

# SAJJAD TEXTILE MILLS LIMITED

**ANNUAL REPORT**  
**JUNE 30, 2018**

## **CONTENTS**

Company's Information	02
Vision and Mission Statements	03
Statement of Ethics and Business Practices	04
Key Operating and Financial Data	06
Review Report to the members on Statement of Compliance with Best Practices of Code of Corporate Governance	07
Notice of Annual General Meeting	08
Chairperson's Review Report	10
Directors' Report	12
Statement of Compliance With The Code of Corporate Governance	16
Corporate Social Responsibility	18
Auditors' Report to the Members	19
Balance Sheet	25
Profit and Loss Accounts	26
Statement of Comprehensive Income	27
Cash Flow Statement	28
Statement of Changes in Equity	29
Notes to and forming part of the Financial Statements	30
Pattern of Shareholding	47
Proxy Form in English, Notice of AGM in Urdu & Proxy Form in Urdu	

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Muhammad Asim Sajjad - Chief Executive  
Mrs. Seema Sajjad - Chairperson  
Mr. Salman Muhammad Aslam  
Mrs. Ayesha Rahim  
Miss Batool Zahra  
Mr. Mehr Allah Yar  
Mr. Maqsood Akbar

### **CHIEF FINANCIAL OFFICER**

Mr. Irfan Hamid

### **COMPANY SECRETARY**

Mr. Abdul Latif

### **AUDITORS**

M/s. Mudassar Ehtisham & Company,  
Chartered Accountants

### **AUDIT COMMITTEE**

Mr. Maqsood Akbar - Chairman  
Mr. Mehr Allah Yar - Member  
Miss Batool Zahra - Member

### **HUMAN RESOURCE AND REMUNERATION COMMITTEE**

Mr. Salman Muhammad Aslam – Chairman  
Mr. Mehr Allah Yar - Member  
Mrs. Seema Sajjad - Member  
Mrs. Ayesha Rahim - Member

### **BANKERS**

Askari Bank Limited  
Habib Bank Limited  
Bank Alfalah Limited  
Habib Metropolitan Bank Limited

### **COMPANY SHARE REGISTRARS**

Hameed Majeed Associates (Pvt) Ltd.

1st Floor, H.M. House,  
7 - Bank Square, Lahore  
TEL: 042-37235081-82  
FAX: 042-37358817  
e-mail: shares@hmaconsultants.com

### **REGISTERED OFFICE**

19-B, Off. Zafar Ali Road,  
Gulberg-V, Lahore.  
Tel: 042-35775501 & 02  
Fax: 042-35711526  
E-Mail: Info@sajjadtextile.com

### **MILLS ADDRESS**

64-KM, Multan Road, Jumber Kalan  
Tehsil Chunian  
District Kasur.  
Tel: 04951-388102

## **SAJJAD TEXTILE MILLS LIMITED**

### **VISION STATEMENT**

We aim at seeing our company to be a model trading enterprise providing high quality products by complying with the requirements of Quality Management System and continuously improving its effectiveness for total customer's satisfaction. We wish to play a leading role in the economy by keeping a substantial presence in the export and local markets.

### **MISSION STATEMENT**

1. To strive hard to develop new markets for the sale of our products locally and internationally.
2. To improve customer's satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.
3. To attend to the prompt resolution of customer's complaints by taking timely corrective measures to redress the quality complaints.
4. To improve logistic facilities for our customers dispatch programme and issue all shipments/delivery documents well in time.
5. To make comprehensive arrangements for the training of our staff.
6. To promote team work, sense of transparency, creativity in our professionals.

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

**SAJJAD TEXTILE MILLS LIMITED** has laid down the following business ethics and Principles, the observance of which is compulsory for all the directors and staff members of the company in the conduct of company's business in order to protect and safeguard the reputation and integrity of the company at all levels of its operations. Any contravention of these ethics is regarded as misconduct. The company will ensure that all the executives and subordinate staff members are fully aware of these standards and principles.

### 1. Conflict of interest

All staff members are expected not to engage in any activity which can cause conflict between their personal interests and company's interests, such as:

- a. In effecting the purchases for the company and selling its products the directors and the staff members are forbidden from holding any personal interest in any organization supplying goods or services to the company or buying its products.
- b. The staff members should not engage in any outside business while serving the company.
- c. Staff members are not permitted to conduct personal business in company's premises or use company's facilities for the same.
- d. If a staff member has direct or indirect relationship with an outside organization dealing with the company he must disclose the same to the management.

### 2. Confidentiality

All staff members are required not to divulge any secrets / information of the company to any outsider even after leaving the service of the company unless it is so required by a court of law. During the course of service in the Company they should not disseminate any information relating to business secrets of the company without the consent of management.

### 3. Kickbacks

All staff members are strictly forbidden not to accept any favour, gifts or kick backs from any organization dealing with the company. In case if such a favour is considered, in the interest of the company., the same should be disclosed clearly to the management.

### 4. Proper accounts keeping

All funds, receipts and disbursements should be properly recorded in the accounts books of the company. No false or fictitious entries should be made or misleading statement pertaining to the company or its operations should be issued. All agreements with agents, dealers and consultants should be made in writing supported with required evidence.

5. Relationship with Government officials suppliers, agents etc.

The dealings of the company with Government officials, suppliers, buyers, agents and consultants of the company should always be such that the integrity of the company and reputation is not damaged. Members having queries in connection with how to deal with these requirements should consult the management.

6. Health and Safety

Every staff member is required to take care of his health and safety and of those working with him. The management is responsibility for keeping its staff members insured as per government rules and regulations.

7. Environment

To preserve and protect the environment all staff members are required to operate the company's facilities and processes so as to ensure maximum safety of the adjoining communities, and strive continuously to improve environmental awareness and protections.

8. Alcohol, Drugs

All types of gambling and betting at the company's work places are strictly forbidden. Also taking of any alcohols or drugs inside the work places is not allowed and any member of the staff, not abiding by these prohibitions will attract disciplinary as well as penal action under the law.

9. Coordination among staff members to maintain discipline

All staff members will work in close coordination with their co-workers, seniors and colleagues so that the Company's work could be carried out effectively and efficiently. All cases of non-cooperation among staff members should be reported to the management and strict disciplinary action will be initiated against violators.

10. Workplace Harassment

All staff members will be provided an environment that is free from harassment and in which all employees are equally respected. Workplace harassment means any action that creates an intimidating, hostile pr offensive environment which may include sexual harassment, disparaging remarks based on gender, religious, race or ethnicity.

For and on behalf of the Board



MUHAMMAD ASIM SAJJAD  
Chief Executive Officer

October 01, 2018  
Lahore

**KEY OPERATING AND FINANCIAL DATA**

<b>OPERATING</b>	<b>RUPEES IN MILLION</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
						(Restated)
Net Sales	4.5	139.8	793.1	1171.1	1260.2	807.5
Gross Profit	4.5	(34.5)	(226.9)	2.5	21.1	122.3
Operating Profit/(Loss)	(70.5)	(63.8)	(268.4)	(52.3)	(13.9)	85.2
Pre tax Profit/(Loss)	(82.3)	(74.2)	(275.1)	(56.1)	(17.4)	80.0
After tax Profit/(Loss)	(83.0)	(74.4)	(282.1)	(46.3)	(4.4)	51.7

**FINANCIAL**

Tangible Fixed Assets-Net						
- Operating	9.2	22.1	292.9	466.2	430.7	441.0
- Capital work-in-progress	-	-	-	-	-	-
- Leased	-	-	-	-	-	-
Deposits	11.8	11.8	11.4	11.4	11.4	11.4
	<u>21.0</u>	<u>33.9</u>	<u>304.3</u>	<u>477.5</u>	<u>442.1</u>	<u>452.4</u>
Current Assets	27.7	36.5	143.0	203.7	167.6	258.8
Current Liabilities	(464.9)	(465.4)	(530.8)	(456.9)	(318.3)	(379.6)
	<u>(437.2)</u>	<u>(428.9)</u>	<u>(387.8)</u>	<u>(253.2)</u>	<u>58.5</u>	<u>90.8</u>
Capital Employed	(416.1)	(395.0)	(83.6)	219.4	454.0	446.3
Long Term Loans and Other Liabilities	-	-	0.3	2.5	23.3	48.4
Share Holders' Equity	<u>(416.1)</u>	<u>(395.0)</u>	<u>(83.9)</u>	<u>221.9</u>	<u>477.3</u>	<u>494.7</u>

**REPRESENTED BY**

Share Capital	212.7	212.7	212.7	212.7	212.7	212.7
Accumulated Loss	(561.4)	(499.0)	(426.7)	(148.6)	(106.4)	(95.8)
Surplus on revaluation of Fixed Assets	127.0	128.0	130.2	157.8	161.9	166.2
Directors and Sponsors loan	-	-	-	-	209.2	211.7
	<u>(221.7)</u>	<u>(158.3)</u>	<u>(83.9)</u>	<u>221.9</u>	<u>477.3</u>	<u>494.7</u>

**RATIO**

Debt/Equity Ratio	1.14 : 1	1.52 : 1	1.38 : 1	0.58 : 1	0.06 : 1	0.13 : 1
Current Ratio	0.47 : 1	0.08 : 1	0.27 : 1	0.45 : 1	0.53 : 1	0.68 : 1
Gross Profit/(Loss) to Sales %	100.0	(24.7)	(28.6)	0.2	1.7	15.2
Net Profit/(Loss) to Sales %	(1,859.5)	(53.2)	(35.6)	(4.0)	(0.3)	6.4
Break-up value per Share (Rs.)	(20.42)	(7.48)	(3.94)	10.43	12.61	13.31
Earning/(Loss) per Share (Rs.)	(3.90)	(3.50)	(13.26)	(2.00)	(0.21)	2.43
Dividends %	-	-	-	-	-	5.00

**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 Sajjad Textile Mills Limited for the year ended 30 June 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

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

Mudassar Ehtisham & Co.

Chartered Accountants

Date: October 01, 2018

Lahore



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30<sup>th</sup> Annual General Meeting of Members of the **SAJJAD TEXTILE MILLS LIMITED** will be held on October 27, 2018 (Saturday) at 11:30 a.m. at registered office of the Company at 19-B, Off. Zafar Ali Road, Gulberg-V, Lahore to transact the following business:

### **Ordinary Business:**

1. To read and confirm minutes of the Extra-ordinary General Meeting of the Company held on February 20, 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, 2018.
3. To appoint Auditors for the year ending June 30, 2019 and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore  
Dated: October 01, 2018

**(ABDUL LATIF)**  
Company Secretary

### **NOTES:**

1. The Share transfer books of the Company will remain closed from 20 October, 2018 to 27 October, 2018 (both days inclusive). Physical transfers received in order by the Company's shares Registrar M/s, Hameed Majeed Associates (Private) Limited, H.M. House, 7- Bank Square, Lahore by the close of business on 19 October, 2018 will be treated in time to determine voting rights of the members for attending the meeting.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxy forms duly completed must reach the company at its Registered Office at least 48 hours before the time of the meeting. Form of proxy is attached.
3. Members are requested to send copies of their CNICs to the Company's share Registrar to enable the Company to comply with direction of the Securities and Exchange Commission of Pakistan contained in SRO-831(1) 2012. Interested Members are encouraged to send their e-mail addresses with their consent to opt for transmission of annual reports and AGM notice through e-mail, at Company's registered Office. Shareholders are requested to immediately notify the change of address, if any to share Registrar of the Company.

