



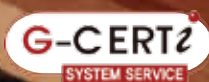
SAIF GROUP



**30TH ANNUAL
REPORT 2019**

Saif Textile Mills Limited

Certified ISO 9001:2008
Certified ISO 14001:2004



ENTITY RATING OF SAIF TEXTILE MILLS LIMITED

Long Term	A-
Short Term	A2

CREDIT RATING AGENCY



The Pakistan Credit Rating Agency Limited



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COMPANY INFORMATION

BOARD OF DIRECTORS

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

*Appointed as independent director w.e.f 22.07.2019 in place of Ms. Jehannaz Saifullah Khan

AUDIT COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

HR & REMUNERATION COMMITTEE

Muhammad Danish	Chairman
Hoor Yousafzai	Member
Assad Saifullah Khan	Member

CHIEF FINANCIAL OFFICER

Nouman Ahmad

COMPANY SECRETARY

Sajjad Hussain

HEAD OF INTERNAL AUDIT

Meesam Habib Butt

LEGAL ADVISOR

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

AUDITORS

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

BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Sindh Bank Limited
Soneri Bank Limited
The Bank of Punjab
The Bank of Khyber
United Bank Limited

HEAD OFFICE

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

REGISTERED OFFICE

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

SHARES REGISTRAR

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

MILLS

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

CYBER

www.saiftextile.com

Vision

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

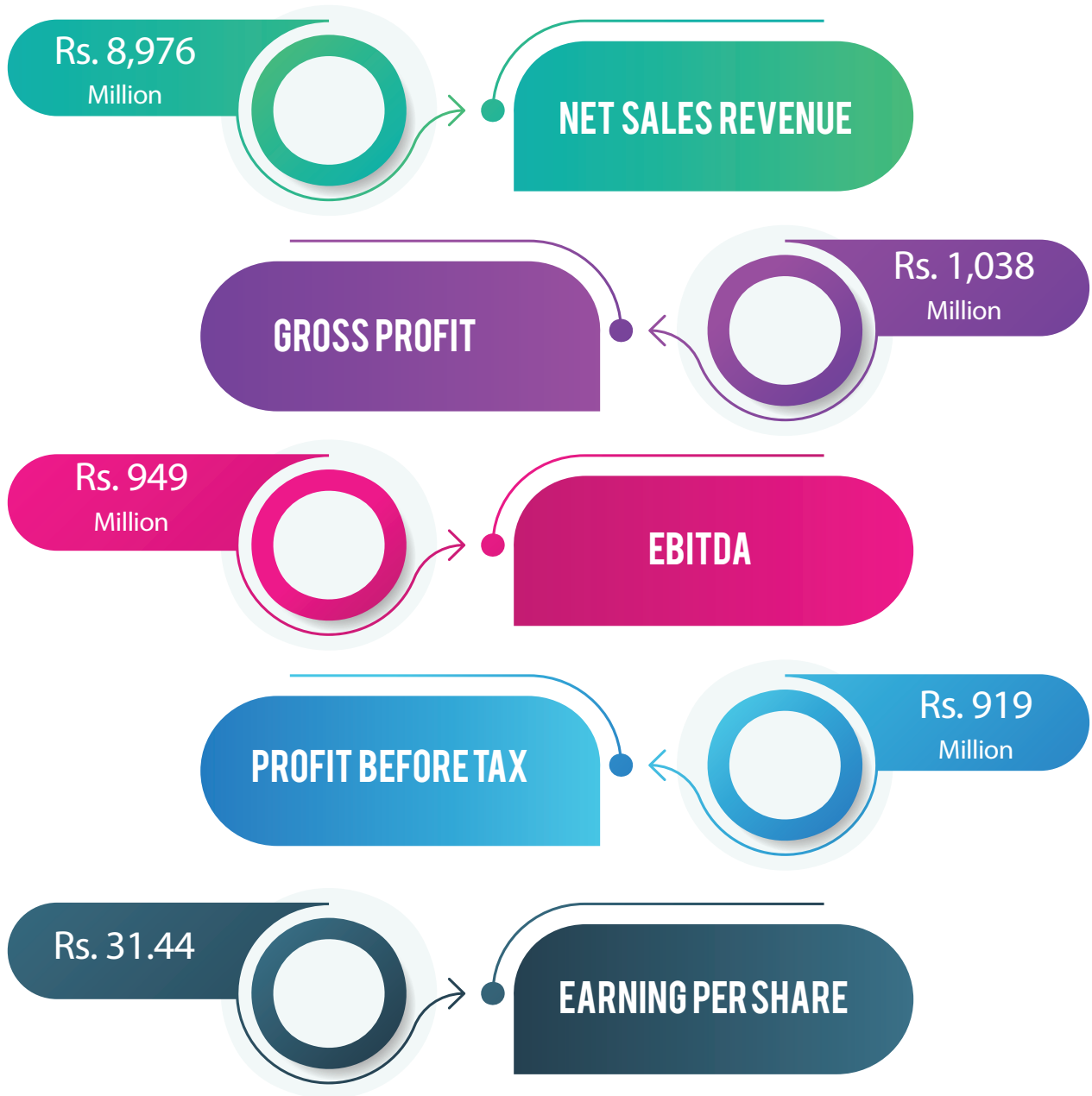


Mission

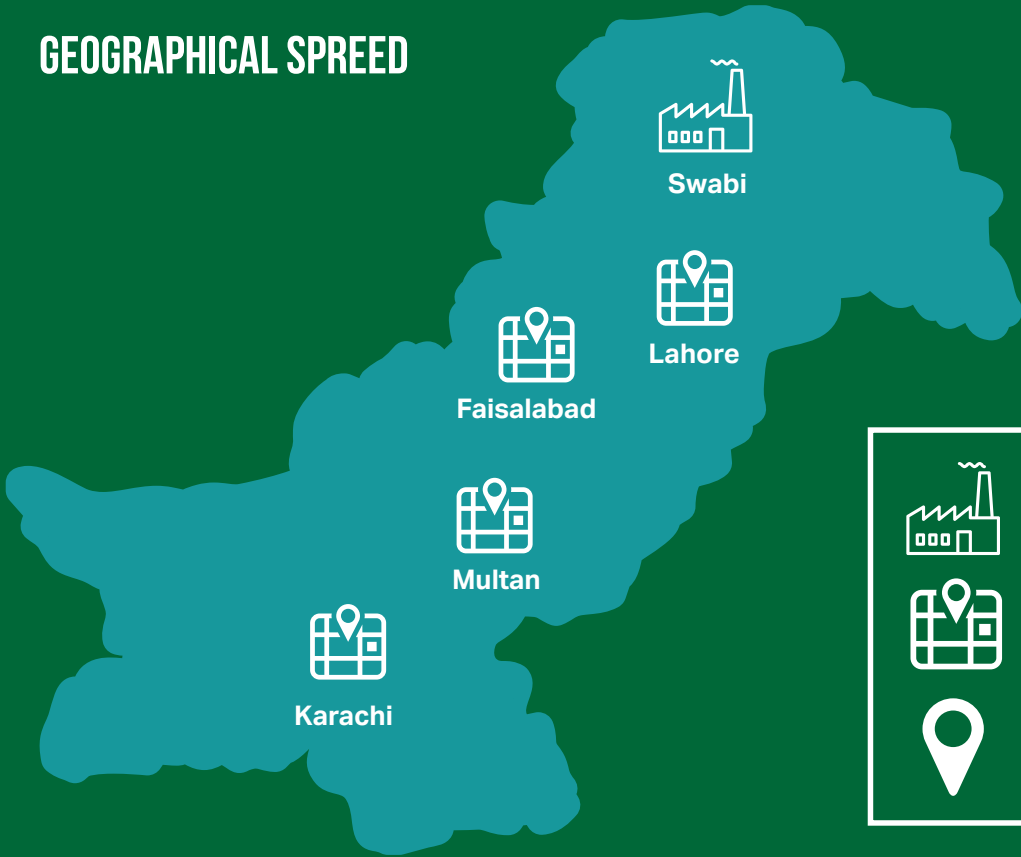
- Give our shareholders a competitive return on their investment through market leadership, sustainable business growth and sound financial management.
- Earn and sustain the trust of our stakeholders through efficient resource management.
- Provide the highest quality products and services consistent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



KEY PERFORMANCE INDICATORS



GEOGRAPHICAL SPREED



Manufacturing Plant
Major Local Market
International Market



Quality Statement

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

Our commitment to quality

Extensive process monitoring and

Training of personnel

Our Products

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

• **Accru Yarn**

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

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

• **Dyed Yarn**

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

• **Melange Yarn**

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

• **Surgical Cotton**

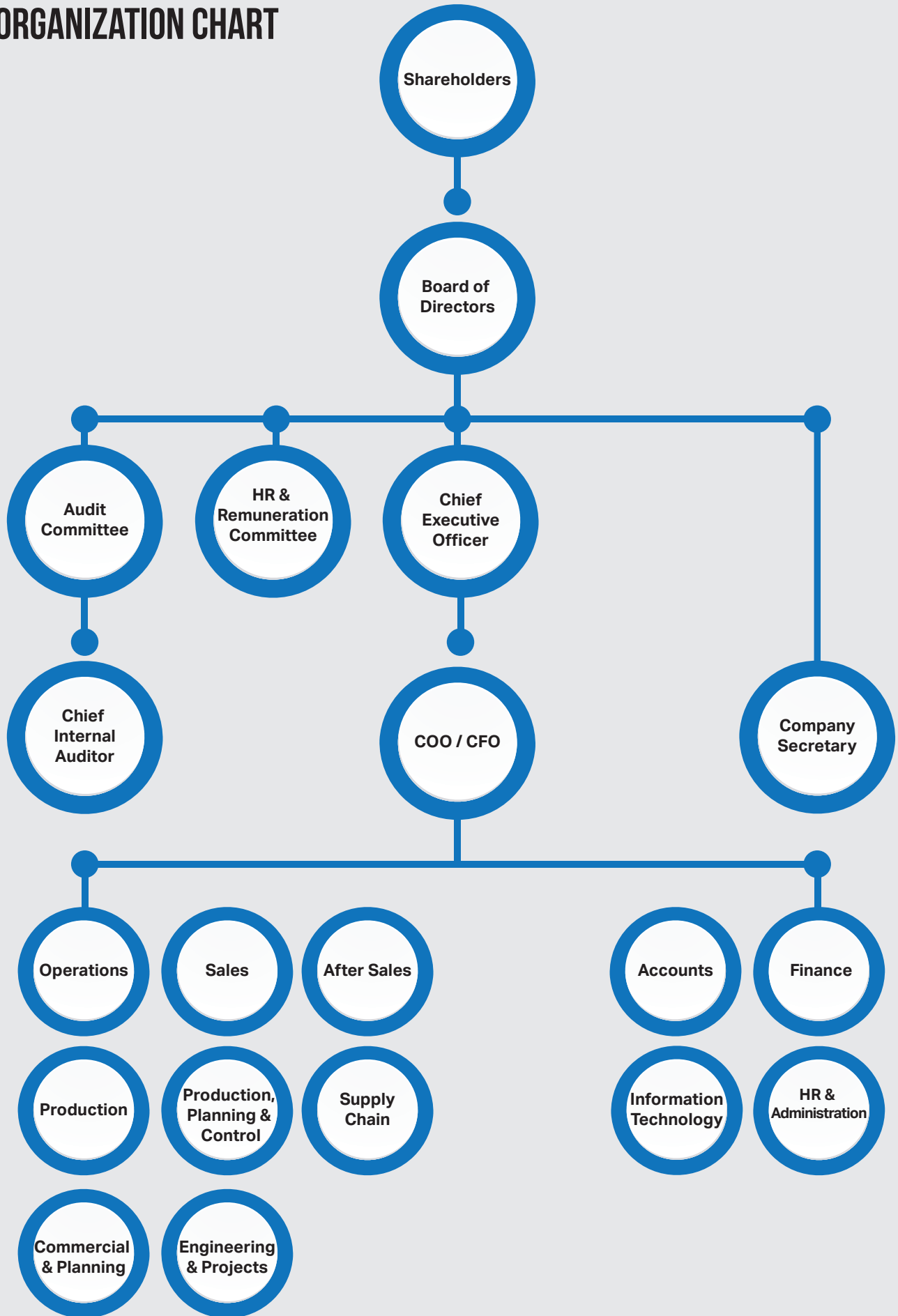
Surgical Cotton is being supplied to various local and international customers dealing with healthcare products.

Our Customers

Local (Karachi, Lahore, Multan and Faisalabad)

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

ORGANIZATION CHART



NOTICE OF 30TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the **30th Annual General Meeting** of **Saif Textile Mills Limited** will Insha'Allah be held on Saturday **October 26, 2019** at **11:00 am** at its registered office, **APTMA House Tehkal Payan, Jamrud Road, Peshawar**, to transact the following business:

• **ORDINARY BUSINESS:-**

1. To confirm minutes of the last Annual General Meeting of the Company held on October 26, 2018.
2. To receive, consider and adopt the annual audited financial statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2019.
3. To approve cash dividend @ 10% i.e. Re. 1/- per share for the year ended June 30, 2019 as recommended by the Board of Directors.
4. To appoint auditors for the next term and to fix their remuneration. The Board on the recommendation of the Audit Committee has proposed the appointment of M/s Shinewing Hameed Chaudhri Chartered Accountants as external auditors. The retiring auditors being eligible, have offered themselves for re-appointment.

• **SPECIAL BUSINESS:-**

5. To consider and approve the following resolution(s), with or without modification, as special resolution to amend the Articles of Association of the Company, as recommended by the Board of Directors, in order to increase the remuneration of a director for attending meetings of the board or the committee of the board.

"RESOLVED THAT subject to obtaining the requisite approvals, Article no. 96 of the Articles of Association of the Company be and is hereby substituted as follows;

96. The remuneration of a Director for attending meetings of the Board or the Committees of the Directors shall be such amount as may be determined and approved by the Board of Directors from time to time.

FURTHER RESOLVED THAT Company Secretary of the Company be and is hereby authorized to do or cause to do all such necessary actions, deeds and things as may be required, deemed necessary or incidental to give effect to the above resolution."

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

RESOLVED THAT the company be and is hereby authorized to share common expenses with M/s. Kohat Textile Mills Limited an associated Company or any other associated Company, which may include but not limited to office rents, administrative salaries, utilities expenses, repair and maintenance and other miscellaneous expenses etc. (collectively the "Administrative Expenses"), in respect of its joint offices.

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

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

NOTICE OF 30TH ANNUAL GENERAL MEETING

FURTHER RESOLVED THAT the Chief Executive of the Company be and is hereby authorized to approve the Related Party Transactions regarding sale and purchase of goods to / from associated companies as disclosed in notes to the financial statements.

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

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

BY ORDER OF THE BOARD



Peshawar,
October 4, 2019

Sajjad Hussain
Company Secretary

NOTES:

1. The Shares Transfer Books of the Company will remain closed from **October 20, 2019** to **October 26, 2019** (both days inclusive) transfers received in order at the office of the Company's Shares Registrar. **M/s Hameed Majeed Associates (Pvt) Limited, HM House, 7-Bank Square, Lahore** by the close of business on dated **October 19, 2019** will be treated in time.
2. A member entitled to attend and vote at the meeting, may appoint another person/ member as a proxy to attend, speak and vote on behalf of him/her. Proxy Forms duly stamped with Rs.50/- revenue stamp, signed and witnessed by two persons, in order to be valid must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual beneficial owners of CDC, entitled to attend and vote at the meeting must bring his/her CNIC or passport to prove his/her identity and the proxy shall produce his/ her original CNIC or passport. In case of corporate members, the Boards' resolution or power of attorney with specimen signatures of the nominee shall require to be produced at the time of meeting.
4. For the convenience of Members, a Standard request Form with appropriate details has

been uploaded on the Company's website www.saiftextile.com. Those Members who opt to receive the hard copies of the annual audited financial statements instead of sending the same through CD/DVD/USB at their registered addresses may apply to the Company Secretary at his postal address i.e. APTMA House, Tehkal Payan, Jamrud Road, Peshawar or email address c.a@saifgroup.com.

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

NOTICE OF 30TH ANNUAL GENERAL MEETING

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

Signature of member

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

8. DIVIDEND PAYMENTS THROUGH ELECTRONIC MODE :

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

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

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

Agenda no. 5:

In view of the prevailing regulatory environment, the overall role and responsibilities of the Board have been enhanced significantly. The directors provide considerable time to demonstrate an effective role in the overall success of the Company. The Company, therefore, ensures that the Board members specifically non-executive directors are fairly rewarded with regard to the responsibilities undertaken, and get comparable remuneration in the textile industry. The Company also intends to attract and retain high-caliber, experienced directors by offering appropriate attendance fee.

The Board of Directors recommended the amendment in the articles of association of the Company in order to increase the remuneration of a director for attending meetings of the Board or the Committee of the Board. This is a special business and hence placed before the members for their approval.

The directors of the Company have no interest in the above business except to the extent of payment of remuneration for attending the Board and its Committee Meetings.

Agenda no. 6:

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

CHAIRMAN'S REVIEW REPORT

I am pleased to present my review on the overall performance of the Board of Saif Textile Mills Ltd. (the Company) and its effectiveness in achieving Company objectives.

For the financial year ended June 30, 2019, an annual appraisal of the Board, its Committees and individual directors was carried out as per the directives of Listed Companies (Code of Corporate Governance) Regulations, 2017. The performance was evaluated on various parameters such as structure, composition, quality, diversity, experience, competencies, performance of specific duties and obligations, quality of decision-making and overall effectiveness of the Board.

I am pleased to note that the Board has performed its duties and responsibilities diligently and effectively to achieve business goals of the Company. The Board committees also provided great assistance through their timely reports to the Board, thus contributing towards crucial business decisions.

Individual Board members appear to be competent, hard-working and demonstrate a strong commitment towards overall performance of the Company. Their behaviour in the Board meetings was seen to be professional and constructive. Time was suitably apportioned to both strategic and operational level discussions and suggesting appropriate resolutions.

During the year, four board meetings were conducted. All the Board members received agendas and supporting material, including follow up materials, well in time before the Board and committee meetings. Attendance of members in meetings was always proper and regular. There was no code of conduct violation observed. Performance objectives were reviewed against actual results and were found reasonably satisfactory given

the overall volatility in our business.

