

Vision

To maintain an excellent level of ethical and Professional standards

Mission Statement

To become a quality manufacturer of textile products



COMPANY INFORMATION

| | | |
|--|-------------------------------------|--------------------------------------|
| BOARD OF DIRECTORS | : Ijaz Hameed | (Chairman/Non Executive Director) |
| | Mohammad Hameed | (Chief Executive/Executive Director) |
| | Aamer Hameed | (Executive Director) |
| | Uzma Hameed | (Non Executive Director) |
| | Tariq Hameed | (Non Executive Director) |
| | Omer Mohyudin Malik | (Independent Director) |
| | Murtaza Hameed | (Non Executive Director) |
| | Sajid Saleem Minhas | (Non Executive Director) |
| | Farooq Hameed | |
| COMPANY SECRETARY | : Usman Khalid | |
| CHIEF FINANCIAL OFFICER | : M. Muddasar Shahzad | |
| AUDIT COMMITTEE | : Omer Mohyudin Malik | (Chairman) |
| | Sajid Saleem Minhas | (Member) |
| | Murtaza Hameed | (Member) |
| HUMAN RESOURCE & REMUNERATION COMMITTEE | : Omer Mohyudin Malik | (Chairman) |
| | Ijaz Hameed | (Member) |
| | Tariq Hameed | (Member) |
| BANKERS | : MCB Bank Limited | |
| | Bank Alfalah Limited | |
| AUDITORS | : Horwath Hussain Chaudhury & Co., | |
| | Chartered Accountants | |
| INTERNAL AUDITOR | : Awan & Co. | |
| | Chartered Accountants | |
| REGISTERED OFFICE | : 38-Empress Road, Lahore | |
| | Telephones: 36304561-3, 36367861-3 | |
| | Telefax: (92-42) 3636 7861 | |
| | E-mail: info@prime-service.com | |
| MILLS | : G.T Road, Gujrat | |
| | Telephone: (92-53) 3514065, 3535085 | |
| | Telefax: (92-53) 3513700 | |
| Web Reference | : www.sitl.com.pk | |
| Share Registrar | : Corplink (Pvt) Ltd. | |
| | Wings Arcade, 1-K Commercial | |
| | Model Town, Lahore | |
| | Tel: 042-35839182, 35916719 | |



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 57th Annual General Meeting of the Shareholders of Service Industries Textiles Limited will be held on 27th October, 2018 at 10:00 hours at Registered Office 38, Empress Road, Lahore to transact the following business:

Ordinary Business:-

1. To confirm the minutes of the 56th Annual General Meeting held on October 30, 2017.
2. To receive and adopt the audited accounts together with the Directors and Auditors reports for the year ended June 30, 2018.
3. To appoint auditors for the year ended June 30, 2019 and to fix their remuneration. The retiring auditors M/s Horwath Hussain Chaudhury & Co. Chartered Accountants, being eligible, have offered themselves for reappointment.
4. To authorize the company subject to the approval of the shareholders to disseminate Annual Accounts through CD/DVD/USB as and by way of passing the following ordinary resolution:

"RESOLVED that the approval be and is hereby given to allow the Company to disseminate / transmit Annual Audited Accounts to the shareholders in soft form through CD/DVD/USB instead of hard copy at the registered addresses".
5. To transact any other business with permission of the Chair.

BY ORDER OF THE BOARD

LAHORE

Dated: 05 October, 2018

(USMAN KHALID)

Company Secretary

NOTES

1. The share transfer books of the Company will remain closed from 20.10.2018 to 27.10.2018 (both days inclusive).
2. Transfer received in order up to the close of business on 19.10.2018 will be considered in time to effect the voting rights.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given either personally or by proxy or by attorney, and in case of a corporation by a representative duly authorized.
4. The instrument of proxy duly executed in accordance with the Articles of Association of the Company should be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
5. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D numbers, to prove his/her identity, and in case of proxy must enclose and attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual documents required for such purpose. The account/sub account holders of CDC will further have to follow the guidelines as laid down in Circular No.1 of 2000 dated January 26, 2000 issued by Securities Exchange Commission of Pakistan.
6. All shareholders who had not yet submitted the valid copies of CNIC and NTN certificate(s) are requested to send the copies of the same to the Share Registrar. Shareholders of the company who holds shares in scrip-less form on Central Depository Company of Pakistan Ltd. (CDC) are requested to submit/send valid copies of CNIC and NTN certificate(s) directly to their CDC participant (brokers)/CDC Investor Account Services.
7. Shareholders are requested to notify the change of their addresses, if any, to our Share Registrar M/s Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore. Tele No. 35839182, 35916719 and Fax No. 35869037.



Review Report by the Chairman

I am pleased to present before you the report on the overall performance of the Board and its role in achieving the company's objective as well as ensuring overall compliance of the Code of Corporate Governance and Companies Act, 2017.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business. Despite many challenges during the period under review we have been able to deliver improvement in profitability through persistence and diligent efforts

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

Ijaz Hameed
Chairman

Lahore
05 October, 2018

چیرمین کی جائزہ رپورٹ

سروس انڈسٹریز ٹیکسٹائلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ کوڈ آف کارپوریٹ گورننس اور کمپنیز ایکٹ 2017ء کے تحت کیا گیا۔

مالی سال برائے 30 جون، 2018 کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزے کا اطمینان بخش ہونا ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دور اندیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، ملیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی سرگرمیوں کو موثر انداز سے پورا کرنا شامل ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو اس کی کمیٹی کی ملاقاتوں میں ایجنڈا مع دیگر ضروری دستاویزات قبل از وقت موصول ہوئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر طریقے سے انجام دینے کے لیے باقاعدگی باقاعدگی سے ملاقات کرتا ہے۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔

اعجاز حمید

چیرمین

لاہور

مورخہ 5-اکتوبر 2018



DIRECTOR'S REPORT

The directors are pleased to present the 57th annual report along with the audited financial statement for the year ended 30 June 2018.

Operating & Financial Results:

By the grace of Almighty Allah during the year, the Company has earned a net profit after taxation of Rs. 10.64 Million as compared to net profit of Rs. 8.808 Million in preceding year. Turnover for the year is Rs.854.392 Million (2017: Rs.801.429 Million). Major reason for the increase in sale is investments in plant and machinery in current and preceding years, which has resulted in improvement in the quality and production of yarn.

Still it is quite challenging in today's business environment to keep the Company afloat. The Directors of your Company are committed to run the Company at any cost and therefore are doing our utmost to make your Company more competitive by following best practices and making the Company more viable.

Key Operational and Financial Data:

| | JUNE 2018 | JUNE 2017 | JUNE 2016 | JUNE 2015 | JUNE 2014 | JUNE 2013 | JUNE 2012 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Sales | 854,392 | 801,430 | 483,006 | 586,437 | 698,543 | 683,246 | 525,055 |
| Gross Profit / (Loss) | 48,176 | 43,915 | 15,037 | 38,568 | 49,297 | 96,318 | 23,292 |
| Operating Profit/(Loss) | 21,444 | 21,067 | (8,756) | 13,734 | 28,638 | 80,371 | 8,945 |
| Profit/(Loss) before Tax | 13,060 | 8,132 | (18,025) | 32,149 | 27,264 | 65,425 | (19,852) |
| Tax | (2,413) | 676 | (4,737) | (2,051) | (522,968) | (451) | 578 |
| Profit/(Loss) after Tax | 1,065 | 8,809 | (22,763) | 30,098 | 26,741 | 64,974 | (19,274) |
| Total Assets | 606,487 | 555,566 | 610,421 | 569,018 | 583,895 | 447,751 | 444,386 |
| Current Liabilities | 167,362 | 108,391 | 151,979 | 72,941 | 68,865 | 69,786 | 170,807 |
| | 439,125 | 447,175 | 458,442 | 496,077 | 515,029 | 377,966 | 273,579 |
| Presented by: | | | | | | | |
| Equity-net | 363,685 | 353,055 | 343,860 | 366,130 | 220,067 | 67,170 | 1,685 |
| Long term loans & leases | 48,700 | 60,700 | 72,700 | 84,700 | 243,361 | 278,571 | 236,316 |
| Deferred Liability | 26,740 | 33,420 | 41,882 | 45,247 | 51,602 | 32,224 | 35,578 |
| | 439,125 | 447,175 | 458,442 | 496,077 | 515,029 | 377,966 | 273,579 |

EPS:

Earning per share (basic) for the year ended June 30, 2018 is Rs 2.39 (2017:Rs.1.98)

Future Prospects:

Although the performance of the Company is satisfactory but we foresee challenging times ahead due to high cost of doing business. Pakistan has lost its competitive edge with respect to low cost of doing business regionally that has resulted in declining the country's share in international market and hence numerous units have shut down since 2014. Again this year target cotton crop could not be met and the only option left is to import the cotton to meet the domestic demand. Furthermore, billions of Rupees are stuck in sales tax refunds, which have severely affected the liquidity of textile sector that should be released immediately.

We are fully aware of the challenges and are prepared to do everything possible to mitigate the adverse impact of such an event as far as it is under the control of management. The Government has taken a positive step by making the cost of gas same for entire Pakistan. Punjab textile industry was facing closure due to this issue as gas price in Punjab was higher and we are hopeful that Government will take similar steps to make electricity cost also viable as per regional competitor. We are very hopeful that current crisis will be over in the coming year and we remain hopeful of the improving macro and micro economic situation of the Country.

Payment of Dividend:

No dividend has been declared by the Company during the year due to reinvestment of profits in working capital as you are well aware of the fact that currently we are not availing any working capital limit from any bank and are in the process of building a buffer stock of cotton for the coming months in which cotton is not available. Also we intend to invest in plant and machinery in coming year to make a company more viable and stable.

**Emphasis of Matter in Auditor's Report:**

The auditors have raised observation as to going concern of the Company. The directors are fully committed to run the company at any cost. During the year, the Company was able to increase its sale that has helped in improving the profitability of the Company. We are confident that the same trend shall continue and therefore the directors consider it appropriate and have prepared the financial statements on going concern basis.

Corporate & Financial Reporting Framework:

- a) The financial statements prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- b) Proper books of account have been maintained by the Company.
- c) Appropriated accounting policies have been adopted and consistently applied in the preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- d) International financial reporting standards as applicable in Pakistan have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weakness in control will be removed.
- f) Six year financial summary is annexed.
- g) Pattern of shareholdings as on June 30, 2018 and its disclosure as required by the Code of Corporate Governance is annexed with this report.
- h) The Company has adopted best practices of corporate governance as per listing regulations of Pakistan Stock Exchange.
- i) The Company will fulfill the requirements of having atleast 2 independent directors upon the next reconstitution of its new Board as permitted by listed companies (Code of Corporate Governance) Regulations.
- j) Auditors have added an emphasis of matter para in their report that has been dealt in the preceding section of Director's report.

Internal Control System:

The Company has always emphasized on a sound Internal Control System for the effective implementation and monitoring of Internal Control System.

Statutory Payments:

There is no outstanding statutory payment payable other than those shown in the relevant Notes to the financial statements.

Board of Directors Meeting:

During the year ended 30 June 2018, the Board of Directors held six meetings. Attendance of each director is given hereunder:

| | |
|---------------------|---|
| Mohammad Hameed | 6 |
| Ijaz Hameed | 6 |
| Farooq Hameed | 1 |
| Aamer Hameed | 6 |
| Tariq Hameed | 6 |
| Sajid Saleem Minhas | 6 |
| Murtaza Hameed | 6 |
| Omer Mohyudin Malik | 6 |
| Uzma Hameed | 1 |

Leave of absence was granted to the director who was unable to attend the meetings.

Audit Committee Meeting:

During the year four meetings of Audit committee of the Board were held. Attendance by each director is as follows:

| | |
|---------------------|---|
| Omer Mohyudin Malik | 4 |
| Sajid Saleem Minhas | 4 |
| Murtaza Hameed | 4 |

Human Resource and Remuneration (HR & R) Committee Meeting:

During the year two meetings of HR & R Committee of the Board were held. Attendance by each director is as follows:

| | |
|---------------------|---|
| Omer Mohyudin Malik | 2 |
| Ijaz Hameed | 2 |
| Tariq Hameed | 2 |

Casual Vacancy:

During the year a casual vacancy was occurred due to the sad demise of our director Farooq Hameed. Casual vacancy was filled by the Board and Uzma Hameed was appointed as a director in his place.

**Value of Investment of Gratuity Fund:**

The Company has maintained a Gratuity fund for its employees however there are no plan assets covering this liability as on June 30, 2018.

Books of Accounts:

The Company at the registered Office has maintained proper books of accounts.

Auditors:

M/s Horwath Hussain Chaudhury & Co., Chartered Accountants retired and being eligible, offered themselves for re-appointment and the Board's Audit Committee has also recommended their re-appointment which is endorsed by the Board for the year ending 30 June 2019.

