



ANNUAL REPORT 2017



Shahzad Textile Mills Limited

Certificate SG05/00526

SGS

The management system of

Shahzad Textile Mills Limited

Head Office: 19-A, Off Zafar Ali Road, Gulberg – V,
Lahore, Pakistan.



has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

The scope of registration appears on page 2 of this certificate.

Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organisation

This certificate is valid from 30 October 2014 until 15 August 2017
and remains valid subject to satisfactory surveillance audits.

Re certification audit due before 13 August 2017

Issue 5. Certified since 16 August 2005

This is a multi-site certification.
Additional site details are listed on subsequent pages.

Authorised by



0005

SGS United Kingdom Ltd Systems & Services Certification
Rossmore Business Park Ellesmere Port Cheshire CH65 3EN UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com

SGS 9001-8 01 0614 M2

Page 1 of 2



This document is issued by the Company subject to its General Conditions of Certification Services accessible at www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitations of liability, indemnification and jurisdictional issues established therein. The authenticity of this document may be verified at <http://www.sgs.com/en/Our-Company/Certified-Client-Directories/Certified-Client-Directories.aspx>. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

ISO 9001:2008



Detailed scope

Further Clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organisation

Additional facilities

**Site 02: 7km, Sheikhpura-Faisalabad Road,
Sheikhpura, Pakistan.**



0005



This document is issued by the Company subject to its General Conditions of Certification Services accessible at www.sgs.com/terms_and_conditions.htm. Attention is drawn to the limitations of liability, indemnification and jurisdictional issues established therein. The authenticity of this document may be verified at <http://www.sgs.com/en/Company/Certified-Client-Directories/Certified-Client-Directories.aspx>. Any unauthorized alteration, forgery or falsification of the content or appearance of this document is unlawful and offenders may be prosecuted to the fullest extent of the law.

CONTENTS

39th ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017








Company's Information	1
Vision and Mission Statements	2
Code of Conduct	3-4
Six Years Financial Summary	5
Statement of Compliance With the Code of Corporate Governance	6-8
Review Report to the Members	9
Notice of Annual General Meeting	10-13
Chairman's Review Report	14
Directors' Report (English)	15-20
Auditors' Report to the Members	21
Balance Sheet	22-23
Profit and Loss Account	24
Statement of Comprehensive Income	25
Cash Flow Statement	26
Statement of Changes in Equity	27
Notes to the Accounts	28-54
Pattern of Share Holding	55-56
Directors' Report (Urdu)	57-61
Proxy Form (English, Urdu)	63-64
Important Notice (English, Urdu)	65-66










**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 [jamapunji.pk](https://www.facebook.com/jamapunji.pk)

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

COMPANY INFORMATION

Board of Directors

Mian Parvez Aslam	Chairman
Mr. Imran Aslam	Chief Executive
Mr. Irfan Aslam	
Syed Raza Ali Bokhari	
Mr. Humayun Bakht	
Mr. Ahsan Ahmad Khan	
Mr. Maqsood Shahid Najmi	

Chief Financial Officer

Mr. Humayun Bakht

Company Secretary

Mr. Hassan-ud-Din Ansari

Auditors

Horwath Hussain Chaudhry & Co.
Chartered Accountants

Audit Committee

Syed Raza Ali Bokhari	Chairman
Mr. Irfan Aslam	Member
Mr. Maqsood Shahid Najmi	Member

Human Resource & Remuneration Committee

Syed Raza Ali Bokhari	Chairman
Mr. Imran Aslam	Member
Mr. Ahsan Ahmad Khan	Member

Bankers

Habib Metropolitan Bank Ltd.
J S Bank Ltd.
National Bank of Pakistan.
Meezan Bank Limited.
United Bank Limited.
Bank Al-Falah (Islamic Banking)

Share Registrar

Hameed Majeed Associates (Pvt) Ltd.
H.M. House, 7-Bank Square,
Lahore.

Registered Office

19-A Off. Zafar Ali Road,
Gulberg-V, Lahore.
Ph: +92 (42) 35754024-27
Fax: +92 (42) 35712313
E-mail: mis@shaheencotton.com
Web: www.shahzadtex.com

Mills**Units # 1,3 & 4**

34th KM Lahore Sheikhpura Road,
Sheikhpura

Unit # 2

7th KM Sheikhpura Faisalabad
Road, Sheikhpura.

VISION STATEMENT

We aim at seeing our mills to be a model manufacturing unit producing high quality yarn by complying with the requirements of Quality management System and continuously improving its effectiveness for total customers' satisfaction. We wish to play a leading role in the spinning sector by keeping a substantial presence in the export and local markets.