CDC account holders will further have to follow the guidelines as laid down in circular No. 1 dated: January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

4. The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account of designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company.

5. Pursuant to the provisions of Finance Act, 2017, effective 01 July 2017, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers. Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website. Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate and necessary documentary evidence, as the case may be.

**6. A. For attending the meeting personally:**

Any individual beneficial owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of a corporate entity, the Board's resolution/power of attorney with specimen signature should be furnished along with the proxy form to the Company.

**B. For exercising electronic voting right through Intermediary by providing consent in writing regarding appointment of execution officer as proxy as per the Companies (E-Voting) Regulations, 2016.**

The instrument of e-voting under option 2 shall be deposited in advance in writing at least ten days before holding of general meeting, at the registered office 19-B, Off. Zafar Ali Road Gulberg – V, Lahore, of the company or through email: [corporate@sajjadtextile.com](mailto:corporate@sajjadtextile.com).

- i) The proxy/e-voting form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - ii) The company will arrange for e-voting if the company receives demand for poll from at least five members or by any member or members having not less than one tenth of the voting power.
  - iii) Members can also avail video conference facility. In this regard, please send in writing to registered address of the Company 10 days before holding of general meeting.
7. The Company has placed the Audited Financial Statements for the year ended 30<sup>th</sup> June, 2018 along with Auditors' and Directors' Reports thereon on its website: [www.sajjadtextile.com](http://www.sajjadtextile.com)
8. Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our Share Registrar M/s Hameed Majeed Associates (Pvt) Limited, H.M. House 7-Bank Square, Lahore to collect/enquire about their unclaimed dividend or pending shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.

## CHAIRPERSON'S REVIEW REPORT

An annual evaluation of the Board of Directors' overall performance is conducted in compliance with the requirement of the Code of Corporate Governance and the Companies Act, 2017. The purpose of this evaluation is to ensure that the Board of Directors' (the Board) performance is measured in the context of overall corporate objectives and governance structure of the Company.

During the year, the Board of Directors focused on the future strategy and set the financial and operational targets. The Board regularly tracked the progress against the budgeted targets. The committees of the board worked diligently and focused on their terms of reference during the year under review.

For the financial year ended 30 June 2018, the Board's overall performance and effectiveness has been assessed as 'Satisfactory'. The Board evaluation during the year 2018 robustly considered all aspects of the Board including the performance of individual Directors, Board Committees and the Board as a whole and I am happy to report that your Board continues to function effectively and is focused on priorities for the Company's business.

Lahore  
Dated: October 01, 2018



Mrs. Seema Sajjad  
Chairperson

## چئیرپرسن کی سالانہ تشخیس

بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی کی سالانہ تشخیس کارپوریٹ گورننس اور کمپنی ایکٹ، 2017 کی ضرورت کے ساتھ تعمیل میں کیا گیا ہے۔ اس تشخیس کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ آف ڈائریکٹرز (بورڈ) کی کارکردگی مجموعی کارپوریٹ مقاصد اور کمپنی کے حکومتی ڈھانچے کے تناظر میں مایا جائے۔

سال کے دوران، بورڈ آف ڈائریکٹرز مستقبل کی حکمت عملی پر توجہ مرکوز کرتے ہیں اور مالی اور آپریشنل مقاصد کو قائم کرتے ہیں۔ بورڈ نے باقاعدگی سے بجٹ کے اہداف پر غور کیا۔ بورڈ کے کمیٹیوں نے محنت سے کام کیا اور جائزہ لینے کے تحت سال کے دوران ان کے حوالہ جات کے حوالہ پر توجہ مرکوز کی۔

30 جون 2018 کو ختم ہونے والے مالی سال کے لئے، بورڈ کے مجموعی کارکردگی اور تاثیر 'اطمینان بخش' ہے۔ سال 2018 کے دوران بورڈ کی تشخیس نے بورڈ کے تمام پہلوؤں پر زور دیا ہے، بشمول انفرادی ڈائریکٹرز، بورڈ کمیٹیوں اور بورڈ کے مجموعی طور پر اور میں رپورٹ کرنے کے لئے خوش ہوں کہ بورڈ مؤثر طریقے سے کام جاری رکھتا ہے اور کمپنی کے کاروبار کے لئے ترجیحات پر توجہ مرکوز کرتا ہے۔

مسز سیما سجاد  
چئیرپرسن  
1 اکتوبر، 2018  
لاہور

## **DIRECTORS' REPORT**

Dear Members,  
Assalam-o-Alaikum,

The Directors welcome you to the 30<sup>th</sup> Annual General Meeting of the Company and are pleased to present the Annual Report together with the Audited Accounts, Auditors' Report and other various statements as required by the Code of Corporate Governance and Pakistan Stock Exchange for the year ended June 30, 2018.

### **Financial Results**

The financial results are as under:

	<b><u>30-06-2018</u></b> <b><u>Rs. (Million)</u></b>	<b><u>30-06-2017</u></b> <b><u>Rs. (Million)</u></b>
Sales – Net	<b>4.464</b>	139.813
Cost of Sales	-	174.335
Gross Profit / (Loss)	<b>4.464</b>	(34.522)
Profit / (Loss) before Financial & Other Charges	<b>(70.509)</b>	(63.769)
Profit / (Loss) before Taxation	<b>(82.332)</b>	(74.184)
Taxation	<b>0.670</b>	0.240
Profit / (Loss) after Taxation	<b>(83.002)</b>	(74.424)

The Company suffered after tax loss of Rs. (83.002) million for the year ended June 30, 2018 respectively as against after tax loss of Rs. (74.424) million for the preceding year.

### **Earning/(Loss) per share**

Loss after tax per share was Rs. (3.90) for the year ended June 30, 2018 respectively as against per share after tax loss was Rs. (3.04) for the preceding year.

The manufacturing operations of the Company remained suspended during the year as per intimation sent to Pakistan Stock Exchange and Securities and Exchange Commission of Pakistan on September 22, 2016. The Company obtained approval of its Members in the Extraordinary General Meeting held on February 20, 2018 to dispose off the land, building and other assets of the Company and to utilize their sale proceeds partially to meet the pressing of the Company and the remaining amount in trading activities along with the amount generated on account of renting/letting out of the Company's premises as permissible under the Memorandum of Association of the Company. An advertisement inviting tenders from prospective buyers of Land, Building and other assets was published and few prospective buyers have shown interest in the purchase of aforesaid assets and are being presently considered by the Company.

### Corporate and Financial Reporting Framework

- a) The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate account policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
- g) Key Operating and Financial Data for the last six (6) years in summarized form are annexed.
- h) There are no overdue taxes and levies as on 30<sup>th</sup> June, 2018 other than sales and income tax withheld as withholding agent.
- i) The Company operates un-funded gratuity scheme for its employees and proper provision has been made in the accounts.
- j) Pattern of shareholding and additional information is annexed.
- k) New Company Secretary has been appointed whereas Chief Financial Officer has not been changed during the year.
- l) The appointment of external auditors will be discussed in the annual general meeting; however existing external auditors M/s Mudassar Ehtisham & Company – Chartered Accountant being eligible for re-appointment have offered their services.
- m) Mr. Muhammad Asim Sajjad – Chief Executive Officer himself and five other directors obtained directors training certification, under Directors’ Training Program. Chief Executive Officer is strongly encouraging other directors to acquire the above said certification.
- n) Company’s periodic financial statements and investor related information along with web link of Jama Punji, as per Securities and Exchange Commission of Pakistan’s instructions is available on the company’s website [www.sajjadtextile.com](http://www.sajjadtextile.com).
- o) During 2017-2018, Mr. Salman Muhammad Aslam – Director has bought =30,500= shares and Mr. Sajjad Aslam - spouse of Director/Chairperson has bought =6,500= shares of the Company. The trades in shares of the Company were reported through changes in beneficial ownership process. Other Directors, CEO, CFO/Company Secretary, their Spouses and minor children have not traded any shares of the Company during the period under discussion.
- p) Eight (08) Board of Directors’ Meetings were held during the year. Following was the attendance of the Directors:-

<u>Name of Directors</u>	<u>No. of Meetings Attended</u>
Mr. Muhammad Asim Sajjad	08
Mrs. Seema Sajjad	08
Mr. Salman Muhammad Aslam	08
Mrs. Ayesha Rahim	07
Miss Batoool Zahra	08
Mr. Mehr Allah Yar	07
Mr. Sultan Mahmood	07

Directors who could not attend Board Meetings due to illness or some other reasons were granted leave of absence in accordance with the law. The Board of Directors was elected in extra-ordinary general meeting held on 6<sup>th</sup> April, 2017 and no vacancy occurred during period upto 30<sup>th</sup> June, 2018.

- r) The directors and sponsors loans are unsecured and these are repayable upon easing of the company's liquidity. There is no fix repayment schedule or tenure for repayment of these liabilities. Therefore, these loans have been classified as current liabilities as per Technical Release of ICAP, dated: 11-02-2015.

### **Audit Committee**

The Board of Directors in compliance of Code of Corporate Governance has established and Audit Committee which consists of following directors:

<b><u>Name of Member</u></b>		<b><u>No. of Meetings Attended</u></b>
Mr. Sultan Mehmood	Chairman	05
Mr. Mehr Allah Yar	Member	05
Miss Batool Zahra	Member	05

### **Human Resource and Remuneration Committee**

In compliance with the Code of Corporate the Governance the Board of Directors has formed a human Resource and Remuneration Committee (HR & R Committee) comprising of four members named below one of which is independent director:

#### **Name of Member**

Mr. Salman Muhammad Aslam	Chairman
Mr. Sultan Mehmood	Member
Mr. Seema Sajjad	Member
Mr. Ayesha Rahim	Member

Statement of compliance with Code of Corporate Governance is annexed.

The appointment of Auditors for the year ending June 30, 2019 will be discussed in the Annual General Meeting along with fixation of their remuneration. The Statutory Auditors will retire and are eligible for re-appointment.

