ہے۔  
د- توثیقی بیان کہ وہ ایک رجسٹرڈ ٹیکس دہندہ ہے اور مجاز احاطہ اختیار کی حامل عدالت سے کسی بینکنگ کمپنی، ترقیاتی مالی ادارے یا کسی غیر بینکنگ مالیاتی ادارے کا تارہندہ ہونے کی بناء پر سزایا تفتیش ہے اور نہ ہی اس کی بیوی/خاندان اس کا پیچھے کے کاروبار سے منسلک ہے۔
- 3- سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ میں شیئرز جمع کرانے والے ممبران اپنا امیدوار آئی ڈی نمبر، CDC اکاؤنٹ/سب اکاؤنٹ نمبر اور اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ اجلاس میں شرکت کے وقت ضرور ساتھ لائیں۔
- 4- ایک ممبر جو اجلاس ہذا میں شرکت اور ووٹ کا حقدار ہے وہ اپنی جگہ اجلاس میں شرکت، مکتفو اور ووٹ کیلئے کسی دوسرے ممبر کو بطور پراکسی مقرر کر سکتا ہے۔
- 5- پراکسی فارم کے معرہ ہونے کے لئے ان کا صحیح طور پر شدہ ہونا اور کمپنی کے رجسٹرڈ آفس 67-C-1، گلیبرگ III، لاہور میں سالانہ اجلاس عام کے وقت سے 48 گھنٹے قبل موصول ہونا ضروری ہے۔
- 6- ممبر حضرات سے درخواست ہے کہ اپنے چوں میں کسی بھی تبدیلی کی بابت فوری طور پر کمپنی کے شیئرز رجسٹر کو مطلع کریں۔
- 7- جن ممبران نے اپنے کمپیوٹرائزڈ قومی شناختی کارڈ CNIC کی فوٹو کاپی ابھی تک جمع نہیں کرائی ہے انہیں جلد از جلد ہماری شیئرز رجسٹر کو ارسال کرنے کی گزارش کی جاتی ہے۔
- 8- ایس ای سی بی کے سرگزر نمبر 6 مورخہ 17 مارچ 2020ء اور سرگزر نمبر 25 مورخہ 31 اگست 2020ء کے مطابق کورڈ 19 کی صورتحال کے پیش نظر اجلاس کی کارروائی بذریعہ ویڈیو لنک بھی انجام دی جائے گی اس سہولت کے ذریعہ اجلاس میں شرکت کیلئے ممبران سے درخواست ہے کہ اجلاس ہذا کے انعقاد سے کم از کم 72 گھنٹے قبل حسب ذیل معلومات کی فراہمی کے ساتھ ویڈیو لنک سہولت رجسٹریشن کرائیں۔

کمل نام	سی این آئی کی نمبر	نمبر	ای میل ایڈریس	موبائل نمبر

9- پراکسی فارم سالانہ رپورٹ کے حوالہ منسلک ہے جو ممبران کو ارسال کیا جا رہا ہے۔



## Key Operating and Financial Data

	2020	2019	2018	2017	2016	2015	2014
	Rupees in million						
OPERATING PERFORMANCE							
Sales	-	112	1,913	1,647	2,192	3,280	3,796
Gross (loss)/profit	(40)	(155)	(242)	90	(197)	(19)	182
(Loss) / Profit before tax	(262)	(329)	(373)	(10)	(209)	(210)	7
Tax	7.2	13	25	10	34	(10)	29
(Loss) / Profit after tax	(254)	(316)	(398)	(21)	(243)	(200)	(22)
FINANCIAL POSITION							
Assets							
Non-current assets	872	911	957	996	1,042	1,212	1,141
Current assets	805	805	838	1,243	1,215	1,260	828
Total assets	1,677	1,716	1,796	2,239	2,257	2,472	1,969
Equity & liabilities							
Share capital & reserves	(1215)	(964)	(653)	(256)	(241)	150	336
Surplus on revaluation	218	222	227	230	247	232	248
Total equity	(997)	(742)	(426)	(26)	7	382	584
Non-current liabilities	844	783	844	808	529	510	416
Current liabilities	1,830	1,675	1,378	1,457	1,721	1,580	969
Total liabilities	2,674	2,458	2,222	2,265	2,250	2,090	1,385
Total	1,6,77	1,716	1,796	2,239	2,257	2,472	1,969

## Directors' Report

The Directors of **Sally Textile Mills Limited** ("the Company") present the 52<sup>nd</sup> annual report of the Company for the period ended June 30, 2020.

### Overview - Performance review

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

The financial results in a summarized form are given hereunder:

Description	June 30, 2020 Rs. in million	June 30, 2019 Rs. in million
Turnover - net	-	111.74
Gross profit/(loss)	(40)	(154.98)
Loss before tax	(262)	(328.57)
Loss after tax	(254)	(315.77)

### Loss per share

Loss per share of your company for ended June 30, 2020 is Rs. (29.01) as compared to Rs. (35.99) for the comparative period ended June 30, 2019.

### Going Concern assumptions

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

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

### Business, Risk, Challenges and Future Outlook

It is apparent and evident that Pakistani economy is facing an uncertain environment. The industry is facing unprecedented crises and it seems that these conditions will continue to hit the industry until the government takes radical steps to revive it. Our sector remains the highest employment generator for the country. If the government does not facilitate this sector, many units like ours will shut down and thousands of jobs will be lost.

### Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities. However, due to negative cash – our CSR levels were curtailed this year.

## Health Safety and Environment

Your company is well aware of the importance of workers and staff therefore the company is strongly committed towards all aspects of safety, health and environment connected with our business.

## Financial Statements

The Financial statements for the year ended June 30, 2020 were approved by the Board of Directors on October 05, 2020 and authorized for their issuance. Operating and financial data of last six years is annexed.

## Code of corporate governance

The requirements of the Code of Corporate Governance set out by the Pakistan Stock Exchange in its listing regulations, relevant for the year ended June 30, 2019 have been adopted by the company and have been duly complied with. Statement to this effect is annexed to the report.

## Pattern of Shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is attached separately.

No trade in the shares of company was carried out by CEO, CFO and Company Secretary and their spouses and minor children except those that have been duly reported as per law.

## Board Meeting and Attendance

During the year four meetings of the Board of Directors of the company were held attendance by each director is narrated below:-

Sr. No.	Name	Attendance
1.	Mian Iqbal Salahuddin	4
2.	Mian Yousaf Salahuddin	4
3.	Mian Asad Salahuddin	4
4.	Mst. Munira Salahuddin	4
5.	Mian Sohail Salahuddin	4
6.	Syed Abid Raza Zaidi	4
7.	Usman Shahid	0
8.	M.Khalil Latif	4

## Audit Committee Meeting and Attendance

During the year four meetings of the audit committee of the company were held; attendance by each member is as under.

Sr. No.	Name	Attendance
1	Mian Asad Salahuddin	4
2	Mian Sohail Salahuddin	4
3	M. Khalil Latif	4

#### HR and Remuneration Committee

During the year, one meeting of HR and Remuneration Committee of the company was held; attendance by each member is as under.

Sr. No.	Name	Attendance
1	Mst. Munera Salahuddin	1
2	Mian Sohail Salahuddin	1
3	M. Khalil Latif	1

#### Auditors

The present auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants retired and are being eligible offer themselves for re-appointment as auditors of the company for the year 2020-21. The audit committee has recommended the appointment of aforesaid auditors M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants, as external auditor for the year ended June 30, 2020. The External auditors, M/S. Rehman Sarfraz Rahim Iqbal Rafique Chartered Accountants have been given satisfactory rating under the quality review program of the Institute of Chartered Accountants of Pakistan and the firm and its entire partner are in compliance with the International Federation of Accountants' guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

#### Acknowledgement

Yours directors record with appreciation, the efforts of the company's managers, technicians, staff and workers who have vigorously to meet the target. Your directors also extend their appreciation to the company's banker, buyers and suppliers for their cooperation.

