



**SALLY TEXTILE
MILLS LIMITED**



2026

ANNUAL REPORT



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	

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. Abid Ali Bajwa

Company Secretary

Syed Abid Raza Zaidi

Auditors

H.A.M.D & Co.
Chartered Accountants

Bankers

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

Registered Office

2-S, Gulberg II, Lahore.
Phones : (042) 35759002
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

SALLY TEXTILE MILLS LIMITED
2-S, GULBERG-II, LAHORE.

Notice is hereby given that 58th Annual General Meeting of the company will be held on **Monday 23rd October, 2026 at 10:30 a.m.** at its registered office 2-S, Gulberg-II, Lahore to transact the following business:

1. To confirm the minutes of 57th Annual General Meeting held on 23-10-2025.
2. To receive and adopt the accounts of the company along with the Directors report for the year ended June 30, 2026.
3. In accordance with section 223 of the Companies Act, 2017 and pursuant to the S.R.O 389/(I)/2023 dated March 21, 2023, the financial statements of the Company's website which can be accessed from the below link: www.sallytextile.com
4. To appoint the Auditors and fix their remuneration for the next financial year 2026-2027.
5. To elect Directors of the company in accordance with 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 14th September, 2026. Name of Directors retiring and eligible to file nominations are as under:
 1. Mian Iqbal Salahuddin (CEO)
 2. Mrs. Munira Salahuddin
 3. Mian Asad Salahuddin
 4. Mian Yousaf Salahuddin
 5. Mian Sohail Salahuddin
 6. Syed Abid Raza Zaidi
 7. Muhammad Khalil Latif
6. Any other matter with the permission of the chair.

Date: October 02, 2026

Place: LAHORE

By the order of the Board
SYED ABID RAZA ZAIDI
(Company Secretary)

NOTES:

The shares transfer books of the company will remain closed from 17-10-2026 to 23-10-2026 (both days inclusive). Transfer received in order by the Share Registrar M/S Corplink (Pvt) Ltd Wing Arcade, 1-K, Commercial, Model Town, Lahore 16-10-2026 will be considered in time for the purpose of attendance at the Annual General Meeting.

- Any person seeking to contest the election of Directors shall lodge with the company at its registered office not later than fourteen (14) days before the date of meeting a letter of intention to offer himself/herself for election as a Director in terms of section 159(3) of the Companies Act, 2017 along with the following documents:
 - o A letter of consent to act as a Director of the Company, if elected.
 - o 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.
 - o A declaration that the person is aware of the duties and powers of Directors under the Companies Act 2017, the Memorandum and Articles of Association of the Company, the Pakistan Stock Exchange Rules and Public Sector Companies (Corporate Governance) Rules 2013, and has read the provisions contained therein.
 - o A declaration that he or she is a registered tax payer and has not been 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.
- Members entitled to attend and vote may appoint another member as proxy.
- Proxy forms must be submitted at least 48 hours before the meeting.
- Form of proxy will be available on the company's website.

بذریعہ اشتہار مطلع کیا جاتا ہے کہ کمپنی کا اٹھاون واں (58) سالانہ اجلاس عام بروز پیر، 23 اکتوبر 2026 کو صبح 10:30 بجے کمپنی کے رجسٹرڈ دفتر، S-2، گلبرگ-II، لاہور میں منعقد ہوگا جس میں درج ذیل امور نمٹائے جائیں گے:

- 1- 23 اکتوبر 2025 کو منعقدہ 57 ویں سالانہ اجلاس عام کی کارروائی کی توثیق کرنا۔
- 2- 30 جون 2026 کو اختتام پزیر سال کیلئے کمپنی کے گوشوارہ جات اور ڈائریکٹرز کی رپورٹ کی وصولی غور و خوض اور منظور کرنا۔
- 3- کمپنیز ایکٹ 2017 کے سیکشن 223 اور 389(1)/S.R.O مورخہ 21 مارچ 2023 کے تحت، کمپنی کے مالیاتی گوشوارے کمپنی کی ویب سائٹ پر دستیاب ہیں جن تک درج ذیل لنک کے ذریعے رسائی حاصل کی جاسکتی ہے:
www.sallytextile.com
- 4- آئندہ مالی سال 2026-2027 کے لیے آڈیٹرز کا تقرر کرنا اور ان کے معاوضے کا تعین کرنا۔
- 5- کمپنیز ایکٹ 2017 کی دفعہ 159 کے تحت کمپنی کے ڈائریکٹرز کا انتخاب کرنا۔ 14 ستمبر 2026 کو منعقدہ بورڈ اجلاس میں منتخب کیے جانے والے ڈائریکٹرز کی تعداد سات مقرر کی گئی ہے۔ سبکدوش ہونے والے اور نامزدگی جمع کرانے کے اہل ڈائریکٹرز کے نام درج ذیل ہیں:

- 1- میاں اقبال صلاح الدین (سی ای او) 2- بیگم منیرہ صلاح الدین 3- میاں اسد صلاح الدین
- 4- میاں یوسف صلاح الدین 5- میاں سہیل صلاح الدین 6- سید عابد رضا زیدی 7- محمد خلیل لطیف
- 6- چیئرمین کی اجازت سے کمپنی کے دیگر امور کی انجام دہی۔

حسب الحکم بورڈ
سید عابد رضا زیدی
کمپنی سیکرٹری

مورخہ 02 اکتوبر 2026
لاہور

نوٹس

کمپنی کے حصص کی منتقلی کی کتابیں 17 اکتوبر 2026 سے 23 اکتوبر 2026 تک (بشمول دونوں ایام) بند رہیں گی۔ کمپنی کے شیئر رجسٹرار، میسرز کارپلنک پرائیویٹ لمیٹڈ، ونگ آرکیڈ، 1-K کمرشل، ماڈل ٹاؤن، لاہور میں 16 اکتوبر 2026ء تک موصول ہونے والے ٹرانسفرز کو اجلاس عام میں شرکت کیلئے بروقت تصور کیا جائے گا۔

• ڈائریکٹرز کے انتخاب میں حصہ لینے کے خواہشمند شخص کو چاہیے کہ وہ اجلاس کی تاریخ سے کم از کم چودہ (14) دن قبل کمپنی کے رجسٹرڈ دفتر میں کمپنیز ایکٹ 2017 کی دفعہ 159(3) کے تحت بطور ڈائریکٹر انتخاب کے لیے خود کو پیش کرنے کے ارادے کا خط، درج ذیل دستاویزات کے ساتھ جمع کرائے:

- منتخب ہونے کی صورت میں کمپنی کے ڈائریکٹر کے طور پر کام کرنے کے لیے رضامندی کا خط۔
- پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز، 2013 کے قاعدہ 3(4) کے تحت ایک بیان حلفی/اعلامیہ کہ وہ پانچ سے زیادہ پبلک سیکٹر کمپنیوں یا اسٹڈ کمپنیوں (سوائے ان کی ذیلی کمپنیوں کے) میں بطور ڈائریکٹر خدمات انجام نہیں دے رہا/رہی ہے۔
- ایک بیان حلفی/اعلامیہ کہ مذکورہ شخص کمپنیز ایکٹ 2017، کمپنی کے میمورنڈم اور آرٹیکلز آف ایسوسی ایشن، پاکستان اسٹاک ایکسچینج کے قواعد اور پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز 2013 کے تحت ڈائریکٹرز کے فرائض اور اختیارات سے آگاہ ہے، اور اس نے ان میں موجود دفعات کا مطالعہ کر لیا ہے۔

○ اس بات کا حلفیہ بیان کہ وہ ایک رجسٹرڈ ٹیکس دہندہ ہیں اور انہیں کسی مجاز عدالت کی جانب سے کسی بینکنگ کمپنی، ترقیاتی مالیاتی ادارے یا غیر بینکنگ مالیاتی ادارے کے قرض کی ادائیگی میں نا دہندہ (ڈیفالٹر) قرار دے کر سزا نہیں سنائی گئی ہے، اور نہ ہی وہ یا ان کے شریک حیات اسٹاک بروکر تاج کے کاروبار سے وابستہ ہیں۔

اجلاس میں شرکت اور ووٹ دینے کے اہل اراکین کسی دوسرے رکن کو بطور 'پراکسی' (نمائندہ) مقرر کر سکتے ہیں۔

پراکسی فارمزا اجلاس سے کم از کم 48 گھنٹے قبل جمع کرنا لازمی ہے۔

پراکسی فارم کمپنی کی ویب سائٹ پر دستیاب ہے۔

Key Operating and Financial Data

	2026	2025	2024	2023	2022	2021	2020
Rupees in million							
OPERATING PERFORMANCE							
Sales	-	-	-	-	-	-	-
Gross (loss)/profit	(29)	(30)	(32)	(33)	(35)	(37)	(40)
(Loss) / Profit before tax	(386)	(377)	(204)	(106)	92	(139)	(262)
Tax	8.1	8.5	9	9.4	(0.93)	10	7.2
(Loss) / Profit after tax	(306)	(292)	(195)	(96)	91	(128)	(254)
FINANCIAL POSITION							
Assets							
Non-current assets	679	707	736	768	800	834	872
Current assets	760	760	805	805	805	805	805
Total assets	1,439	1,467	1,496	1,573	1,605	1,639	1,677
Equity & liabilities							
Share capital & reserves	(711)	(694)	(667)	(1,337)	(1,245)	(1,311)	(1,215)
Surplus on revaluation	198	201	204	207	210	215	218
Total equity	(513)	(493)	(472)	(1,130)	(1,035)	(1,096)	(997)
Non-current liabilities	113	121	129	819	772	906	844
Current liabilities	1,839	1,839	1,839	1,884	1,868	1,829	1,830
Total liabilities	1,952	1,960	1,968	2,703	2,640	2,735	2,674
Total	1,439	1,467	1,496	1,573	1,605	1,639	1,677

DIRECTORS' REPORT

The Board of Directors of Sally Textile Mills Limited ("the Company") is pleased to present the 58th Annual Report along with the audited financial statements of the Company and the Independent Auditor's Report thereon for the financial year ended June 30, 2026.

1. Financial Performance and Highlights

During the fiscal year 2026, the domestic textile landscape experienced intense macroeconomic strain. For the Company, the status quo remained stagnant as mill operations continued to be suspended with zero commercial production or turnover. Severe liquidity constraints and long-standing legal deadlocks with various financial institutions continue to act as the defining impediments to industrial operationality.