For and on behalf of the Board



**(MUHAMMAD ASIM SAJJAD)**  
Chief Executive Officer



**(SALMAN MUHAMMAD ASLAM)**  
Director

**Lahore**  
**October 01, 2018**

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

Name of company **SAJJAD TEXTILE MILLS LIMITED** Year Ended 30<sup>th</sup> June, 2018.

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

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

a. Male	4
b. Female	3
  
2. The composition of BOD is as follows:
 

Independent Director	Mr. Mehr Allah Yar Mr. Maqsood Akbar
Other Non-executive Director	Mrs. Seema Sajjad Mrs. Ayesha Rahim Mrs. Batool Zahra
Executive Director	Mr. Muhammad Asim Sajjad Mr. Salman Muhammad Aslam
  
3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.
  
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
  
5. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
  
6. All the powers of 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 board were presided over by the Chairman and, in his absence, by a director elected by board for this purpose. 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 has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
  
9. Majority of the directors are certified of the Directors' Training Program. The board has arranged Directors' Training program for the following:
 

Mr. Mehr Allah Yar
Mrs. Seema Sajjad
Mrs. Ayesha Rahim
Mrs. Batool Zahra
Mr. Muhammad Asim Sajjad
Mr. Salman Muhammad
  
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. BOARD has formed committees comprising of members given below:
- |                                  |  |
|----------------------------------|--|
| a) Audit Committee               | Mr. Maqsood Akbar – Chairman<br>Mr. Mehr Allah Yar – Member<br>Miss Batool Zahra – Member                                      |
| b) HR and Remuneration Committee | Mr. Salman Muhammad Aslam-Chairman<br>Mr. Mehr Allah Yar – Member<br>Mrs. Seeman Sajjad – Member<br>Mrs. Ayesha Rahim – Member |
13. Terms of reference of 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               | 5 |
| b) HR and Remuneration Committee | 1 |
15. The board has outsourced internal audit function to a firm of Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with policies and procedures of 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.



**Mrs. Seema Sajjad**  
Chairperson



**Muhammad Asim Sajjad**  
Chief Executive Officer

**Date: October 01, 2018**


## **CORPORATE SOCIAL RESPONSIBILITY**

This statement is being presented to comply with the corporate social responsibility.

The Company has applied the principles contained in the Code in the following manner:

1. The Company has implemented all possible measures for the conservation of the energy in order to play its part of job in facing the energy crisis in the country. The Company has restricted the use of electric and gas heaters; the time scheduling has been implemented in the use of A/C and electrical equipments.
2. To ensure the healthy and pollution free environment Sajjad Textile Mills Limited encourages its employees to grow the trees and plants.
3. The Company has adopted fair policy for providing better quality of yarn to our customers so as to deliver good quality clothing's to the end users.
4. The Company management has successfully promoted and maintained an environment of mutual trust and respect between the workers and management.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Company has employed disabled persons as per labour laws prevailing in Pakistan.
7. The management has devised a code of ethics for employees to safeguard safety and health issues. The Company has an encouraging environment regarding the workers safety and health. The Company has arranged the first aid facility for providing emergency treatment for labour. Occupational safety and health is ensured by during the operational hours as well as in mills colony.
8. The management has also devised a code of business ethics in order to conduct the smooth business transactions and to avoid any misbehave or un-even incidents.
9. The Company is contributing towards national exchequer by paying its due taxes and levies to the government. All government taxes, dues and levies are paid in time and had never defaulted in such payments.
10. The Company is running under considerable accumulated loss and keeping in view disturbed cash flow, no contribution is made towards corporate philanthropy, community investment & welfare schemes and spending for under-privileged classes/ rural development.

Lahore  
Dated: October 01, 2018

  
**(MUHAMMAD ASIM SAJJAD)**  
Chief Executive

## **INDEPENDENT AUDITORS' REPORT**

### **To the members of Sajjad Textile Mills Limited**

#### **Opinion**

We have audited the annexed financial statements of Sajjad Textile Mills Limited (the Company), which comprise the statement of financial position as at June 30, 2018 and the statement of profit or loss and 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, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Opinion**

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

#### **Material Uncertainty relating to Going Concern**

We draw attention to the matter that during the year ended 30 June 2018, the Company's accumulated losses stand at Rs. 561.403 million. Its equity is eroded by Rs. 222.888 million and its current liabilities exceed its current assets by Rs. 437.157 million. These conditions, along with other matters as set forth in note 2 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have however been prepared on a going concern basis for the reasons more fully explained in note 2 to the financial statements. Our opinion is not qualified in respect of this matter.

#### **Key Audit Matters**

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

Following are the Key audit matters.

Sr No.	Key Audit Matters	How the matter was addressed in our audit
1	<p><b>First time application of third and fourth schedules to the Companies Act, 2017</b></p> <p>As referred to in note 3.1 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments (as specified in the said note 3.4(a) relating to disclosures required in the Company's financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>• Considering the management's process to identify the necessary amendments required in the Company's financial statements.</li> <li>• Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business.</li> <li>• Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.</li> </ul>

2.	<p><b>The Company's exposure to litigation risk</b></p> <p>The Company is exposed to different laws, regulations and interpretations thereof and hence, there is a litigation risk. In our judgement, the Company has significant litigation cases in respect of claim from other financial institutions and levy of Gas Infrastructure Development Cess, details of which are disclosed in notes 22&amp;19.1 respectively to the annexed financial statements.</p> <p>Given the nature and amounts involved in such cases and the appellate forums at which these are pending, the ultimate outcome and the resultant accounting in the financial statements is subject to significant judgement, which can change over time as new facts emerge and each legal case progresses, and therefore, we have identified this as key audit matter.</p>	<p><b>Our audit procedures included the following:</b></p> <ul style="list-style-type: none"> <li>• Obtaining understanding of the Company's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Board Audit Committee.</li> <li>• Reading correspondence of the Company with regulatory departments and the Company's external counsel, where applicable. Where relevant, also assessing external legal advices obtained by the Company.</li> <li>• Discussing open matters and developments with the in-house legal department personnel of the Company.</li> <li>• Circularizing external confirmations, where appropriate, on material cases and assessing the replies received thereto.</li> <li>• Whilst noting the inherent uncertainties involved with the legal and regulatory matters, assessing the appropriateness of the related disclosures made in the annexed financial statements.</li> </ul>
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3.	<p><b>Impairment of non-current assets held for sale</b></p> <p>Non-current assets held for sale comprise 78% of total assets. This amounts to Rs. 189.436million as shown in note 13. Judgement is exercised in determining the fair values and when assessing whether there are any indicators of impairment present and when performing impairment assessments where indicators have been identified. Based on the value of the balance as well as the assumptions involved in determining fair market values has been identified as a key audit matter.</p>	<p>The following was performed on the assessment of useful lives and residual values:</p> <ul style="list-style-type: none"> <li>• Obtained the fair values assessment and confirmed that this was reviewed and considered in the year under review</li> </ul>
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#### **Other information:**

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements. 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, 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.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

- a) proper books of account have been kept by the Company as required by Companies Act, 2017 (XIX of 2017)
- b) because of the matter describe in basis for adverse opinion, the statement of financial position, the statement of profit or loss and other comprehensive income or the income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn up in conformity with the requirements of the Companies Act, 2017, (XIX of 2017), and in agreement with the books of accounts and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditor's report is Mr. Asad Ijaz

**Mudassar Ehtisham & Co.**  
**Chartered Accountants**  
**Lahore**

**Date: October 01, 2018**



**BALANCE SHEET**  
**AS AT JUNE 30, 2018**

	NOTE	2018 (Rupees)	2017 (Rupees) "Re-stated"
<b><u>ASSETS</u></b>			
<b><u>NON - CURRENT ASSETS</u></b>			
Property, plant and equipment	5	9,199,763	22,082,068
Long term deposits	6	11,826,813	11,826,813
Investment Properties	7	-	159,460,000
Available for sale investments	8	<u>3,806,462</u>	<u>3,538,283</u>
		<u>24,833,038</u>	<u>196,907,164</u>
<b><u>CURRENT ASSETS</u></b>			
Trade debts	9	-	7,550,133
Loans and advances	10	66,520	4,056,791
Trade deposits, prepayments & other receivables	11	24,904,233	23,905,785
Cash and bank balances	12	2,761,765	980,636
		<u>27,732,518</u>	<u>36,493,345</u>
Assets classified as held for sale	13	189,436,110	72,995,839
<b>TOTAL ASSETS</b>		<u><u>242,001,666</u></u>	<u><u>306,396,348</u></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>SHARE CAPITAL AND RESERVES</u></b>			
Authorized capital	14	300,000,000	300,000,000
Issued, subscribed and paid-up capital	14	212,678,000	212,678,000
Capital reserve	16	(1,172,922)	(746,322)
Surplus on revaluation of property, plant and equipment	17	127,010,314	128,041,735
Accumulated loss		<u>(561,403,879)</u>	<u>(499,010,250)</u>
		<u>(222,888,487)</u>	<u>(159,036,838)</u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Deferred liabilities	18	-	-
<b><u>CURRENT LIABILITIES</u></b>			
Trade and other payables	19	70,933,558	87,320,898
Accrued mark-up	20	44,742,542	32,945,052
Short term loan from directors and sponsors- unsecured	21	348,377,550	344,760,550
Unclaimed dividend		166,942	166,942
Provision for taxation	30	669,561	239,743
		<u>464,890,153</u>	<u>465,433,185</u>
<b>CONTINGENCIES &amp; COMMITMENTS</b>	22	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>242,001,666</u></u>	<u><u>306,396,348</u></u>

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

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	NOTE	2018 (Rupees)	2017 (Rupees)
Sales - net	23	4,463,740	139,813,179
Cost of Sales	24	-	(174,334,805)
<b>Gross Profit/(Loss)</b>		<b>4,463,740</b>	<b>(34,521,626)</b>
Distribution costs	25	-	(1,200,886)
Administrative expenses	26	(41,132,249)	(30,490,261)
Other operating expenses	27	(34,191,332)	(2,575,322)
		<b>(75,323,581)</b>	<b>(34,266,469)</b>
		<b>(70,859,841)</b>	<b>(68,788,095)</b>
Other Operating Income	28	351,043	5,018,666
<b>Loss from operations</b>		<b>(70,508,798)</b>	<b>(63,769,429)</b>
Finance cost	29	(11,823,317)	(10,414,844)
<b>Loss before taxation</b>		<b>(82,332,115)</b>	<b>(74,184,273)</b>
Taxation	30	(669,561)	(239,743)
<b>Loss after taxation</b>		<b>(83,001,676)</b>	<b>(74,424,016)</b>
<b>Basic &amp; Diluted loss per share</b>	31	<b>(3.90)</b>	<b>(3.50)</b>