MISSION STATEMENT

1. To install state of the art machinery and to acquire sophisticated process technology to achieve maximum growth in a competitive quality environment.
2. To make strenuous efforts to enhance profitability of the mills ensuring a fair return to the investors, shareholders and employees of the company.
3. To exercise maximum care for improvement of quality of our products by employing a team of highly skilled technicians and professional managers.
4. To strive hard to explore new customers for the sale of our products in export and local markets.
5. To improve customers' satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.
6. To attend and prompt resolution of customers' quality complaints by taking timely corrective measures.
7. To improve logistic facilities for our customers dispatch programme and issue all shipments / delivery documents well in time.
8. To make comprehensive arrangements for the training of our workers / technicians.
9. To promote team work, sense of transparency, creativity in our professionals and technical people

CODE OF CONDUCT

Shahzad Textile Mills Limited, has laid down the following code of conduct, the oberrvance of which is compulsory for all the directrors and staff members of the company in the conduct of company's business in order to protect and safeguard the reputation and integrity of the company at all levels of its operations. Any contravention of these ethics is regareded as misconduct. The company will ensure that all the executives and subordinate staff members are fully aware of these standareds and principles.

1. Conflict of interest

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

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

2. Confidentiality

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

3. kickbacks

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

4. Proper Books of Account

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

5. Relationship with government officials suppliers, agents etc.

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

6. Health and Safety

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

7. Environment

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

8. Alcohol, Drugs

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

9. Coordination among staff members to maintain discipline

All staff members will work in close coordination with their co-workers, seniors and colleagues. Every member will cooperate with other members so that the company's work could be carried out effectively and efficiently. All cases of non-cooperation among staff members should be reported to the management for necessary and suitable action. Strict disciplinary action will be taken against those staff members who violate the rules and regulations of the company.

10. Workplace harassment

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

SIX YEARS FINANCIAL SUMMARY

	2017	2016	2015	2014	2013	2012
	Rupees In Thousands					
Sales	4,511,169	3,692,132	4,211,486	4,997,603	4,977,944	4,172,217
Gross Profit	242,998	184,755	253,651	398,645	480,705	345,286
Profit/(Loss) before taxation	64,031	21,632	48,567	285,627	258,799	143,224
Provision for tax	(29,316)	(34,989)	(12,789)	(67,928)	8,889	(25,830)
Profit/(Loss) after taxation	34,715	(13,357)	35,778	217,699	267,688	117,394
Total Assets	2,908,801	2,630,358	2,598,113	2,639,987	2,460,816	2,127,009
Current liabilities	764,960	591,876	578,450	600,823	635,105	536,127
	2,143,841	2,038,482	2,019,663	2,039,164	1,825,711	1,590,882
Represented By :						
Equity & Surplus	1,752,012	1,714,359	1,703,304	1,693,873	1,497,869	1,218,474
Long Term Loans & leases	98,777	-	-	35,224	77,014	125,264
Deferred Liabilities	293,053	324,123	316,359	310,067	250,828	247,144
	2,143,841	2,038,482	2,019,663	2,039,164	1,825,711	1,590,882

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Year Ended June 30, 2017

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24 of Listing Regulations of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code of Corporate Governance (CCG) in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of director. At present the board includes:

Category		Names
Independent Director	1.	Syed Raza Ali Bokhari
Executive Directors	2.	Mr. Imran Aslam
do	3.	Mr. Humayun Bakht
Non Executive Directors	4.	Mian Parvez Aslam
do	5.	Mr. Irfan Aslam
do	6.	Mr. Ahsan Ahmad Khan
do	7.	Mr. Maqsood Shahid Najmi

The independent director meets the criteria of independence under clause 5.19.1 (b) of the CCG.

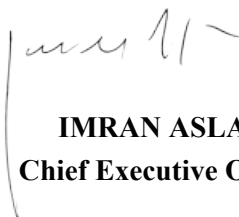
- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred during the year ended June, 30, 2017.
- 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.
- 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.
- All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause 5.19.7 of CCG, Three of Directors of the Company are exempted from the requirement of Directors training program, three directors obtained the certification under Directors Training Program (DTP).
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three (3) members; of whom two (2) are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three (3) members, whom two (2) are executive and non-executive directors, and the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function which was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors of the Company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The “closed period” prior to the announcement of interim /final results, and business decisions, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and Pakistan Stock Exchange Limited.
22. Material/price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange Limited.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied.

Lahore

Dated: 27th September, 2017



IMRAN ASLAM
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Shahzad Textile Mills Limited** for the year ended 30 June, 2017 to comply with the requirements of Listing Regulation No. 5.19.23 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or no.

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 best practices contained in the Code as applicable to the Company for the year ended 30 June 2017.



HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

Lahore
Dated: September 27, 2017

(Engagement Partner: Muhammad Nasir Muneer)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Ninth (39th) Annual General Meeting of the Shareholders of **SHAHZAD TEXTILE MILLS LIMITED** will be held at Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore on Saturday, October 28, 2017 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2017 together with the Chairman's Review and Directors' and Auditors' Report thereon.
2. To approve and declare the payment of Final Cash Dividend @ 10.00 % i.e. Rs.1.00 per share as recommended by the Board of Directors.
3. To appoint auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if deemed fit, to pass the following resolution as Special Resolution with or without modification for ratification of Transactions with Related Parties as per Note No. 34 of Audited Accounts 2017.

Resolved that the related party transactions carried out by the Company with related parties during the year ended 30 June 2017 be and hereby approved.

Resolved Further that Chief Executive of the Company be and is hereby authorized to approve transactions to be conducted with the Related Parties in the normal course of business during the year ending June 30, 2018 which shall be placed before the shareholders in the next annual general meeting for their ratification/approval."

By order of the Board



(HASSAN-UD-DIN ANSARI)

Company Secretary

Place: Lahore

Dated: September 27, 2017

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 19, 2017 to October 28, 2017 (both days inclusive). Transfers received in order at Company's Independent Share Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore by the close of business on October 18, 2017, will be treated in time for the entitlement of dividend to the transferees and to attend the annual general meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. The instrument

appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.

3. Members are requested to submit declaration for zakat on the required format and to advise change in address, if any.
4. Members are requested to send copies of their Computerized National Identity Cards (CNICs) to the Company's Independent Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore to enable the Company to comply with the direction of the Securities and Exchange Commission of Pakistan contained in SRO-831(1)/2012, Dated July, 05, 2012 for mentioning of CNIC Number of the Shareholders on the Dividend Warrants to be issued for Final Cash Dividend @ 10.00 % announced by the Company failing which dividend warrants may be withheld by the Company which will be released on submission of valid copy of CNIC
5. The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account of designated by the entitled shareholders. Subsequently, vide Circular No. 18 of 2017 dated 01 August, 2017, SECP has allowed one time relaxation till 31 October, 2017 to pay cash dividend by dividend warrants. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company.
6. Pursuant to the provisions of Finance Act, 2017, effective 01 July 2017, deduction of income tax from dividend payments shall be made on the basis of filers ad non-filers as follows:

S. No	Nature of Shareholders	Rate of Deduction
1	Filers of Income Tax Return	15.0 %
2	Non-Filers of Income Tax Return	20.0 %

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate and necessary documentary evidence, as the case may be.

Withholding tax on dividend in case of Joint Account Holders

In order to enable the Company to follow the directives of the regulators to determine shareholding in case of Joint account, all shareholders who hold shares with joint shareholders, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing. Shareholders who are filers are advised to make sure

that their names (and/or the name of their joint holders) are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of AGM on October 28, 2017, otherwise they (and/or joint holders) shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20.0 % instead of 15.0 %. In the event of non-receipt of the information by 28-10-2017 each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

Folio/CDC Account No.	Name of shareholder	CNIC	Shareholding	Total shares	Principal/joint shareholder
-----------------------	---------------------	------	--------------	--------------	-----------------------------

7. The Company has placed the Audited Financial Statements for the year ended 30th June, 2017 along with Auditors' and Directors' Reports thereon on its website: www.shahzadtex.com
8. CDC Account Holder will further have to follow the under mentioned guidelines as laid down in Circular No.1 of 2000, Dated 26th January, 2000 issued by The Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

- a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
 - b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC number shall be mentioned on the form.
 - c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.
9. The shareholders who intends to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Form available on the Company's website: www.shahzadtex.com.

10. Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our Share Registrar M/s Hameed Majeed Associates (Pvt) Limited, H.M. House 7-Bank Square, Lahore to collect/enquire about their unclaimed dividend or pending shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.
11. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given herein above at least 7 days prior to the date of the meeting on the Standard Request Form available on the Company's website: www.shahzadtex.com.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Saturday, October, 28, 2017.

All transaction of the Company with the related parties were reviewed by the Audit Committee Quarterly and now submitted for approval and adoption for full year.

I am pleased to present the report on the overall performance of the Board and effectiveness of its role in achieving the company's objective.

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

The Board has carried out a review of its effectiveness and performance which is satisfactory. The Board evaluation during the year 2017 robustly considered all aspects of the Board including the performance of individual Directors, Board Committees and the Board as a whole and I am happy to report that your Board continues to function effectively and is focused on priorities for the Company's business.

Lahore.

Dated September 27, 2017



Mian Parvez Aslam

Chairman.

DIRECTORS' REPORT

On behalf of the Board of Directors of Shahzad Textile Mills Limited, it is my great pleasure to present the 39th Annual Report together with the Audited Financial Statements of the Company for the year ended June 30, 2017 and the Auditors' Report thereon which reflects the affairs of the Company.