Financial Description	June 30, 2026 (Rs. in '000)	June 30, 2025 (Rs. in '000)	Variance (%)
Turnover - Net	-	-	—
Gross Loss	(28,561)	(29,969)	-4.70%
Operating Loss	(38,673)	(37,734)	+2.49%
Loss Before Taxation	(38,673)	(37,734)	+2.49%
Loss After Taxation	(30,574)	(29,197)	+4.72%
Loss Per Share (Rs.)	(3.48)	(3.33)	+4.50%

2. Capital Base, Financial Position & Going Concern Status

As of June 30, 2026, the aggregate asset base of the Company retracted to Rs. 1.439 billion from Rs. 1.467 billion in the prior period. Due to the extended operational freeze active since 2019, cumulative unappropriated losses reached a staggering Rs. 1.671 billion, entirely disintegrating the paid-up capital foundations and showing a net negative equity posture of Rs. 512.865 million. Simultaneously, current liabilities run over current assets by an alarming margin of Rs. 1,078.78 million.

The Board fully recognizes that these financial indicators trigger structural questions regarding the validity of the 'Going Concern' assumption. However, the corporate leadership is actively formulating a holistic debt restructuring model, negotiating direct legal settlements with credit institutions, and sourcing corporate joint-venture channels. Consequently, the financial statements have been safely framed under the standard going concern methodology in anticipation of an engineered revival. The Sponsors also stay resolute in supplying necessary funding to maintain essential statutory and administrative outlays.

3. Stringent Institutional Response to Auditors' Observations

The retiring auditors, M/s H.A.M.D & Co., Chartered Accountants, filed a Disclaimer of Opinion on the financial accounts. To preserve corporate governance parity and absolute compliance under the provisions of the Companies Act, 2017, the Board places the following definitive itemized clarifications on record:

- **Administrative and Physical Barriers to Factory Premises (Auditor Para 'a'):** The extended production halt since 2019 coupled with strict asset protection deployments resulting from legal conflicts with financial institutions placed logistical strain on factory movement. The restricted entry to plant parameters was an isolated artifact of these legal-administrative structures. The management categorically re-emphasizes that values associated with stores & spares (Rs. 37.40 million), stock-in-trade (Rs. 565.44 million), and property, plant & equipment (Rs. 667.822 million) remain highly secure and safely founded on previously approved baseline metrics. A specialized internal task force is being set up to establish exhaustive operational paths for full physical counting access in the incoming audit schedule.
- **Delayed Presentation of Books of Account and Ancillary Ledgers (Auditor Para 'b'):** The extreme scaling-down of permanent corporate office personnel following the prolonged closure meant that physical file extraction and historical data cross-referencing faced severe manual delays. The management notes that data was not withheld with malicious intent; rather, structural downsizing impeded rapid turnarounds. Digital synchronization of archive ledgers has already commenced to avoid such technical delays.
- **SECP Winding-Up Motion & Alternative Realizable Balance Sheet Basis (Auditor Para 'c'):** The Board acknowledges the SECP notice dated June 16, 2023, regarding winding-up directives. The Company's corporate counsel is aggressively contesting this case within the Honorable High Court to robustly defend the entity's existence. Restructuring these accounts on a 'net realizable value' (liquidation) standard at this precise juncture would completely cannibalize stakeholder capital and compromise upcoming out-of-court financial settlements. The Board firmly stands by the restructuring alternative over absolute corporate dissolution.

4. Strategic Change and Appointment of New Statutory Auditors

The retiring auditors, M/s H.A.M.D & Co., Chartered Accountants, retire at the conclusion of the upcoming Annual General Meeting (AGM). In light of the operational bottlenecking, the need for fresh audit procedures, and to bring independent oversight to the unresolved account items, the Board of Directors has recommended a strategic change in the external audit panel. Based on the formal advice of the Audit Committee, the Board proposes the new appointment of **M/s Sarwars Chartered Accountants**, as the statutory auditors of the Company for the financial year ending June 30, 2027 (2026-27), subject to the final approval of shareholders at the oncoming AGM. The proposed firm holds requisite regulatory clearances and QCR ratings from the Institute of Chartered Accountants of Pakistan (ICAP).

5. Corporate Governance & Meeting Attendance Parameters

The Company continues to honor compliance benchmarks within the boundaries allowed by its current non-operating status, aligning with the Listed Companies (Code of Corporate Governance) Regulations, 2019. During the period under review, four (4) formal Board meetings, four (4) Audit Committee sessions, and one (1) Human Resource & Remuneration (HR&R;) Committee assembly were executed.

A. Attendance of the Board of Directors (Total 7 Directors)

Sr.	Director Name	Corporate Governance Category	Attendance Status
1	Mian Iqbal Salahuddin	Chief Executive Officer / Executive	4 / 4
2	Mian Yousaf Salahuddin	Non-Executive Director	4 / 4
3	Mian Asad Salahuddin	Non-Executive Director	4 / 4
4	Mst. Munira Salahuddin	Non-Executive Director	4 / 4
5	Mian Sohail Salahuddin	Executive Director	4 / 4
6	Syed Abid Raza Zaidi	Independent Director	4 / 4
7	Muhammad Khalil Latif	Independent Director	4 / 4

B. Attendance of the Statutory Audit Committee

Sr.	Member Name	Committee Designation	Attendance Status
1	Muhammad Khalil Latif	Chairman (Independent Director)	4 / 4
2	Mian Asad Salahuddin	Member (Non-Executive Director)	4 / 4
3	Mian Sohail Salahuddin	Member (Executive Director)	4 / 4

C. Attendance of the Human Resource & Remuneration (HR&R;) Committee

Sr.	Member Name	Committee Designation	Attendance Status
1	Mst. Munira Salahuddin	Chairperson (Non-Executive Director)	1 / 1
2	Mian Sohail Salahuddin	Member (Executive Director)	1 / 1
3	Muhammad Khalil Latif	Member (Independent Director)	1 / 1

6. Corporate Governance Disclosures & Discretionary Declarations

- **Share Trading Compliance:** No stock transactions were conducted by the Chief Executive Officer, Directors, Chief Financial Officer, Company Secretary, or their spouses and minor relatives during the period.
- **CSR, Sustainability, & Industrial Safety:** Massive community-focused investments were limited due to negative cash flow margins. Regardless, rudimentary safety inspections and environmental monitoring at the closed facility continue to be managed strictly.
- **Shareholder Returns & Dividends:** Given the extensive cumulative losses, the Board has omitted the proposal for cash payouts or bonus share distributions for the year.
- **Post Balance Sheet Events:** No subsequent transactions or adjustments modifying the balance sheet status have manifested between the conclusion of the fiscal cycle and the signing date of this report.

7. Forward Outlook and Recovery Road-Map

The operational target for the incoming financial year rests on securing an out-of-court debt-restructuring alignment with lending banks and managing the winding-up lawsuit. The corporate leadership is deeply resilient and believes that structural transformations will successfully unlock the locked-in assets and allow a gradual transition back to operational health.

8. Expression of Corporate Acknowledgment

The Board conveys its profound gratitude for the persistent trust reposed by our shareholders, financial sponsors, and regulators. We also recognize the core dedication of our remaining workers who have extended relentless professional allegiance during this prolonged turnaround timeline.

A handwritten signature in black ink, appearing to read 'Iqbal', with a horizontal line underneath.

Lahore:
September 14, 2026

Mian Iqbal Salahuddin
Chief Executive Officer

ڈائریکٹرز رپورٹ

صلی ٹیکسٹائل ملز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز، 30 جون 2026 کو اختتام پذیر مالی سال کے لیے کمپنی کے پڑتال شدہ مالیاتی گوشواروں اور ان پر آزاد آڈیٹر کی رپورٹ کے ساتھ 58 ویں سالانہ رپورٹ ازراہ مسرت پیش کرتے ہیں۔

1۔ مالیاتی کارکردگی اور نمایاں پہلو

مالی سال 2026 کے دوران، ملکی ٹیکسٹائل کے شعبے کو شدید مجموعی معاشی دباؤ کا سامنا کرنا پڑا۔ کمپنی کے لیے صورتحال جمود کا شکار رہی کیونکہ مل کے آپریشنز معطل رہے اور تجارتی پیداوار یا ٹرن اوور صفر رہا۔ نقد رقوم پر پابندی اور مختلف مالیاتی اداروں کے ساتھ طویل عرصے سے جاری قانونی تعطل صنعتی سرگرمیوں کی بحالی میں بنیادی رکاوٹیں بنے ہوئے ہیں۔

مالیاتی جائزہ	30 جون 2026 (ہزار روپے میں)	30 جون 2025 (ہزار روپے میں)	فرق (%)
ٹرن اوور - خالص			
مجموعی نقصان	(28,561)	(29,969)	-4.70%
آپریٹنگ نقصان	(38,673)	(37,734)	+2.49%
ٹیکس سے قبل نقصان	(38,673)	(37,734)	+2.49%
ٹیکس کے بعد نقصان	(30,574)	(29,197)	+4.72%
فی حصص نقصان (روپے)	(3.48)	(3.33)	+4.50%

2۔ سرمایہ کی بنیاد، مالیاتی پوزیشن اور کاروبار کے جاری رہنے کی حیثیت

30 جون 2026 تک، کمپنی کے اثاثوں کی مجموعی مالیت گزشتہ مدت کے 1.467 ارب روپے سے کم ہو کر 1.439 ارب روپے رہ گئی۔ 2019 سے جاری آپریشنز کی طویل معطلی کے باعث، مجموعی غیر منقسم نقصانات 1.671 ارب روپے کی بھاری سطح تک پہنچ گئے ہیں، جس نے ادا شدہ سرمائے کی بنیادوں کو مکمل طور پر ختم کر دیا ہے اور 512.865 ملین روپے کی خالص منفی ایکویٹی کی صورتحال پیدا کر دی ہے۔ ساتھ ہی، موجودہ واجبات 1,078.78 ملین روپے موجودہ اثاثوں سے تشویشناک حد تک زیادہ ہیں۔