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

Overall, I feel that the strategic direction of the Company for the long-term is clear and appropriate. Moreover, the processes adopted in developing and reviewing the corporate strategy and execution are commendable, which are truly reflected by the improving financial results of the Company. Major decisions were referred to the Board which were decided timely and prudently.

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

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



(Osman Saifullah Khan)

Chairman

Islamabad

October 02, 2019

DIRECTORS' REPORT TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of Board of Directors, it gives me immense pleasure to present the 30th Annual Audited Financial statements for the year ended June 30, 2019.

OVERVIEW

FY2019 has been a tough year for the economy. Sharp currency devaluation, caused by chronic trade imbalances, triggered high inflation which impacted local and import cost elements alike. However, your Management took some timely decisions to mitigate these risks and protect shareholder value.

During the year turnover of the company grew by 14% to close at Rs 8,975 million compared to Rs 7,852 million last year. The revenue growth was also reflected in gross profit margin expansion (FY2019: 12%; FY2018: 11%). The Company posted an EBITDA of Rs 950 million, compared to Rs 757 million last year. This growth was achieved due to better production planning and effective cost structure changes. The net profitability, however, was dampened by sharp rise in financing rates/costs.

During the year the Company repaid long term loan installment worth Rs 454 million and we are confident that we will continue to meet all our financial commitments through own cash flows in the future as well.

The Company is ISO certified in 9001:2015 (Quality Management system) and 45001:2008 (Occupational Health & Safety Management system). The entity rating of the Company has been maintained at A by Pakistan Credit Rating Agency Limited (PACRA) with outlook stable.

PROFIT APPROPRIATION

The Board in its meeting held on October 02, 2019 has recommended a final cash dividend @ 10% i.e., Rs. 1 per share for all shareholders

of the Company. (2018: final cash dividend @ 7.5% i.e., Re. 0.75 per share).

EARNINGS / (LOSS) PER SHARE

Earnings per share during the period under report worked out to Rs. 31.44 (2018: Rs 1.74 earnings per share)

FUTURE OUTLOOK

The national economy continues to suffer from sharp, if not sudden, PKR rebasing over the last few quarters. The input costs ranging from raw material to energy and labor to financing, all rose substantially. Owing to the contractionary fiscal and monetary policies of the Government, the local demand has taken a significant hit. Moreover, the impact of currency devaluation on exports has also been significantly toned down by drop in global commodity prices. These are suggestive of increased business risks for textile industry in the country

And while the restriction on yarn imports from India is expected to give a temporary breather, the only long term solution for the sector is to move towards value-added exports. The pace of such move will, of course, be largely dependent on Government policies and incentive structures.

We do appreciate the measures taken by the Government to ensure timely refund of sales tax, provide concessional financing through SBP- LTFE to the exporters and stabilization of current account imbalance. However, political stability and policy continuity remain critical for business sentiment in the current circumstances.

CORPORATE GOVERNANCE

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

of the Stock Exchanges.

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

- The financial statements prepared by the management of the company present fairly its true state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts have been maintained by the company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no trading of shares by CEO, Directors, CFO, Company Secretary, their spouses and minor children, during the year other than that disclosed in pattern of shareholding.
- There has been no material departure from the best practices of code of corporate governance, as detailed in the listing regulations.

• **The key operating and financial data of the Company for last six years is given below :-**

	2019	2018	2017	2016	2015	2014
	(Rupees in thousand)					
Operating Fixed Assets	5,400,232	4,991,596	4,485,732	4,604,928	3,521,737	3,372,503
Net Worth (Restated)	3,198,422	2,401,918	2,273,053	2,240,867	1,683,278	1,804,965
Turnover	8,975,842	7,852,240	7,586,301	6,697,773	7,945,789	7,925,862
Gross Profit	1,037,813	855,018	763,013	621,988	701,134	946,438
Gross Profit Margin (% age)	11.56	10.89	10.06	9.28	8.82	11.94
Net Profit/(Loss)-After Taxation	830,319	45,868	22,945	(49,132)	(54,588)	158,333
Net Profit/(Loss) Margin (% age)	31.44	0.58	0.30	(0.73)	(0.69)	2.00

- The board of Directors has adopted a Mission Statement and a Statement of Overall Corporate Strategy.
- Regarding outstanding taxes and levies, please refer note 18 to the annexed audited statements.
- **Composition of Board**

The board of Directors as at June 30, 2019 consist of:

	Elected Directors	Numbers
a)	Male	05
b)	Female	02

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

• Attendance of Board Meetings

- During the year under report four meetings of the Board of Directors were held. The attendance by each Director was as follows:

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

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

PERFORMANCE EVALUATION OF DIRECTORS ON THE BOARD

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

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

CEO PERFORMANCE EVALUATION

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes the performance of the business, the

accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

DIRECTORS' REMUNERATION

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Director takes part in deciding his own remuneration. The Company does not pay remuneration to non-executive directors except fee for attending the meetings. For information on remuneration of Directors and CEO in 2018-19, please refer notes to the Financial Statements.

EXTERNAL AUDITORS

The present auditors, M/s Shinewing Hameed Chaudhri & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment. As suggested by the Audit Committee, the Board recommends their appointment as auditors of the Company to hold office from the conclusion of this Annual General Meeting to be held on October 26, 2019 until conclusion of next Annual General Meeting.

MATERIAL CHANGES

There have been no material changes since June 30, 2019 to date of the report and the Company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the Company.

PATTERN OF SHAREHOLDING

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

HUMAN RESOURCE MANAGEMENT

Human resource planning and management is one of the most important considerations with the senior management. The Company has established a HR&R Committee which is involved in the selection, evaluation, compensation

DIRECTORS' REPORT TO THE SHAREHOLDERS

and succession planning of key management personnel. It is also involved in recommending improvements in the human resource policies and procedures and their periodic review.

RISK MANAGEMENT & INTERNAL CONTROL

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

HEALTH, SAFETY & ENVIRONMENT

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

For and on Behalf of the Board



Zaheen Ud Din Qureshi
Chief Executive Officer

Place: Islamabad

Dated: 02 October, 2019

CORPORATE SOCIAL RESPONSIBILITY

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

ACKNOWLEDGEMENT

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

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

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



Assad Saifullah Khan
Director

ہیومن ریسورسز مینجمنٹ

سینئر نظام کے سب سے اہم پہلوؤں میں سے ایک نظام ہیومن ریسورسز مینجمنٹ ہے۔ کمپنی ہڈانے اس سلسلہ میں HR&R کمیٹی قائم کی ہے جو اہم انتظامی اشخاص / اسٹاف کا انتخاب کرنے، تجزیہ کرنے، معاوضہ ادا کرنے اور انکی جانشینی کی منصوبہ بندی کرتا ہے۔ یہ انسانی وسائل کی پالیسیوں اور طریقہ کار کا واضح کرنے اور انکا جائزہ لینے میں بھی اپنی سفارشیوں واقفانہ وقتا پیش کرتا ہے۔

نظم و نسق برائے خطرہ اور داخلی کنٹرول (رسک مینجمنٹ اینڈ انٹرنل کنٹرول)

کمپنی ہڈانے رسک مینجمنٹ پالیسی ماحول کو کنٹرول کرنے کے لئے مسلسل مصروف پیکر ہے تاکہ کسی بھی اندرونی اور بیرونی خطرات درپیش یا غیر متوقع ہونے کی صورت میں ہر قسم کے خطرات کو روکا جاسکے اور انکے خلاف حفاظتی اقدامات کی جاسکیں۔ بورڈ ہڈانے ایک خود مختار (آزاد) انٹرنل آڈٹ نظام کے ذریعے سے انٹرنل کنٹرول فریم ورک پر موثر طریقے سے عمل درآمد اور نگرانی کر رہا ہے جو کہ مکمل طور پر بیرونی آڈٹ نظام سے آزاد ہے۔

صحت، حفاظت اور ماحول

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

انضمامی سماجی ذمہ داری

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

اظہار تشکر

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

بورڈ ہڈانے کی جانب سے

Asad S. Khan

اسد سیف اللہ خان
ڈائریکٹر

سید

ذہین الدین قریشی
چیف ایگزیکٹو آفیسر

بمقام: اسلام آباد

تاریخ: 02 اکتوبر 2019

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ

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

- * دیرپا کاروباری امور کے لئے حکمت عملی واضح کرنا۔
- * بورڈ کی خود مختاری۔ اور
- * متعلقہ حوالہ جات کی شرائط کے مطابق بورڈ کمیٹی کی کارکردگی کو انکی ذمہ داریوں سے عہدہ براہ ہونے کے لحاظ سے تشخیص کرنا۔

سی ای او کی کارکردگی کا جائزہ

سی ای او کی کارکردگی کا باقاعدہ جائزہ/ جانچ پڑتال کے نظام کے تحت کیا جاتا ہے جس کی معیاری اور انفرادی اقدار پر مبنی ہے۔ اس میں بشمول کاروباری کارکردگی، منافع کے متعلق مقاصد کی تکمیل، تنظیم سازی، جانشینی کی منصوبہ بندی اور منظم کامیابی شامل ہے۔

ڈائریکٹر کا معاوضہ

بورڈ ممبران کا معاوضہ بورڈ ہذا خود منظور کرتا ہے، تاہم اس امر کو یقینی بنایا جاتا ہے کہ کوئی بھی ڈائریکٹر اپنے معاوضے کے فیصلے میں حصہ نہیں لیتا۔ کمپنی اجلاس میں شرکت کی فیس کے علاوہ کسی بھی غیر ایگزیکٹو ڈائریکٹر کو تنخواہ کی ادائیگی نہیں کرتا۔ سال 2018-19 میں ڈائریکٹرز اور سی ای او کی تنخواہ کے سلسلے میں برائے مہربانی مالیاتی گوشوارے کے نوٹس ملاحظہ فرمائیں۔

خارجی اڈیٹرز

موجودہ آڈیٹرز، ایم/ایس شائن ونگ جمید چوہدری اینڈ کو چارٹرڈ اکاؤنٹنٹس، ریٹائرڈ ہو گئے ہیں اور اس امر کے اہل ہوں گے کہ خود کو دوبارہ تعیناتی کیلئے پیش کر سکیں جیسا کہ آڈٹ کمیٹی نے رائے دی ہے کہ کمپنی ہذا نے انہیں اس سال جنرل میٹنگ اختتام سے جو مورخہ 02 اکتوبر 2019 منعقد ہونا ہے، اگلی سالانہ جنرل میٹنگ کے اختتام تک باحیثیت آڈیٹرز آفس سنبھالنے کی سفارش کی ہے۔

مادی تبدیلیاں

30 جون 2019 سے مذکورہ رپورٹ کی تاریخ تک یہاں کسی قسم کی کوئی مادی تبدیلی نہیں ہوئی اور اس مدت کے دوران کمپنی ہذا نے قسم کا کوئی معاہدہ نہیں کیا جس سے کمپنی ہذا کی مالیاتی حیثیت پر برے اثرات مرتب ہوئے ہوں۔

حصص رکھنے کا نمونہ (پیٹرن آف شیئر ہولڈنگ)

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

- * بورڈ آف ڈائریکٹرز نے ایک مشن سٹیٹمنٹ (مقصدی بیان/ادعوی) اور مجموعی انتظامی حکمت عملی کا ایک سٹیٹمنٹ اختیار کیا ہوا ہے۔
- * ٹیکس اور محصول کے بقایا جات کے بارے میں معلومات کے لیے برائے مہربانی منسلک آڈٹ شدہ گوشوارے کے نوٹ 18 ملاحظہ فرمائیں۔

بورڈ ہذا کی جدول

مورخہ 30 جون 2019 تک بورڈ آف ڈائریکٹرز درج ذیل پر مشتمل ہیں:-

تعداد	تفصیل	نمبر شمار
01	خود مختار ڈائریکٹر	(ا)
06	دیگر غیر ایگزیکٹو ڈائریکٹرز	(ب)

تعداد	منتخب ڈائریکٹرز	نمبر شمار
05	مرد	(ا)
02	عورت	(ب)

بورڈ اجلاس میں حاضری

حالیہ سال کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ ڈائریکٹرز کی حاضری کی تفصیل درج ذیل ہے:-

ڈائریکٹرز کے نام	حاضری
عثمان سیف اللہ خان	02
حور یوسف زئی	03
اسد سیف اللہ خان	04
جہاں ناز سیف اللہ خان	02
فیصل سیف اللہ خان	01
محمد دانش	01
رانا محمد شفیع	02
ذہن الدین قریشی	04

وہ ڈائریکٹر حضرات جو بورڈ اجلاس میں حاضر نہیں ہو سکتے تھے انکو غیر حاضری کی اجازت دی گئی۔

ڈائریکٹرز رپورٹ برائے شیئر ہولڈر

برآں، برآمدات پر کرنسی کے گرنے کے اثرات سے عالمی اجناس کی قیمتوں میں نمایاں طور پر کم کر دی گئیں۔ یہ ملک میں ٹیکسٹائل کی صنعت کے لئے بڑھتی ہوئی کاروباری خطرات کی عکاسی کرتی ہیں۔

اور جبکہ انڈیا سے دھاگہ (سوت) درآمد کرنے کی پابندی سے ایک وقتی کاروبار (سائس لینے) کرنے کی توقع کی جا رہی ہے، مگر اس صنعت کا طویل مدتی حل ویلو ایڈو برآمدات کی طرف بڑھنا (منتقل کرنا) ہے۔ اس طرح کی منتقلی کی رفتار یقیناً حکومت کی پالیسیوں اور حوصلہ افزائی کے ڈھانچے پر زیادہ انحصار کرے گا۔ ہم حکومت کی طرف سے اٹھائے گئے اقدامات کی تعریف کرتے ہیں کہ جس نے سیلز ٹیکس کی بروقت واپسی کو یقینی بنانے کے لئے، سٹیٹ بینک آف پاکستان۔ ایل ایف ایف ٹی کے ذریعے برآمدگان کو رعائتی مالی اعانت فراہم کرنے اور کرنٹ اکاؤنٹ میں عدم توازن کو برقرار رکھنے جیسے اقدامات کیے۔ تاہم سیاسی استحکام اور پالیسی کا تسلسل، کاروباری ماحول موجودہ حالات میں ناگزیر ہے۔

انظمامی نظم و ضبط

آپ کی کمپنی کے لیے یہ پیش کرنا بھی خوشی کا امر ہے کہ کمپنی ہذا سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے شرائط کے مطابق انظمامی نظم و ضبط کے قوانین کی شرائط کے ساتھ عمل پیرا ہونے کے لیے ضروری اقدامات کیے ہیں۔ انظمامی نظم و ضبط اور مالیاتی رپورٹنگ فریم ورک کی تفصیل درج ذیل دی گئی ہے:-

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

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

* مالیاتی گوشوارے تیار کرنے کے لیے مناسب اکاؤنٹنگ پالیسیوں کا مستقل طور پر اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے موزوں اور محتاط فیصلوں پر مبنی ہیں۔

* انٹرنیشنل مالیاتی احوال کا بیان کا معیار جیسا کہ پاکستان میں لاگو ہے، مالیاتی گوشوارے تیار کرنے کے سلسلہ میں اس کی پیروی کی جاتی ہے۔

* داخلی کنٹرول کا نظام ڈیزائن کے لحاظ سے بہت مضبوط ہے اور اسے موثر طریقے سے نافذ اور نگرانی کی جائے گی۔

* موجودہ جاری صورتحال میں کمپنی ہذا کی صلاحیت کے بارے میں کسی قسم کا کوئی شک و شبہ نہیں ہے۔

* شیئر ہولڈنگ کے نمونہ میں واضح کی گئی شیئر کے علاوہ سی ای او، ڈائریکٹرز، سی ایف او، کمپنی سیکرٹری، انکی بیویاں اور نابالغ بچوں کی حالیہ سال کے دوران کسی قسم کا کوئی بھی ٹریڈنگ شیئر نہیں ہے۔

* انظمامی نظم و ضبط کے بہترین عوامل میں کوئی بھی مادی امر کو چھوڑا نہیں جاتا جس کی تفصیل قواعد و ضوابط کی فہرست میں دی گئی ہے۔

کمپنی ہذا کی گزشتہ چھ سالوں کے اہم کاروباری امور اور مالیاتی اعداد و شمار درج ذیل ہیں:-

۲۰۱۴	۲۰۱۵	۲۰۱۶	۲۰۱۷	۲۰۱۸	۲۰۱۹	اختتامی سال
(رقم ہزاروں میں)						
3,372,503	3,521,737	4,604,928	4,485,732	4,991,596	5,400,232	آپریٹنگ مقررہ اثاثہ جات
1,804,965	1,683,278	2,240,867	2,273,053	2,401,918	3,1984,22	کل مالیت
7,925,862	7,945,789	6,697,773	7,586,301	7,852,240	8,975,842	کل کاروباری حجم
946,438	701,134	621,988	763,013	855,018	1,037,813	کل منافع
11.94	8.82	9.28	10.06	10.89	11.56	کل منافع شرح (%)
158,333	(54,588)	(49,132)	22,945	45,868	830,319	مجموعی منافع / نقصان (بعد از ٹیکس)
2.00	(0.69)	(0.73)	0.30	0.58	31.44	مجموعی منافع / نقصان کی شرح (%)

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

محترم شیئر ہولڈرز

یہ میرے لیے خوشی کا امر ہے کہ بورڈ آف ڈائریکٹرز کی جانب سے اختتامی سال 30 جون 2019 کے تیسویں سالانہ آڈٹ شدہ مالیاتی گوشوارے پیش کر رہا ہوں۔

سرسری جائزہ

مالیاتی سال 2019 معیشت کے لیے ایک مشکل سال رہا ہے۔ تجارت میں عدم توازن کی وجہ سے کرنسی کی قدر میں کمی نے افراط زر کی جنم دیا جس نے مقامی اور درآمدی لاگت کے عناصر پر ایک جیسا اثر ڈالا۔ تاہم آپ کی انتظامیہ نے ان خطرات سے نمٹنے اور شیئر ہولڈرز کی قیمت کو بچانے کے لیے کچھ بروقت فیصلے کیے۔