Code of Conduct:

The code of conduct has been developed and has been communicated and acknowledged by each Director and Employee of the company

Related Party Transactions:

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchange in Pakistan. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method. During the year, the Company carried out transactions with its related parties. Details of these transactions are disclosed in financial statements attached therein (note 32) Details of related party transactions are placed before the Audit Committee, and upon recommendation of the Board Audit Committee, the same are placed before the Board of Directors for review and approval in accordance with regulatory requirements.

Social Responsibility:

Your company has very distinct Corporate and Social Responsibility (CSR) policy in fulfilling its responsibilities of securing the community within which it operates. Its philanthropic activities include participation in health and environmental protection initiatives. During the period under review, apart from spending on employee's welfare and health, following expenses were incurred:

| | |
|--------------------------|-------------|
| Health & safety | Rs. 100,000 |
| Environmental protection | Rs. 50,000 |

Safety, Health and Environment:

We maintain our commitment to high standards of safety, health and environment. We are committed in providing clean, healthy and safe conditions to our employees. All of our employees are continuously updated on relevant aspects of safety especially with regards to safe production, delivery, storage and handling of inventory items. Safety values are demonstrated in our day to day activities through lead by example approach. Due to these controls and with the blessing of Almighty Allah no major accidents or incidents took place at the mill during the year.

Pattern of Shareholding:

Pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in shares of the Company was carried out by the CEO, CFO and Company Secretary and their spouses and minor children

Subsequent Events:

No material changes or commitments happened after the year end upto the date of this report.

Acknowledgement:

The directors express their gratitude for the continued support of shareholders and employees of the Company during the period under review and pray to Allah for better prospects in future.

For & on behalf of the Board of Directors

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

Lahore
Dated: 05 October, 2018



ڈائریکٹر رپورٹ

کمپنی ڈائریکٹر 30 جون 2018ء کو ختم ہونے والے سال کی 57 ویں سالانہ رپورٹ بمعہ مالیاتی حسابات اور آڈٹ رپورٹ پیش کرتے ہیں۔

کمپنی کی کارکردگی:

الحمد للہ کمپنی کو گزشتہ سال کے 8.08 ملین روپے کے مقابلے میں سال رواں 10.64 ملین روپے کا منافع ہوا۔ کمپنی کا ٹرن اور اس سال 854.392 ملین روپے رہا (801.429 ملین روپے)۔ ٹرن اور میں اضافہ کی بنیادی وجہ گزشتہ سالوں میں مشینری میں کی گئی سرمایہ کاری ہے جسکی وجہ سے دھاگے کی کوالٹی بہتر ہوئی اور دھاگے کو اچھے داموں میں بیچ سکے اسی لئے کمپنی کے نتائج بہتر آئے۔

آج کل کے حالات میں کمپنی کو چلتی حالت میں رکھنا ایک چیلنج ہے۔ آپ کی کمپنی کے ڈائریکٹر کمپنی کو چلانے کیلئے پرعزم ہیں۔ اس لئے وہ اپنی بھرپور کوشش کر رہے ہیں کہ کمپنی مسابقتی طور پر چلتی رہے۔

کلیدی آپریشن اور مالیاتی ڈیٹا:

| جون 2013ء (روپے) | جون 2014ء (روپے) | جون 2015ء (روپے) | جون 2016ء (روپے) | جون 2017ء (روپے) | جون 2018ء (روپے) | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|
| 683,246 | 698,543 | 586,437 | 483,006 | 801,430 | 854,392 | سیلز |
| 96,318 | 49,297 | 38,568 | 15,037 | 43,915 | 48,176 | گراس منافع / نقصان |
| 80,371 | 28,638 | 13,734 | (8,756) | 21,067 | 21,444 | آپریٹنگ منافع / نقصان |
| 65,425 | 27,264 | 32,149 | (18,025) | 8,132 | 13,060 | منافع / نقصان ٹیکس سے پہلے |
| (451) | (522,968) | (2,051) | (4,737) | 676 | (2,413) | ٹیکس |
| 64,974 | 26,741 | 30,098 | (22,763) | 8,809 | 1,065 | منافع / نقصان ٹیکس کے بعد |
| 447,751 | 583,895 | 569,018 | 610,421 | 555,566 | 606,487 | ٹوٹل اثاثہ جات |
| 69,786 | 68,865 | 72,941 | 151,979 | 108,391 | 167,362 | موجودہ واجبات |
| 377,966 | 515,029 | 496,077 | 458,442 | 447,175 | 439,125 | |
| 67,170 | 220,067 | 366,130 | 343,860 | 353,055 | 363,685 | پریفینڈ بائی |
| 278,571 | 243,361 | 84,700 | 72,700 | 60,700 | 48,700 | ایکویٹی - سیٹ |
| 32,224 | 51,602 | 45,247 | 41,882 | 33,420 | 26,740 | لاگت ٹرم لون اور لیز |
| 377,966 | 515,029 | 496,077 | 458,442 | 447,175 | 439,125 | موجودہ واجبات |

فی شیئر آمدنی:

30 جون 2018ء کے لئے فی شیئر آمدنی 2.39 روپے (1.98 - 2017)

مستقبل کے امکانات:

گوکہ سال رواں میں کمپنی بہتر نتائج دے پائی لیکن ہم آنے والے وقت میں ٹیکسٹائل کے شعبہ میں مشکلات دیکھتے ہیں۔ خطے میں کم کاروباری لاگت کی مسابقتی برتری کھونے کی وجہ سے پاکستان کا عالمی مارکیٹ میں ٹیکسٹائل کا شیئر کم ہو گیا ہے۔ جس کی بنیادی وجہ سے گزشتہ سالوں میں کئی ٹیکسٹائل پونٹ بند ہوئے ہیں۔ اس کے علاوہ ٹیکسٹائل شعبے کے کئی ملین روپے سیلز ٹیکس ریفرنڈم میں چھٹے ہوئے ہیں۔ ہم ان مشکلات سے بخوبی آگاہ ہیں اس کا مقابلہ کرنے کیلئے تیار ہیں تاکہ اس کا منفی اثر کم سے کم ہو۔ حکومت نے ایک مثبت قدم اٹھایا ہے اور پورے ملک میں ٹیکس کی قیمت کو یکساں کر دیا ہے جبکہ پہلے پنجاب میں ٹیکسٹائل سیکٹر میں ٹیکس کی قیمتیں زیادہ ہونے کی وجہ سے کئی پونٹ بند ہو گئے تھے۔ اسی طرح ہم امید کرتے ہیں کہ حکومت بجلی کی قیمتوں میں بھی کمی کرے گی تاکہ کاروباری لاگت کم ہو سکے۔ جسکی وجہ سے ہم پر امید ہیں کہ موجودہ بحران آنے والے سالوں میں ختم ہو جائے گا۔ ہم ملکی معیشت کے بہتر ہونے کے لئے پرامید ہیں۔

ڈیویڈنڈ کی ادائیگی:

اس سال کمپنی نے ڈیویڈنڈ کا اعلان نہیں کیا۔ جیسا کہ آپ جانتے ہیں کہ آپ کی کمپنی کے پاس اس وقت کوئی ورکنگ کپینٹل لیٹ نہیں اور مل کو چلانے کیلئے ضروری ہے کہ منافع کو کپاس کے اسٹاک میں لگایا جائے تاکہ ان دنوں کیلئے ایک بفر اسٹاک قائم کیا جاسکے جب کپاس آسانی سے دستیاب نہیں ہو۔ علاوہ ازیں کمپنی آئندہ سال میں اپنی پیداواری کھپت بڑھانے کیلئے مشینری میں انویسٹمنٹ کا ارادہ رکھتی ہے۔ ان وجوہات کی بنا پر کمپنی ڈیویڈنڈ کا اعلان نہیں کر سکی۔

آڈٹ رپورٹ میں ایفیر ز آف میٹر پیرا:

کمپنی کے آڈیٹرز نے حالیہ نقصان کی وجہ سے تشویش کا اظہار کیا ہے۔ ڈائریکٹر کمپنی کو چلانے کے لئے پوری طرح پرعزم ہیں اور سال رواں میں ہم نے اپنی سیل کو بڑھایا ہے اور دھاگے کی کوالٹی کو بھی بہتر کیا گیا ہے۔ جس سے آئندہ سالوں میں منافع کی شرح بہتر ہوگی۔ اسی وجہ سے مالیاتی حسابات گونگ کنسرن کی بنیاد پر بنائے گئے ہیں۔

**کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا طریقہ کار:**

- 1- کمپنی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات، اسکے امور آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 2- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- 3- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- 4- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے۔
- 5- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔
- 6- گزشتہ چھ سال کا کلیدی آپریشننگ اور مالیاتی شماریات منسلک ہیں۔
- 7- پیٹرن آف شیئر ہولڈنگ برائے سال 30 جون 2018 کا انکشاف کوڈ آف کارپوریٹ گورننس کے مطابق اس رپورٹ کے ساتھ منسلک ہے۔
- 8- کمپنی نے کارپوریٹ گورننس کے بہترین طریقہ کو اختیار کیا ہے جو کہ لسٹنگ ریگولیشن آف شاہک ایچانج کے مطابق ہے۔
- 9- کم سے کم دو انڈیپنڈنٹ ڈائریکٹرز کی شرط سے بورڈ کے بننے پر پوری کردی جائے گی جیسے لیٹنڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 میں بیان ہے۔
- 10- آڈیٹرز نے آڈٹ رپورٹ میں ایڈیٹر ز آف میٹریلر کا اضافہ کیا ہے جو کہ پچھلے پیراگراف میں تفصیلاً بیان ہو چکا ہے۔

اندرونی کنٹرول کا نظام:

کمپنی نے ہمیشہ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہونے پر زور دیا ہے اور اس کی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔

قانونی ادائیگیاں:

کوئی قانونی ادائیگی واجب الادا نہیں جو 30 جون 2018ء کو بقیہ ہوں ماسوائے ان کے جن کا مالی حسابات میں ظاہر کیا گیا۔

بورڈ آف ڈائریکٹرز کے اجلاس:

ختم ہونے والے سال 30 جون 2018ء میں 6 اجلاس ہوئے۔ حاضری کی پوزیشن مندرجہ ذیل ہے:

| | | |
|---|-------------------|---|
| ☆ | محمد حمید | 6 |
| ☆ | اعجاز حمید | 6 |
| ☆ | فاروق حمید | 1 |
| ☆ | عامر حمید | 6 |
| ☆ | طارق حمید | 6 |
| ☆ | ساجد سلیم منہاس | 6 |
| ☆ | عمر محی الدین ملک | 6 |
| ☆ | مرتضیٰ حمید | 6 |
| ☆ | عظمیٰ حمید | 1 |

ڈائریکٹرز جو بورڈ کے کسی اجلاس میں نہیں آسکتے تھے کو غیر موجودگی کی رخصت عطا کی گئی۔

کیبل ویکس:

رواں سال ہمارے ڈائریکٹر فاروق حمید وفات پا گئے جنکی جگہ عظمیٰ حمید کو ڈائریکٹر بنایا گیا۔

آڈٹ کمیٹی کے اجلاس:

رواں سال آڈٹ کمیٹی کے چار اجلاس ہوئے۔ حاضری درج ہے۔

| | | |
|---|-------------------|---|
| ☆ | عمر محی الدین ملک | 4 |
| ☆ | ساجد سلیم منہاس | 4 |
| ☆ | مرتضیٰ حمید | 4 |

ہیومن ریسورس اینڈ ریمونریشن کے اجلاس:

ہیومن ریسورس اینڈ ریمونریشن کمیٹی کے 2 اجلاس ہوئے حاضری درج ذیل ہے:

| | | |
|---|-------------------|---|
| ☆ | عمر محی الدین ملک | 2 |
| ☆ | اعجاز حمید | 2 |
| ☆ | طارق حمید | 2 |



گر بیجونی فنڈ کی ویلیو آف انویسٹمنٹ:

کمپنی نے اپنے ملازمین کیلئے گر بیجونی فنڈ برقرار رکھا ہوا ہے لیکن اس سال 30 جون 2018ء کو کوئی پلان ایسٹ اس لائبلٹی کو کو نہیں کرتا۔

حسابات کی کتب:

کمپنی نے اپنے رجسٹرڈ آفس میں مکمل حسابات کی کتب رکھی ہوئی ہیں۔

آڈیٹرز:

میسرز باروتھ حسین چوہدری اینڈ کمپنی ریٹائر ہو گئے ہیں۔ اہل ہونے کی بناء پر سال 2018-19ء کیلئے بطور آڈیٹر دوبارہ تقرری کیلئے خود کو پیش کرتے ہیں۔ اور آڈٹ کمیٹی بھی ان کے تقرر کی سفارش کرتے ہیں جسکو بورڈ آف ڈائریکٹرز کی بھی تائید حاصل ہے۔

