TATA PAKISTAN

# SALFI TEXTILE MILLS LIMITED

## Annual Report 2018

# Content

# COMPANY INFORMATION

| | |
|---|---|
| **BOARD OF DIRECTORS** | |
| CHAIRMAN: | Mr. Anwar Ahmed Tata |
| CHIEF EXECUTIVE: | Mr. Adeel Shahid Tata |
| DIRECTORS: | Mr. Shahid Anwar Tata<br>Mr. Bilal Shahid Tata<br>Mr. Muhammad Naseem<br>Sheikh Kausar Ejaz<br>Mr. Farooq Advani |
| **AUDIT COMMITTEE** | |
| CHAIRMAN: | Mr. Muhammad Naseem |
| MEMBERS: | Mr. Bilal Shahid Tata<br>Sheikh Kausar Ejaz |
| SECRETARY | Mr. Ghulam Raza Hemani |
| **HUMAN RESOURCE & REMUNERATION COMMITTEE** | |
| CHAIRMAN: | Mr. Muhammad Naseem |
| MEMBERS: | Mr. Adeel Shahid Tata<br>Mr. Bilal Shahid Tata |
| SECRETARY | Mr. Aadil Riaz |
| **COMPANY SECRETARY & CHIEF FINANCIAL OFFICER:** | Mr. Haseeb Hafeezuddeen |
| **BANKERS:** | Dubai Islamic Bank (Pakistan) Limited<br>Bank Alfalah Limited<br>Meezan Bank Limited<br>Habib Metropolitan Bank<br>The Bank of Punjab<br>MCB Bank Limited<br>National Bank of Pakistan<br>Soneri Bank Limited<br>Allied Bank Limited<br>Bank Islami Pakistan Limited<br>JS Bank Limited<br>Askari Bank Limited |
| **AUDITORS:** | M/s. Deloitte Yousuf Adil<br>Chartered Accountants |
| **LEGAL ADVISOR:** | Ameen Bandukda & Co. Advocates |
| **SHARE REGISTRAR:** | Central Depository Company of Pakistan Limited<br>CDC House, 99 – B, Block 'B',<br>S.M.C.H.S., Main Shahra-e-Faisal<br>Tel# (Toll Free) 0800-CDCPL (23275)<br>Fax: (92-21) 34326053 |
| **REGISTERED OFFICE:** | 6th Floor Textile Plaza,<br>M.A Jinnah Road Karachi.<br>Tel# 32412955-3 Lines 32426761-2-4<br>Fax# 32417710 |
| **WEB SITE ADDRESS:** | www. tatapakistan.com |
| **E- MAIL ADDRESS:** | stm.corporate@tatapakistan.com |
| **MILLS:** | HX-1, Landhi Industrial Area, Landhi, Karachi |

# VISION STATEMENT

We shall build upon our recognition as a socially and environmentally responsible organization known for its principled and honest business practices. We shall remain committed to exceeding the highest expectations of our stakeholders by maintaining the highest quality standards and achieving sustained growth in our capacity.

# MISSION STATEMENT

We are committed to the higher expectations of our customers. We strive for the production of best quality yarns for high value products.

## ICA Membership Certificate 2018

This is to certify that

Salfi Textile Mills Ltd

is a member of the International Cotton Association

**Jordan Lea**
President, International Cotton Association

www.ica-ltd.org
t: +44 151 236 6041
e: info@ica-ltd.org

OEKO-TEX®
CONFIDENCE IN TEXTILES

## CERTIFICATE

**The company**

**Salfi Textile Mills Limited**
**6th Floor, Textile Plaza, M.A. Jinnah Road,**
**74000 Karachi, PAKISTAN**

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use the STANDARD 100 by OEKO-TEX® mark, based on our test report **2018OK0195**

OEKO-TEX®
STANDARD 100
2014OK0009 AITEX

**for the following articles:**

**100% Greige cotton yarn.**

The results of the inspection made according to STANDARD 100 by OEKO-TEX®, Appendix 6, **product class I** have shown that the above mentioned goods meet the human-ecological requirements of the STANDARD 100 by OEKO-TEX® presently established in Appendix 6 for baby articles.

The certified articles fulfil requirements of Annex XVII of REACH (incl. the use of azo colourants, nickel release, etc.) as well as the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the STANDARD 100 by OEKO-TEX® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

**The certificate 2014OK0009 is valid until 31.01.2019**

Alcoy (Alicante) España, 08.03.2018

Silvia Devesa Valencia
Innovation Assistant Manager

Isabel Soriano Sarrió
Chief of Innovation Area

## COTTON USA

### COTTON COUNCIL INTERNATIONAL

CERTIFIES THAT

Salfi Textile Mills Ltd.

IS A CERTIFIED

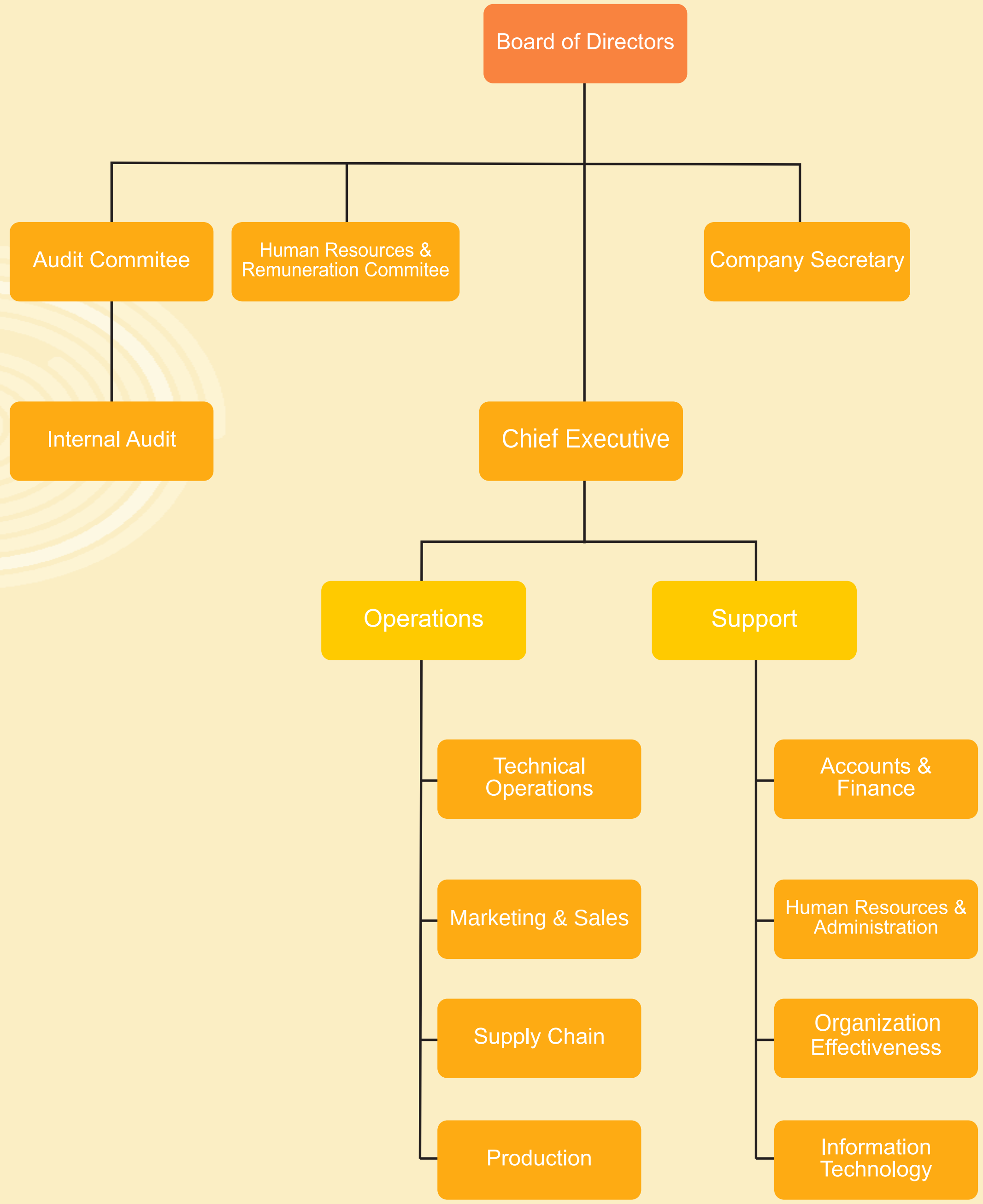
### COTTON USA LICENSEE

This licensee has complied with the necessary licensing requirements and has been granted the right to use CCI's registered trademark on all qualifying labels, print and promotional materials for one calendar year from the date of the certificate.

Issued this 1st day of January 2018

Manager, Global Operations
Cotton Council International

## Organization Chart



# CHAIRMAN'S REVIEW

**Assalam-o-Alaikum,**

I feel pleasure in presenting the financial results in the annual report along with the Auditor's report for the year ended June 30, 2018.

By the grace of Allah, I am pleased to report that our company has achieved a pre-tax profit of Rs.297.910 Million (2016-2017 Rs.95.520 Million) which is 212% higher than same period last year. Overall sales volume is also up 12.76% year on year.

## Textile Industry

The primary reason for the profit are due to inventory gains owing to efficient buying of raw material and rupee devaluation during the year. However, I strongly feel that the fundamental problems and issues confronting the Textile Industry in general, especially the exporting Industries have not been corrected. These include high cost of doing business in Pakistan, especially cost of energy, withholding taxes which totals 64 in number and number of levies, as well as SRB enforced by the Provisional Government like Sales Tax on Services, etc. In addition, our labor cost is the highest in the region. Further, another serious reason that continues to chain our ability to fight this competitive textile world is that huge amounts of refunds are stuck up with the Government and so far we see no sight of the refunds. These include, Sales Tax refunds, Income Tax refunds, DDTR claims, DLTL claims and Custom Rebates, which are all held back. All these issues and other inefficiencies of the Government Sector plus so many other concerns have not been corrected. We hope the Government who have recently taken over will understand and realize this very difficult situation for the exporting industry and that their focus will change from Import and Consumption led growth to Export and Productivity.

I would like to further add that there are serious economic global uncertainties as well, as there seems to be some trade wars going on between the major blocks and we really do not know how it will ultimately affect the flow of International Trade. The recent development which came as a surprise to everyone i.e. Brexit, America's protective policies and getting out of their previously signed Trade Agreement is all very disturbing. Another very interesting phenomena, as I recall, is that the world was considered to be a global village and every country was pursuing the policy of Free Trade and flow of Goods between the countries, but now on the contrary lot of countries are looking inward and being protective and putting restrictions on free flow of goods through Tariff barriers.

### Raw Material

It is a berserk Policy of the Government to put duties and taxes on import of Cotton when the Pakistan Textile Industry is confronting severe Cotton shortage for the last couple of years. I agree that there has to be a system of Minimum Support Price (MSP) for the farmers but that is the responsibility of the Government but unfortunately instead of resorting to MSP the Government increases the domestic Cotton prices, through practically banning Cotton import through fiscal measures. We have faced cotton crop failure for the last 3 consecutive years and

Industry had to import approximately 3.5 Million bales and this year again there is a Cotton Crop failure in the country because of water shortage and other impediments and yet the Government has imposed 3% Duty, 2% Additional Custom, 5% sales tax and 1% Income Tax on import of Cotton.

Further, there has been no serious and due attention paid for the improvement of Cotton crop in the country. From seed development to monitoring of adulteration in pesticides to fertilizers and to availability of modern technology, no progress has been made in these areas and I feel we are even far behind the African countries. Moreover, the trading of Cotton itself remains most primitive. Our cotton segment, from picking to transportation to ginning to wrapping, everything is so obsolete and the whole system is so untrustworthy that buying cotton locally has become very treacherous and undependable.

### Cost of Energy

Everyone acknowledges that our Energy cost is the highest in the region, especially if we compare it to the competing countries in Textile, where it is available around 6 cents. Our Energy cost remains exorbitantly high particularly in Punjab. Recently another news items that hasfrighten us is that the Government is contemplating a very steep rise in the Gas and Electricity cost, which is alarming.

### Interest Rates.

The Interest Rates have risen by 200 basis points and there is every likelihood that it will be further increased, so this is another very serious development which can add to the burden of the Textile Industry.

### Inflationary Pressures.

The inflationary pressure which was stable during the recent years now seems to be getting out of control. So this is another grave concern which will make all our inputs expensive other than power and interest as already mentioned, which will yet again put burden on our ability to export.

### Tax burden

Pakistan has one of the most elaborate Withholding Tax regime in the world. The Revenues are collected at source either in the form of Advance Taxes against any Income Tax liability or as fixed taxes. In particular, many of the fixed taxes have acquired the character of indirect taxes and in some cases are clearly regressive in incidence. Today, almost three-fourths of the total revenues from direct taxes come from the withholding tax regime. The Tax regime has been extended to sales transactions, utility bills, transports, imports, exports, provision of services like contracts, etc. There are currently 64 sections / sub sections in Income Tax relating to levy of Withholding taxes. The Government usually collects more than the actual liability due from the Industries which results in accumulation of huge Refund amounts. Your company also has long pending accumulated Refunds of Income Tax, Sales Tax and Rebate amount of Rs.358.737 Million. This is a very critical area which the Government should deliberate, as it gravely affects the liquidity of the Company.

There is a need to focus more on a return and documentation based Income Tax System, thereby, reducing reliance on Withholding taxes, many of which are indirect and regressive in nature. We should explore the potential for broad-basing the sales tax and bring it closer to being a value added tax. The Government should work on reforms to minimize multiplicity of taxation, escalation in tax rates and focus on gradual rationalization of rates with broad-basing of revenue sources. It should formulate a tax policy that is more evidence-based and consistent.

**Cost of Labor**

One of the challenging aspect of cost of product is the excessive labor cost which is relatively higher as compared to the regional market players. Pakistan is considered to be one of the expensive country in terms of labor cost in past decade which is around USD.150/- as minimum wage / month.

**Human Resource Development**

Alhamdulillah, I am proud to state that we honor and fulfill all our responsibilities towards our employees, especially the labor class and comply with 100% of our liabilities towards our workers. Our Human Capital Function's primary responsibility is to take care of our human resource by investing in them which results in contribution in the revenue stream and profitability. Having said that, we provide a highly congenial and professional working environment to our employees to ensure provision of all necessary resources for employee's efficient working for productivity. We respect individuals and care for their professional and personal development by reciprocating their dedication and efforts through employee incentives schemes. We also strongly advocate career advancement, transparent performance evaluations and market competitive remunerations. Our performance management system has a proper feedback mechanism and development aspect which an employee need to succeed in their roles. To motivate, retain and develop people, we have various learning and development initiates and employee engagement activities. Our HR systems are technology driven that helps us to work in efficient and effective way.

**Information Technology**

The Management of TATA Pakistan has strong believe in a structured organization fully automated through enterprise business solutions. Consequently, as a result of continuous strategic planning and significant investment over automation, TATA Pakistan has now been adequately equipped with standard Information Technology and continuously striving for optimum excel in IT. TATA Pakistan has formed a well-structured congenial Corporate IT Department comprising of innovative and seasoned professionals, qualified & certified in relevant areas of expertise. The IT Department has essential domination which made the effective recognition of IT Faculty in Corporate, simultaneously playing a role of strategic partner and custodian of corporate electronic information. The IT facilitates through information flows between all business functions, and ensure timely availability of secured / integrated information to its stakeholders all over, which is key factor of right decision making in the light of data provided through ERP.

A well-designed, controlled, reliable and centralized network infrastructure is deployed to guarantee secure manipulation of information / communication throughout the corporate.

**Going Forward**

There are six major segments in Textile Industry in Pakistan, namely, Denim, Towel, Home Textile, Knitted Garments, Yarn and Grey Fabric. To a great extent, export of Yarn and Grey Fabric depends on the Chinese Market but as mentioned earlier, because of the uncertainty due to the trade war between China and USA, our exports have severely declined and this is leading to over capacity of stock which is very detrimental to business and we fear that lot of Mills will shut down. We hope the new Government will review this critical situation being confronted by the textile sector, during the beginning of the season and work on providing a major share to Textile Industry in the trade agreement with China.

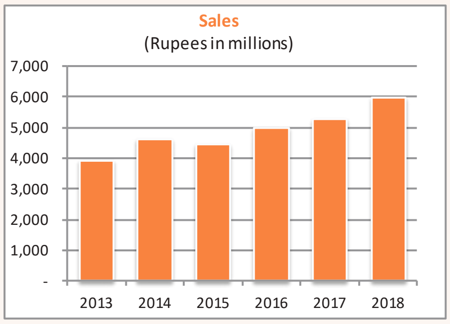
We on our part are endeavoring to become the most efficient and cost effective Mill and making every efforts to ensure that our Textile Company remains one of the top Textile Mill in Pakistan. Hence, the Management is taking further initiatives to improve the Mills infrastructure to achieve optimum manufacturing cost of the product by addition of latest state-of art machines, with automation resulting in improved product quality, aiming towards product diversification, we plan to add Twisting and doubling machines to produces plied yarns.

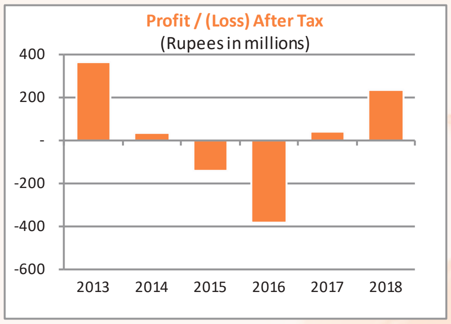
**Acknowledgment**

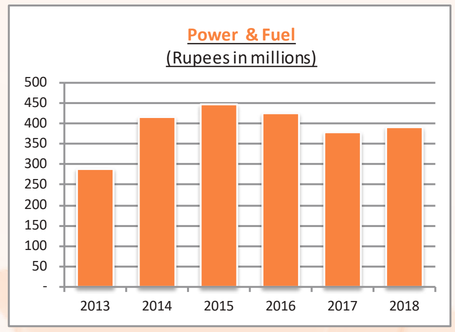
We sincerely acknowledge and appreciate the untiring endeavors of our various teams who are constantly engaged in upholding their commitment to make this organization surpass all the benchmarks of quality and productivity set by the giants of the Industry. As a team we stand highly grateful towards our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

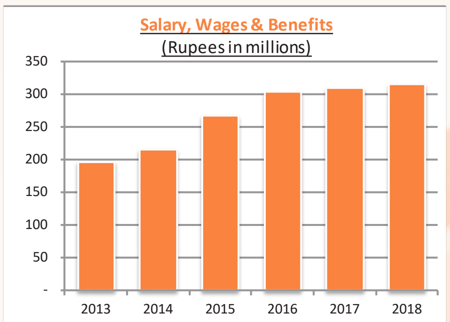
Karachi.
Dated: September 24, 2018

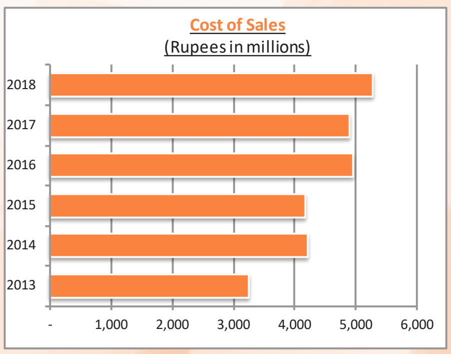
**Anwar Ahmed Tata**
**Chairman**

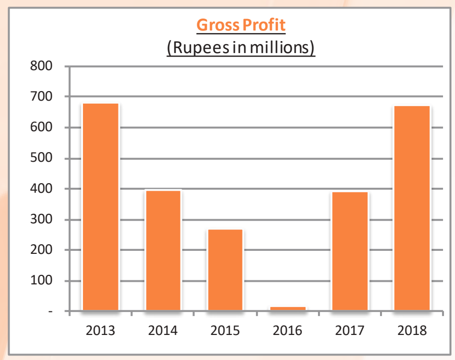

Sales
(Rupees in millions)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
2013
2014
2015
2016
2017
2018

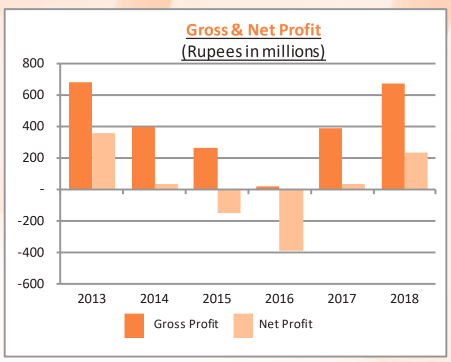

Profit / (Loss) After Tax
(Rupees in millions)
400
200
-
-200
-400
-600
2013
2014
2015
2016
2017
2018

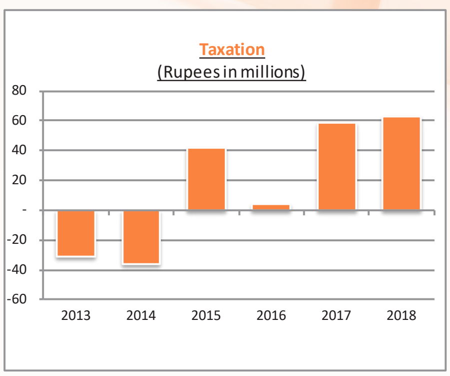

Power & Fuel
(Rupees in millions)
500
450
400
350
300
250
200
150
100
50
-
2013
2014
2015
2016
2017
2018