حالیہ سال کے دوران کمپنی کا محصول 14% بڑھا جو 8,975 ملین روپے پر بند ہوا جو پچھلے سال 7,852 ملین تھا۔ مجموعی منافع کے مارجن میں توسیع ہوئی جو کاروبار کی بڑھنے کی عکاسی کرتی ہے۔ (مالیاتی سال 2019: 12%، مالیاتی سال 2018: 11%)۔ کمپنی ہذا نے EBITDA میں گزشتہ سال 757 ملین روپے کی نسبت اس سال 950 ملین روپے کمایا۔

یہ منافع بہتر پیداوار کی منصوبہ بندی اور موثر اصلاحات کی بروقت تبدیلیوں کی وجہ سے حاصل ہوئی۔ تاہم زیادہ فنانسنگ ریٹ کی وجہ سے ادھار لاگت میں اضافے کی وجہ سے کمپنی کا خالص منافع کم ہوا۔

سال کے دوران کمپنی ہذا نے 454 ملین روپے مالیت کی طویل مدتی قسط ادا کی اور ہمیں یقین ہے کہ ہم مستقبل میں بھی اپنے مالی وسائل کو اپنے کیش فلو (رقم کی ترسیل) سے پورا کرتے رہیں گے۔

کمپنی ہذا ISO 9001:2015 (نظام برائے کوالٹی مینجمنٹ) اور 45000:2008 (پیشہ ورانہ صحت و حفاظتی نظام) میں آئی ایس او کے ذریعے تصدیق شدہ ہے۔ پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پی اے سی آر اے) نے حالیہ سال کے دوران کمپنی ہذا کو ابتدائی حیثیت میں اے کارکردگی کو مستحکم رکھا۔

منافع کی منظوری

مورخہ 02 اکتوبر 2019 کو بورڈ کے اجلاس میں حتمی کیش ڈیویڈنڈ بحساب 10% یعنی 1 روپے فی حصص کمپنی کے تمام شیئر ہولڈرز کے لیے سفارش کی گئی۔ (2018) حتمی کیش ڈیویڈنڈ بحساب 7.5% یعنی 0.75 روپے فی حصص)۔

آمدنی (نقصان) فی حصص

زیر جائزہ رپورٹ کے دوران فی حصص آمدنی مبلغ 31.44 روپے ریکارڈ کی گئی (2018: فی حصص آمدنی مبلغ 1.74 روپے)

مستقبل کا نقطہ نظر

قومی معیشت تیزی کا شکار ہے، اگر اچانک نہیں تو، پچھلے کافی سہ ماہ سے پاکستانی روپیہ گر رہا ہے۔ خام مال سے لیکر توانائی تک اور مزدوری سے فنانسنگ تک، ہر چیز کے اخراجات میں اضافہ ہوا ہے۔ حکومت کے سخت مالی اور مالیاتی پالیسیوں کی وجہ سے، مقامی طلب (ڈیمانڈ) نے نمایاں کامیابی حاصل کی ہے۔ مزید

CORPORATE SOCIAL RESPONSIBILITY

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

Environment Protection

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

Energy Conservation

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

Iftar Arrangements

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

Masjid

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

Equal Opportunity Employer

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

Occupational Safety and Health

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

Educational Assistance for Children of Employees

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

Medical Benefits

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

HORIZONTAL ANALYSIS

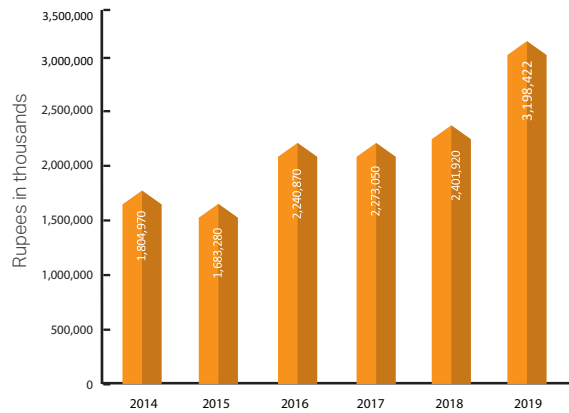
	2019	Variance vs Last year increase/ (decrease)%	2018	Variance vs Last year increase/ (decrease)%	2017	Variance vs Last year increase/ (decrease)%	2016	Variance vs Last year increase/ (decrease)%	2015
(Rupees in million)									
Operating Results									
Sales-net	8,976	14.31	7,852	3.51	7,586	13.26	6,698	(15.71)	7,946
Cost of sales	7,938	13.45	6,997	2.55	6,823	12.29	6,076	(16.14)	7,245
Gross Profit	1,038	21.38	855	12.06	763	22.67	622	(11.27)	701
Distribution cost	143	(1.38)	145	(10.49)	162	17.39	138	(17.86)	168
Administrative expenses	213	8.12	197	(5.29)	208	-	208	4.52	199
Other operating expenses	16	45.45	11	-	11	77.42	6	(31.11)	9
Finance Cost	595	54.66	385	22.22	315	(2.78)	324	(12.20)	369
Exchange fluctuation loss	72	(7.14)	77	5,823	1	(56.67)	3	(76.92)	13
Other operating income	921	9,197	10	(75.64)	41	238.67	12	500.00	2
Profit / (Loss) before taxation	919	1,742	50	(53.08)	106	(335.27)	(45)	(17.82)	(55)
Provision for taxation	89	1,922	4	(94.73)	84	2,285	4	2,034	0
Profit / (Loss) for the year	830	1,724.	46	99.21	23	(146.90)	(49)	(11.72)	(55)
Balance Sheet									
NON CURRENT ASSETS									
Property, plant and equipment	5,400	8.17	4,992	11.28	4,486	(2.58)	4,605	30.75	3,522
Intangible assets	7	(28.27)	9	(21.00)	12	2,024	1	67.66	0
Long term investments	3	-	-	-	-	-	-	-	-
Long term loans	22	83.33	12	(14.29)	14	(6.67)	15	(21.05)	19
Long term deposits	10	8.65	10	2.13	9	4.44	9	(10.00)	10
Deferred taxation - net	-	-	-	-	-	-	-	(100.00)	165
Total non current assets	5,442	8.33	5,023	11.10	4,521	(2.34)	4,630	24.57	3,716
CURRENT ASSETS									
Stores, spare parts and loose tools	361	29.86	278	(14.20)	324	69.63	191	17.90	162
Stock-in-trade	2,340	27.45	1,836	(9.51)	2,029	14.89	1,766	11.70	1,581
Trade debts	1,211	(4.57)	1,269	24.66	1,018	34.12	759	(12.76)	870
Loans and advances	90	(5.47)	95	28.38	74	(44.36)	133	40.00	95
Trade deposits and short term prepayments	2	67.60	1	(36.07)	1	40.00	1	(87.50)	8
Other receivables	60	(24.63)	80	(21.57)	102	325.00	24	(22.58)	31
Investments	4	(28.00)	5	(20.63)	6	5.00	6	-	6
Deposit for shares	-	-	-	-	-	-	-	-	-
Taxation - net	331	2.16	324	(0.31)	325	1.25	321	27.89	251
Tax refunds due from Government	133	77.33	75	(64.45)	211	31.06	161	87.21	86
Cash and bank balances	30	57.89	19	(29.63)	27	(27.03)	37	2.78	36
Total current assets	4,561	14.55	3,982	(3.30)	4,118	21.14	3,399	8.73	3,126
Total assets	10,003	11.08	9,005	4.24	8,639	7.60	8,029	17.34	6,842
CURRENT LIABILITIES									
Trade and other payables	760	15.32	659	13.43	581	(13.93)	675	(7.84)	732
Unpaid dividend	0.4	-	-	-	-	-	-	-	-
Unclaimed dividend	8	(3.96)	8	5.44	8	(1.25)	8	-	8
Accrued mark-up and interest	142	(39.78)	236	19.70	197	19.39	165	26.92	130
Short term borrowings	3,780	14.57	3,299	(3.81)	3,430	23.92	2,768	18.29	2,340
Current portion of non-current liabilities	425	32.27	321	(33.62)	484	21.61	398	16.97	340
Total current liabilities	5,115	13.08	4,524	(3.75)	4,700	17.09	4,014	13.05	3,551
WORKING CAPITAL	(554)	2.29	(542)	(6.94)	(582)	(5.33)	(615)	44.79	(425)
TOTAL CAPITAL EMPLOYED	4,888	9.07	4,481	13.76	3,939	(1.88)	4,015	21.96	3,292
NON CURRENT LIABILITIES									
Sub-ordinated loan	-	(100.00)	608	15.89	525	0.38	523	2.75	509
Long term financing	1,419	16.24	1,221	41.29	864	(11.66)	978	4.49	936
Liabilities against assets subject to finance lease	40	76.19	23	34.62	17	41.67	12	-	-
Long term deposits	8	12.46	7	36.94	5	(9.09)	6	205.56	2
Staff retirement benefits - gratuity	135	15.26	118	(12.95)	135	(11.18)	152	(5.00)	160
Deferred taxation - net	86	(16.38)	103	(14.22)	120	16.50	103	-	-
Total Non current liabilities	1,689	(18.79)	2,079	24.81	1,666	(6.06)	1,774	10.37	1,607
Net worth	3,199	33.19	2,402	5.66	2,273	1.43	2,241	33.02	1,685
Net worth represented by:									
Issued, subscribed and paid-up capital	264	-	264	-	264	-	264	-	265
Reserves	2,194	60.99	1,363	3.66	1,315	4.66	1,256	(2.97)	1,295
Surplus on revaluation of PPE	740	(4.49)	775	11.61	694	(3.65)	720	475.55	125
	3,199	33.18	2,402	5.66	2,273	1.42	2,241	33.04	1,685
Total liabilities	10,003	11.08	9,005	4.24	8,639	7.60	8,029	17.34	6,842

VERTICAL ANALYSIS

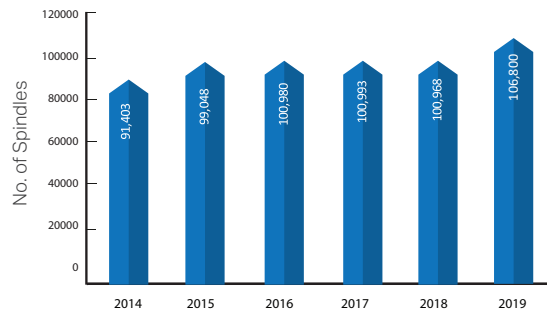
	2019	%	2018	%	2017	%	2016	%	2015	%
Operating Results										
Sales-net	8,976	100.00	7,852	100.00	7,586	100.00	6,698	100.00	7,946	100.00
Cost of sales	7,938	88.44	6,997	89.11	6,823	89.94	6,076	90.71	7,245	91.18
Gross Profit	1,038	11.56	855	10.89	763	10.06	622	9.29	701	8.82
Distribution cost	143	1.59	145	1.85	162	2.14	138	2.06	168	2.11
Administrative expenses	213	2.37	197	2.51	208	2.74	208	3.11	199	2.50
Other operating expenses	16	0.18	11	0.14	11	0.15	6	0.09	9	0.11
Finance Cost	595	6.63	385	4.90	315	4.15	324	4.84	369	4.64
Exchange fluctuation loss	72	0.80	77	0.98	1	0.02	3	0.04	13	0.16
Other operating income	921	10.26	10	0.13	41	0.54	12	0.18	2	0.03
Profit / (Loss) before taxation	919	10.24	50	0.64	106	1.40	(45)	(0.67)	(55)	(0.69)
Provision for taxation	89	0.99	4	0.06	84	1.10	4	0.05	0	0.00
Profit / (Loss) for the year	830	9.25	46	0.58	23	0.30	(49)	(0.73)	(55)	(0.69)
Balance Sheet										
NON CURRENT ASSETS										
Property, plant and equipment	5,400	53.98	4,992	55.44	4,486	51.93	4,605	57.36	3,522	51.47
Intangible assets	7	0.07	9	0.11	12	0.14	1	0.01	0	0.00
Long term investments	3	0.02	-	-	-	-	-	-	-	-
Long term loans	22	0.22	12	0.13	14	0.16	15	0.19	19	0.28
Long term deposits	10	0.10	10	0.11	9	0.11	9	0.11	10	0.15
Deferred taxation - net	-	-	-	-	-	-	-	-	165	2.41
Total non current assets	5,442	54.40	5,023	55.78	4,521	52.34	4,630	57.66	3,716	54.31
CURRENT ASSETS										
Stores, spare parts and loose tools	361	3.61	278	3.09	324	3.75	191	2.38	162	2.37
Stock-in-trade	2,340	23.39	1,836	20.39	2,029	23.49	1,766	22.00	1,581	23.11
Trade debts	1,211	12.11	1,269	14.09	1,018	11.78	759	9.45	870	12.71
Loans and advances	90	0.90	95	1.05	74	0.86	133	1.66	95	1.39
Trade deposits and short term prepayments	2	0.01	1	0.01	1	0.02	1	0.01	8	0.12
Other receivables	60	0.60	80	0.89	102	1.18	24	0.30	31	0.45
Investments	4	0.04	5	0.06	6	0.07	6	0.07	6	0.09
Deposit for shares	-	-	-	-	-	-	-	-	-	-
Taxation - net	331	3.31	324	3.60	325	3.76	321	4.00	251	3.67
Tax refunds due from Government	133	1.33	75	0.83	211	2.44	161	2.01	86	1.26
Cash and bank balances	30	0.30	19	0.21	27	0.31	37	0.46	36	0.53
Total current assets	4,561	45.60	3,982	44.22	4,118	47.66	3,399	42.34	3,126	45.69
Total assets	10,003	100.00	9,005	100.00	8,639	100.00	8,029	100.00	6,842	100.00
CURRENT LIABILITIES										
Trade and other payables	760	7.60	659	7.32	581	6.73	675	8.41	734	10.73
Unpaid dividend	0.4	0.00	-	-	-	-	-	-	-	-
Unclaimed dividend	8	0.08	8	0.09	8	0.09	8	0.10	8	0.12
Accrued mark-up and interest	142	1.42	236	2.62	197	2.28	165	2.06	130	1.90
Short term borrowings	3,780	37.79	3,299	36.64	3,430	39.70	2,768	34.48	2,340	34.20
Current portion of non-current liabilities	425	4.25	321	3.57	484	5.60	398	4.96	340	4.97
Total current liabilities	5,115	51.14	4,524	50.24	4,700	54.40	4,014	50.00	3,552	51.91
WORKING CAPITAL	(554)	(5.54)	(542)	(6.02)	(582)	(6.74)	(615)	(7.66)	(426)	(6.23)
TOTAL CAPITAL EMPLOYED	4,888	48.86	4,481	49.77	3,939	45.60	4,015	50.00	3,290	48.09
NON CURRENT LIABILITIES										
Sub-ordinated loan	-	-	608	6.75	525	6.08	523	6.51	509	7.44
Long term financing	1,419	14.19	1,221	13.56	864	10.00	978	12.18	936	13.68
Liabilities against assets subject to finance lease	40	0.40	23	0.26	17	0.20	12	0.15	-	-
Long term deposits	8	0.08	7	0.08	5	0.06	6	0.07	2	0.03
Staff retirement benefits - gratuity	135	1.35	118	1.31	135	1.56	152	1.89	160	2.34
Deferred taxation - net	86	0.86	103	1.15	120	1.39	103	1.28	-	-
Total Non current liabilities	1,689	16.88	2,080	23.10	1,666	19.28	1,774	22.09	1,607	23.48
Net worth	3,199	31.98	2,401	26.66	2,273	26.31	2,241	27.91	1,684	24.60
Net worth represented by:										
Issued, subscribed and paid-up capital	264	2.64	264	2.93	264	3.06	264	3.29	264	3.86
Reserves	2,194	21.94	1,363	15.14	1,315	15.22	1,256	15.65	1,295	18.92
Surplus on revaluation of PPE	740	7.40	774	8.60	694	8.03	720	8.97	125	1.83
	3,199	31.98	2,401	26.66	2,273	26.31	2,241	27.91	1,684	24.60
Total liabilities	10,003	100.00	9,005	100.00	8,639	100.00	8,029	100.00	6,842	100.00