بورڈ اس بات کو بخوبی تسلیم کرتا ہے کہ یہ مالیاتی اشاریے کاروبار کے جاری رہنے کے مفروضے کی درستگی کے حوالے سے ساختی نوعیت کے سوالات کو جنم دیتے ہیں۔ تاہم، کارپوریٹ قیادت قرضوں کی تنظیم نو کے ایک جامع ماڈل کی تیاری، قرض دہندہ اداروں کے ساتھ براہ راست قانونی تصفیوں پر بات چیت، اور کارپوریٹ مشترکہ منصوبے کے ذرائع تلاش کرنے میں سرگرمی سے مصروف عمل ہے۔ نتیجتاً، متوقع بحالی کے پیش نظر مالیاتی گوشواروں کو معیاری 'گوینگ کنسرن' طریقہ کار کے تحت ہی مرتب کیا گیا ہے۔ اسپانسرز (بانیان/مالکان) بھی ضروری قانونی اور انتظامی اخراجات کو برقرار رکھنے کے لیے درکار فنڈز کی فراہمی کے عزم پر قائم ہیں۔

3۔ آڈیٹرز کے مشاہدات پر ادارہ جاتی سخت رد عمل

سبکدوش ہونے والے آڈیٹرز، میسرز ایچ اے ایم ڈی اینڈ کمپنی (M/s H.A.M.D & Co)، چارٹرڈ اکاؤنٹنٹس نے مالیاتی کھاتوں پر 'رائے' کے اظہار سے معذرت کا موقف اختیار کیا۔ کارپوریٹ گورننس کے توازن کو برقرار رکھنے اور کمپنیز ایکٹ 2017 کی دفعات کے تحت مکمل تعمیل کو یقینی بنانے کے لیے، بورڈ درج ذیل حتمی اور تفصیلی وضاحتیں ریکارڈ پر لا رہا ہے:

• فیکٹری کے احاطے تک رسائی میں انتظامی اور طبعی رکاوٹیں (آڈیٹر کا پیرا 'a'): 2019 سے پیداوار کی طویل بندش اور مالیاتی اداروں کے ساتھ قانونی تنازعات کے نتیجے میں اثاثوں کے تحفظ کے لیے سخت حفاظتی اقدامات نے فیکٹری میں نقل و حرکت پر لاجسٹک دباؤ ڈالا۔ پلانٹ کے احاطے میں داخلے پر پابندی انہی قانونی و انتظامی حالات کا ایک ضمنی نتیجہ تھی۔ انتظامیہ واضح طور پر اس بات کا اعادہ کرتی ہے کہ اسٹورز اور اسپرینگز (37.40 ملین روپے)، اسٹاک ان ٹریڈ (565.44 ملین روپے)، اور پراپرٹی، پلانٹ اور آلات (667.822 ملین روپے) سے وابستہ اثاثے مکمل طور پر محفوظ ہیں اور پہلے سے منظور شدہ بنیادی پیمانوں پر مبنی ہیں۔ آئندہ آڈٹ شیڈول میں مکمل عملی شراکت رسائی کے لیے جامع آپریشنل طریقہ کار وضع کرنے کی خاطر ایک خصوصی داخلی ٹاسک فورس تشکیل دی جا رہی ہے۔

• کھاتوں کی کتابوں اور متعلقہ کھاتوں کی پیشکش میں تاخیر (آڈیٹر کا پیرا 'b'): طویل بندش کے بعد کارپوریٹ دفتر کے مستقل عملے کی تعداد میں شدید کمی کے باعث، کاغذی دستاویزات نکالنے اور تاریخی ڈیٹا کا باہمی موازنہ کرنے کے عمل میں دستی (manual) کام کی وجہ سے شدید تاخیر کا سامنا کرنا پڑا۔ انتظامیہ اس بات کی نشاندہی کرتی ہے کہ ڈیٹا کو کسی بدینتی کے تحت نہیں روکا گیا تھا؛ بلکہ ساختی سطح پر عملے کی کمی نے کام کی تیز رفتار تکمیل میں رکاوٹ ڈالی۔ اس قسم کی تکنیکی تاخیر سے بچنے کے لیے آرکائیو لجز کی ڈیجیٹل ہم آہنگی کا عمل پہلے ہی شروع کیا جا چکا ہے۔

• سیکورٹی اینڈ ایکیسج کمیشن آف پاکستان کی جانب سے کمپنی کی بندش کی تحریک اور متبادل قابل حصول بیلنس شیٹ کی بنیاد (آڈیٹر کا پیرا گراف 'c'): بورڈ، کمپنی کی بندش سے متعلق ہدایات پر مبنی SECP کے 16 جون 2023 کے نوٹس کا اعتراف کرتا ہے۔ کمپنی کے قانونی مشیر (کارپوریٹ کونسل) ادارے کے وجود کا بھرپور دفاع کرنے کے لیے معزز ہائی کورٹ میں اس مقدمے کی پروا پیروی کر رہے ہیں۔ اس نازک موڑ پر کھاتوں کی تشکیل نو کو خالص قابل حصول قدر (یعنی لیکویڈیشن یا اثاثوں کی فروخت سے حاصل ہونے والی رقم) کے معیار پر استوار کرنا اسٹیک ہولڈرز کے سرمائے کو مکمل طور پر ختم کر دے گا اور عدالت سے باہر طے پانے والے ممکنہ مالیاتی سمجھوتوں کو بھی متاثر کرے گا۔ بورڈ، کمپنی کے مکمل خاتمے کے بجائے تشکیل نو کے متبادل راستے پر سختی سے قائم ہے۔

4۔ اسٹریٹجک تبدیلی اور نئے قانونی آڈیٹرز کی تقرری

موجودہ آڈیٹرز، میسرز ایچ اے ایم ڈی اینڈ کمپنی (M/s H.A.M.D & Co)، چارٹرڈ اکاؤنٹنٹس، آئندہ سالانہ عام اجلاس (AGM) کے اختتام پر سبکدوش ہو رہے ہیں۔ آپریشنل رکاوٹوں، آڈٹ کے نئے طریقہ کار کی ضرورت، اور کھاتوں کے حل طلب معاملات پر آزادانہ نگرانی لانے کے پیش نظر، بورڈ آف ڈائریکٹرز نے بیرونی آڈٹ پینل میں ایک اسٹریٹجک تبدیلی کی سفارش کی ہے۔ آڈٹ کمیٹی کی باضابطہ تجویز کی بنیاد پر، بورڈ 30 جون 2027 (2026-27) کو ختم ہونے والے مالی سال کے لیے کمپنی کے قانونی آڈیٹرز کے طور پر میسرز سرورز چارٹرڈ اکاؤنٹنٹس (M/s Sarwars Chartered Accountants)، کی تقرری کی تجویز پیش کرتا ہے؛ جس کا انحصار آئندہ سالانہ عام اجلاس میں شیئر ہولڈرز کی حتمی منظوری پر ہوگا۔ مجوزہ فرم انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) سے مطلوبہ ریگولیٹری کلیئرنس اور QCR ریٹنگز کی حامل ہے۔

5۔ کارپوریٹ گورننس اور اجلاسوں میں شرکت کے معیارات

کمپنی اپنی موجودہ غیر فعال حیثیت کے دائرہ کار میں رہتے ہوئے تعمیلی معیارات کی پاسداری جاری رکھے ہوئے ہے اور الٹیمینٹس (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 سے ہم آہنگ ہے۔ زیر جائزہ مدت کے دوران، بورڈ کے چار (4) باضابطہ اجلاس، آڈٹ کمیٹی کے چار (4) سیشنز، اور ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی کا ایک (1) اجلاس منعقد کیا گیا۔

A۔ بورڈ آف ڈائریکٹرز کی شرکت (کل 7 ڈائریکٹرز)

نمبر شمار	ڈائریکٹر کا نام	کارپوریٹ گورننس کی کمیٹیگری	شرکت کی صورتحال
1	میاں اقبال صلاح الدین	چیف ایگزیکٹو آفیسر/ایگزیکٹو	4/4
2	میاں یوسف صلاح الدین	نان ایگزیکٹو ڈائریکٹر	4/4
3	میاں اسد صلاح الدین	نان ایگزیکٹو ڈائریکٹر	4/4
4	محترمہ منیرہ صلاح الدین	نان ایگزیکٹو ڈائریکٹر	4/4
5	میاں سہیل صلاح الدین	ایگزیکٹو ڈائریکٹر	4/4
6	سید عابد رضا زیدی	آزاد ڈائریکٹر	4/4
7	محمد خلیل لطیف	آزاد ڈائریکٹر	4/4

B۔ قانونی آڈٹ کمیٹی میں حاضری

نمبر	رکن کا نام	کمیٹی میں عہدہ	حاضری کی صورتحال
1	محمد خلیل لطیف	چیئر مین (آزاد ڈائریکٹر)	4/4
2	میاں اسد صلاح الدین	رکن (نان ایگزیکٹو ڈائریکٹر)	4/4
3	میاں سہیل صلاح الدین	رکن (ایگزیکٹو ڈائریکٹر)	4/4

C۔ ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی میں حاضری

نمبر	رکن کا نام	کمیٹی میں عہدہ	حاضری کی صورتحال
1	محترمہ منیرہ صلاح الدین	چیئر پرسن (نان ایگزیکٹو ڈائریکٹر)	1/1
2	میاں سہیل صلاح الدین	رکن (ایگزیکٹو ڈائریکٹر)	1/1
3	محمد خلیل لطیف	رکن (آزاد ڈائریکٹر)	1/1

6۔ کارپوریٹ گورننس سے متعلق انکشافات اور صوابدیدی اعلانات

- حصص کی تجارت کی تعمیل: اس مدت کے دوران چیف ایگزیکٹو آفیسر، ڈائریکٹرز، چیف فنانشل آفیسر، کمپنی سیکرٹری، یا ان کے شریک حیات اور نابالغ رشتہ داروں کی جانب سے اسٹاک (حصص) کے لین دین کا کوئی عمل نہیں کیا گیا۔
- CSR، پائیداری، اور صنعتی تحفظ: منفی کیش فلو مارجن کی وجہ سے کمیونٹی پر مرکوز بڑی سرمایہ کاری محدود رہی۔ اس کے باوجود، فیکٹری پر بنیادی حفاظتی معائنے اور ماحولیاتی نگرانی کا انتظام سختی سے جاری ہے۔
- حصص داران کو منافع اور ڈیویڈنڈ: مجموعی نقصانات کی بھاری مقدار کے پیش نظر، بورڈ نے اس سال نقد ادائیگیوں یا بونس شیئرز کی تقسیم کی تجویز کو شامل نہیں کیا۔
- بیلنس شیٹ کے بعد کی صورتحال: مالیاتی دور کے اختتام اور اس رپورٹ پر دستخط کی تاریخ کے درمیان ایسا کوئی بعد ازاں لین دین یا ایڈجسٹمنٹ سامنے نہیں آئی جس سے بیلنس شیٹ کی صورتحال میں کوئی تبدیلی آئی ہو۔