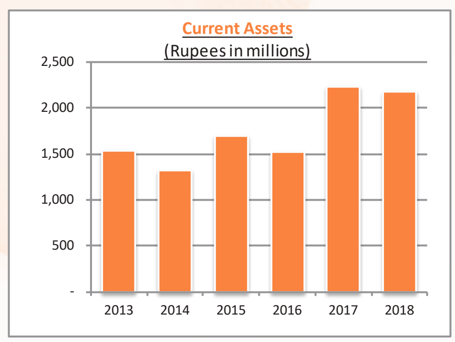

Salary, Wages & Benefits
(Rupees in millions)
350
300
250
200
150
100
50
-
2013
2014
2015
2016
2017
2018

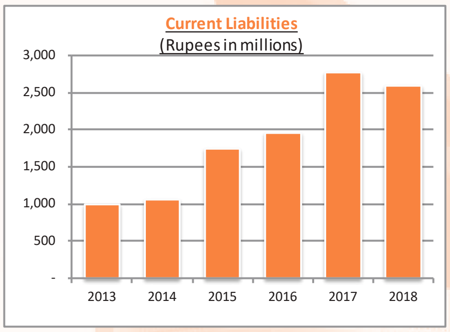

Cost of Sales
(Rupees in millions)
2018
2017
2016
2015
2014
2013
-
1,000
2,000
3,000
4,000
5,000
6,000

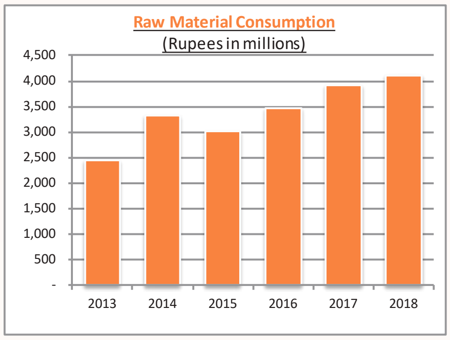

Gross Profit
(Rupees in millions)
800
700
600
500
400
300
200
100
-
2013
2014
2015
2016
2017
2018

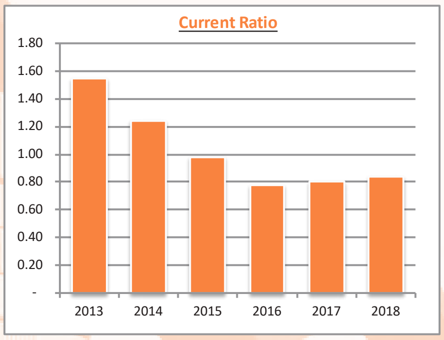

Gross & Net Profit
(Rupees in millions)
800
600
400
200
-
-200
-400
-600
2013
2014
2015
2016
2017
2018
Gross Profit
Net Profit

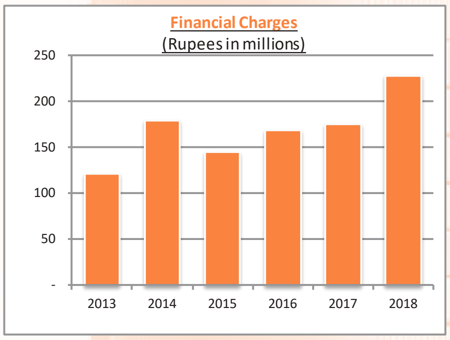

Taxation
(Rupees in millions)
80
60
40
20
-
-20
-40
-60
2013
2014
2015
2016
2017
2018

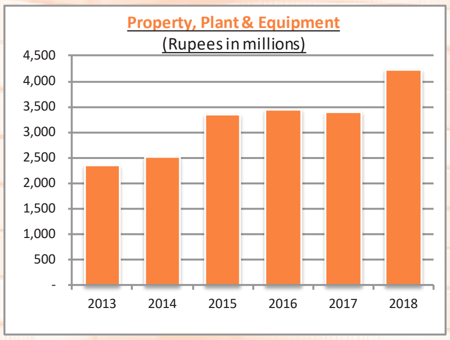

Current Assets
(Rupees in millions)
2,500
2,000
1,500
1,000
500
-
2013
2014
2015
2016
2017
2018

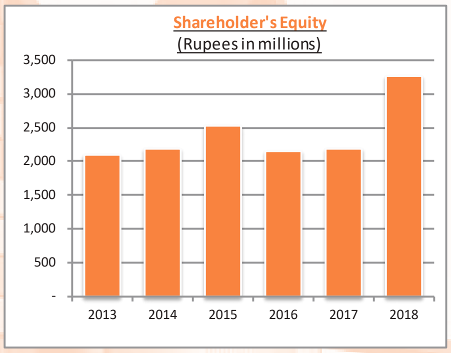

Current Liabilities
(Rupees in millions)
3,000
2,500
2,000
1,500
1,000
500
-
2013
2014
2015
2016
2017
2018

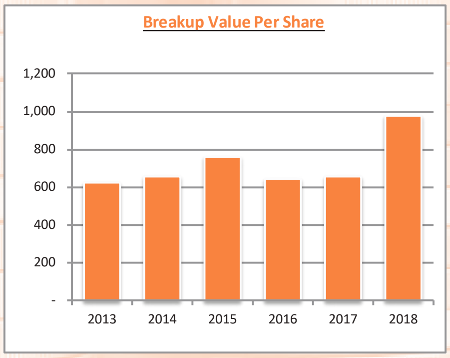

Raw Material Consumption
(Rupees in millions)
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2013
2014
2015
2016
2017
2018

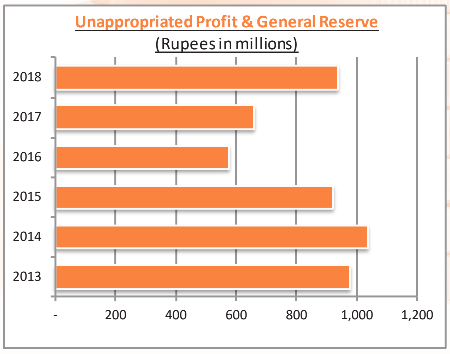

Current Ratio
1.80
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
-
2013
2014
2015
2016
2017
2018

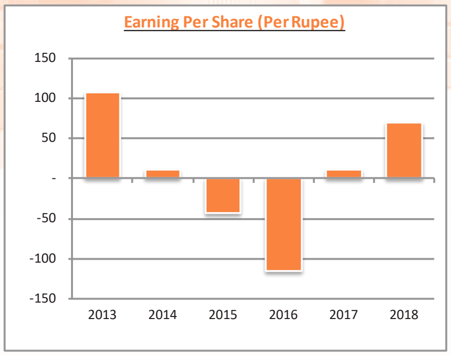

Financial Charges
(Rupees in millions)
250
200
150
100
50
-
2013
2014
2015
2016
2017
2018


Property, Plant & Equipment
(Rupees in millions)
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2013
2014
2015
2016
2017
2018


Shareholder's Equity
(Rupees in millions)
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2013
2014
2015
2016
2017
2018


Breakup Value Per Share
1,200
1,000
800
600
400
200
-
2013
2014
2015
2016
2017
2018


Unappropriated Profit & General Reserve
(Rupees in millions)
2018
2017
2016
2015
2014
2013
-
200
400
600
800
1,000
1,200


Earning Per Share (Per Rupee)
150
100
50
-
-50
-100
-150
2013
2014
2015
2016
2017
2018

# DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting this report, together with the Audited Financial Statement of the Company for the year ended June 30, 2018.

## Composition of Board

The composition of the Board is in compliance with the requirements of the Code of Corporate Governance regulations, 2017 applicable on listed entities which is given below:

Total number of Directors

| | | |
|---|---|---|
| a. | Male | 7 |
| b. | Female | 0 |

Composition:

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

The names of the directors as at June 30, 2018 are as follows

| | | |
|---|---|---|
| 1) | Mr. Anwar Ahmed Tata | - Chairman |
| 2) | Mr. Shahid Anwar Tata | - Director |
| 3) | Mr. Adeel Shahid Tata | - Director / Chief Executive Officer |
| 4) | Mr. Bilal Shahid Tata | - Director |
| 5) | Mr. Aijaz Ahmed Tariq | - Director |
| 6) | Mr. Muhammad Naseem | - Director |
| **7)** | Sheikh Kausar Ejaz | - Director |

## Committees of the Board

The Board has formed two sub committees namely Audit Committee and Human Resource & Remuneration Committee. The composition of both these committees is disclosed as follows:

- **Audit Committee**

| | |
|---|---|
| Mr. Muhammad Naseem | - Chairman (Independent) |
| Mr. Bilal Shahid Tata | - Member |
| Sheikh Kausar Ejaz | - Member |

- **Human Recourse and Remuneration Committee**

| | |
|---|---|
| Mr. Muhammad Naseem | - Chairman (Independent) |
| Mr. Adeel Shahid Tata | - Member |
| Mr. Bilal Shahid Tata | - Member |

**Principal Activities of the Company**

Salfi Textile Mills Limited (STML) (the Company) is incorporated in Pakistan as public limited company and is listed on Pakistan Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of yarn.

## Development & Performance of the Company's Business

| Volumes | June-2018 | June-2017 | Variation |
|---|---|---|---|
| | **Amount in PKR** | **Amount in PKR** | **%** |
| Sales | 5,958,498,617 | 5,284,257,682 | 12.76% |
| Cost of Sales | (5,285,316,364) | (4,892,328,698) | 8.03% |
| Gross Profit | 673,182,253 | 391,928,984 | 71.76% |
| Profit before taxation | 297,910,074 | 95,519,703 | 211.88% |
| Profit after taxation | 234,440,017 | 36,673,727 | 539.26% |

In a challenging business environment, financial year 2017-18 was year of record performance with highest ever sales Rs.5.958 billion which was 12.76% higher than last year, earning Gross Profit of Rs.673 million. Profit before tax for the year increase by 211%. due to inventory gains due to efficient buying of raw material and higher domestic and international margin. The Directors and management have been closely monitoring the performance of the business with focus on achieving continued improvements in productivity and efficiency while optimizing cost and process to ensure sustainable growth of the Company.

The increase in sales revenue is attributable to higher sales volume, increase in selling prices and better product mix. The management was focused on improving internal efficiency, product quality and continued its efforts to reduce the cost of doing business. The Company is well poised to counter future challenges through additional new measures including innovation, planning and controlling costs, operational analysis, expanding product base and prudent financial management. The Company is also constantly exploring business development opportunities to expand our foot print in yarn products.

The company has been successful in achieving its objectives by employing a consistent strategy that emphasizes ethics, quality, competitiveness, product diversity, sustainable business practices, and growth in higher value products to the extent possible.

STML produces a range of products which meets a diverse set of market needs and continuously searches for new markets and products.

STML strives to ensure timely access to high quality and low cost raw material by following fair procurement practices, diversified suppliers and following the market trends closely.

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

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

### Change in accounting policy

The current year financial statements have been restated due to change in accounting policy for recording of revaluation surplus on property, plant and equipment as part of equity. This change is due to the fact that the provision in Companies Ordinance, 1984 requiring revaluation surplus to be recorded as a separate financial statement line item has not been carried forward in the Companies Act, 2017, thereby aligning the treatment with International Accounting Standard – 16 (IAS-16).

As a result of this overall equity has increased by Rs.2.289 billion and Rs.1.493 billion for the year ended June 30, 2018 and June 30, 2017 respectively. Further, gain on revaluation surplus net of deferred tax amounting to Rs. 837 million has been recorded in other comprehensive income for the year ended June 30, 2018 to comply with the requirements of IAS–16.

### Principal Risks and Uncertainties

Despite the facts that the Company's financial performance has significantly improved during the year and was able to overcome many barriers yet some uncertainties remain resulting from level of cotton production in the country, local and international cotton pricing, international yarn pricing, impact of trade wars between US and China and exchange rate fluctuations may have an impact on the future financial results of the Company.

### Dividend

The Board of Directors in its meeting held on September 24, 2018 proposed a cash dividend of Rs .2.00 per share (2017: Nil) amounting to Rs. 6.685 million (2017: Nil) subject to the approval of the members at the forthcoming annual general meeting of the Company.

### Appointment of Auditors

The present auditors Messrs Deloitte Yousuf Adil Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The director endorse as to recommendation of the Audit Committee for the re-appointment of Messrs Deloitte Yousuf Adil Chartered Accountants as auditors for the financial year ending June 30, 2019 on such terms and conditions and remuneration be decided in AGM.

### Subsequent Events

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of the Report.

### Compliance with the Best Practices of Corporate Governance

As required under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchange, the Board is pleased to state that the management of the Company is compliant with the best practices of corporate governance. The Board acknowledges its responsibility in respect of the corporate and financial reporting framework and thus states that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- The highlights of operating and financial data for the last six years are presented in a summarized form in annexure.
- The statement of pattern of shareholding of the Company as at June 30, 2018 is annexed. This statement is prepared in accordance with the Code of Corporate Governance.
- During the year under review, four Board of Directors Meetings, four Audit Committee Meetings and four Human Resource & Remuneration committee meeting were held. The attendance of the directors is as follow:

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

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

- No trading in Company's shares was carried out by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit other Executives and their spouse(s) and minor children during the year.

## Corporate Social Responsibility

Salfi Textile Mills Ltd. is committed to achieving tangible, sustainable fulfillment of its corporate social responsibility. During the year under review the Company contributed Rs. 1.2 million in Health Sector by collaborating with Bait-ul-Sukoon for health and well-being of the poor people of the country.

## Significant features of remuneration policy of non-executive directors

Non-executive directors including the independent director are entitled only for fee for attending the meetings.

## Board Evaluation

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

## Chairman's Review

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

**ON BEHALF OF THE BOARD OF DIRECTORS**

**Adeel Shahid Tata**
**Chief Executive**

**Karachi:**

**Date:** September 24, 2018

# KEY OPERATING AND FINANCIAL DATA

| Description | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| | | Rupees in '000' | | | | | |
| **OPERATING DATA** | | | | | | | |
| Sales | Rs.'000' | 5,958,499 | 5,284,258 | 4,975,583 | 4,448,356 | 4,612,764 | 3,925,774 |
| Cost of Goods Sold | Rs.'000' | 5,285,316 | 4,892,329 | 4,957,343 | 4,179,356 | 4,216,657 | 3,243,068 |
| Gross Profit | Rs.'000' | 673,183 | 391,929 | 18,240 | 269,000 | 396,107 | 682,706 |
| Profit / (Loss) Before Taxation | Rs.'000' | 297,910 | 95,520 | (379,809) | (103,411) | (1,185) | 329,209 |
| Profit / (Loss) After Taxation | Rs.'000' | 234,440 | 36,674 | (384,225) | (145,721) | 34,822 | 360,187 |
| **FINANCIAL DATA** | | | | | | | |
| Equity Balance | Rs.'000' | 3,259,671 | 2,184,663 | 2,147,533 | 2,536,541 | 2,190,706 | 2,091,031 |
| Property, Plant & Equipment | Rs.'000' | 4,220,703 | 3,388,009 | 3,454,697 | 3,359,644 | 2,520,999 | 2,356,478 |
| Current Assets | Rs.'000' | 2,174,616 | 2,236,467 | 1,516,316 | 1,698,030 | 1,320,930 | 1,538,820 |
| Current Liabilities | Rs.'000' | 2,596,250 | 2,775,394 | 1,955,210 | 1,736,002 | 1,064,409 | 993,303 |
| **RATIOS** | | | | | | | |
| **PROFITABILITY RATIOS** | | | | | | | |
| Gross Profit Margin | % | 11.30 | 7.42 | 0.37 | 6.05 | 8.59 | 17.39 |
| Operating Profit Margin | % | 3.93 | 0.16 | (7.80) | (2.50) | (0.83) | 6.96 |
| Net Profit Margin | % | 3.93 | 0.69 | (7.72) | (3.28) | 0.75 | 9.17 |
| **LIQUIDITY RATIOS** | | | | | | | |
| Current Ratio | Times | 0.84 | 0.81 | 0.78 | 0.98 | 1.24 | 1.55 |
| Quick Ratio | Times | 0.39 | 0.30 | 0.37 | 0.40 | 0.41 | 0.46 |
| **ACTIVITY / TURNOVER RATIOS** | | | | | | | |
| Days in Receivables | Days | 36.50 | 28.48 | 21.64 | 30.35 | 19.17 | 26.32 |
| Accounts Receivable Turnover | Times | 9.86 | 12.64 | 16.63 | 11.86 | 18.78 | 13.68 |
| Inventory Turnover | Times | 4.76 | 3.56 | 6.78 | 4.37 | 4.96 | 3.09 |
| Working Capital Turnover | Times | (14.13) | (9.81) | (11.34) | (117.15) | 17.98 | 7.20 |
| Total Assets Turnover | Times | 0.93 | 0.94 | 1.00 | 0.88 | 1.20 | 1.01 |
| Return on Total Assets | % | 3.66 | 0.65 | (7.72) | (2.88) | 0.90 | 9.23 |
| Return on Equity | % | 7.19 | 1.68 | (17.89) | (5.74) | 1.59 | 17.23 |
| **LEVERAGE RATIOS** | | | | | | | |
| Long Term Debt to Equity Ratio | % | 16.63 | 30.51 | 40.59 | 31.13 | 27.06 | 39.08 |
| Total Debt to Equity Ratio | % | 96.27 | 157.55 | 131.63 | 99.57 | 75.65 | 86.58 |
| Long Term Debt to Total Assets | Times | 0.08 | 0.12 | 0.18 | 0.16 | 0.15 | 0.21 |
| Total Debt to Total Assets | Times | 0.49 | 0.61 | 0.57 | 0.50 | 0.43 | 0.46 |
| Equity to Total Assets | Times | 0.51 | 0.39 | 0.43 | 0.50 | 0.57 | 0.54 |
| Interest Coverage Ratio | Times | 2.31 | 1.54 | (1.25) | 0.29 | 0.99 | 3.70 |
| **OTHERS** | | | | | | | |
| Earning per Shares | Rs | 70.14 | 10.97 | (114.95) | (43.60) | 10.42 | 107.76 |
| Breakup Value of Shares | Rs | 975.20 | 653.59 | 642.48 | 758.86 | 655.40 | 625.58 |
| Cash Dividend | % | 20.00 | - | - | - | 15.00 | 20.00 |

# ANALYSIS OF FINANCIAL STATEMENT
# BALANCE SHEET

| Description | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| | ---------- | ---------- | ---------- Rupees in '000' | ---------- | ---------- | ---------- |
| **Assets** | | | | | | |
| **Non Current Assets** | | | | | | |
| Property, plant and equipment | 4,220,703 | 3,388,009 | 3,454,697 | 3,359,644 | 2,520,999 | 2,356,478 |
| Intangible assets | 604 | 256 | 1,608 | 2,984 | 4,359 | 5,276 |
| Long Term Investments | 700 | 654 | 699 | 489 | 609 | 417 |
| Long Term Deposit | 1,229 | 1,179 | 1,037 | 1,012 | 1,012 | 463 |
| **Total Non Current Assets** | **4,223,236** | **3,390,098** | **3,458,041** | **3,364,129** | **2,526,979** | **2,362,634** |
| **Current Assets** | | | | | | |
| Stores, Spares and loose tools | 46,486 | 37,929 | 56,041 | 39,353 | 36,067 | 34,570 |
| Stock in Trade | 1,111,077 | 1,375,917 | 730,729 | 956,772 | 849,720 | 1,049,400 |
| Trade Debtors | 604,134 | 418,036 | 299,141 | 375,037 | 245,653 | 287,022 |
| Loans and Advances | 235,276 | 250,470 | 308,383 | 210,158 | 130,201 | 80,906 |
| Trade Deposit & Short Term Prepayment | 1,863 | 1,781 | 13,770 | 2,392 | 1,409 | 1,464 |
| Other Receivables | 73,326 | 49,417 | 404 | 403 | 1,345 | 2,430 |
| Other Financial Assets | 24,741 | 24,740 | 27,536 | 21,036 | 4,135 | 17,212 |
| Sales Tax Refundable | 67,996 | 60,765 | 34,349 | 51,741 | 16,101 | 12,778 |
| Cash and Bank Balances | 9,717 | 17,412 | 45,963 | 41,138 | 36,298 | 53,038 |
| **Total Current Assets** | **2,174,616** | **2,236,467** | **1,516,316** | **1,698,030** | **1,320,930** | **1,538,820** |
| **TOTAL ASSETS** | **6,397,852** | **5,626,565** | **4,974,357** | **5,062,159** | **3,847,909** | **3,901,454** |
| **Equity and Liabilities** | | | | | | |
| **EQUITY** | | | | | | |
| Share Capital | 33,426 | 33,426 | 33,426 | 33,426 | 33,426 | 33,426 |
| Reserve | 505,889 | 505,843 | 505,889 | 755,678 | 755,798 | 755,606 |
| Unappropriated Profit | 431,386 | 152,728 | 70,821 | 164,416 | 280,729 | 221,868 |
| Surplus on revaluation of property, plant and equipment | 2,288,970 | 1,492,666 | 1,537,397 | 1,583,021 | 1,120,753 | 1,080,131 |
| **Total Share Capital and Reserves** | **3,259,671** | **2,184,663** | **2,147,533** | **2,536,541** | **2,190,706** | **2,091,031** |
| **Non Current Liabilities** | | | | | | |
| Long Term Finances | 346,135 | 587,502 | 800,261 | 726,110 | 538,656 | 634,120 |
| Deferred Liabilities | 195,796 | 79,006 | 71,353 | 63,506 | 54,138 | 183,000 |
| **Total Non Current Liabilities** | **541,931** | **666,508** | **871,614** | **789,616** | **592,794** | **817,120** |
| **Current Liabilities** | | | | | | |
| Trade and other Payables | 280,051 | 285,117 | 638,508 | 406,684 | 389,073 | 307,615 |
| Unclaimed Dividend | 1,121 | 1,124 | 1,124 | 1,124 | 1,070 | 910 |
| Interest/ mark-up accrued on borrowings | 59,857 | 43,207 | 27,711 | 46,776 | 24,799 | 32,703 |
| Short Term Borrowings | 1,951,038 | 2,184,746 | 1,080,060 | 1,109,508 | 499,909 | 603,946 |
| Current Portion of Long Term Finances | 241,368 | 208,657 | 167,080 | 131,870 | 121,554 | 48,129 |
| Provision for income tax | 62,815 | 52,543 | 40,727 | 40,040 | 28,004 | - |
| **Total Current Liabilities** | **2,596,250** | **2,775,394** | **1,955,210** | **1,736,002** | **1,064,409** | **993,303** |
| **TOTAL LIABILITES & EQUITY** | **6,397,852** | **5,626,565** | **4,974,357** | **5,062,159** | **3,847,909** | **3,901,454** |