GRAPHICAL ANALYSIS

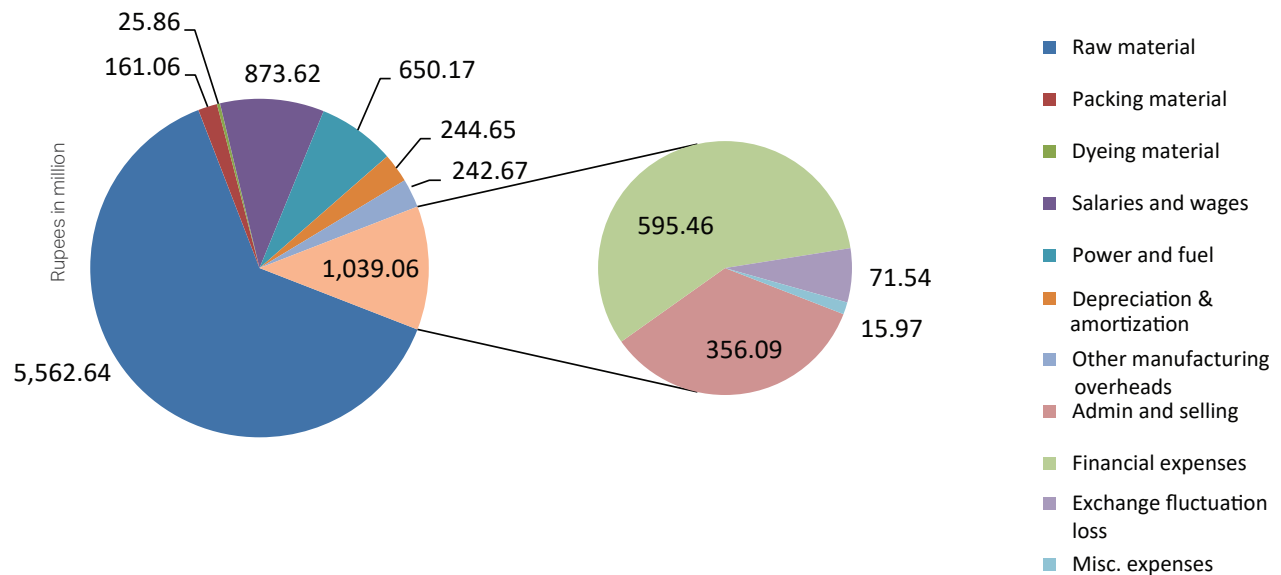
Net Worth



Spindles Installed

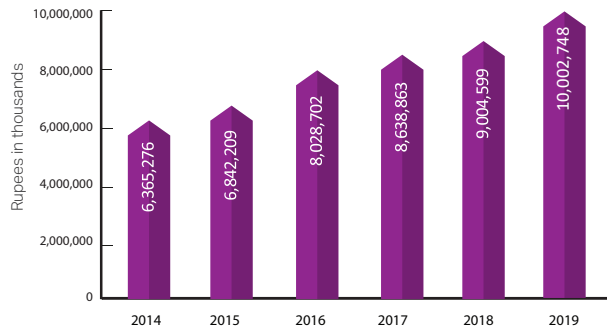


Cost Distribution

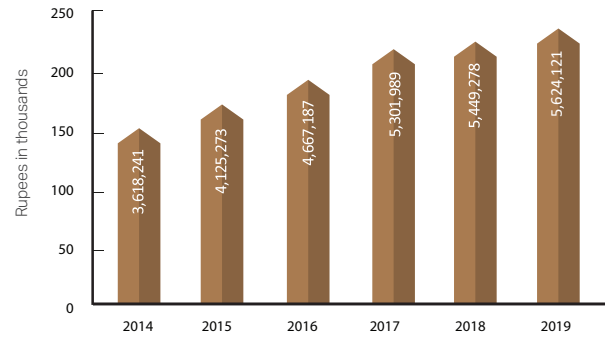


GRAPHICAL ANALYSIS

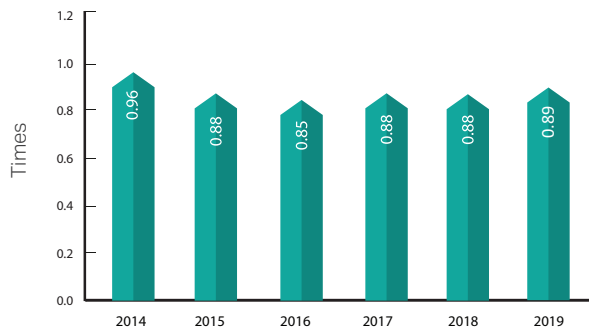
Total Assets



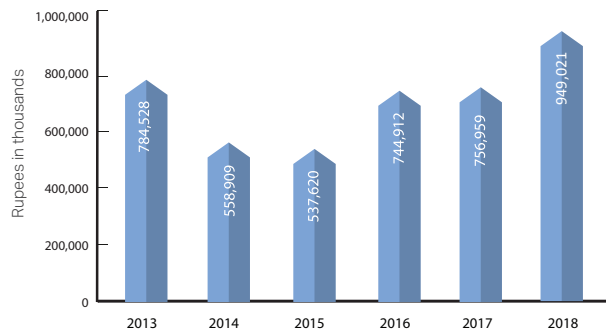
Total debt



Current Ratio



EBITDA



PATTERN OF SHAREHOLDINGS

As at June 30, 2019

Number of Shareholders	Shareholdings		Total Number of Share Held	Percentage of Total Capital
	From	To		
362	1 -	100	16,645	0.06
434	101 -	500	119,609	0.45
168	501 -	1000	141,866	0.54
298	1001 -	5000	665,038	2.52
65	5001 -	10000	508,320	1.92
19	10001 -	15000	233,391	0.88
9	15001 -	20000	165,067	0.62
7	20001 -	25000	166,951	0.63
6	25001 -	30000	169,510	0.64
5	30001 -	35000	161,926	0.61
3	35001 -	40000	116,000	0.44
1	40001 -	45000	42,000	0.16
6	45001 -	50000	292,000	1.11
1	50001 -	55000	55,000	0.21
1	65001 -	70000	69,000	0.26
2	70001 -	75000	150,000	0.57
1	75001 -	80000	76,500	0.29
1	80001 -	85000	83,500	0.32
1	95001 -	100000	97,000	0.37
1	100001 -	105000	101,500	0.38
1	105001 -	110000	107,129	0.41
1	110001 -	115000	111,360	0.42
1	125001 -	130000	127,450	0.48
1	140001 -	145000	141,000	0.53
2	180001 -	185000	365,456	1.38
2	195001 -	200000	397,500	1.50
1	215001 -	220000	217,000	0.82
1	285001 -	290000	288,159	1.09
3	295001 -	300000	896,715	3.39
1	350001 -	355000	350,650	1.33
1	435001 -	440000	437,286	1.66
1	465001 -	470000	468,000	1.77
1	720001 -	725000	720,946	2.73
1	795001 -	800000	798,600	3.02
1	800001 -	805000	800,087	3.03
1	1015001 -	1020000	1,018,000	3.85
1	1030001 -	1035000	1,031,848	3.91
1	1605001 -	1610000	1,607,871	6.09
1	13095001 -	13100000	13,097,000	49.59
1,414			26,412,880	100.00

PATTERN OF SHAREHOLDINGS

As at June 30, 2019

Sr. #	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	7	6,808	0.0258
2	Associated Companies, Undertakings and Related Parties	1	13,097,000	49.5857
3	NIT and ICP	2	128,678	0.4872
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	4	334,684	1.2671
5	Insurance Companies	1	1,031,848	3.9066
6	Modarbas and Mutual Funds	8	1,971,811	7.4653
7	General Public (Local)	1,364	9,469,870	35.8532
8	Others	27	372,181	1.4091
	TOTAL:	1,414	26,412,880	100.0000

PATTERN OF SHAREHOLDINGS

As at June 30, 2019

Sr. No	Name Of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children			
1	RANA MOHAMMAD SHAFI	808	0.0031
2	MS. JEHANAZ SAIFULLAH KHAN	500	0.0019
3	OSMAN SAIFULLAH KHAN (05039)	3,500	0.0133
4	MR. MUHAMMAD DANISH	500	0.0019
5	MR. ASSAD SAIFULLAH KHAN	500	0.0019
6	MR. FAISAL SAIFULLAH KHAN	500	0.0019
7	MRS. HOOR YOUSUF ZAI	500	0.0019
	Running Total:	6,808	0.0258
Associated Companies, Undertakings and Related Parties			
1	SAIF HOLDINGS LTD.	13,097,000	49.5857
	Running Total:	13,097,000	49.5857
NIT and ICP			
1	NATIONAL BANK OF PAKISTAN	127,450	0.4825
2	INVESTMENT CORP OF PAKISTAN	1,228	0.0046
	Running Total:	128,678	0.4872
Banks, Development Financial Institutions, Non Banking Financial Institutions			
1	ATLAS BOT INVESMENT BANK LTD.	55	0.0002
2	ACADIAN FRONTIER MARKETS EQUITY FUND	36,000	0.1363
3	CLASSICAL INSIGHTS FUND LP	297,500	1.1263
4	NATIONAL BANK OF PAKISTAN	1,129	0.0043
	Running Total:	334,684	1.2671
Insurance Companies			
1	STATE LIFE INSURANCE CORP. OF PAKISTAN	1,031,848	3.9066
	Running Total:	1,031,848	3.9066
Modarbas and Mutual Funds			
1	CDC - TRUSTEE AKD OPPORTUNITY FUND	141,000	0.5338
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,607,871	6.0875
3	FIRST UDL MODARABA	4,669	0.0177
4	CRESCENT STANDARD MODARABA	14	0.0001
5	FIRST I.B.L. MODARABA	977	0.0037
6	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	217,000	0.8216
7	GOLDEN ARROW SELECTED STOCK FUND LIMITED	215	0.0008
8	FIRST INTER FUND MODARABA	65	0.0002
	Running Total:	1,971,811	7.4653
General Public (Local)			
	Running Total:	9,469,870	35.8532

PATTERN OF SHAREHOLDINGS

As at June 30, 2019

S NO	NAME OF SHAREHOLDERS	SHARE HELD	Percentage
Others			
1	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSIO	183,956	0.6965
2	HIGH LAND SECURITIES (PVT) LIMITED	4,000	0.0151
3	MRA SECURITIES LIMITED - MF	500	0.0019
4	SEVEN STAR SECURITIES (PVT.) LTD.	25,000	0.0947
5	SEVEN STAR SECURITIES (PVT.) LTD.	46,000	0.1742
6	FIKREES (PRIVATE) LIMITED	500	0.0019
7	EASTMAN CONSULTING (PVT) LTD.	50	0.0002
8	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	105	0.0004
9	DR. ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED	210	0.0008
10	FORTUNE SECURITIES LIMITED	200	0.0008
11	JAVED OMER VOHRA & CO. LTD.	8,758	0.0332
12	THE NORTHERN TRUST COMPANY	100	0.0004
13	INTERNATIONAL SECURITIES LTD.	118	0.0004
14	MORGAN STANLEY TRUST CO.	100	0.0004
15	TAURUS SECURITIES LIMITED	100	0.0004
16	NETWORTH SECURITIES LIMITED	5,000	0.0189
17	KHADIM ALI SHAH BUKHARI & CO. LIMITED	80	0.0003
18	BMA CAPITAL MANAGEMENT LTD.	344	0.0013
19	SARFRAZ MAHMOOD (PRIVATE) LTD	500	0.0019
20	PYRAMID INVESTMENTS (PVT) LTD.	495	0.0019
21	MAPLE LEAF CAPITAL LIMITED	1	0.0000
22	PREMIER FASHIONS (PVT) LTD	76,500	0.2896
23	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT F	6,455	0.0244
24	S.H. BUKHARI SECURITIES (PVT) LIMITED	500	0.0019
25	RS PUBLISHERS (PRIVATE) LIMITED	11,500	0.0435
26	PRUDENTIAL SECURITIES LIMITED	26	0.0001
27	Y.S. SECURITIES & SERVICES (PVT) LTD.	1,083	0.0041
	Running Total:	372,181	1.4091
	Grand Total:	26,412,880	100.0000
Shareholders Holding 5% or more voting rights:			
1	SAIF HOLDINGS LTD.	13,097,000	49.5857
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,607,871	6.0875
	Total:	14,704,871	55.6731

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

Saif Textile Mills Limited for the Year Ended June 30, 2019

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

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

Directors	Numbers
a) Male	05
b) Female	02

2. The composition of Board is as follows:

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

*Subsequent to the year end, Second independent Director was also appointed.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it

throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training program for the following:
Rana Muhammad Shafi
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:

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

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee

Four (4) Audit Committee meetings were held during the year 2018-19, one (01) for each yearly, 1st quarterly, half yearly and 3rd quarterly. The committee met at least once every quarter of the financial year.

b) HR and Remuneration Committee

One (01) HR and Remuneration Committee meeting was held during the year 2018-19. The committee met once in the financial year.

15. The board has set up an effective internal audit function, who are considered suitably qualified and experienced person for the purpose and are conversant with the policies and procedures of the company.

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

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

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

FOR AND ON BEHALF OF THE BOARD



OSMAN SAIFULLAH KHAN

Chairman

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of SAIF TEXTILE MILLS LIMITED (the Company), which comprise the statement of financial position as at June 30, 2019, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, other comprehensive loss, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw your attention to the following matters:

- i) Notes 8 and 37 to these financial statements, the Company has written-back a foreign currency loan and accrued mark-up thereon aggregating Rs.910.080 million; and
- ii) Note 18.1.3 to these financial statements, which describes the matter regarding non-provisioning of Gas Infrastructure Development Cess aggregating Rs.1.547 billion.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

S. No.	Key audit matters	How the matter was addressed in our audit
1.	<p>First time adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'</p> <p>IFRS 9 is effective to the financial statements of the Company for the first time during the current year and replaces IAS 39 'Financial Instruments: Recognition and Measurement'.</p> <p>In relation to financial assets, IFRS 9 requires the recognition of expected credit losses ('ECL') rather than incurred credit losses under IAS 39 and is therefore a fundamentally different approach. ECL reflect a range of unbiased and probability-weighted outcomes, time value of money, reasonable and supportable information based on the consideration of historical events, current conditions and forecasts of future economic conditions. The calculation of ECLs is complex and involves a number of judgemental assumptions.</p> <p>IFRS 9 also introduces new classification of financial assets based on the Company's business model for managing the financial assets and the contractual terms of the cash flows.</p> <p>IFRS 15 is effective to the financial statements of the Company for the first time during the current year and changes the revenue recognition criteria. IFRS 15 introduces a single five-steps model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers.</p>	<p>For IFRS 9, we reviewed and understood the requirements. Our audit procedures included the following:</p> <ul style="list-style-type: none"> - Considered the management's process to assess the impact of adoption of IFRS 9 on the Company's financial statements; - Reviewed the appropriateness of the assumptions used (future and historical), the methodology and policies applied to assess the ECL in respect of financial assets of the Company. Reviewed the working of management for ECL provision; and - Reviewed the new classification of financial assets and financial liabilities of the Company based on the revised criteria of IFRS 9. <p>For IFRS 15, our audit procedures included the following:</p> <ul style="list-style-type: none"> - Discussed with the management changes made in the revenue recognition criteria to comply with the requirements of new accounting standard; - Obtained relevant underlying supporting documents for ensuring that management has complied with the revenue recognition criteria as introduced by IFRS 15; and - Assessed the appropriateness of the related disclosures made by the management in the Company's financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

S. No.	Key audit matters	How the matter was addressed in our audit
	<p>In view of the above amendments, reclassifications of financial assets, assumptions involved, incorporation of new disclosures, we considered the adoption of IFRS 9 and IFRS 15 as a key audit matter.</p>	
2.	<p>Valuation of stock-in-trade</p> <p>The total value of stock in trade as at the reporting date amounts to Rs.2.340 billion representing 51.30% of the Company's total current assets. Stock in trade as at reporting date mainly includes raw materials and finished goods. (note 24)</p> <p>The valuation of finished goods at cost has different components, which includes judgement and assumptions in relation to the allocation of labour and other various overheads which are incurred in bringing the inventories to their present location and conditions. Judgement has also been exercised by the management in determining the net realisable value (NRV) of finished goods and in determining the appropriate value of slow moving and obsolete stocks.</p> <p>We identified this matter as key in our audit due to the judgement and assumption applied by the Company in determining the cost and NRV of stock in trade at the year-end.</p>	<p>We assessed the appropriateness of management assumptions applied in calculating the value of stock in trade and validated the valuation by taking following steps:</p> <ul style="list-style-type: none"> - assessed whether the Company's accounting policy for inventory valuation is in line with the applicable financial reporting standards; - attended the inventory count at the year-end and reconciled the physical inventory with the inventory lists provided to ensure the completeness of the data; - assessed the historical costs recorded in the inventory valuation by checking purchase invoices on sample basis; - tested the reasonableness of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories; - assessed the management determination of NRV of inventories thereon by performing tests on the sale prices secured by the Company for similar items; - tested the cost of inventories and performed NRV test to assess whether the cost of inventories exceeds their NRV, calculated by detailed review of subsequent sales invoices; and

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

S. No.	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> - Reviewed the Company's disclosure in the financial statement in respect of stock in trade.
3.	<p>Contingencies</p> <p>The Company is subject to litigations involving different courts pertaining to Gas Infrastructure Development Cess and taxation, which require management to make assessment and judgements with respect to likelihood and impact of such litigations.</p> <p>Management has engaged independent legal counsel on these matters.</p> <p>The accounting for and disclosure of contingencies is complex and is a matter of significance in our audit because of the judgements required to determine the level of certainty on these matters.</p> <p>Due to magnitude of amounts involved, inherent uncertainties with respect to the outcome of matters and use of significant management judgement and estimates to assess the same including related financial impacts we have considered above referred contingencies as one of the key audit matters.</p>	<p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none"> - Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances. - Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations. - We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. - tested the reasonability of assumptions applied by the management in the allocation of labour and other various overhead costs to the inventories; - The disclosures of legal exposures and provisions were assessed for completeness and accuracy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial 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 is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Osman Hameed Chaudhri.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE; 02 October, 2019

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of SAIF TEXTILE MILLS LIMITED (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

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

Serial no:	Note reference	Description
(i)	2 (b)	The Company as at June 30, 2019 has only one independent director on its Board. However, during July 2019, the Board has appointed second independent director.

Shinewing Hameed Chaudhri & Co.