For and on behalf of the Board



**MIAN IQBAL SALAHUDDIN**  
Chief Executive Officer

Lahore: October 05, 2020

## رپورٹ از ڈائریکٹر ان

صلی ٹیکسٹائل مل کے ڈائریکٹر ان کمپنی کی 52 ویں سالانہ رپورٹ پیش کر رہے ہیں جس کے ساتھ کمپنی کے حسابات اور آڈیٹری

رپورٹ لف ہے۔

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

مالیاتی نتائج مختصر ایوں ہیں :

تفصیل	30 جون 2019	30 جون 2020
خاص وصولیات	11 کروڑ 17 لاکھ 40 ہزار	صفر
کل نفع / نقصان	15 کروڑ 49 لاکھ 80 ہزار	3 کروڑ 98 لاکھ 79 ہزار
نقصان قبل از ٹیکس	32 کروڑ 85 لاکھ 57 ہزار	26 کروڑ 18 لاکھ 71 ہزار
نقصان بعد از ٹیکس	31 کروڑ 51 لاکھ 70 ہزار	25 کروڑ 45 لاکھ 84 ہزار

## نقصان فی حصہ :

اس سال کمپنی کے ایک شیئر کے مقابل 29 روپے 01 پیسے نقصان ہوا جبکہ گزشتہ سال ایک شیئر کے مقابل 35 روپے 99 پیسے نقصان

رہا تھا۔

کمپنی موجود برقرار رہنے کے مفروضات :

کمپنی گزشتہ سال سے خسارے پر چل رہی ہے جس کے اسباب یہ ہیں۔ ملکی و غیر ملکی منڈیوں میں مصنوعات کی قیمتوں میں کمی۔ بجلی کا بحران۔ انڈین دھاگے کی بڑی مقدار کا مقامی منڈی میں پھینکا جانا۔ معاشی عدم استحکام اور حکومت کی ناموافق ٹیکسٹائل پالیسی کمپنی اپنی استعداد کار کے مطابق کام نہیں کر سکی جس سے مطلوبہ نفع کشید نہ ہو سکا۔ کمپنی کے باضابطہ آڈیٹر ان کو کمپنی کے رواں رہنے کے بارے میں شک ہے۔ تاہم موجودہ مالیاتی تخمینہ جات اس بنیاد پر تیار کیے گئے ہیں۔

نقدی کے بہاؤ کا انتظام :

ڈائریکٹر ان نقدی بہاؤ کی اہمیت کو بخوبی سمجھتے ہیں کی کاروبار کی روانی میں اس کا کتنا عمل دخل ہے۔ اس مقصد کی خاطر نقدی کی آمد و رفت کو مسلسل جانچا جاتا ہے اور وقتاً فوقتاً اس کی توثیق کی جاتی ہے۔ چالو سرمائے کی ضرورت کو دیکھ کر اس کی فراہمی کا انتظام کیا جاتا ہے کمپنی کے اندرونی درائع اور بیرونی درائع کی قلیل مدت فنانسنگ کے دریچے۔

کاروباری خدشات اور پیش چیلنج اور مستقبل کا منظر نامہ :

یہ واضح ہے کہ پاکستانی ٹیکسٹائل صنعت غیر یقینی حالات کا سامنا کر رہی ہے۔ صنعت کو ان دیکھے بحرانوں کا سامنا ہے جن میں کوئی کمی نہیں آسکی جب تک حکومت اس سلسلے میں راست اقدام نہیں اٹھاتی۔ تاہم اگلے سال سے ٹیکسٹائل صنعت کی بہتری کے اندازے لگاتے

جار ہے ہیں اور امید ہے کہ ٹیکسٹائل صنعت بہتری کی طرف جائے گی۔  
کمپنی کی سماجی ذمہ داری:

آپ کی کمپنی اپنی سماجی ذمہ داریوں کو بہت اہمیت دیتی ہے اور اس کا عزم ہے بہترین معیارات کو چھونا۔  
کمپنی کی سماجی ذمہ داری کی اصول کے حوالے سے جن شعبوں میں کام کیا جاتا ہے وہ یہ ہیں صحت عامہ، تعلیم، حفظ ماحول، صاف پانی، نکاسی آب، بچوں کی بہبود بنیادی ڈھانچے کی تشکیل اور دیگر سماجی بہبود کے کام۔ ہم ان ہسپتالوں اور تعلیمی اداروں کی مدد کرتے ہیں جو محروم طبقات کے مریضوں، طلبہ اور بچوں کا خیال رکھتے ہیں۔  
صحت، حفاظت اور ماحول:

آپ کی کمپنی ہر مند افراد کی قوت کی اہمیت کا احساس رکھتی ہے چنانچہ کمپنی میں خطروں سے بچاؤ، صحت کی حفاظت اور ماحول کی صفائی کا خیال رکھا جاتا ہے۔  
مالیاتی دستاویزات:

30 جون 2020 کو ختم ہونے والے مالی سال کی دستاویزات کو ڈائریکٹران نے 5 اکتوبر 2020 کو منظور کیا اور ان کے اجراء کی اجازت دی گزشتہ 6 سالوں کی مالیاتی اعداد و شمار پھر لف کیے جارہے ہیں۔  
کارپوریٹ گورننس کے قواعد:

پاکستان شاک ایکس چینج کی طرف سے مقرر کردہ متعلقہ قواعد کو کمپنی نے نہ صرف اختیار کیا ہے بلکہ ان پر عملدرآمد بھی ہوا ہے۔ متعلقہ دستاویزات ہے۔  
حصص کی ملکیت کا نقشہ:

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

اس سال ڈائریکٹر کے 14 اجلاس ہوئے جن کی حاضری رپورٹ پیش خدمت ہے۔

4	میاں اقبال صلاح الدین
4	میاں یوسف صلاح الدین
4	میاں اسد صلاح الدین
4	مسماٹ منیرہ صلاح الدین
4	میاں سہیل صلاح الدین
4	سید عابد رضا زیدی
0	عثمان شاہد

4

محمد خلیل لطیف

آڈٹ کمیٹی کے اجلاس اور حاضری:

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

4

محمد خلیل لطیف

4

میاں اسد صلاح الدین

4

میاں سہیل صلاح الدین

انسانی وسائل اور معاوضہ کمیٹی:

رواں سال کمیٹی کا ایک اجلاس ہوا جس کی شرکت کی رپورٹ حاضر ہے۔

1

محمد خلیل لطیف

1

میاں سہیل صلاح الدین

1

مسماں منیرہ صلاح الدین

آڈیٹرز:

موجودہ آڈیٹرز مین رحمان سرفراز، رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس اس بار ریٹار ہو رہے ہیں لیکن وہ رواں سال کے لیے بھی خدمات دینے کی امیدوار ہیں۔ آڈٹ کمیٹی نے ان کے تقرر کی سفارش کی ہے بطور بیرونی آڈیٹرز برائے سال جو 30 جون 2020 کو ختم ہو رہا ہے ICAP کی شرائط پر پورا اترتے ہیں۔ کمپنی نیشنل فیڈریشن آف اکاؤنٹس کے معیارات پر بھرپور اتری ہے۔

حرف تشکر:

ڈائریکٹران کمپنی کے مینجروں، کاریگروں، عملے اور کارکنوں کی تمام تر کاوشوں کو تحسین کی نگاہ سے دیکھتے ہیں۔ ڈائریکٹران کمپنی کے بینکوں، خریداروں اور سپلائرز کے تعاون کو بھی خراج تحسین پیش کرتے ہیں۔

منجانب بورڈ



میاں اقبال صلاح الدین

چیف ایگزیکٹو آفیسر

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations 2019 for the year ended June 30, 2020

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: Seven

b) Female: One

2. The composition of board is as follows:

Category	Names
<b>Independent Director</b>	Muhammad Khalil Latif
<b>Other Non-Executive Directors</b>	Mst. Munira Salahuddin
	Mian Asad Salahuddin
	Syed Abid Raza Zaidi
	Usman Shahid
	Mian Sohail Salahuddin
<b>Executive Directors</b>	Mian Iqbal Salahuddin
	Mian Yousaf Salahuddin

- 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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
- The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
- The company stands complied with the requirement of having half of the Directors on their board under Directors Training Program certified as prescribed under the Regulation. The remaining directors shall obtain certification under the DTP in due course of time.



10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:-

**a) Audit Committee:**

1. Mr. Muhammad Khalil Latif
2. Mian Asad Salahuddin
3. Mian Sohail Salahuddin

**b) HR and Remuneration Committee:**

1. Mr. Muhammad Khalil Latif
2. Mst. Munira Salahuddin
3. Mian Sohail Salahuddin

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following,-
  - a) Audit Committee (Quarterly)
  - b) HR and Remuneration Committee (Yearly)
15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all offers requirements of the regulations have been complied with except that the Board has not yet put in place a mechanism for annual evaluation of its performance.