# ANALYSIS OF FINANCIAL STATEMENT
# BALANCE SHEET VERTICAL ANALYSIS

| Description | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| **Assets** | | | | | | |
| **Non Current Assets** | | | | | | |
| Property, plant and equipment | 65.97 | 60.21 | 69.45 | 66.37 | 65.52 | 60.40 |
| Intangible assets | 0.01 | 0.00 | 0.03 | 0.06 | 0.11 | 0.14 |
| Long Term Inventments | 0.01 | 0.01 | 0.01 | 0.01 | 0.02 | 0.01 |
| Long Term Deposit | 0.02 | 0.02 | 0.02 | 0.02 | 0.03 | 0.01 |
| **Total Non Current Assets** | 66.01 | 60.25 | 69.52 | 66.46 | 65.67 | 60.56 |
| **Current Assets** | | | | | | |
| Stores, Spares and loose tools | 0.73 | 0.67 | 1.13 | 0.78 | 0.94 | 0.89 |
| Stock in Trade | 17.37 | 24.45 | 14.69 | 18.90 | 22.08 | 26.90 |
| Trade Debtors | 9.44 | 7.43 | 6.01 | 7.41 | 6.38 | 7.36 |
| Loans and Advances | 3.68 | 4.45 | 6.20 | 4.15 | 3.38 | 2.07 |
| Trade Deposit & Short Term Prepayment | 0.03 | 0.03 | 0.28 | 0.05 | 0.04 | 0.04 |
| Other Receivables | 1.15 | 0.88 | 0.01 | 0.01 | 0.03 | 0.06 |
| Other Financial Assets | 0.39 | 0.44 | 0.55 | 0.42 | 0.11 | 0.44 |
| Sales Tax Refundable | 1.06 | 1.08 | 0.69 | 1.02 | 0.42 | 0.33 |
| Cash and Bank Balances | 0.15 | 0.31 | 0.92 | 0.81 | 0.94 | 1.36 |
| **Total Current Assets** | 33.99 | 39.75 | 30.48 | 33.54 | 34.33 | 39.44 |
| **TOTAL ASSETS** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** |
| **Equity and Liabilities** | | | | | | |
| **EQUITY** | | | | | | |
| Share Capital | 0.52 | 0.59 | 0.67 | 0.66 | 0.87 | 0.86 |
| Reserve | 7.91 | 8.99 | 10.17 | 14.93 | 19.64 | 19.37 |
| Unappropriated Profit | 6.74 | 2.71 | 1.42 | 3.25 | 7.30 | 5.69 |
| Surplus on revaluation of property, plant and equipment | 35.78 | 26.53 | 30.91 | 31.27 | 29.13 | 27.69 |
| **Total Share Capital and Reserves** | 50.95 | 38.83 | 43.17 | 50.11 | 56.93 | 53.60 |
| **Non Current Liabilities** | | | | | | |
| Long Term Finances | 5.41 | 10.44 | 16.09 | 14.34 | 14.00 | 16.25 |
| Deferred Liabilities | 3.06 | 1.40 | 1.43 | 1.25 | 1.41 | 4.69 |
| **Total Non Current Liabilities** | 8.47 | 11.85 | 17.52 | 15.60 | 15.41 | 20.94 |
| **Current Liabilities** | | | | | | |
| Trade and other Payables | 4.38 | 5.07 | 12.84 | 8.03 | 10.11 | 7.88 |
| Unclaimed dividend | 0.02 | 0.02 | 0.02 | 0.02 | 0.03 | 0.02 |
| Interest/ mark-up accrued on borrowings | 0.94 | 0.77 | 0.56 | 0.92 | 0.64 | 0.84 |
| Short Term Borrowings | 30.50 | 38.83 | 21.71 | 21.92 | 12.99 | 15.48 |
| Current Portion of Long Term Finances | 3.77 | 3.71 | 3.36 | 2.61 | 3.16 | 1.23 |
| Provision for income tax | 0.98 | 0.93 | 0.82 | 0.79 | 0.73 | - |
| **Total Current Liabilities** | 40.58 | 49.33 | 39.31 | 34.29 | 27.66 | 25.46 |
| **TOTAL LIABILITES & EQUITY** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** |

# ANALYSIS OF FINANCIAL STATEMENT
# PROFIT & LOSS ACCOUNT

| Description | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| | Rupees in '000' | | | | | |
| Sales | 5,958,499 | 5,284,258 | 4,975,583 | 4,448,356 | 4,612,764 | 3,925,774 |
| Cost of Goods Sold | 5,285,316 | 4,892,329 | 4,957,343 | 4,179,356 | 4,216,657 | 3,243,068 |
| **GROSS PROFIT** | 673,183 | 391,929 | 18,240 | 269,000 | 396,107 | 682,706 |
| Distribution cost | 89,382 | 105,031 | 122,320 | 128,442 | 145,610 | 142,092 |
| Administrative expenses | 99,846 | 95,314 | 106,023 | 90,630 | 82,574 | 67,638 |
| Other operating expenses | 22,067 | 6,523 | 8,808 | 15,701 | 26,680 | 77,638 |
| Financial Cost | 227,975 | 176,473 | 168,992 | 145,298 | 179,566 | 121,946 |
| | 439,270 | 383,341 | 406,143 | 380,071 | 434,430 | 409,314 |
| **OPERATING PROFIT/(LOSS)** | **233,913** | **8,588** | **(387,903)** | **(111,071)** | **(38,323)** | **273,392** |
| Other Income | 63,997 | 86,932 | 8,094 | 7,660 | 37,138 | 5,639 |
| Share of Profit from Associates net of tax | - | - | - | - | - | 50,178 |
| | 63,997 | 86,932 | 8,094 | 7,660 | 37,138 | 55,817 |
| **PROFIT/(LOSS) BEFORE TAXES** | **297,910** | **95,520** | **(379,809)** | **(103,411)** | **(1,185)** | **329,209** |
| Provision for taxation | (63,470) | (58,846) | (4,416) | (42,310) | 36,007 | 30,978 |
| **PROFIT/(LOSS) FOR THE YEAR** | **234,440** | **36,674** | **(384,225)** | **(145,721)** | **34,822** | **360,187** |

# ANALYSIS OF FINANCIAL STATEMENT
# PROFIT & LOSS ACCOUNT VERTICAL ANALYSIS

| Description | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| Sales | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Cost of Goods Sold | 88.70 | 92.58 | 99.63 | 93.95 | 91.41 | 82.61 |
| **GROSS PROFIT** | 11.30 | 7.42 | 0.37 | 6.05 | 8.59 | 17.39 |
| Distribution cost | 1.50 | 1.99 | 2.46 | 2.89 | 3.16 | 3.62 |
| Administrative expenses | 1.68 | 1.80 | 2.13 | 2.04 | 1.79 | 1.72 |
| Other operating expenses | 0.37 | 0.12 | 0.18 | 0.35 | 0.58 | 1.98 |
| Financial Cost | 3.83 | 3.34 | 3.40 | 3.27 | 3.89 | 3.11 |
| | 7.37 | 7.25 | 8.16 | 8.54 | 9.42 | 10.43 |
| **OPERATING PROFIT/(LOSS)** | **3.93** | **0.16** | **(7.80)** | **(2.50)** | **(0.83)** | **6.96** |
| Other Income | 1.07 | 1.65 | 0.16 | 0.17 | 0.81 | 0.14 |
| Share of Profit from Associates net of tax | - | - | - | - | - | 1.28 |
| | 1.07 | 1.65 | 0.16 | 0.17 | 0.81 | 1.42 |
| **PROFIT/(LOSS) BEFORE TAXES** | **5.00** | **1.81** | **(7.63)** | **(2.32)** | **(0.03)** | **8.39** |
| Provision for taxation | (1.07) | (1.11) | (0.09) | (0.95) | 0.78 | 0.79 |
| **PROFIT/(LOSS) FOR THE YEAR** | **3.93** | **0.69** | **(7.72)** | **(3.28)** | **0.75** | **9.17** |

# PATTERN OF SHAREHOLDING
# AS AT JUNE 30, 2018

| NO. OF SHAREHOLDERS | SHARE-HOLDING FROM | TO | TOTAL SHARES HELD |
|---|---|---|---|
| 754 | 1 | 100 | 32,542 |
| 151 | 101 | 500 | 33,147 |
| 27 | 501 | 1000 | 20,936 |
| 29 | 1001 | 5000 | 59,400 |
| 3 | 5001 | 10000 | 28,287 |
| 1 | 10001 | 15000 | 14,500 |
| 1 | 15001 | 20000 | 16,750 |
| 2 | 25001 | 30000 | 57,500 |
| 1 | 100001 | 105000 | 104,645 |
| 1 | 365001 | 370000 | 366,300 |
| 2 | 1300001 | 1305000 | 2,608,563 |
| 972 | | | 3,342,570 |

## CATEGORIES OF SHAREHOLDERS

| CATEGORIES OF SHAREHOLDERS | NUMBER OF SHAREHOLDER | SHARES HELD | PERCENTAGE |
|---|---|---|---|
| Directors, their Spouse(s) and Minor Children | 9 | 2,632,788 | 78.77 |
| Associated Companies, Undertakings and Related Parties | 1 | 366,300 | 10.96 |
| Public Sector companies & Corporations | 3 | 17,958 | 0.54 |
| Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and pension funds | 2 | 10,127 | 0.30 |
| Mutual Funds | 1 | 104,645 | 3.13 |
| Others | 7 | 5,143 | 0.15 |
| General Public | 949 | 205,609 | 6.15 |
| | 972 | 3,342,570 | 100.00 |

## Detail Categories of Shareholders

| | | No. of Shareholders | Shares Held |
|---|---|---|---|
| **DIRECTORS, THEIR SPOUSE(S) & MINOR CHILDREN** | | | |
| Mr. Anwar Ahmed Tata | ( Chairman/Director ) | 1 | 1,303,732 |
| Mr. Shahid Anwar Tata | ( Director ) | 1 | 1,304,831 |
| Mr. Adeel Shahid Tata | ( Chief Executive ) | 1 | 8,720 |
| Mr. Bilal Shahid Tata | ( Director ) | 1 | 2,505 |
| Mr. Muhammad Naseem | ( Director ) | 1 | 2,500 |
| Mr. Aijaz Ahmed Tariq | ( Director ) | 1 | 2,500 |
| Sheikh Kausar Ejaz | ( Director ) | 1 | 2,500 |
| Mrs. Parveen Anwar | (W/o Mr. Anwar Ahmed Tata) | 1 | 2,750 |
| Mrs. Saiqa Shahid | (W/o Mr. Shahid Anwar Tata) | 1 | 2,750 |
| | | **9** | **2,632,788** |
| **ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES** | | | |
| Island Textile Mills Ltd. | | **1** | **366,300** |
| **PUBLIC SECTOR COMPANIES AND CORPORATIONS** | | | |
| Investment Corporation of Pakistan | | 1 | 16,750 |
| IDBL (ICP Unit) | | 1 | 1,150 |
| National Bank of Pakistan | | 1 | 58 |
| | | **3** | **17,958** |
| **BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE COMPANIES, INSURANCE COMPANIES, TAKAFUL, MODARBAS AND PENSION FUNDS** | | | |
| Central Insurance Company Ltd. | | 1 | 560 |
| Trustee National Bank of Pakistan Employee Pension Fund | | 1 | 9,567 |
| | | **2** | **10,127** |
| **MUTUAL FUNDS** | | | |
| CDC Trustee National Investment (Unit) Trust | | **1** | **104,645** |
| **OTHERS** | | | |
| Trustee National Bank of Pakistan Emp Benevolent Fund Trust | | 1 | 336 |
| M/S Naseer Shahid Ltd. | | 1 | 20 |
| M/S The Administrator Abandoned Properties | | 1 | 50 |
| Fateh Textile Mills Ltd. | | 1 | 55 |
| Maple Leaf Capital Ltd. | | 1 | 1 |
| Fikree's (SMC-Pvt) Ltd. | | 1 | 61 |
| B.R.R. Investments (Pvt.) Ltd. | | 1 | 4,620 |
| | | **7** | **5,143** |
| **GENERAL PUBLIC** | | | |
| Local | | **949** | **205,609** |
| **Grand Total** | | **972** | **3,342,570** |

| Shareholders Holding 5% or more | Shares Held | Percentage |
|---|---|---|
| Mr. Anwar Ahmed Tata | 1,303,732 | 39.00 |
| Mr. Shahid Anwar Tata | 1,304,831 | 39.04 |
| Island Textile Mills Ltd. | 366,300 | 10.96 |

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

**Name of Company: Salfi Textile Mills Limited.**
**Year ended: June 30, 2018**

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

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

   a. Male: 7
   b. Female: 0

2. The composition of board is as follow:

| Category | Names |
|---|---|
| Independent Director | Mr. Muhammad Naseem |
| Executive Director | Mr. Shahid Anwar Tata |
| | Mr. Adeel Shahid Tata |
| Non-Executive Directors | Mr. Anwar Ahmed Tata |
| | Mr. Bilal Shahid Tata |
| | Mr. Aijaz Ahmed Tariq |
| | Shiekh Kausar Ejaz |

The Chairman of the board is not a non-executive director as per the Companies Act 2017, due to the beneficial owner of the Company and of its associated companies. The Company is in a process to hire a non-executive director.

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. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained except for the policy related to permissible fee for non-executive directors and independent directors which are exist in draft form and will approved in upcoming Board of Directors meeting.

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

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

8. The Board of directors do not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations. Such policy is exist in draft form and will approved in upcoming Board of Directors meeting.

9. During the year the board did not arrange any training program for its directors. The Company is in process of applying for the exemption certificate from Commission as per criteria mentioned in Regulation 20.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, however, the CFO and Company Secretary of the Company is the same person. The Company is in the process of appointing separate person as Company Secretary.

11. CFO and CEO duly endorse the financial statements before approval of the Board.

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

    a. Audit Committee

    | | | |
    |---|---|---|
    | i. | Mr. Muhammad Naseem | -Chairman |
    | ii. | Sheikh Kausar Ejaz | -Member |
    | iii. | Mr. Bilal Shahid Tata | -Member |

    b. HR and Remuneration Committee

    | | | |
    |---|---|---|
    | i. | Mr. Muhammad Naseem | -Chairman |
    | ii. | Mr. Adeel Shahid Tata | -Member |
    | iii. | Mr. Bilal Shahid Tata | -Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as following:

    | | |
    |---|---|
    | a. Audit Committee | - Quarterly |
    | b. HR and Remuneration Committee | - Quarterly |

15. The board has appointed head of internal who is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company. Once, the internal audit manual is finalized, Company will outsource its internal audit function to a professional firm.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

**ON BEHALF OF THE BOARD OF DIRECTORS**

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

**Karachi**
**Dated:** September 24, 2018

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the **51st Annual General Meeting** of the Shareholders of **Salfi Textile Mills Limited** will be held on **Monday,** the **October 22, 2018 at 4:00 p.m.** at **5th Floor, Textile Plaza, M. A. Jinnah Road, Karachi** to transact the following businesses:

## ORDINARY BUSINESS

1. To confirm the minutes of the 50st Annual General Meeting held on October 23, 2017

2. To receive, consider and adopt the Annual Audited Accounts of the Company for the year ended June 30, 2018 together with the Directors' and Auditors' Report thereon.

3. To appoint Auditors for the year ending June 30, 2019 and fix their remuneration. The retiring auditors, M/s. Deloitte Yousuf Adil, Chartered Accountants, being eligible, have offered themselves for reappointment.

4. To approve the payment of cash dividend @ 20% (i.e. Rs.2.00 per share), for the year ended June 30, 2018 as recommended by the Board of Directors.

## SPECIAL BUSINESS

***Ordinary Resolution***

5. To consider and pass the following ordinary resolutions:

   a) "RESOLVED that the transactions carried out in normal course of business with associated companies as disclosed in Note No. 38 of the audited financial statements for the year ended June 30, 2018 be and are hereby ratified and approved."

   b) "RESOLVED that the Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2019 and in this connection the Chief Executive Officer be and is hereby also authorized to take any and all necessary actions and sign/execute any and all such documents/indentures as may be required in this regard on behalf of the Company."

**6.** To transact any other ordinary business or businesses with the permission of the **Chairman.**

**By Order of the Board of Directors**
**SalfiTextile Mills Limited**

**Haseeb Hafeezuddeen**
**Company Secretary**

Karachi:
Dated: October 01, 2018

**Notes:**

1. The Register of Member and Share Transfer Books of the Company will remain closed from October 15, 2018 to October 22, 2018 (both days inclusive). Transfer received in order at the office of Share Register, M/s Central Depository Company of Pakistan Ltd. CDC, House, 99-B, Block S.M.C.H.S., Main Shahra-e-Faisal, Karachi by the close of business on October 12, 2018 will be considered in time to attend and vote at the meeting.

2. A member entitled to attend and vote at this meeting is entitled to appoint another person as his/her proxy to attend and vote on his/her behalf. The instrument appointing proxy must be received at the Registered Office of the Company duly stamped and signed not later than 48 hours before the meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC or Passport to prove his/her identity and in case of Proxy must enclose additionally an attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the Board of Directors' resolution/power of attorney with specimen signature of the nominee.

4. Members are requested to promptly notify any change in their address.

5. Members are requested to provide their International Banking Account Number (IBAN) together with a copy of the Computerized National Identity Card (CNIC) to update our records. In case of non-submission, all future dividend payments may be withheld.

6. Members are requested to submit declaration (CZ-50) as per Zakat & Ushr Ordinance 1980 for zakat exemption, if any.

7. **UNCLAIMED DIVIDENDS & BONUS SHARES** Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, are advised to contact our Share Registrar M/s Central Depository Company of Pakistan Ltd. to collect/ enquire about their unclaimed dividend or pending shares, if any. Please note that in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all dividends unclaimed for a period of three (3) years from the date due and payable shall be deposited to the credit of the Federal Government and in case of shares, shall be delivered to the Securities & Exchange Commission of Pakistan.

8. **E-DIVIDEND** As per Section 242 of the Companies Act, 2017, in case of a Public listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Therefore, through this notice, all shareholders are requested to update their bank account details in the Central Depository System through respective participants. In case of physical shares, to provide bank account details to our Share Registrar, M/s Central Depository Company of Pakistan Ltd. on E-Dividend mandate form. Please note that after 31st October 2017 all cash dividends, declared by the Company, will only be remitted to designated bank accounts and not otherwise, so please ensure an early update of your particulars to avoid any inconvenience in future.

9. **E-Voting** Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.

10. **Video Conference** Pursuant to SECP Circular No 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate 10% or more shareholding residing in a geographical location to participate in the meeting through video conference at least 7 days prior to the date of Annual General Meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide the information to the Share Registrar Office of the Company i.e. Messrs. CDC PAKISTAN LIMITED, CDC House, 99-B, Shahrahe-Faisal, Karachi PABX No. (+9221) 111-111-500 and email info@cdcpak.com

11. **CIRCULATION OF NOTICE OF MEETING & ANNUAL ACCOUNTS** With reference to SRO 787(I/2014 dated 8th September 2014 issued by SECP, shareholders have an option to receive Annual Audited Financial Statements and Notice of General Meeting through email. Shareholders of the Company are requested to give their consent on prescribed format to our Shares Registrar, M/s CDC Pakistan Ltd. at

CDC House, 99-B, Block-B, S.M.C.H.S, Shahrah-e-Faisal, Karachi to update our record if they wish to receive Annual Audited Financial Statement and Notice of General Meeting through email. However, if a shareholder, in addition, request for hard copy of Audited Financial Statements the same shall be provided free of cost within seven (7) days of receipt of such request.

12. **FILER AND NON FILER STATUS** The Government of Pakistan through Finance Act, 2018 have made certain amendments in Section 150 of the Income Tax Ordinance, 2001, whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
    a) For filers of income tax returns 15%. b) For non-filers of income tax returns 20%.
    To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL.