SHINEWING HAMEED CHAUDHRI & CO.,

CHARTERED ACCOUNTANTS

Audit Engagement Partner: Osman Hameed Chaudhri

Lahore: 02 October, 2019

FINANCIAL STATEMENTS



STATEMENT OF FINANCIAL POSITION

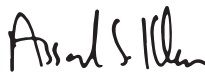
As at June 30, 2019

		2019	2018
	Note	Rupees in '000	
Equity and Liabilities			
Share Capital and Reserves			
Authorised capital			
30,000,000 ordinary shares of Rs.10 each		300,000	300,000
Issued, subscribed and paid-up capital	5	264,129	264,129
Reserves	6	265,981	265,981
Unappropriated profit		1,928,513	1,097,183
Surplus on revaluation of property, plant and equipment	7	739,799	774,625
Total Shareholders' equity		3,198,422	2,401,918
Non-current Liabilities			
Sub-ordinated loan	8	-	608,000
Long term financing	9	1,419,379	1,220,781
Liabilities against assets subject to finance lease	10	40,322	22,885
Long term deposits	11	7,715	6,847
Staff retirement benefits - gratuity	12	135,460	117,523
Deferred taxation - net	13	86,083	102,937
		1,688,959	2,078,973
Current Liabilities			
Trade and other payables	14	759,926	659,052
Unpaid dividend		387	-
Unclaimed dividend		8,310	8,330
Accrued mark-up and interest	15	142,002	235,829
Short term borrowings	16	3,779,760	3,299,165
Current portion of non-current liabilities	17	424,982	321,332
		5,115,367	4,523,708
		6,804,326	6,602,681
Contingencies and Commitments			
	18		
		10,002,748	9,004,599

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

		2019	2018
	Note	Rupees in '000	
Assets			
Non-current Assets			
Property, plant and equipment	19	5,400,232	4,991,596
Intangible assets	20	6,868	9,485
Long term investments	21	2,500	-
Long term loans	22	21,477	12,282
Long term deposits		10,426	9,553
		5,441,503	5,022,916
Current Assets			
Stores, spare parts and loose tools	23	360,748	278,387
Stock-in-trade	24	2,340,074	1,835,839
Trade debts	25	1,211,286	1,268,412
Loans and advances	26	89,846	95,407
Short term prepayments		1,484	896
Other receivables	27	60,328	79,914
Short term investments	28	3,617	5,081
Deposit for shares	29	-	-
Taxation - net	30	330,991	324,309
Tax refunds due from Government	31	132,761	74,638
Cash and bank balances	32	30,110	18,800
		4,561,245	3,981,683
		10,002,748	9,004,599

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



ZAAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF PROFIT OR LOSS

For the Year Ended June 30, 2019

		2019	2018
	Note	Rupees in '000	
Sales - net	33	8,975,842	7,852,240
Cost of sales	34	(7,938,029)	(6,997,222)
Gross profit		1,037,813	855,018
Distribution cost	35	(143,384)	(145,216)
Administrative expenses	36	(212,706)	(196,589)
Other income	37	920,691	9,994
Other expenses	38	(15,973)	(10,751)
Profit from operations		1,586,441	512,456
Finance cost - net	39	(595,464)	(385,153)
		990,977	127,303
Exchange fluctuation loss - net	40	(71,542)	(77,421)
Profit before taxation		919,435	49,882
Taxation	41	(89,116)	(4,014)
Profit after taxation		830,319	45,868
		----- Rupees -----	
Earnings per share - basic and diluted	42	31.44	1.74

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF OTHER COMPREHENSIVE INCOME


For the Year Ended June 30, 2019

	2019	2018
Note	Rupees in '000	
Profit after taxation	830,319	45,868
Other comprehensive income		
Items that will not be reclassified subsequently to statement of profit or loss:		
Loss on re-measurement of staff retirement benefit obligation	(19,139)	(5,799)
Impact of deferred tax	5,134	1,682
	(14,005)	(4,117)
Surplus on revaluation of property, plant and equipment	-	146,561
Impact of deferred tax	-	(42,503)
	-	104,058
	(14,005)	99,941
Total comprehensive income for the year	816,314	145,809

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



ZAAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

	2019	2018	
	Rupees in '000		
Cash generated from operating activities	43	389,495	872,082
Cash flow from investing activities			
Additions to property, plant and equipment		(678,299)	(621,345)
Sale proceeds of operating fixed assets / insurance claims received		5,273	19,517
Long term investments made		(2500)	-
Net cash used in investing activities		(675,526)	(601,828)
Cash flow from financing activities			
Long term financing - obtained		750,380	661,126
- repaid		(453,995)	(468,284)
Liabilities against assets subject to finance lease - net		23,300	7,827
Short term borrowings - net		480,595	(130,716)
Finance cost paid		(483,496)	(322,429)
Dividend paid		(19,443)	(25,997)
Net cash generated from / (used in) financing activities		297,341	(278,473)
Net increase / (decrease) in cash and cash equivalents		11,310	(8,219)
Cash and cash equivalents - at beginning of the year		18,800	27,019
Cash and cash equivalents - at end of the year		30,110	18,800

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



ZAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the Year Ended June 30, 2019

	Reserves			Surplus on revaluation of property, plant and equipment	Total	
	Share Capital	Capital	Revenue			Unappropriated profit
	Rupees in '000					
Balance as at July 01, 2017	264,129	115,981	150,000	1,049,296	693,647	2,273,053
Transactions with owners						
Cash dividend for the year ended June 30, 2017 at the rate of Re.1 per share	-	-	-	(26,413)	-	(26,413)
Total comprehensive income for the year ended June 30, 2018						
Profit for the year	-	-	-	45,868	-	45,868
Other comprehensive (loss) / income	-	-	-	(4,117)	104,058	99,941
	-	-	-	41,751	104,058	145,809
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):						
- on account of incremental depreciation	-	-	-	30,795	(30,795)	-
- upon sale of revalued assets	-	-	-	1,754	(1,754)	-
Deferred tax adjustment due to reduction in tax rate	-	-	-	-	9,469	9,469
Balance as at June 30, 2018	264,129	115,981	150,000	1,097,183	774,625	2,401,918
Balance as at July 01, 2018	264,129	115,981	150,000	1,097,183	774,625	2,401,918
Transactions with owners						
Cash dividend for the year ended June 30, 2018 at the rate of Re.0.75 per share	-	-	-	(19,810)	-	(19,810)
Total comprehensive income for the year ended June 30, 2019						
Profit for the year	-	-	-	830,319	-	830,319
Other comprehensive (loss)	-	-	-	(14,005)	-	(14,005)
	-	-	-	816,314	-	816,314
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):						
- on account of incremental depreciation	-	-	-	34,826	(34,826)	-
Balance as at June 30, 2019	264,129	115,981	150,000	1,928,513	739,799	3,198,422

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



ZAAHEEN UD DIN QURESHI
Chief Executive Officer



ASSAD SAIFULLAH KHAN
Director



NOUMAN AHMAD
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

1.1 Geographical location and addresses of major business units including mills / plant of the Company are as under:

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policy notes.

2.3 Functional and presentation currency

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

2.4 Change in accounting standards and interpretations

2.4.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Standards, amendments and interpretations to IFRSs that are effective for accounting periods beginning on July 01, 2018 and are considered to be relevant and have significant effect on the Company's operations are as follows:

- (a) IFRS 15, 'Revenue from contracts with customers' which is effective for the annual period beginning on July 01, 2018. IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- (b) IFRS 9, 'Financial Instruments': this standard has been notified by the SECP to be effective for annual periods ending on or after June 30, 2019. This standard replaces the guidance in International Accounting Standard ('IAS') 39, 'Financial Instruments: Recognition and Measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- (c) IFRIC 22, 'Foreign currency transactions and advance consideration' applicable to accounting periods beginning on or after July 01, 2018. This interpretation clarifies the determination of the date of transaction for the exchange rate to be used on initial recognition of a related assets, expenses or income where an entity pays or receive consideration in advance for foreign currency denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which an entity recognizes the non-monetary assets or liability arising from the advance consideration. If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The impact of this interpretation is not considered to be material on the financial statements of the Company.

2.4.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company

There are certain standards, amendments to the IFRSs and interpretations that are mandatory for companies having accounting periods beginning on or after July 01, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- (a) IFRS 16, 'Leases' is applicable to accounting periods beginning on or after January 01, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all the leases on the reporting date. This standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessor will not significantly change. Some differences may arise as a result of the new guidance on the definition of lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has yet to assess the impact of this standard on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- (b) Amendments to IAS 23, 'Borrowing costs' is effective for accounting periods beginning on or after January 01, 2019. The amendment is part of the annual improvement 2015-2017 cycle. The amendment clarifies that the general borrowings pool used to calculate eligible borrowing costs exclude only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale - or any non-qualifying assets - are included in that general pool. The amendments are not likely to have material impact on the Company's financial statements.
- (c) Amendments to IAS 19, 'Employee Benefits' on plan amendment, curtailment or settlement is effective for periods beginning on or after January 01, 2019. These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The Company is yet to assess the full impact of this amendment on its financial statements.
- (d) IFRIC 23, 'Uncertainty over Income Tax Treatments' is effective for periods beginning on or after January 01, 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation on its financial statements.

2.4.3 Critical accounting estimates and Judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Judgments, estimates and assumptions made by the management that may have a significant risk of material adjustments to the financial statements in the subsequent years are as follows:

(a) Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified. Useful lives, residual values and depreciation method of property, plant and equipment are stated in notes 3.8 & 19.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

(b) Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale - note 3.12 & 3.13.

(c) Provision for impairment of trade debts

Impairment losses related to trade and other receivables, are calculated using simplified approach of expected credit loss (ECL) model. Management used actual credit loss experience over past years for the calculation of ECL. Trade and other receivables are written off when there is no reasonable expectation of recovery - note 3.14.

(d) Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 3.3 & 12.

(e) Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability - note 3.5.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Borrowings and borrowing cost

These are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings as interest expense.

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

3.2 Interest rate and cross currency swaps

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

3.3 Staff retirement benefits (gratuity)

The Company operates an un-funded staff retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2019 on the basis of the projected unit credit method by an independent Actuary.

The liability recognised in the statement of financial position in respect of retirement gratuity scheme is the present value of defined benefit obligation at the end of reporting period. The amount arising as a result of remeasurements are recognised in the statement of financial position immediately, with a charge or credit to other comprehensive income in the periods in which they occur.

3.4 Trade and other payables

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

3.5 Taxation

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

(a) Current year

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

(b) Deferred

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

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.6 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

recognised in the period in which these are approved.

3.7 Financial liabilities

Classification & subsequent measurement

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on derecognition is also recognized in the statement of profit or loss.

Derecognition

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

3.8 Property, plant and equipment

Leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air-conditioning equipment are shown at fair value, based on valuations carried-out with sufficient regularity by external independent Valuers, less subsequent amortisation / depreciation. Any accumulated amortisation / depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The remaining property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Capital work-in-progress is stated at cost. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use. Cost of some items of plant and machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant and machinery, acquired out of the proceeds of such borrowings. Historical cost includes expenditure that is directly attributable to the acquisition of items.

The revaluation is measured on individual asset; if an asset's carrying amount is increased as a result of revaluation, the surplus is recognised in statement of other comprehensive income and accumulated in equity under the heading of revaluation surplus on property, plant and equipment. However, the surplus is recognised in statement of profit or loss to the extent that it reverses revaluation decrease of the same asset previously recognised in statement of profit or loss. If an asset's carrying amount is decreased as a result of revaluation, the deficit on revaluation of asset is recognised in statement of profit or loss. However, the decrease is recognised in statement of other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income during the financial year in which these are incurred.

Depreciation on operating fixed assets, except leasehold land, is charged to income applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 19.1. Leasehold land is amortised over the lease term using the straight-line method. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

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

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

3.9 Assets subject to finance lease

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

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

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

Depreciation on assets subject to finance lease is charged to income at the rate stated in note 19.1 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

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

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

3.10 Intangible assets - computer software

Computer software is stated at cost less accumulated amortisation. Software cost is only capitalised when it is probable that future economic benefits attributable to the software will flow to the Company and the same is amortised applying the straight-line method at the rate stated in note 20.

3.11 Financial assets

Initial measurement

The Company classifies its financial assets in the following three measurement categories:

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- fair value through other comprehensive income (FVTOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent Measurement

- ***Equity Instruments at FVTOCI***

These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to the statement of profit or loss.

- ***Debt Instruments at FVTOCI***

These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to the statement of profit or loss.

- ***Debt Instruments at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest / mark-up or dividend income, are recognized in the statement of profit or loss.

- ***Financial Assets measured at amortised cost***

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss.

Derecognition

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

3.12 Stores, spare parts and loose tools

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

3.13 Stock-in-trade

Basis of valuation are as follows:

<u>Particulars</u>	<u>Mode of valuation</u>
Raw materials:	
At mills	- At lower of moving average cost and market value.
In transit	At cost accumulated to the statement of financial position date.
Work-in-process	- At manufacturing cost.
Finished goods	- At lower of cost and net realisable value.
Waste	- At net realisable value.

- Cost in relation to work-in-process and finished goods consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

3.14 Trade debts and other receivables

Trade debts and other receivables are classified as financial assets at amortised cost according to IFRS 9. Under IAS 39, trade and other receivables were previously classified as loans and receivables.

These are classified at amortized cost and are initially recognised and measured at fair value of consideration receivable. The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. Debts considered irrecoverable are written off.

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

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

3.16 Cash and cash equivalents

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

3.17 Impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

estimated and impairment losses or reversals of impairment losses are recognised in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

3.18 Provisions

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

3.19 Foreign currency transactions

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

3.20 Impairment

(a) Financial assets

The Company assesses on a forward looking basis for the expected credit loss (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, the Company followed simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables. Management used actual credit loss experience over past years for calculation of ECL.

For debt instruments measured as FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For bank balances, the Company applies a simplified approach in calculating ECLs based on lifetime expected credit losses. The Company reviews internal and external information available for each bank balance to assess expected credit loss and the likelihood to receive the outstanding contractual amount. The expected credit losses are recognized in the statement of profit or loss.

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognized in the statement of profit or loss. Reversal of impairment loss is restricted to the original cost of the asset.

3.21 Off-setting of financial assets and liabilities

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

3.22 Revenue recognition

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

- revenue from local sale of goods is recognized at the point of time when the customer obtains control of the goods, which is generally at the time of delivery / dispatch of goods to customers;
- revenue from the export sale of goods is recognized at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port;
- dividend income from investments is recognized when the Company's right to receive dividend is established; and
- return on bank deposits / interest income is recognized using applicable effective interest rate. Income is accrued as and when the right to receive the income is established.

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, 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 49 to these financial statements.

4. CHANGE IN ACCOUNTING POLICY DUE TO ADOPTION OF NEW ACCOUNTING STANDARDS

The following changes in accounting policies have taken place with effect from July 01, 2018.

4.1 IFRS 15 'Revenue from Contracts with Customers'

- 4.1.1 Following the application of IFRS 15, the Company policy for revenue recognition under different contracts with customers stands amended as follows:

Sale of goods

The Company sells its products in separately identifiable contracts. The contracts entered into with the customers generally include one performance obligation i.e. the provision of goods to the customer.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Revenue from local sale of goods is recognised when the Company satisfies a performance obligation under a contract, by transferring promised goods to the customer. Goods are considered to be transferred at the point in time when the customer obtains control over the goods (i.e. on dispatch of goods from the mills to the customer). Revenue from the export sale of goods is recognised at the point in time when the customer obtains control over the goods dependent on the relevant incoterms of shipment. Generally it is on the date of bill of lading or at the time of delivery of goods to the destination port.

4.1.2 Effect of change in accounting policy

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entity to recognise the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. The above mentioned revised policy does not have any significant impact on these financial statements as the revised policy neither impacts the timing nor the amount of revenue recognition from the contracts with customers.

4.2 IFRS 9 'Financial Instruments'

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the related guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with irrevocable option at the inception to present changes in fair value in other comprehensive income, with no recycling. For financial liabilities, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

4.2.1 Impairment of financial assets

The adoption of IFRS 9 has also changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. The Company assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost and at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further, considering the nature of the other financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time expected loss. For this purpose, the management, after conducting an exercise to assess the impairment of its financial assets, has concluded that it is in compliance with the requirements of the new accounting standard.

The Company has adopted IFRS 9 and has amended its accounting policies accordingly; however, the changes laid down by the standard do not have any significant impact on these financial statements of the Company. For revised policies refer note 3.1, 3.4, 3.7, 3.11, 3.14 and 3.20 to these financial statements.

For detailed revised classification of financial instruments refer note 4.6 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019	2018		2019	2018
--- No. of shares ---			--- Rupees in '000 ---	
17,312,468	17,312,468	ordinary shares of Rs.10 each issued for cash	173,125	173,125
9,100,412	9,100,412	ordinary shares of Rs.10 each issued as fully paid bonus shares	91,004	91,004
<u>26,412,880</u>	<u>26,412,880</u>		<u>264,129</u>	<u>264,129</u>

5.1 Saif Holdings Limited held 13,097,000 shares of the Company as at June 30, 2019 and 2018.

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

6. RESERVES

	Note	2019	2018
		---- Rupees in '000 ----	
Capital - share premium account	6.1	115,981	115,981
Revenue - general reserve	6.2	150,000	150,000
		<u>265,981</u>	<u>265,981</u>

6.1 Share premium account

Premium received on:

3,820,780 shares @ Rs.7 per share issued during the year 1992	26,745	26,745
2,303,569 shares @ Rs.5 per share issued during the year 1996	11,518	11,518
562,019 shares @ Rs.5 per share allotted during the year 1997	2,810	2,810
7,500,000 shares @ Rs.10 per share allotted during the year 2007	75,000	75,000
	<u>116,073</u>	<u>116,073</u>
Less: preliminary expenses written-off during the year 1992	92	92
	<u>115,981</u>	<u>115,981</u>

6.1.1 This represent excess of consideration received on issue of ordinary shares over face value on ordinary shares issued. This reserve can only be utilised for purposes specified in section 81 of the Companies Act, 2017.

6.2 This represents reserves funds set aside from unappropriated profit.

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For the Year Ended June 30, 2019

7. SURPLUS ON REVALUATION OF PROPERTY,

PLANT AND EQUIPMENT - net

7.1 The Company had revalued its leasehold land, buildings on leasehold land, plant & machinery, generators, electric installations and air conditioning equipment during the financial years ended 2006, 2009, 2016 and 2018. These fixed assets were revalued by independent Valuers on the basis of market value / depreciated market values.

7.2 The latest revaluation exercise was carried-out by M/s. MYK Associates (Pvt.) Ltd. (Independent Valuers and Consultants) to replace the carrying amounts of these assets with the market value / depreciated market values. The net appraisal surplus arisen on latest revaluation aggregated Rs.146.561 million had been credited to this account to comply with the requirements of International Accounting Standards (IAS-16). The year-end balance had been arrived at as follows:

	2019	2018
	---- Rupees in '000 ----	
Opening balance	774,625	693,647
Add: Surplus arisen on revaluation carried-out at the year-end	-	146,561
Less: related deferred taxation	-	(42,503)
	774,625	797,705
Less: transferred to unappropriated profit on account of: (net of deferred taxation)		
- incremental depreciation for the year	34,826	30,795
- upon sale of revalued assets	-	1,754
Add: adjustment resulting from reduction in tax rate	-	9,469
Closing balance	739,799	774,625

8. SUB-ORDINATED LOAN - Unsecured

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

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- the payment of entire amount of finance facilities extended by the Banks to the Company; or
- the Banks otherwise give permission in writing to the Company to make payments due under the sub-ordinated loan.

8.2 The Company and ANL, during the current financial year, entered into an agreement dated May 10, 2019 where the lender agrees to irrevocably waive and write-off in its entirety the total amount owed by the Company without any consideration.

8.3 This loan, during the current financial year, carried mark-up at the rates ranging from 4.020% to 4.112% (2018 : 2.930% to 4.020%) per annum.