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

  
 CHIEF EXECUTIVE

  
 CHIEF FINANCIAL OFFICER

  
 DIRECTOR

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

	Note	2018	2017
		(Rupees)	(Rupees)
Loss after taxation		(83,001,676)	(74,424,016)
<b>Other comprehensive income</b>			
Items that will not be classified to profit and loss account			
<b>Other comprehensive income- transferred to equity</b>			
Deficit on re-measurement of available for sale investments to fair value.		(426,600)	(759,380)
		(426,600)	(759,380)
<b>Other comprehensive income - not transferred to equity</b>			
Loss on revaluation of property, plant and equipment		-	-
Adjustment of surplus on revaluation of property, plant and equipment due to change in tax rate - note 17		(299,912)	-
<b>Total comprehensive income / (loss)</b>		<b>(83,728,188)</b>	<b>(75,183,396)</b>

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

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

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

NOTE	2018	2017
	(Rupees)	(Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(82,332,115)	(74,184,273)
Adjustment for:		
Depreciation	3,781,804	7,410,253
Gratuity provision	542,000	193,404
Impairment loss on non current assets held for sale	5,490,002	-
Provision for debtors and advances	11,385,756	-
Loss/(Gain) from Sale of Assets	17,315,575	2,364,993
Finance cost	11,823,317	10,414,844
Operating Loss before working capital changes	<u>(31,993,662)</u>	<u>(53,800,779)</u>
Adjustments for working capital changes:		
(Increase) / Decrease in Current Assets		
Stores and Spares	-	11,048,771
Stock in Trade	-	59,121,238
Trade Debts	66,888	19,824,265
Loans and Advances	87,761	2,934,467
Trade deposits, prepayments and other receivables	<u>(998,448)</u>	<u>327,260</u>
	<u>(843,799)</u>	<u>93,256,001</u>
(Decrease) / Increase In Current Liabilities		
Trade and Other Payables and accrued markup	<u>(16,387,340)</u>	<u>(116,902,191)</u>
	<u>(16,387,340)</u>	<u>(116,902,191)</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash generated from / (utilized) in operations	(49,224,801)	(77,446,969)
Finance costs paid	(25,827)	(35,554)
Gratuity paid	(542,000)	(492,334)
Income & Sales tax paid	(240,582)	(4,221,136)
<b>Net cash (utilized in) operating activities</b>	<b>(50,033,210)</b>	<b>(82,195,993)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Fixed capital expenditure	<u>(3,208,500)</u>	<u>(657,832)</u>
Proceeds from disposal of property, plant & equipment	52,099,783	39,145,756
Short term investments	<u>(693,944)</u>	<u>(4,050,000)</u>
<b>Net cash (out flow) / in flow from investing activities</b>	<b>48,197,339</b>	<b>34,437,924</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Short term loan from directors and sponsors - disbursements	<u>3,617,000</u>	<u>38,715,730</u>
<b>Net cash in flow from financing activities</b>	<b>3,617,000</b>	<b>38,715,730</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,781,129</b>	<b>(9,042,339)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>980,636</b>	<b>10,022,975</b>
<b>Cash and cash equivalents at end of the year</b>	<b>12 2,761,765</b>	<b>980,636</b>

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

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

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

	SHARE CAPITAL APITAL RESERVES		REVENUE RESERVE		TOTAL EQUITY
	Paid up ordinary share capital	Unrealized gain/(loss) on re-measurement of available for sale investment	Surplus on revaluation of property, plant and equipment	ACCUMULATED LOSSES	
	Rupees				
Balance as at June 30, 2016	212,678,000	13,058		(426,701,566)	(214,010,508)
Adjustment due to change in Note 3.1	-	-	130,157,067	-	130,157,067
Total comprehensive loss for the year ended July 01, 2016 - Restated	212,678,000	13,058	130,157,067	(426,701,566)	(214,010,508)
Total comprehensive loss for the year ended June 30, 2017					
Loss for the year ended June 30, 2017	-	-		(74,424,016)	(74,424,016)
Other Comprehensive income for the year ended	-	(759,380)		-	(759,380)
	-	(759,380)		(74,424,016)	(75,183,396)
Revaluation surplus realized on account of:					
- Incremental Depreciation current year - net off T ax	-	-	-	2,115,332	2,115,332
- Incremental Depreciation	-	-	(2,115,332)		
- Disposal of property, plant & equipment- net off T ax	-	-	-	-	-
	-	-	(2,115,332)	2,115,332	2,115,332
Balance as at June 30, 2017	212,678,000	(746,322)	128,041,735	(499,010,250)	(159,036,838)
Balance as at July 01, 2017	212,678,000	(746,322)	128,041,735	(499,010,250)	(159,036,838)
Effect of error	-	-	-	19,576,627	19,576,627
Balance as at July 01, 2017 - Restated	212,678,000	(746,322)	128,041,735	(479,433,623)	(139,460,210)
Total comprehensive income/(loss)					
Total comprehensive loss for the year ended June 30, 2018					
Loss for the year ended June 30, 2018	-	-		(83,001,676)	(83,001,676)
Loss for the year ended June 30, 2017	-	-			
Other Comprehensive income for the year ended	-	(426,600)	299,912	(299,912)	(426,600)
	-	(426,600)	299,912	(83,301,588)	(83,428,276)
Revaluation surplus realized on account of:					
Incremental Depreciation current year - net off T ax	-	-	(1,331,332)	1,331,332	-
Incremental Depreciation current year	-	-	-	-	-
Disposal of property, plant & equipment- net off T ax	-	-	-	-	-
	-	-	(1,331,332)	1,331,332	-
Balance as at June 30, 2018	212,678,000	(1,172,922)	127,010,314	(561,403,879)	(222,888,487)

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

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2018

#### 1. THE COMPANY AND ITS OPERATIONS

Sajjad Textile Mills Limited ("the company") was incorporated as a public limited company in Pakistan under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is principally engaged in manufacturing, selling, buying and dealing in yarn of all types. The registered office of the company is situated at 19-B, Off Zafar Ali Road, Gulberg-V, Lahore.

During year 2016-17 the company abounded its operations and factory land and building leased out to other industrial units to earn rental income.

#### 2. SIGNIFICANT MATTERS

The Company has suspended its operations and intends to dispose of all of its assets excluding vehicles to settle its liabilities. At the balance sheet date the Company accumulated losses stand at Rs. 561.403 million. Its equity is eroded by Rs. 222.888 million and its current liabilities exceed its current assets by Rs. 437.157 million. Further, at present there is no formal approved business plan for future periods. These factors indicate a material uncertainty that the Company may not be able to continue its operations in the foreseeable future, since the resumption of the Company's operations is dependent upon support from the directors. However, these financial statements have been prepared by the management on the assumption that the Company would continue as a going concern. Consequently, the financial statements do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

#### 3. BASIS OF PREPARATION

##### 3.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act. Where the 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.

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property plant and equipment as fully explained in note 4.1 of these financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fourth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, particulars of immovable assets of the Company, management assessment of sufficiency of tax provision in the financial statements (refer note 30.2), change in threshold for identification of executives (refer note 32), additional disclosure requirements for related parties etc.

##### 3.2 Basis of Measurement

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

##### 3.3 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupee.

##### 3.4 Use of Estimate & Judgment

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 reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Provision for taxation
- Valuation of immovable assets
- Provisions and contingencies

a) New standards, amendments to approved accounting standards and new interpretations

## b) Amendments to approved accounting standards and interpretations which are effective during the year ended June 30,

The third and fourth schedule to the Companies Act 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, management assessment of sufficiency of tax provision in the financial statements (refer note 30.2), change in threshold for identification of executives (refer note 32), additional disclosure requirements for related parties etc.

The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

c) New standards, amendments to approved accounting standards and interpretations, that are effective for the Company's accounting periods beginning on or after July 1, 2018

The following revised standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standard or interpretations	Effective date (annual periods beginning on or after)
IFRS 2 – Classification and Measurement of Share-based Payments Transactions (Amendments)	1-Jan-18
IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	1-Jan-18
IFRS 9 – Financial Instruments	1-Jul-18
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	1-Jan-19
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) Contracts – (Amendments)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	1-Jul-18
IFRS 16 – Leases 01 January 2019	
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	1-Jan-19
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments) 01 January 2019	1-Jan-19
IAS 40 – Transfers of Investment Property (Amendments) 01 January 2018	1-Jan-18
IFRIC 22 - Foreign Currency Transactions and Advance Consideration 01 January 2018	1-Jan-18
IFRIC 23 – Uncertainty over Income Tax Treatments	1-Jan-19

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standard or interpretations	IASB effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	1-Jan-18
IFRS 17 – Insurance Contracts	1-Jan-18

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

#### 4- Summary of Significant Accounting Policies

##### 4.1 Property, Plant and Equipment

Property, plant and equipment (except freehold land, buildings on freehold and plant and machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, buildings on freehold and plant and machinery are stated at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses, if any. Capital work-in-progress is stated at cost less impairment, if any.

A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular

Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate at each balance sheet date. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income / other charges" in profit and loss account.

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use or fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

As disclosed in note 3.1 to the financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018. Accordingly, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of property, plant and equipment. The above change in the accounting policy has been applied retrospectively and comparative information has been restated in accordance with the requirement of International Accounting Standard (IAS) - 16 "Property, plant and equipment" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Due to the above change in accounting policy, the Company has presented its statement of financial position as at the beginning of the earliest comparative period i.e., July 01, 2017, and related notes in accordance with requirement of IAS 1 - Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the surplus on revaluation of fixed assets would have been shown as a separate line item (below equity in the statement of financial position) amounting to PKR 128.04 million for the year ended 30 June 2017.

#### 4.2 **Investments**

##### **Available for Sale**

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

These are measured at fair value. The Company uses latest stock exchange quotations to determine the fair value of its quoted investments whereas fair value of investments in un-quoted companies is determined by applying the appropriate valuation techniques as permissible under IAS 39 (Financial Instruments: Recognition and Measurement). Gains or losses on available-for-sale investments are recognized directly in other comprehensive income until the investments are sold or disposed-off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit and loss account as re-classification adjustment.

##### a) **Investments Held to Maturity**

Investments at fair value through profit and loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognized in profit and loss account.

##### b) **Investments at Fair Value through Profit or Loss**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has positive intention to hold to maturity. Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment loss, if any.

#### 4.3 **Trade Debts**

Trade debts are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortized cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

#### 4.4 **Other Receivables**

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amounts.

#### 4.5 **Trade and other Payables**

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

#### 4.6 **Taxation**

##### a) **Current**

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



**b) Deferred Tax**

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

**4.7 Revenue Recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred or to be incurred, can be measured reliably.

**a) Sale of goods and conversion charges**

Sales revenue and conversion charges are recognized when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

**b) Income on bank deposits**

Interest income on bank deposits is accounted for on the time proportion basis taking into account the amounts outstanding and rate applicable thereon.