کوڈ آف کنڈکٹ:

بنایا گیا کوڈ آف کنڈکٹ تمام ڈائریکٹرز اور کمپنی کے ملازمین کو ارسال کیا گیا اور اسکی تصدیق بھی کی گئی۔

متعلقہ پارٹی کی ٹرانزیکشن:

متعلقہ پارٹی کی تمام ٹرانزیکشن لسٹ ریگولیشنز آف سٹاک ایکسچینج کے بیان کئے گئے بہترین طریقوں کے مطابق کی گئی۔ ان ٹرانزیکشن کی تفصیل فی نفل شیمنٹ کے نوٹ نمبر 32 میں بیان کی گئی ہے۔ تمام ٹرانزیکشن کو آڈٹ کمپنی کے جائزہ کیلئے رکھا گیا اور ان کی سفارش پر بورڈ آف ڈائریکٹرز نے ان کا جائزہ لیا اور ان کو منظور کیا۔

کارپوریٹ سوشل ذمہ داری:

آپکی کمپنی کہ اپنی کارپوریٹ سوشل ذمہ داری کا بخوبی احساس ہے اور وہ صحت اور ماحولیات کو اچھا رکھنے کیلئے اپنے تئیں اپنی ذمہ داری پوری کر رہی ہے۔ تحفظ، صحت اور ماحول:

ہم اپنے ملازمین اور عوام کیلئے اعلیٰ معیار کے تحفظ، صحت اور ماحول کیلئے پرعزم ہیں۔ ہم اپنے ملازمین کو صاف ستھرا، صحت مند اور محفوظ حالات فراہم کرنے کے لئے پرعزم ہیں۔ ہمارے تمام ملازمین کو اپنے تحفظ کی، محفوظ پیداوار کی اور خام مال کی محفوظ ادائیگی، پنڈرائنگ اور سنورج کی مشق کروائی جاتی ہے۔ ان مشقوں اور اللہ تعالیٰ کے خصوصی کرم کی وجہ سے کوئی بڑا حادثہ نہیں ہوا۔

پیٹرن آف شیئر ہولڈنگ:

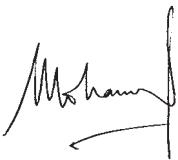
پیٹرن آف شیئر ہولڈنگ اور اضافی معلومات علیحدگی سے منسلک ہیں۔ کمپنی کے شیئرز میں چیف ایگزیکٹو، سی ایف او اور کمپنی سیکرٹری، ان کے سپاؤزز نے اور ان کے چھوٹے بچوں نے کوئی تجارت / کاروبار نہیں کیا ہے۔

بعد از واقعات:

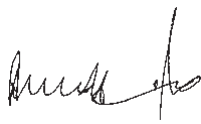
کمپنی کے مالی سال کے ختم ہونے سے اس رپورٹ کی تاریخ تک کوئی ایسی خاص میٹریل میں تبدیلی نہیں آئی۔

اعتراف:

کمپنی اپنے ملازمین، شیئر ہولڈرز اور بینکرز کے مسلسل تعاون پر شکر گزار ہے۔



محمد حمید
چیف ایگزیکٹو



عامر حمید
ڈائریکٹر

لاہور

مورخہ 5- اکتوبر 2018



STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017
FOR THE YEAR ENDED 30 June 2018

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

1. The total number of directors are 8 as per the following:

- a. Male: 7
- b. Female: 1

2. The composition of the Board is as follows:

| Category | Names |
|-----------------------|---|
| Independent Director* | Mr. Omer Mohyudin Malik |
| Executive Directors | Mr. Muhammad Hameed Mr. Aamer Hameed |
| Non-Executive | Mr. Ijaz Hameed Ms. Uzma Hameed Mr. Tariq Hameed Mr. Murtaza Hameed Mr. Sajid Saleem Minhas |

*The Company intends to complete the requirements of having at least 2 independent directors on its Board upon the next reconstitution of its new Board as permitted by Listed Companies (Code of Corporate Governance) Regulations, 2017.

3. The directors have confirmed that none of them is serving as a director in 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 the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act , 2017(the Act) and these regulations.
7. The meeting of the Board was presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose .The Board has complied with the requirements of this Act and regulations with respect to frequency, recording and circulating minutes of the meetings of the Board.
8. The Board of Directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Five members of the Board are either entitled for exemption from Directors' Training Program by virtue of their requisite qualification and required experience of serving on the Board of a listed company, or they have attended the Directors' Training Program as prescribed. The Company encourages the remaining directors to attend the Director's training program so that at least 75% of the Board members would either be exempt or have received Director's Training on or before June 30, 2020.



10. The Board has approved appointment of CFO, Company Secretary, and Internal Auditor including their remuneration and terms and conditions of employment and complied with relevant requirements of Regulations.
11. CFO and CEO duly endorsed the financial statements before the approval of the Board.
12. The Board has formed committees comprising of the members given below:
 - a) Audit Committee
 - i) Omer Mohyudin Malik
 - ii) Sajid Saleem Minhas
 - iii) Murtaza Hameed
 - b) HR & Remuneration Committee
 - i) Omer Mohyudin Malik
 - ii) Ijaz Hameed
 - iii) Tariq Hameed
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees was as per following:
 - a) Audit Committee: 4
 - b) HR and Remuneration Committee: 2
15. The Board has outsourced the internal audit function to Awan & CoChartered Accountants who are considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. They are involved in the internal audit functions on full time basis.
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 Institute of Chartered Accountants of Pakistan (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 persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, 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 material principles of Regulations have been complied with.

For & on behalf of the Board of Directors

(MOHAMMAD HAMEED)
Chief Executive

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

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

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

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

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

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

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

| S. No. | Paragraph Reference | Description |
|--------|---------------------|---|
| 1. | 2. | The number of independent directors on the board is less than that prescribed in the Regulations. |

Lahore
Dated: 05 October, 2018(HORWATH HUSSAIN CHAUDHURY & CO.)
Chartered Accountants

(Engagement Partner: Amin Ali)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVICE INDUSTRIES TEXTILES LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Service Industries Textiles Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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, 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 Company's affairs as at June 30, 2018 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standard 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 Note 1.4 of accompanied financial statements which states that as of June 30, 2018 the current liabilities of the Company exceed its current assets by Rs. 48.814 million and it has accumulated loss of Rs. 184.791 million as of that date. These factors along with matter raised in Note 15 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified 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:

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|--|---|
| 1. | <p style="text-align: center;">Preparation of the Financial Statements under the Companies Act, 2017</p> <p>The Companies Act, 2017 (the new Act) has replaced Companies Ordinance, 1984 and the requirements of the new Act have been applied in the preparation of annual financial statements of the Company for the first time for the year ended June 30, 2018. The new Act forms an integral part of the financial reporting framework applicable in Pakistan. This transition from the Ordinance to the new Act has required significant changes in disclosure requirements of financial statements. Further, as required under the new Act, the Company has changed its accounting policy and has reclassified certain account balances as specified in note 5 and 39 to these financial statements.</p> <p>Owing to the significant impact on disclosure requirements, this transition from the Ordinance to the new Act is considered a key audit matter.</p> | <p>We discussed this transition with the management and assessed:</p> <ul style="list-style-type: none"> ● Procedures adopted by the Company to identify the changes introduced by the new Act; ● Extent of change in disclosure requirements, change in accounting policy and reclassification of account balances; ● Changes made in the bookkeeping system to account for the newly promulgated changes on a consistent basis; and ● Adequacy of enhanced disclosures to be given in the annual financial statements in accordance with the applicable reporting framework |

| S. No. | Key audit matters | How the matter was addressed in our audit |
|--------|--|--|
| 2. | Increased Inventory Levels | |
| | <p>The Company has significantly increased its inventory levels as at the reporting date as compared to the previous year as disclosed in Note 19 to the financial statements.</p> <p>Increased inventory level is considered to be a key audit matter as it is a material account balance and associates with various risks such as obsolescence and possible impairment.</p> | <p>We responded to the risks associated with increased inventory levels, by:</p> <ul style="list-style-type: none"> ● observing inventory counts; ● obtaining an understanding of shelf-lives of the inventory; ● reviewing entity's costing method for inventory valuation; ● reviewing entity's cut-off procedures for inventory; ● evaluating the production and sale patterns of inventories and discussing the sufficiency and appropriateness of the provisions made by the management; and ● evaluating the presentation and disclosure of inventories in the financial statements as required by the applicable reporting framework. |

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

The management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of directors for the Financial Statements

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

In preparing the financial statements, the 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

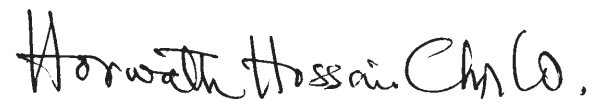
Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

Lahore
Dated: 05 October, 2018


(HORWATH HUSSAIN CHAUDHURY & CO.)
Chartered Accountants

(Engagement Partner: Amin Ali)



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

| | Note | 2018 Rupees | 2017 Rupees Restated | 2016 Rupees Restated |
|---|------|----------------|----------------------------|----------------------------|
| CAPITAL AND LIABILITIES | | | | |
| Share Capital and Reserves | | | | |
| Authorized share capital | | | | |
| 20,000,000 (2017: 10,000,000) ordinary shares of Rs. 10 each | | 200,000,000 | 100,000,000 | 100,000,000 |
| Issued, subscribed and paid up capital | 6 | 44,491,590 | 44,491,590 | 44,491,590 |
| Share deposit money | 7 | 150,000,000 | 150,000,000 | 150,000,000 |
| General reserve | 8 | - | - | 35,000,000 |
| Accumulated loss | | (184,791,190) | (202,426,848) | (254,406,127) |
| Surplus on revaluation of property, plant and equipment | 9 | 353,984,425 | 360,990,061 | 368,774,101 |
| | | 363,684,825 | 353,054,803 | 343,859,564 |
| Non Current Liabilities | | | | |
| Long term financing | 10 | 48,699,910 | 60,700,000 | 72,700,090 |
| Staff retirement benefits | 11 | 9,862,142 | 10,604,785 | 10,508,941 |
| Deferred tax liability | 12 | 16,877,723 | 22,815,566 | 31,373,060 |
| | | 75,439,775 | 94,120,351 | 114,582,091 |
| Current Liabilities | | | | |
| Trade and other payables | 13 | 136,345,931 | 76,114,274 | 123,694,657 |
| Unclaimed dividend | | 232,987 | 232,987 | 232,987 |
| Accrued markup on long term financing | | 10,109,908 | 11,907,678 | 9,811,841 |
| Current portion of long term financing | 10 | 12,000,090 | 12,000,090 | 13,409,704 |
| Provision for taxation | 14 | 8,673,396 | 8,135,507 | 4,830,064 |
| | | 167,362,312 | 108,390,536 | 151,979,253 |
| Contingencies and Commitments | | | | |
| | 15 | - | - | - |
| | | 606,486,912 | 555,565,690 | 610,420,908 |
| ASSETS | | | | |
| Non Current Assets | | | | |
| Property, plant and equipment | 16 | 476,496,326 | 483,657,318 | 498,418,698 |
| Long term deposits | 17 | 11,442,037 | 11,442,037 | 11,442,037 |
| | | 487,938,363 | 495,099,355 | 509,860,735 |
| Current Assets | | | | |
| Stores and spares | 18 | 4,145,461 | 4,727,083 | 4,692,626 |
| Stock in trade | 19 | 65,567,080 | 28,748,079 | 75,171,290 |
| Trade debts | 20 | 1,002,300 | - | 61,004 |
| Sales tax refunds due from the government | | 2,015,850 | 1,214,173 | - |
| Advances, prepayments and other receivables | 21 | 8,615,232 | 8,149,734 | 8,917,733 |
| Cash and bank balances | 22 | 37,202,626 | 17,627,266 | 11,717,520 |
| | | 118,548,549 | 60,466,335 | 100,560,173 |
| | | 606,486,912 | 555,565,690 | 610,420,908 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahad
Chief Financial Officer



**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Note | 2018 Rupees | 2017 Rupees |
|-------------------------------|------|----------------|----------------|
| Sales | 23 | 854,392,052 | 801,429,683 |
| Cost of sales | 24 | (806,215,615) | (757,514,774) |
| Gross Profit | | 48,176,437 | 43,914,909 |
| Operating expenses: | | | |
| - Distribution costs | 25 | (780,000) | (657,109) |
| - Administrative expenses | 26 | (25,952,262) | (22,190,610) |
| | | (26,732,262) | (22,847,719) |
| Operating Profit | | 21,444,175 | 21,067,190 |
| Finance cost | 27 | (5,793,412) | (7,785,809) |
| Other operating expenses | 28 | (2,590,268) | (5,149,175) |
| | | (8,383,680) | (12,934,984) |
| Profit before Taxation | | 13,060,495 | 8,132,206 |
| Taxation | 29 | (2,413,074) | 676,323 |
| Net Profit for the year | | 10,647,421 | 8,808,529 |
| Earnings per Share - Basic | 30 | 2.39 | 1.98 |
| Earnings per Share - Dilutive | 30 | 0.55 | 0.45 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahad
Chief Financial Officer