9. LONG TERM FINANCING - Secured		2019	2018
	Note	---- Rupees in '000 ----	
United Bank Limited (UBL)			
- demand finance - I	9.1	-	19,355
- demand finance - II	9.2	100,000	150,000
- demand finance - III	9.3	100,000	100,000
- long term finance facility (LTFF)	9.3	397,386	251,400
The Bank of Punjab (BoP)			
- term finance - I	9.4	-	18,783
- term finance - II	9.5	-	55,556
Habib Bank Limited (HBL)			
- demand finance - I	9.6	-	33,138
- demand finance - II	9.7	133,865	178,486
- demand finance - III	9.8	84,986	-
- term loan	9.9	24,336	-
- long term finance facility (LTFF)	9.10	144,071	-
Soneri Bank Limited (SBL)			
- term finance	9.11	39,981	59,971
Askari Bank Limited (ABL)			
- diminishing musharkah	9.12	23,437	40,625
Summit Bank Limited (SMBL)			
- demand finance	9.13	-	140,625
C/F.		<u>1,048,062</u>	<u>1,047,939</u>

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For the Year Ended June 30, 2019

		2019	2018
		---- Rupees in '000 ----	
B/F.		1,048,062	1,047,939
Dubai Islamic Bank Pakistan Limited (DIBPL)			
- islamic finance facility	9.14	80,000	106,667
The Bank of Khyber (BoK)			
- demand finance	9.15	300,000	300,000
JS Bank Limited (JS Bank)			
- demand finance	9.16	300,000	80,000
Sindh Bank Limited (SNDB)			
- demand finance	9.17	102,929	-
		<u>1,830,991</u>	<u>1,534,606</u>
Less: current portion grouped under current liabilities		411,612	313,825
		<u>1,419,379</u>	<u>1,220,781</u>

- 9.1** These finances had been obtained from UBL against a demand finance facility of Rs.300 million. The Bank had disbursed the total amount in eight tranches of different amounts and each tranche was repayable in 16 equal quarterly instalments commenced from December, 2014. This finance facility carried mark-up at the rate of 3 months KIBOR + 125 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.17% to 9.28% (2018: 7.40% to 8.17%) per annum. This finance facility was secured against first pari passu hypothecation charge on all fixed assets of the Company for Rs.400 million.
- 9.2** These finances have been obtained from UBL against a demand finance facility of Rs.200 million during the current financial year this limit is reduced to Rs. 100 million. The principal balance is repayable in 16 equal quarterly installments commenced from June, 2017. This finance facility carries mark-up at the rate of 3-months KIBOR + 125 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.17% to 14.22% (2018: 7.39% to 8.17%) per annum. This finance facility is secured against joint first pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.700 million.
- 9.3** The Company, during the year ended June, 30, 2017, obtained a demand finance facility of Rs.500 million from UBL. During the preceding year, the bank converted the said facility in demand finance of Rs.100 million and LTFF under SBP scheme of Rs.400 million. The Bank against the demand finance facility, disbursed Rs.100 million in five tranches of different amount and Rs.397.385 million under LTFF in twenty four tranches of different amounts. Each tranche under the finance facilities is repayable in 20 equal quarterly instalments commenced from January, 2018. The demand finance facility carries mark-up at the rate of 3-months KIBOR + 125 basis points; where as LTFF carries mark-up at SBP rate of 2% + 3% spread. Effective mark-up rates charged, during the current financial year, on demand finance and LTFF ranged from 7.66% to 12.36% and 5% (2018: 7.38% to 7.66% and 5%) per annum respectively. These finance facilities are secured against first joint pari passu hypothecation charge over present and future fixed and current assets of the Company for Rs.667 million.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- 9.4** These finances had been obtained from BoP against a term finance facility of Rs.130 million. The principal balance of this finance facility was repayable in 14 half-yearly instalments commenced from October, 2012. This finance facility carried mark-up at the rate of 6-months KIBOR + 225 basis points; effective mark-up rates charged, during the current financial year, ranged from 9.29% to 13.05% (2018: 8.40% to 8.46%) per annum. This finance facility was secured against first pari passu hypothecation charge over fixed assets of the Company for Rs.174 million.
- 9.5** These finances had been obtained from BoP against a term finance facility of Rs.500 million. The principal balance of this term finance facility was repayable in 9 equal half-yearly instalments commenced from November, 2014. This finance facility carried mark-up at the rate of 6-months KIBOR + 110 basis points; effective mark-up rate charged, during the current financial year was 8.14% (2018: 7.25% to 7.31%) per annum. This finance facility was secured against first pari passu charge over all present and future fixed and current assets of the Company for Rs.667 million.
- 9.6** These finances had been obtained from HBL against a demand finance facility of Rs.270 million. The principal balance of this finance facility was repayable in 8 half-yearly instalments commenced from April, 2015. This finance facility carried mark-up at the rate of 6-months KIBOR + 110 basis points; effective mark-up rates charged, during the current financial year, ranged from 7.60% to 10.12% (2018: 7.27% to 7.60%) per annum. This finance facility was secured against first pari passu charge over all present and future fixed assets of the Company for Rs.360 million.
- 9.7** These finances have been obtained from HBL against a demand finance facility of Rs.290 million. The Bank has disbursed the total amount in five tranches of different amounts and each tranche is repayable in 78 equal monthly installments commenced from January, 2016. This finance facility carries mark-up at the rate of 1-month KIBOR + 100 basis points; effective mark-up rates charged, during the current financial year, ranged from 8.01% to 13.81% (2018: 7.25% to 8.01%) per annum. This finance facility is secured against joint first pari passu charge over all present and future moveable and immovable fixed and current assets of the Company and a ranking charge for Rs.386.660 million.
- 9.8** The Company, during the current financial year, obtained a demand finance facility of Rs.100 million from HBL. The Bank, against the said facility, has disbursed Rs.84.986 million in seventeen tranches of different amounts till reporting date. The principal balance is repayable in 20 equal quarterly instalments commencing March, 2020. This finance facility carries mark-up at the rate of 3-months KIBOR + 1% ; effective mark-up rates charged, during the current financial year, ranged from 11.50% to 13.92% per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.134 million over all present and future fixed and current assets of the Company.
- 9.9** The Company, during the current financial year, obtained a term loan finance facility of Rs.25 million from HBL. The Bank, against the said facility, has disbursed Rs.24.336 million in single tranche till reporting date. The principal balance is repayable in 40 equal quarterly instalments commencing September, 2019. This finance facility carries mark-up at the rate of 3-months KIBOR + 1% ; effective mark-up rate charged, during the current financial year was 13.97% per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.34 million over all present and future fixed and current assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- 9.10** The Company, during the current financial year, obtained a long term finance facility (LTFF) under SBP scheme of Rs.230 million from HBL. The Bank, against the said facility, has disbursed Rs.144.071 million in eight tranches of different amounts till reporting date. The principal balance is repayable in 20 equal quarterly instalments commencing May, 2020. This finance facility carries mark-up at the rate of SBP rate of 2% + 1% ; effective mark-up rate charged, during the current financial year, was 3% per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.307 million over all present and future fixed and current assets of the Company.
- 9.11** These finances have been obtained from SBL against a term finance facility of Rs.100 million. The principal balance of this term finance facility is repayable in 10 equal half-yearly instalments commenced from December, 2016. This finance facility carries mark-up at the rate of 6-months KIBOR + 100 basis points; effective mark-up rate charged, during the current financial year, ranged from 8.04% to 11.80% (2018: 7.15% to 7.21%) per annum. This finance facility is secured against joint pari passu charge over current and fixed assets of the Company for Rs.133.334 million.
- 9.12** These finances have been obtained from ABL against a diminishing musharakah finance facility of Rs.75 million. The principal balance of this finance facility is repayable in 48 equal monthly instalments of Rs.1.563 million each commenced from September, 2016. This finance facility carries profit at the rate of 3-months KIBOR + 90 basis points per annum payable monthly basis; effective profit rates charged, during the current financial year, ranged from 7.37% to 13.75% (2018: 7.02% to 7.37%) per annum. This finance facility is secured against first pari passu charge on current and fixed assets of the Company for Rs.100 million.
- 9.13** These finances had been obtained from from SMBL against demand finance facility of Rs.150 million .The principal balance was repayable in 16 equal quarterly instalments commenced from April, 2018. This finance facility carried mark-up at the rate of 3-months KIBOR + 1.20%; effective mark-up rates charged, during the current financial year, ranged from 8.12% to 10.42% (2018: 7.34% to 7.63%) per annum. This finance facility was secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.200 million.
- 9.14** These finances have been obtained from DIBPL against an islamic finance facility of Rs.120 million . The principal balance is repayable in 9 equal half-yearly instalments commenced from April, 2018. This finance facility carries profit at the rate of 6-months KIBOR + 1.50%; effective mark-up rate charged, during the current financial year, ranged from 8.02%% to 12.75% (2018: 7.66% to 8.02%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.160 million.
- 9.15** These finances have been obtained from BoK against a demand finance facility of Rs.300 million .The principal balance is repayable in 10 equal quarterly instalments commenced from September, 2019. This finance facility carries mark-up at the rate of 6-months KIBOR + 1.25%; effective mark-up rates charged, during the current financial year, ranged from 8.29% to 12.05% (2018: 7.73%) per annum. This finance facility is secured against first joint pari passu hypothecation charge over all present and future fixed and current assets of the Company for Rs.400 million.

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For the Year Ended June 30, 2019

9.16 These finances have been obtained from JS bank against a demand finance facility of Rs.300 million. The principal balance is repayable in 16 equal quarterly instalments commencing August, 2019. This finance facility carries mark-up at the rate of 1-months KIBOR + 1.50%; effective mark-up rates charged, during the current financial year, ranged from 8.53% to 14.30% (2018: 7.99% to 8.47%) per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.400 million over all present and future fixed and current assets of the Company.

9.17 The Company, during the current financial year, obtained a demand finance facility of Rs.131 million from SNDB. The principal balance is repayable in 14 equal quarterly instalments commenced from October, 2018. This finance facility carries mark-up at the rate of 3-months KIBOR + 2.50%; effective mark-up rates charged, during the current financial year, ranged from 10.42% to 13.63% per annum. This finance facility is secured against first joint pari passu hypothecation charge of Rs.174.66 million over all present and future fixed and current assets of the Company.

10. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

Particulars	2019			2018		
	Upto one year	From one to five years	Total	Upto one year	From one to five years	Total
	Rupees in '000					
Minimum lease payments	19,421	56,969	76,390	9,933	30,632	40,565
Less: finance cost allocated to future periods	6,051	8,514	14,565	2,426	3,168	5,594
	13,370	48,455	61,825	7,507	27,464	34,971
Less: security deposits adjustable on expiry of lease terms	-	8,133	8,133	-	4,579	4,579
Present value of minimum lease payments	13,370	40,322	53,692	7,507	22,885	30,392

10.1 The Company has entered into finance lease arrangements with MCB Bank Ltd. (Formerly NIB Bank Ltd.), Meezan Bank Ltd., Bank Alfalah Ltd and Dubai Islamic Bank for lease of vehicles. The liabilities under the lease agreements are payable in quarterly and monthly installments by April, 2024, and are subject to finance cost at the rates ranging from 8.18% to 13.65% (2018: 7.39% to 10.00%) per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the respective lease terms. The lease finance facilities are secured against title of the leased vehicles in the name of the banks and post dated cheques of all principal installments.

11. LONG TERM DEPOSITS

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

12. STAFF RETIREMENT BENEFITS - Gratuity

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

The movement in the present value of defined benefit obligation is as follows:	2019	2018
	---- Rupees in '000 ----	
Balance at beginning of the year	117,523	135,379
Current service cost	27,813	19,407
Interest cost	8,872	8,494
Benefits paid	(37,887)	(51,556)
Remeasurement of obligation	19,139	5,799
Balance at end of the year	<u>135,460</u>	<u>117,523</u>
Expense recognised in statement of profit or loss is as follows:		
Current service cost	27,813	19,407
Interest cost	8,872	8,494
Charge for the year	<u>36,685</u>	<u>27,901</u>
Remeasurement recognised in statement of other comprehensive income		
Experience adjustment	<u>19,139</u>	<u>5,799</u>
Actuarial assumptions used		
Discount rate	14.50%	9.00%
Expected rate of increase in future salaries	12.50%	8.00%
Demographic assumptions		
- Mortality rates (for death in service)	SLIC (2001-05)	SLIC (2001-05)
- retirement age	60 years	60 years

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

12.2 Sensitivity analysis for actuarial assumptions:

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

	Increase in assumptions	Decrease in assumptions
	- - - Rupees in '000'- - -	
Discount rate	121,555	152,406
Increase in salaries	152,767	120,991

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

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

Expected maturity analysis of undiscounted obligation is as follows:

Time in years	Rupees in 000'
1	9,742
2	10,035
3	13,888
4	19,120
5	20,180
next five years	163,388

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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

	2019	2018	2017	2016	2015
	----- Rupees in '000 -----				
Present value of defined benefit obligation	135,460	117,523	135,379	151,966	159,611
Experience adjustment: loss / (gain) on obligation	19,139	5,799	919	(5,515)	3,769

12.4 Based on actuary's advice, the expected contribution for the year ending June 30, 2020 to gratuity plan amounts to Rs.50.782 million.

12.5 Gratuity includes liability in respect of key management personnel aggregating to Rs.8.162 million (2018: Rs.6.952 million).

13. DEFERRED TAXATION - net

	Note	2019	2018
		-- Rupees in '000 --	
This is composed of the following:			
Taxable temporary difference arising in respect of:			
- accelerated tax depreciation allowances		621,770	525,282
- surplus on revaluation of property, plant and equipment		242,738	289,661
- lease finances		1,897	942
		866,405	815,885
Deductible temporary difference arising in respect of:			
- unused tax losses	13.1	632,837	632,837
- provision for doubtful deposit for shares		2,682	2,655
- provision for doubtful debt		290	290
- staff retirement benefits - gratuity		36,333	31,202
- minimum tax	13.1	108,180	45,964
		780,322	712,948
Net deferred tax liability		86,083	102,937

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- 13.1** Deferred tax asset on unused tax losses and minimum tax paid under section 113 of the Income tax Ordinance, 2001, aggregating Rs.8.355 million (2018: Rs.111.291 million) and Rs.144.801 million (2018: Rs.108.180 million) respectively has not been recognised based on the uncertainty of availability of future taxable profits.

14. TRADE AND OTHER PAYABLES

		2019	2018
	Note	-- Rupees in '000 --	
Creditors		279,709	147,187
Bills payable	14.1	209,854	157,655
Due to related parties	14.2	52,276	140,355
Accrued expenses		209,372	209,302
Security deposits	14.3	2,000	2,000
Workers' (profit) participation fund		6,709	2,553
Tax deducted at source		6	-
		759,926	659,052

- 14.1** These are secured against import documents.

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

		2019	2018
		--- Rupees in '000 ---	
Mediterranean Textile Company (S.A.E.), Egypt		52,240	140,323
Lahore Compost (Pvt.) Ltd.		32	32
Saif Health Care Ltd.		4	-
		52,276	140,355

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

15. ACCRUED MARK-UP AND INTEREST

		2019	2018
	Note	-- Rupees in '000 --	
Sub-ordinated loan	8.2	-	123,035
Long term financing			
- from banking companies		47,145	29,212
- others	15.1	-	28,762
		47,145	57,974
Liabilities against assets subject to finance lease		427	220
Short term financing		94,430	54,600
		142,002	235,829

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

15.1 This represented mark-up payable on U.S.\$ 5 million loan obtained from Aqua Nominees Ltd.. The Company repaid the principal balance of this loan during the financial year ended June 30, 2014. This amount has been written-back by the Company under an agreement as fully detailed in note 8.2 to these financial statements.

16. SHORT TERM BORROWINGS	2019	2018	
Note	--- Rupees in '000 ---		
Running / cash finances - secured	16.1	3,779,760	3,298,051
Temporary bank overdraft - unsecured		-	1,114
		<u>3,779,760</u>	<u>3,299,165</u>

16.1 Short term finance facilities available from various commercial banks under mark-up arrangements aggregate Rs.3.947 billion (2018: Rs.4.072 billion) and are secured against pledge of stocks, charge on fixed and current assets of the Company and lien over underlying export documents. These finance facilities, during the current financial year, carried mark-up at the rates ranging from 6.90% to 14.12% (2018: 6.54% to 7.96%) per annum and are expiring on various dates by February, 2020. Facilities available for opening letters of credit and guarantee from various commercial banks aggregate Rs.2.285 billion (2018: Rs.2.545 billion) of which the amount remained unutilised at the year-end was Rs.1.546 billion (2018: Rs.2.032 billion). These facilities are secured against lien over import documents and charge on fixed assets of the Company and are expiring on various dates by February, 2020.

17. CURRENT PORTION OF NON-CURRENT LIABILITIES	2019	2018	
Note	-- Rupees in '000 --		
Long term financing	9	411,612	313,825
Liabilities against asset subject to finance lease	10	13,370	7,507
		<u>424,982</u>	<u>321,332</u>

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

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

18.1.2 Guarantees aggregating Rs.223.203 million (2018: Rs.213.203 million) have been issued by banks of the Company to different parties including Government institutions and Sui Northern Gas Pipeline Limited.

18.1.3 The Company has challenged the levy of Gas Infrastructure Development Cess (GIDC) by filing a petition before the Peshawar High Court, Peshawar (PHC). GIDC was levied on supply of natural gas under the GIDC Act, 2011. Constitutionality of the said Act was challenged before the PHC, which had declared the same as constitutional. The order of the PHC was assailed before the Supreme Court of Pakistan (SCP), which met the same fate there. After enactment of the GIDC Act, 2015, it was challenged before the PHC, which dismissed the said petition on May 31, 2017. The Company, thereafter, has filed a petition before the SCP, which is pending adjudication. Subsequent to the year-end, on request of the Government of Pakistan, SCP conducted hearing of this case on September 19, 2019. Next date of hearing in SCP is October 22, 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Sui Northern Gas Pipelines Limited, along with gas bill for the month of June, 2019, has raised GIDC demands aggregating Rs.1,547.026 million which are payable in case of an adverse judgment by the SCP. Provisions for the GIDC demands aggregating Rs.1,547.026 million have not been made in the books of account as the management expects a favourable judgement by the SCP due to meritorious legal grounds.

18.1.4 The Company has challenged SRO#584(I)/2017 by filing a writ petition dated May 15, 2018 before PHC, challenging the levy of further tax @ 1% on textile goods usable as industrial inputs if supplied to unregistered person under section 3(A) of Sales Tax Act, 1990. The PHC has granted stay against the charging of further tax the Respondents has been asked to submit their comments. The petition before the PHC is pending adjudication. However, in a similar case, Lahore High Court has decided the matter in favour of industry vide its judgement dated December 11, 2018.