FINANCIAL AND OPERATIONAL PERFORMANCE

The financial results of the Company are summarized below:

	2017 Rupees	2016 Rupees
Sales	4,511,169,297	3,692,131,574
Profit/(loss) before taxation and share of associate	27,371,517	(3,701,211)
Share of Net profit of Associate	<u>36,659,452</u>	<u>25,333,606</u>
Profit before Taxation	64,030,969	21,632,395
Taxation	(29,316,329)	(34,989,497)
Profit after Taxation	34,714,640	(13,357,102)

Financial data exhibits that the Company, by the grace of Allah, has earned profit of Rs. 34,715 million after taxation as compared to a loss of Rs.13,357 million in the preceding year. Sales have also increased in the current year to Rs.4,511 billion from Rs. 3,692 billion as recorded in the previous year.

No changes have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries or any other company in which this company has an interest.

GENERAL OVERVIEW

The textile industry in Pakistan faced major challenges during the year under discussion. Yarn prices remained depressed due to low demand in both the export and domestic market although cotton prices were lower as compared to earlier years.

According to experts in the textile industry, Pakistan is sharply losing its export of spun yarn because of the supply of yarn by India, Vietnam and Bangladesh at relatively low prices. Cotton spinning in Vietnam has more than tripled in the last four years due to availability of cheaper energy and lower labor rates. Pakistan's yarn exports have been on the decline for the last couple of years owing to surging costs of production due to a sharp escalation in energy prices. It is difficult for Pakistan to survive in the international market at the current high rates of production. The Government of Pakistan, keeping in mind the seriousness of the situation, offered a 4% export rebate to encourage exporters to boost their exports. The Government should also ensure consistent power supply at cheaper rates to the industry so that the industry may run at par with players in the global market. In Pakistan, the local textile market continued to face troublous times as a result of the uncertain political climate and its affect on the economy. Our cotton crop size has been reduced to approximately 30% in the past few years. The Government, of its own accord, enhances the electricity and gas prices without approximating its negative impact on the industry. It squeezes the profit margin to an unbearable limit. Consequently, many industrialists are forced

to close their units while those who choose to continue operating, do so at the break even points. In spite of all these problems, our Management aims to continue working towards efficiently running the mill and earning profits for their shareholders. Presently, the local market indicated an improvement in yarn rates and exhibited profit margin which shall further boost our sales volume and profit level.

EARNING PER SHARE

The earning per share of the Company for the year ended June 30, 2017 is 1.93 as compared to a loss of Rs.(0.74) in preceding year i.e. 2016.

DIVIDEND AND BONUS ISSUE

The Board of Directors has proposed a 10% cash dividend for the year ended June 30, 2017. The dividend recommended is subject to approval by the shareholders in the Annual General Meeting

FUTURE OUTLOOK

The performance of the textile sector is exclusively reliant on the cotton crop as well as the cost of inputs compared to those in other countries. The cotton crop looks better in the current year but the pressure of other costs including energy, wages and salaries are comparatively higher than the costs in other countries. The textile industry expects improvement during the current financial year as cotton prices are stabilizing and yarn prices have started improving. The Management is determined to show better financial results in the time to come by increasing its export sales and fetching better yarn rates in the local market as well.

In spite of this adverse state of affairs our Management has managed to import 5 Gas Generators and has replaced the existing old ones to improve the process of power generation. The new generators imported from Janbacher Company Austria, have been installed at our mills and are functioning successfully. Two generators, from the existing ones, shall be overhauled for which all necessary parts have been already imported. The overhauling process shall be executed in the current year.

ISO 9001-2008 CERTIFICATION

The Company trusts in sustainable quality of yarn to the complete satisfaction of its clients. For this, the Company has obtained the latest version of ISO 9001-2008 Certification which is renewed every year after an extensive checking and complete verification of its quality management system. This quality certification enhances the trust of new customers and boosts the confidence of old clients as well.

RELATED PARTY TRANSACTIONS

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled price method. The Company has fully complied with the best practices of transfer pricing as stated in the Listing Regulations. The related party transactions were approved by the Board on the recommendation of Audit Committee.

CODE OF CONDUCT FOR PROTECTION AGAINST HARRASSMENT AT THE WORK PLACE

The Company is determined to provide a clean working environment and atmosphere and ensures that every employee is treated with due respect and dignity. The Company is committed to encouraging a positive professional work atmosphere that is essential for the professional growth of its staff. Harassment, therefore, has no place at Shahzad Textile Mills Limited. As such, offenders should be ready to face disciplinary and corrective action that can range from a simple warning being issued to the termination of the job, as the situation demands.