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

| | 2018 Rupees | 2017 Rupees |
|---|----------------|----------------|
| Net Profit for the Year | 10,647,421 | 8,808,529 |
| Other Comprehensive Income for the Year | | |
| Items that will be reclassified to profit or loss | - | - |
| Items that will not be reclassified to profit or loss | | |
| Experience adjustment on remeasurement of staff retirement benefits - net of deferred tax | (17,399) | 386,710 |
| Total Comprehensive Income for the Year | 10,630,022 | 9,195,239 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahad
Chief Financial Officer



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

| | Share Capital Rupees | Share Deposit Money Rupees | General Reserve Rupees | Surplus on Revaluation of Fixed Assets Rupees | Accumulated Loss Rupees | Total Rupees |
|--|----------------------------|----------------------------------|------------------------------|--|-------------------------------|-----------------|
| Balance as at June 30, 2016 as previously reported | 44,491,590 | 150,000,000 | 35,000,000 | - | (254,406,127) | (24,914,537) |
| Impact of restatement (refer to note 5.1) | - | - | - | 368,774,101 | - | 368,774,101 |
| Balance as at June 30, 2016 as restated | 44,491,590 | 150,000,000 | 35,000,000 | 368,774,101 | (254,406,127) | 343,859,564 |
| Net profit for the year | - | - | - | - | 8,808,529 | 8,808,529 |
| Other comprehensive income for the year | - | - | - | - | 386,710 | 386,710 |
| Total comprehensive income for the year | - | - | - | - | 9,195,239 | 9,195,239 |
| Transfer to accumulated loss | - | - | (35,000,000) | - | 35,000,000 | - |
| Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax | - | - | - | (7,784,040) | 7,784,040 | - |
| Balance as at June 30, 2017 as restated | 44,491,590 | 150,000,000 | - | 360,990,061 | (202,426,848) | 353,054,803 |
| Balance as at June 30, 2017 as previously reported | 44,491,590 | 150,000,000 | - | - | (202,426,848) | (7,935,258) |
| Impact of restatement (refer to note 5.1) | - | - | - | 360,990,061 | - | 360,990,061 |
| Balance as at June 30, 2017 as restated | 44,491,590 | 150,000,000 | - | 360,990,061 | (202,426,848) | 353,054,803 |
| Net Profit for the year | - | - | - | - | 10,647,421 | 10,647,421 |
| Other comprehensive loss for the year | - | - | - | - | (17,399) | (17,399) |
| Total comprehensive income for the year | - | - | - | - | 10,630,022 | 10,630,022 |
| Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax | - | - | - | (7,005,636) | 7,005,636 | - |
| Balance as at June 30, 2018 | 44,491,590 | 150,000,000 | - | 353,984,425 | (184,791,190) | 363,684,825 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahad
Chief Financial Officer



**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

| | 2018 Rupees | 2017 Rupees |
|--|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 13,060,495 | 8,132,206 |
| Adjustments for: | | |
| - Depreciation | 29,126,357 | 21,200,060 |
| - Provision for gratuity | 3,262,542 | 4,235,723 |
| - Advances written off | - | 98,040 |
| - Provision for bad debts | - | 27,432 |
| - Provision against advance to suppliers | - | 1,928,054 |
| - Write-down of raw materials to net realizable value | 482,618 | 983,036 |
| - Workers' (profit) participation fund | 747,525 | 477,324 |
| - Workers' welfare fund | 267,903 | 165,963 |
| - Finance cost | 5,793,412 | 7,748,883 |
| | 39,680,357 | 36,864,515 |
| Operating profit before working capital changes | 52,740,852 | 44,996,721 |
| (Increase) / decrease in current assets: | | |
| - Stores and spares | 581,622 | (34,457) |
| - Stock in trade | (37,301,619) | 45,440,175 |
| - Trade debts | (1,002,300) | 33,572 |
| - Sales tax refunds due from the government | (801,677) | (1,214,173) |
| - Advances, prepayments and other receivables | 1,085,649 | (537,538) |
| (Decrease) / increase in current liabilities: | | |
| - Trade and other payables | 59,216,229 | (48,223,670) |
| | 21,777,904 | (4,536,091) |
| Cash generated from operations | 74,518,756 | 40,460,630 |
| Income tax paid | (9,357,069) | (5,462,018) |
| Finance cost paid | (7,591,182) | (5,653,046) |
| Gratuity paid | (4,029,690) | (3,587,436) |
| Net Cash generated from Operating Activities | 53,540,815 | 25,758,130 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (21,965,365) | (6,438,680) |
| Net Cash used in Investing Activities | (21,965,365) | (6,438,680) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long term financing - net | (12,000,090) | (13,409,704) |
| Net Cash used in Financing Activities | (12,000,090) | (13,409,704) |
| Net Increase in Cash and Cash Equivalents | 19,575,360 | 5,909,746 |
| Cash and cash equivalents at the beginning of the year | 17,627,266 | 11,717,520 |
| Cash and Cash Equivalents at the End of the Year | 37,202,626 | 17,627,266 |

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahad
Chief Financial Officer



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1

The Company and its Operations

1.1 Service Industries Textiles Limited (the Company) was incorporated in Pakistan in 1962 as a Private Limited Company under the repealed Companies Act 1913, (now the Companies Act, 2017) and was subsequently converted into a Public Limited Company in 1970. The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn made from raw cotton and synthetic fiber.

1.2 The Information on geographical location and address of the company's business is as under

- The registered office of the Company is situated at 38 - Empress Road, Lahore.
- The Company's factory is situated at Rehman Shaheed Road, Gujrat.

1.3 Summary of Significant Events and Transactions in the Current Reporting Period

| | 2018 Impact in Rupees |
|--|--------------------------|
| Increase in authorized share capital | 100,000,000 |
| Reclassification of surplus on revaluation of property, plant and equipment in to equity | 353,984,425 |
| Addition in property, plant and equipment | 21,965,365 |
| Increase in stock in trade - net | 36,819,001 |
| Increase in trade and other payable | 60,231,657 |

1.4 Going concern assumption

As of the reporting date, the current liabilities of the Company exceed its current assets by Rs. 48.814 million (2017: Rs. 47.924 million) and it has accumulated loss of Rs. 184.791 million (2017: Rs. 202.427 million). These factors along with matter raised in Note 15 raise doubts about the Company being a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company is striving to enhance its operating capacity and obtain further sales orders, thus improving its profitability. There are no liabilities payable to banking companies and further directors have assured their continuous support to the ongoing operations of the Company. Keeping in view these factors, the going concern assumption is considered appropriate and, therefore, these financial statements have been prepared on going concern basis.

Note 2

Basis of Preparation

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except certain property, plant and equipment that have been stated at revalued amounts and post employment benefits that are stated at present value.

*Notes to and Forming Part of the Financial Statements***2.3 Functional and presentational currency**

These financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

Note 3**Changes in Accounting Standards, Interpretations and Pronouncements****3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year**

The Company has adopted the following accounting standard and the amendments which became effective for the current year:

- IAS 7 - Statement of Cashflow: Disclosures - Disclosure Initiative - (Amendment)
- IAS 12 - Income Taxes — Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB in December 2014

- IFRS 12 - Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure

3.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

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

Standard or Interpretation

| Effective Date (Period beginning on or after) |
|--|
|--|

- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRS 9 Financial Instruments: Classification and Measurement
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IAS 23 Borrowing costs

| |
|-----------------|
| January 1, 2018 |
| July 1, 2018 |
| July 1, 2018 |
| January 1, 2019 |
| January 1, 2019 |

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application except for IFRS 9, IFRS 15 and IFRS 16.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2019.

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

| Effective Date (Period beginning on or after) |
|--|
|--|

- IFRS 14 'Regulatory Deferral Accounts'
- IFRS 17 'Insurance Contracts'

| |
|-----------------|
| January 1, 2016 |
| January 1, 2021 |

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

*Notes to and Forming Part of the Financial Statements*

Note 4

Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, results of which form the basis of making judgment about carrying amounts 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. Revisions to accounting estimates are recognized in the period in which estimates are revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

4.1 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in remaining useful life might effect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment, if any.

4.2 Staff retirement benefits

The Company has recorded its employee retirement benefits at present value using actuarial assumptions regarding increase in salaries in subsequent years and an estimate of discount rates. Change in actuarial assumptions over the period of time may affect the fair value of post-employment benefits payable and the charge for such liability accounted for in any given period.

4.3 Inventories

The Company has recorded its inventories using lower of cost and net realizable value. Valuation of this inventory is reviewed at regular intervals for determination of possible impairment, if any. Any possible impairment may change the future value of inventories.

4.4 Taxation

The Company takes into account the current income tax laws and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

*Notes to and Forming Part of the Financial Statements*

Note 5

Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years, except for the following:

5.1 Change in Accounting Policy

The Company has changed its accounting policy for the presentation and treatment of Surplus on Revaluation of Property, Plant and Equipment in line with the requirements of newly promulgated Companies Act, 2017 which does not stipulate any special treatment for revaluation surplus and therefore allows the presentation prescribed under IAS 16 "Property, Plant and Equipment". Thus, the surplus on revaluation of property, plant and equipment is presented as equity. This change in policy is applied retrospectively in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" with effect from earliest period presented in these financial statements. Since section 235 of the repealed Companies Ordinance, 1984 has lost its application, the revaluation surplus which was previously shown as a separate line item on statement of financial position, has now been presented in equity for the current year and figures have been restated accordingly.

In view of the above, the accounting policy for the presentation and treatment of surplus on revaluation of property, plant and equipment is given below:

"Increase in the carrying amounts arising on revaluation of land and buildings is recognized, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognized in statement of profit or loss, the increase is first recognized in profit or loss. Decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on land and building to retained earnings."

The effect of change in accounting policy is summarized below:

| | As at June 30, 2017 | | | As at June 30, 2016 | | |
|--|---|------------|---------------------------------|---|------------|---------------------------------|
| | -----Rupees in '000----- | | | | | |
| | As previously reported on June 30, 2017 | Adjustment | As restated in June 30, 2017 | As previously reported on June 30, 2016 | Adjustment | As restated on June 30, 2016 |
| Effect on Statement of Financial Position: | | | | | | |
| Surplus on revaluation of Property, plant and equipment | 360,990 | (360,990) | - | 368,774 | (368,774) | - |
| Share capital and reserves | (7,935) | 360,990 | 353,055 | (24,915) | 368,774 | 343,859 |
| Effect on Statement of Changes in Equity: | | | | | | |
| Capital reserve - Surplus on revaluation of property, plant and equipment | - | 360,990 | 360,990 | - | 368,774 | 368,774 |

There was no impact on statement of profit or loss, statement of comprehensive income and statement of cash flows as a result of the retrospective application of change in accounting policy.

*Notes to and Forming Part of the Financial Statements***5.2 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources shall be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

5.3 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its employees whose period of service with the Company is one year or more. Liability is provided annually on the basis of last drawn salary and the length of service of the employee in accordance with the Company's rules. The liability is provided using the actuarial valuation method as required under IAS - 19 (Employee Benefits).

5.4 Trade and other payables

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

5.5 Taxation

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

5.5.1 Current

The charge for current tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. All tax credits and tax rebates are taken into account in calculating this charge. However, in case of loss for the year, income tax expense is recognized as minimum tax liability, which is higher of minimum tax liability on turnover of the Company and minimum tax liability on accounting profit of the Company, in accordance with the provisions of the Income Tax Ordinance, 2001.

5.5.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of the assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Carrying amounts of deferred tax assets are reviewed at each reporting date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets 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.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the reporting date.

*Notes to and Forming Part of the Financial Statements***5.6 Property, plant and equipment**

Property, plant and equipment are stated at revalued amount / cost less accumulated depreciation and identified impairment losses, if any, except freehold land which is stated at revalued amount. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from their fair values. Additions, subsequent to revaluation, are stated at cost less accumulated depreciation and any identified impairment loss.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost in relation to certain assets also includes cost of borrowing during construction period in respect of loans taken for specific projects.

Depreciation on property, plant and equipment, except freehold land, is charged to profit or loss on reducing balance method at the rates specified in Note 16. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life. Incremental depreciation representing the difference between actual depreciation based on revalued carrying amount of the asset and equivalent depreciation based on the original carrying amount of the asset is transferred to equity from surplus on revaluation of property, plant and equipment. All transfers to/from surplus on revaluation of property, plant and equipment are net of applicable deferred income taxes.

Depreciation on additions is charged from the month in which the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Depreciation method, residual value and useful lives of assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year's income.