**c) Others**

Scrap sales and miscellaneous receipts are recognized on realized amounts. Dividend income from investments is recognized when the Company's rights to receive payments has been established.

**d) Rental Income**

Rental income is recognized when the company's right to receive payments has been established

**4.8 Provisions**

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

**4.9 Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and deposits in banks that are readily convertible to known amounts of cash.

**4.10 Financial assets**

Financial assets and liabilities are recognized when the Company becomes a party to contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and liabilities are included in profit and loss account for the year.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest method. The carrying values of liabilities approximate to their amortized cost.

Derivatives are initially recorded at cost which is the fair value of consideration given or received respectively on the date a derivative contract is entered into and are remeasured to fair value, amortized cost or cost as the case may be at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at inception of transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivative that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

**4.11 Impairment****a) Financial Assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized. Reversal of impairment loss is recognized in profit and loss account except in the case of available for sale instruments where the reversal is included in other comprehensive income.

**b) Non-Financial Assets**

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

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

**4.12 Financial Instruments**

Financial assets and liabilities are recognized when the Company becomes a party to contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and liabilities are included in profit and loss account for the year.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest method. The carrying values of liabilities approximate to their amortized cost.

Derivatives are initially recorded at cost which is the fair value of consideration given or received respectively on the date a derivative contract is entered into and are remeasured to fair value, amortized cost or cost as the case may be at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at inception of transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivative that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

**4.13 Dividend & Appropriation to reserves**

Dividend is recognized as a liability in the period in which it is declared.

**4.14 Earnings per share**

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

**4.15 Contingent Liabilities**

Contingent liability is disclosed when the Company has a possible obligation as a result of past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability.

**4.16 Foreign currency transactions**

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at exchange rates prevailing on the balance sheet date. All exchange differences are charged to profit and loss account.

**4.17 Related party transactions**

All transactions with related parties are carried out by the Group at arms' length price using the method prescribed under the Companies Act 2017.

**4.18 Assets classified as held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortized while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

**4.19 Investment Properties**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for:

- use in production or supply of goods or services or for administrative purposes; and
- sale in the ordinary course of business.

Investment properties are initially recognized at cost. Subsequent to the initial recognition, the investment property is measured using the cost model as provided in International Accounting Standard 40 - Investment Property. The cost model requires to measure the investment property at each balance sheet date at its cost less any accumulated impairment losses. The cost of major renovations and improvements is capitalized and the carrying amounts of the replaced components are recognized in profit or loss. The cost of maintenance, repairs and minor improvements is recognized in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognized in profit or loss.

**4.20 Prior Periods Errors and Omissions**

The company changed the classification of its Non-Current assets of the company from owned assets to International Accounting Standard - 40 "Investment Properties" (IAS-40). The company adopted cost model under IAS-40 where these assets were previously under fair value model under IAS-16. As per IAS 8, in case of change in Accounting Policy the company should apply the change accounting policy retrospectively. However, the company continued to recognise the assets in accordance with previous policy, as a result the company equity is overstated. During the year the company conducted detail review of the transaction and discovered the error.

The error has been corrected by restating each of the affected financial statement for the prior period as follows:

Impact on Equity	June 30, 2018	June 30, 2017
Decrease in Accumulated Losses	-	19,576,627
Increase in Non Current assets held for sale	-	19,576,627

## 5 PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	Rupees	Rupees
Tangible Operating Fixed Assets	5.1 <u>9,199,763</u>	<u>22,082,068</u>
	<u>9,199,763</u>	<u>22,082,068</u>

5.1 The following is a statement of property, plant &amp; equipment:

	Land Freehold	Building on Freehold land	Plant and Machinery	Electric Installation	Tools and Equipment	Fire Fighting Equipment	Furniture and Fixture	Office Equipment	Computers	Air Conditioners	Vehicles	Weighing Scale	Arm and Ammunition	Telephone Installation	Total	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
<b>30-Jun-18</b>																
<b>Cost/Revalued Amount</b>																
Balance as at July 01, 2017	-	-	-	9,094,257	1,615,503	989,105	1,839,209	1,127,426	2,536,712	434,700	15,357,731	1,573,400	485,411	94,464	35,147,918	
Additions	-	-	-	351,000	-	-	-	-	-	-	2,857,500	-	-	-	3,208,500	
Disposals/Write offs	-	-	-	-	-	-	-	-	-	-	(5,796,011)	-	-	-	(5,796,011)	
Transferred to assets classified as held for sale	-	-	-	(9,445,257)	(1,615,503)	(989,105)	(1,839,209)	(1,127,426)	(2,536,712)	(434,700)	-	(1,573,400)	(485,411)	(94,464)	(20,141,187)	
Transferred to investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at June 30, 2018	-	-	-	-	-	-	-	-	-	-	12,419,220	-	-	-	12,419,220	
<b>Depreciation</b>																
Balance as at July 01, 2017	-	-	-	2,462,559	239,432	603,844	1,380,195	609,990	1,697,644	289,326	4,297,004	1,167,461	249,419	68,976	13,065,850	
Charge for the period	-	-	-	216,515	44,298	12,402	14,776	16,657	54,022	4,680	986,446	13,068	7,597	820	1,371,283	
On disposals	-	-	-	-	-	-	-	-	-	-	(2,063,994)	-	-	-	(2,063,994)	
Transferred to assets classified as held for sale	-	-	-	(2,679,074)	(283,730)	(616,246)	(1,394,972)	(626,647)	(1,751,666)	(294,006)	-	(1,180,528)	(257,016)	(69,797)	(9,153,682)	
Transferred to investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at June 30, 2018	-	-	-	0	(0)	-	0	0	0	0	3,219,457	(0)	0	(0)	3,219,457	
<b>Net Book Value as at June 30, 2018</b>	-	-	-	(0)	0	-	(0)	(0)	(0)	(0)	9,199,763	0	(0)	0	9,199,763	
<b>30-Jun-17</b>																
<b>Cost/Revalued Amount</b>																
Balance as at July 01, 2016	86,500,000	96,945,804	187,987,981	9,094,257	1,615,503	989,105	1,839,209	1,127,426	2,536,712	434,700	15,957,931	1,573,400	485,411	94,464	407,181,902	
Additions	-	-	657,832	-	-	-	-	-	-	-	-	-	-	-	657,832	
Adjustment due to revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposals/Write offs	-	-	(67,224,045)	-	-	-	-	-	-	-	(600,200)	-	-	-	(67,824,245)	
Transferred to assets classified as held for sale	-	-	(121,421,767)	-	-	-	-	-	-	-	-	-	-	-	-	
Transferred to investment properties	(86,500,000)	(96,945,804)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance as at June 30, 2017	-	-	-	9,094,257	1,615,503	989,105	1,839,209	1,127,426	2,536,712	434,700	15,357,731	1,573,400	485,411	94,464	35,147,918	
<b>Depreciation</b>																
Balance as at July 01, 2016	-	20,145,803	82,587,981	2,113,522	167,007	583,567	1,356,037	582,756	1,604,415	281,675	3,425,871	1,146,095	236,998	67,635	114,299,362	
Charge for the year	-	1,920,000	1,740,570	349,037	72,425	20,277	24,159	27,234	93,230	7,651	1,200,545	21,365	12,421	1,341	5,490,253	
On disposals	-	-	(30,914,070)	-	-	-	-	-	-	-	(329,411)	-	-	-	(31,243,482)	
Transferred to assets classified as held for sale	-	-	(53,414,480)	-	-	-	-	-	-	-	-	-	-	-	(53,414,480)	
Transferred to investment properties	-	(22,065,803)	-	-	-	-	-	-	-	-	-	-	-	-	(22,065,803)	
Balance as at June 30, 2017	-	-	-	2,462,559	239,432	603,844	1,380,195	609,990	1,697,644	289,326	4,297,004	1,167,461	249,419	68,976	13,065,850	
<b>Net Book Value as at June 30, 2017</b>	-	-	-	6,631,698	1,376,071	385,261	459,014	517,437	839,068	145,374	11,060,727	405,939	235,992	25,488	22,082,068	
<b>Annual Rate of Depreciation (%)</b>	-	5	5	5	5	5	5	5	10	5	10	5	5	5		

5.2 The company in its EOGM dated February 20, 2018 decided to transfer all of its non current assets excluding vehicles transferred to Non Current assets held for sale. Hence depreciation charge for the year is only upto february 20, 2018.

5.3 Depreciation for the year is allocated as under:

	2018	2017
	Rupees	Rupees
Cost of Sales:	-	4,123,673
Administration:	<u>1,371,283</u>	<u>1,366,580</u>
	<u>1,371,283</u>	<u>5,490,253</u>