ANTI-CORRUPTION

We have provided a corruption free environment to the workers. Corruption, here, would cover all forms including extortion and bribery.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. The financial statements have been prepared by the Management of the Company and present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account for the Company have been maintained. Appropriate accounting policies have been consistently applied in the preparation of Financial Statements and accounting estimates are based on reasonable and prudent judgment.
3. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements.
4. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There are no significant doubts upon the Company's ability to continue as going concern.
6. Key operating and financial data for last six years is annexed.
7. In accordance with the criteria specified in clause 5.19.7 of CCG, three of the Directors of the Company are exempt from the requirement of the Directors Training Program while three Directors obtained the certification under Directors Training Program (DTP).
8. There are no overdue taxes and levies as on June 30, 2017
9. Form 34 and pattern of shareholding as on June 30, 2017 as required under Section 236 of the Companies Ordinance 1984 and Code of Corporate Governance is annexed with this report.
10. The Company has adopted practices of Corporate Governance as per the listing regulations of stock exchanges.
11. No material change of commitment affecting financial position occurred between June 30, 2017 and date of the directors' report.
12. The Company operates an unfunded gratuity scheme covering its permanent employees. Employee are eligible for benefits under the gratuity scheme after the completion of a one year continuous service period.

CORPORATE SOCIAL RESPONSIBILITY

The Company recognizes that the key to successful and sustainable business is to give back to the society from where we derive economic benefits. We create value for our local community, employers and the Government by providing a vast array of facilities to our employees, financial assistance to the families of our deceased employees, promoting better work life balance amongst our employees, contributing regularly to the national exchequer as per law

i. Health, Safety and Environment:

We work continuously to ensure that our employees work in a safe and healthy working environment. Besides, the Company is registered with the Social Security and Employees Old Age Benefit Department of the Government and regularly contributes towards the health facility and retirement benefits available for the workers of the Company.

ii. Work-life balance

In order to promote a healthy life balance, we strictly observe working timing from 9.00 am to 5.30 pm. This ensures that our employees have plenteous time for recreational activities with their families and friends.

iii. Business Ethics

The Management is committed to conducting all business activities with integrity, honesty, and observance of laws and regulations. A Code of Conduct detailing policies with respect of the same has been developed and approved by the Board.

iv. Contribution to the National Exchequer

To meet our social obligations towards the development of the economy of the country, the Company has contributed Rs.38.134 million in the year 2016-17 into the Government Exchequer on account of taxes, levies, excise duty, income tax and sales Tax. Moreover, foreign exchange amount of USD 8.134 million was also earned for the country from export sales (yarn) during the financial year.

v. Energy Savings

The Management focuses on energy conservation. Many preventive measures have been adopted by fixing energy conserving devices to save the energy. Workers are also made aware of various energy conservation methods in order to curtail the unnecessary consumption of energy..

BOARD MEETINGS

During the period under review, eleven (11) meetings of the Board of Directors were held from July 01, 2016 to June 30, 2017. The details regarding the attendance by the Board members at these meetings has been provided below:

<u>Name of Directors</u>	<u>No. of Meetings Attended</u>
Mian Parvez Aslam	11
Mr. Imran Aslam	08
Mr. Irfan Aslam	09
Syed Raza Ali Bokhari	11
Mr.Humayun Bakht	11
Mr.Ahsan Ahmad khan	11
Mr. Maqsood Shahid Najmi	10

AUDIT COMMITTEE

The Board has established an Audit Committee which consists of the following directors:

Syed Raza Ali Bokhari	Chairman
Mr. Irfan Aslam	Member
Mr. Maqsood Shahid Najmi	Member

The Audit committee efficiently reviews the usefulness of the prevailing internal control system and identifies any loop holes therein. The Committee also recommends corrective measures to improve the implementation of the internal control system.

During the period under review five (5) meetings of Audit Committee of the Company were held from July 01, 2016 to June 30, 2017 respectively and the details of the attendance at these meetings is as follows:

Name of Member	No. of Meetings Attended
Syed Raza Ali Bokhari	Five (5)
Mr. Irfan Aslam	Five (5)
Mr. Maqsood Shahid Najmi	Five (5)

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HR&RC)

In compliance with the Code of Corporate Governance the Board of Directors has formed a Human Resource and Remuneration Committee (HR & RC) comprising of three Directors named below. The HR & RC provides assistance to the Board of Directors in ensuring that the Company's Human Resources functions efficiently. Further, the HR & RC will also assess and makes recommendations to ensure that the Company's Human Resource policies are objectively associated with its overall business.

Syed Raza Ali Bokhari	Chairman
Mr. Ahsan Ahmad Khan	Member
Mr. Ahsan Ahmad Khan	Member

Names of Member	No. of Meetings Attended
Syed Raza Ali Bokhari	One (1)
Mr. Imran Aslam	One (1)
Mr. Ahsan Ahmad Khan	One (1)

CORPORATE GOVERNANCE

Statement of compliance with the code of Corporate Governance is annexed.

APPOINTMENT OF AUDITORS


The Auditors M/s Horwath Hussain Chaudhry & Co. Chartered Accountants, will retire and are eligible for reappointment as auditors of the Company for the next year.