For and on behalf of the Board



**MIAN IQBAL SALAHUDDIN**  
Chief Executive Officer

Lahore: October 05, 2020

## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the members of SALLY TEXTILE MILLS LIMITED

#### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We were engaged to reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ['the Regulations'] prepared by the Board of Directors of **SALLY TEXTILE MILLS LIMITED** for the year ended **June 30, 2020** in accordance with the requirements of regulation 36 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 to ensure compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

No information necessary for the purpose of review was provided to us, accordingly, we do not express our conclusion as to whether the Statement of Compliance appropriately reflects the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended **June 30, 2020**.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
*Chartered Accountants*

Lahore: *October 05, 2020*

# INDEPENDENT AUDITOR'S REPORT

## To the members of SALLY TEXTILE MILLS LIMITED

### Report on the Audit of the Financial Statements

#### Disclaimer of Opinion

We were engaged to audit the annexed financial statements of **SALLY TEXTILE MILLS LIMITED** ['the Company'], which comprise the statement of financial position as at **June 30, 2020**, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

#### Basis for Disclaimer of Opinion

- a) We were not provided access to factory premises by the management of the Company due to which we were unable to observe the counting of physical inventories and to conduct physical verification of property, plant and equipment at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory and property, plant and equipment held by the Company at June 30, 2020 which are stated in the statement of financial position at Rs. 565.44 million and Rs. 861.233 million, respectively.
- b) The Company has not provided us access to its books of account and other information which were necessary for the purpose of our audit.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded elements making up the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows.

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

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

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

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

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

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ['the Code'] and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK**.

**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
*Chartered Accountants*

Lahore: *October 05, 2020*

## STATEMENT OF FINANCIAL POSITION


### AS AT JUNE 30, 2020


	Note	2020 Rupees	2019 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<i>Authorized capital</i>			
20,000,000 (2019: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	6	87,750,000	87,750,000
Surplus on revaluation of property, plant and equipment	7	218,498,534	222,616,108
Accumulated loss		(1,302,873,937)	(1,052,407,354)
<b>TOTAL EQUITY</b>		<b>(996,625,403)</b>	<b>(742,041,246)</b>
<b>LOAN FROM SPONSORS</b>	8	<b>686,263,737</b>	<b>617,898,653</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term finances	9	-	-
Employees retirement benefits	10	101,907,337	101,907,337
Deferred taxation	11	55,866,523	63,191,815
		<b>157,773,860</b>	<b>165,099,152</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	462,843,079	459,033,373
Unclaimed dividend		1,010,033	1,010,033
Short term borrowings	13	722,780,654	722,658,630
Accrued interest/profit	14	332,539,876	181,557,822
Current portion of non-current liabilities		310,833,334	310,833,334
		<b>1,830,006,976</b>	<b>1,675,093,192</b>
<b>TOTAL LIABILITIES</b>		<b>1,987,780,836</b>	<b>1,840,192,344</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	15		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,677,419,170</b>	<b>1,716,049,751</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore

Date : October 05, 2020

  
MIAN IQBAL SALAHUDDIN  
Chief Executive

  
HASSAN SHAHNAWAZ  
Chief Financial Officer

  
MIAN YOUSAF SALAHUDDIN  
Director

## STATEMENT OF FINANCIAL POSITION

### AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	861,233,464	899,998,866
Long term deposits	17	11,243,604	11,243,604
		872,477,068	911,242,470
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	18	80,622,598	80,622,598
Stock in trade	19	565,440,498	565,440,498
Trade debts	20	96,587,770	96,582,970
Advances, deposits, prepayments and other receivables	21	48,033,149	47,862,112
Current taxation	22	11,764,760	11,797,262
Cash and bank balances	23	2,493,327	2,501,841
		804,942,102	804,807,281
<b>TOTAL ASSETS</b>		<b>1,677,419,170</b>	<b>1,716,049,751</b>

*The annexed notes 1 to 46 form an integral part of these financial statements.*

Lahore  
Date : October 05, 2020

  
MIAN IQBAL SALAHUDDIN  
Chief Executive

  
HASSAN SHAHNAWAZ  
Chief Financial Officer

  
MIAN YOUSAF SALAHUDDIN  
Director


## STATEMENT OF PROFIT OR LOSS

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	24	-	111,744,649
Cost of sales	25	(39,879,647)	(266,726,738)
<b>Gross loss</b>		<b>(39,879,647)</b>	<b>(154,982,089)</b>
Selling and distribution expenses	26	-	(1,747,768)
Administrative and general expenses	27	(14,248,442)	(27,470,640)
		<b>(14,248,442)</b>	<b>(29,218,408)</b>
		<b>(54,128,089)</b>	<b>(184,200,497)</b>
Other income	28	-	9,251,173
<b>Operating loss</b>		<b>(54,128,089)</b>	<b>(174,949,324)</b>
Finance cost	29	(151,366,476)	(117,583,487)
Notional interest	8.3	(56,365,084)	(36,015,720)
Other charges	30	(11,550)	(31,031)
<b>Loss before taxation</b>		<b>(261,871,199)</b>	<b>(328,579,562)</b>
Taxation	31	7,287,042	12,802,450
<b>Loss after taxation</b>		<b>(254,584,157)</b>	<b>(315,777,112)</b>
<b>Loss per share - basic and diluted</b>	32	<b>(29.01)</b>	<b>(35.99)</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore  
Date : October 05, 2020

  
MIAN IQBAL SALAHUDDIN  
Chief Executive

  
HASSAN SHAHNAWAZ  
Chief Financial Officer

  
MIAN YOUSAF SALAHUDDIN  
Director

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020	2019
		Rupees	Rupees
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive loss		-	-
Loss after taxation		(254,584,157)	(315,777,112)
Total comprehensive loss		(254,584,157)	(315,777,112)

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore  
Date : October 05, 2020

  
MIAN IQBAL SALAHUDDIN  
Chief Executive

  
HASSAN SHAHNAWAZ  
Chief Financial Officer

  
MIAN YOUSAF SALAHUDDIN  
Director



# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash used in operations	33	(11,740,368)	(51,927,941)
Payments for:			
Employees retirement benefits		-	(268,670)
Finance cost		(384,422)	-
Income tax		(5,748)	(864,235)
<b>Net cash used in operating activities</b>		<b>(12,130,538)</b>	<b>(53,060,846)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-	(339,595)
Proceeds from disposal of property, plant and equipment		-	9,664,691
<b>Net cash generated from investing activities</b>		<b>-</b>	<b>9,325,096</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term finances		-	-
Loan from sponsors obtained		12,000,000	45,000,000
Net increase/(decrease) in short term borrowings		122,024	(984,353)
<b>Net cash generated from financing activities</b>		<b>12,122,024</b>	<b>44,015,647</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(8,514)</b>	<b>279,897</b>
<b>CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR</b>		<b>2,501,841</b>	<b>2,221,944</b>
<b>CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR</b>	34	<b>2,493,327</b>	<b>2,501,841</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore

Date : October 05, 2020

MIAN IQBAL SALAHUDDIN  
Chief Executive

HASSAN SHAHNAWAZ  
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN  
Director


## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Capital reserve	Revenue reserves	
		Surplus on		
	Issued and	devaluation of property,	Accumulated	Total
	subscribed and	plant and	losses	equity
	paid-up capital	equipment		
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at July 01, 2018	87,750,000	226,964,580	(740,978,714)	(426,264,134)
Comprehensive loss				
Loss after taxation	-	-	(315,777,112)	(315,777,112)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(315,777,112)	(315,777,112)
Incremental depreciation	-	(4,348,472)	4,348,472	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2019	87,750,000	222,616,108	(1,052,407,354)	(742,041,246)
Balance as at July 01, 2019	87,750,000	222,616,108	(1,052,407,354)	(742,041,246)
Comprehensive loss				
Loss after taxation	-	-	(254,584,157)	(254,584,157)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(254,584,157)	(254,584,157)
Incremental depreciation	-	(4,117,574)	4,117,574	-
Transaction with owners	-	-	-	-
Balance as at June 30, 2020	87,750,000	218,498,534	(1,302,873,937)	(996,625,403)

The annexed notes 1 to 46 form an integral part of these financial statements.