## Statement under Section 134(3)(B) of the Companies Act, 2017 Regarding Special Business

This statement sets out the material facts concerning the Special Business, given in agenda item No. 5 the Notice will be considered to be passed by the members.

1. Agenda Item No. 5(a) of the Notice – Transactions carried out with associated companies during the year ended June 30, 2018 to be passed as an Ordinary Resolution.

   The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to Section 15 of listed Companies Code of Corporate Governance, Regulation 2017.

   During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated companies, the quorum of directors could not be formed for approval some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

   In view of the above, the transactions carried out during the financial year ended June 30, 2018 with associated companies shown in note No. 38 of the financial statements are being placed before the shareholders for their consideration and approval/ratification.

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

2. Agenda Item No. 5(b) of the Notice – Authorization to the Chief Executive Officer for the transactions carried out and to be carried out with associated companies during the ensuing year ending June 30, 2019 to be passed as an Ordinary Resolution.

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

   In order to comply with the provisions of Section 15 of listed Companies Code of Corporate Governance Regulation 2017, the shareholders may authorize the Chief Executive Officer to approve transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June30, 2019.

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

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan
Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21-3454 1314
www.deloitte.com

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

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

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

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the note reference where these are stated in the Statement of Compliance:

| Note Reference | Description |
|---|---|
| 2 | The Chairman of the board is not a non-executive director; |
| 5 | Approved policy related to permissible fee for non-executive directors and independent directors does not exist; |
| 8 | Approved policy pertaining to the remuneration of directors does not exist; |
| 9 | Certain directors are exempt from training and such exemption has been applied from Commission; |
| 10 | The Chief Financial Officer and Company Secretary is the same person; |

Deloitte Yousuf Adil

**Chartered Accountants**

**Place:** Karachi
**Date:** September 24, 2018

Member of
**Deloitte Touche Tohmatsu Limited**

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21-3454 1314
www.deloitte.com

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of Salfi Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and 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, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

### Basis for Opinion

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

### Key Audit Matter

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

Member of
**Deloitte Touche Tohmatsu Limited**

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

Following are the key audit matters:

| S. No. | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| 1 | **Revaluation of leasehold land, buildings on leasehold land and plant and machinery**<br><br>As disclosed in note 3.1 to the accompanying financial statements, land, building and plant and machinery are carried at revaluation model.<br><br>The total net book value of revalued properties as at June 30, 2018 is Rs. 4,108 million.<br><br>The revaluation exercise performed by the management external valuer (the expert) during the year has resulted in a net increase of Rs. 837.7 million versus carrying value of Rs. 1,712 million<br><br>Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets with retrospective effect as a consequence of the application of the Companies' Act, 2017 (the Act), as explained in detail in Note 4<br><br>We have considered the above matters to be a key audit matter due to the judgements inherent within the valuation exercise and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act. | • assessed the competence, independence and integrity of management's expert;<br><br>• discussed with management and challenged the appropriateness of the valuation methodology adopted by the management expert;<br><br>• discussed the reasonableness of the assumptions used by expert for e.g: exchange and discount rates;<br><br>• checked the relevance, completeness and accuracy of source data;<br><br>• In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to in note 4 to the accompanying financial statements, considered the adequacy and appropriateness of such disclosure; and<br><br>• assessed the accounting implications in accordance with the applicable financial reporting standards. |
| 2 | **Current and deferred tax**<br><br>As disclosed in note 3.19, 20.2 and 32 to the accompanying financial statements, the Company has recorded tax expense amounting to Rs. 63.47 million.<br><br>The Company's total sales comprise of local and export sales and carry different tax implications under The Income Tax Ordinance, 2001. These include incidence, tax rates and admissibility of relevant expenses. To determine the tax liability for such companies, The Institute of Chartered Accountants of Pakistan (ICAP) has issues a Technical Release (TR 27) to facilitate the allocation of admissible expenses between local and export sales.<br><br>The calculation of deferred tax asset/liability also entails certain assumptions in developing a reasonable estimate for expected turnover and composition thereof based on the said TR<br><br>We have considered the above matters to be a key audit matter due to the judgements and estimates inherent in the calculation of tax expense. | • developed an understanding of management process for calculating tax expense;<br><br>• assessed the extent to which provisions are supported by underlying circumstances and determined that they are being made on a basis consistent with previous years;<br><br>• assessed the appropriateness of provisions recorded in the financial statements by using our specialist tax knowledge and reviewing the latest tax returns filed by the Company;<br><br>• critically analysed and challenged the assumptions used by the management in calculating tax expense; and<br><br>• ensured that the tax calculated is in accordance with the requirements of IAS 12, Income Tax Ordinance 2001 and TR 27. |

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

## Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the report of audit committee, chairman's review, director's report and analysis on financial performance.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Hena Sadiq.

Deloitte Yousuf Adil

**Chartered Accountants**
**Place:** Karachi
**Date:** September 24, 2018

Member of
**Deloitte Touche Tohmatsu Limited**

# FINANCIAL STATEMENTS
*for the year ended June 30, 2018*

# STATEMENT OF FINANCIAL POSITION
## AS AT JUNE 30, 2018

| | Note | 2018 | 2017 (Re-stated) | 2016 (Re-stated) |
|---|---|---|---|---|
| | | ........................ Rupees | ........................ | |
| **ASSETS** | | | | |
| **NON CURRENT ASSETS** | | | | |
| Property, plant and equipment | 5 | 4,220,702,992 | 3,388,008,241 | 3,454,697,470 |
| Intangible assets | 6 | 604,307 | 256,496 | 1,607,952 |
| Long-term investments | 7 | 699,470 | 653,753 | 699,470 |
| Long-term deposits | | 1,229,384 | 1,179,384 | 1,037,339 |
| | | 4,223,236,153 | 3,390,097,874 | 3,458,042,231 |
| **CURRENT ASSETS** | | | | |
| Stores, spares and loose tools | 8 | 46,486,039 | 37,929,131 | 56,040,828 |
| Stock-in-trade | 9 | 1,111,076,970 | 1,375,917,453 | 730,729,126 |
| Trade debts | 10 | 604,134,267 | 418,035,959 | 299,140,211 |
| Loans and advances | 11 | 235,275,427 | 250,469,509 | 308,383,223 |
| Trade deposits and short-term prepayments | 12 | 1,863,219 | 1,781,189 | 13,770,266 |
| Other receivables | 13 | 73,326,030 | 49,417,447 | 403,811 |
| Other financial assets | 14 | 24,740,448 | 24,740,448 | 27,536,451 |
| Sales tax refundable | | 67,996,099 | 60,764,881 | 34,349,104 |
| Cash and bank balances | 15 | 9,716,040 | 17,411,562 | 45,962,676 |
| | | 2,174,614,539 | 2,236,467,579 | 1,516,315,696 |
| **TOTAL ASSETS** | | 6,397,850,692 | 5,626,565,453 | 4,974,357,927 |
| **EQUITY AND LIABILITIES** | | | | |
| **EQUITY** | | | | |
| Share capital | 16 | 33,425,700 | 33,425,700 | 33,425,700 |
| Reserves | 17 | 505,888,640 | 505,842,923 | 505,888,640 |
| Unappropriated profit | | 431,386,450 | 152,727,917 | 70,821,218 |
| Surplus on revaluation of property, plant and equipment | 18 | 2,288,969,521 | 1,492,666,482 | 1,537,397,073 |
| | | 3,259,670,311 | 2,184,663,022 | 2,147,532,631 |
| **NON CURRENT LIABILITIES** | | | | |
| Long-term finances | 19 | 346,134,850 | 587,502,436 | 800,261,087 |
| Deferred liabilities | 20 | 195,795,537 | 79,005,829 | 71,353,231 |
| | | 541,930,387 | 666,508,265 | 871,614,318 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 21 | 280,051,385 | 285,116,482 | 638,507,936 |
| Unclaimed dividend | | 1,120,901 | 1,123,604 | 1,124,326 |
| Interest / mark-up accrued on borrowings | 22 | 59,857,085 | 43,207,289 | 27,710,972 |
| Short-term borrowings | 23 | 1,951,037,712 | 2,184,746,433 | 1,080,060,327 |
| Current portion of long-term finances | 19 | 241,367,586 | 208,657,459 | 167,080,368 |
| Provision for income tax | 32 | 62,815,325 | 52,542,899 | 40,727,049 |
| | | 2,596,249,994 | 2,775,394,166 | 1,955,210,978 |
| **CONTINGENCIES AND COMMITMENTS** | 24 | | | |
| **TOTAL EQUITY AND LIABILITIES** | | 6,397,850,692 | 5,626,565,453 | 4,974,357,927 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

| ADEEL SHAHID TATA<br>CHIEF EXECUTIVE | HASEEB HAFEEZUDDEEN<br>CHIEF FINANCIAL OFFICER | ANWAR AHMED TATA<br>CHAIRMAN/DIRECTOR |
|---|---|---|

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED JUNE 30, 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Sales - net | 25 | 5,958,498,617 | 5,284,257,682 |
| Cost of goods sold | 26 | (5,285,316,364) | (4,892,328,698) |
| Gross profit | | 673,182,253 | 391,928,984 |
| Distribution cost | 27 | (89,382,201) | (105,031,432) |
| Administrative expenses | 28 | (99,845,006) | (95,313,453) |
| Other operating expenses | 29 | (22,067,156) | (6,523,212) |
| Finance cost | 30 | (227,975,180) | (176,473,484) |
| | | (439,269,543) | (383,341,581) |
| | | 233,912,710 | 8,587,403 |
| Other income | 31 | 63,997,364 | 86,932,300 |
| Profit before taxation | | 297,910,074 | 95,519,703 |
| Taxation | 32 | (63,470,057) | (58,845,976) |
| Profit for the year | | 234,440,017 | 36,673,727 |
| **Other comprehensive income for the year** | | | |
| ***Item that will not be reclassified subsequently to profit or loss*** | | | |
| Remeasurement of defined benefit liability | 20.1.3 | 2,832,604 | 502,381 |
| Gain on leasehold land, buildings on leasehold land and plant and machinery | | 944,848,790 | - |
| Less: deferred tax thereon | | (107,159,839) | - |
| | | 840,521,555 | 502,381 |
| ***Items that will be reclassified subsequently to profit or loss*** | | | |
| Unrealised gain / (loss) on remeasurement of available-for-sale investment | 7.1 | 45,717 | (45,717) |
| Total other comprehensive income | | 840,567,272 | 456,664 |
| Total comprehensive income for the year | | 1,075,007,289 | 37,130,391 |
| Earnings per share - basic and diluted | 33 | 70.14 | 10.97 |

The annexed notes from 1 to 45 form an integral part of these financial statements.

ADEEL SHAHID TATA
CHIEF EXECUTIVE

HASEEB HAFEEZUDDEEN
CHIEF FINANCIAL OFFICER

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED JUNE 30, 2018

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | ……….Rupees………. | |
| **A.** | **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| | Profit before taxation | | 297,910,074 | 95,519,703 |
| | **Adjustments for** | | | |
| | Depreciation | 5.2 | 143,816,020 | 143,264,292 |
| | Amortization | 6 | 229,010 | 1,351,456 |
| | Provision for staff gratuity | | 30,846,346 | 27,484,418 |
| | Provision for compensated absences | | 5,968,896 | 5,013,233 |
| | Provision for doubtful debts | 10.5 | - | 509,434 |
| | Finance cost | 30 | 227,975,180 | 176,473,484 |
| | Gain on disposal of property, plant and equipment | 31 | (71,274) | (977,997) |
| | **Operating cash flows before working capital** | | 706,674,252 | 448,638,023 |
| | **(Increase) / decrease in current assets** | | | |
| | Stores, spares and loose tools | | (8,556,908) | 18,111,697 |
| | Stock in trade | | 264,840,483 | (645,188,327) |
| | Trade debts | | (186,098,308) | (119,405,182) |
| | Loans and advances | | 5,309,365 | 68,783,534 |
| | Trade deposits and short-term prepayments | | (82,030) | 11,989,077 |
| | Other receivables | | (23,908,583) | (49,013,636) |
| | Sales tax refundable | | (7,231,218) | (26,415,777) |
| | **Decrease in current liabilities** | | | |
| | Trade and other payables | | (5,065,097) | (353,391,454) |
| | **Cash generated from / (used in) operations** | | 745,881,956 | (645,892,045) |
| | Finance cost paid | | (211,325,384) | (160,977,167) |
| | Income taxes paid | | (43,312,914) | (57,899,946) |
| | Staff gratuity paid | | (18,725,631) | (18,680,529) |
| | Compensated absences paid | | (5,627,148) | (5,662,143) |
| | Net cash generated from / (used in) operating activities | | 466,890,879 | (889,111,830) |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| | Purchase of property, plant and equipment | | (32,948,318) | (80,307,737) |
| | Proceeds from disposal of property, plant and equipment | 5.4 | 1,357,621 | 4,710,671 |
| | Other financial assets | | - | 2,796,003 |
| | Purchase of Intangible asset | | (576,821) | - |
| | Long-term deposits paid | | (50,000) | (142,045) |
| | Net cash used in investing activities | | (32,217,518) | (72,943,108) |

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ……….Rupees………. | |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of long-term finances | | **(208,657,459)** | (171,181,560) |
| Short-term borrowings (paid off) / obtained - net | | **(305,639,027)** | 198,487,493 |
| Payment of unclaimed dividend | | **(2,703)** | (722) |
| **Net cash (used in) / generated from financing activities** | | **(514,299,189)** | 27,305,211 |
| **Net decrease in cash and cash equivalents (A+B+C)** | | **(79,625,828)** | (934,749,727) |
| **Cash and cash equivalents at beginning of the year** | | **(1,252,856,988)** | (318,107,261) |
| **Cash and cash equivalents at end of the year** | 34 | **(1,332,482,816)** | (1,252,856,988) |

The annexed notes from 1 to 45 form an integral part of these financial statements.

ADEEL SHAHID TATA
CHIEF EXECUTIVE

HASEEB HAFEEZUDDEEN
CHIEF FINANCIAL OFFICER

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

# STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED JUNE 30, 2018

| | Note | Share capital | Revenue Reserves: General reserve | Revenue Reserves: Other reserve (See 17 Note) | Revenue Reserves: Unrealised loss on investment available-for-sale | Revenue Reserves: Unappropriated profit | Capital Reserve: Revalution Surplus | Total |
|---|---|---|---|---|---|---|---|---|
| | | ................ Rupees ................ | | | | | | |
| **Balance at June 30, 2016** | | 33,425,700 | 500,000,000 | 5,996,360 | (107,720) | 70,821,218 | - | 610,135,558 |
| Impact of re-statement - note 4 | | - | - | - | - | - | 1,537,397,073 | 1,537,397,073 |
| **Balance as at July 1, 2016 re-stated** | | **33,425,700** | **500,000,000** | **5,996,360** | **(107,720)** | **70,821,218** | **1,537,397,073** | **2,147,532,631** |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | | - | - | - | - | 36,673,727 | - | 36,673,727 |
| **Other comprehensive income** | | | | | | | | |
| Gain/(loss) on remeasurement of : | | | | | | | | |
| Investment classified available for sale | | - | - | - | (45,717) | - | - | (45,717) |
| Defined benefit liability | | - | - | - | - | 502,381 | - | 502,381 |
| Other comprehensive income | | - | - | - | (45,717) | 502,381 | - | 456,664 |
| | | - | - | - | (45,717) | 37,176,108 | - | 37,130,391 |
| Transfer from surplus on revaluation of property, plant and equipment on account of: | | | | | | | | |
| -incremental depreciation | | - | - | - | - | 43,476,930 | (43,476,930) | - |
| -disposal | 18 | - | - | - | - | 1,253,661 | (1,253,661) | - |
| | | - | - | - | - | 44,730,591 | (44,730,591) | - |
| **Balance at June 30, 2017 re-stated** | | 33,425,700 | 500,000,000 | 5,996,360 | (153,437) | 152,727,917 | 1,492,666,482 | 2,184,663,022 |
| **Total comprehensive income for the year** | | | | | | | | |
| Profit for the year | | - | - | - | - | 234,440,017 | - | 234,440,017 |
| **Other comprehensive income** | | | | | | | | |
| Gain on leasehold land, buildings on leasehold land and plant and machinery - net of tax | | - | - | - | - | - | 837,688,951 | 837,688,951 |
| Gain on remeasurement of : | | | | | | | | |
| Investment classified available for sale | | - | - | - | 45,717 | - | - | 45,717 |
| Defined benefit liability | | - | - | - | - | 2,832,604 | - | 2,832,604 |
| Other comprehensive income | | - | - | - | 45,717 | 2,832,604 | - | 2,878,321 |
| | | - | - | - | 45,717 | 237,272,621 | 837,688,951 | 1,075,007,289 |
| Transfer from surplus on revaluation of property, plant and equipment on account of: | | | | | | | | |
| -incremental depreciation | | - | - | - | | 41,073,515 | (41,073,515) | - |
| -disposal | 18 | - | - | - | | 312,397 | (312,397) | - |
| | | - | - | - | - | 41,385,912 | (41,385,912) | - |
| **Balance at June 30, 2018** | | **33,425,700** | **500,000,000** | **5,996,360** | **(107,720)** | **431,386,450** | **2,288,969,521** | **3,259,670,311** |

The annexed notes from 1 to 45 form an integral part of these financial statements.

ADEEL SHAHID TATA
CHIEF EXECUTIVE

HASEEB HAFEEZUDDEEN
CHIEF FINANCIAL OFFICER

ANWAR AHMED TATA
CHAIRMAN/DIRECTOR

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2018

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

### 1.1 Significant transactions and events affecting the company's financial position and performance

- The Company has carried out a revaluation excersise of its leasehold land, buildings on leasehold land and plant and machinery. For details information please refer note 18.
- Devaluation of Pak Rupee with USD affecting the export sales which results in exchange gain.
- Applicability of the Companies Act, 2017 amounts reported for the previous period are restated. For detailed information please refer note 2.5 and note 4.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statement have been prepared under accounting and reporting standard as applicable in Pakistan.The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.4.

### 2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except for:

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

### 2.3 Functional and presentation currency

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

### 2.4 Critical accounting estimates and judgments

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

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

- revaluation of certain items of property, plant and equipment (note 3.1)
- useful lives of property, plant and equipment (note 3.1)
- useful lives of intangible assets (note 3.2)
- valuation of stores and spares and stock-in-trade (note 3.3 and 3.4)
- impairment of financial and non-financial assets (note 3.9)
- staff retirement benefit - gratuity scheme (note 3.15)
- taxation (note 3.19)
- contigencies and provisions (note 3.17)
- provision for trade debts (note 3.5)

## 2.5 Initial application of standards and amendments to existing standards

### a) Amendments which became effective during the year

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| Standards / Amendments / Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative | January 01, 2017 |
| Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses | January 01, 2017 |

Certain annual improvements have also been made to a number of IFRSs.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of annual and interim financial statements of the Company. These changes also include change in respect of recognition criteria of surplus on revaluation of fixed assets as more fully explained in note 4, change in nomenclature of primary statements,etc.

Further, the disclosure requirements contained in the Fourth Schedule to the Act have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirements; and
- incorporation of significant additional disclosures.

### b) Standards,interpretation and amendments that are not yet effective

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

| Standards / Amendments / Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January |

| Standards / Amendments / Interpretation | Effective date (accounting periods beginning on or after) |
|---|---|
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| IFRS 15 'Revenue from contracts with customer' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date. | January 01, 2019 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018. Earlier application is permitted. |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 01, 2018. Earlier application is permitted. |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

Certain annual improvements have also been made to a number of IFRSs.

## 2.6 IFRS 9 'Financial Instruments' Impact Assessment

2.6.1 IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 01, 2018.

Key requirements of IFRS 9 are as follows;

### Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

**Classification and measurement of financial liabilities**

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

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

**Impairment of financial assets**

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

**2.6.2 Impact assessment**

Based on the analysis of Company's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Company have assessed the impact of IFRS 9 to the financial statements as follows;

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will qualify to be classified and measured at "Amortised cost" upon application of IFRS 9.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Property, plant and equipment

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

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

Depreciation is charged to income applying the reducing balance method at the rates specified in note 5. Depreciation on all additions in fixed assets is charged from the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

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

When parts of an item of property, plant and equipment have different useful lives, they are recognised as separate items of property plant and equipment.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. Assets so replaced, if any, are derecognised.

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

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

Capital work-in-progress is stated at cost less any impairment loss, if any. All expenditures including borrowing cost as referred in Note 3.16, connected to specific assets incurred during installation and construction period are carried under CWIP. Items are transferred to operating assets as and when assets are ready for their intended use.

### 3.2 Intangible assets

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

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

Intangible assets with a definite useful life are amortised on a straight line basis over its useful life. Amortization on all additions in intangible assets is charged from the month in which the asset is available for use and on disposals upto the month of disposal. Amortisation charge is recognised in the profit and loss account. The rates of amortization are disclosed in note 6.

### 3.3 Stores, spares and loose tools

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

### 3.4 Stock-in-trade

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

- Raw material - at moving average cost.
- Material in transit - at invoice value plus other charges incurred upto reporting date.
- Work-in-process - at average manufacturing cost.
- Finished goods - at average manufacturing cost.

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

Waste stock is valued and recorded at net realizable value.