5.4 Disposal of property, plant and equipment

Particulars	Number	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(Loss)	Mode of disposal	Particulars of buyer
4 CARD MACHINES DK-740		5,054,519	2,677,019	2,377,500	1,560,000	(817,500)	Negotiation	IDEAL TRADING Co.
1 DRAW FRAME RSB D-22 MACHINE		7,547,446	1,547,446	6,000,000	6,800,000	800,000	Negotiation	KOHAT TEXTILEMILLS LTD.
1 LOT LAB. EQUIPMENTS		761,850	419,625	342,225	363,000	20,775	Negotiation	CRESCENT COTTON MILLS LTD.
1 LOT STORE & SPARES		4,988,552	-	4,988,552	2,400,000	(2,588,552)	Negotiation	CRESCENT COTTON MILLS LTD.
A/C. PLANT LUWA		4,017,802	2,177,177	1,840,625	1,500,000	(340,625)	Negotiation	ZEESHAN TRADERS
6 CARD MACHINES DK-740		6,352,936	2,779,186	3,573,750	2,340,000	(1,233,750)	Negotiation	IDEAL TRADING Co.
12 CARD MACHINES DK-740		12,705,872	5,577,122	7,128,750	4,680,000	(2,448,750)	Negotiation	IDEAL TRADING Co.
2 CARD MACHINES DK-740		2,117,645	928,895	1,188,750	780,000	(408,750)	Negotiation	IDEAL TRADING Co.
1 SIMPLEX FL16 MACHINE		4,887,902	3,023,839	1,864,063	1,378,000	(486,063)	Negotiation	NATIONAL SPINNINGMILLS
6 COMPRESSORS		1,817,909	884,834	933,075	600,000	(333,075)	Negotiation	LEASTRENGTH TESTER & FIBRO GRAPHSOLD BAHOO COTTON CORP.
2 RING FRAME RY-5 (960 SPINDLE)MACHINES		4,302,161	2,107,029	2,195,133	1,600,000	(595,133)	Negotiation	QADRI TEXTILE MILLS LTD.
4 SIMPLEX FL16 MACHINES		8,785,424	3,471,924	5,313,500	5,385,283	71,783	Negotiation	GULF TEXMACHINES
2 RING FRAME RY-5 TOYODA (960SPINDLES)		4,302,161	2,099,641	2,202,520	1,600,000	(602,520)	Negotiation	QADRI TML
COMPRESSOR L-55 WITH AIR DRYERDONALDSON SD-0850A		838,195	460,870	377,325	725,000	347,675	Negotiation	AIR DRYER DONALDSON SD - ACT AIR
2 RING FRAME RY-5 TOYODA (960SPINDLE) F1		4,681,042	2,447,517	2,233,525	1,200,000	(1,033,525)	Negotiation	IDEALTRADING Co.
2 DRAWING FRAMES TOYODA DYH-2C		344,477	119,477	225,000	84,000	(141,000)	Negotiation	M. NAWAZ
2 SIMPLEX ROVING FRAMES HUWARME 33		3,331,463	1,190,414	2,141,050	1,400,000	(741,050)	Negotiation	BEACONIMPEX (PVT) LTD
4 RING FRAME RY-5 TOYODA (960SPINDLE) F1		9,362,084	4,934,809	4,427,275	2,400,000	(2,027,275)	Negotiation	IDEALTRADING Co.
3 RING FRAMES EJM-168 (480SPINDLE)		4,772,167	2,203,726	2,568,441	2,100,000	(468,441)	Negotiation	CRESCENT CML
2 RING FRAME RY-5 TOYODA (960SPINDLE) F1		4,302,161	2,107,029	2,195,133	1,200,000	(995,133)	Negotiation	IDEALTRADING Co.
4 RING FRAME RY-5 TOYODA (960SPINDLE) F1		8,604,322	4,214,057	4,390,265	2,400,000	(1,990,265)	Negotiation	IDEALTRADING Co.
1 SIMPLEX ROVING FRAME FL-100TOYODA		2,192,501	818,101	1,374,400	2,500,000	1,125,600	Negotiation	AL NASRTML
2 RING FRAMES EJM-168 (480SPINDLE)		3,181,444	1,469,150	1,712,294	1,200,000	(512,294)	Negotiation	ULFAT TM (PVT)LTD
3 DRAW FRAMES TOYODA DYH-500C		1,728,902	851,402	877,500	300,000	(577,500)	Negotiation	THE LAHORET&GML
1 RING FRAME EJM-168 (480 SPINDLE)		1,590,722	734,575	856,147	600,000	(256,147)	Negotiation	ULFAT TM (PVT) LTD
2 DRAW FRAMES-DYH 500C		1,011,174	493,674	517,500	200,000	(317,500)	Negotiation	IDEAL TRADING Co.
2 RING FRAMES EJM-168		3,181,444	1,469,151	1,712,294	800,000	(912,294)	Negotiation	NAGRA SPINNING MILLS(PVT) LTD
WORKSHOP EQUIPMENTS		178,171	51,421	126,751	134,500	7,750	Negotiation	MUHAMMADPERVAIZ
CAR (LEC-12-4770)		1,669,711	699,647	970,064	990,000	19,936	Negotiation	MASOOD AHMAD
CAR (LE-14-3509)		1,955,800	636,117	1,319,683	1,350,000	30,317	Negotiation	MASOOD AHMAD
CAR (LEE-14-9160)		2,170,500	728,230	1,442,270	1,530,000	87,730	Negotiation	MUHAMMAD KASHIF SHAFIQ

5.5 Had there been no revaluation, related figures of land, building and plant and machinery at June 30, 2018 would have been as follows:

	Cost	Accumulated depreciation	Written down value
Land	4,749,129	-	4,749,129
Building	50,410,733	34,708,219	15,702,514
Plant and Machinery	-	-	-
Jun-18	<b>55,159,862</b>	<b>34,708,219</b>	<b>20,451,643</b>
Jun-17	55,159,862	34,185,913	20,973,949

	2018	2017
	Rupees	Rupees
<b>6 LONG TERM DEPOSITS</b>		
SNGPL	11,557,875	11,557,875
Others	268,938	268,938
	<u>11,826,813</u>	<u>11,826,813</u>
<b>7 INVESTMENT PROPERTIES</b>		
Opening Balance	159,460,000	-
Effect of Change in Accounting Policy	19,576,627	-
Transfer (to) Non Current assets held for sale	(176,626,107)	-
Transfer (to)/from inventories and owner occupied properties	-	161,380,000
Depreciation	(2,410,521)	(1,920,000)
Net gain/(loss) from fair value of adjustment	-	-
<b>Closing Balance</b>	<u>0</u>	<u>159,460,000</u>
<b>8 AVAILABLE FOR SALE INVESTMENTS</b>		
<b>8.1 Al Meezan Islamic Fund</b>		
- 29598.1079 Units (2017: 29598.1079 Units @ 71.30)	2,110,345	2,500,000
- Nil Units (Re-investment of Dividend, 2017: 1633.2493 Units )	-	125,842
- Loss on Investment	(235,755)	(515,497)
- 29598.1079 Total Units @ 69.65 as at 30-06-2018	<u>1,874,590</u>	<u>2,110,345</u>
<b>8.2 Nafa Stock Fund</b>		
- 86912.7351 Units (2017: 80593.4244 Units @16.2138)	1,409,186	1,550,000
- 56.6951 Units @14.7549 (Re-investment of Dividend, 2017: 6319.3107 Units)	837	102,951
- Loss on Investment	(138,303)	(243,765)
- 86969.4302 Total Units @14.6226 as at 30-06-2018	<u>1,271,719</u>	<u>1,409,186</u>
<b>8.3 Allied Bank Limited</b>		
- 347 shares of ABL (June, 2017: 347) fully paid ordinary shares of Rs. 10/- each	18,752	18,870
- Gain on Investment	17,041	(118)
- 347 shares of ABL @ 103.15 as at 30-06-2018 (June, 2017: 347) fully paid ordinary shares of Rs. 10/- each	<u>35,793</u>	<u>18,752</u>
<b>8.4 International Steels Ltd. (ISL)</b>		
- 1000 shares purchased @104.988 (June, 2017: Nil)	104,988	-
- Gain on Investment	(3,288)	-
- 1000 shares @ 101.70 as at 30-06-2018 (June, 2017: Nil) fully paid ordinary shares of Rs. 10/- each	<u>101,700</u>	<u>-</u>
<b>8.5 Pak Elektron Ltd. (PAFL)</b>		
- 2000 shares purchased @61.160 (June, 2017: Nil)	122,319	-
- Loss on Investment	(51,399)	-
- 2000 shares @ 35.46 as at 30-06-2018 (June, 2017: Nil) fully paid ordinary shares of Rs. 10/- each	<u>70,920</u>	<u>-</u>
<b>8.6 Systems Limited (SYS)</b>		
- 1000 shares purchased @73.161 (June, 2017: Nil)	73,131	-
- Gain on Investment	28,089	-
- 1000 shares @ 101.22 as at 30-06-2018 (June, 2017: Nil) fully paid ordinary shares of Rs. 10/- each	<u>101,220</u>	<u>-</u>
<b>8.7 The General Tyre &amp; Rubber (GTJR)</b>		
- 1000 shares purchased @184.330 (June, 2017: Nil)	184,330	-
- Gain on Investment	(18,130)	-
- 1000 shares @ 166.20 as at 30-06-2018 (June, 2017: Nil) fully paid ordinary shares of Rs. 10/- each	<u>166,200</u>	<u>-</u>
<b>8.8 The Hub Power Co Ltd. (HURC)</b>		
- 2000 shares purchased @116.208 (June, 2017: Nil)	209,175	-
- Loss on Investment	(24,855)	-
- 2000 shares @ 92.16 as at 30-06-2018 (June, 2017: Nil) fully paid ordinary shares of Rs. 10/- each	<u>184,320</u>	<u>-</u>
<b>Available for sale investments</b>	<u>3,806,462</u>	<u>3,538,283</u>

	2018	2017
	Rupees	Rupees
<b>9 <u>TRADE DEBTS - Unsecured - Considered good</u></b>		
Trade Debts	7,483,245	7,550,133
Less:		
Provision for Doubtful Debts	<u>(7,483,245)</u>	<u>-</u>
	<u>-</u>	<u>7,550,133</u>
<b>10 <u>LOANS AND ADVANCES- Unsecured - considered good</u></b>		
Advances to:		
Suppliers	3,902,510	3,918,584
Staff	<u>66,520</u>	<u>138,207</u>
	<u>3,969,030</u>	<u>4,056,791</u>
Provision for advances	<u>(3,902,510)</u>	<u>-</u>
	<u>66,520</u>	<u>4,056,791</u>
10.1 Directors, Chief Executives and Executives have not received any advance from the company during the year end (2017: nil)		
<b>11 <u>TRADE DEPOSITS, PREPAYMENTS &amp; OTHER RECEIVABLES</u></b>		
Other receivables- Unsecured - considered good	-	100,000
Letter of credit	-	5,000
Sales tax refundable	16,744,677	16,951,133
Prepayments	126,089	222,260
Advance income tax	2,833,212	2,729,722
Income tax refundable	<u>5,200,255</u>	<u>3,897,670</u>
	<u>24,904,233</u>	<u>23,905,785</u>
<b>12 <u>CASH AND BANK BALANCES</u></b>		
Cash in hand	268,220	59,957
Cash with banks:		
Saving accounts	-	-
Current accounts	<u>2,493,545</u>	<u>920,679</u>
	<u>2,493,545</u>	<u>920,679</u>
	<u>2,761,765</u>	<u>980,636</u>
<b>13 <u>ASSETS CLASSIFIED AS HELD FOR SALE</u></b>		
Opening balance	72,995,839	-
Transfer during the period	187,613,611	72,995,839.00
Disposed during the period	(65,683,339)	-
Fair value adjustment	<u>(5,490,002)</u>	<u>-</u>
Closing balance	<u>189,436,110</u>	<u>72,995,839</u>
The company intends to dispose off its land and buildings and other related assets to production site it no longer utilised in next 12 months. The property located on freehold land was previously used as investment property. A search is underway of buyer. No impairment loss was recognised on transfer of land and building from investment properties to held for sale and as at June 30, 2018 on the basis of valuation report provided by the independent valuer. The Company charge Impairment on all other assets (Excluding freehold land, building on freehold land and vehicles) amounting to Rs 5.49 million as at reporting date keeping in view preceeding year sale proceeds and future marketing conditions.		
<b>14 <u>SHARE CAPITAL</u></b>		
14.1 <b>Authorized share capital</b>		
Number of shares		
30,000,000 (2017: 30,000,000) ordinary shares of Rs 10 each	<u>300,000,000</u>	<u>300,000,000</u>
	<u>300,000,000</u>	<u>300,000,000</u>
14.2 <b>Issued, subscribed and paid up capital Numbers</b>		
21,267,800 (2017: 21,267,800) ordinary shares of Rs.10/- each fully paid in cash	<u>212,678,000</u>	<u>212,678,000</u>
The company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the company. All shares rank equally with regard to the company's residual assets.		