Lahore  
Date : October 05, 2020

  
MIAN IQBAL SALAHUDDIN  
Chief Executive

  
HASSAN SHAHNAWAZ  
Chief Financial Officer

  
MIAN YOUSAF SALAHUDDIN  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2020

### 1 REPORTING ENTITY

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

Pakistan Stock Exchange had placed the Company on defaulter segment with effect from February 07, 2019.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

- International Financial Reporting Standards ['IFRS'] issued by the International Accounting Standards Board [IASB] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards ['IFAS'] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

#### 2.2 Appropriateness of the going concern assumption

The Company has been facing operational losses due to decrease in selling prices in local as well as international markets, the on-going power crises, dumping of Indian yarn at low prices along with other factors, including economic instability and unfavourable textile policy of the Government, affecting the textile industry. The Company has not been able to utilize its production capacity at an optimum level due to which the desired profitability remained unachieved.

As a result, the Company has incurred gross loss of Rs. 39.88 million and loss after taxation of Rs. 254.584 million during the year ended June 30, 2020. As at June 30, 2020, the Company has accumulated losses of Rs. 1302.874 million as at the reporting date. Its current liabilities exceed its current assets by Rs. 1025.065 million. These factors raise doubts about the Company's ability to continue as a going concern. However, these financial statements have been prepared on going concern basis based on the following:

- (a) Management is optimistic that the government will ban the dumping of Indian yarn in our local markets to help the local industry. Meanwhile the textile sector, through APTMA forum has also forwarded a petition to impose anti-dumping and anti-subsidy duty on Indian yarn.
- (b) The Company has continued financial support of its sponsors in the form of interest free loans. During the year, the sponsors provided financial support amounting to Rs. 12 million in the form of long term interest free loans.

#### 2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employee retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the statement of cash flow, all transactions have been accounted for on accrual basis.

#### 2.4 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### 2.4.1 Critical accounting judgements

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

**(a) Business model assessment (see note 5.6.2)**

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

#### 2.4.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

**(a) Depreciation method, rates and useful lives of operating fixed assets (see note 5.1.1)**

The Company reassesses useful lives, depreciation method and rates for each item of property and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

**(b) Amortization method, rates and useful lives of intangible assets (see note 5.1.1)**

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

**(c) Taxation (see note 5.15)**

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

**(d) Provisions (see note 5.10)**

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

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

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

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

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

**(g) Obligation under defined benefit plan (see note 5.5)**

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

**(h) Revaluation of property, plant and equipment (see note 5.2)**

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

**(i) Net realizable values of stock in trade (see note 5.4)**

The company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

## 2.5 Functional currency

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

## 2.6 Date of authorization for issue

These financial statements were authorized for issue on October 05, 2020 by the Board of Directors of the Company.

## 3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

### 3.1 IFRS 16 - Leases (2016)

IFRS 16 supersedes IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases- Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Whereas, for lessees all leases will be classified as finance leases only. However, as per relevant guidelines issued by Institute of Chartered Accountants of Pakistan, contracts under Ijarah will continue to be treated as operating leases under IFAS 2.

### 3.2 IFRIC 23 - Uncertainty over Income Tax Treatments

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

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

### 3.3 Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)

IFRS 9 - Financial Instruments has been amended regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

### 3.4 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)

IAS 28 - Investments in Associates and Joint Ventures have been amended to clarify that an entity applies IFRS 9 Financial Instruments to 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.

### 3.5 Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The annual improvements have made amendments to the following standards:

- **IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23 - Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

### 3.6 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)

IAS 19 - Employees Benefits has been amended to provide that:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

### 4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures).	January 01, 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards).	January 01, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations).	January 01, 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment).	January 01, 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets).	January 01, 2022
Annual Improvements to IFRS Standards 2018–2020.	January 01, 2022
COVID-19 - Related Rent Concessions (Amendment to IFRS 16 - Leases).	June 01, 2020
Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ['SECP']:	
IFRS 1 - First Time Adoption of International Financial Reporting Standards	
IFRS 14 - Regulatory Deferral Accounts	
IFRS 17 – Insurance contracts (2017)	

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

### 5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## 5.1 Property, plant and equipment

### 5.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings on freehold land, plant and machinery, electric installation, laboratory equipment and fire fighting equipment which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 16.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

### 5.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

### 5.1.3 Spare parts held exclusively for capitalization

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

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

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

## 5.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Stores and spares held exclusively for capitalization are recognized as capital work in progress.

## 5.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw material	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

## 5.5 Employee benefits

### *Short-term employee benefits*

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

### *Post-employment benefits*

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on statement of financial position represents the present value of defined benefit obligation. The details of the scheme are referred to in note 10 to the financial statements.

## 5.6 Financial instruments

### 5.6.1 Recognition

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

### 5.6.2 Classification

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

#### *(a) Financial assets at amortized cost*

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

#### *(b) Financial liabilities at amortized cost*

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

### 5.6.3 Measurement

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

### 5.6.4 De-recognition

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

### 5.6.5 Off-setting

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

## 5.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.



## 5.8 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

## 5.9 Trade and other payables

### 5.9.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

### 5.9.2 Non-financial liabilities

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

## 5.10 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

## 5.11 Trade and other receivables

### 5.11.1 Financial assets

These are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs, except for trade debts that do not have a significant financing component, which are measured at undiscounted invoice price. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

### 5.11.2 Non-financial assets

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

## 5.12 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consists of sale of yarn. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers

## 5.13 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ('OCI'). OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income.'

## 5.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

## 5.15 Income tax

Income tax expense comprises current tax and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

### 5.15.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

### 5.15.2 Deferred taxation

Deferred tax is accounted for using the balance sheet approach providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by the Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 5.16 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

## 5.17 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks.

## 5.18 Operating segment

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

## 5.19 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

## 5.20 Impairment

### 6.20.1 Financial assets

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

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

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

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

### 6.20.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

## 5.21 Dividend distribution to ordinary shareholders

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

	Note	2020 Rupees	2019 Rupees
<b>6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
8,775,000 (2019: 8,775,000) ordinary shares of Rs. 10 each issued for cash		87,750,000	87,750,000
<b>7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
As at beginning of the year		222,616,108	226,964,580
Incremental depreciation recognized in other comprehensive income			
Incremental depreciation for the year		(5,799,400)	(6,124,608)
Deferred taxation		1,681,826	1,776,136
		(4,117,574)	(4,348,472)
As at end of the year		218,498,534	222,616,108
<b>8 LOAN FROM DIRECTORS AND SPONSORS</b>			
Face value	8.2	807,000,000	795,000,000
Less: unamortized notional interest	8.3	(120,736,263)	(177,101,347)
		686,263,737	617,898,653
<b>8.1</b>	This loan has been obtained from sponsors of the Company and is unsecured and interest free. The loan is payable by June 30, 2025. The loan has been carried at amortized cost which has been determined using a discount rate of 9.85%, being the average effective borrowing rate of the Company. This loan is subordinated to long term and short term borrowings obtained from various banking institutions.		
	Note	2020 Rupees	2019 Rupees
<b>8.2 Movement during the year is as follows:</b>			
As at beginning of the year		795,000,000	750,000,000
Obtained during the year		12,000,000	45,000,000
As at end of the year		807,000,000	795,000,000
<b>8.3 Unamortized notional interest</b>			
As at beginning of the year		177,101,347	213,117,067
Arising during the year		4,497,933	16,867,249
Amortization for the year		(60,863,017)	(52,882,969)
As at end of the year		120,736,263	177,101,347
<b>9 LONG TERM FINANCES</b>			
These represent long term finances utilized under interest arrangements from banking companies			
Diminishing musharakah	9.1	83,333,334	83,333,334
Demand finance	9.2	227,500,000	227,500,000
		310,833,334	310,833,334
Current maturity presented under current liabilities		(310,833,334)	(310,833,334)
		-	-
<b>9.1</b>	The finance has been obtained from Silk Bank Limited to finance long term working capital requirements and is secured by charge over operating fixed assets and current assets of the Company and personal guarantees of the Company's directors. The finance carries profit at three months KIBOR plus 3.5% per annum (2019: three months KIBOR plus 3.5% per annum), payable quarterly. The finance is repayable in twelve equal quarterly installments with the first installment due in August 2016. As at reporting date, an amount of Rs 83.33 million is overdue. Up to the reporting date, an amount of Rs. 26.26 million has been accrued on account of interest out of which an amount of Rs. 23.58 million is overdue.		

- 9.2** The finance has been obtained from National Bank of Pakistan to finance long term working capital requirements and is secured by charge over operating fixed assets and current assets of the Company and personal guarantees of the Company's directors. The finance carries interest at three months KIBOR plus 2% per annum (2019: three month KIBOR plus 2.0% per annum), payable quarterly. The finance is repayable in eight equal bi-annual installments with the first installment due in June 2017. As at reporting date, an amount of Rs 227.50 million is overdue. Upto the reporting date, an amount of Rs. 78.75 million has been accrued on account of interest out of which an amount of Rs. 71.41 million is overdue.