Increases in the carrying amounts arising due to revaluation are credited to revaluation surplus on property, plant and equipment. Decreases that offset previous increases of any other fixed asset of the Company are debited against revaluation surplus directly in equity. All other decreases are charged to profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss and represents expenditure incurred on property, plant and equipment during construction and installation. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. Cost also includes applicable borrowing costs. Transfers are made to relevant property, plant and equipment category as and when the assets are available for use.

5.7 Impairment of assets

The Company assesses at each reporting date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Where an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

5.8 Stores and spares

Stores and spares are valued at weighted average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for obsolete and slow moving stores and spares based on management estimate.



5.9 Stock in trade

These are valued at lower of cost and net realizable value. The cost is determined by using the following basis:

| | |
|---------------------|--|
| Raw materials | - At average cost |
| Material in transit | - At cost comprising invoice value plus incidental charges |
| Work in process | - At estimated average manufacturing cost |
| Finished goods | - At average manufacturing cost |
| Wastes | - At net realizable value |

Manufacturing cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. If the net realizable value is lower than the carrying amount, a write-down is recognized for the amount by which the carrying amount exceeds its net realizable value. Provision is made in the financial statements for obsolete and slow moving stock in trade based on management estimate.

5.10 Long term financing

All borrowings are initially recognized at fair value less directly attributable transaction costs. Difference between the fair value and the proceeds of borrowings is recognized as income or expense in the statement of profit or loss.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

5.11 Trade debts

Trade debts are recognized initially at original invoice amount less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in profit or loss. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

5.12 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, cheques in hand and deposits with banks.

5.13 Mark-up, interest and other charges

Mark-up, interest and other charges on loans and advances are capitalized up to the date of commissioning of the respective asset, acquired out of the proceeds of such loans and advances. All other mark-up, interest and other charges are charged to income currently.

5.14 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party are at arm's length prices determined using the comparable uncontrolled price method, except in circumstances where it is not in the interest of the Company to do so.



5.15 Financial instruments

5.15.1 Financial assets

5.15.1.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition.

Financial assets at fair value through profit and loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those having maturities greater than twelve months after the reporting date, which are classified as non-current assets.

Available-for-sale financial assets

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized directly in equity are included in the statement of profit or loss as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the profit or loss account when the Company's right to receive payments is established.

Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, where the management has the intention and ability to hold till maturity are carried at amortized cost.

5.15.1.2 Initial recognition and measurement

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date that is the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss when the Company's right to receive payments is established.

5.15.1.3 Subsequent measurement

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

'Available for sale' financial assets are marked to market using the closing market rates and are carried in the statement of financial position at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income.

Loans and receivables and held to maturity financial assets are subsequently carried at amortized cost.



5.15.1.4 Derecognition

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

5.15.2 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

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

5.15.3 Offsetting of financial assets and liabilities

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

5.16 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak rupees at exchange rates prevailing at the date of transaction. Exchange gains and losses are included in the statement of profit or loss.

5.17 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. 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.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer i.e. on dispatch of goods to the customers.

5.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

5.19 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from 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.

A contingent liability is also disclosed when there is present 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 the obligation cannot be measured with sufficient reliability.

5.20 Dividend and other appropriations

Dividend to the shareholders is recognized in the period in which it is declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.



Note 6

Issued, Subscribed and Paid up Capital

| 2018 | 2017 | | 2018 | 2017 |
|------------------|------------------|---|-------------------|-------------------|
| Number of shares | | | Rupees | Rupees |
| 2,884,580 | 2,884,580 | Ordinary shares of Rs. 10 each | 28,845,800 | 28,845,800 |
| 23,400 | 23,400 | Ordinary shares of Rs. 10 each issued for consideration other than cash | 234,000 | 234,000 |
| 1,541,179 | 1,541,179 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 15,411,790 | 15,411,790 |
| <u>4,449,159</u> | <u>4,449,159</u> | | <u>44,491,590</u> | <u>44,491,590</u> |

6.1 Reconciliation of the number of shares outstanding as at the beginning and at the end of the year is as under:

| | | |
|---|------------------|------------------|
| Opening balance (Shares) | 4,449,159 | 4,449,159 |
| Issued / cancelled during the year (Shares) | - | - |
| Closing balance (Shares) | <u>4,449,159</u> | <u>4,449,159</u> |

6.2 23,400 shares of Rs. 10 each were issued to PICIC for consideration other than cash.

Note 7

Share Deposit Money

This represents unsecured and interest free deposit received for issuance of shares from directors in previous years. The Company intends to initiate the process of issue of capital after obtaining necessary approvals.

Note 8

General Reserve

This represented "general reserves" created by the Company that were used for transferring profits into / out of the statement of profit or loss and issue bonus shares. During the previous year, the Board of Directors of the Company resolved to transfer these reserves into accumulated loss.

Note 9

Surplus on Revaluation of Property, Plant and Equipment

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | Rupees | Rupees |
| Land - Freehold | 290,933,702 | 290,933,702 |
| Factory buildings on freehold land | 43,447,371 | 48,274,857 |
| Plant and machinery | 25,797,977 | 28,664,419 |
| Gas generator | 760,582 | 845,091 |
| Electric fittings | 50,429 | 56,032 |
| | <u>360,990,061</u> | <u>368,774,101</u> |
| Incremental depreciation charged on revalued property, plant and equipment in current year transferred to retained earnings - net of deferred tax | <u>(7,005,636)</u> | <u>(7,784,040)</u> |
| | <u>353,984,425</u> | <u>360,990,061</u> |

9.1 This represents surplus over book value resulting from the revaluation of above-mentioned assets, adjusted by incremental depreciation arising on revaluation of the above-mentioned assets except freehold land. Latest revaluation was carried out by an approved, independent valuer at June 30, 2014 using the below mentioned basis:

| | |
|-----------------------|------------------------------|
| - Land | Market value |
| - Building | Depreciated replacement cost |
| - Plant and machinery | Depreciated replacement cost |
| - Gas generator | Depreciated replacement cost |
| - Electric fittings | Depreciated replacement cost |

This resulted in revaluation surplus of Rs. 150.457 million.



Note 10

Long Term Financing

| | Note | 2018 Rupees | 2017 Rupees |
|---------------------------------------|------|-------------------|-------------------|
| Related parties - Unsecured | | | |
| Loan from Directors / Related parties | 10.1 | 60,700,000 | 72,700,090 |
| Less: Current portion | | (12,000,090) | (12,000,090) |
| | | <u>48,699,910</u> | <u>60,700,000</u> |

- 10.1 This represents financing obtained from directors from time to time, to pay off the bank loans and meet the liquidity requirements of the Company. The outstanding balance of this financing is repayable in equal monthly installments of Rs. 1 million each. This financing is unsecured and carries markup at 3 months KIBOR plus 1%.

Note 11

Staff Retirement Benefits

| | Note | 2018 Rupees | 2017 Rupees |
|---|---|----------------------------------|--------------------|
| Staff retirement benefits - Gratuity | | <u>9,862,142</u> | <u>10,604,785</u> |
| 11.1 | The Company operates an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme is carried out annually by an independent actuary and the latest actuarial valuation has been carried out as at June 30, 2018. Following key information is included in that actuarial report: | | |
| 11.2 | Movement in net liability for staff gratuity | | |
| Opening balance | | 10,604,785 | 10,508,941 |
| Charge for the year | 11.4 | 3,262,542 | 4,235,723 |
| Net remeasurements for the year - Other comprehensive income | | 24,505 | (552,443) |
| | | <u>13,891,832</u> | <u>14,192,221</u> |
| Benefits paid during the year | | <u>(4,029,690)</u> | <u>(3,587,436)</u> |
| | | <u>9,862,142</u> | <u>10,604,785</u> |
| 11.3 | Movement in present value of defined benefit obligation | | |
| Opening balance | | 10,604,785 | 10,508,941 |
| Current service cost for the year | | 2,601,249 | 3,603,869 |
| Interest cost for the year | | 661,293 | 631,854 |
| Experience adjustment | | 24,505 | (552,443) |
| Benefits paid during the year | | <u>(4,029,690)</u> | <u>(3,587,436)</u> |
| Closing balance | | <u>9,862,142</u> | <u>10,604,785</u> |
| 11.4 | Charge for the year | | |
| Current service cost | | 2,601,249 | 3,603,869 |
| Interest cost | | 661,293 | 631,854 |
| | | <u>3,262,542</u> | <u>4,235,723</u> |
| 11.5 | Actuarial assumptions | | |
| Balance sheet liability and charge for the current year has been determined on the basis of actuarial estimates provided by the actuary as under: | | | |
| Discount rate - per annum | | 7.75% | 7.25% |
| Expected rate of increase in salary level - per annum | | 8.00% | 6.75% |
| Expected mortality rate for active employees | | SLIC (2001-2005) Mortality Table | |
| Actuarial valuation method | | Projected Unit Credit Method | |
| 11.6 | Estimated Charge for the year 2018-2019 | | Rupees |
| Current service cost | | | 2,961,918 |
| Interest cost | | | <u>792,924</u> |
| | | | <u>3,754,842</u> |



Note 11, Staff Retirement Benefits - Contd...

11.7 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes as at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in present value of defined benefit obligation as stated below:

| | Change in assumption % | Increase in assumption Rupees | Decrease in assumption Rupees |
|-----------------|------------------------------|-------------------------------------|-------------------------------------|
| Discount rate | 1% | 9,113,165 | 10,473,174 |
| Salary increase | 1% | 10,494,034 | 9,082,788 |

11.8 The Company does not have any plan assets covering its post-employment benefits payable. The comparative statement of present value of defined benefit obligations is as under:

| | 2018 Rupees | 2017 Rupees | 2016 Rupees | 2015 Rupees | 2014 Rupees |
|---|----------------|----------------|----------------|----------------|----------------|
| Present value of defined benefit obligation | 9,862,142 | 10,604,785 | 10,508,941 | 10,448,388 | 9,791,229 |
| Fair value of plan asset | - | - | - | - | - |
| Net deficit | 9,862,142 | 10,604,785 | 10,508,941 | 10,448,388 | 9,791,229 |

11.9 The charge for the year has been allocated as follows:

| | Note | 2018 Rupees | 2017 Rupees |
|-------------------------|------|----------------|----------------|
| Cost of sales | 24 | 2,804,642 | 3,676,438 |
| Distribution costs | 25 | 60,000 | 27,109 |
| Administrative expenses | 26 | 397,900 | 532,176 |
| | | 3,262,542 | 4,235,723 |



Note 12

Deferred Tax Liability

| | 2018 Rupees | 2017 Rupees |
|--|----------------|----------------|
| Deferred tax liability on taxable temporary differences arising in respect of: | | |
| - Accelerated tax depreciation on property, plant and equipment | 11,556,275 | 14,360,068 |
| - Surplus on revaluation of property, plant and equipment | 27,657,897 | 30,730,997 |
| | 39,214,172 | 45,091,065 |
| Deferred tax asset on deductible temporary differences arising in respect of: | | |
| - Unused tax losses | (15,904,794) | (15,904,794) |
| - Provision for Workers' (profit) participation fund | (3,223,132) | (2,867,679) |
| - Provision for Workers' welfare fund | (341,396) | (321,590) |
| - Staff retirement benefits and others | (2,867,127) | (3,181,436) |
| | (22,336,449) | (22,275,499) |
| | 16,877,723 | 22,815,566 |

- 12.1 Deferred tax asset on tax losses available for carry forward has been recognized to the extent that the realization of related tax benefit is probable from reversal of existing taxable temporary differences and future taxable profit. Management's assertion of future taxable profit is mainly based on increasing sales. Being prudent, the Company has yet not recognized deferred tax assets of Rs. 15.18 million (2017: Rs. 24.22 million) in respect of unused tax losses and available tax credits. Unused tax losses on which deferred tax asset has not been recognized represent unabsorbed depreciation losses, which can be carried forward for unlimited time, and other tax credits.