7۔ مستقبل کا منظر نامہ اور بحالی کارروائی

آئندہ مالی سال کے لیے آپریشنل ہدف کا انحصار قرض دینے والے بینکوں کے ساتھ قرض کی تنظیم نو کے لیے عدالت سے باہر سمجھوتہ کرنے اور کمپنی کے بند ہونے سے متعلق مقدمے کے انتظام پر ہے۔ کارپوریٹ قیادت انتہائی پُر عزم ہے اور اس بات پر یقین رکھتی ہے کہ ساختی تبدیلیاں کامیابی کے ساتھ پھنسے ہوئے اثاثوں کو کارآمد بنائیں گی اور آپریشنل بحالی کی جانب بتدریج منتقلی کی راہ ہموار کریں گی۔

8۔ کارپوریٹ سطح پر اظہار تشکر

بورڈ، ہمارے شیئر ہولڈرز، مالیاتی معاونین اور ریگولیٹرز کی جانب سے مسلسل اعتماد کا اظہار کیے جانے پر تہ دل سے شکریہ ادا کرتا ہے۔ ہم اپنے ان دیگر کارکنان کے غیر متزلزل عزم و لگن کا بھی اعتراف کرتے ہیں جنہوں نے بحالی کے اس طویل عمل کے دوران مسلسل پیشہ ورانہ وفاداری کا مظاہرہ کیا ہے۔

میاں اقبال صلاح الدین
چیف ایگزیکٹو آفیسر

لاہور:

14 ستمبر 2026

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations 2019 for the year ended June 30, 2026

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
Independent Director	Muhammad Khalil Latif
Other Non-Executive Directors	Mst. Munira Salahuddin
	Mian Asad Salahuddin
	Syed Abid Raza Zaidi
	Mian Sohail Salahuddin
	Mian Iqbal Salahuddin
Executive Directors	Mian Yousaf Salahuddin

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company;

4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

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

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

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

9. The 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: September 14, 2026



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 **30 June 2026** 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 **30 June 2026**.

Hamid R. Co



H.A.M.D & CO.

Chartered Accountants

Lahore:

Date: 14-September-2026

UDIN: CR202610040WDvuXabHO



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 **30 June 2026**, 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 and there were no practical alternative audit procedures to be carried out by us in order to satisfy ourselves about existence and conditions of stores & spares items, stock in trade and property, plant & equipment and to ensure the appropriateness of values assigned respectively of Rs. 37.40 million, Rs. 565.44 million and Rs. 667.822 million respectively.
- b) The Company has not provided us access to its books of account, record and other information which were necessary for the purpose of our audit.
- c) We draw attention to the note 2.1 to the annexed financial statements, as more fully described in that note, the Company has incurred loss after tax of Rs. 30.573 million (2025: Rs. 29.196 million) at the reporting date and its accumulated losses stood at Rs. 1,671.86 million (2025: Rs. 1,643.28 million) at year end which resulted in negative equity to Rs. 512.865 million (2025: Rs. 493.036 million). Its current liabilities exceeded its current assets by Rs. 1,078.78 million (2025: Rs. 1,078.82 million). The Company has also suspended its operations since 2019. Furthermore, the Company is unable to pay borrowing from banking companies and in litigation with the banking companies due to its inability comply with loan agreements. These factors along with the other matters described in that note cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. On the other hand, The SECP vide its announcement dated June 16, 2023 authorized the Registrar, Company Registration Office, Lahore, to present a petition of winding up of the Company before Honorable High Court. Status of litigation as at 30-June-2026 is also not provided. These conditions and events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the Company is not a going concern and financial statements should be presented at their appropriate realizable values, i.e other than going concern basis of accounting. However, the management has prepared the accompanied financial statements applying going concern basis of accounting. Had the financial statements been prepared on an appropriate alternative basis, adjustments would be necessary to the carrying values and classification of assets and liabilities; because of the matters described elsewhere in this Basis for Disclaimer of Opinion section, we are unable to quantify the extent of such adjustments.

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.





Chartered Accountants

TIAG.

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.¹⁹

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 review resulting in this independent auditor's report is Waseem Ashfaq.

Handwritten signature of Waseem Ashfaq

H.A.M.D. & CO.

Chartered Accountants

Lahore:

Date: 14-September-2026

UDIN: AR202610040SROmWJpZi



SALLY TEXTILE MILLS LIMITED

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2026

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	6	200,000,000	200,000,000
Issued share capital	7	87,750,000	87,750,000
Revaluation reserve	8	198,205,307	200,976,397
Loan from sponsors	9	872,265,612	861,520,405
Accumulated losses		(1,671,086,129)	(1,643,283,453)
TOTAL EQUITY		(512,865,210)	(493,036,651)
NON-CURRENT LIABILITIES			
Long term finances	10	-	-
Employees retirement benefits - Gratuity	11	101,907,337	101,907,337
Deferred taxation	12	11,242,840	19,341,829
		113,150,177	121,249,166
CURRENT LIABILITIES			
Trade and other payables	13	418,172,110	418,172,110
Unclaimed dividend		1,010,033	1,010,033
Short term borrowings	14	722,544,931	722,544,931
Accrued interest / profit	15	386,279,029	386,279,029
Current portion of non-current liabilities	10	310,833,334	310,833,334
		1,838,839,437	1,838,839,436
		1,951,989,614	1,960,088,602
CONTINGENCIES AND COMMITMENTS			
	16		
TOTAL EQUITY AND LIABILITIES		1,439,124,404	1,467,051,951

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


MIAN IQBAL SALAHUDDIN
Chief Executive


ABID ALI BAJWA
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

Lahore:
Date: September 14, 2026

SALLY TEXTILE MILLS LIMITED

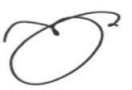
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2026

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	17	667,822,186	695,749,734
Long term deposits	18	11,243,604	11,243,604
		679,065,790	706,993,338
CURRENT ASSETS			
Stores and spares		37,405,935	37,405,935
Stock in trade	19	565,440,498	565,440,498
Trade receivables	20	96,587,763	96,587,763
Short term deposits		1,613,107	1,613,107
Advances and other receivables	21	44,617,101	44,617,101
Current taxation	22	11,764,760	11,764,760
Cash and bank balances	23	2,629,447	2,629,449
		760,058,614	760,058,614
TOTAL ASSETS		1,439,124,404	1,467,051,952

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


MIAN IQBAL SALAHUDDIN
Chief Executive


ABID ALI BAJWA
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

SALLY TEXTILE MILLS LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2026

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
Revenue from contracts with customers - <i>net</i>		-	-
Cost of sales	24	(28,561,480)	(29,969,513)
Gross loss		(28,561,480)	(29,969,513)
Administrative expenses	25	(10,111,275)	(7,764,704)
		(38,672,755)	(37,734,217)
Other income	26	-	-
Operating loss		(38,672,755)	(37,734,217)
Finance cost	27	-	-
Notional interest	9.3	-	-
Profit/(loss) before taxation		(38,672,755)	(37,734,217)
Levy		-	-
Provision for taxation	28	8,098,989	8,537,605
Profit/(loss) after taxation		(30,573,766)	(29,196,612)
Earnings/(loss) per share - <i>basic and diluted</i>	29	(3.48)	(3.33)

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



MIAN IQBAL SALAHUDDIN
Chief Executive



ABID ALI BAJWA
Chief Financial Officer



MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date: September 14, 2026

SALLY TEXTILE MILLS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2026

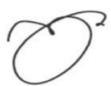
	30-Jun-26	30-Jun-25
	<i>Rupees</i>	<i>Rupees</i>
Other comprehensive income	-	-
Profit/(loss) after taxation	(30,573,766)	(29,196,612)
Total comprehensive income/(loss)	(30,573,766)	(29,196,612)

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

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


MIAN IQBAL SALAHUDDIN
Chief Executive


ABID ALI BAJWA
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

Lahore
Date: September 14, 2026

SALLY TEXTILE MILLS LIMITED

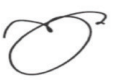
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2026

	SHARE CAPITAL	CAPITAL RESERVE		REVENUE RESERVE	
	Issued share capital	Revaluation reserve	Loan from sponsors	Accumulated losses	Total Equity
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at 01 July 2024	87,750,000	204,118,039	853,226,205	(1,617,228,483)	(472,134,239)
Comprehensive income					
Profit after taxation	-	-	-	(29,196,612)	(29,196,612)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(29,196,612)	(29,196,612)
Incremental depreciation	-	(3,141,642)	-	3,141,642	-
Transaction with owners/sponsors - addition	-		8,294,200		8,294,200
Balance as at 30 June 2025	87,750,000	200,976,397	861,520,405	(1,643,283,453)	(493,036,651)
Balance as at 01 July 2025	87,750,000	200,976,397	861,520,405	(1,643,283,453)	(493,036,651)
Comprehensive income					
Profit after taxation	-	-	-	(30,573,766)	(30,573,766)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(30,573,766)	(30,573,766)
Incremental depreciation	-	(2,771,090)	-	2,771,090	-
Transaction with owners/sponsors - addition	-		10,745,207		10,745,207
Balance as at 30 June 2025	87,750,000	198,205,307	872,265,612	(1,671,086,129)	(512,865,210)