## 10 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. No actuarial valuation has been carried out as at June 30, 2020 as the Company has discontinued the scheme.

	Note	2020	2019
		Rupees	Rupees
<b>10.1 Movement in present value of defined benefit obligation</b>			
As at beginning of the year		101,907,337	102,176,007
Benefits paid during the year		-	(268,670)
As at end of the year		101,907,337	101,907,337

## 11 DEFERRED TAXATION

Deferred tax liability on taxable temporary differences	11.1	159,115,317	158,885,168
Deferred tax asset on deductible temporary differences	11.1	(103,248,794)	(95,693,353)
		55,866,523	63,191,815

### 11.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020			
	As at July 01, 2019 Rupees	Recognized in profit or loss Rupees	Recognized in OCI Rupees	As at June 30, 2020 Rupees
<b>Deferred tax liabilities</b>				
Operating fixed assets	158,885,168	230,149	-	159,115,317
<b>Deferred tax assets</b>				
Employees retirement benefits	(29,553,128)	-	-	(29,553,128)
Unused tax losses and credits	(66,140,225)	(7,555,441)	-	(73,695,666)
	(95,693,353)	(7,555,441)	-	(103,248,794)
	63,191,815	(7,325,292)	-	55,866,523

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

**11.2** Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 29% (2019: 29%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

**11.3** Deferred tax asset relating to unused tax losses and credits has been recognized only to the extent of unabsorbed depreciation losses as the same are available for an infinite time under the present income tax laws. Deferred tax asset amounting to Rs. 255.338 million (2019: Rs. 208.754 million) related to unused losses and credits has not been recognized as future taxable profits are not expected to be available against which these losses and credits could be utilized.

	<i>Note</i>	2020 <i>Rupees</i>	2019 <i>Rupees</i>
<b>12 TRADE AND OTHER PAYABLES</b>			
Trade creditors		141,542,669	138,945,062
Accrued liabilities		187,152,580	185,222,580
Advances from customers	12.1	97,341,144	97,941,132
Workers' Welfare Fund	12.2	11,759,230	11,743,143
Other payables		25,047,456	25,181,456
		<b>462,843,079</b>	<b>459,033,373</b>

**12.1** These represent advances received from customers adjustable against future sales.

	<i>Note</i>	2020 <i>Rupees</i>	2019 <i>Rupees</i>
<b>12.2 Workers' Welfare Fund</b>			
As at beginning of the year		11,743,143	11,727,078
Provision during the year	29	16,087	16,065
As at end of the year		<b>11,759,230</b>	<b>11,743,143</b>

### 13 SHORT TERM BORROWINGS

These represent short term finances obtained from

Banking companies	13.1	722,537,650	722,537,650
Directors and sponsors	13.2	243,004	120,980
		<b>722,780,654</b>	<b>722,658,630</b>

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>13.1 Banking companies</b>			
These represent short term finances utilized under interest arrangements			
Cash finance	13.1.1	<b>648,653,898</b>	648,653,898
Term loan	13.1.2	<b>73,883,752</b>	73,883,752
		<b>722,537,650</b>	722,537,650

**13.1.1** These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current assets and operating fixed assets of the Company, pledge of stock and personal guarantees of the Company's Directors. The facility carries interest at three months KIBOR plus 2% per annum (2019: three months KIBOR plus 2% per annum), payable quarterly. As at reporting date, an amount of Rs 648.653 million is over due. Upto the reporting date, an amount of Rs. 208.448 million has been accrued on account of interest out of which an amount of Rs. 176.7 million is overdue.

**13.1.2** The facility has been obtained from banking company for working capital requirements and is secured by charge over current assets and operating fixed assets of the Company, pledge of stock and personal guarantees of the Company's Directors. The facility carries interest at three months KIBOR plus 2.00 % per annum (2019: three months KIBOR plus 2.00 % per annum), payable quarterly. As at reporting date, an amount of Rs 73.883 million is over due. Upto the reporting date, an amount of Rs. 19.083 million has been accrued on account of interest out of which an amount of Rs. 16.70 million is overdue.

**13.1.3** For restrictions on title, and assets pledged as security, refer to note 40 to the financial statements.

#### **13.2 Directors and sponsors**

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

#### **14 ACCRUED INTEREST/PROFIT**

As at reporting date interest/profit amounting to Rs 288.381 million is overdue

#### **15 CONTINGENCIES AND COMMITMENTS**

##### **15.1 Contingencies**

**15.1.1** The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.

**15.1.2** Gas Infrastructure Development Cess ['GIDC'] was levied by Sui Northern Gas Pipelines Limited ['SNGPL'] and Sui Southern Gas Pipelines Limited ['SSGCL']. The Company and others have filed a suit before the Lahore High Court ['LHC'] and Sindh High Court ['SHC'] challenging the levy. The LHC & SHC have granted the stay in favour of the Company and directed SNGPL and SSGC to avoid collection of GIDC. The Company has not recognized any provision for GIDC amounting to Rs. 39.39 million as a favourable outcome is expected.

##### **15.2 Commitments**

**15.2.1** The Company is committed to pay Rs. 220,000 (2019: Rs. 220,000) for every month it occupies the office premises owned by a director of the Company.

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>16 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	16.1	<b>861,233,464</b>	899,998,866
		<b>861,233,464</b>	899,998,866

16.1 Operating fixed assets

Operating fixed assets	2020											
	COST/REVALUED AMOUNT					DEPRECIATION				Net book		
	As at	Additions	Disposals	Transfers	As at	Rate	As at	For	Adjustment	As at	value as at	
	July 01, 2019 Rupees	Rupees	Rupees	Rupees	June 30, 2020 Rupees	%	July 01, 2019 Rupees	the year Rupees	Rupees	June 30, 2020 Rupees	June 30, 2020 Rupees	
Freehold land	142,835,000	-	-	-	142,835,000	-	-	-	-	-	142,835,000	
Buildings on freehold land	444,641,284	-	-	-	444,641,284	5	257,751,794	9,344,475	-	267,096,269	177,545,015	
Plant and machinery	1,005,387,955	-	-	-	1,005,387,955	5	482,733,965	26,132,700	-	508,866,665	496,521,290	
Electric installations	77,583,273	-	-	-	77,583,273	5	41,427,842	1,807,772	-	43,235,614	34,347,659	
Tools and equipment	1,590,642	-	-	-	1,590,642	10	1,339,069	25,157	-	1,364,226	226,416	
Laboratory equipment	25,168,140	-	-	-	25,168,140	10	21,779,408	338,873	-	22,118,281	3,049,859	
Fire fighting equipment	2,652,333	-	-	-	2,652,333	10	1,971,933	68,040	-	2,039,973	612,360	
Office equipment	4,750,134	-	-	-	4,750,134	10	3,282,092	146,804	-	3,428,896	1,321,238	
Furniture and fixtures	8,968,809	-	-	-	8,968,809	10	6,727,032	224,178	-	6,951,210	2,017,599	
Arms and ammunitions	506,989	-	-	-	506,989	10	412,167	9,482	-	421,649	85,340	
Vehicles	20,741,942	-	-	-	20,741,942	20	17,402,333	667,921	-	18,070,254	2,671,688	
	1,734,826,501	-	-	-	1,734,826,501		834,827,635	38,765,402	-	873,593,037	861,233,464	



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

16.1.1 Free hold land of the Company is located at District Johar Abad with a total area of 519 Kanal 8 Marla (2019: 519 Kanal 8 Marla).

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

**16.1.3** No disposals are made by the Company during the year ended June 30, 2020. Details of disposals for the year ended June 30, 2019 are as follows:

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

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>16.1.4</b>	The depreciation charge for the year has been allocated as follows:		
Cost of sales	25	<b>37,717,017</b>	39,727,390
Administrative and general expenses	27	<b>1,048,385</b>	1,628,817
		<b>38,765,402</b>	41,356,207

**16.1.5** Most recent valuation of land, building, plant and machinery was carried out by an independent valuer Messrs Engineering Services (Private) Limited as on October 21, 2015. For basis of valuation and other fair value measurement disclosures, refer to note 39.