15 RECONCILIATION OF NUMBER OF SHARES

	2018	2017
	No. of Shares	No. of Shares
Number of shares outstanding at the beginning of the year	21,267,800	21,267,800
Number of shares outstanding at the end of the year	-	-
Issued for consideration other than cash	-	-
Number of shares outstanding at the end of the year	<u>21,267,800</u>	<u>21,267,800</u>

	2018	2017
	Rupees	Rupees
<u>Un-realized (loss) / gain on re-measurement of available for sale investments</u>		
Opening balance - net off tax	(746,322)	13,058
(Deficit) / Surplus on re-measurement of available for sale investments to fair value - net off tax	16.1 (426,600)	(759,380)
	<u>(1,172,922)</u>	<u>(746,322)</u>

16.1 This represents the unrealized loss on re-measurement of available for sale investments at fair value and is not available for distribution. This will be transferred to income statement on de-recognition of investment.

17 SURPLUS ON REVALUATION OF FIXED ASSETS

## Gross Surplus

<b>At the beginning of the year</b>	158,032,926	161,098,624
Loss on revaluation of fixed assets during the year	-	-
Less:		
Effect of disposal of fixed assets	-	-
Transferred to accumulated profits in respect of incremental depreciation charge for the year	(1,875,115)	(3,065,698)
<b>At the end of the year</b>	<b>156,157,810</b>	<b>158,032,926</b>
Deferred tax liability on revaluation surplus		
<b>At the beginning of the year</b>	29,991,191	30,941,557
Tax on loss during the year	-	-
Effect of disposal of fixed assets	-	-
Incremental depreciation charged on related assets	(543,783)	(950,366)
Effect of change in tax rate	(299,912)	-
	<u>29,147,496</u>	<u>29,991,191</u>
	<u>127,010,314</u>	<u>128,041,735</u>

17.1 The free hold land, building and plant and machinery were revalued by independent valuer in 2010, 2013 and 2016 respectively. These revaluations resulted in cumulative revaluation surplus, which has been included in the carrying value of the free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of fixed assets. The surplus is adjusted by surplus realized on disposal of revalued assets, if any, subsequent impairment loss and incremental depreciation arising due to revaluation, net of deferred tax.

18 DEFERRED LIABILITIES

Gratuity - Defined benefit plan	18.1	-	-
		<u>-</u>	<u>-</u>
18.1 <u>Gratuity - defined benefit plan</u>			
Movement in liability recognized in the balance sheet are as follows:			
Liability as at July 1		-	298,930
Charge to profit and loss account		542,000	193,404
		<u>542,000</u>	<u>492,334</u>
Payments during the year		(542,000)	(492,334)
Liability as at June 30		<u>-</u>	<u>-</u>

18.1.1 The closing liability represents the present obligation of the company. However, since the amount of gratuity is not material therefore, actuarial valuation has not been carried out during the year.



	2018	2017
	Rupees	Rupees
<b>18.2 <u>Deferred taxation</u></b>		
The liability for deferred taxation comprises of temporary differences in respect of:		
<u>Taxable temporary differences in respect of:</u>		
Revaluation surplus	16,348,214	17,474,480
Accelerated Tax depreciation	-	4,071,916
Non Current assets held for sale	29,851,472	-
Re-measurement of investment available for sale	(426,600)	(759,380)
<u>Deductible temporary differences in respect of:</u>		
Unabsorbed losses and Credits	(164,894,862)	(132,346,703)
Accelerated Tax depreciation	(271,214)	-
Minimum tax available for carry forward	(29,927,287)	(31,967,446)
effect of Change in tax rate	1,435,271	-
Provisions for doubtful debts	-	-
Net asset as at June 30,	<u>(147,885,007)</u>	<u>(143,527,133)</u>

Deferred income tax asset, recognized on tax losses available for carry forward, has not been recorded as future taxable profits are not expected at the moment. The aggregate unutilized tax losses at June 30, 2018 amounts to Rs. 568.669 Million (2017: Rs. 439.236 Million).

#### **19 TRADE AND OTHER PAYABLES**

Creditors		27,523,940	47,052,366
Accrued liabilities	19.1	41,857,339	35,139,568
Advances from customers		1,213,775	4,878,958
Income tax deducted at source		338,503	250,006
		<u>70,933,558</u>	<u>87,320,898</u>

19.1 This amount includes provision for GIDC amounting to Rs.34,921,630/- (2017: Rs.30,009,655/-)

#### **20 ACCRUED MARKUP**

Interest on short term loan from sponsors		44,742,542	32,945,052
		<u>44,742,542</u>	<u>32,945,052</u>

#### **21 SHORT TERM LOAN FROM DIRECTORS AND SPONSORS - UNSECURED**

These are composed of :

Interest free Short term loan from directors and sponsors	21.1	199,437,447	199,437,447
Interest bearing Short term loan from directors and sponsors	21.2	148,940,103	145,323,103
		<u>348,377,550</u>	<u>344,760,550</u>

21.1 The above loans are unsecured and are repayable to directors and sponsors on demand.

21.2 These loans are unsecured and repayable on demand. The loan carries markup @ 3 months kibar plus 2%.

#### **22 CONTINGENCIES AND COMMITMENTS**

22.1 National Bank of Pakistan (NBP) has filed suit against the Company amounting to Rs 206.12 million (2017:Rs Nil). NAB has also taken up this matter. The act of the bank and NAB has been challenged in written petition before honourable Lahore High Court. The petition is pending in the court and an injunctive order has also been passed. No provision has been made in these financial statements for the said amount as the management of the Company, based on the advice of its legal counsel handling the subject case, is of the opinion that matters shall be decided in the Company's favour.

22.2 There were no commitments as at June 30, 2018. (2017 : Nil).

		2018	2017
		Rupees	Rupees
<b>23 SALES - NET</b>			
Rental Income		4,463,740	-
Sale of yarn - Local	23.1	-	139,026,798
Sale of waste	23.2	-	1,236,335
		<u>4,463,740</u>	<u>140,263,133</u>
Less: Commission		-	(449,954)
		<u>4,463,740</u>	<u>139,813,179</u>
<b>23.1 Sale of yarn - Local</b>			
Sales		-	139,026,798
Less: Sales tax		-	-
		<u>-</u>	<u>139,026,798</u>
<b>23.2 Sale of waste</b>			
Sales		-	1,236,335
Less: Sales tax		-	-
		<u>-</u>	<u>1,236,335</u>
		<u>4,463,740</u>	<u>139,813,179</u>
		2018	2017
		Rupees	Rupees
<b>24 COST OF SALES</b>			
Raw material consumed	24.1	-	44,977,968
Salaries, wages and benefits	24.2	-	19,298,551
Packing material		-	2,424,817
Fuel and power		-	29,529,312
Repair and maintenance		-	734,459
Other manufacturing overheads		-	5,010,717
Rent, Rates & Taxes		-	513,351
Cotton cess duty		-	50,470
Store consumed		-	7,148,339
Insurance		-	3,400,661
Workers' Welfare Expenses		-	285,603
Depreciation	5.3	-	4,123,673
		<u>-</u>	<u>117,497,921</u>
Opening stock of work in process		<u>-</u>	<u>8,322,990</u>
Closing stock of work in process		<u>-</u>	<u>-</u>
		<u>-</u>	<u>8,322,990</u>
Cost of goods manufactured		<u>-</u>	<u>125,820,911</u>
Opening stock of finished goods		<u>-</u>	<u>47,334,621</u>
Closing Stock of Finished Goods		<u>-</u>	<u>-</u>
		<u>-</u>	<u>47,334,621</u>
Opening stock of waste		<u>-</u>	<u>1,179,273</u>
Closing stock of waste		<u>-</u>	<u>-</u>
		<u>-</u>	<u>1,179,273</u>
		<u>-</u>	<u>174,334,805</u>
<b>24.1 Raw Material Consumed</b>			
Opening Raw Material		-	2,284,354
Add: Purchases		-	42,693,614
Less: closing stock		-	-
		<u>-</u>	<u>44,977,968</u>
24.2 Salaries, wages and other benefits include Rs. Nil (2017: Rs. 5.153 million) in respect of staff retirement benefits.			
<b>25 DISTRIBUTION COSTS</b>			
Export expenses		-	-
Local Sale Expenses		-	357,864
Freight - Steamer		-	-
- Inland		-	843,022
		<u>-</u>	<u>1,200,886</u>

		2018	2017
		Rupees	Rupees
<b>26</b>	<b><u>ADMINISTRATIVE EXPENSES</u></b>		
	Salaries and Other Benefits	26.1 20,102,902	17,126,057
	Vehicle running and maintenance	1,294,115	1,567,310
	Traveling and conveyance	2,374,172	3,051,976
	Printing and stationery	280,690	317,440
	Entertainment	108,449	273,710
	Rent, rate and taxes	664,808	90,096
	Fee and subscription	927,637	1,048,322
	Legal and professional	546,113	911,864
	Postage	81,486	114,156
	Telephone	487,400	615,305
	Utilities	7,822,858	650,322
	Repair & maintenance	1,200,122	274,422
	Papers & Periodicals	6,789	9,057
	Insurance	353,501	128,355
	Gardening	-	52,124
	Staff Welfare	53,000	1,898
	Advertisement	328,231	601,267
	Auditors' remuneration	26.2 370,000	370,000
	Misc. Expenses	348,173	-
	Depreciation	5.3 & 7 3,781,804	3,286,580
		<u>41,132,249</u>	<u>30,490,261</u>
26.1	Salaries and Other Benefits includes Rs.193,404/- (2017: Rs. 460,000/-) in respect of staff retirement benefits.		
26.2	<u>Auditors' Remuneration</u>		
	Statutory audit fee	330,000	330,000
	Review of compliance with code of corporate governance	10,000	10,000
	Half yearly review	30,000	30,000
		<u>370,000</u>	<u>370,000</u>
<b>27</b>	<b><u>OTHER OPERATING EXPENSES</u></b>		
	Loss on sale of non current assets held for sale	17,315,575	-
	Impairment loss on non current assets held for sale	5,490,002	-
	Exchange Loss	-	15,360
	Provision for Bad Debts and advances	11,385,756	2,559,962
		<u>34,191,332</u>	<u>2,575,322</u>
<b>28</b>	<b><u>OTHER OPERATING INCOME</u></b>		
	Gain on sale of fixed assets	-	2,364,993
	Markup from SNGPL against Security Deposit	334,023	555,000
	Creditors Written Off	-	1,838,676
	Income financial assets		
	- Dividend	17,021	259,998
		<u>351,043</u>	<u>5,018,666</u>
<b>29</b>	<b><u>FINANCE COST</u></b>		
	Markup on loan from directors and sponsors:		
	- Short term	11,797,489	10,379,290
	Bank charges and commission	25,828	35,553
		<u>11,823,317</u>	<u>10,414,844</u>
<b>30</b>	<b><u>TAXATION</u></b>		
	Prior year	-	1,158,389
	Current	669,561	1,398,132
	To be Provided	669,561	239,743
30.1	The company's income tax assessments have been finalized up to and including tax year 2017.		
30.2	The current tax provision represents the minimum tax on turnover for the year due under Section 113, 15, 133 & 155 of Income Tax Ordinance, 2001 since Company's tax computation results in tax loss. Therefore reconciliation of tax charge for the year is not presented.		
	As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:		