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


MIAN IQBAL SALAHUDDIN
Chief Executive


ABID ALI BAJWA
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

SALLY TEXTILE MILLS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2026

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash used in operations	30	(10,745,207)	(8,294,201)
Payments for:			
Income tax		(0)	-
Net cash used in operating activities		(10,745,207)	(8,294,201)
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	-
Net cash generated from investing activities		-	-
CASH FLOW FROM FINANCING ACTIVITIES			
Loan from sponsors obtained		10,745,207	8,294,200
Net increase/(decrease) in short term borrowings		(0)	-
Net cash generated from financing activities		10,745,207	8,294,200
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(0)	(0)
		2,629,448	2,629,448
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	31	2,629,448	2,629,448

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

MIAN IQBAL SALAHUDDIN
Chief Executive

ABID ALI BAJWA
Chief Financial Officer

MIAN YOUSAF SALAHUDDIN
Director

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

1 LEGAL STATUS AND OPERATIONS

Sally Textile Mills Limited [the Company] is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984, vide No. C-119/LR of 1968-1969, dated 11 June 1969, (now CUIN 0002900) 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 07 February 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 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

Subsequent to the year-end June 30, 2019, the Company did not carry out operating activities which resulted in losses. The loss in the current year June 30, 2026 is Rs. 30.574 (2025: Rs. 29.196) million and its aggregated losses stood at 1,670.88 (2025: Rs. 1,643.28) million which resulted into negative equity of Rs. 512.865 (2025: Rs. 493.036) million. Its current liabilities exceed its current assets by Rs. 1,078.78 (2025: Rs. 1,078.78) million. The Company has also suspended its operations since August 2018. The company has been unable to settle its liabilities toward banks and other creditors. The banking companies have filed recovery suits against the Company and the Company is defending the suits filed by the banks. The SECP vide its announcement dated June 16, 2023 authorized the Registrar, Company Registration Office, Lahore, to present a petition of winding up of the Company before Honorable High Court.

The conditions stated in the foregoing paragraph, cast significant doubts about the Company's ability to continue to operate as a going concern for a foreseeable period and the Company may not be able to realize its assets and settle its liabilities in normal course of business. The directors of the Company intend to liquidate its assets and the Company under the circumstances. These financial statements have been prepared by the management applying going concern basis of accounting and no adjustments were made in these financial statements to bring its assets and liabilities at their realizable values.

However, 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. 10.75 million in the form of interest free loan.

2.3 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis as at the reporting date.

Items	Measurement basis
Financial liabilities	Amortized cost
Financial assets	Amortized cost
Employee retirement benefits	Present value
Land, building, plant and machinery	Revalued amounts

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

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 35.1)*

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. The Company monitors financial assets measured at amortized cost or fair value that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the year.

(b) *Significant increase in credit risk (see note 36.1)*

As explained in note 36.1, expected credit losses ['ECL'] are measured, based on the Company's risk grading framework, as an allowance equal to 12-month/lifetime ECL for 'performing' assets, or lifetime ECL for assets categorized as 'doubtful' or 'in default'. An asset is categorized as 'doubtful' when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

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) *Calculation of impairment allowance for expected credit losses on financial assets (see note 36.1.3)*

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. When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. If the ECL rates on financial assets carried at amortized cost were higher (lower) by 10%, the loss allowance on those assets would have been higher (lower) by Rs. 12.651 million (30-Jun-25: Rs. 12.651 million). Further information on the Company's credit risk management practices and credit quality and impairment of financial assets is referred to in note 36.1.3.

(b) *Revaluation of property, plant and equipment (see note 17)*

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. Refer to note 38.3.1 for an analysis of sensitivity of revalued amounts of property, plant and equipment.

(c) *Taxation provisions (see note 28)*

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provisions for current tax and tax contingencies. The provision for current tax is estimated at Rs. nil (30-Jun-25: Rs. nil). The management believes that the provision for current tax made in the financial statements is sufficient to discharge related tax liability.

Reversal of provision (30-Jun-26) for deferred tax of Rs.8.090 million (30-Jun-25:Credit Rs. 8.537 million) has been estimated after taking into account historical and future turnover and profit trends and their taxability under the current tax law.

Further information on the taxation provisions is referred to in note 28.

(d) *Deferred tax assets on unused tax losses and credits (see note 12)*

Deferred tax assets are recognized for unused tax losses and credits to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has Rs. 323.701 (2025: Rs. 479.684) million of tax losses and credits (other than depreciation) carried forward as at the reporting date and available to the Company for utilization against future taxable profits. Out of these, deferred tax asset has been recognized on tax losses and credits only to the extent of unabsorbed depreciation losses as the same are available for an infinite time under the present income tax laws amounting to Rs. 316.563 (30-Jun-24: Rs. 305.603) million.

If the Company was able to recognize all unrecognized deferred tax assets, deferred tax assets and equity as at the reporting date would have increased by Rs. 93.873 (30-Jun-25: Rs. 139.108) million)

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

2.5 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency. The amounts reported in these financial statements have been rounded to the nearest Rupees unless specified otherwise.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2026.

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

- 3.1
- Lack of Exchangeability – Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates'.
 - Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures' – Classification and Measurement of Financial Instruments.
 - Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7.
 - Annual Improvements to IFRS Accounting Standards – Volume 11.

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

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

	Effective date (annual periods beginning on or after)
IFRS 18 – Primary Financial Statements	January 1, 2027
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	January 1, 2027
IAS 1 – IAS 1 shall be replaced with IFRS 18 for the preparation of financial statements	January 1, 2027

Other than afore mentioned standards, interpretations and amendments, IASB 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

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - Presentation of Financial Statements).

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 - Leases)

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 not have a material impact on the Company's financial statements other than in presentation/disclosures.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended June 30, 2025.

5.1 Property, plant and equipment

Land, buildings and plant and machinery held for use in the production or supply of goods or services or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses, except for freehold land, which is not depreciated. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land, buildings and plant and machinery is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land, buildings and plant and machinery is recognized as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

All other items or property, plant and equipment (tools and equipment, office equipment, furniture and fixtures, arms and ammunition and vehicles) are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses.

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes the cost of material, labour and appropriate overheads directly relating to the construction, erection and installation of the asset and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, determined on the same basis as other assets of the same class, commences when the assets are ready for their intended use.

Depreciation is recognized in profit or loss, using rates specified in note 17, so as to write off the cost or revalued amounts of assets (other than freehold land and assets under construction) over their useful lives, using the reducing balance method, with the exception of computer hardware and allied items, which are depreciated using straight line method over their useful lives, and right-of-use assets, for which the lease does not transfer ownership of the underlying asset to the Company at the end of lease term, which are depreciated over the shorter of lease term and useful lives of the underlying assets, using straight line method.

Depreciation on an item of property, plant and equipment commences from the month in which the item is ready for intended use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Incremental depreciation being the difference between depreciation based on the revalued amounts recognized in profit or loss and depreciation based on the historical cost, net of tax, is reclassified from the revaluation reserve to retained earnings. On the subsequent disposal or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. The gain or loss arising on the disposal or retirement of such items is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

5.2 Stores and spares

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. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

5.3 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:

Category	Basis of determination of cost
Raw material	Moving 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

5.4 Employee benefits

5.4.1 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.

5.4.2 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.

5.5 Financial instruments

5.5.1 Recognition

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

5.5.2 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 assets at fair value through other comprehensive income ['fair value through OCI']*

These are:

- (i) financial assets held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- (ii) investments in equity instruments, that are not held for trading nor contingent consideration recognized by the Company as acquirer in a business combination, for which the Company makes an irrevocable election at initial recognition to present changes in fair value on subsequent measurement in other comprehensive income.

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

These are financial assets which have not been classified as 'financial assets at amortized cost' or as 'financial assets at fair value through other comprehensive income', are mandatorily measured at fair value through profit or loss or for which the Company makes an irrevocable election at initial recognition to designate as 'financial asset at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

(d) *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.

(e) *Financial liabilities at fair value through profit or loss*

These are financial liabilities which have not been classified as 'financial liabilities at amortized cost' or for which the Company makes an irrevocable election at initial recognition to designate as 'financial liabilities at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

5.5.3 Measurement

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

5.5.4 Derecognition

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 are expired, discharged or cancelled.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

5.5.5 Off-setting

A financial asset and financial liability is offset and the net amount reported in the statement of financial position 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.

5.5.6 Regular way purchases or sales of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

5.6 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.

5.7 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.

5.8 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

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. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

5.12 Contracts with Customers

5.12.1 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue from a contract with customer when the Company satisfies an obligation specified in that contract. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Yarn and Waste	Performance obligations are satisfied when goods are dispatched to the customers. Invoices are generated at that point in time and are usually payable within a period ranging from 30 days to 90 days. There are no customer loyalty programs or warranty provisions. However, some contracts allow for return of goods if those do not meet the requirements or specifications provided in the contract.	Revenue is recognised at a point in time when the goods are dispatched to customers.

5.12.2 Contract assets

Contract assets represent work performed upto the reporting date which has not been invoiced to customers because the related performance obligations remain partially unsatisfied as at the reporting date.

5.12.3 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods or services to the customer.

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 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

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. Interest income on cash and cash equivalents is recognized using effective interest method.

5.18 Segment reporting

Segment reporting is based on the operating segments that are reported in the manner consistent with internal reporting of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Company is a single operating segment based on internal reporting to the Chief Executive Officer 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

5.20.1 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 receivables, 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.

5.20.2 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

5.21 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from retained earnings 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.

5.22 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 AUTHORIZED SHARE CAPITAL

30-Jun-26	30-Jun-25		30-Jun-26	30-Jun-25
No. of shares	No. of shares		Rupees	Rupees
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	200,000,000	200,000,000
20,000,000	20,000,000		200,000,000	200,000,000

7 ISSUED SHARE CAPITAL

30-Jun-26	30-Jun-25		30-Jun-26	30-Jun-25
No. of shares	No. of shares		Rupees	Rupees
		Ordinary shares of Rs. 10 each		
8,775,000	8,775,000	Issued for cash	87,750,000	87,750,000
8,775,000	8,775,000		87,750,000	87,750,000

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
8 REVALUATION RESERVE			
As at beginning of the year		200,976,397	204,118,039
Incremental depreciation recognized in other comprehensive income			
Incremental depreciation for the year		(3,902,944)	(4,424,848)
Deferred taxation		1,131,854	1,283,206
		(2,771,090)	(3,141,642)
As at end of the year		198,205,307	200,976,397

9 LOAN FROM SPONSORS

Face value	9.2	872,265,612	861,520,405
Less: unamortized notional interest	9.3	-	-
		872,265,612	861,520,405

- 9.1 This loan has been obtained from sponsors of the Company and is unsecured and interest free. During the year the board has approved to change the nature of the loan which is now repayable at the discretion of the Company and has been reclassified accordingly. Earlier the loan was payable by 30 June 2025 and was carried at amortized cost 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.