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

	<b>2020</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Freehold land	<b>144,868</b>	-	<b>144,868</b>
Buildings on freehold land	<b>142,157,800</b>	<b>60,800,076</b>	<b>81,357,724</b>
Plant and machinery	<b>1,151,056,760</b>	<b>500,850,147</b>	<b>650,206,613</b>
Electric installation	<b>55,565,912</b>	<b>28,728,782</b>	<b>26,837,130</b>
Laboratory equipment	<b>4,282,115</b>	<b>3,779,723</b>	<b>502,392</b>
Fire fighting equipment	<b>382,181</b>	<b>296,931</b>	<b>85,250</b>
	<b>2019</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Freehold land	144,868	-	144,868
Buildings on freehold land	142,157,800	56,518,090	85,639,710
Plant and machinery	1,151,056,760	466,628,746	684,428,014
Electric installation	55,565,912	27,316,301	28,249,611
Laboratory equipment	4,282,115	3,723,902	558,213
Fire fighting equipment	382,181	287,459	94,722

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

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

## 17 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

		2020	2019
		<i>Rupees</i>	<i>Rupees</i>
<b>18</b>	<b>STORES, SPARES AND LOOSE TOOLS</b>		
	Stores	38,539,753	38,539,753
	Spares and loose tools	42,082,845	42,082,845
		<b>80,622,598</b>	<b>80,622,598</b>
<b>18.1</b>	It is impracticable to distinguish spares and loose tools each from the other.		
<b>18.2</b>	There no stores and spares held exclusively for capitalization.		
		2020	2019
		<i>Rupees</i>	<i>Rupees</i>
<b>19</b>	<b>STOCK IN TRADE</b>		
	Raw material	456,545,598	456,545,598
	Work in process	-	-
	Finished goods	108,894,900	108,894,900
		<b>565,440,498</b>	<b>565,440,498</b>
<b>19.1</b>	Details of stock pledged as security are referred to in note 40 to the financial statements.		
	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
<b>20</b>	<b>TRADE DEBTS</b>		
	Local	96,587,770	96,582,970
		<b>96,587,770</b>	<b>96,582,970</b>
<b>21</b>	<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances to suppliers	9,885,376	5,466,084
	Advances to employees		
	- against purchases and expenses	718,035	718,035
	- against salaries and benefits	12,877,167	12,837,167
	Security deposits	1,613,107	1,613,107
	Prepayments	-	3,444,223
	Sales tax refundable	19,690,140	20,534,172
	Insurance claims receivable	1,922,460	1,922,460
	Other receivables	1,326,864	1,326,864
		<b>48,033,149</b>	<b>47,862,112</b>
<b>21.1</b>	No advances have been given to any of the directors of the Company.		
	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
<b>22</b>	<b>CURRENT TAXATION</b>		
	Advance income tax/income tax refundable	11,764,760	13,194,070
	Provision for taxation	-	(1,396,808)
		<b>11,764,760</b>	<b>11,797,262</b>

	Note	2020 Rupees	2019 Rupees
<b>23 CASH AND BANK BALANCES</b>			
Cash in hand		22,841	28,802
Cash at banks			
current accounts		2,468,724	2,471,277
deposit/saving accounts	23.1	1,762	1,762
		2,470,486	2,473,039
		2,493,327	2,501,841
<b>23.1</b>	Effective interest rate in respect of deposit/saving accounts, for the year, ranges from 4.5% to 5% (2019: 5% to 5.5%).		
<b>24 SALES - NET</b>			
	Note	2020 Rupees	2019 Rupees
Yarn		-	110,790,102
Waste		-	954,547
		-	111,744,649
<b>25 COST OF SALES</b>			
Raw material consumed	25.1	-	75,709,751
Stores, spares and loose tools consumed		-	3,021,321
Salaries, wages and benefits		2,136,320	75,032,666
Power and fuel		-	35,757,109
Insurance		-	2,259,264
Vehicle running and maintenance		12,810	395,871
Depreciation	16.1.4	37,717,017	39,727,390
Others		13,500	2,822,463
Manufacturing cost		39,879,647	234,725,835
Work in process			
As at beginning of the year		-	27,674,737
As at end of the year		-	-
		-	27,674,737
Cost of goods manufactured		39,879,647	262,400,572
Finished goods			
As at beginning of the year		108,894,900	113,221,066
As at end of the year		(108,894,900)	(108,894,900)
		-	4,326,166
		39,879,647	266,726,738
<b>25.1 Raw material consumed</b>			
As at beginning of the year		456,545,598	459,551,667
Purchased during the year		-	72,703,682
As at end of the year		(456,545,598)	(456,545,598)
		-	75,709,751

	Note	2020 Rupees	2019 Rupees
<b>26 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries wages and benefits		-	573,285
Inland transportation		-	965,463
Ocean freight and forwarding		-	920
Communication		-	9,100
Insurance		-	23,838
Commission		-	171,112
Vehicle running and maintenance		-	4,050
		-	1,747,768
<b>27 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Directors' remuneration		8,103	2,159,191
Salaries and benefits		5,297,450	9,949,845
Traveling, conveyance and entertainment		76,866	243,807
Printing and stationery		52,530	211,620
Electricity, water and gas		553,916	3,385,822
Communication		124,472	622,385
Vehicles running and maintenance		855,761	1,331,893
Legal and professional		180,000	1,522,481
Auditor's remuneration	27.1	300,000	850,000
Fee and subscription		561,506	325,580
Rent rates and taxes		3,680,000	2,640,000
Insurance		-	243,765
Depreciation	16.1.4	1,048,385	1,628,817
Others		1,509,453	2,355,434
		14,248,442	27,470,640
<b>27.1 Auditor's remuneration</b>			
Annual statutory audit		200,000	682,500
Limited scope review		50,000	105,000
Review report under Code of Corporate Governance		50,000	52,500
Out of pocket expenses		-	10,000
		300,000	850,000
<b>28 OTHER INCOME</b>			
<b>Gain on financial instruments</b>			
Return on bank deposits		-	50
<b>Other income</b>			
Gain on disposal of operating fixed assets	16.1.3	-	4,751,123
Scrap sale		-	4,500,000
		-	9,251,123
		-	9,251,173
<b>29 FINANCE COST</b>			
Interest/profit on borrowings:			
long term finances		45,524,735	36,009,427
short term borrowings		105,823,063	81,444,031
Bank charges and commission		2,591	113,964
Interest on Workers' Welfare Fund	12.2	16,087	16,065
		151,366,476	117,583,487

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>30 OTHER CHARGES</b>			
Donations		11,550	31,031
		<b>11,550</b>	<b>31,031</b>

**31 PROVISION FOR TAXATION**

Current taxation			
current year	31.1	-	1,396,808
prior year		38,250	-
		<b>38,250</b>	<b>1,396,808</b>
Deferred taxation	11	(7,325,292)	(14,199,258)
		<b>(7,287,042)</b>	<b>(12,802,450)</b>

**31.1** No provision was made for the year ended June 30, 2020 due to losses. Provision for current tax for the year ended June 30, 2019 had been made under Section 113 of the Income Tax Ordinance, 2001 ['the Ordinance']. There is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

**32.1** Assessments for the tax years up to 2019 are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filled by the Company.

	<i>Unit</i>	<b>2020</b>	<b>2019</b>
<b>32 LOSS PER SHARE</b>			
Loss attributable to ordinary shareholders	<i>Rupees</i>	<b>(254,584,157)</b>	<b>(315,777,112)</b>
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	<b>8,775,000</b>	<b>8,775,000</b>
Loss per share - Basic	<i>Rupees</i>	<b>(29.01)</b>	<b>(35.99)</b>

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

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>

**33 CASH USED IN OPERATIONS**

Loss before taxation		(261,871,199)	(328,579,562)
Adjustments for non-cash and other items			
Finance cost		151,366,476	117,453,458
Notional interest		56,365,084	36,015,720
Gain on disposal of operating fixed assets		-	(4,751,123)
Depreciation		38,765,402	41,356,207
		<b>246,496,962</b>	<b>190,074,262</b>
Operating loss before changes in working capital		<b>(15,374,237)</b>	<b>(138,505,300)</b>
Changes in working capital			
Stores, spares and loose tools		-	100,531
Stock in trade		-	35,006,972
Trade debts		(4,800)	3,470,948
Advances, prepayments and other receivables		(171,037)	(5,259,198)
Trade and other payables		3,809,706	53,258,106
		<b>3,633,869</b>	<b>86,577,359</b>
Cash used in operations		<b>(11,740,368)</b>	<b>(51,927,941)</b>

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>34 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	23	<b>2,493,327</b>	2,501,841
		<b>2,493,327</b>	2,501,841