The gross movement in net deferred tax asset during the year is as follows:

| | | |
|---------------------------------------|-------------|-------------|
| Opening balance | 22,815,566 | 31,373,060 |
| Charged to other comprehensive income | (7,106) | 165,733 |
| Charged to the profit or loss | (5,930,737) | (8,723,227) |
| Closing balance | 16,877,723 | 22,815,566 |

Note 13

Trade and Other Payables

| | Note | 2018 Rupees | 2017 Rupees |
|--|------|----------------|----------------|
| Trade creditors - Raw materials and others | | 89,666,454 | 35,564,055 |
| Accrued liabilities | | 24,647,723 | 21,376,149 |
| Advances from customers | | 5,412,270 | 4,487,949 |
| Workers' (profit) participation fund | 13.1 | 11,114,248 | 9,558,930 |
| Workers' welfare fund | | 1,177,227 | 1,071,968 |
| Income tax withheld | | 4,328,009 | 4,050,207 |
| Sales tax payable | | - | 5,016 |
| | | 136,345,931 | 76,114,274 |
| 13.1 Workers' (profit) participation fund | | | |
| Opening balance | | 9,558,930 | 8,310,628 |
| Provision for the year | | 747,525 | 477,324 |
| Interest on workers' (profit) participation fund | | 807,793 | 770,978 |
| | | 11,114,248 | 9,558,930 |
| Paid during the year | | - | - |
| Closing Balance | | 11,114,248 | 9,558,930 |



Note 14

Provision for Taxation

| | 2018 | 2017 |
|--|------------------|------------------|
| | Rupees | Rupees |
| Opening balance | 8,135,507 | 4,830,064 |
| Provision for current year | 8,673,396 | 8,135,507 |
| Prior years tax credits | (329,585) | (1,445,720) |
| | 16,479,318 | 11,519,851 |
| Payments / adjustments during the year | (7,805,922) | (3,384,344) |
| | <u>8,673,396</u> | <u>8,135,507</u> |

14.1 Income tax assessments are deemed finalized up to the Tax Year 2017 as returns were filed under self assessment scheme.

14.2 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is incorporated in financial statements. The comparison of estimated provision for taxation and actual tax assessed as per income tax return filed for previous years is as follows:

| | Provision for taxation | Tax assessed | Excess |
|------|------------------------|--------------|-----------|
| | Rupees | Rupees | Rupees |
| 2017 | 8,135,507 | 7,805,922 | 329,585 |
| 2016 | 4,830,064 | 3,384,344 | 1,445,720 |
| 2015 | 6,600,871 | 4,972,243 | 1,628,628 |

In the tax returns filed for the tax year 2015, 2016 and 2017 the tax liabilities were adjusted against the tax credits under section 65b of the Income Tax Ordinance, 2001 due to which differences arose between the provision for taxation and tax assessed.

Note 15

Contingencies and Commitments

Contingencies

15.1 Sui Northern Gas Pipelines Limited (SNGPL) has demanded an amount of Rs. 23.74 million (2017: Rs. 7.42 million) from the Company in respect of Gas Infrastructure Development Cess under the Gas Infrastructure Development Cess Act, 2015. However, the Company denies the claim and filed a suit before the Honorable Sindh High Court dated February 02, 2017. Based on the advice of legal counsel, the management is of the view that there are meritorious grounds to defend the Company's position and it would be resolved in the Company's favor. Hence, no provision has been made in these financial statements.

Commitments

15.2 There are no material commitments outstanding as at the reporting date (2017: Nil).



Note 16
Property, Plant and Equipment

16.1 Year Ended June 30, 2018

| Particulars | Cost / Revalued Amount | | | Depreciation | | | | Written Down Value as at June 30, 2018 |
|---|------------------------|-------------------------|---------------------------|--------------|---------------------|--------------|---------------------------|--|
| | As at July 01, 2017 | Additions / (Disposals) | Total as at June 30, 2018 | Rate | As at July 01, 2017 | For the year | Total as at June 30, 2018 | |
| | Rupees | Rupees | Rupees | % | Rupees | Rupees | Rupees | |
| Land - freehold | 290,950,000 | - | 290,950,000 | | - | - | - | 290,950,000 |
| Factory building on freehold land | 95,930,746 | - | 95,930,746 | 10 | 25,705,734 | 9,593,075 | 35,298,809 | 60,631,937 |
| Plant and machinery | 131,153,022 | 21,692,984 | 152,846,006 | 10 | 33,541,565 | 14,368,932 | 47,910,497 | 104,935,509 |
| Furniture and fixtures | 7,158,061 | 140,581 | 7,298,642 | 10 | 6,447,867 | 719,321 | 7,167,188 | 131,454 |
| Gas generator | 22,571,114 | - | 22,571,114 | 10 | 5,079,502 | 2,257,111 | 7,336,613 | 15,234,501 |
| Vehicles | 7,994,978 | - | 7,994,978 | 20 | 3,235,045 | 1,598,996 | 4,834,041 | 3,160,937 |
| Electric fittings, equipment and appliances | 5,864,340 | 131,800 | 5,996,140 | 10 | 3,955,230 | 588,922 | 4,544,152 | 1,451,988 |
| Library books | 11,856 | - | 11,856 | 10 | 11,856 | - | 11,856 | - |
| Total Rupees | 561,634,117 | 21,965,365 | 583,599,482 | | 77,976,799 | 29,126,357 | 107,103,156 | 476,496,326 |

16.2 Year Ended June 30, 2017

| Particulars | Cost / Revalued Amount | | | Depreciation | | | | Written Down Value as at June 30, 2017 |
|---|------------------------|-------------------------|---------------------------|--------------|---------------------|--------------|---------------------------|--|
| | As at July 01, 2016 | Additions / (Disposals) | Total as at June 30, 2017 | Rate | As at July 01, 2016 | For the year | Total as at June 30, 2017 | |
| | Rupees | Rupees | Rupees | % | Rupees | Rupees | Rupees | |
| Land - freehold | 290,950,000 | - | 290,950,000 | | - | - | - | 290,950,000 |
| Factory building on freehold land | 95,930,746 | - | 95,930,746 | 10 | 17,902,955 | 7,802,779 | 25,705,734 | 70,225,012 |
| Plant and machinery | 129,069,272 | 2,083,750 | 131,153,022 | 10 | 22,766,644 | 10,774,921 | 33,541,565 | 97,611,457 |
| Furniture and fixtures | 7,075,811 | 82,250 | 7,158,061 | 10 | 6,373,722 | 74,145 | 6,447,867 | 710,194 |
| Gas generator | 22,571,114 | - | 22,571,114 | 10 | 3,135,989 | 1,943,513 | 5,079,502 | 17,491,612 |
| Vehicles | 3,919,298 | 4,075,680 | 7,994,978 | 20 | 2,837,412 | 397,633 | 3,235,045 | 4,759,933 |
| Electric fittings, equipment and appliances | 5,667,340 | 197,000 | 5,864,340 | 10 | 3,748,161 | 207,069 | 3,955,230 | 1,909,110 |
| Library books | 11,856 | - | 11,856 | 10 | 11,856 | - | 11,856 | - |
| Total Rupees | 555,195,437 | 6,438,680 | 561,634,117 | | 56,776,739 | 21,200,060 | 77,976,799 | 483,657,318 |

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

| Location / Address | Usage of immovable property | Total Area | Covered Area |
|---|-----------------------------|------------|--------------|
| | | sq. ft. | sq. ft. |
| Industrial Area G.T Road Gujrat beside pace | Production and warehouse | 288,041 | 164,844 |

16.4 Latest revaluation of property, plant and equipment was carried out by an independent valuer (refer to note 9) as on June 30, 2014. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as under:

| | As on June 30, 2018 | | |
|---|---------------------|--------------------------|------------|
| | Cost | Accumulated depreciation | Book value |
| | Rupees | Rupees | Rupees |
| Land | 16,298 | - | 16,298 |
| Factory building | 42,956,538 | 35,998,067 | 6,958,471 |
| Plant and machinery | 364,475,223 | 294,395,885 | 70,079,338 |
| Gas generator | 34,535,720 | 21,810,505 | 12,725,215 |
| Electric fittings, equipment and appliances | 15,705,661 | 13,923,370 | 1,782,291 |
| | 457,689,440 | 366,127,827 | 91,561,613 |



16.5 Depreciation charge for the year has been allocated as under:

| | Note | 2018 Rupees | 2017 Rupees |
|-------------------------|------|-------------------|-------------------|
| Cost of sales | 24 | 26,808,040 | 20,728,282 |
| Administrative expenses | 26 | 2,318,317 | 471,778 |
| | | <u>29,126,357</u> | <u>21,200,060</u> |

16.6 As per the revaluation report, forced sale values of land, building and machinery are Rs. 232,760,000, Rs. 73,886,000 and Rs. 97,692,000 respectively. The management believes that these values approximate to the values as on June 30, 2018.

16.7 The following methods and assumptions were used to estimate the fair values:

The significant inputs used in the fair value measurements categorized within level 2 of the fair value hierarchy, together with a quantitative sensitivity analysis as at June 30, 2018 are as shown below:

| Description | Valuation Technique | Significant Observable Inputs | Quantitative Data / Range (weighted average) |
|---|---------------------------------|---|--|
| Land | | Market enquiries and survey as per kanal / marla for land | |
| Factory building | | Market survey | |
| Plant and machinery | Sales Value comparison approach | Market value of machinery considering condition, manufacturing date, country of manufacturing and replacement value | Nil |
| Gas Generator | | | |
| Electric fittings, equipment and appliances | | Market and replacement value | |

Note 17

Long Term Deposits

| | 2018 Rupees | 2017 Rupees |
|-----------------------------------|-------------------|-------------------|
| Sui Northern Gas Pipeline Limited | 8,522,037 | 8,522,037 |
| WAPDA | 2,920,000 | 2,920,000 |
| | <u>11,442,037</u> | <u>11,442,037</u> |

Note 18

Stores and Spares

| | 2018 Rupees | 2017 Rupees |
|-------------------|------------------|------------------|
| Stores and spares | 3,668,293 | 2,952,427 |
| Packing materials | 477,168 | 1,774,656 |
| | <u>4,145,461</u> | <u>4,727,083</u> |



Note 19

Stock in Trade

| | 2018 | 2017 |
|---|------------|------------|
| | Rupees | Rupees |
| Raw materials | 59,376,719 | 20,978,941 |
| Work in process | 3,561,796 | 5,241,327 |
| Finished goods | 2,203,423 | 2,009,073 |
| Waste | 907,760 | 1,501,774 |
| | 66,049,698 | 29,731,115 |
| Write-down of raw materials to net realizable value | (482,618) | (983,036) |
| | 65,567,080 | 28,748,079 |

Note 20

Trade Debts

| | 2018 | 2017 |
|---|-----------|--------|
| | Rupees | Rupees |
| Local debts (Unsecured - considered good) | 1,002,300 | - |

Note 21

Advance, Prepayments and Other Receivables

| | Note | 2018 | 2017 |
|---|------|-----------|-----------|
| | | Rupees | Rupees |
| Advances to employees (Unsecured - considered good) | 21.1 | 489,682 | 363,857 |
| Advances to suppliers (Unsecured) | | - | 699,171 |
| Less: Provision against doubtful advances | 21.2 | - | - |
| | | - | 699,171 |
| Income tax deducted at source / advance tax | | 7,862,770 | 6,311,623 |
| Prepayments | | 262,780 | 310,780 |
| Other receivable | | - | 464,303 |
| | | 8,615,232 | 8,149,734 |

21.1 This includes amount of Rs. 112,160 (2017: Rs. 148,118) due from the executives of the Company.

21.2 Provision against doubtful advances

| | 2018 | 2017 |
|--------------------------------|--------|-------------|
| | Rupees | Rupees |
| Opening balance | - | 5,565,071 |
| Provision made during the year | - | 1,928,054 |
| | - | 7,493,125 |
| Balances written off | - | (7,493,125) |
| Closing Balance | - | - |

Note 22

Cash and Bank Balances

| | 2018 | 2017 |
|-----------------------------------|------------|------------|
| | Rupees | Rupees |
| Cash in hand | 572,882 | 301,827 |
| Cash at banks in current accounts | 36,629,744 | 17,325,439 |
| | 37,202,626 | 17,627,266 |



Note 23

Sales

| | 2018 | 2017 |
|------------------|--------------|--------------|
| | Rupees | Rupees |
| Local: | | |
| - Yarn | 859,635,819 | 808,069,251 |
| - Wastes | 7,779,718 | 5,481,471 |
| | 867,415,537 | 813,550,722 |
| Less: Sales tax | - | - |
| Less: Commission | (13,023,485) | (12,121,039) |
| | 854,392,052 | 801,429,683 |

Note 24

Cost of Sales

| | | 2018 | 2017 |
|---------------------------------|------|-------------|-------------|
| | Note | Rupees | Rupees |
| Raw materials consumed | | 552,546,041 | 477,853,073 |
| Stores and spares consumed | | 12,636,393 | 10,096,385 |
| Packing materials consumed | | 11,984,046 | 10,456,331 |
| Fuel and power | | 95,089,519 | 86,246,523 |
| Salaries and wages | 24.1 | 100,924,389 | 95,213,186 |
| Repairs and maintenance | | 4,147,992 | 4,140,157 |
| Depreciation | 16.5 | 26,808,040 | 20,728,282 |
| | | 804,136,420 | 704,733,937 |
| Work in process: | | | |
| - Opening | | 5,241,327 | 4,595,171 |
| - Closing | | (3,561,796) | (5,241,327) |
| | | 1,679,531 | (646,156) |
| | | 805,815,951 | 704,087,781 |
| Finished goods including waste: | | | |
| - Opening | | 3,510,847 | 56,937,840 |
| - Closing | | (3,111,183) | (3,510,847) |
| | | 399,664 | 53,426,993 |
| | | 806,215,615 | 757,514,774 |