The Audit Committee and the Board have endorsed their re-appointment for reconsideration of the members at the forthcoming Annual General Meeting of the Company.

ACKNOWLEDGEMENT

The Directors wish to express their appreciation to the staff & workers of the Company for their dedication & devotion displayed in the growth of the Company. The Directors feel pleasure in expressing appreciation for the continued interest and support of all the shareholders, bankers, various government bodies of the Company while performing their duties during the period and hope that the same spirit will prevail in the future as well.

For and on behalf of the Board


(Mr. Imran Aslam)
Chief Executive

Lahore

Dated: September 27, 2017

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAHZAD TEXTILE MILLS LIMITED** as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

LAHORE

Dated: September 27, 2017



HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

BALANCE SHEET AS AT

	Note	2017 Rupees	2016 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital: 40,000,000 (2016: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	4	179,713,720	179,713,720
Reserves	5	1,088,787,306	1,029,324,962
		1,268,501,026	1,209,038,682
Surplus on Revaluation of Property, Plant and Equipment	6	483,510,877	505,320,397
Non Current Liabilities			
Long term financing	7	98,776,500	-
Staff retirement benefits	8	91,186,667	93,332,207
Deferred tax liability	9	201,866,183	230,790,948
		391,829,350	324,123,155
Current Liabilities			
Trade and other payables	10	263,574,621	229,137,515
Accrued mark up on short term borrowings		8,631,020	4,807,189
Current portion of long term financing	7	40,740,400	-
Short term borrowings	11	406,846,544	320,590,584
Provision for taxation	12	45,166,955	37,340,529
		764,959,540	591,875,817
Contingencies and Commitments	13	-	-
		2,908,800,793	2,630,358,051

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



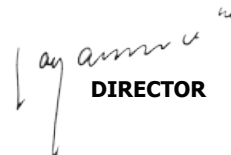
CHIEF EXECUTIVE

JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	14	1,684,984,281	1,576,075,286
Long term investment	15	370,634,687	344,014,924
Long term deposits	16	13,970,369	13,970,369
		2,069,589,337	1,934,060,579
Current Assets			
Stores and spares	17	71,792,058	49,408,186
Stock in trade	18	478,373,868	363,390,459
Trade debts	19	92,683,730	45,987,630
Advances, trade deposits, prepayments and other receivables	20	51,054,738	77,380,795
Short term investments	21	820,508	1,183,793
Tax refunds due from the Government	22	84,146,787	70,795,771
Cash and bank balances	23	60,339,767	88,150,838
		839,211,456	696,297,472
		2,908,800,793	2,630,358,051



CHIEF FINANCIAL OFFICER



DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

		2017	2016
	Note	Rupees	Rupees
Sales	24	4,511,169,297	3,692,131,574
Cost of sales	25	(4,268,171,506)	(3,507,376,875)
Gross Profit		242,997,791	184,754,699
Operating Expenses			
- Selling and distribution costs	26	(23,905,588)	(33,545,410)
- Administrative expenses	27	(121,253,886)	(122,130,461)
		(145,159,474)	(155,675,871)
Operating Profit		97,838,317	29,078,828
Finance cost	28	(35,920,133)	(32,158,127)
Other operating expenses	29	(49,611,214)	(2,949,905)
Other income	30	14,770,826	2,327,993
Share of net profit of associate	15	36,953,173	25,333,606
		(33,807,348)	(7,446,433)
Profit before Taxation		64,030,969	21,632,395
Taxation	31	(29,316,329)	(34,989,497)
Net Profit / (Loss) for the Year		34,714,640	(13,357,102)
Earnings / (Loss) per Share - Basic and Diluted	33	1.93	(0.74)

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees	Rupees
Net Profit / (Loss) for the Year	34,714,640	(13,357,102)
Other Comprehensive Income for the Year		
<i>Items that will not be reclassified to profit and loss</i>		
Experience adjustment on remeasurement of staff retirement benefits of:		
- The Company	9,234,801	6,320,245
Related tax impact	(2,069,519)	(1,333,664)
	7,165,282	4,986,581
- Associated company	(1,050,974)	825,006
Related tax impact	131,372	(103,126)
	(919,602)	721,880
<i>Items that may be reclassified subsequently to profit and loss</i>		
Share in deficit on investments available for sale of associated company	(840,245)	(842,571)
Related tax impact	105,031	105,321
Effect of change in shareholding percentage in associate (reclassified to profit and loss)	293,721	-
	(441,493)	(737,250)
Other comprehensive income for the year	5,804,187	4,971,211
Total Comprehensive Income / (Loss) for the Year	40,518,827	(8,385,891)