**35 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Related parties from the Company's perspective comprise key management personnel and sponsors of the Company. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

<b>Name of related party</b>	<b>Nature of relationship</b>	<b>Basis of relationship</b>	<b>Aggregate %age of shareholding in the Company</b>
Mian Iqbal Salahuddin	Key management personnel	Chief executive officer	17.59%
Ms. Munira Salahuddin	Key management personnel	Director	18.38%
Mian Asad Salahuddin	Key management personnel	Director	17.71%
Mian Yousaf Salahuddin	Key management personnel	Director	17.59%
Mian Sohail Salahuddin	Key management personnel	Director	0.0570%
Muhammad Khalil Latif	Key management personnel	Director	0.0057%
Syed Abid Raza Zaidi	Key management personnel	Director	0.0285%

Transactions with sponsors are limited to provision of interest free loans to the Company and rental payments for office premises used by the Company. Details of transactions and balances with related parties is as follows:

		<b>2020</b>	<b>2019</b>
		<i>Rupees</i>	<i>Rupees</i>
<b>35.1 Transactions with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of transactions</b>		
Key management personnel	Short term employee benefits	<b>8,103</b>	2,159,191
Sponsors	Long term loan obtained	<b>12,000,000</b>	45,000,000
	Short term borrowing obtained/(repaid)	<b>122,024</b>	(984,353)
	Rent paid	<b>2,640,000</b>	2,640,000
<b>Balances with related parties</b>			
<b>Nature of relationship</b>	<b>Nature of balances</b>		
Sponsors	Long term loan	<b>807,000,000</b>	795,000,000
	Short term borrowings	<b>243,004</b>	120,980



### 36 FINANCIAL INSTRUMENTS

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

	Note	2020	2019
		Rupees	Rupees
<b>Financial assets</b>			
<b>Cash in hand</b>	23	22,841	28,802
<b>Financial assets at amortized cost</b>			
Long term deposits	17	11,243,604	11,243,604
Trade debts	20	96,587,770	96,582,970
Advances to employees	21	12,877,167	12,837,167
Security deposits	21	1,613,107	1,613,107
Insurance claims receivable	21	1,922,460	1,922,460
Bank balances	23	2,493,327	2,501,841
		<b>126,760,276</b>	<b>126,729,951</b>
<b>Financial liabilities</b>			
<b>Financial liabilities at amortized cost</b>			
Loan from sponsors	8	686,263,737	617,898,653
Long term finances	9	83,333,334	83,333,334
Short term borrowings	13	722,537,650	722,537,650
Accrued interest/profit	14	332,539,876	181,557,822
Trade creditors	12	141,542,669	138,945,062
Accrued liabilities	12	187,152,580	185,222,580
Unclaimed dividend		1,010,033	1,010,033
		<b>2,154,379,879</b>	<b>1,930,505,134</b>

### 37 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

#### 37.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

##### 37.1.1 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade debts and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

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

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

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amount

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

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

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

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

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

### 37.1.2 Maximum exposure to credit risk

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

	Note	2020 Rupees	2019 Rupees
Long term deposits	17	11,243,604	11,243,604
Trade debts	20	96,587,770	96,582,970
Advances to employees	21	124,472	622,385
Security deposits	21	1,613,107	1,613,107
Insurance claims receivable	21	1,922,460	1,922,460
Bank balances	23	2,470,486	2,473,039
		<b>113,961,899</b>	<b>114,457,565</b>

### 37.1.3 Credit quality and impairment

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

	<i>Note</i>	<b>External credit rating</b>	<b>Internal credit risk grading</b>	<b>12-month or life-time ECL</b>	<b>Gross carrying amount</b> <i>Rupees</i>	<b>Loss allowance</b> <i>Rupees</i>
Long term deposits	17	N/A	Performing	12-month ECL	11,243,604	-
Trade debts	20	N/A	Performing	12-month ECL	96,587,770	-
Advances to employees	21	N/A	Performing	12-month ECL	124,472	-
Security deposits	21	N/A	Performing	Lifetime ECL	1,613,107	-
Insurance claims receivable	21	N/A	Performing	Lifetime ECL	1,922,460	-
Bank balances	23	A1 - A1+	N/A	12-month ECL	2,470,486	-
					<b>113,961,899</b>	<b>-</b>

#### (a) Long term deposits

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

#### (b) Trade debts

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

	<b>2020</b>	<b>2019</b>
	<b>Gross carrying amount</b> <i>Rupees</i>	<b>Gross carrying amount</b> <i>Rupees</i>
Neither past due nor impaired	-	24,280,171
Past due by 0 to 6 months	-	43,243,682
Past due by 6 to 12 months	<b>24,280,171</b>	16,486,187
Past due by over one year	<b>72,307,599</b>	12,572,930
	<b>96,587,770</b>	<b>96,582,970</b>

#### (c) Advances to employees

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

#### (d) Security Deposits

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

#### (e) Insurance claim receivables

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

#### (f) Bank balances

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

### 37.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade debts. The Company's two (2019: two) significant customers account for Rs. 49.58 million (2019: Rs. 49.58) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2019: 10%) of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

### 37.1.5 Collateral held

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

### 37.1.6 Changes in impairment allowance for expected credit losses

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

### 37.2 Liquidity risk

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

#### 37.2.1 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies and also has continued financial support of its directors and sponsors.

#### 37.2.2 Exposure to liquidity risk

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

	2020				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from sponsors	686,263,737	807,000,000	-	807,000,000	-
Long term finances	310,833,334	336,685,305	336,685,305	-	-
Short term borrowings	722,537,650	722,537,650	722,537,650	-	-
Accrued interest/profit	332,539,876	332,539,876	332,539,876	-	-
Trade creditors	141,542,669	141,542,669	141,542,669	-	-
Accrued liabilities	187,152,580	187,152,580	187,152,580	-	-
	<b>2,380,869,846</b>	<b>2,527,458,080</b>	<b>1,720,458,080</b>	<b>807,000,000</b>	<b>-</b>
	2019				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to five years Rupees	More than five years Rupees
Loan from sponsors	617,898,653	750,000,000	-	750,000,000	-
Long term finances	310,833,334	336,685,305	303,388,935	33,296,370	-
Short term borrowings	722,537,650	722,537,650	722,537,650	-	-
Accrued interest/profit	181,557,822	181,557,822	181,557,822	-	-
Trade creditors	138,945,062	138,945,062	138,945,062	-	-
Accrued liabilities	185,222,580	185,222,580	185,222,580	-	-
	<b>2,156,995,101</b>	<b>2,314,948,419</b>	<b>1,531,652,049</b>	<b>783,296,370</b>	<b>-</b>

### 37.2.4 Overdue financial liabilities

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

	2020		
	Principal Rupees	interest Rupees	Total Rupees
Long term finances	310,833,334	94,980,790	405,814,124
Short term borrowings	722,537,650	193,400,087	915,937,737
	<b>1,033,370,984</b>	<b>288,380,877</b>	<b>1,321,751,861</b>

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

### 37.3 Market risk

#### 37.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency. The Company is not currently exposed to currency risk as at the reporting date.

#### 37.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

##### (a) Interest rate risk management

The Company manages interest rate risk by analysing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

##### (b) Interest/profit bearing financial instruments

The effective interest/profit rates for interest bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest bearing financial instruments as at the reporting date are as follows:

	2020 Rupees	2019 Rupees
<b>Fixed rate instruments</b>		
Financial assets	1,762	1,762
Financial liabilities	686,263,737	617,898,653
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	1,033,370,984	1,033,370,984

##### (c) Fair value sensitivity analysis for fixed rate instruments

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

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

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 10.33 million (2019: Rs. 10.33 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

### 37.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

## 38 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and loan from sponsors, including current maturity. Total capital employed includes total equity, as shown in the statement of financial position, plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	<i>Unit</i>	<b>2020</b>	<b>2019</b>
Total debt	<i>Rupees</i>	<b>997,097,071</b>	928,731,987
Total equity	<i>Rupees</i>	<b>(996,625,403)</b>	(742,041,246)
<b>Total capital employed</b>		<b>471,668</b>	186,690,741
<b>Gearing</b>	<i>% age</i>	<b>211398.07%</b>	497.47%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

## 39 FAIR VALUE MEASUREMENTS

### 39.1 Financial Instruments

#### 39.1.1 Financial instruments measured at fair value

The Company measures some of its financial assets at fair value. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

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

#### 39.1.2 Financial instruments not measured at fair value

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

## 39.2 Assets and liabilities other than financial instruments.

### 39.2.1 Recurring fair value measurements

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2020	2019
				<i>Rupees</i>	<i>Rupees</i>
Freehold land	-	142,835,000	-	<b>142,835,000</b>	142,835,000
Buildings on freehold land	-	177,545,015	-	<b>177,545,015</b>	186,889,490
Plant and machinery	-	496,521,290	-	<b>496,521,290</b>	522,653,990
Electric installation	-	34,347,659	-	<b>34,347,659</b>	36,155,431
Laboratory equipment	-	3,049,859	-	<b>3,049,859</b>	3,388,732
Fire fighting equipment	-	612,360	-	<b>612,360</b>	680,400

For fair value measurements categorised into Level 2 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
<b>Freehold land</b>	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 7.142 million (2019: Rs. 7.142 million).
<b>Buildings on freehold land</b>	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 8.877 million (2019: Rs. 9.344 million).
<b>Plant and machinery</b>	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 24.826 million (2019: Rs. 26.133 million).
<b>Electric installation</b>	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of electric installation by Rs.1.717 million (2019: Rs. 1.808 million).