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

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

### 3.5 Trade debts and other receivables

Trade debts and other receivables are stated initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost. A provision for impairment of trade debts and other receivables is established where there is an objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is charged to the profit and loss account. Trade debts and other receivables are written off when considered irrecoverable.

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

### 3.6 Cash and cash equivalents

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

### 3.7 Financial instruments

**Financial assets**

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

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

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

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

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

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

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

(iv) ***Held to maturity***

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

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of investments are recognised on trade date (the date on which the Company commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

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

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

**Financial liabilities**

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

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

**3.8 Derivatives**

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

### 3.9 Impairment

***Financial assets***

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

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

***Non-financial assets***

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

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

### 3.10 Offsetting of financial assets and financial liabilities

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

### 3.11 Foreign currency transactions and translation

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

### 3.12 Share capital

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

### 3.13 Dividend distribution

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

### 3.14 Surplus on revaluation of fixed assets

Increases in the carrying amounts arising on revaluation of land, plant and machinery and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset' s original cost, net of tax, is reclassified from the revaluation surplus to retained earnings. The above policy has changed as a result of adoption of Companies' Act, 2017 and its impact is discussed in detail in Note 4.

### 3.15 Staff retirement benefits

The Company has categorized its employees into workmen and non-workmen for post-employment benefits that comprise defined benefit plan and other staff retirement benefits respectively. Both plans are un-funded. The details of plans are as follows:

#### Defined benefit plan - Workmen

The Company operates a gratuity scheme for all its employees under workmen category who have completed the minimum qualifying period of service as defined under the respective scheme. Provisions are made to cover the obligations under the schemes on the basis of actuarial valuation and charged to profit and loss and other comprehensive income. The most recent valuation was carried out as at June 30, 2018 using Projected Unit Credit Method. The amount recognized in the balance sheet represents the present value of defined benefit obligations. Remeasurement which comprise actuarial gains and losses are recognized immediately in other comprehensive income.

#### Defined benefit plan - Non workmen

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

#### Compensated absences

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

### 3.16 Borrowings

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

### 3.17 Provisions

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

### 3.18 Trade and other payables

Liabilities for trade and other amounts payable are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the Company or not.

### 3.19 Taxation

**Current**

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

**Deferred**

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

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

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

### 3.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales are recorded on dispatch of goods or on segregation of goods for delivery against confirmed customer's orders where risks and rewards are transferred to the customer.

- Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the applicable effective interest rate.

### 3.21 Borrowing cost

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

### 3.22 Earnings per share

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

### 3.23 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker (CODM). The Company considers Chief Executive as its CODM who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company’s products, as required by the approved accounting standards, is presented in note 42 to these financial statements.

## 4. Changes In Accounting Policy

Section 235 of the repealed Companies Ordinance, 1984 relating to accounting treatment and presentation of the surplus on revaluation of fixed assets has not been carried forward in the Companies Act, 2017. Consequently, In accordance with the requirements of International Accounting Standard (IAS) 16, Property, Plant and Equipment, treatment of surplus on revaluation of fixed assets would be presented under equity.

As a result of this change, the treatment of surplus on revaluation would be as follows:

- Increases in the carrying amounts arising on revaluation of land, building and plant and machinery to be recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in statement of profit or loss, the increase would first be recognised in statement of profit or loss. Decreases that reverse previous increases of the same asset would first be recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases would be charged to statement of profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to statement of profit or loss and depreciation based on the asset' s original cost, net of tax, would be reclassified from the revaluation surplus on asset to retained earnings.Revaluation surplus of the asset will be directly transferred to equity upon disposal.

  Surplus on revaluation would now from a part of reserves and the change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

The effect of change in accounting policy is summarised below:

| | As at June 30, 2017 | | | As at June 30, 2016 | | |
|---|---|---|---|---|---|---|
| | As previously reported | As re-stated | Re - statement | As previously reported | As re-stated | Re - statement |
| | Rupees | | | | | |
| **Effect on statement of financial position** | | | | | | |
| Surplus on revaluation of property, plant and equipment | 1,492,666,482 | - | (1,492,666,482) | 1,537,397,073 | - | (1,537,397,073) |
| Share capital and reserves | - | 1,492,666,482 | 1,492,666,482 | - | 1,537,397,073 | 1,537,397,073 |
| **Effect on statement of changes in equity** | | | | | | |
| Capital reserve | - | 1,492,666,482 | 1,492,666,482 | - | 1,537,397,073 | 1,537,397,073 |

|  | Note | 2018 | 2017 |
|---|---|---|---|
|  |  | ..............Rupees............ |  |

## 5. PROPERTY, PLANT AND EQUIPMENT

|  | Note | 2018 | 2017 |
|---|---|---|---|
| Operating assets | 5.1 | 4,195,788,725 | 3,379,760,598 |
| Capital work in progress | 5.7 | 24,914,267 | 8,247,643 |
|  |  | 4,220,702,992 | 3,388,008,241 |

### 5.1 Operating assets

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

**For comparative period**

| Particulars | Cost / revalued amount at July 01, 2016 | Additions | Disposals | Cost / revalued amount at June 30, 2017 | Accumulated depreciation at July 01, 2016 | Depreciation for the year | Accumulated depreciation on disposals | Accumulated depreciation at June 30, 2017 | Carrying value at June 30, 2017 | Rate |
|---|---|---|---|---|---|---|---|---|---|---|
|  | ---Rupees--- |  |  |  |  |  |  |  |  | % |
| Leasehold land | 696,000,000 | - | - | 696,000,000 | - | - | - | - | 696,000,000 | - |
| Buildings on leasehold land |  |  |  |  |  |  |  |  |  |  |
| - Godown | 178,220,521 | - | - | 178,220,521 | 8,911,026 | 8,465,475 | - | 17,376,501 | 160,844,020 | 5 |
| - Mills | 338,172,375 | 195,987,900 | - | 534,160,275 | 16,908,619 | 16,879,805 | - | 33,788,424 | 500,371,851 | 5 |
| - Others | 118,900 | - | - | 118,900 | 90,943 | 2,796 | - | 93,739 | 25,161 | 10 |
| Office premises | 450,000 | - | - | 450,000 | 420,118 | 2,988 | - | 423,106 | 26,894 | 10 |
| Plant and machinery | 2,133,575,028 | 3,527,315 | (2,990,068) | 2,134,112,275 | 103,825,704 | 101,452,657 | (232,358) | 205,046,003 | 1,929,066,272 | 5 |
| Electric installations | 31,352,042 | - | - | 31,352,042 | 23,009,668 | 834,237 | - | 23,843,905 | 7,508,137 | 10 |
| Mill equipment | 36,217,116 | 399,831 | - | 36,616,947 | 9,258,740 | 2,722,909 | - | 11,981,649 | 24,635,298 | 10 |
| Furniture and fixtures | 21,754,163 | 187,663 | - | 21,941,826 | 10,935,965 | 1,085,574 | - | 12,021,539 | 9,920,287 | 10 |
| Office equipment | 24,470,097 | 2,789,059 | (345,770) | 26,913,386 | 14,658,363 | 2,871,327 | (316,089) | 17,213,601 | 9,699,785 | 10-30 |
| Leasehold improvements | 19,716,700 | - | - | 19,716,700 | 6,888,375 | 1,282,833 | - | 8,171,208 | 11,545,492 | 10 |
| Vehicles | 70,567,827 | - | (8,086,027) | 62,481,800 | 31,841,452 | 7,663,691 | (7,140,744) | 32,364,399 | 30,117,401 | 20 |
| **June 30, 2017** | **3,550,614,769** | **202,891,768** | **(11,421,865)** | **3,742,084,672** | **226,748,973** | **143,264,292** | **(7,689,191)** | **362,324,074** | **3,379,760,598** |  |

5.2 Leasehold lands of the Company are located at Landhi and Port Qasim with an area of 18.8 acres and 10 acres respectively.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |

**5.2 Depreciation for the year has been allocated as under:**

| | Note | 2018 | 2017 |
|---|---|---|---|
| Cost of goods manufactured | 26.1 | 137,568,846 | 136,109,837 |
| Administrative expenses | 28 | 6,247,174 | 7,154,455 |
| | | 143,816,020 | 143,264,292 |

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

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| | ......................Rupees...................... | | | | | |
| Leasehold land | 29,583,387 | - | 29,583,387 | 29,583,387 | - | 29,583,387 |
| Buildings on leasehold land | 595,977,240 | 136,008,600 | 459,968,640 | 593,871,164 | 111,910,570 | 481,960,594 |
| Plant and machinery | 1,808,636,477 | 586,578,825 | 1,222,057,652 | 1,804,528,684 | 522,456,997 | 1,282,071,687 |
| | 2,434,197,104 | 722,587,425 | 1,711,609,679 | 2,427,983,235 | 634,367,567 | 1,793,615,668 |

**5.4 Disposal of property, plant and equipment**

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

| Particulars | Cost / revalued amount | Accumulated depreciation | Carrying value | Sale proceeds | Gain / (loss) | Mode of disposal | Particulars of buyers |
|---|---|---|---|---|---|---|---|
| | ......................Rupees...................... | | | | | | |
| Assets having carrying value less than Rs. 500,000 | 5,686,035 | 4,399,703 | 1,286,332 | 1,357,621 | 71,289 | Negotiation | Various |
| **June 30, 2018** | **5,686,035** | **4,399,703** | **1,286,332** | **1,357,621** | **71,289** | | |
| June 30, 2017 | 11,421,865 | 7,689,191 | 3,732,674 | 4,710,671 | 977,997 | | |

5.5 Forced sales value of leasehold land, building on leasehold land and plant and machinery is Rs. 1,072 million, Rs. 613 million and Rs. 1,601 million respectively.

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

| Location | Usage of immovable property | Total Area (In acres) | Covered Area (In sq.ft) |
|---|---|---|---|
| a) HX-1, Landhi Industrial Area, Karachi. | Manufacturing facility | 18.80 | 818,928 |
| b) W5/02 and W5/03, North Western Industrial Zone, Port Qasim Authority, Karachi. | Warehouse | 10 | 435,600 |

**5.7 Capital work in progress**

| | 2018 | 2017 |
|---|---|---|
| | ............... Rupees............... | |
| Buildings | 16,455,832 | 4,014,128 |
| Plant and machinery | 8,345,411 | 150,000 |
| Mill equipment | 113,024 | 3,720,140 |
| Furniture and fixtures | - | 363,375 |
| | 24,914,267 | 8,247,643 |

## 6. INTANGIBLE ASSETS

| | Cost | | | Amortization | | | Carrying value | Rate of amortization |
|---|---|---|---|---|---|---|---|---|
| | At July 01, 2017 | Additions | At June 30, 2018 | At July 01, 2017 | Charge for the year | At June 30, 2018 | at June 30, 2018 | |
| | Rupees | | | | | | | % |
| License fee | 667,302 | 576,821 | 1,244,123 | 621,803 | 46,013 | 667,816 | 576,307 | 20 |
| ERP software | 6,211,304 | - | 6,211,304 | 6,000,307 | 182,997 | 6,183,304 | 28,000 | 20 |
| **June 30, 2018** | **6,878,606** | **576,821** | **7,455,427** | **6,622,110** | **229,010** | **6,851,120** | **604,307** | |

**For comparative period**

| | Cost | | | Amortization | | | Carrying value | Rate of amortization |
|---|---|---|---|---|---|---|---|---|
| | At July 01, 2016 | Additions | At June 30, 2017 | At July 01, 2016 | Charge for the year | At June 30, 2017 | at June 30, 2017 | |
| | Rupees | | | | | | | % |
| License fee | 667,302 | - | 667,302 | 512,608 | 109,195 | 621,803 | 45,499 | 20 |
| ERP software | 6,211,304 | - | 6,211,304 | 4,758,046 | 1,242,261 | 6,000,307 | 210,997 | 20 |
| **June 30, 2017** | **6,878,606** | **-** | **6,878,606** | **5,270,654** | **1,351,456** | **6,622,110** | **256,496** | |

## 7. LONG-TERM INVESTMENTS

| 2018 | 2017 | | Note | 2018 | 2017 |
|---|---|---|---|---|---|
| Number of shares of Rs.10 each | | | | ..........Rupees.......... | |
| | | **Available-for-sale** | | | |
| **91,439** | 91,439 | **Listed shares - Samba Bank Limited** | 7.1 | **699,470** | 653,753 |

### 7.1 Listed shares - Samba Bank Limited

| | 2018 | 2017 |
|---|---|---|
| As at July 01 | 653,753 | 699,470 |
| Unrealized gain / (loss) on remeasurement at fair value | 45,717 | (45,717) |
| As at June 30 | 699,470 | 653,753 |

## 8. STORES, SPARES AND LOOSE TOOLS

| | 2018 | 2017 |
|---|---|---|
| Stores and spares | 46,470,816 | 37,919,064 |
| Loose tools | 15,223 | 10,067 |
| | 46,486,039 | 37,929,131 |

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

## 9. STOCK-IN-TRADE

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Raw material | 9.1 | 936,157,237 | 1,167,741,831 |
| Work-in-process | | 37,442,750 | 32,073,431 |
| Finished goods | 9.2 | 125,971,653 | 169,776,001 |
| Waste | | 11,505,330 | 6,326,190 |
| | | 1,111,076,970 | 1,375,917,453 |

**9.1** It includes raw material in transit amounting to Rs. 20.23 million (2017 : Rs. 161.39 million).

**9.2** Net realizable value of finished goods was lower than its cost, which resulted in a write down of Rs. 0.41 million (2017 : Rs. 0.64 million) charged to cost of sales.

## 10. TRADE DEBTS

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| **Considered good** | | | |
| Export - secured | 10.1 | 312,673,721 | 181,140,298 |
| Local - unsecured | 10.3 | 291,460,546 | 236,895,661 |
| **Considered doubtful** | | | |
| Local - unsecured | | 1,055,936 | 1,055,936 |
| Provision for doubtful debts | 10.5 | (1,055,936) | (1,055,936) |
| | | - | - |
| | | 604,134,267 | 418,035,959 |

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

**10.2** Trade debts are non-interest bearing and are generally on 7 to 45 (2017: 7 to 45) days credit term.

**10.3** Trade debts local includes Rs. Nil million receivable from Island Textile Mills Limited (related party) against sale of raw cotton. The aggregate maximum amount that is outstanding in any of the month end is Rs. 5.86 million.

**10.4** As at June 30, 2018, local trade debts aggregating Rs. 290.90 million (2017: Rs. 234.04 million) were past due. During the year Company has made provision amounting to Nil (2017: Rs.1.06 million). The aging of these past due trade debts is as follows:

**10.4.1 Aging of trade debts past due but not impaired**

| | 2018 | 2017 |
|---|---|---|
| | ..........Rupees.......... | |
| 1-30 days | 200,003,275 | 222,430,860 |
| 31-90 days | 79,748,352 | 11,113,672 |
| 91 & above | 11,149,160 | 502,719 |
| | 290,900,787 | 234,047,251 |

**10.5** The movement in provision for the year is as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at the beginning of the year | 1,055,936 | 546,502 |
| Provision for the year | - | 509,434 |
| Balance at the end of the year | 1,055,936 | 1,055,936 |

**10.6** Following are the details of debtors in relation to export sales:

| Jurisdiction | Category | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | ..........Rupees.......... | |
| Asia | Letter of credit | | 312,673,721 | 181,140,298 |

## 11. LOANS AND ADVANCES

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Considered good** | | | |
| Due from employees | 11.1 | 5,011,336 | 7,324,167 |
| Advance: | | | |
| to suppliers | | 7,771,288 | 7,860,240 |
| against letters of credit | | 340,579 | 3,390,647 |
| against expenses | | 264,947 | 122,461 |
| Advance income tax | | 221,887,277 | 231,771,994 |
| | | 235,275,427 | 250,469,509 |

**11.1** These represent short-term interest free loan to employees as per Company's policy. These are adjustable against salaries and recoverable within a period of one year.

## 12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Deposits | | 21,825 | 21,825 |
| Short-term prepayments | | 1,841,394 | 1,759,364 |
| | | 1,863,219 | 1,781,189 |

## 13. OTHER RECEIVABLES

| | Note | 2018 | 2017 |
|---|---|---|---|
| Rebate on export sales | | 68,853,602 | 47,598,018 |
| Other receivables | 13.1 | 4,472,428 | 1,819,429 |
| | | 73,326,030 | 49,417,447 |

**13.1** It includes a related party balance amounting to Rs: 0.13 million (2017: Rs. 0.46 million).

## 14. OTHER FINANCIAL ASSETS

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Held to maturity** | | | |
| Term Deposit Receipts | 14.1 | 24,740,448 | 24,740,448 |

**14.1** This represent investment made in term deposit receipts held for a period of six months with a markup rate ranging between 5.25% to 5.75% (2017: 4.05% to 5.5% ) per annum.

## 15. CASH AND BANK BALANCES

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Cash at bank | | | |
| In current accounts | | 8,163,424 | 16,079,017 |
| In savings accounts | 15.1 | 846,068 | 900,206 |
| | | 9,009,492 | 16,979,223 |
| Cash in hand | | 706,548 | 432,339 |
| | | 9,716,040 | 17,411,562 |

**15.1** These carry effective markup @ 3.75% to 4.5% (2017: 3.75% to 4%) per annum.

## 16. SHARE CAPITAL

| 2018 | 2017 | | 2018 | 2017 |
|---|---|---|---|---|
| Number of ordinary | | | ..........Rupees.......... | |
| | | **Authorized capital** | | |
| 5,000,000 | 5,000,000 | Ordinary shares of Rs. 10 each | 50,000,000 | 50,000,000 |
| | | **Issued, subscribed and paid-up capital** | | |
| | | Ordinary shares of Rs. 10 each fully paid: | | |
| 2,000,000 | 2,000,000 | In cash | 20,000,000 | 20,000,000 |
| 1,038,700 | 1,038,700 | Issued against settlement of loan | 10,387,000 | 10,387,000 |
| 303,870 | 303,870 | Bonus shares | 3,038,700 | 3,038,700 |
| 3,342,570 | 3,342,570 | | 33,425,700 | 33,425,700 |

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

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

| Name of the associated company | 2018 | 2017 |
|---|---|---|
| | Number of ordinary shares of Rs. 10 each | |
| Island Textile Mills Limited | 366,300 | 366,300 |

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

## 17. RESERVES

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| General reserves | | 500,000,000 | 500,000,000 |
| Other reserve | 17.1 | 5,996,360 | 5,996,360 |
| Unrealized loss on investment classified as available-for-sale | | (107,720) | (153,437) |
| | | 505,888,640 | 505,842,923 |

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

## 18. SURPLUS ON REVALUATION OF PROPERTY,PLANT AND EQUIPMENT

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

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Balance at July 01 | | 1,492,666,482 | 1,537,397,073 |
| Revaluation surplus during the year | | 944,848,790 | - |
| Transferred to unappropriated profit on account of | | | |
| - incremental depreciation | | (41,073,515) | (43,476,930) |
| - disposal | | (312,397) | (1,253,661) |
| | | (41,385,912) | (44,730,591) |
| Related deferred tax liability | 20 | (107,159,839) | - |
| Balance at June 30 | | 2,288,969,521 | 1,492,666,482 |

## 19. LONG-TERM FINANCES

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| **From banking companies - secured** | | | |
| Term finance | 19.1 | 585,484,554 | 793,146,857 |
| Car finance | 19.2 | 2,017,882 | 3,013,038 |
| | | 587,502,436 | 796,159,895 |
| **Less: Current portion shown under current liabilities** | | | |
| Term finance | | (240,300,723) | (207,662,249) |
| Car finance | | (1,066,863) | (995,210) |
| | | (241,367,586) | (208,657,459) |
| | | 346,134,850 | 587,502,436 |

**19.1** These facilities are obtained from a banking company which are secured against first equitable mortgage on fixed assets and first specific charge over imported machinery and are subject to mark-up rate of 3 - 6 months KIBOR plus 1 % to 1.25 % per annum (2017: 3 - 6 months KIBOR plus 1 % to 1.25 % per annum). These finances are repayable in six monthly installments upto March 2023.

**19.2** These represents finances obtained from a banking company which are secured against vehicles acquired from such loans and guarantees of the Company. These finances are subject to mark-up at the rate of three months KIBOR plus 1% per annum (2017: three months KIBOR plus 1% per annum) and are repayable in 60 monthly installments ending in April 2020.