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
CASH GENERATED FROM OPERATIONS	32	11,704,454	22,209,917
Income tax paid		(23,406,529)	(31,693,639)
Gratuity paid		(27,508,323)	(26,905,160)
Finance cost paid		(25,442,537)	(28,930,120)
Workers' (profit) participation fund paid		(1,184,115)	(3,073,265)
Workers' welfare fund paid		-	(1,005,729)
		(77,541,504)	(91,607,913)
Net Cash used in Operating Activities		(65,837,050)	(69,397,996)
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(27,705,932)	-
Capital work in progress		(188,441,613)	-
Proceeds from disposal of property, plant and equipment		18,250,664	-
Net Cash used in Investing Activities		(197,896,881)	
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends received from associated company		10,150,000	16,240,000
Dividends paid to shareholders		-	(17,971,980)
Long term financing acquired - net		139,516,900	-
Repayment of liabilities against assets subject to finance lease		-	(35,149,902)
Short term borrowings acquired - net		86,255,960	111,874,333
Net Cash generated from Financing Activities		235,922,860	74,992,451
Net (Decrease) / Increase in Cash and Cash Equivalents		(27,811,071)	5,594,455
Cash and cash equivalents at the beginning of the year		88,150,838	82,556,383
Cash and Cash Equivalents at the End of the Year		60,339,767	88,150,838

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



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

	Share Capital	Share Premium	Unappropriated Profits	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2015	179,713,720	5,796,000	1,033,079,778	1,218,589,498
Final dividend for the year ended June 30, 2015	-	-	(17,971,372)	(17,971,372)
Net loss for the year ended June 30, 2016	-	-	(13,357,102)	(13,357,102)
Other comprehensive income for the year ended June 30, 2016	-	-	4,971,211	4,971,211
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	14,495,622	14,495,622
Share in realized surplus on revaluation of property, plant and equipment of associate (net of deferred tax)	-	-	2,310,825	2,310,825
Balance as at June 30, 2016	179,713,720	5,796,000	1,023,528,962	1,209,038,682
Net profit for the year ended June 30, 2017	-	-	34,714,640	34,714,640
Other comprehensive income for the year ended June 30, 2017	-	-	5,804,187	5,804,187
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	15,431,522	15,431,522
Surplus on revaluation of property, plant and equipment realized on disposal	-	-	1,804,186	1,804,186
Share in realized surplus on revaluation of property, plant and equipment of associate (net of deferred tax)	-	-	1,707,809	1,707,809
Balance as at June 30, 2017	179,713,720	5,796,000	1,082,991,306	1,268,501,026

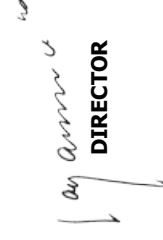
The annexed notes form an integral part of these financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

	Share Capital	Share Premium	Unappropriated Profits	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2015	179,713,720	5,796,000	1,033,079,778	1,218,589,498
Final dividend for the year ended June 30, 2015	-	-	(17,971,372)	(17,971,372)
Net loss for the year ended June 30, 2016	-	-	(13,357,102)	(13,357,102)
Other comprehensive income for the year ended June 30, 2016	-	-	4,971,211	4,971,211
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	14,495,622	14,495,622
Share in realized surplus on revaluation of property, plant and equipment of associate (net of deferred tax)	-	-	2,310,825	2,310,825
Balance as at June 30, 2016	179,713,720	5,796,000	1,023,528,962	1,209,038,682
Net profit for the year ended June 30, 2017	-	-	34,714,640	34,714,640
Other comprehensive income for the year ended June 30, 2017	-	-	5,804,187	5,804,187
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	15,431,522	15,431,522
Surplus on revaluation of property, plant and equipment realized on disposal	-	-	1,804,186	1,804,186
Share in realized surplus on revaluation of property, plant and equipment of associate (net of deferred tax)	-	-	1,707,809	1,707,809
Balance as at June 30, 2017	<u>179,713,720</u>	<u>5,796,000</u>	<u>1,082,991,306</u>	<u>1,268,501,026</u>

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


 CHIEF EXECUTIVE


 CHIEF FINANCIAL OFFICER


 DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note 1

The Company and its Operations

Shahzad Textile Mills Limited (the Company) was incorporated in Pakistan on October 24, 1978 as a Public Limited Company under the Companies Act, 1913 (now the Companies Ordinance, 1984). The shares of the Company are quoted on Pakistan Stock exchange. The registered office of the Company is situated at 19-A, Off Zafar Ali Road, Gulberg - V, Lahore. The Company manufactures and deals in all types of yarn.

Note 2

Basis of Preparation**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of following:

Staff retirement benefits	Note 8	Present value
Certain property, plant and equipment	Note 14	Revalued amount
Long term investment	Note 15	Equity method
Investments in quoted companies	Note 21	Fair value

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.

2.4 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.