24.1 This includes Rs. 2.80 million (2017: Rs. 3.68 million) in respect of staff retirement benefits.

Note 25

Distribution Cost

| | | 2018 | 2017 |
|----------|------|---------|---------|
| | Note | Rupees | Rupees |
| Salaries | 25.1 | 780,000 | 657,109 |

25.1 This includes Rs.0.060 million (2017: Rs. 0.027 million) in respect of staff retirement benefits.



Note 26

Administrative Expenses

| | Note | 2018 Rupees | 2017 Rupees |
|---------------------------------|------|-------------------|-------------------|
| Salaries and benefits | 26.1 | 14,799,002 | 13,202,531 |
| Utilities | | 546,395 | 449,453 |
| Printing and stationery | | 342,102 | 339,563 |
| Communication | | 697,705 | 651,901 |
| Travelling and conveyance | | 1,503,023 | 1,355,696 |
| Repairs and maintenance | | 261,584 | 251,153 |
| Rent, rates and taxes | | 856,634 | 927,912 |
| Vehicle running and maintenance | | 791,344 | 505,564 |
| Fees and subscription | | 92,140 | 241,184 |
| Legal and professional charges | | 1,695,487 | 1,238,370 |
| Insurance | | 713,298 | 708,925 |
| Entertainment | | 837,612 | 1,094,198 |
| Advertisement | | 89,850 | 103,500 |
| Newspapers and periodicals | | 76,750 | 73,990 |
| Donations | 26.2 | 219,439 | 468,884 |
| Gardening expenses | | 60,770 | 59,895 |
| Miscellaneous | | 50,810 | 46,113 |
| Depreciation | 16.5 | 2,318,317 | 471,778 |
| | | <u>25,952,262</u> | <u>22,190,610</u> |

26.1 This includes Rs. 0.398 million (2017: Rs. Rs. 0.532 million) in respect of staff retirement benefits.

26.2 None of the directors or their spouses have any interest in the donees.

Note 27

Finance Cost

| | Note | 2018 Rupees | 2017 Rupees |
|--|------|------------------|------------------|
| Markup on long term financing | | 4,947,689 | 6,977,905 |
| Interest on workers' (profit) participation fund | 13.1 | 807,793 | 770,978 |
| Bank charges | | 37,930 | 36,926 |
| | | <u>5,793,412</u> | <u>7,785,809</u> |

Note 28

Other Operating Expenses

| | Note | 2018 Rupees | 2017 Rupees |
|---|------|------------------|------------------|
| Auditors' remuneration: | | | |
| - Statutory audit fee | | 525,000 | 460,000 |
| - Other attestation services | | 150,000 | 140,000 |
| | | <u>675,000</u> | <u>600,000</u> |
| Provision for workers' (profit) participation fund | 13.1 | 747,525 | 477,324 |
| Provision for workers' welfare fund | | 267,903 | 165,963 |
| Advances written off | | - | 98,040 |
| Fines and penalties | 28.1 | 350,448 | 869,326 |
| Provision for bad debts | | - | 27,432 |
| Write-down of raw materials to net realizable value | 19 | 482,618 | 983,036 |
| Provision against advance to suppliers | 21.2 | - | 1,928,054 |
| Exchange loss | | 66,774 | - |
| | | <u>2,590,268</u> | <u>5,149,175</u> |



Note 28, Other Operating Expenses - Contd...

- 28.1 The Company was selected for withholding income tax audit u/s 221/161/205 of the Income Tax Ordinance, 2001 by the Federal Board of Revenue for the tax years 2015. Final orders after audit proceedings were issued creating a demand of Rs. 350,448 (2017: Rs. 869,326).

Note 29
Taxation

| | 2018 | 2017 |
|-----------------------|-------------|-------------|
| | Rupees | Rupees |
| Current: | | |
| - Charge for the year | 8,673,396 | 8,135,507 |
| - Prior years charge | - | 1,357,117 |
| - Tax credits | (329,585) | (1,445,720) |
| | 8,343,811 | 8,046,904 |
| Deferred tax | (5,930,737) | (8,723,227) |
| | 2,413,074 | (676,323) |

- 29.1 In view of the available income tax losses, the provision for current taxation represents tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Since provision for tax is based on minimum tax on turnover, reconciliation of average effective tax rate with applicable tax rate is not given.

Note 30
Earnings per Share - Basic and Dilutive

| | | 2018 | 2017 |
|---|--------|------------|------------|
| | Note | | |
| Net profit for the year attributable to ordinary shareholders | | 10,647,421 | 8,808,529 |
| | Rupees | | |
| Weighted average number of ordinary shares | | 4,449,159 | 4,449,159 |
| | Number | | |
| Weighted average number of dilutive shares | 30.1 | 19,449,159 | 19,449,159 |
| | Number | | |
| Earnings per share - Basic | | 2.39 | 1.98 |
| | Rupees | | |
| Earnings per share - Dilutive | | 0.55 | 0.45 |
| | Rupees | | |

- 30.1 To calculate the dilutive earnings per share, the share deposit money has been considered as issued share capital for the calculation of earnings per share.



Note 31

Chief Executive's and Directors' Remuneration

The aggregate amounts charged in the financial statements for remuneration, allowances including all benefits to the Chief Executive, Director and other Executives of the Company are as follows:

| | Chief Executive | Executive Director | Non-Executive / Independent Directors | Executives | Chief Executive | Executive Director | Non-Executive / Independent Directors | Executives |
|-----------------------------------|-----------------|--------------------|---------------------------------------|------------|-----------------|--------------------|---------------------------------------|------------|
| | 2018 | | | | 2017 | | | |
| | Rupees | | | | Rupees | | | |
| | | | | | (Restated) | | | |
| Managerial remuneration | 1,680,000 | 1,680,000 | - | 5,964,000 | 1,680,000 | 1,680,000 | - | 5,406,000 |
| House rent allowance | 480,000 | 480,000 | - | - | 480,000 | 480,000 | - | - |
| Medical allowance / reimbursement | 240,000 | 846,699 | - | - | 240,000 | 386,283 | - | - |
| | 2,400,000 | 3,006,699 | - | 5,964,000 | 2,400,000 | 2,546,283 | - | 5,406,000 |
| Number of persons | 1 | 1 | 6 | 4 | 1 | 1 | 6 | 4 |

31.1 The chief executive officer and two executives are provided with Company maintained cars.

31.2 No meeting fee has been paid to any director of the Company.

31.3 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 1.2 million in a financial year. Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017 (Previously, basic salary limit for executive was Rs. 500,000).

Note 32

Transactions with Related Parties

Related parties comprise directors of the Company and their close relatives, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Significant transactions with related parties and balances due to / from them are as under:

| Transactions during the year | | | 2018 | 2017 |
|---|--------------------|---|--------------|--------------|
| | | | Rupees | Rupees |
| Related party | Relationship | Nature of transaction | | |
| Directors and close relatives thereof | Associated persons | Long term financing repaid to directors | (12,000,090) | (13,409,704) |
| | | Markup on long term financing from directors | 4,947,689 | 6,977,905 |
| | | Markup on long term financing repaid / adjusted | (7,591,182) | (4,882,068) |
| Balance outstanding as at June 30, 2018 | | | | |
| Directors, executives and close relatives thereof | | Long term financing | 60,700,000 | 72,700,090 |
| | | Accrued markup on long term financing | 10,109,908 | 11,907,678 |
| | | Share deposit money | 150,000,000 | 150,000,000 |
| | | | 220,809,908 | 234,607,768 |

32.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

| Sr No | Company Name/ Party Name | Basis or association | Aggregate % of Shareholding |
|-------|--------------------------|----------------------|-----------------------------|
| 1 | Mr. Aamer Hameed | Director | 9.25 |
| 2 | Mr. Farooq Hameed | Ex-CFO | 9.02 |
| 3 | Mr. Ijaz Hameed | Director | 6.03 |
| 4 | Mr. Muhammad Hameed | CEO | 2.02 |
| 5 | Mr. Tariq Hameed | Director | 2.02 |
| 6 | Ms. Uzma Hameed | Director | 2.48 |



Note 33

Plant Capacity and Production

| | 2018 KGs | 2017 KGs |
|--|-------------|-------------|
| 100% plant capacity converted into 20/S (2017: 20/S) count based on three shifts per day for 1080 shifts (2017: 1080 shifts) | 6,168,874 | 6,168,874 |
| Actual production for the year converted into 20/S (2017: 20/S) | 5,647,382 | 5,593,129 |

Plant capacity is determined on the basis of management estimates as it is difficult to calculate precisely the production capacity of spinning unit. The production capacity fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist, maintenance of machinery, power shutdown and raw materials used, and the pattern of production adopted in any particular year.

The reason for low production is less number of orders.

Note 34

Financial Risk Management

The Company finances its operations through equity, borrowings and management of working capital with a view to obtain a reasonable mix between various sources of finance to minimize the risk.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk, other market price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

The Company's overall risk management procedures, to minimize the potential adverse effects of financial market on the Company's performance, are as follows:

34.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

34.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising due to a foreign payable amounting to Rs 14.042 million (2017: Nil)



34.1.2 Interest rate risk

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

The Company analyses its interest rate exposure on a dynamic basis taking into consideration the option of obtaining refinancing. The Company has no significant long-term interest-bearing assets. Its only interest bearing liability is long term financing obtained from directors. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk. As at the reporting date, the profile of the Company's interest bearing financial instruments was as under:

| | 2018 | 2017 |
|----------------------------------|------------------------------|--------|
| | ----- (Rupees in '000) ----- | |
| <u>Floating rate instruments</u> | | |
| Financial liabilities | | |
| Long term financing | 60,700 | 72,700 |

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the reporting date fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 0.607 million (2017: Rs. 0.727 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the reporting date are outstanding for the entire year.

34.1.3 Price risk

Price risk represents 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. As of the reporting date, the Company is not exposed to equity and commodity price risk.

34.2 Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure.

The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

34.2.1 Exposure to credit risk

Carrying values of financial assets exposed to credit risk and which are neither past due nor impaired are as under:

| | 2018 | 2017 |
|--------------------|------------------------------|--------|
| | ----- (Rupees in '000) ----- | |
| Long term deposits | 11,442 | 11,442 |
| Trade debts | 1,002 | - |
| Other receivables | - | 464 |
| Bank balances | 36,630 | 17,325 |



34.2.2 The aging of trade debts and related impairment loss as at the reporting date is as follows:

| | 2018 | 2017 |
|-----------------------|-----------------------------|------|
| | ------(Rupees in '000)----- | |
| Past due 1 - 180 days | 1,002 | - |

The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings based on customer credit history.

The management estimates the recoverability of trade receivables on the basis of financial position and past history of its customers based on the objective evidence that it shall not receive the amount due from the particular customer. The provision is written off by the Company when it expects that it cannot recover the balance due. Any subsequent repayments in relation to amounts written off are credited directly to the statement of profit or loss.

34.2.3 Credit quality of bank balances

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

| | Rating | | Rating Agency | 2018 | 2017 |
|---------------------------|------------|-----------|---------------|------------|------------|
| | Short term | Long term | | Rupees | Rupees |
| National Bank of Pakistan | A1+ | AAA | PACRA | 3,648 | 4,108 |
| MCB Bank Limited | A1+ | AAA | PACRA | 26,606,541 | 11,004,828 |
| Bank Alfalah Limited | A1+ | AA | PACRA | 10,019,408 | 6,316,356 |
| The Bank of Punjab | A1+ | AA | PACRA | 147 | 147 |
| | | | | 36,629,744 | 17,325,439 |

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

34.3 Liquidity risk

Liquidity risk represents the risk that the Company shall encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The management monitors the forecasts of the Company's cash and cash equivalents on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Company. These limits vary by location to take into account the liquidity of the market in which the Company operates. In addition, the Company's liquidity management policy involves projecting cash flows in each quarter and considering the level of liquid assets necessary to meet its liabilities.

The Company manages liquidity risk by maintaining sufficient cash. As at the reporting date, the Company has Rs. 37.203 million (2017: Rs. 17.627 million) cash and bank balances. The management believes that the Company has low liquidity risk as the directors shall inject funds to meet the liquidity requirements of the Company, if required. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.



| Description | Carrying Amount | Contractual cash flows | Within 1 year | 1-2 Years | 2-5 Years | 5 - 10 years |
|-------------|-----------------|------------------------|---------------|-----------|-----------|--------------|
|-------------|-----------------|------------------------|---------------|-----------|-----------|--------------|

.....Rupees in '000.....