18.2 Commitments

Commitments against irrevocable letters of credit outstanding at the year-end were for Rs.306.378 million (2018: Rs.142.378 million).

19. PROPERTY, PLANT AND EQUIPMENT

		2019	2018
	Note	--- Rupees in '000 ---	
Operating fixed assets	19.1	5,347,545	4,908,370
Capital work-in-progress	19.7	25,641	565
Spare machinery parts held for capital expenditure		27,046	82,661
		<u>5,400,232</u>	<u>4,991,596</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

19.1 Operating Fixed assets - tangible

	Owned											Total				
	Lease hold land	Buildings on leasehold land Factory	Plant & machinery	Generators	Electric installations	Air-conditioning equipment	Furniture and fixtures	Office equipment	Telephone installations	Weighting scales	Fire extinguishing equipment		Gas fittings	Vehicles	Leased vehicles	
COST / REVALUATION																
Balance as at July 01, 2017	252,738	1,036,459	4,263,285	620,929	106,830	124,221	20,636	49,105	5,177	3,163	3,171	1,218	108,685	29,664	6,625,281	
Additions during the year	-	79,789	424,950	14,112	1,033	918	5,260	7,884	471	70	-	-	1,303	16,577	552,367	
Disposals during the year	-	-	(49,937)	-	-	-	(1,516)	(2,047)	(968)	-	-	-	(19,857)	-	(74,325)	
Balance as at June 30, 2018	252,738	1,116,248	4,638,298	635,041	107,863	125,139	24,380	54,942	4,680	3,233	3,171	1,218	90,131	46,241	7,103,323	
Balance as at July 01, 2018	252,738	1,116,248	4,638,298	635,041	107,863	125,139	24,380	54,942	4,680	3,233	3,171	1,218	90,131	46,241	7,103,323	
Additions during the year	-	135,350	434,467	88,534	5,121	1,150	1,127	3,702	927	12	-	-	2,834	35,614	708,838	
Disposals during the year	-	-	-	-	-	-	-	(417)	(268)	-	-	-	(14,442)	-	(15,127)	
Balance as at June 30, 2019	252,738	1,251,598	5,072,765	723,575	112,984	126,289	25,507	58,227	5,339	3,245	3,171	1,218	78,523	81,855	7,797,034	
DEPRECIATION																
Balance as at July 01, 2017	2,753	51,358	1,730,304	179,029	34,224	49,173	12,057	22,195	2,505	1,601	1,575	685	61,022	5,314	2,153,795	
Charge for the year	2,753	52,134	136,426	22,379	3,678	3,791	1,220	3,104	260	159	160	54	8,782	6,986	241,886	
Elimination against revaluation surplus	(1,297)	(18,176)	(83,795)	(23,374)	(17,787)	(2,132)	-	-	-	-	-	-	-	-	(146,561)	
On disposals during the year	-	-	(38,991)	-	-	-	(1,026)	(1,089)	(341)	-	-	-	(12,720)	-	(54,167)	
Balance as at June 30, 2018	4,209	85,316	1,743,944	178,034	20,115	50,832	12,251	24,210	2,424	1,760	1,735	739	57,084	12,300	2,194,953	
Balance as at July 01, 2018	4,209	85,316	1,743,944	178,034	20,115	50,832	12,251	24,210	2,424	1,760	1,735	739	57,084	12,300	2,194,953	
Charge for the year	2,753	54,482	153,692	25,163	4,479	3,745	1,284	3,224	263	148	144	48	6,466	8,790	264,681	
On disposals during the year	-	-	-	-	-	-	-	(145)	(48)	-	-	-	(9,952)	-	(10,145)	
Balance as at June 30, 2019	6,962	139,798	1,897,636	203,197	24,594	54,577	13,535	27,289	2,639	1,908	1,879	787	53,598	21,090	2,449,489	
BOOK VALUE AS AT																
JUNE 30, 2018	248,529	1,030,932	2,894,354	457,007	87,748	74,307	12,129	30,732	2,256	1,473	1,436	479	33,047	33,941	4,908,370	
BOOK VALUE AS AT																
JUNE 30, 2019	245,776	1,111,800	3,175,129	520,378	88,390	71,712	11,972	30,938	2,700	1,337	1,292	431	24,925	60,765	5,347,545	
Depreciation rate (%) 2019:	-	5	5	5	5	5	10	10	10	10	10	10	20	20	20	

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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

	2019	2018
	-- Rupees in '000 --	
- leasehold land	108,800	110,133
- buildings on leasehold land	540,144	429,188
- plant & machinery	2,916,076	2,621,668
- generators	505,137	440,964
- electric installations	45,203	42,289
- air-conditioning equipment	55,852	57,612
	<u>4,171,212</u>	<u>3,701,854</u>

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

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

19.5 Disposal of operating fixed assets

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

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

Vehicles

Toyota Corolla	1,673	1,148	525	565	40	Negotiation	Mr. Hameed ur Rehman - (an ex-employee)
Honda Civic	2,515	1,493	1,022	1,022	-	Company policy	Mr. Noman Ahmad (Key Management Personnel)
Honda Civic	2,523	1,536	987	987	-	--- do ---	Mr. Zaheen Ud Din Qureshi (Key Management Personnel)
	6,711	4,177	2,534	2,574	40		

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

	8,415	5,967	2,448	2,699	251
2019	<u>15,126</u>	<u>10,144</u>	<u>4,982</u>	<u>5,273</u>	<u>291</u>
2018	<u>74,325</u>	<u>54,167</u>	<u>20,156</u>	<u>19,517</u>	<u>(639)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

19.6 Depreciation for the year has been apportioned as under:	2019	2018
	--- Rupees in '000 ---	
Cost of sales	244,654	221,533
Administrative expenses	20,027	20,353
	264,681	241,886
19.7 Capital work-in-progress		
Advance payments		
- factory buildings	1,305	43
- plant & machinery	-	257
- vehicles	-	265
- electric appliances	24,336	-
	25,641	565
20. INTANGIBLE ASSETS - Computer software		
Cost at beginning of the year	19,265	19,265
Less: amortisation:		
- at beginning of the year	9,780	7,163
- charge for the year	20.1 2,617	2,617
- at end of the year	12,397	9,780
Book value as at June 30,	6,868	9,485

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

21. LONG TERM INVESTMENT	2019	2018
	--- Rupees in '000 ---	
Debt Instruments - at FVTOCI		
Habib Bank Limited - term finance certificates (TFCs)		
Advance for purchase of TFCs	2,500	-

21.1 This represents advance given to Habib Bank Limited (the issuer) in pursuant of an agreement dated May 15, 2019. As per the terms of the agreement the issuer shall issue 25 TFCs having face value of Rs.100,000 each within 90 days of the date of payment and the said TFCs shall be listed on PSX within 90 days of closing date of subscription. These TFCs shall carry mark-up at the rate of 3 month KIBOR + 160 basic points.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

22. LONG TERM LOANS - Considered good		2019	2018
	Note	--- Rupees in '000 ---	
Loans and advances to employees	22.1	24,878	15,493
Less: amounts due within twelve months and shown under current assets		3,401	3,211
		<u>21,477</u>	<u>12,282</u>
22.1	These loans are interest free and have been advanced for construction of house, employees' children educational expenses and for other purposes. These are recoverable in monthly instalments and are adjustable against the gratuity balances of the employees at the end of respective employment terms.		
23. STORES, SPARE PARTS AND LOOSE TOOLS		2019	2018
		--- Rupees in '000 ---	
Stores including in-transit inventory valuing Rs.78.469 million (2018: Rs.22.683 million)		289,062	197,831
Spare parts		68,472	77,644
Loose tools		3,214	2,912
		<u>360,748</u>	<u>278,387</u>
24. STOCK-IN-TRADE			
Raw materials:			
- at mills		1,487,216	932,047
- in transit		131,701	117,104
		<u>1,618,917</u>	<u>1,049,151</u>
Work-in-process		202,685	210,201
Finished goods		518,472	576,487
		<u>2,340,074</u>	<u>1,835,839</u>
24.1	Stock-in-trade inventory valuing Rs.1,571.515 million (2018: Rs.1,239.844 million) which is pledged with commercial banks as security for short term borrowings (note 16).		
25. TRADE DEBTS		2019	2018
	Note	--- Rupees in '000 ---	
Unsecured - local	25.1	980,994	1,030,221
Secured			
- export		189,938	156,374
- local		41,354	82,817
		<u>231,292</u>	<u>239,191</u>
Less: provision for doubtful debts - local		(1,000)	(1,000)
		<u>1,211,286</u>	<u>1,268,412</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- 25.1** At June 30, 2019, trade debts aggregating to Rs.46.217 million (2018: Rs.33.034 million) were past due but not impaired. These relate to various customers for which there is no recent history of default. The ageing analysis of these trade debts is as follows:

	2019	2018
	--- Rupees in '000 ---	
Past due within 30 days	16,580	20,194
Past due beyond 30 days	29,637	12,840
	46,217	33,034

26. LOANS AND ADVANCES - Considered good

	2019	2018
	--- Rupees in '000 ---	
Current portion of long term loans to employees	3,401	3,211
Advances to:		
- related parties - Key Management Personnel	1,284	1,400
- employees	8,593	4,966
- suppliers	76,568	85,830
	89,846	95,407

- 26.1 (a)** This represents interest free loan provided to Mr. Zaheen-ud-din (Chief Executive Officer). The loan is recoverable in monthly instalments of Rs.0.160 million each.
- (b)** Maximum aggregate amount due from the key management personnel at any month-end during the current financial year was Rs.1.926 million (2018: Rs.2.100 million).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

27. OTHER RECEIVABLES		2019	2018
	Note	--- Rupees in '000 ---	
Insurance claims receivable		-	14,596
Due from related parties	27.1	10,720	9,522
Receivable from Sui Northern Gas Pipelines Ltd.	27.2	23,331	23,331
Advances against letters of credit		597	2,421
Duty drawback of taxes	27.3	-	4,364
Mark-up subsidy	27.4	25,680	25,680
		60,328	79,914

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

	2019	2018
	--- Rupees in '000 ---	
- Saif Energy Ltd.	437	437
- Saif Holdings Ltd.	10,257	9,074
- Saif Power Ltd.	26	11
	10,720	9,522

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

	2019	2018
	--- Rupees in '000 ---	
- Saif Energy Ltd.	437	437
- Saif Holdings Ltd.	12,121	10,889
- Saif Power Ltd.	37	169

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

28. INVESTMENTS - Quoted (at fair value through statement of profit or loss)	Note	2019 --- Rupees in '000 ---	2018
National Bank of Pakistan 105,000 (2018: 105,000) ordinary shares of Rs.10 each		4,974	6,196
Pakistan Petroleum Ltd. 575 (2018: 500) ordinary shares of Rs.10 each		107	74
		5,081	6,270
Adjustment on remeasurement to fair value - net		(1,464)	(1,189)
		3,617	5,081
29. DEPOSIT FOR SHARES			
Security Electric Power Company Ltd. - SEPCL (an Ex - Associated Company)	29.1	10,000	10,000
Less: provision for doubtful deposit for shares	29.2	10,000	10,000
		-	-
29.1	The Company had deposited Rs.5 million during the financial year ended September 30, 1994 and Rs.5 million during the financial year ended September 30, 1998 with SEPCL for purchase of shares. Shares against these deposits, however, have not been issued so far.		
29.2	Full provision against these doubtful deposits was made as the management was of the view that SEPCL had abandoned the project due to IPP crisis and SEPCL utilised this amount in payment of penalty imposed by the Private Power Infrastructure Board (Ministry of Water and Power). The Company had filed a complaint before the Wafaqi Muhtasib for recovery of the said deposit along with penalty. As remote chances of recovery existed, full provision for doubtful deposits for shares was made in the books of account during the financial year ended September 30, 2000.		
30. TAXATION - net		2019 --- Rupees in '000 ---	2018
Balance of advance tax at beginning of the year	Note	324,309	325,065
Add: income tax deducted / paid during the year		107,518	71,340
		431,827	396,405
Less: provision made for			
- current year	30.2	98,837	52,602
- prior year		1,999	(11)
		100,836	52,591
Less: refunds received during the year		-	(19,505)
Balance of advance tax at end of the year		330,991	324,309

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

- 30.1** Income tax assessments of the Company have been finalized by the Income Tax Department or deemed to be assessed under section 120 of the Ordinance upto the tax year 2018.
- 30.2** No numeric tax rate reconciliation has been given in these financial statements as provisions made for the current financial years represent tax payable under sections 113 (minimum tax under alternate corporate tax) and 154 (tax on export proceeds) of the Ordinance after adjusting tax credit under section 65B of the Ordinance.
- 30.3** The Company has claimed income tax credit for BMR under section 65B of the Ordinance at the rate of 10% based on the opinion from the Company's tax advisor.

31. TAXES REFUNDS DUE FROM GOVERNMENT		2019	2018
	Note	--- Rupees in '000 ---	
Sales tax refundable		127,727	69,604
Minimum tax paid under protest	31.1	5,034	5,034
		<u>132,761</u>	<u>74,638</u>

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

32. CASH AND BANK BALANCES		2019	2018
	Note	--- Rupees in '000 ---	
Cash-in-hand	32.1	482	321
Cash at banks on:			
- current accounts	32.2	29,010	17,378
- saving accounts		618	1,101
		<u>30,110</u>	<u>18,800</u>

- 32.1** This represents foreign currency of U.S.\$ 2,000 (2018: U.S.\$ 2,000) and Euro 500 (2018: Euro 500) in hand at the year-end.
- 32.2** These include foreign currency balances of U.S.\$ 48,957 (2018: U.S.\$ 48,962).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

	Note	2019 --- Rupees in '000 ---	2018
33. SALES - Net			
Own manufactured goods:			
Local			
- yarn		8,094,561	6,713,407
- waste		58,494	58,115
- surgical cotton		19,353	11,681
		<u>8,172,408</u>	<u>6,783,203</u>
Export			
- yarn		380,984	383,961
- surgical cotton		291,136	279,761
		<u>672,120</u>	<u>663,722</u>
Trading activities:			
Local			
- yarn		122,065	374,672
- raw materials		7,456	30,643
Export - fabrics		1,740	-
Less: sales return		(2,690)	-
		<u>128,571</u>	<u>405,315</u>
		<u>8,973,099</u>	<u>7,852,240</u>
Duty drawback of taxes	27.3	2,743	-
		<u>8,975,842</u>	<u>7,852,240</u>

- 33.1** All the contracts with the customers were under one performance obligation and the revenue has been recognised at the point in time when the goods have been transferred to the customers.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

34. COST OF SALES	Note	2019	2018
		--- Rupees in '000 ---	
Raw materials consumed	34.1	5,562,639	4,605,330
Salaries, wages and benefits	34.2	873,618	841,463
Packing materials consumed		161,065	139,549
Dyes and chemical consumed		25,860	26,656
Power and fuel		650,169	608,953
Repair and maintenance		177,766	155,752
Depreciation	19.6	244,654	221,533
Insurance		25,606	25,103
Rent		7,458	7,448
Vehicles' running and maintenance		12,029	9,723
Travelling and conveyance		5,571	3,656
Textile cess		100	100
Others		14,139	14,672
		<u>7,760,674</u>	<u>6,659,938</u>
Adjustment of work-in-process			
Opening		210,201	141,902
Closing		(202,685)	(210,201)
		7,516	(68,299)
Cost of goods manufactured		<u>7,768,190</u>	<u>6,591,639</u>
Adjustment of finished goods			
Opening stock		576,487	706,952
Purchases		111,824	275,118
Closing stock		(518,472)	(576,487)
		169,839	405,583
		<u>7,938,029</u>	<u>6,997,222</u>
34.1 Raw materials consumed			
Opening stock		1,049,151	1,180,215
Purchases (for manufacturing)		6,123,422	4,441,698
Cost of raw materials sold		7,428	30,643
		<u>6,130,850</u>	<u>4,472,341</u>
		7,180,001	5,652,556
Less: closing stock		1,618,917	1,049,151
		5,561,084	4,603,405
Add: cotton cess		1,555	1,925
		<u>5,562,639</u>	<u>4,605,330</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

34.2 These include Rs.21.399 million (2018: Rs.16.275 million) in respect of staff retirement benefits - gratuity.

35. DISTRIBUTION COST	Note	2019	2018
		--- Rupees in '000 ---	
Staff salaries and benefits	35.1	21,540	18,601
Travelling		8,199	5,937
Communication		58	89
Loading and unloading		26,232	27,195
Freight on local yarn sales		16,863	7,817
Freight on export yarn sales		31,045	31,663
Export expenses		1,705	1,731
Insurance		531	456
Commission on sales		37,211	42,101
Quality claims on sale supplies		-	9,626
		<u>143,384</u>	<u>145,216</u>

35.1 These include Rs.4.894 million (2018: Rs.3.721 million) in respect of staff retirement benefits - gratuity.

36. ADMINISTRATIVE EXPENSES	Note	2019	2018
		--- Rupees in '000 ---	
Directors' meeting fee		105	130
Salaries and benefits	36.1	111,017	109,863
Travelling and conveyance:			
- directors		64	77
- others		5,357	3,008
Rent, rates and taxes		4,862	4,498
Entertainment		2,985	2,759
Communication		8,584	6,298
Printing and stationery		1,989	2,036
Electricity, gas and water		3,725	2,906
Insurance		2,486	2,657
Repair and maintenance		2,090	2,264
Vehicles' running and maintenance		11,779	9,546
Advertisement		190	305
Fees and subscription		28,667	20,191
Newspapers and periodicals		134	151
Depreciation	19.6	20,027	20,353
Amortisation	20	2,617	2,617
Auditors' remuneration	36.2	1,580	1,525
Legal and professional (other than Auditors)		4,245	5,212
Others		203	193
		<u>212,706</u>	<u>196,589</u>

36.1 These include Rs.10.393 million (2018: Rs.7.904 million) in respect of staff retirement benefits - gratuity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

36.2 Auditors' remuneration

2019
--- Rupees in '000 ---

2018

Statutory audit			
- current year		1,150	1,150
- prior year		50	-
Half yearly review		140	140
Consultancy and certification charges		215	195
Out-of-pocket expenses		25	40
		<u>1,580</u>	<u>1,525</u>

36.3 The Company, during the current financial year, has shared administrative expenses aggregating Rs.12.624 million (2018: Rs.14.695 million) with Kohat Textile Mills Ltd. a related party on account of proportionate expenses of the combined offices at Karachi and Lahore. These expenses have been booked in the respective heads of account.