	30-Jun-26 Rupees	30-Jun-25 Rupees
9.2 Movement during the year is as follows:		
As at beginning of the year	861,520,405	853,226,205
Obtained during the year	10,745,207	8,294,200
As at end of the year	872,265,612	861,520,405

9.3 Unamortized notional interest

As at beginning of the year	-	-
Arising during the year	-	-
Amortization for the year	-	-
As at end of the year	-	-

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
10 LONG TERM FINANCES			
These represent long term finances utilized under interest arrangements from banking companies			
Diminishing musharakah	10.1	83,333,334	83,333,334
Demand finance	10.2	227,500,000	227,500,000
		310,833,334	310,833,334
Current maturity presented under current liabilities		(310,833,334)	(310,833,334)
		-	-

- 10.1 The finance has been obtained from Silk Bank Limited to finance long term working capital requirements and is secured by charge over operating fixed assets and current assets of the Company and personal guarantees of the Company's directors. The finance carries profit at three months KIBOR plus 3.5% per annum (30-Jun-24: 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 and is under litigation. An amount of Rs.58.97 million has been accrued on account of markup/interest up till June-2023 which remained unpaid till the reporting date.

- 10.2 The finance has been obtained from National Bank of Pakistan to finance long term working capital requirements and is secured by charge over operating fixed assets and current assets of the Company and personal guarantees of the Company's directors. The finance carries interest at three months KIBOR plus 2% per annum (30-Jun-24: 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 and is under litigation. An amount of Rs.83.78 million has been accrued on account of markup/interest up till June-2021 which remained unpaid till the reporting date.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

	Note	30-Jun-26	30-Jun-25
11	EMPLOYEES RETIREMENT BENEFITS - GRATUITY	101,907,337	101,907,337

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 30 June 2025 as the Company has discontinued the scheme.

	Note	30-Jun-26	30-Jun-25
12	DEFERRED TAXATION	Rupees	Rupees
	Deferred tax liability on taxable temporary differences	12.1 132,599,523	137,520,000
	Deferred tax asset on deductible temporary differences	12.1 (121,356,683)	(118,178,171)
		11,242,840	19,341,829

12.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30-Jun-26			
	As at 01-Jul-25 Rupees	Recognized in profit or loss Rupees	Recognized in OCI Rupees	As at 30-Jun-26 Rupees
Deferred tax liabilities				
Operating fixed assets	137,520,000	(4,920,477)	-	132,599,523
Deferred tax assets				
Employees retirement benefits	(29,553,128)	-	-	(29,553,128)
Unused tax losses and credits	(88,625,043)	(3,178,512)	-	(91,803,555)
	(118,178,171)	(3,178,512)	-	(121,356,683)
	19,341,829	(8,098,989)	-	11,242,840

	30-Jun-25			
	As at 01-Jul-24 Rupees	Recognized in profit or loss Rupees	Recognized in OCI Rupees	As at 30-Jun-25 Rupees
Deferred tax liabilities				
Operating fixed assets	138,024,262	(504,262)	-	137,520,000
Deferred tax assets				
Employees retirement benefits	(29,553,128)	-	-	(29,553,128)
Unused tax losses and credits	(80,591,700)	(8,033,343)	-	(88,625,043)
	(110,144,828)	(8,033,343)	-	(118,178,171)
	27,879,434	(8,537,605)	-	19,341,829

- 12.1 Deferred tax has been calculated at 29% (30-Jun-25: 29%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

Unused tax losses and credits for which no deferred tax asset has been recognized expire as follows:

Tax year	Nature	30-Jun-26 Rupees	30-Jun-25 Rupees
2026	Tax losses	-	166,729,163
2027	Tax losses	38,306,338	38,306,338
2028	Tax losses	20,349,665	20,349,665
2029	Tax losses	72,927,917	72,927,917
2030	Tax losses	173,077,545	173,077,545
2031	Tax losses	8,294,200	8,294,200
2032	Tax losses	10,745,207	-
		323,700,872	479,684,828

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
13 TRADE AND OTHER PAYABLES			
Trade creditors		96,473,061	96,473,060
Accrued liabilities		187,961,594	187,961,594
Advances from customers	13.1	97,343,144	97,343,144
Workers' Welfare Fund	13.2	11,759,230	11,759,230
Other payables		24,635,082	24,635,082
		418,172,111	418,172,110

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

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
13.2 Workers' Welfare Fund			
As at beginning of the year		11,759,230	11,759,230
Provision during the year	27	-	-
As at end of the year		11,759,230	11,759,230

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
14 SHORT TERM BORROWINGS			
These represent short term finances obtained from			
Banking companies	14.1	722,537,650	722,537,650
Directors and sponsors	14.2	7,281	7,281
		722,544,931	722,544,931

14.1 Banking companies

These represent short term finances utilized under interest arrangements

Cash finance - BoP	14.1.1	361,259,129	361,259,129
Cash finance - NBP	14.1.2	287,394,769	287,394,769
Term loan - BoP	14.1.3	73,883,752	73,883,752
		722,537,650	722,537,650

14.1.1 These facilities have been obtained from the Bank of Punjab 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 (30-Jun-25: three months KIBOR plus 2% per annum), payable quarterly. As at reporting date, an amount of Rs 648.653 million is overdue and is under litigation. An amount of Rs.124 million has been accrued on account of markup/interest up till June-2021 which remained unpaid till the reporting date.

14.1.2 These facilities have been obtained from National Bank of Pakistan 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 (30-Jun-25: three months KIBOR plus 2% per annum), payable quarterly. As at reporting date, an amount of Rs 648.653 million is overdue and is under litigation. An amount of Rs. 98.53 million has been accrued on account of markup/interest up till June-2021 which remained unpaid till the reporting date.

14.1.3 The facility has been obtained from the Bank of Punjab 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% per annum (30-Jun-25: three months KIBOR plus 2% per annum), payable quarterly. As at reporting date, an amount of Rs 73.883 million is overdue and is under litigation. An amount of Rs. 20.72 million has been accrued on account of markup/interest up till June-2021 which remained unpaid till the reporting date.

14.1.3 For restrictions on title, and assets pledged as security, refer to note 39 to the financial statements.

14.2 Directors and sponsors

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

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
15 ACCRUED INTEREST / PROFIT			
As at reporting date interest/profit amounting to Rs 386.279 million is overdue.	(note 10 and 14)	<u>386,279,029</u>	<u>386,279,029</u>

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1** The Company may have to indemnify its Directors for any losses that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.
- 16.1.2** Gas Infrastructure Development Cess ['GIDC'] 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.
- 16.1.3** All the providers of debt facilities (financial institutions) have filed recovery suits against the Company and the Company has also filed counter-suits against the financial institutions which are pending in Lahore High Court. Due to pending decisions of the suits, the Company is not accruing markup/interest on its various loan/finance facilities. (note 10 and 14) as the reasonable estimate of the markup/interest liability is not determinable at this stage till the final decision of the courts. (see Note 14)

16.2 Commitments

- 16.2.1** There are no known commitments as at the reporting date.

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
17.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	24	27,637,480	29,105,513
Administrative expenses	25	290,068	334,504
		<u>27,927,548</u>	<u>29,440,017</u>

- 17.4** Most recent valuation of land, building, plant and machinery was carried out by an independent valuer Messrs Engineering Services (Private) Limited as on 21 October 2015. For basis of valuation and other fair value measurement disclosures, refer to note 38.

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

	30-Jun-26		
	Cost	Accumulated depreciation	Net book value
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Freehold land	144,868	-	144,868
Buildings on freehold land	142,157,800	82,352,397	59,805,403
Plant and machinery	1,151,056,760	673,095,152	477,961,608
Electric installation	55,565,912	-	55,565,912
Laboratory equipment	4,282,115	4,015,123	266,992
Fire fighting equipment	382,181	336,876	45,305
	30-Jun-25		
	Cost	Accumulated depreciation	Net book value
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Freehold land	144,868	-	144,868
Buildings on freehold land	142,157,800	79,204,744	62,953,056
Plant and machinery	1,151,056,760	647,939,278	503,117,482
Electric installation	55,565,912	34,799,853	20,766,059
Laboratory equipment	4,282,115	3,985,457	296,658
Fire fighting equipment	382,181	331,842	50,339

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

17 PROPERTY, PLANT AND EQUIPMENT

30-Jun-26											
COST/REVALUED AMOUNT					DEPRECIATION				Net book value as at		
As at		As at		Rate		As at		For		As at	
01-Jul-25	30-Jun-26	30-Jun-26	30-Jun-26	30-Jun-26	30-Jun-26	01-Jul-25	01-Jul-25	the year	Adjustment	30-Jun-26	30-Jun-26
Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
142,835,000	-	142,835,000	-	-	-	-	-	-	-	-	142,835,000
444,641,284	-	444,641,284	-	5	5	307,260,336	6,869,047	-	-	314,129,383	130,511,901
1,005,387,955	-	1,005,387,955	-	5	5	621,189,246	19,209,935	-	-	640,399,181	-
77,583,273	-	77,583,273	-	5	5	51,005,709	1,328,878	-	-	52,334,587	364,988,774
1,590,642	-	1,590,642	-	10	10	1,456,946	13,370	-	-	1,470,316	25,248,686
25,168,140	-	25,168,140	-	10	10	23,367,229	180,091	-	-	23,547,320	-
2,652,333	-	2,652,333	-	10	10	2,290,740	36,159	-	-	2,326,899	1,620,820
4,750,134	-	4,750,134	-	10	10	3,969,956	78,018	-	-	4,047,974	325,434
8,968,809	-	8,968,809	-	10	10	7,777,438	119,137	-	-	7,896,575	-
506,989	-	506,989	-	10	10	456,597	5,039	-	-	461,636	1,072,234
18,230,942	-	18,230,942	-	20	20	17,791,570	87,874	-	-	17,879,444	-
1,732,315,501	-	1,732,315,501	-	-	-	1,036,565,767	27,927,548	-	-	1,064,493,315	45,353
											351,498
											667,822,186