	2017	2016	2015
	.....Rs.....		
Provision as per Financial Statements	1,398,132	7,451,481	7,643,010
Tax Assessment	1,427,136	6,683,138	7,252,916

	2018	2017
	Rupees	Rupees
<b>31 <u>BASIC LOSS PER SHARE</u></b>		
There is no dilutive effect on the basic earning / (loss) per share of the company.		
Profit /(Loss) after taxation	(83,001,676)	(74,424,016)
Weighted average number of issued shares	21,267,800	21,267,800
Basic Earning / (Loss) per share	<u>(3.90)</u>	<u>(3.50)</u>

**32 REMUNERATION OF CHIEF EXECUTIVE DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the accounts during the year for remuneration including benefits is as follows:

	June 30, 2018			June 30, 2017		
	Chief Executive	Executive	Director	Chief Executive	Executives	Director
Managerial Remuneration including House Rent & Utility	2,697,000	3,672,750	2,697,000	2,697,000	3,804,000	2,697,000
	<u>2,697,000</u>	<u>3,672,750</u>	<u>2,697,000</u>	<u>2,697,000</u>	<u>3,804,000</u>	<u>2,697,000</u>
Number of persons	1	3	1	1	3	1

No meeting fee has been paid to any director of the company during the year (2017: Rs. Nil).

Fuel and maintenance charges of vehicles are reimbursed to Chief Executive and one Director of the company for business use only.

**33 TRANSACTION WITH RELATED PARTIES:**

Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of their employment are as under:

- i) The company purchased from associated undertaking material of aggregate sum of Rs. Nil (2017: Rs. Nil) during the year.
- ii) Interest free short term loan repaid Rs. Nil and provided by sponsors Rs. Nil (June 30, 2017 Rs. Nil)
- iii) Interest bearing short term loan repaid Rs. 1.650 million and provided by sponsors Rs. 5.267 million (June 30, 2017 Rs. 38.716 million)
- iv) Markup payable to directors and sponsors Rs. 44.743 million (June 30, 2017 Rs. 32.945 million)

33.1 All related party transactions are approved by the audit committee and the Board of directors of the Company. Directors' interest is limited to interest on these loans.

**34 FINANCIAL RISK MANAGEMENT****34.1 Risk management framework**

The 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 Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**34.2 Financial instruments by category**

	2018	2017
	Rupees	Rupees
<b><u>Financial Assets</u></b>		
Long term deposits	11,826,813	11,826,813
Trade debts (net-off impairment)	-	7,550,133
Loans and Advances	66,520	138,207
Financial Asset	3,806,462	3,538,283
Cash and bank balances	2,761,765	980,636
<b>Total</b>	<u>18,461,560</u>	<u>24,034,072</u>
	2018	2017
	Rupees	Rupees
<b><u>Financial Liabilities</u></b>		
Trade and other payables	69,381,279	82,191,934
Accrued mark-up	44,742,542	32,945,052
Short term loan from sponsors	348,377,550	344,760,550
<b>Total</b>	<u>462,501,371</u>	<u>459,897,536</u>

### 34.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Interest free sponsors' loans as disclosed in note. 21 to the financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

### 34.4 Financial Risk Factors

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

- Credit Risk
- Liquidity Risk
- Market Risk

#### 34.4.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from long term security deposits, loans and advances, deposits, trade debts, other receivables, bank balances and investments.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the customer's financial position, past experience and other factors.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was:

	2018 Rupees	2017 Rupees
Long term deposits	11,826,813	11,826,813
Trade debts	-	7,550,133
Loans and Advances	66,520	138,207
Financial Asset	3,806,462	3,538,283
Bank balances	2,493,545	920,679
<b>Total</b>	<b>18,193,340</b>	<b>23,974,115</b>

Detail of impairment of trade debts is given in Note.9. Based on past experience the management believes that no further impairment allowance is necessary as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

#### 34.4.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to 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. Prudent liquidity, risk management implies maintaining sufficient cash, marketable securities and the availability of adequate credit facilities. Furthermore, the directors and the sponsors have provided liquidity support to the Company in the form of short term and long term interest free and interest bearing loans.

Following is the contractual maturity analysis of financial liabilities:

	Up to One Year Rupees	Between 1 to 5 years Rupees
<b><u>Non derivative financial liabilities</u></b>		
Trade and other payables	69,381,279	-
Accrued mark-up	44,742,542	-
Short term loan from sponsors	348,377,550	-
<b>2018</b>	<b>462,501,371</b>	<b>-</b>
<b><u>Non derivative financial liabilities</u></b>		
Gratuity - Defined benefit plan	-	621,600
Trade and other payables	82,191,934	-
Accrued mark-up	32,945,052	-
Short term loan from sponsors	344,760,550	-
<b>2017</b>	<b>459,897,536</b>	<b>621,600</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

34.4.3 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 optimizing the return.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company analysis its interest rates exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available. The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect the profit and loss account.

As at June 30, 2018, if interest rates on sponsors' loans had been 2% higher / lower the markup expenses would have been higher / lower by 2.98 million (2017: Rs. 2.91 million). The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and asset / liabilities of the Company.

b) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Equity price risk arises from available for sale equity securities held. The investment in available for sale equity securities is not material and company is not expose to significant price risk.

c) Currency risk

The company does not hold bank balances in foreign currencies nor any investment is denominated in currency other than the functional currency of the company. Therefore, the company is not expose to foreign currency risk.

35 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The company's objective when managing capital are to safe guard the company's ability to continue as a going concern and to maintain an optimum capital structure to reduce the cost of capital.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The company is not subject to externally imposed capital requirements.

36 CASH AND CASH EQUIVALENTS

	2018	2017
Cash and bank balances (Note 12)	<u>2,761,765</u>	<u>980,636</u>

37 PLANT CAPACITY AND ACTUAL PRODUCTION

Production was closed with effect from September 22, 2016.

38 NUMBER OF EMPLOYEES

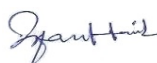
	No's	No's
Number of employees at the year end	30	30
Average number of employees	30	326

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 1, 2018 by the Board of Directors of the Company.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# SAJJAD TEXTILE MILLS LIMITED

## FORM - 34

### PATTERN OF HOLDING OF SHARES

HELD BY THE SHARE HOLDERS AS AT 30-06-2018

No. of Share Holders	Shareholdings		Total Shares Held
	From	To	
148	1	100	7,154
287	101	500	124,532
53	501	1000	51,220
64	1001	5000	168,911
16	5001	10000	130,489
15	10001	50000	338,775
2	50001	100000	132,025
3	100001	200000	510,868
2	200001	400000	1,171,632
2	400001	1000000	528,650
4	1000001	2000000	6,837,592
1	2000001	3000000	2,185,107
1	3000001	4000000	3,686,569
1	4000001	6000000	5,394,276
<b>599</b>			<b>21,267,800</b>

### CATEGORIES OF SHAREHOLDERS

AS AT 30-06-2018

		<u>SHARES HELD</u>	<u>PERCENTAGE</u>
			%
<b>1 Directors, Chief Executive</b>			
<b>Their Spouse and minor Children</b>			
Mr. Muhammad Asim Sajjad	- Chief Executive	1,662,590	7.817
Mr. Salman Muhammad Aslam	- Director	1,667,590	7.841
Mrs. Seema Sajjad	- Director	2,185,107	10.274
Mrs. Ayesha Rahim	- Director	1,816,722	8.542
Miss Batool Zahra	- Director	500	0.002
Mr. Mehr Allah Yar	- Director	500	0.002
Mr. Sultan Mehmood	- Director	500	0.002
TOTAL		7,333,509	34.482
<b>2 Executives</b>		-	-

**CATEGORIES OF SHAREHOLDERS****AS AT 30-06-2018**

<b>3 Associated Companies, undertakings, related parties, spouse and family members of Directors.</b>	-	-
Mr. Sajjad Aslam	5,394,276	25.364
Mr. Raza Muhammad Aslam	1,660,190	7.806
<b>4 NIT and ICP</b>	347,724	1.635
<b>5 Bank, DFIs, Non-Banking Financial Institutions</b>	579	0.003
<b>6 Insurance Companies</b>	-	0.000
<b>7 Modaraba and Mutual Funds</b>	500	0.002
<b>8 General Public</b>		
a) Local	6,119,522	28.774
b) Foreign	-	-
<b>9 Others (to be specified)</b>		
Nazir Cotton Mills Limited	383,300	1.802
Tariq Industries Limited	2,100	0.010
Shahzad Textile Mills Limited	26,000	0.122
Mehran Sugar Mills Ltd.	100	0.000
<b>Grand Total</b>	<b>21,267,800</b>	<b>100.000</b>

**SHAREHOLDERS HOLDING MORE THAN 5% SHAREHOLDING**

	<b><u>SHARES HELD</u></b>	<b><u>PERCENTAGE</u></b>
Mr. Sajjad Aslam	5,394,276	25.364
Mr. Shahzad Aslam	3,686,569	17.334
Mrs. Seema Sajjad	2,185,107	10.274
Mrs. Ayesha Rahim	1,816,722	8.542
Mr. Salman Muhammad Aslam	1,698,090	7.984
Mr. Muhammad Asim Sajjad	1,662,590	7.817
Mr. Raza Muhammad Aslam	1,660,190	7.806

**SHARES TRADING BY DIRECTORS / EXECUTIVES**

During the financial year under discussion Mr. Salman Muhammad Aslam being Director purchased =30,500= Shares and Mr. Sajjad Aslam being spouse of Director/Chairperson purchased =6,500- Shares of Sajjad Textile Mills Limited.

No other than above disclosed trade in shares of the Company carried out by the Directors, CEO CFO, Company Secretary and their spouses and minor children.