37. OTHER INCOME

2019
--- Rupees in '000 ---

2018

	Note		
Sale of scrap - net of sales tax of Rs.2,023 thousand (2018: Rs.1,887 thousand)		10,113	9,934
Gain on sale of operating fixed assets	19.5	291	-
Dividends		-	4
Profit on bank deposits		207	56
Sub-ordinated loan written-back under an agreement	8.2	708,500	-
Accrued mark-up on loan written-back	15.1 & 8.2	201,580	-
		<u>910,080</u>	<u>-</u>
		<u>920,691</u>	<u>9,994</u>

38. OTHER EXPENSES

2019
--- Rupees in '000 ---

2018

	Note		
Donations	38.1	7,800	6,370
Loss on sale of operating fixed assets	19.5	-	639
Loss on remeasurement of investments to fair value	28	1,464	1,189
Workers' (profit) participation fund		6,709	2,553
		<u>15,973</u>	<u>10,751</u>

38.1 These include Rs.3.500 million (2018: Rs.6 million) and Rs.2.500 million (2018: Rs.Nil) donated to Saifullah Foundation for Sustainable Development (a social welfare society) and Akbar Kare (a section 42 Company) respectively. Following directors of the Company are interested in these donations.

Donation to Saifullah Foundation for Sustainable Development

- Mr. Osman Saifullah Khan

Donation to Akbar Kare

- Ms. Hoor Yousafzai

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

39. FINANCE COST - net	Note	2019 --- Rupees in '000 ---	2018
Mark-up on subordinated loan		23,374	17,923
Mark-up on long term financing		161,816	98,320
Mark-up on short term borrowings		375,411	248,141
Lease finance charges		4,190	2,451
Interest on workers' (profit) participation fund		49	120
Bank and other charges		30,624	18,198
		595,464	385,153
40. EXCHANGE FLUCTUATION LOSS - net			
Exchange fluctuation loss / (gain) on:			
- foreign currency financing		126,909	83,000
- others - net		(55,367)	(5,579)
		71,542	77,421
41. TAXATION			
Current	30	100,836	52,591
Deferred			
- relating to temporary differences	13	(11,720)	(58,046)
- resulting from reduction in tax rate		-	9,469
		(11,720)	(48,577)
		89,116	4,014
42. BASIC EARNINGS PER SHARE			
42.1 Profit per share			
Profit after taxation attributable to ordinary shareholders		830,319	45,868
		---- No. of shares ----	
Weighted average number of ordinary shares outstanding during the year		26,412,880	26,412,880
		----- Rupees -----	
Earnings per share		31.44	1.74
42.2 Diluted			
A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2019 and June 30, 2018 which would have any effect on the earnings per share if the option to convert is exercised.			

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

43. CASH FLOW FROM OPERATING ACTIVITIES	2019	2018
	--- Rupees in '000 ---	
Profit for the year - before taxation	919,435	49,882
Adjustments for non-cash charges and other items:		
Depreciation and amortisation	267,298	244,503
Staff retirement benefits - gratuity (net)	(1,202)	(23,655)
Sub-ordinated loan written-back	(708,500)	-
Accrued mark-up on loan written-back	(201,580)	-
(Gain) / loss on sale of operating fixed assets - net	(291)	639
Finance cost	564,840	366,955
Exchange fluctuation loss on foreign currency loan	126,909	83,000
Exchange fluctuation gain (others) - net	(55,367)	(5,579)
Loss / (gain) on remeasurement of investments to fair value - net	1,464	1,189
Profit before working capital changes	913,006	716,934
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(82,361)	46,014
Stock-in-trade	(504,235)	193,230
Trade debts	112,493	(250,803)
Loans and advances	5,561	(21,261)
Trade deposits and short term prepayments	(588)	460
Other receivables	19,586	21,732
Tax refunds due from Government	(58,123)	136,705
Increase in trade and other payables	100,874	77,886
	(406,793)	203,963
Cash generated from operating activities	506,213	920,897
Income tax paid	(107,518)	(51,835)
Long term loans	(9,195)	1,370
Long term deposits	(873)	(100)
Long term deposits from employees	868	1,750
Net cash generated from operating activities	389,495	872,082

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

44.1 Financial Risk Factors

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

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

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

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

44.2 Market risk

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

(a) Currency risk

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

	2019			
	Rupees	U.S. \$	CHF	Euros
	----- Rupees in '000 -----			
Bills payable	209,854	1,254	-	19
Due to a related party	52,240	318	-	-
	262,094	1,572	-	19
Trade debts	(189,938)	(1,000)	-	(139)
Bank balances	(8,460)	(51)	-	(1)
Gross reporting date exposure	63,696	521	-	(121)
Outstanding letters of credit	306,378	1,629	32	176
Net exposure	370,074	2,150	32	55

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

	2018			
	Rupees	U.S. \$	Euros	JPY
	----- Rupees in '000 -----			
Sub-ordinated loan	608,000	5,000	-	-
Bills payable	157,655	942	300	-
Due to related party	140,323	1,154	-	-
	<u>905,978</u>	<u>7,096</u>	<u>300</u>	<u>-</u>
Trade debts	(156,374)	(1,141)	(126)	-
Bank balances	(6,265)	(51)	-	-
Gross reporting date exposure	<u>743,339</u>	<u>5,904</u>	<u>174</u>	<u>-</u>
Outstanding letters of credit	<u>299,352</u>	<u>1,037</u>	<u>61</u>	<u>7000</u>
Net exposure	<u><u>1,042,691</u></u>	<u><u>6,941</u></u>	<u><u>235</u></u>	<u><u>7,000</u></u>

The following significant exchange rates have been applied:

	Average rate		Reporting date rate	
	2019	2018	2019	2018
	--- Rupees in '000 ---		--- Rupees in '000 ---	
U.S. Dollar to Rupee	125.55	109.17	164.00/164.50	/ 121.40/121.60
Euro to Rupee	140.81	123.52	186.37/186.99	/ 141.33/141.57
CHF to Rupee	126.22	111.70	168.03/168.61	/ 122.11/122.32
JPY to Rupee	1.34	1.20	1.5320/1.5285	/ 1.0973/1.0991

Sensitivity analysis

At June 30, 2019, if Rupee had strengthened by 10% against U.S.\$ and Euro with all other variables held constant, profit after taxation for the year would have been higher / lower by the amount shown below mainly as a result of foreign exchange gains on translation of foreign currency financial liabilities and foreign exchange loss on translation of foreign currency financial assets.

Effect on profit for the year	2019	2018
	--- Rupees in '000 ---	
U.S.\$ to Rupee	8,570	71,793
Euro to Rupee	(2,263)	2,459

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

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

(b) Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

	2019	2018	2019	2018
	Effective rate		Carrying amount	
Financial liabilities	%	%	--- in '000 ---	
Variable rate instruments				
Sub-ordinated loan	4.020 to 4.112	2.930 to 4.019	-	608,000
Long term financing	5 to 14.30	5 to 8.89	1,830,991	1,534,606
Liabilities against assets subject to finance lease	8.18 to 13.65	7.39 to 10.00	53,692	30,392
Short term borrowings	6.90 to 14.12	6.14 to 7.96	3,779,760	3,299,165

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2019, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.56.644 million (2018: Rs.49.250 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

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

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

A 10% increase / decrease in market value of equity investments, profit before taxation for the year would have been higher / lower by Rs.362 thousand (2018: Rs.508 thousand).

44.3 Credit risk exposure and concentration of credit risk

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

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

Credit risk primarily arises from long term deposits, trade debts, trade deposits, investments

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2019 along with comparative is tabulated below:

	2019	2018
	--- Rupees in '000 ---	
Long term investments	2,500	-
Long term deposits	10,426	9,553
Trade debts	1,212,286	1,269,412
Other receivables	60,328	79,914
Investments	3,617	5,081
Bank balances	29,628	18,479
	<u>1,318,785</u>	<u>1,382,439</u>
Trade debts exposure by geographic region is as follows:		
Domestic	1,022,348	1,113,038
Export	189,938	156,374
	<u>1,212,286</u>	<u>1,269,412</u>

The majority of export debts of the Company are situated in Europe, Asia and America. The ageing of trade debts at the reporting date is as follows:

	2019	2018
	--- Rupees in '000 ---	
Not yet due	976,131	1,080,004
Past due		
- upto 30 days	16,580	20,194
- more than 30 days	29,637	12,840
	<u>1,022,348</u>	<u>1,113,038</u>

The Company uses simplified approach for measuring the expected credit losses for all trade and other receivables including contract assets based on lifetime expected credit losses. The Company has estimated the credit losses using a provision matrix where trade receivables are grouped based on different customer attributes along with historical, current and forward looking assumptions. As at June 30, 2019, the Company's management believes that impairment allowance amounting Rs.1 million is sufficient in respect of doubtful trade debts as trade debts aggregating Rs.772.860 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time. Further, major export debts are secured through letters of credit.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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

44.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach for managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2019				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----- Rupees in '000 -----				
Long term financing	1,830,991	2,000,280	369,588	1,378,771	251,921
Liabilities against assets					
subject to finance lease	53,692	68,257	19,421	48,836	-
Trade and other payables	753,211	753,211	753,211	-	-
Accrued mark-up and interest	142,002	142,002	142,002	-	-
Short term borrowings	3,779,760	4,004,586	4,004,586	-	-
Unpaid dividends	387	387	387	-	-
Unclaimed dividends	8,310	8,310	8,310	-	-
	<u>6,568,353</u>	<u>6,977,033</u>	<u>5,297,505</u>	<u>1,427,607</u>	<u>251,921</u>

	2018				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years	5 years and above
	----- Rupees in '000 -----				
Sub-ordinated loan	608,000	622,756	24,439	48,878	549,439
Long term financing	1,534,606	1,621,378	365,650	1,082,408	173,320
Liabilities against assets					
subject to finance lease	30,392	35,986	9,933	26,053	-
Trade and other payables	656,499	656,499	656,499	-	-
Accrued mark-up and interest	235,829	235,829	235,829	-	-
Short term borrowings	3,299,165	3,411,182	3,411,182	-	-
Unclaimed dividends	8,330	8,330	8,330	-	-
	<u>6,372,821</u>	<u>6,591,960</u>	<u>4,711,862</u>	<u>1,157,339</u>	<u>722,759</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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

44.5 Fair value of financial instruments

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

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

At June 30, 2019, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values.

44.6 Financial instruments by category

	Amortised cost	Loans and receivables	Financial assets at fair value through OCI	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
	2019	2018	2019	2018	2018
----- Rupees in '000 -----					
Financial assets as per statement of financial position					
Long term investments	-	-	2,500	-	-
Long term loans	21,477	12,282	-	-	-
Long term deposits	10,426	9,553	-	-	-
Trade debts	1,212,286	1,269,412	-	-	-
Loans and advances	13,278	9,577	-	-	-
Other receivables	60,328	79,914	-	-	-
Short term investments	-	-	-	3,617	5,081
Bank balances	30,110	18,800	-	-	-
	<u>1,347,905</u>	<u>1,399,538</u>	<u>2,500</u>	<u>3,617</u>	<u>5,081</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

Financial liabilities as per statement of financial position	Financial liabilities measured at amortised cost	
	2019	2018
	-- Rupees in '000 --	
Sub-Ordinated loan	-	608,000
Long term financing	1,830,991	1,534,606
Liabilities against assets subject to finance lease	53,692	30,392
Long term deposits	7,715	6,847
Trade and other payables	759,926	659,052
Accrued mark-up and interest	142,002	235,829
Short term borrowings	3,779,760	3,299,165
Unpaid dividends	387	-
Unclaimed dividends	8,310	8,330
	<u>6,582,783</u>	<u>6,382,221</u>

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

	2019				
	Liabilities				
	Long term financing	Liabilities against assets subject to finance lease	Short term borrowings	Accrued mark-up and interest	Dividend
	----- Rupees in '000 -----				
Balance as at July 01, 2018	1,534,606	30,392	3,299,165	235,829	8,330
Changes from financing activities					
Finances obtained	750,380	-	-	-	-
Finances repaid	(453,995)	-	480,595	-	-
Finance leases obtained	-	36,461	-	-	-
Repayment of finance lease liabilities	-	(13,161)	-	-	-
Finance cost paid	-	-	-	(483,496)	-
Dividends paid	-	-	-	-	(19,443)
Dividend declared	-	-	-	-	19,810
Total changes from financing cash flows	1,830,991	53,692	3,779,760	(247,667)	8,697
Other changes					
Mark-up / Interest expense	-	-	-	564,840	-
Balance as at June 30, 2019	<u>1,830,991</u>	<u>53,692</u>	<u>3,779,760</u>	<u>317,173</u>	<u>8,697</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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

45. CAPITAL RISK MANAGEMENT

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

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. It is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (long term finances and short term borrowings as shown in the statement of financial position) less cash and bank balances. Total equity includes all capital and reserves of the Company that are managed as capital. Total capital is calculated as equity as shown in the statement of financial position plus net debt.

	2019	2018
	--- Rupees in '000 ---	
Total borrowings	5,664,443	5,472,163
Less: cash and bank balances	30,110	18,800
Net debt	5,634,333	5,453,363
Total equity	3,198,422	2,401,918
Total capital	<u>8,832,755</u>	<u>7,855,281</u>
Gearing ratio	<u>64%</u>	<u>69%</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

46. TRANSACTIONS WITH RELATED PARTIES

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

Pursuant to decision of Supreme Court of Pakistan related to discretionary beneficial ownership in an overseas trusts on a prudent basis and in good faith transactions with Aqua Nominees Ltd. have also been disclosed in notes 8, 15 and 37 irrespective of the absence of significant influence and the fact that the companies are not associated under Companies Act, 2017.

46.1 Name and nature of relationship

Associated Companies and undertaking (due to common directorship)

Saif Holdings Ltd.

Kohat Textile Mills Ltd.

Saif Power Ltd.

Saif Healthcare Ltd.

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

Saifullah Foundation for Sustainable Development

Akbar Kare Institute

Sky Electric (Pvt.) Ltd.

Key management personnel

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

46.2 Significant transactions with the related parties

2019 2018
--- Rupees in '000 ---

Sales of:

- goods and services	40,974	-
- fixed assets	-	6,684

Purchase of:

- raw material	1,973	6,266
- yarn	63,445	202,076
- fixed assets	25,865	1,250

Sale return:

- raw material	2,690	-
----------------	-------	---

Dividend paid

9,823 13,097

Key management personnel

- remuneration and other employment benefits	31,875	27,005
- sale of fixed assets	2,009	-

Others - consultancy charges 18,000 9,450

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

47. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives	
	2019	2018	2019	2018
	----- Rupees in '000 -----			
Meeting fees	20	20	-	-
Managerial remuneration	16,883	14,460	38,656	36,217
House rent and utilities	565	248	21,261	19,919
Retirement benefits	-	-	6,605	7,078
Medical expenses reimbursed	202	199	1,362	778
	17,670	14,927	67,884	63,992
Number of persons	1	1	17	17

47.1 Meeting fees of Rs.85 thousand (2018: Rs.110 thousand) were also paid to six (2018: six) non-executive directors during the year.

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

48. CAPACITY AND PRODUCTION

48.1 Spinning units

		2019	2018
No. of spindles installed		106,800	100,968
Average of spindles shifts installed	Figure in '000	116,946	110,560
Average of spindles shifts worked	Figure in '000	113,835	107,052
No. of days worked		365	365
No. of shifts worked		1,095	1,095
Average count		32.93	31.78
Actual production	Kgs Figure in '000	18,323	18,129

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

48.2 Dyeing

Cotton / Fibre Dyeing Unit

		2019	2018
Total number of days worked		365	365
No. of shift worked		1,095	1,095
Installed capacity	Kgs Figure in '000	3,103	2,920
Actual production	Kgs Figure in '000	2,947	2,549

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

49. OPERATING SEGMENT

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

49.1 Yarn sales represent 96% (2018: 95%) of the total sales of the Company.

49.2 92% (2018: 92%) of the Company's sales relate to customers in Pakistan.

49.3 All non-current assets of the Company as at June 30, 2019 are located in Pakistan.

49.4 The Company does not have any customer having sales of ten percent or more during the year ended June 30, 2018 and 2019.

50. NUMBER OF EMPLOYEES

	2019	2018
Total number of employees as at June 30,	2,964	2,787
Average number of employees during the year	2,848	2,698

51. EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors, in their meeting held on October 02, 2019, has proposed a final cash dividend of Re.1 (2018: Rs 0.75) per share for the year ended June 30, 2018. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 26, 2019. These financial statements do not reflect the proposed appropriations, which will be accounted for in the statement of changes in equity as appropriations from unappropriated profit in year ending June 30, 2020.

52. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-classified, wherever necessary, for the purpose of comparison. However, except for the following, no material re-arrangements and re-classifications have been made in these financial statements, except as detailed in note 4.2.1 to these financial statements.

53. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 02, 2019 by the Board of Directors of the Company.

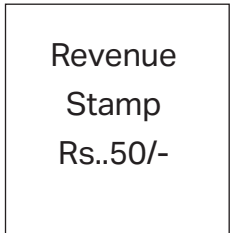
ZAAHEEN UD DIN QURESHI
Chief Executive Officer

ASSAD SAIFULLAH KHAN
Director

NOUMAN AHMAD
Chief Financial Officer

FORM OF PROXY

I/we.....of.....being a member of Saif Textile Mills Limited hereby appoint Mr./Ms..... offalling whom Mr./Ms..... ofas my proxy to attend act for me, and on my behalf, at the annual General Meeting of the Company to be held on Saturday, 26 October, 2019 at 11:00 a.m. at APTMA house, Tehkal Payan, Jamrud Road Peshawar and any adjournment there of Dated thisday of2019.



Specimen Signature of Proxy

Follo No.....

Participant I.D No.....

Sub Account No.

Signature of Shareholder

Specimen Signature of Alternate Proxy

Foll No.....

Foll No.....

Participant I.D No.....

Participant I.D No.....

Sub Account No.....

Sub Account No.....

Note:

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



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SAIF GROUP

Saif Textile Mills Limited

3rd Floor, City Centre, Plot#40, Main Bank Road,
Saddar Cantt., Pawalpindi

Tel: +92-51-5700824-8, Cell: +92-300-5000395