### 19.3 Long term financing

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Balance as on July 01, | | 796,159,895 | 967,341,455 |
| Repayment | | (208,657,459) | (171,181,560) |
| Balance as on | | 587,502,436 | 796,159,895 |
| Less: current portion of long term financing | | (241,367,586) | (208,657,459) |
| | | 346,134,850 | 587,502,436 |

## 20. DEFERRED LIABILITIES

| | Note | 2018 | 2017 |
|---|---|---|---|
| Staff gratuity | 20.1 | 86,793,061 | 77,504,950 |
| Compensated absences | | 1,842,627 | 1,500,879 |
| Deferred taxation | 18 & 20.2 | 107,159,849 | - |
| | | 195,795,537 | 79,005,829 |

### 20.1 Staff gratuity

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Defined Benefit Scheme** | | | |
| Workmen | 20.1.1 | 42,914,393 | 39,753,580 |
| Non workmen | 20.1.13 | 43,878,668 | 37,751,370 |
| | | 86,793,061 | 77,504,950 |

### 20.1.1 Workmen

The details of the workmen - defined benefit scheme obligation based on actuarial valuations carried out by independent actuary as at June 30, 2018 under the Projected Unit Credit Method, are as follows:

| | 2018 | 2017 |
|---|---|---|
| **Net liability in the balance sheet** | ……….Rupees………. | |
| Present value of defined benefit obligation | **42,914,393** | 39,753,580 |

**20.1.2 Expense recognised in the profit and loss account**

| | 2018 | 2017 |
|---|---|---|
| Current service cost | **15,719,281** | 15,166,913 |
| Interest cost | **3,004,936** | 2,575,474 |
| | **18,724,217** | 17,742,387 |

**20.1.3 Remeasurement gains recognised in other comprehensive income**

| | 2018 | 2017 |
|---|---|---|
| *Actuarial gains on defined benefit obligation* | | |
| Experience adjustments | **(2,832,604)** | (502,381) |
| | **(2,832,604)** | (502,381) |

**20.1.4 Movement in defined benefit obligation**

| | 2018 | 2017 |
|---|---|---|
| Balance at July 01 | **39,753,580** | 34,719,174 |
| Current service cost | **15,719,281** | 15,166,913 |
| Interest cost | **3,004,936** | 2,575,474 |
| Actuarial gain | **(2,832,604)** | (502,381) |
| Benefits paid during the year | **(12,730,800)** | (12,205,600) |
| Balance at June 30 | **42,914,393** | 39,753,580 |

**20.1.5 Movement in net liability in the balance sheet**

| | 2018 | 2017 |
|---|---|---|
| Balance at July 01 | **39,753,580** | 34,719,174 |
| Add: Charge for the year | **18,724,217** | 17,742,387 |
| Remeasurements gain recognised in other comprehensive income | **(2,832,604)** | (502,381) |
| Less: Payment made during the year | **(12,730,800)** | (12,205,600) |
| Balance at June 30 | **42,914,393** | 39,753,580 |

| **20.1.6 The principal assumptions used in the valuation of gratuity** | **2018** | 2017 |
|---|---|---|
| Discount rate ( % per annum ) | **11.25** | 9 |
| Expected rate of salary increase ( % per annum ) | **11.25** | 9 |
| Mortality rate | **Adjusted SLIC 2001-05** | Adjusted SLIC 2001-05 |
| Expected withdrawal rate for actuarial assumptions | **Moderate** | Moderate |

### 20.1.7 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are:

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | | ……….Rupees………. | |
| Discount rate | 1% | (5,785,283) | 7,225,802 |
| Expected rate of salary increase | 1% | 7,600,269 | (6,161,925) |
| Mortality age | 1 year | - | - |
| Withdrawal rates | 10% | - | - |
| **For comparative period** | | | |
| Discount rate | 1% | (5,505,070) | 6,932,089 |
| Expected rate of salary increase | 1% | 7,283,043 | (5,858,293) |
| Mortality age | 1 year | - | - |
| Withdrawal rates | 10% | - | - |

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of defined benefit obligation calculated with the Projected Unit Credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognised within the balance sheet.

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

**Mortality / withdrawal risks**

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

**Longevity risks**

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

**Salary risks**

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

**20.1.9** Expected contribution to the scheme for the year ending June 30, 2019 is Rs. 22,121,947.

**20.1.10** The weighted average duration of the defined benefit obligation in years is 18 (2017: 15.64)

**20.1.11** The expected maturity analysis of undiscounted retirement benefit obligation is:

| Undiscounted payments | Note | 2018 | 2017 |
|---|---|---|---|
| | | ----------Rupees--------- | |
| Year 1 | | 2,966,798 | 2,530,324 |
| Year 2 | | 4,420,710 | 3,758,163 |
| Year 3 | | 6,082,453 | 4,672,394 |
| Year 4 | | 6,660,825 | 5,426,179 |
| Year 5 | | 7,645,575 | 6,047,777 |
| Year 6-10 | | 52,431,418 | 35,447,052 |
| Year 11 & above | | 606,609,525 | 125,644,816 |

**20.1.12** There are no plan assets against defined benefit obligation.

| 20.1.13 Non workmen | 2018 | 2017 |
|---|---|---|
| | ..........Rupees.......... | |
| Balance at July 01 | 37,751,370 | 34,484,268 |
| Charge for the year | 12,122,129 | 9,742,031 |
| Payment during the year | (5,994,831) | (6,474,929) |
| Balance at June 30 | 43,878,668 | 37,751,370 |

## 20.2 Deferred taxation

| | | |
|---|---|---|
| Deferred tax asset arising in respect of: | | |
| Intangible assets | 1,457 | - |
| Trade debts | 104,200 | - |
| Carry forward losses | 90,623,040 | - |
| Deferred liabilities | 8,746,561 | - |
| Deferred tax liabilities arising in respect of: | | |
| Property, plant and equipment | (99,475,258) | - |
| | - | - |

Deferred tax asset has not been recognised on remaining carry forward losses on account of unabsorbed depreciation amounting to Rs. 173 million. The deferred tax asset recognized in the financial statements to the extent of taxable temporary differences.

## 21. TRADE AND OTHER PAYABLES

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Creditors | | 57,266,460 | 45,529,144 |
| Accrued liabilities | 21.1 & 21.2 | 133,242,703 | 228,006,650 |
| Advance from customers | | 61,520,708 | - |
| Workers' profit participation fund | 21.3 | 15,987,518 | 3,323,853 |
| Workers' welfare fund | 21.4 | 11,226,586 | 5,146,948 |
| Withholding income tax | | 752,730 | 1,638,118 |
| Others | | 54,680 | 1,471,769 |
| | | 280,051,385 | 285,116,482 |

**21.1** This includes Rs. 19.32 million (2017: Rs. 112.36 million) payable to an associated undertaking in respect of power charges.

**21.2** This includes Rs. 79.96 million (2017: Rs. 68.39 million), as provision for Sindh Development and Infrastructure Cess which was levied by the Sindh Excise and Tax Department on goods entering or leaving the province through air or sea at prescribed rate under Sindh Finance Ordinance, 2001. The levy was challenged by the Company along with other companies in the Sindh High Court (SHC). The High Court of Sindh through an interim order passed on May 31, 2011 ordered that for every consignment cleared after December 28, 2006, 50% of the value of infrastructure cess should be paid in cash and a bank guarantee for the remaining amount should be submitted until the final order is passed. The management is confident for a favorable outcome however, as a matter of prudence, the Company has paid Rs. 79.96 million (50%) of the value of infrastructure cess in cash and recorded liability for the remaining amount which is supported by a bank guarantee.

| 21.3 Worker's Profits Participation Fund | Note | 2018 | 2017 |
|---|---|---|---|
| | | ……….Rupees………. | |
| Opening balance | | 3,323,853 | - |
| Add: Allocation for the year | 29 | 15,987,518 | 3,323,853 |
| Interest on funds utilized in the Company's business (note 30) | 21.4 | 155,515 | - |
| | | 19,466,886 | 3,323,853 |
| Less: Payment made to the fund during the year | | (3,479,368) | - |
| Closing balance | | 15,987,518 | 3,323,853 |

21.3.1 Interest on funds utilized is charged @ 8.25% (2017: Nil) per annum

21.4 During the previous year,the Supreme Court of Pakistan has passed an order dated November 10, 2016 that the Workers' Welfare Fund (WWF) is a fee, not a tax. Hence, the amendments made through Finance Act, 2006 and 2008 have been declared invalid in the said order. Therefore, the management believe that in the light of the aforementioned judgment, all cases pertaining to WWF, pending for adjudication would be decided in the favour of the company and therefore management has reversed expense recognised in prior periods. The current year liability represents the provision against Workers welfare fund as per The Sindh Workers Welfare Fund Act, 2014.

## 22. INTEREST / MARK-UP ACCRUED ON BORROWINGS

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ……….Rupees………. | |
| Long-term finances | | 12,883,005 | 16,283,812 |
| Short-term borrowings | | 46,974,080 | 26,923,477 |
| | | 59,857,085 | 43,207,289 |

## 23. SHORT-TERM BORROWINGS

| From banking companies - secured | | | |
|---|---|---|---|
| Finance against import / export | 23.1 | 608,838,856 | 914,477,883 |
| Short-term running finances | 23.2 | 1,342,198,856 | 1,270,268,550 |
| | 23.3 | 1,951,037,712 | 2,184,746,433 |

23.1 These facilities are secured against pledge of imported cotton, stock and trust receipts. These facilities are subject to markup rate of relevant month KIBOR plus 0.75% to 1.25% (2017: three month KIBOR plus 0.65% to 1% and fixed rate ranging from 1.1% to 2.0% inclusive of LIBOR) per annum.

23.2 These facilities are secured against pledge of stock, hypothecation of current assets & fixed assets. These facilities are subject to markup rate of relevant month Kibor plus 0.75% to 1.50% (2017: 0.3% to 1%) per annum.

23.3 Total facilities available to the Company from various commercial banks amounted to Rs. 4,070 million (2017: Rs.4,175 million) out of which aggregate unavailed facilities amounted to Rs 2,119 million (2017: Rs. 1,990 million).

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

There is no contingent liability against the Company as at June 30, 2018 and June 30, 2017.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| **24.2 Commitments** | | | ..........Rupees.......... | |
| (i) | Civil works | | 27,001,630 | 2,405,047 |
| (ii) | Letters of credit | | | |
| | - stores and spares | | 4,479,143 | 3,366,884 |
| | - raw materials | | 47,706,048 | 215,284,865 |
| | - machinery | | 3,517,120 | - |
| (iii) | Bank guarantees issued on behalf of the Company | 24.2.1 | 106,299,008 | 93,299,008 |
| (iv) | Bills discounted | | | |
| | - local | | 25,026,800 | 34,111,904 |
| | - export | | 461,937,458 | 391,259,344 |
| (v) | Outstanding sales contract | | 499,194,562 | 207,696,738 |

24.2.1 This includes bank guarantee related to Sindh Development and Maintenance of Infrastructure Cess amounting to Rs. 92 million (2017: Rs.75.5 million).

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| **25. SALES - NET** | | | |
| Export | | | |
| -Yarn | | 2,633,395,391 | 3,081,643,073 |
| -Yarn (indirect export) | | 1,386,701,241 | 128,085,087 |
| | | 4,020,096,632 | 3,209,728,160 |
| Local | | | |
| -Yarn | | 1,726,712,482 | 1,999,851,730 |
| -Raw material | | 126,694,331 | - |
| -Waste | | 84,995,172 | 74,681,368 |
| | | 1,938,401,985 | 2,074,533,098 |
| | | 5,958,498,617 | 5,284,261,258 |
| Less: | | | |
| Sales tax | | - | (3,576) |
| | | 5,958,498,617 | 5,284,257,682 |
| **26. COST OF GOODS SOLD** | | | |
| Cost of goods manufactured | 26.1 | 5,122,439,125 | 4,923,417,349 |
| Finished goods (including waste stock) | | | |
| Opening stock | | 176,102,191 | 144,637,234 |
| Closing stock | 9 | (137,476,983) | (176,102,191) |
| | | 38,625,208 | (31,464,957) |
| Purchase of yarn | | - | 376,306 |
| Cost of manufactured goods sold | | 5,161,064,333 | 4,892,328,698 |
| Cost of raw material sold | | 124,252,031 | - |
| | | 5,285,316,364 | 4,892,328,698 |

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |

**26.1 Cost of goods manufactured**

| | Note | 2018 | 2017 |
|---|---|---|---|
| Raw material | 26.1.1 | 4,115,407,114 | 3,913,701,877 |
| Packing material | | 70,303,253 | 71,286,095 |
| Stores and spares | | 70,958,362 | 83,059,735 |
| Power and fuel | | 389,939,095 | 376,651,086 |
| Salaries, wages and benefits | 26.1.2 | 315,650,357 | 309,468,448 |
| Depreciation | 5.2 | 137,568,846 | 136,109,837 |
| Insurance | | 7,374,938 | 9,358,885 |
| Amortization | 6 | 9,613 | - |
| Repairs and maintenance | | 2,905,324 | 7,232,982 |
| Other overheads | | 17,691,542 | 18,892,038 |
| | | 5,127,808,444 | 4,925,760,983 |
| Work-in-process | | | |
| Opening stock | | 32,073,431 | 29,729,797 |
| Closing stock | 9 | (37,442,750) | (32,073,431) |
| | | (5,369,319) | (2,343,634) |
| | | 5,122,439,125 | 4,923,417,349 |

**26.1.1 Raw material consumed**

| | Note | 2018 | 2017 |
|---|---|---|---|
| Opening stock | | 1,167,741,831 | 556,362,095 |
| Purchases - net | | 3,883,822,520 | 4,525,081,613 |
| | | 5,051,564,351 | 5,081,443,708 |
| Closing stock | 9 | (936,157,237) | (1,167,741,831) |
| | | 4,115,407,114 | 3,913,701,877 |

**26.1.2** Salaries, wages and benefits include Rs. 24.59 million (2017: Rs. 24.43 million) in respect of staff retirement benefits.

## 27. DISTRIBUTION COST

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Brokerage and commission | | 27,772,745 | 33,611,352 |
| Export expenses | | 32,848,702 | 42,484,065 |
| Local freight and handling | | 6,330,799 | 5,722,262 |
| Sea freight | | 17,790,749 | 14,843,591 |
| Staff salaries and benefits | 27.1 | 3,887,068 | 6,555,734 |
| Bank charges | | 47,663 | 95,298 |
| Local selling expenses | | 684,240 | 1,712,580 |
| Others | | 20,235 | 6,550 |
| | | 89,382,201 | 105,031,432 |

**27.1** Staff salaries and benefits include Rs. 0.25 million (2017 : Rs. 0.55 million) in respect of staff retirement benefits.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |

## 28. ADMINISTRATIVE EXPENSES

| | Note | 2018 | 2017 |
|---|---|---|---|
| Staff salaries and benefits | 28.1 | 62,051,620 | 57,794,703 |
| Directors' remuneration | | 6,625,000 | 6,064,355 |
| Depreciation | 5.2 | 6,247,174 | 7,154,455 |
| Legal and professional | | 2,477,223 | 2,037,272 |
| Rent, rates and taxes | | 4,090,200 | 2,974,351 |
| Fees and subscription | | 4,726,195 | 3,107,350 |
| Utilities | | 1,928,775 | 2,077,941 |
| Traveling and conveyance | | 617,381 | 713,396 |
| Provision for doubtful debts | 10.5 | - | 509,434 |
| Vehicles running | | 3,356,185 | 2,842,812 |
| Printing and stationery | | 707,466 | 1,133,295 |
| Postage and telephone | | 2,099,374 | 2,701,336 |
| Amortization | 6 | 219,397 | 1,351,456 |
| Auditors' remuneration | 28.4 | 969,600 | 1,415,600 |
| Donation | 28.2 & 28.3 | 1,200,000 | 1,361,120 |
| Repairs and maintenance | | 1,227,777 | 735,825 |
| Insurance | | 690,812 | 824,728 |
| Other | | 610,827 | 514,024 |
| | | 99,845,006 | 95,313,453 |

28.1 Staff salaries and benefits include Rs. 6 million (2017 : Rs. 2.5 million) in respect of the staff retirement benefits.

28.2 Donation charged in these financial statements is paid to Bait Ul Sukoon Cancer Hospital Rs. 1.2 million (2017: Rs. 1.2 million).

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

### 28.4 Auditors' remuneration

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Annual audit fee | | 650,000 | 650,000 |
| Fee for review of : | | | |
| - Condensed interim financial information | | 75,000 | 75,000 |
| - Statement of compliance with Code of Corporate Governance | | 25,000 | 25,000 |
| Certifications and other services | | 219,600 | 665,600 |
| | | 969,600 | 1,415,600 |

## 29. OTHER OPERATING EXPENSES

| | 2018 | 2017 |
|---|---|---|
| Workers' profit participation fund | 15,987,518 | 3,323,853 |
| Workers' welfare fund | 6,079,638 | - |
| Exchange loss - net | - | 3,199,359 |
| | 22,067,156 | 6,523,212 |

## 30. FINANCE COST

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Interest / mark-up on: | | | |
| long-term finances | | 49,300,162 | 62,695,789 |
| short-term borrowings | | 161,224,776 | 103,029,544 |
| Workers' Profit Participation Fund | | 155,515 | - |
| Letters of credit discounting charges | | 11,075,376 | 8,068,753 |
| Bank charges and guarantee commission | | 6,219,351 | 2,679,398 |
| | | 227,975,180 | 176,473,484 |

## 31. OTHER INCOME

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Profit on term deposits receipts | | 1,245,496 | 1,471,875 |
| Profit on savings accounts | | 255,850 | 304,072 |
| | | 1,501,346 | 1,775,947 |
| **Income from non-financial assets** | | | |
| License income | | 2,365,100 | 4,247,100 |
| Rent income | | 600,000 | 600,000 |
| Insurance claim | | 81,601 | - |
| Rebate on export sales | | 51,988,061 | 47,820,415 |
| Income on sale of store items | | - | 122,350 |
| Workers' welfare fund provision reversed | 21.4 | - | 31,388,491 |
| Exchange gain - net | | 7,389,982 | - |
| Gain on disposal of property, plant and equipment | | 71,274 | 977,997 |
| | | 62,496,018 | 85,156,353 |
| | | 63,997,364 | 86,932,300 |

## 32. TAXATION

| | Note | 2018 | 2017 |
|---|---|---|---|
| Current | | | |
| - for the year | | 62,815,325 | 52,542,899 |
| - for prior year | | 654,732 | 6,303,077 |
| Deferred | 32.2 | - | - |
| | | 63,470,057 | 58,845,976 |

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

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

32.3 According to the management, the tax provision made in the financial statements is sufficient.

32.4 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purpose of taxation is available which can be analysed as follows:

| Year | Provision for taxation | Tax assessed | Excess / (short) |
|---|---|---|---|
| 2017 | 52,542,899 | 52,489,845 | 53,054 |
| 2016 | 40,727,049 | 38,871,045 | 1,856,004 |
| 2015 | 40,039,612 | 3,728,371 | 36,311,241 |

## 33. EARNINGS PER SHARE - BASIC AND DILUTED

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

| | 2018 | 2017 |
|---|---|---|
| Profit for the year | 234,440,017 | 36,673,727 |
| Weighted average number of ordinary shares in issue | 3,342,570 | 3,342,570 |
| Earnings per share | 70.14 | 10.97 |

## 34. CASH AND CASH EQUIVALENTS

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | ……….Rupees………. | |
| Cash and bank balances | 15 | 9,716,040 | 17,411,562 |
| Short-term running finances | 23 | (1,342,198,856) | (1,270,268,550) |
| | | (1,332,482,816) | (1,252,856,988) |

## 35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Chief Executive | Executives | Chief Executive | Executives |
| | ………………………… Rupees……………………………… | | | |
| Remuneration | 6,300,000 | 42,150,112 | 5,959,355 | 38,936,709 |
| Bonus / Ex-gratia | 510,000 | 3,057,037 | - | - |
| Retirement benefits | 600,000 | 2,840,850 | 510,000 | 2,994,000 |
| Leave encashment | - | 946,950 | - | 998,000 |
| Medical | - | 309,340 | - | 176,507 |
| | 7,410,000 | 49,304,289 | 6,469,355 | 43,105,216 |
| No. of person(s) | 1 | 12 | 1 | 11 |

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

35.2 An amount of Rs. 0.24 million (2017: Rs 0.12 million) has been charged in these financial statements in respect of fee paid to Directors for attending Board meetings.