Contractual maturities of financial liabilities as at June 30, 2018:

| | | | | | | |
|---------------------------------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Long term financing | 60,700 | 121,112 | 10,368 | 11,481 | 34,065 | 65,198 |
| Trade and other payables | 114,314 | 114,314 | 114,314 | - | - | - |
| Accrued markup on long term financing | 10,110 | 10,110 | 10,110 | - | - | - |
| | <u>185,124</u> | <u>245,536</u> | <u>134,792</u> | <u>11,481</u> | <u>34,065</u> | <u>65,198</u> |

Contractual maturities of financial liabilities as at June 30, 2017:

| | | | | | | |
|---------------------------------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Long term financing | 72,700 | 143,696 | 12,417 | 12,392 | 40,799 | 78,088 |
| Trade and other payables | 57,173 | 57,173 | 57,173 | - | - | - |
| Accrued markup on long term financing | 11,908 | 11,908 | 11,908 | - | - | - |
| | <u>141,781</u> | <u>212,777</u> | <u>81,498</u> | <u>12,392</u> | <u>40,799</u> | <u>78,088</u> |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at the reporting date. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

34.4 Financial instruments by categories

Financial assets as at June 30, 2018

| | At fair value through profit or loss | Loans and Receivables | Available-for-sale | Held to maturity | Total |
|--|--------------------------------------|-----------------------|--------------------|------------------|-------|
|--|--------------------------------------|-----------------------|--------------------|------------------|-------|

.....Rupees in '000.....

| | | | | | |
|------------------------|----------|---------------|----------|----------|---------------|
| Long term deposits | - | 11,442 | - | - | 11,442 |
| Trade debts | - | 1,002 | - | - | 1,002 |
| Cash and bank balances | - | 37,203 | - | - | 37,203 |
| | <u>-</u> | <u>49,647</u> | <u>-</u> | <u>-</u> | <u>49,647</u> |

Financial assets as at June 30, 2017

| | At fair value through profit or loss | Loans and Receivables | Available-for-sale | Held to maturity | Total |
|--|--------------------------------------|-----------------------|--------------------|------------------|-------|
|--|--------------------------------------|-----------------------|--------------------|------------------|-------|

.....Rupees in '000.....

| | | | | | |
|------------------------|----------|---------------|----------|----------|---------------|
| Long term deposits | - | 11,442 | - | - | 11,442 |
| Other receivable | - | 464 | - | - | 464 |
| Cash and bank balances | - | 17,627 | - | - | 17,627 |
| | <u>-</u> | <u>29,533</u> | <u>-</u> | <u>-</u> | <u>29,533</u> |

Financial liabilities at amortized cost

| | 2018 | 2017 |
|--|------|------|
|--|------|------|

.....(Rupees in '000).....

| | | |
|---------------------------------------|----------------|----------------|
| Long term financing | 60,700 | 72,700 |
| Trade and other payable | 114,314 | 57,173 |
| Accrued markup on long term financing | 10,110 | 11,908 |
| | <u>185,124</u> | <u>141,781</u> |



34.5 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

The carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Note 35

Capital Risk Management

The Company'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 the Company's business. The Board of Directors monitors the Return on Capital Employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- a) to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- b) to provide an adequate return to shareholders.

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, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

As at the reporting date, the gearing ratio of the Company was worked out as under:

| | 2018 Rupees | 2017 Rupees (Restated) |
|------------------------|----------------|------------------------------|
| Total borrowings | 60,700,000 | 72,700,090 |
| Cash and bank balances | (37,202,626) | (17,627,266) |
| Net debt | 23,497,374 | 55,072,824 |
| Equity | 363,684,825 | 353,054,803 |
| Total capital employed | 387,182,199 | 408,127,627 |
| Gearing ratio | 6.07% | 13.49% |



Note 36 Segment Information

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision Maker. The Chief Executive Officer (CEO) of the Company has been identified as the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments.

The CEO is responsible for the Company's entire product portfolio and considers business as a single operating segment. The Company's assets allocation decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis.

The internal reporting provided to the CEO for the Company's assets, liabilities and performance is prepared on a basis consistent with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Company is domiciled in Pakistan. All of the Company's income is from the entities incorporated in Pakistan.

Note 37 Number of Employees

| | Note | 2018 Number | 2017 Number |
|---|------|----------------|----------------|
| Employees as at June 30, | | | |
| - Permanent | 37.1 | 329 | 309 |
| - Contractual | 37.1 | 12 | 14 |
| Average employees during the year | | | |
| - Permanent | | 330 | 310 |
| - Contractual | | 12 | 14 |
| 37.1 This includes factory employees as at June 30, | | 305 | 289 |

Note 38 Date of Authorization for Issue

These financial statements were approved and authorized for issue by the Board of Directors of the Company on 05th October, 2018

Note 39 General

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. In addition to restatements discussed in note 5.1, the following re-arrangements / reclassifications have been made in these financial statements for better presentation:

| Nature | From | To | Amount (Rupees) |
|---------------------|---------------------------------------|--|--------------------|
| Unclaimed dividends | Trade and other payables (Note 13) | Face of the Statement of Financial Position | 232,987 |

Mohammad Hameed
Chief Executive

Aamer Hameed
Director

M. Muddasar Shahad
Chief Financial Officer



THE COMPANIES ORDINANCE 1984

(Section 227 (2) (f))

PATTERN OF SHAREHOLDING

FORM 34

| | |
|--|-------------------------------------|
| 1. Incorporation Number | 1420 |
| 2. Name of the Company | Service Industries Textiles Limited |
| 3. Pattern of holding of the shares held by the shareholders as at | 30-06-2018 |

| -----Shareholding----- | | | |
|------------------------|--------|--------|-------------------|
| 4. No. of Shareholders | From | To | Total Shares Held |
| 540 | 1 | 100 | 14,545 |
| 447 | 101 | 500 | 104,154 |
| 100 | 501 | 1000 | 79,940 |
| 104 | 1001 | 5000 | 250,773 |
| 23 | 5001 | 10000 | 185,564 |
| 5 | 10001 | 15000 | 57,090 |
| 2 | 15001 | 20000 | 38,300 |
| 1 | 20001 | 25000 | 23,521 |
| 1 | 25001 | 30000 | 25,500 |
| 2 | 30001 | 35000 | 70,000 |
| 2 | 35001 | 40000 | 79,220 |
| 1 | 40001 | 45000 | 42,500 |
| 9 | 45001 | 50000 | 442,480 |
| 2 | 50001 | 55000 | 103,060 |
| 2 | 60001 | 65000 | 130,000 |
| 1 | 70001 | 75000 | 74,606 |
| 3 | 85001 | 90000 | 269,239 |
| 2 | 95001 | 100000 | 197,461 |
| 2 | 110001 | 115000 | 222,390 |
| 1 | 120001 | 125000 | 123,148 |
| 1 | 130001 | 135000 | 130,446 |
| 1 | 160001 | 165000 | 162,908 |
| 1 | 195001 | 200000 | 199,420 |
| 1 | 265001 | 270000 | 268,324 |
| 1 | 340001 | 345000 | 341,500 |
| 1 | 400001 | 405000 | 401,359 |
| 1 | 410001 | 415000 | 411,711 |
| 1257 | | | 4,449,159 |

| 2.3 Categories of shareholders | Share held | Percentage |
|---|------------|------------|
| 2.3.1 Directors, Chief Executive Officers, and their spouse and minor children | 1,635,320 | 36.7557% |
| 2.3.2 Associated Companies, undertakings and related parties. (Parent Company) | 0 | 0.0000% |
| 2.3.3 NIT and ICP | 130,446 | 2.9319% |
| 2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 109,154 | 2.4534% |
| 2.3.5 Insurance Companies | 381,920 | 8.5841% |
| 2.3.6 Modarabas and Mutual Funds | 170,808 | 3.8391% |
| 2.3.7 Share holders holding 10% or more | 0 | 0.0000% |
| 2.3.8 General Public | | |
| a. Local | 2,001,505 | 44.9861% |
| b. Foreign | 0 | 0.0000% |
| 2.3.9 Others (to be specified) | | |
| Joint Stock Companies | 20,006 | 0.4497% |



SEVICE INDUSTRIES TEXTILES LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on 30.06.2018

| Sr. No. | Name | No. of Shares Held | Percentage |
|--|--|--------------------|------------|
| Associated Companies, Undertakings and Related Parties (Name Wise Detail): | | - | - |
| Mutual Funds (Name Wise Detail) | | - | - |
| 1 | CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC) | 162,908 | 3.6615% |
| Directors and their Spouse and Minor Children (Name Wise Detail): | | | |
| 1 | MR. AAMER HAMEED | 411,711 | 9.2537% |
| 2 | MR. FAROOQ HAMEED | 401,359 | 9.0210% |
| 3 | MR. IJAZ HAMEED | 268,324 | 6.0309% |
| 4 | MR. MUHAMMAD HAMEED | 89,713 | 2.0164% |
| 5 | MR. TARIQ HAMEED | 89,713 | 2.0164% |
| 6 | MR. MURTAZA HAMEED | 42,500 | 0.9552% |
| 7 | MR. SAJID SALIM MINHAS | 500 | 0.0112% |
| 8 | MR. OMAR MOHY-UD-DIN MALIK | 500 | 0.0112% |
| 9 | MRS. ROBINA IJAZ W/O IJAZ HAMEED | 123,148 | 2.7679% |
| 10 | MRS. UZMA HAMEED W/O FAROOQ HAMEED | 110,352 | 2.4803% |
| 11 | MRS. SAIMA HAMEED W/O AAMER HAMEED | 97,500 | 2.1914% |
| Executives: | | - | - |
| Public Sector Companies & Corporations: | | - | - |
| Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: | | 498,974 | 11.2150% |
| Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail) | | | |
| 1 | MR. AAMER HAMEED | 411,711 | 9.2537% |
| 2 | MR. FAROOQ HAMEED | 401,359 | 9.0210% |
| 3 | MR. IJAZ HAMEED | 268,324 | 6.0309% |
| 4 | MR. MUNAF IBRAHIM (CDC) | 341,500 | 7.6756% |

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

| S.No | NAME | SALE | PURCHASE |
|------|------|------|----------|
| Nil | | | |



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SERVICE INDUSTRIES TEXTILES LIMITED

FORM OF PROXY

Please quote Folio Number

I / We _____

of _____

being a member of SERVICE INDUSTRIES TEXTILES LIMITED hereby appoint

Mr. _____

of _____

another member of the Company or failing him

Mr. _____

of _____

another member of the Company as my proxy to attend, act and vote for me and on my behalf at the Annual General Meeting of the Company to be held on Saturday October 27, 2018 at 10:00 a.m at the Registered Office, 38-Empress Road, Lahore, and at any adjournment thereof.

Signature
on
Five Rupees
Revenue
Stamp

(Signatures should agree with the specimen signatures registered with the Company).

Witness _____

Date _____

NOTE:-

The proxy must be signed across a Five Rupees Revenue Stamp and it should be deposited in the Office of the Company not later than 48 hours before the time of holding the meeting.



پراکسی فارم (مختار نامہ)

رجسٹر فو لیو نمبر

سیکرٹری

سروس انڈسٹریز ٹیکسٹائلز لمیٹڈ

38- ایمپرس روڈ، لاہور

میں اہم

ساکن

بحیثیت رکن حامل

عام حصص بمطابق شیئر رجسٹر فو لیو نمبر _____ پارٹیشنڈ (شرکت) آئی ڈی نمبر _____ (بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر _____ بذریعہ ہذا)

محترم / محترمہ

ساکن

جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فو لیو نمبر _____

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر _____ پارٹیشنڈ (شرکت) آئی ڈی نمبر _____)

یا اسکی غیر موجودگی میں محترم / محترمہ _____ ساکن _____

جو کمپنی کا ممبر ہے بمطابق چیئر رجسٹر فو لیو نمبر _____

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر _____ پارٹیشنڈ (شرکت) آئی ڈی نمبر _____) کو

مورخہ 27 اکتوبر 2018ء کو منعقد ہونے والے کمپنی کے 57 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

5 روپے کارسیدی ٹکٹ

چسپاں کریں

دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے

مطابق ہونے چاہئیں

دستخط _____ آج بروز _____ بتاریخ _____ ء

نوٹ:

1- اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور سیکرٹری کو اس طور ارسال کر دے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل

پہنچ جانا چاہیے۔

2- سی ڈی سی کے ذریعے حصص یافتگان پراکسیز تقرر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی مصدقہ کاپی منسلک کریں۔

3- سی ڈی سی کے ذریعے حصص یافتگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہوں سے التماس ہے کہ شناخت کے مقصد کیلئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ بمعہ اپنے

ٹینکڑے سے اسکی مصدقہ کاپی، اکاؤنٹ نمبر اور پارٹیشنڈ آئی ڈی نمبر ہمراہ لائیں۔

4- کارپوریٹ ایجنسی کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ کی مصدقہ کاپی مع نمونہ دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختار نامہ)

کے ہمراہ کمپنی میں جمع کرانا ہوگا۔