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

30-Jun-25											
COST/REVALUED AMOUNT						DEPRECIATION				Net book value as at 30-Jun-25 Rupees	
As at 01-Jul-24 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at 30-Jun-25 Rupees	Rate %	As at 01-Jul-24 Rupees	For the year Rupees	Adjustment Rupees	As at 30-Jun-25 Rupees		
Freehold land	142,835,000			142,835,000	-	-	-	-	-	142,835,000	
Buildings on freehold land	444,641,284			444,641,284	5	300,029,760	7,230,576	-	307,260,336	137,380,948	
Plant and machinery	1,005,387,955			1,005,387,955	5	600,968,261	20,220,985	-	621,189,246	384,198,709	
Electric installations	77,583,273			77,583,273	5	49,606,890	1,398,819	-	51,005,709	26,577,564	
Tools and equipment	1,590,642			1,590,642	10	1,442,091	14,855	-	1,456,946	133,696	
Laboratory equipment	25,168,140			25,168,140	10	23,167,128	200,101	-	23,367,229	1,800,911	
Fire fighting equipment	2,652,333			2,652,333	10	2,250,563	40,177	-	2,290,740	361,593	
Office equipment	4,750,134			4,750,134	10	3,883,269	86,687	-	3,969,956	780,178	
Furniture and fixtures	8,968,809			8,968,809	10	7,645,063	132,375	-	7,777,438	1,191,371	
Arms and ammunitions	506,989			506,989	10	450,998	5,599	-	456,597	50,392	
Vehicles	18,230,942			18,230,942	20	17,681,727	109,843	-	17,791,570	439,372	
	1,732,315,501	-	-	1,732,315,501		1,007,125,750	29,440,017	-	1,036,565,767	695,749,734	

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

- 17.4.1 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	121,409,750
Buildings on freehold land	187,675,346
Plant and machinery	443,114,400
Electric installation	34,800,000
Laboratory equipment	3,984,400
Fire fighting equipment	800,000
	791,783,896

18 LONG TERM DEPOSITS

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

	30-Jun-26 <i>Rupees</i>	30-Jun-25 <i>Rupees</i>
19 STOCK IN TRADE		
Raw material	456,545,598	456,545,598
Finished goods	108,894,900	108,894,900
	565,440,498	565,440,498

- 19.1 Details of stock pledged as security are referred to in note 39 to the financial statements.

	<i>Note</i>	30-Jun-26 <i>Rupees</i>	30-Jun-25 <i>Rupees</i>
20 TRADE RECEIVABLES			
Gross amount due		96,587,763	96,587,763
		96,587,763	96,587,763

21 ADVANCES AND OTHER RECEIVABLES

Advances to suppliers		8,082,435	8,082,435
Advances to employees:	21.1		
- against purchases and expenses		718,035	718,035
- against salaries and benefits		12,877,167	12,877,167
Sales tax refundable		19,690,140	19,690,140
Insurance claims receivable		1,922,460	1,922,460
Other receivables		1,326,864	1,326,864
		44,617,101	44,617,101

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

22 CURRENT TAXATION

Advance income tax/income tax refundable		11,764,760	11,764,760
Provision for taxation	28	-	-
		11,764,760	11,764,760

23 CASH AND BANK BALANCES

Cash in hand		366,962	366,962
Cash at banks			
current accounts - local currency		2,260,724	2,260,724
deposit/saving accounts - local currency	23.1	1,762	1,762
		2,262,486	2,262,486
		2,629,447	2,629,448

- 23.1 Effective interest rate in respect of deposit/saving accounts, for the year, ranges from 9.0% to 10% (30-Jun-25: 16.5% to 17%).

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
24 COST OF SALES			
Raw material consumed	24.1	-	-
Salaries, wages and benefits		924,000	864,000
Depreciation	17.3	27,637,480	29,105,513
Manufacturing cost		28,561,480	29,969,513
	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
Finished goods			
As at beginning of the year		108,894,900	108,894,900
As at end of the year		(108,894,900)	(108,894,900)
		-	-
Cost of sales		28,561,480	29,969,513
24.1 Raw material consumed			
As at beginning of the year		456,545,598	456,545,598
Purchased during the year		-	-
As at end of the year		(456,545,598)	(456,545,598)
		-	-
25 ADMINISTRATIVE EXPENSES			
Salaries and benefits		3,463,000	2,940,000
Printing and stationery		30,000	25,000
Electricity, water and gas		186,007	-
Communication		111,200	85,200
Vehicles running and maintenance		-	-
Legal and professional		4,860,000	3,190,000
Auditor's remuneration	25.1	1,000,000	500,000
Fee and subscription		135,000	690,000
Rent rates and taxes		-	-
Others		36,000	-
Depreciation	17.3	290,068	334,504
		10,111,275	7,764,704
25.1 Auditor's remuneration			
Annual statutory audit		600,000	300,000
Limited scope review		300,000	150,000
Review report under Code of Corporate Governance		100,000	50,000
Out of pocket expenses		-	-
		1,000,000	500,000
26 OTHER INCOME			
Gain on disposal of operating fixed assets	17.2	-	-
		-	-
27 FINANCE COST			
Interest/profit on borrowings:			
long term finances		-	-
short term borrowings		-	-
		-	-
Bank charges and commission		-	-
		-	-

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
28 PROVISION FOR TAXATION			
Current taxation			
current year	28.1	-	-
prior year		-	-
		-	-
Deferred taxation	12	(8,098,989)	(8,537,605)
		(8,098,989)	(8,537,605)

28.1 No provision is made for the year ended 30 June 2026 and 30 June 2025 due to losses.

28.1 The income tax assessments of the Company up to and including tax year 2025 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance.

	<i>Unit</i>	30-Jun-26	30-Jun-25
29 EARNINGS/(LOSS) PER SHARE - BASIC AND DILUTED			
Profit/(loss) attributable to ordinary shareholders	<i>Rupees</i>	(30,573,766)	(29,196,612)
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	8,775,000	8,775,000
Earnings/(loss) per share - Basic	<i>Rupees</i>	(3.48)	(3.33)

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

	<i>Note</i>	30-Jun-26	30-Jun-25
		<i>Rupees</i>	<i>Rupees</i>
30 CASH USED IN OPERATIONS			
Profit/(loss) before taxation		(38,672,755)	(37,734,217)
Adjustments for non-cash and other items			
Finance cost		-	-
Notional interest		-	-
Gain on disposal of operating fixed assets		-	-
Depreciation		27,927,548	29,440,017
		27,927,548	29,440,017
Operating loss before changes in working capital		(10,745,207)	(8,294,200)
Changes in working capital			
Stores and spares		(0)	(0)
Advances and other receivables		(0)	(0)
Trade and other payables		0	0
		(0)	(1)
Cash used in operations		(10,745,207)	(8,294,201)

31 CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	2,629,447	2,629,447
		2,629,447	2,629,447

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

32 CHANGES FROM FINANCING CASH FLOWS

	30-Jun-26	
	Loan from sponsors Rupees	Short term borrowings Rupees
As at beginning of the year	872,265,612	861,520,405
Loan from sponsors obtained	10,745,207	-
Notional interest recognized	-	-
Net increase in short term borrowings	-	(0)
As at end of the year	883,010,819	861,520,405

	30-Jun-25	
	Loan from sponsors Rupees	Short term borrowings Rupees
As at beginning of the year	853,226,205	722,544,931
Loan from sponsors obtained	8,294,200	-
Notional interest reversed	-	-
Net decrease in short term borrowings	-	(0)
As at end of the year	861,520,405	722,544,931

33 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

		30-Jun-26 Rupees	30-Jun-25 Rupees
33.1 Transactions with related parties			
Nature of relationship	Nature of transactions		
Sponsors	Loan obtained	10,745,207	8,294,200
	Short term borrowing (repaid)/obtained	-	-
	Rent paid	-	-
33.2 Balances with related parties			
Nature of relationship	Nature of balances		
Sponsors	Loan	872,265,612	861,520,405
	Short term borrowings	7,281	7,281

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

34 CONTRACTS WITH CUSTOMERS

34.1 Contract balances

The information about receivables and contract liabilities from contracts with customers is as follows:

Nature of balance	Presented in financial statements as	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
Receivables	Trade receivables	20	96,587,763	96,587,763
Contract liabilities	Advances from customers	13	97,343,144	97,343,144
			193,930,907	193,930,907

34.2 Changes in contract liabilities

There were no changes in contract liabilities during the year.

35 FINANCIAL INSTRUMENTS

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

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
35.1 Financial assets			
Cash in hand	23	366,962	366,962
Financial assets at amortized cost			
Long term deposits	18	11,243,604	11,243,604
Trade receivables	20	96,587,763	96,587,763
Advances to employees	21	12,877,167	12,877,167
Short term deposits		1,613,107	1,613,107
Insurance claims receivable	21	1,922,460	1,922,460
Bank balances	23	2,262,486	2,262,486
		126,873,549	126,873,549
35.2 Financial liabilities			
Financial liabilities at amortized cost			
Loan from sponsors	9	872,265,612	861,520,405
Long term finances	10	310,833,334	310,833,334
Short term borrowings	14	722,537,650	722,537,650
Accrued interest/profit	15	386,279,029	386,279,029
Trade creditors	13	96,473,061	96,473,060
Accrued liabilities	13	187,961,594	187,961,594
Unclaimed dividend		1,010,033	1,010,033
		2,577,360,312	2,566,615,105

36 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:

36.1 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

36.1.1 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 receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

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 amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade receivables to have low credit risk where the customer has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

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

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is 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 receivables: Lifetime ECL Other assets: 12-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

36.1.2 Exposure to credit risk

Credit risk principally arises from debt instruments held by the Company as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	30-Jun-26 Rupees	30-Jun-25 Rupees
Financial assets at amortized cost			
Long term deposits	18	11,243,604	11,243,604
Trade receivables	20	96,587,763	96,587,763
Advances to employees	21	12,877,167	12,877,167
Security deposits		1,613,107	1,613,107
Insurance claims receivable	21	1,922,460	1,922,460
Bank balances	23	2,262,486	2,262,486
		126,506,587	126,506,587

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

36.1.3 Credit quality and impairment

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

	Note	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount Rupees	Loss allowance Rupees
Long term deposits	18	N/A	Performing	12-month ECL	11,243,604	-
Trade receivables	20	N/A	Performing	Lifetime ECL	96,587,763	-
Advances to employees	21	N/A	Performing	12-month ECL	12,877,167	-
Security deposits		N/A	Performing	12-month ECL	1,613,107	-
Insurance claims receivable	21	N/A	Performing	12-month ECL	1,922,460	-
Bank balances	23	AA+/A1 to AAA/A1+	N/A	12-month ECL	2,262,486	-
					126,506,587	-

(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 receivables

For trade receivables, 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 receivables by using internal credit risk gradings. As at the reporting date, all trade receivables are considered 'performing' including those past due as there is no significant increase in credit risk in respect of these debts since initial recognition. The ageing analysis of trade receivables as at the reporting date is as follows:

	30-Jun-26 Rupees	30-Jun-25 Rupees
Neither past due nor impaired	-	-
Past due by 0 to 6 months	-	-
Past due by 6 to 12 months	-	-
Past due by over one year	96,587,763	96,587,763
	96,587,763	96,587,763

(c) Advances to employees

Advances to employees have been given against future salaries and post-employment benefits. Therefore, no credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

(d) Short term 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 has been associated with these financial assets and accordingly no loss allowance has been made.