## 36. PLANT CAPACITY AND ACTUAL PRODUCTION

| | 2018 | 2017 |
|---|---|---|
| Number of spindles installed | 36,708 | 36,708 |
| Number of spindles worked | 36,708 | 36,708 |
| Number of shifts per day | 3 | 3 |
| Installed capacity after conversion into 20/s count-kgs | 12,806,181 | 12,806,181 |
| Actual production of yarn after conversion into 20/s count-kgs | 11,988,203 | 12,239,478 |

## 37. NUMBER OF EMPLOYEES

| | 2018 | 2017 |
|---|---|---|
| Average number of employees during the year | 1,239 | 1,223 |
| Number of employees as at June 30 | 1,218 | 1,195 |

## 38. TRANSACTIONS WITH RELATED PARTIES

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

### 38.1 Name and nature of relationship

**Associated Companies due to common directorship & common management**

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

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

- Island Textile Mills Limited (note 16)

| Relationship with the Company | Nature of transactions | 2018 | 2017 |
|---|---|---|---|
| | | ..........Rupees.......... | |
| Associated undertakings | Purchase of power | 383,101,706 | 367,363,701 |
| | Sale of goods | 126,694,331 | - |
| | Purchase of goods | 20,000,000 | 510,805 |
| | Share of expenses paid | 2,404,784 | 6,746,120 |
| | Share of expenses received | 4,379,309 | 3,893,886 |
| | Purchase of machinery | - | 60,000 |
| | License income | 2,365,100 | 4,247,100 |
| | Rent income | 600,000 | 600,000 |
| | Sale of stores items | 405,000 | - |
| Directors | Rent expense | 4,090,200 | 3,573,660 |

## 39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 39.1 Financial instrument by category

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | .......... Rupees .......... | |
| **Financial assets as per balance sheet** | | | |
| **Loans and receivables at amortized cost** | | | |
| - Long-term deposits | | 1,229,384 | 1,179,384 |
| - Trade debts | | 604,134,267 | 418,035,959 |
| - Loans to employees | | 5,011,336 | 7,324,167 |
| - Trade deposits | | 21,825 | 21,825 |
| - Other receivables | | 73,326,030 | 49,417,447 |
| - Cash and bank balances | | 9,009,492 | 16,979,223 |
| | | 692,732,334 | 492,958,005 |
| **Held to maturity** | | | |
| - Other financial assets | | 24,740,448 | 24,740,448 |
| **Available for sale** | | | |
| - Long-term investment | | 699,470 | 653,753 |
| | | 718,172,252 | 518,352,206 |
| **Financial liabilities as per balance sheet** | | | |
| **Financial liabilities measured at amortized cost** | | | |
| - Long-term finance | | 587,502,436 | 796,159,895 |
| - Trade and other payables | | 111,052,940 | 206,615,046 |
| - Unclaimed dividend | | 1,120,901 | 1,123,604 |
| - Interest / mark up accrued on borrowings | | 59,857,085 | 43,207,289 |
| - Short-term borrowings | | 1,951,037,712 | 2,184,746,433 |
| | | 2,710,571,074 | 3,231,852,267 |

## 39.2 Financial risk management objectives and policies

### 39.2.1 Financial risk factors

**Introduction and overview**

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

- market risk
- credit risk
- liquidity risk

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

**Financial risk factors and risk management framework**

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

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

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

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

### 39.2.2 Market risk

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

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

**(a) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company exports yarn to foreign customers which exposes it to currency risk. As at June 30, 2018, financial assets includes trade debts and bank accounts in foreign currency amounting to Rs. 313.90 million (2017: Rs. 188.10 million) equivalent to US$ 2.59 million (2017: US$ 1.79 million) and financial liabilities include foreign bills payable, foreign commission payable and finance against import and export amounting to Rs. 8.41 million (2017: Rs. 171.27 million) equivalent to US$ 0.07 million (2017: US$ 1.63 million). The average rate applied during the year is Rs.109.9 / US $ (2017: Rs. 104.8 /US $) and the spot rate as at June 30, 2018 was Rs.121.4 / US$ (2017: Rs. 105 /US$).

At June 30, 2018, if the Rupee had weakened / strengthened by 10% against the US Dollar with all other variables held constant, profit for the year would have been higher / lower by Rs. 32.30 million (2017: Rs. 35.938 million), mainly as a result of foreign exchange gains / losses on translation of foreign currency trade debts, US Dollar bank balance and US Dollar denominated borrowings and payables.

### (b) Interest rate risk

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

The Company's interest rate risk arises from savings accounts with banks, other financial assets (TDRs), long term finances and short term borrowings amounting to Rs. 2.51 billion (financial liabilities on a net basis) (2017: Rs. 2.98 billion). These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

| | Carrying amount | |
|---|---|---|
| | 2018 | 2017 |
| | .......... Rupees .......... | |
| ***Variable rate instruments*** | | |
| Financial assets | | |
| - savings accounts with banks | 846,068 | 900,206 |
| Less: financial liabilities | | |
| - long-term finances | 587,502,436 | 796,159,895 |
| - short-term borrowings | 1,951,037,712 | 2,184,746,433 |
| | (2,538,540,148) | (2,980,906,328) |
| Net financial liabilities at variable interest rates | (2,537,694,080) | (2,980,006,122) |

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

If interest rates had been 100 basis points lower / higher and all other variables were held constant, the Company's proft for the year ended June 30, 2018 would increase / decrease by Rs. 21.07 million (2017: Rs. 16.69 million). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

***Fixed rate instruments***

The Company has invested an amount of Rs 24.74 million (2017: Rs 24.74 million) at interest rate of 5.25% to 5.75% per annum (2017: 4.05% to 5.50% per annum) in Term Deposits Receipts (TDRs).

### (c) Equity price risk

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

As at reporting date the Company is not materially exposed to equity securities price risk as it only has an investment amounting to Rs. 0.70 million (2017: Rs. 0.65 million ) in the shares of Samba Bank Limited.

If equity price would have been 10% higher / lower with all others variables held constant, other comprehensive income for the year of the Company would have been higher / lower by Rs. 0.070 million (2017: Rs. 0.065 million)

### 39.2.3 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Financial assets which are subject to credit risk amounted to Rs. 323 million (2017: Rs. 359.38 million).

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

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

**Credit risk related to receivables**

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

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of customers, where appropriate. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. At June 30, 2018, the Company had approximately 5 (2017: 8) major customers that owed more than Rs. 10 million each and accounted for approximately 91.26% (2017: 83.52%) of local trade debts.

**Credit risk related to other assets**

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

### 39.2.4 Liquidity risk

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

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of short term borrowings. 86% of the Company's debt will mature in less than one year at June 30, 2018 (2017: 80%) based on the carrying value of borrowings reflected in the financial statements.

**Liquidity and interest risk table**

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

| | Interest rate | Less than 1 month | 1 - 3 months | 3 months - 1 year | 1 - 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **2018** | | ............ | ............ | Rupees | ............ | ............ | ............ |
| Long-term finance | 7.04%-13% | 17,370,164 | 93,753,335 | 130,245,083 | 346,133,854 | - | 587,502,436 |
| Trade and other payables | - | 2,008,047 | 18,882,255 | 231,194,249 | | - | 252,084,551 |
| Interest / mark-up accrued on | - | 29,099,415 | 21,803,573 | 8,954,097 | - | - | 59,857,085 |
| Short-term borrowings | Three months KIBOR plus 0.3% to 1.5% | 296,072,360 | 140,397,758 | 1,514,567,594 | - | - | 1,951,037,712 |
| | | 344,549,986 | 274,836,921 | 1,884,961,023 | 346,133,854 | - | 2,850,481,784 |

| | Interest rate | Less than 1 month | 1 - 3 months | 3 months - 1 year | 1 - 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| **2017** | | ............ | ............ | Rupees | ............ | ............ | ............ |
| Long-term finance | 7.04%-13% | 17,364,398 | 83,741,306 | 107,551,755 | 557,502,436 | 30,000,000 | 796,159,895 |
| Trade and other payables | - | 26,569,540 | 162,370,710 | 87,190,917 | | - | 276,131,167 |
| Interest / mark-up accrued on loans | - | 25,728,215 | 15,552,980 | 1,926,095 | - | - | 43,207,290 |
| Short-term borrowings | Three months KIBOR plus 0.3% to 1% | 770,268,550 | 1,414,477,883 | - | - | - | 2,184,746,433 |
| | | **839,930,703** | **1,676,142,879** | **196,668,767** | **557,502,436** | **30,000,000** | **3,300,244,785** |

### 39.2.5 Operational risks

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

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

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

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

## 40. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) 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.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values as the items are short term in nature.

(b) **Fair value estimation**

The Company discloses the financial instruments reflected in the balance sheet at fair value in accordance with the following fair value hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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).

As at year end, long term investment comprising listed shares of Samba Bank Limited amounting to Rs. 0.699 million (2017: Rs. 0.653 million) are classified as level 1. Other than that, there are no such financial assets or liabilities which can be classified under the above levels. There have been no transfers between levels.

40.1 The Company's leasehold land, buildings on leasehold land and plant and machinery are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Company's freehold land, buildings on leasehold land and plant and machinery carried out as at June 30, 2018 were performed by Messers Iqbal A.Nanjee & Company (Private) Limited (valuer), an independent valuer not related to the Company. The valuer is listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties, plant and machinery.

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

| | June 30, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | ---------------------- Rupees ---------------------- | | | |
| Leasehold land | - | 1,340,000,000 | - | 1,340,000,000 |
| Buildings on leasehold | - | 766,817,949 | - | 766,817,949 |
| Plant and machinery | - | 2,000,921,090 | - | 2,000,921,090 |
| | - | 4,107,739,039 | - | 4,107,739,039 |

| | June 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | ------------------------ Rupees -------------------- | | | |
| Leasehold land | - | 696,000,000 | - | 696,000,000 |
| Buildings on leasehold | - | 661,215,871 | - | 661,215,871 |
| Plant and machinery | - | 1,929,066,272 | - | 1,929,066,272 |
| | - | 3,286,282,143 | - | 3,286,282,143 |

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

## 41. CAPITAL RISK MANAGEMENT

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholders or issue new shares. The Company's overall strategy remains unchanged from previous year.

The gearing ratio at June 30, 2018 and June 30, 2017 were as follows:

| | 2018 | 2017 |
|---|---|---|
| | ..........Rupees.......... | |
| Total debts | 2,538,540,148 | 2,980,906,328 |
| Less: cash and bank balances | (9,716,040) | (17,411,562) |
| Net debt | 2,528,824,108 | 2,963,494,766 |
| Total equity | 3,259,670,311 | 2,184,663,022 |
| Adjusted capital | 5,788,494,419 | 5,148,157,788 |
| Gearing ratio | 0.44 | 0.58 |

## 42. OPERATING SEGMENTS

Chief Executive considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis.

The information with respect to operating segment is stated below:

(a) 64.47 (2017: 60.74) percent sales of the Company relate to export customers.

(b) All non-current assets of the Company as at year end are allocated within Pakistan.

(c) There are no customers whom sales made during the year exceeded 10 percent of total sales for the current and previous year.

## 43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 24, 2018.

## 44. RECLASSIFICATION

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

## 45. GENERAL

Figures have been rounded off to the nearest Rupee.

### 45.1. SUBSEQUENT EVENTS

The Board of Directors at their meeting held on September 24, 2018 have proposed a dividend of Rs. 2 per share (2017: nil) for the year ended June 30, 2018, amounting to Rs. 6.685 millon (2017: nil), subject to the approval of members at the annual general meeting to be held on October 22, 2018.

| ADEEL SHAHID TATA<br>CHIEF EXECUTIVE | HASEEB HAFEEZUDDEEN<br>CHIEF FINANCIAL OFFICER | ANWAR AHMED TATA<br>CHAIRMAN/DIRECTOR |
|---|---|---|

## انفارمیشن ٹیکنالوجی :

TATA پاکستان کی انتظامیہ انٹرپرائز بزنس کے توسط سے ادارہ کی ساخت پر مکمل یقین رکھتا ہے جسکے نتیجہ میں مستقل طور پر حکمت عملی کی پلاننگ کی گئی ہے۔ TATA پاکستان جو کہ معیاری انفارمیشن ٹیکنالوجی کے ساتھ منسلک ہے۔ TATA پاکستان نے کارپوریٹ IT ڈپارٹمنٹ تشکیل دی ہے جو کہ ماہرین، پیشہ ورانہ افراد پر مشتمل ہے۔ ہماری کمپنی کا IT ڈپارٹمنٹ نے کارپوریٹ میں IT فیکلٹی کی موثر طور پر شناخت کروائی ہے جو کہ حکمت عملی کے پارٹنر کا کردار ادا کر رہا ہے اس کے علاوہ کارپوریٹ الیکٹرانک معلومات کا کسٹوڈین بھی ہے اور اپنے تمام اسٹیک ہولڈرز کو محفوظ اور موثر معلومات وقت کے اندر فراہم کرنے کو یقینی بنایا جاتا ہے جو کہ ERP کے توسط سے ڈیٹا کی روشنی میں صحیح فیصلہ کرنا اہم ہے۔

یہ بہترین ڈیزائن، کنٹرول کردہ، نیٹ ورک پر مشتمل انفراسٹرکچر ہے جو کہ کارپوریٹ کے تحت معلومات کی ضمانت ہے۔

## پیش رفت :

پاکستان میں ٹیکسٹائل کی صنعت میں چھ اہم عناصر ہیں جس میں دینم، تولیہ، ہوم ٹیکسٹائل، گارمنٹس، یارن اور گرے فیبرک شامل ہیں۔ یارن اور گرے فیبرک کی ایکسپورٹ کی بنیاد چائنیز مارکیٹ پر ہے لیکن جیسا پہلے بھی بتایا گیا ہے امریکہ اور چائنا کے درمیان تجارتی جنگ کی وجہ سے غیر یقینی صورتحال ہے ان تمام حقائق کے پیش نظر ہمیں ڈر ہے کہ کئی ملز بند ہوجائیں گی۔ ہمیں امید ہے کہ نئی حکومت اس پیچیدہ صورتحال کا جائزہ لے گی۔ سیزن کے شروع کے دوران چائنا کے ساتھ تجارتی معاہدہ میں ٹیکسٹائل انڈسٹری کو شیئر فراہم کیا گیا ہے۔

ہم اس حوالہ سے بے حود موثر ملز کے حامل ہونے کی حیثیت رکھتے ہیں اور ہم اس بات کو یقینی بناتے ہیں کہ ٹیکسٹائل کمپنی پاکستان میں اعلیٰ ٹیکسٹائل مل ہے۔ ٹیکسٹائل ملز کو مارکیٹ میں مسلسل اعلیٰ اقدار کے مطابق چلائیں۔ مارکیٹ ٹرینڈ اور ڈیمانڈ سے مطابقت کے لئے انتظامیہ پیداوار میں اضافہ کریں اور فینسی یارن مارکیٹ میں پوزیشن بنائیں۔

اس کے علاوہ ہم اس بات کی بھی کوشش کرتے رہتے ہیں کہ یہ کم اخراجات پر مشتمل ملز میں منتقل کریں اس حوالہ سے مزید کاروائی کے لئے انفراسٹرکچر میں اصلاح کی جائے اور ساتھ ہی پروڈکٹ کی کوالٹی، اغراض ومقاصد حاصل کئے جائیں ہماری یہ بھی رائے ہے کہ بہترین رائے کے لئے ٹوسٹنگ اور ڈبلنگ مشینوں کو شامل کیا جائے۔

## اعتراف:

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

انوار احمد ٹاٹا

چیئرمین

کراچی:

مورخہ : 24 ستمبر 2018

### انرجی کے اخراجات :

ہم سب جانتے ہیں کہ ریجن میں ہماری انرجی کے اخراجات بہت زیادہ ہیں اگر ہم ٹیکسٹائل میں دوسرے مما لک کے ساتھ اس کا موازنہ کریں تو یہ 6 سینٹس کے قریب دستیاب ہے جو کہ خاص طور پر پنجاب میں زیادہ ہے۔حال ہی میں گیس اور بجلی کے نرخوں میں اضافہ کے بارے میں سنا ہے۔

### انٹریسٹ ریٹس :

انٹریسٹ ریٹ میں 200 پوائنٹس کا اضافہ کیا ہے اور لگتا ہے کہ اس میں مزید اضافہ ہوگا۔لہٰذا یہ ایک اور شدید تاثر ہے جو کہ ٹیکسٹائل کی صنعت پر بوجھ ہوگا۔

### مہنگائی کا دباؤ :

یہ دباؤ حالیہ سالوں کے دوران رکا رہا لیکن اب یہ کنٹرول سے باہر ہو رہا ہے اور یہ مزید ہماری کارکردگی کو متاثر کر رہا ہے جو کہ ہماری ایکسپورٹ کی قوت پر مزید دباؤ ہوگا۔

### ٹیکس کا بوجھ :

پوری دنیا میں پاکستان ودھ ہولڈنگ ٹیکس کا ایک بڑا ملک ہے اور ریونیو جو کہ انکم ٹیکس یا فکسڈ ٹیکس کے تحت ایڈوانس ٹیکسز کی شکل میں لیا جاتا ہے۔آج کل ودھ ہولڈنگ ٹیکس سے براہ راست ٹیکس سے کل آمدنی کا تین چوتھائی حصہ ہے اور اس کو سیلز کی لین دین، یوٹیلٹی بلز، ٹرانسپورٹیشن، امپورٹس، ایکسپورٹ میں توسیع کی گئی ہے۔اس وقت ودھ ہولڈنگ ٹیکسز سے متعلق انکم ٹیکس میں 64 سیکشن/سب سیکشن ہیں۔آپ کی کمپنی کا بھی انکم ٹیکس، سیلز ٹیکس اور ربیٹ مبلغ 358.737 ملین روپے کی ریفنڈ کا معاملہ اب تک زیر سماعت ہے۔یہ ایک شدید نوعیت کا ایریا ہے جس پر حکومت کو فوری توجہ دینا ہوگی۔کیونکہ یہ کمپنی کی کارکردگی کو متاثر کرنے کے درپے ہے۔

لہٰذا انکم ٹیکس سسٹم کی بنیاد پر ریٹرن اور دستاویزات پر زیادہ توجہ دینے کی ضرورت ہے اور ودھ ہولڈنگ پر انحصار میں کمی ہو ہمیں انکم ٹیکس کو زیادہ بنیاد بنانا چاہئے۔حکومت کو چاہئے کہ وہ ٹیکسیشن کی تقسیم کو ریفارمز کرنے پر کام کرے اور ریونیو کے ذرائع پر زیادہ توجہ دے اور اس حوالہ سے وسیع ٹیکس پالیسی تشکیل دی جانی چاہئے۔

### لیبر کے اخراجات :

پروڈکٹ کے اخراجات پر ایک چیلنجنگ معاملہ اضافی لیبر کے اخراجات کا ہے جس کا موازنہ ریجنل مارکیٹنگ سے کیا گیا ہے۔گزشتہ کئی سالوں سے لیبر اخراجات کے معاملہ میں پاکستان ایک مہنگا ملک ہے جسکے تحت 150 امریکی ڈالر کم سے کم اجرت/ماہانہ ہے۔

### ہیومن ریسورسز ڈویلپمنٹ :

الحمد اللہ مجھے فخر ہے کہ ہم نے اپنے ملازمین سے متعلق اپنی ذمہ داریوں کو پورا کیا ہے، بالخصوص لیبر کلاس کا، اور 100 فیصد ہم نے اس پر عملدرآمد کیا۔ہماری ہیومن کیپیٹل فنکشن پرائمری ذمہ داریوں کے تحت ان پر توجہ دینا ہے۔ہم اپنے ملازمین کو اعلیٰ پیشہ ورانہ ماحول فراہم کرتے ہیں اور ملازمت کے دوران اپنے ملازمین کو تمام ضروری ذرائع فراہم کرتے ہیں۔ہم ہر ایک کی عزت کرتے ہیں اور انکی پیشہ ورانہ صلاحیت کو اجاگر کرتے ہیں اور انعامی اسکیمز کے توسط سے ملازمین کی کارکردگی کی بنیاد پر مراعات دیتے ہیں تاکہ اس کی کارکردگی میں اور اضافہ ہو۔ہماری کارکردگی مینجمنٹ سسٹم کا مناسب فیڈ بیک ہے تاکہ ملازم اپنی جگہ پر کامیابی سے اپنے فرائض انجام دے۔ہمارا HR سسٹمز ٹیکنالوجی پر مشتمل ہے جو کہ ہمیں کارکردگی میں تعاون کرتا ہے۔

## چیئرمین کا جائزہ:

**السلام علیکم ورحمۃ اللہ وبرکاتہ،**

مجھے 30 جون 2018 کو ختم ہونے والے سال کے لئے سالانہ رپورٹ میں مالیاتی نتائج بمع آڈیٹرز رپورٹ پیش کرنے میں خوشی محسوس ہو رہی ہے۔

اللہ تعالیٰ کے فضل و کرم سے میں یہ رپورٹ پیش کرتا ہوں کہ ہماری کمپنی نے قبل از ٹیکس منافع مبلغ 297.910 ملین روپے ( 2016-2017 مبلغ 95.520 ملین روپے ) حاصل کیا ہے جو کہ گزشتہ سال کے مقابلہ میں 212 فیصد زائد ہے۔ فروخت کا مکمل حجم بھی سالہا سال 12.76 فیصد رہا ہے۔

### ٹیکسٹائل کی صنعت :

منافع کی بنیادی وجہ سال کے دوران خام مال کی بروقت خریداری اور روپے کی قدر میں کمی کے سبب ہے چنانہ مجھے محسوس ہوتا ہے کہ ٹیکسٹائل کی صنعت کو بنیادی مسائل اور دیگر امور درپیش ہیں بالخصوص ایکسپورٹ کرنے والی صنعتوں کو صحیح نہیں کیا گیا ہے۔ جس میں پاکستان میں کاروبار کرنے کے لئے زیادہ اخراجات بھی شامل ہیں بالخصوص انرجی کے اخراجات، ودھ ہولڈنگ ٹیکسز جس میں لیویز کی کل تعداد 64 ہے اس کے علاوہ صوبائی حکومت کی جانب سے جاری کردہ SRB جیسے کہ سروسز پر سیلز ٹیکس وغیرہ ہے اس کے علاوہ ہمارے لیبر کے اخراجات بھی اس ریجن میں زیادہ ہیں۔ مزید اہم وجہ جو کہ صنعت کی دنیا میں مقابلہ کرنے کے لئے ہماری اہلیت کا تسلسل ہے کیونکہ ریفنڈ کی ایک کثیر رقم حکومت نے روکی ہوئی ہے اور ہمیں ریفنڈ کا کوئی راستہ نظر نہیں آتا ہے ان ریفنڈز میں سیلز ٹیکس ریفنڈز، انکم ٹیکس ریفنڈز، DDTR کلیمز، اور کسٹم ربیٹس شامل ہیں یہ تمام معلومات اور گورنمنٹ سیکٹر کی دیگر بے قاعدگیاں و دیگر امور کو صحیح نہیں کیا گیا۔ ہم موجودہ حکومت سے امید کرتے ہیں کہ ایکسپورٹ کرنے والی صنعت کے لئے اس مشکل صورتحال کو سمجھیں گے اور ان کی توجہ یقیناً ایکسپورٹ اور پیداوار اور امپورٹ کے میدان میں تبدیلی لائے گی۔