	Valuation technique	Significant inputs	Sensitivity
<b>Laboratory equipment</b>	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of laboratory equipment by Rs. 152,493 (2019: Rs. 169,437).
<b>Fire fighting equipment</b>	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of fire fighting equipment by Rs. 30,618 (2019: Rs. 34,020).

Reconciliation of fair value measurements categorized in Level 2 is presented in note 16.1.5.

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

### 39.2.2 Non-recurring fair value measurements

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

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
<b>40 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY</b>		
<b>Mortgages and charges</b>		
Charge over current assets	513,840,000	513,840,000
Charge over fixed assets	1,008,282,000	1,008,282,000
<b>Pledge</b>		
Raw material	456,545,598	456,545,598
Finished goods	108,894,900	108,894,900

### 41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2020		
	Chief Executive	Directors	Executives
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Managerial remuneration	-	-	2,886,000
Allowances and perquisites	8,103	-	-
Post employment benefits	-	-	-
	<b>8,103</b>	<b>-</b>	<b>2,886,000</b>
Number of persons	<b>1</b>	<b>3</b>	<b>2</b>



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

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

#### 42 SEGMENT INFORMATION

- 42.1 The Company is a single reportable segment.
- 42.2 All non-current assets of the Company are situated in Pakistan.
- 42.3 All sales of the Company have originated from Pakistan.

#### 43 NUMBER OF EMPLOYEES

	2020	2019
Total number of employees	4	8
Average number of employees	4	406

#### 44 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, subject to appropriateness of going concern assumption, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

#### 45 IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

COVID-19 pandemic started at the end of December 2019 and broke out in China in January 2020. The slow down in Pakistan started in February 2020 following which a nationwide lockdown was imposed in Pakistan. The Company remained unaffected throughout. There is no financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses reported in these financial statements.

#### 45 PLANT CAPACITY AND ACTUAL PRODUCTION


	Unit	2020	2019
<b>Owned</b>			
Number of spindles installed	No.	56,076	56,076
Plant capacity on the basis of utilization converted into 40s count	Kgs	8,555,000	8,555,000
Actual production converted into 40s count	Kgs	-	66,570


It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year. During the year, the Company has cancelled the lease of rented facility.

#### 46 GENERAL

- 46.1 Figures have been rounded off to the nearest rupee.
- 46.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

Lahore  
Date : October 05, 2020

  
MIAN IQBAL SALAHUDDIN  
Chief Executive

  
HASSAN SHAHNAWAZ  
Chief Financial Officer

  
MIAN YOUSAF SALAHUDDIN  
Director

**FORM 34**

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

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

2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2020**

-----Shareholdings-----			
<b>2.2 No. of Shareholders</b>	<b>From</b>	<b>To</b>	<b>Total Shares Held</b>
937	1	100	60,607
314	101	500	82,796
74	501	1,000	61,799
111	1,001	5,000	298,319
28	5,001	10,000	230,549
13	10,001	15,000	168,694
3	15,001	20,000	52,205
1	20,001	25,000	25,000
2	25,001	30,000	52,000
3	30,001	35,000	98,341
1	35,001	40,000	40,000
1	40,001	45,000	40,500
3	45,001	50,000	146,393
1	55,001	60,000	57,100
1	60,001	65,000	64,500
1	95,001	100,000	96,500
1	125,001	130,000	129,500
1	195,001	200,000	200,000
1	265,001	270,000	267,000
1	345,001	350,000	348,279
2	1,540,001	1,545,000	3,087,640
1	1,550,001	1,555,000	1,554,328
1	1,610,001	1,615,000	1,612,950
<b>1,502</b>			<b>8,775,000</b>

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	6,262,918	71.3723
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	-	-
2.3.3 NIT and ICP	362,924	4.1359
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	25,726	0.2932
2.3.5 Insurance Companies	1,100	0.0125
2.3.6 Modarabas and Mutual Funds	10,000	0.1140
2.3.7 Shareholders holding 10% or more	6,254,918	71.2811
2.3.8 General Public		
a. Local	1,876,973	21.3900
b. Foreign	0	-
2.3.9 Others (to be specified)		
1- Joint Stock Companies	72,901	0.8308
2- Pension Funds	31,841	0.3629
3- Foreign Companies	129,500	1.4758
4- Others	1,117	0.0127

**SALLY TEXTILE MILLS LIMITED**  
**Categories of Shareholding required under Code of Corporate Governance (CCG)**  
**As on June 30, 2020**

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

**Associated Companies, Undertakings and Related Parties (Name Wise Detail):**

- -

**Mutual Funds (Name Wise Detail)**

- -

**Directors and their Spouse and Minor Children (Name Wise Detail):**

1	MIAN IQBAL SALAHUDDIN (CDC)	1,543,820	17.5934
2	MST. MUNIRA SALAHUDDIN (CDC)	1,612,950	18.3812
3	MIAN ASAD SALAH UDDIN (CDC)	1,554,328	17.7131
4	MIAN YOUSAF SALAH UDDIN (CDC)	1,543,820	17.5934
5	MIAN SOHAIL SALAHUDDIN (CDC)	5,000	0.0570
6	MR. MUHAMMAD KHALIL LATIF (CDC)	500	0.0057
7	SYED ABID RAZA ZAIDI	2,500	0.0285

**Executives:**

- -

**Public Sector Companies & Corporations:**

- -

**Banks, Development Finance Institutions, Non Banking Finance**

68,667 0.7825

**Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:**

**Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)**

1	MST. MUNIRA SALAHUDDIN	1,612,950	18.3812
2	MIAN ASAD SALAHUDDIN	1,554,328	17.7131
3	MIAN IQBAL SALAHUDDIN	1,543,820	17.5934
4	MIAN YOUSAF SALAHUDDIN	1,543,820	17.5934

**All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:**

S.No	NAME	SALE	PURCHASE
------	------	------	----------

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**FORM OF PROXY**  
**Sally Textile Mills Limited**  
**67 C-1, Gulberg III, Lahore.**

52<sup>nd</sup> Annual  
General Meeting

**Important**

Instruments of Proxy will not be considered as valid unless Deposited or received at the company's Head Office at 67 C-1, Gulberg-III, Lahore not later than 48 hours before the time holding the meeting.

Registered folio/participants \_\_\_\_\_

ID No. and A/c No. \_\_\_\_\_

Number of shares held: \_\_\_\_\_

I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member of Sally Textile Mills Limited, hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_ another member of the company as my / our proxy to attend &  
vote for me / us and on my / our behalf at the 52<sup>nd</sup> Annual General meeting of the Company to be held Monday,  
26<sup>th</sup> October 2020 at 10:00 am at 67 C-1, Gulberg III, Lahore and at any adjournment thereof.

**WITNESSES**

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

CNIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

Signature of  
Shareholder

Revenue  
Stamp

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

CNIC or \_\_\_\_\_

Passport No. \_\_\_\_\_

(Signature should agree with the  
Specimen signature registered  
With the Company)



The Company Secretary  
**SALLY TEXTILE MILLS LIMITED**  
67 C-1, Gulberg III, Lahore.

AFFIX  
CORRECT  
POSTAGE

**REGISTERED OFFICE :**  
**67 C-1, Gulberg III, Lahore.**  
**Phones : 042 - 35754378**  
**Fax : 042 - 35754394**  
**E-mail: [sallytex@hotmail.com](mailto:sallytex@hotmail.com)**