(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. Therefore, no credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

36.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade receivables. The Company's two (30-Jun-25: two) significant customers account for Rs. 49.58 million (30-Jun-25: Rs. 49.58 million) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (30-Jun-25: 10%) of trade receivables 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

36.1.5 Collateral held

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

36.2 Liquidity risk

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

36.2.1 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.

36.2.2 Exposure to liquidity risk

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

	30-Jun-26				
	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	872,265,612	872,265,612	-	-	872,265,612
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	386,279,029	386,279,029	386,279,029	-	-
Trade creditors	96,473,061	96,473,061	96,473,061	-	-
Accrued liabilities	187,961,594	187,961,594	187,961,594	-	-
	2,576,350,280	2,602,202,251	1,729,936,639	-	872,265,612

	30-Jun-25				
	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	861,520,405	861,520,405	-	-	861,520,405
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	386,279,029	386,279,029	386,279,029	-	-
Trade creditors	96,473,060	96,473,061	96,473,061	-	-
Accrued liabilities	187,961,594	187,961,594	187,961,594	-	-
	2,565,605,072	2,591,457,044	1,729,936,639	-	861,520,405

36.2.3 Overdue financial liabilities

The Company is facing a 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:

	30-Jun-26		
	Principal Rupees	Markup/Interest Rupees	Total Rupees
Long term finances	310,833,334	-	310,833,334
Short term borrowings	722,537,650	-	722,537,650
	1,033,370,984	-	1,033,370,984

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

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

36.3 Market risk

36.3.1 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.

36.3.2 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:

	30-Jun-26	30-Jun-25
	Rupees	Rupees
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	872,265,612	861,520,405
Variable rate instruments		
Financial assets	1,762	1,762
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 (30-Jun-25: 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.

36.3.3 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

37 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>	30-Jun-26	30-Jun-25
Total debt	<i>Rupees</i>	1,033,378,265	1,033,378,265
Total equity	<i>Rupees</i>	(512,865,210)	(493,036,651)
Total capital employed		520,513,055	540,341,614
Gearing	<i>% age</i>	198.53%	191.25%

There were no changes in the Company's approach to capital management during the year except for reclassification of loan from directors in equity. 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.

38 FAIR VALUE MEASUREMENTS

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

38.1 Financial instruments measured at fair value

38.1.1 Recurring fair value measurements

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

38.1.2 Non-recurring fair value measurements

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

38.2 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

38.3 Assets and liabilities other than financial instruments

38.3.1 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	30-Jun-26	30-Jun-25
				<i>Rupees</i>	<i>Rupees</i>
Freehold land	-	142,835,000	-	142,835,000	142,835,000
Buildings on freehold land	-	130,511,901	-	130,511,901	137,380,948
Plant and machinery	-	364,988,774	-	364,988,774	384,198,709
Electric installation	-	25,248,686	-	25,248,686	26,577,564
Laboratory equipment	-	1,620,820	-	1,620,820	1,800,911
Fire fighting equipment	-	325,434	-	325,434	361,593

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

	Valuation technique	Significant inputs	Sensitivity
Freehold land	Market comparable approach that reflects recent transaction prices for similar properties	Estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition.	A 5% increase in estimated purchase price, including non-refundable purchase taxes and other costs directly attributable to the acquisition would result in a significant increase in fair value of buildings by Rs. 7.142 million (30-Jun-25: Rs. 7.142 million).
Buildings on freehold land	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in a significant increase in fair value of buildings by Rs. 6.526 million (30-Jun-25: Rs. 6.869 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of plant and machinery by Rs. 18.249 million (30-Jun-25: Rs. 19.21 million).
Electric installation	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of electric installation by Rs. 1.262 million (30-Jun-25: Rs. 1.329 million).
Laboratory equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of electric installation by Rs. 0.081 million (30-Jun-25: Rs. 0.09 million).
Fire fighting equipment	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in a significant increase in fair value of electric installation by Rs. 0.016 million (30-Jun-25: Rs. 0.018 million).

Reconciliation of fair value measurements categorized in Level 2 is presented in note 17.4.

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

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

38.3.2 Non-recurring fair value measurements

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

	30-Jun-26	30-Jun-25
	<i>Rupees</i>	<i>Rupees</i>
39 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY		
Mortgages and charges		
Charge over current assets	513,840,000	513,840,000
Charge over fixed assets	1,008,282,000	1,008,282,000
Pledge		
Raw material	456,545,598	456,545,598
Finished goods	108,894,900	108,894,900

40 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:

	30-Jun-26		
	Chief Executive	Directors	Executives
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Managerial remuneration	-	-	1,255,000
Allowances and perquisites	-	-	-
Post employment benefits	-	-	-
	-	-	1,255,000
Number of persons	1	7	1

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

	30-Jun-25		
	Chief Executive	Directors	Executives
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Managerial remuneration	-	-	1,200,000
Allowances and perquisites	-	-	-
Post employment benefits	-	-	-
	-	-	1,200,000
Number of persons	1	7	1

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

41 SEGMENT INFORMATION

41.1 The Company is a single reportable segment.

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

42 NUMBER OF EMPLOYEES

	30-Jun-26	30-Jun-25
Total number of employees	3	4
Average number of employees	3	4

43 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.

SALLY TEXTILE MILLS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2026

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	30-Jun-26	30-Jun-25
Owned			
Number of spindles installed	No.	56,076	56,076
Plant capacity on the basis of utilization converted into 40s count	Kgs	8,555,000	8,555,000
Actual production converted into 40s count	Kgs	-	-

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.

45 GENERAL

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

46 Date of authorization for issue

These financial statements were authorized for issue on 14-09-2026 by the Board of Directors of the Company.


MIAN IQBAL SALAHUDDIN
Chief Executive


ABID ALI BAJWA
Chief Financial Officer


MIAN YOUSAF SALAHUDDIN
Director

Lahore

Date: 14-09-2026

FORM 20

**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 **30-06-2026**

-----Shareholdings-----			
2.2 No. of Shareholders	From	To	Total Shares Held
982	1	100	60,703
304	101	500	76,914
78	501	1,000	62,015
126	1,001	5,000	335,891
26	5,001	10,000	205,392
13	10,001	15,000	164,985
4	15,001	20,000	71,342
3	25,001	30,000	81,253
2	30,001	35,000	62,292
1	35,001	40,000	35,200
1	40,001	45,000	42,488
1	45,001	50,000	46,715
1	50,001	55,000	54,193
1	55,001	60,000	56,500
1	125,001	130,000	128,376
1	145,001	150,000	145,275
1	330,001	335,000	331,000
1	345,001	350,000	348,279
1	1,585,001	1,590,000	1,586,085
1	1,595,001	1,600,000	1,596,241
1	1,610,001	1,615,000	1,612,950
1	1,670,001	1,675,000	1,670,911
1,551			8,775,000

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	6,474,187	73.7799
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	6,466,187	73.6887
2.3.8 General Public		
a. Local	1,504,677	17.1473
b. Foreign	0	-
2.3.9 Others (to be specified)		
- Joint Stock Companies	363,428	4.1416
- Pension Funds	31,841	0.3629
- Others	1,117	0.0127

SALLY TEXTILE MILLS LIMITED
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2026

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)	1,670,911	19.0417
2	MST. MUNIRA SALAHUDDIN (CDC)	1,612,950	18.3812
3	MIAN ASAD SALAH UDDIN (CDC)	1,586,085	18.0750
4	MIAN YOUSAF SALAH UDDIN (CDC)	1,596,241	18.1908
5	MR. SOHAIL SALAHUDDIN (CDC)	5,000	0.0570
6	MR. MUHAMMAD KHALIL LATIF (CDC)	500	0.0057
7	SYED ABID RAZA ZAIDI	2,500	0.0285

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

68,667 0.7825

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

1	MIAN IQBAL SALAHUDDIN	1,670,911	19.0417
2	MST. MUNIRA SALAHUDDIN	1,612,950	18.3812
3	MIAN YOUSAF SALAHUDDIN	1,596,241	18.1908
4	MIAN ASAD SALAHUDDIN	1,586,085	18.0750

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

S.No	NAME		SALE	PURCHASE
		NIL		

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FORM OF PROXY

Sally Textile Mills Limited

2-S, Gulberg II, Lahore.

58th Annual

General Meeting

Important

Instruments of Proxy will not be considered as valid unless Deposited or received at the company's Head Office at 2-S, Gulberg-II, Lahore not later than 48 hours before the time holding the meeting.

Registered folio/participants _____

ID No. and A/c No. _____

Number of shares held: _____

I/We _____
of _____
being a member of Sally Textile Mills Limited, hereby appoint _____
_____ of _____ another member of the company as my / our proxy to attend &
vote for me / us and on my / our behalf at the 58th Annual General meeting of the Company to be held Friday,
23rd October 2026 at 10:30 am at 2-S, Gulberg II, 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)



REGISTERED OFFICE :
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