میں مزید یہ بھی کہنا چاہتا ہوں کہ ہمیں شدید اقتصادی غیر یقینی صورتحال کا سامنا ہے اور ہم دیکھ رہے ہیں کہ بڑے تاجروں کے بلاک کے مابین تجارتی جنگ کا سامنا ہے اور حالیہ ترقی جو کہ ہر ایک کے لئے حیران کن ہے جیسے کہ بریکسٹ، امریکہ کی تحفظاتی پالیسیاں جو کہ ماضی میں دستخط شدہ تجارتی معاہدہ کے خلاف ہیں ایک اور دلچسپ معاملہ جس کے تحت پورے عالم کو ایک ولیج کے حوالہ سے جانا گیا تھا اور ہر ملک کو آزاد تجارت اور سامان کی ترسیل کی پالیسی چاہتا تھا لیکن اب کئی ممالک ٹیرف کے توسط سے آزاد تجارت پر پابندی لگا کر ترسیل کی خلاف ورزی کر رہے ہیں۔

### خام مال :

یہ حکومت کی تند پالیسی ہے کہ کاٹن کی امپورٹ پر ڈیوٹیز اور ٹیکسز عائد کرے جبکہ پاکستان ٹیکسٹائل انڈسٹری گزشتہ سالوں سے کاٹن کی شدید کمی سے دوچار ہے میں چاہتا ہوں کہ کسانوں کے لئے منیمم سپورٹ پرائس (MSP) کا سسٹم ہو مگر یہ حکومت کی ذمہ داری ہے لیکن حکومت اس کی بجائے ملک میں کاٹن کی قیمتوں میں اضافہ کے درپے ہے۔ ہم گزشتہ 3 سالوں سے کاٹن کی فصل حاصل کرنے میں ناکام ہیں جبکہ انڈسٹری کو 3.5 بیلز امپورٹ کرنا تھی۔ اس سال پھر کاٹن کی فصل میں ناکامی ہوئی جو کہ پانی کی کمی کے سبب ہوئی۔ جبکہ دوسری طرف حکومت 3 فیصد ڈیوٹی، 2 فیصد اضافی کسٹم، 5 فیصد سیلز ٹیکس اور 1 فیصد انکم ٹیکس کاٹن کی امپورٹ پر عائد کی۔
اس کے علاوہ ملک میں کاٹن کی فصل کی بہتری کے لئے کوئی توجہ نہیں دی گئی اس حوالہ سے بیجوں کی نگرانی، کیڑے مار ادویات جو کہ جدید ٹیکنالوجی کے لئے ضروری ہے ہمارے کاٹن کی پیکنگ سے لے کر ٹرانسپورٹیشن و دیگر امور کا تمام سسٹم غیر فعال ہے۔

**نان ایگزیکیٹیو ڈائریکٹرز کی اجرتی پالیسی کی ساخت :**

نان ایگزیکیٹیو ڈائریکٹرز بشمول دیگر ڈائریکٹرز صرف میٹنگ میں حاضری کیلئے فیس کے حقدار ہیں۔

**بورڈ کا تخمینہ :**

کوڈ آف کارپوریٹ گورننس ریگولیشن 2017ء میں شامل کمپنیز کے تحت بورڈ نے بورڈ آف ڈائریکٹرز کی کارکردگی کے تخمینہ کیلئے میکنزم ترتیب دیا ہے۔اس سال کے دوران بورڈ آف ڈائریکٹرز کی کارکردگی کے تخمینہ کیلئے بورڈ کے تمام ممبران کے مابین سوالنامہ تقسیم کیا گیا ہے۔

**چیئرمین کا جائزہ :**

کمپنی کے ڈائریکٹرز چیئرمین کے جائزے کے تمام مندرجات کی تصدیق کرتے ہیں جو کہ اس ڈائریکٹرز رپورٹ کا حصہ ہیں۔

ازطرف بورڈ آف ڈائریکٹرز

عدیل شاہد ٹاٹا
چیف ایگزیکیٹیو

کراچی:
مورخہ : 24 ستمبر 2018

کالین دین اور ایکوئیٹی میں تبدیلیاں شامل ہیں۔

☆ کمپنی کے مناسب کھاتوں کو مرتب کیا گیا ہے۔

☆ جیسا کہ مالیاتی حسابات کے نوٹس میں بتایا گیا ہے کہ اکاؤنٹنگ پالیسیوں کا اطلاق مستقل طور پر مالیاتی حسابات کی تیاری پر استعمال کیا جاتا ہے اور اکاؤنٹنگ کا تخمینہ جو کہ صحیح اور مناسب فیصلہ پر منحصر ہے۔

☆ انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ جس کا اطلاق پاکستان میں ہے جس کے تحت مالیاتی حسابات کی تیاری کے سلسلے میں عمل کیا جاتا ہے۔

☆ داخلی کنٹرول کا سسٹم بے حد مضبوط ہے اور موثر طور پر اس پر عمل درآمد کیا جارہا ہے۔

☆ کمپنی کی مہارت پر کوئی شکوک وشبہات نہیں ہیں۔

کوئی بھی مواد کارپوریٹ گورننس کی اعلیٰ پریکٹس سے خالی نہیں ہے جس کی تفصیلات ریگولیشن کی فہرست میں دی گئی ہے۔

☆ گذشتہ چھ سالوں کی مالیاتی تفصیلات اور اس کے استعمال کی تفصیلات منسلک ہیں۔

☆ 30 جون 2018ء کو کمپنی کے حصص کنندگان کا اسٹیٹمنٹ منسلک ہے۔ یہ اسٹیٹمنٹ کمپنی کے ضابطہ اخلاق کے کوڈ کے مطابق تحریر کیا گیا ہے۔

☆ زیر نظر سال کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگز، آڈٹ کمیٹی کی چار میٹنگز اور ہیومن ریسورس وریمیونریشن کمیٹی کی چار میٹنگز کا انعقاد ہو چکا ہے۔ ان میٹنگز میں ڈائریکٹرز کی حاضری درج ذیل ہے:۔

| ڈائریکٹرز کا نام | میٹنگ میں حاضری کی تعداد | | |
|---|---|---|---|
| | بورڈ میٹنگ | آڈٹ کمیٹی | ہیومن ریسورس وریمیونریشن کمیٹی |
| جناب انوار احمد ٹاٹا | 4 | ناقابلِ اطلاق | ناقابلِ اطلاق |
| جناب شاہد انوار ٹاٹا | 4 | ناقابلِ اطلاق | ناقابلِ اطلاق |
| جناب عدیل شاہد ٹاٹا | 4 | ناقابلِ اطلاق | 4 |
| جناب بلال شاہد ٹاٹا | 3 | 4 | 4 |
| جناب محمد نسیم | 4 | 4 | 4 |
| جناب اعجاز احمد طارق | 4 | ناقابلِ اطلاق | ناقابلِ اطلاق |
| شیخ کوثر اعجاز | 4 | 4 | ناقابلِ اطلاق |
| | | | |

(غیر حاضر رہنے والے ڈائریکٹرز جو کہ کسی وجہ سے میٹنگ میں شرکت نہیں کر پائے ان کی غیر حاضری کو چھٹی تصور کیا گیا)۔

☆ درج ذیل لین دین کے علاوہ چیف ایگزیکٹیو، ڈائریکٹرز، چیف فنانشل آفیسر، کمپنی سیکریٹری، ان کی بیویاں اور نابالغ بچے سال کے دوران کمپنی کے شیئرز میں کوئی لین دین نہیں کی ہے۔

**کارپوریٹ سوشل ذمہ داری:**

سلفی ٹیکسٹائل ملز لمیٹڈ اس بات کا عہد کرتی ہے کہ وہ اپنی کارپوریٹ سوشل ذمہ داری کو مکمل طور پر پورا کرے گی۔ زیر جائزہ سال کے دوران بیت السکون اور انڈس ہسپتال کے ساتھ صحت کے شعبہ میں تعاون کرتے ہوئے مبلغ 1.2 ملین روپے ادا کئے تا کہ ملک میں غریب لوگوں کا بہتر علاج ہو سکے۔

تربیت دی جاتی ہے۔

ہماری کمپنی اپنے صارفین کو مطمئن کرنے کیلئے اعلیٰ معیاری پیداوار کو یقینی بناتی ہے۔

**اکاؤنٹنگ پالیسی میں تبدیلی:**

رواں سال پائیدار اثاثوں کی قدر و قیمت کے تعین کے بعد حاصل سرپلس کی اکاؤنٹنگ پالیسی کو تبدیل کر کے اکویٹی کے حصے کے طور دکھایا گیا ہے جس کی بناء پر مالیاتی گوشواروں کو دوبارہ ترتیب دیا گیا ہے۔ یہ تبدیلی اس بناء پر ہوئی ہے کہ کمپنیز آرڈیننس 1984 کی پائیدار اثاثوں کی قدر و قیمت کے تعین کے بعد حاصل سرپلس کو علیحدہ لائن آئٹم کے طور پر دکھانے والی ریگولیشن کو کمپنیز ایکٹ 2017 میں کیری فارورڈ نہیں کیا گیا ہے اور انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ (IAS-16) کے طریقے کے ساتھ ہم آہنگ کر دیا گیا ہے۔ نتیجتاً 30 جون 2017ء اور 2016ء کا شیئر کیپیٹل اور ریزرو (مجموعی طور پر ایکوئٹی) بالترتیب 2.289 بلین اور 1.493 بلین سے بڑھ گیا ہے۔ علاوہ ازیں پائیدار اثاثوں کی قدر و قیمت کے تعین کے بعد حاصل سرپلس بعد از ٹیکس کی مد میں 837 ملین کا منافع مالی سال 30 جون 2018ء کی دیگر جامع آمدنی میں انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ 16 کے تحت ریکارڈ کیا گیا ہے۔

**بنیادی خطرات اور غیر یقینی صورتحال:**

باوجود اس حقیقت کے کہ مالی صورتحال پچھلے چند سالوں میں بہترین رہی اور کمپنی نے کامیابی کے ساتھ تمام تر رکاوٹوں کو عبور کرتے ہوئے کامیابی کی جانب اپنا سفر جاری رکھا پھر بھی مسابقت اور زر مبادلہ کی شرح کمپنی کے مستقبل کے مالیاتی گوشواروں پر اثر انداز ہونے والے اہم عوامل ہونگے۔

**ڈویڈنڈ :**

بورڈ آف ڈائریکٹرز نے ستمبر 24، 2018 کو اپنی منعقدہ میٹنگ میں کیش ڈویڈنڈ مبلغ -/2 روپے فی شیئر (2017: Nil) مبلغ 6.685 ملین روپے (2017 : Nil) کی تجویز پیش کی ہے جو کہ کمپنی کی آنے والی سالانہ جنرل میٹنگ کے ممبران کی منظوری سے مشروط ہے۔

**آڈیٹرز کا تقرر :**

کمپنی کے موجودہ آڈیٹرز میسرز ڈیلوئیٹ یوسف عادل چارٹرڈ اکاؤنٹینٹس ہیں جو کہ سبکدوش ہو رہے ہیں اور اہل ہونے کی حیثیت سے خود کو دوبارہ تقرری کے لئے پیش کرتے ہیں۔ ڈائریکٹرز نے میسرز ڈیلوئیٹ یوسف عادل چارٹرڈ اکاؤنٹینٹس کو بطور آڈیٹرز مالیاتی سال 30 جون 2019 کیلئے انہی شرائط و ضوابط اور اجرت پر دوبارہ تقرر کرنے کیلئے سفارش پیش کی ہے۔

**بعد ازاں واقعات :**

مالیاتی سال کے آخر اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالیاتی حیثیت میں تبدیلی کیلئے کوئی اثرات مرتب نہیں ہوئے ہیں۔

**کارپوریٹ گورننس پر بہتر طور پر عملدرآمد کرنا:**

اسٹاک ایکسچینج کے قواعد کے تحت کوڈ آف کارپوریٹ گورننس کے تحت یہ ضروری ہے کہ کمپنی کی انتظامیہ بہترین کارکردگی کا مظاہرہ کرے۔ بورڈ کو کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک سے متعلق اپنی ذمہ داری کا احساس ہے اور یہ اقرار کرتا ہے کہ :

☆ مالیاتی حسابات جو کہ کمپنی کی انتظامیہ نے مرتب کئے ہیں اور اس میں تمام مندرجات بالکل صحیح پیش کئے گئے ہیں جس میں اس کے آپریشن، نقد

## کمپنی کی اہم سرگرمیاں:

سلفی ٹیکسٹائل ملز لمیٹڈ (ایس ٹی ایم ایل) جو کہ پاکستان میں بطور پبلک لمیٹڈ کمپنی قائم کی گئی ہے جس کا اندراج پاکستان اسٹاک ایکسچینج لمیٹڈ پر ہے۔ کمپنی کی اہم سرگرمی یارن کی پیداوار اور فروخت پر ہے۔

## کمپنی کے کاروباری کارکردگی اور ترقی:

| حجم | جون 2018 رقم پاکستانی روپے میں | جون 2017 رقم پاکستانی روپے میں | تناسب % |
|---|---|---|---|
| | | | |
| فروخت | 5,958,498,617 | 5,284,257,682 | 12.76% |
| فروخت کی قیمت | (5,285,316,364) | (4,892,328,698) | 8.03% |
| مجموعی منافع | 673,182,253 | 391,928,984 | 71.76% |
| قبل از ٹیکس منافع | 297,910,074 | 95,519,703 | 211.88% |
| بعد از ٹیکس منافع | 234,440,017 | 36,673,727 | 539.26% |

ان کاروباری حالات میں مالیاتی سال 18-2017 میں فروخت کا زیادہ سے زیادہ تناسب تقریباً مبلغ 6 بلین روپے رہا جو کہ گزشتہ سال کے مقابلے میں 12.76 فیصد زیادہ تھا۔ جبکہ کل منافع کی آمدن 673 ملین روپے رہی۔ مذکورہ سال کے لئے منافع قبل از ٹیکس 211 فیصد اضافہ رہا جو کہ خام مال کی شاندار فروخت اور ملکی و غیر ملکی تناسب کی وجہ سے ہوا۔ ڈائریکٹرز اور انتظامیہ نے اس کاروباری کارکردگی کا جائزہ لیا اور ان کی تمام تر توجہ پیداوار میں مستقل بہتری اور اخراجات میں کمی پر مرکوز رہی تاکہ کمپنی کی پیداواری صلاحیت بہتر ہو سکے۔

فروخت کی آمدنی میں اضافہ کی اہم وجہ قیمت فروخت میں اضافہ اور بہتر پیداوار رہی۔ انتظامیہ نے اپنی تمام تر توجہ مستقل طور پر داخلی کارکردگی، مصنوعات کے معیار اور کاروباری اخراجات میں کمی پر مرکوز کی ہوئی ہے اور کمپنی ان نئے اقدامات، منصوبوں کے توسط سے مستقبل میں ان حالات کا مقابلہ کرنے کیلئے تیار ہے جس میں اخراجات کو قابو کرنا، پیداوار میں اضافہ کرنا اور کارکردگی کا مسلسل جائزہ لینا ہے۔ کمپنی اپنے کاروباری مواقعوں میں مزید اضافہ کیلئے مصروف عمل ہے تاکہ اس سلسلے میں کامیابی حاصل ہو۔

کمپنی اپنی حکمت عملی کے تحت اپنے مقاصد میں کامیابی حاصل کرنے کیلئے مصنوعات کے معیار اور کاروباری عمل اور زیادہ سے زیادہ پیداواری صلاحیت کیلئے مستقل طور پر کوشاں ہے۔

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

ہماری پیداواری کارکردگی کی بناء پر حادثات کا تناسب صفر ہے جو کہ ہمارے ملازمین کی مرہون منت ہے جن کو کام کے ماحول کے مطابق باقاعدہ تربیت

## ممبران کیلئے ڈائریکٹرز کی رپورٹ

ڈائریکٹرز اختتامی سال 30 جون 2018ء کے لئے کمپنی کے آڈٹ شدہ مالیاتی حسابات بشمول رپورٹ پیش کرتے ہوئے مسرت محسوس کررہے ہیں۔

**بورڈ کی شراکت:**

بورڈ کی شراکت کوڈ آف کارپوریٹ گورننس کے قواعد 2017ء کے مطابق ہے جس کا اطلاق درج ذیل ہے :

ڈائریکٹرز کی مجموعی تعداد :

| | | |
|---|---|---|
| (ا) | مرد | 7 |
| (۲) | خاتون | 0 |

شراکت:

| | | |
|---|---|---|
| (ا) | غیر جانبدار ڈائریکٹرز | 1 |
| (۲) | ایگزیکیٹیو ڈائریکٹرز | 2 |
| (۳) | نان ایگزیکیٹیو ڈائریکٹرز | 4 |

30 جون 2018ء کو موجود ڈائریکٹرز کے نام درج ذیل ہیں:

| | | |
|---|---|---|
| ا۔ | جناب انوار احمد ٹاٹا | چیئرمین |
| ۲۔ | جناب شاہد انوار ٹاٹا | ڈائریکٹر |
| ۳۔ | جناب عدیل شاہد ٹاٹا | ڈائریکٹر/ چیف ایگزیکیٹو آفیسر |
| ۴۔ | جناب بلال شاہد ٹاٹا | ڈائریکٹر |
| ۵۔ | جناب محمد نسیم | ڈائریکٹر |
| ۶۔ | جناب اعجاز احمد طارق | ڈائریکٹر |
| ۷۔ | جناب شیخ کوثر اعجاز | ڈائریکٹر |

**بورڈ کی کمیٹیاں:**

بورڈ نے دو سب کمیٹیاں آڈٹ کمیٹی اور ہیومن ریسورسز اینڈ ریمیونریشن کمیٹی کے نام سے تشکیل دی ہیں۔ یہ دونوں کمیٹیاں درج ذیل پر مشتمل ہیں:

☆ آڈٹ کمیٹی:

| | |
|---|---|
| جناب محمد نسیم | چیئرمین (غیر جانبدار) |
| جناب شیخ کوثر اعجاز | ممبر |
| جناب بلال شاہد ٹاٹا | ممبر |

☆ ہیومن ریسورسز اینڈ ریمیونریشن کمیٹی

| | |
|---|---|
| جناب محمد نسیم | چیئرمین (غیر جانبدار) |
| جناب عدیل شاہد ٹاٹا | ممبر |
| جناب بلال شاہد ٹاٹا | ممبر |

# Form of Proxy

I/We ________________________________________of ____________________________________________, being a Member of SalfiTextile Mills Limited, holder of ______________________, Ordinary Share(s) as per Register Folio No. ____________________ hereby Appoint Mr.__________________________, having CNIC No. _________________ ______________________ as my/our proxy in my/our absence to attend and vote for me/us, and on my/our behalf at the Annual General Meeting of the company to be held on October 22, 2018 and at any adjournment thereof.

Signed this ___________ day of ____________ 2018.

Signature across Rs.5
Revenue Stamp

Witness 1 ___________________________________

Signature ___________________________________

Name _____________________________________

CNIC # _____________________________________

Witness 2 ___________________________________

Signature ___________________________________

Name _____________________________________

CNIC # _____________________________________

**NOTES:**

1. This instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation either under the common seal or under the hand of an official or attorney so authorized. No person shall be appointed as proxy who is not member of the company qualified to vote except that a corporation being a member may appoint a person who is not a member.

2. The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company not less than 48 (forty eight) hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument of a proxy shall not be treated as valid.

3. CDC Shareholders or their Proxies should bring their original CNICs or Passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detail procedure is given in Notes to the Notice of AGM.

# پراکسی فارم (مختار نامہ)

میں/ ہم۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔کا/ کی۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

بحیثیت رکن سلفی ٹیکسٹائیل ملز لمیٹڈ اور حامل۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔عام حصص بمطابق رجسٹرڈ فولیو نمبر۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

بذریعہ ہذا محترم/محترمہ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔کمپیوٹرائزڈ قومی شناختی کارڈ نمبر۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

مورخہ 22 اکتوبر 2018 ء

کو اپنے/ ہمارے ایماء پر:۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

منعقد ہونے والے کمپنی کے سالانہ اجلاسِ عام میں حقِ رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ ہمارا بطور مختار نامہ (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

آج بروز ............ بتاریخ ............ 2018 کو میرے/ ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

ممبر کے دستخط
ریونیو کی مہر 5 روپے

| گواھان | گواھان |
|---|---|
| 1۔ | 2۔ |
| دستخط:۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ | دستخط: ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ |
| نام:۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ | نام:۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔ |
| کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:۔۔۔۔۔۔۔۔۔۔۔۔ | کمپیوٹرائزڈ قومی شناختی کارڈ نمبر:۔۔۔۔۔۔۔۔۔۔۔۔ |

**نوٹ:**

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

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

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

**HEAD OFFICE :**
6th Floor, Textile Plaza,
M.A. Jinnah Road, Karachi-74000
Ph : 3241-2955-3 Lines, 3242-6761-2-4
Fax : (92-21) 3241-7710
E-Mail : ttm.corporate@tatapakistan.com

**MILLS :**
HX-1, Landhi Industrial Area,
Karachi-74000, Pakistan.

**www.tatapakistan.com**

Printed by: Hyder Printers Ph: 021-36618892