These estimates and related assumptions are reviewed on an on going basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment, provisions for doubtful receivables, provisions for defined benefit plans, slow moving and obsolete inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

2.4.1 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on a regular basis. Any change in the management's estimates might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

2.4.2 Doubtful receivables

The Company records its trade and other receivables after deducting appropriate provisioning using its prudence and experience. This estimate is subjective in nature. Recoveries of amounts already provided and / or the need of further provisioning cannot be determined with precision.

2.4.3 Staff retirement benefits

The Company has recorded its employees' retirement benefits at fair value using actuarial assumptions regarding increase in salaries in subsequent years, remaining working lives of employees 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.

Note 2, Basis of Preparation - Contd...

2.4.4 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.

2.4.5 Taxation

The Company takes into account the current income tax laws and decisions taken by the 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.

2.5 Changes in accounting standards, interpretations and pronouncements**2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year**

The following amendments to standards are relevant that became effective during the year. These amendments are not likely to have any impact on the Company's financial statements.

	Effective Date (Period beginning on or after)
IFRS 7 - Financial Instruments: Disclosures [Amendments]	January 01, 2016
IAS 1 - Presentation of Financial Statements [Amendments]	January 01, 2016
IAS 16 - Property, Plant and Equipment [Amendments]	January 01, 2016
IAS 19 - Employee Benefits [Amendments]	January 01, 2016

2.5.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

There were certain amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.5.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

i) IAS 7 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.

ii) IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

2.5.4 Standards, interpretations and amendments to approved accounting standards that are neither relevant and nor yet effective

	Effective Date (Period beginning on or after)
-Amendments to IAS 12 'Income Taxes' (Unrealized losses on debt instruments)	January 1, 2017
-Amendments to IFRS 2 - 'Share-based Payment'	January 1, 2018
-Amendments to IAS 40 'Investment Property'	January 1, 2018
-IFRS 12 'Disclosure of Interests in Other Entities'	January 1, 2017
-Amendments to IAS 28 'Investment in Associates and Joint Ventures'	January 1, 2018

Note 3

Summary of 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, unless otherwise stated.

3.1 Provisions

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

3.2 Staff retirement benefits***Defined benefits plan***

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under the gratuity scheme after completion of one year of continuous service. The benefit is calculated based upon the number of completed years of service and last drawn gross salary.

Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefit plan are charged or credited to other comprehensive income in the period in which they arise. Past service costs are charged immediately to income.

3.3 Taxation***Current***

Charge for taxation for the year on taxable profit is based on applicable tax rates after taking into account all tax credits and rebates available, if any.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities and the tax bases. Deferred tax liabilities are generally 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.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.4 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 in future for goods and services received, whether or not billed to the Company.

3.5 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is 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 would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

*Note 3, Summary of Significant Accounting Policies - Contd...***3.6 Property, plant and equipment*****Owned***

Property, plant and equipment are stated at cost / revalued amount less accumulated depreciation and identified impairment loss, if any, except freehold land which is stated at revalued amount.

The management reviews market value of revalued assets at each balance sheet date to ascertain whether the fair value of revalued assets has differed materially from the carrying value of revalued assets, thus necessitating further revaluation.

Depreciation on property, plant and equipment has been provided for using the reducing balance method at the rates specified in Note 14 and is charged to the profit and loss account. Depreciation on additions is charged from the month in which the asset is available for use up to the month in which the asset is disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in the profit and loss account.

Leased

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

Related rental obligations, net of finance charges are included in liabilities against assets subject to finance lease. Liabilities are classified as current and long term depending upon the timing of payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of return on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset using the reducing balance method at the same rates as used for owned assets. Depreciation of leased assets is charged to the profit and loss account. Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

3.7 Impairment

Carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use.

Impairment loss is recognized as expense in the profit and loss account. Where conditions giving rise to impairment are being reversed subsequently, the effect of the impairment charge is also reversed as a credit to the profit and loss account. Reversal of impairment loss is restricted to the original cost of asset.

3.8 Investment in associate

An associate is an entity in which the Company holds more than 20% voting power or over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results, assets and liabilities of associates are incorporated in the financial statements using the equity method. This method is applied from the date when significant influence is established until the date when the significant influence ceases. The Company's share of income and expenses of associates are recognized based upon their latest audited financial statements after realigning their accounting policies, if required.

The share of losses of the associate are recognised to the extent of carrying value/cost of investment. Further losses are recognized only when the Company has made payments on behalf of the associate or has an obligation to make payments on its behalf.

Note 3, Summary of Significant Accounting Policies - Contd...

Unrealized gains and losses, if any, arising from transactions with associates are eliminated under the equity method. The Company's share of changes recognized directly in associate's statement of comprehensive income and statement of changes in equity are recognized directly in the Company's statement of comprehensive income and statement of changes in equity, respectively.

Investments in associates, not accounted for under the equity method are classified as "Available for Sale".

3.9 Stores, spares and stock in trade

These are valued at lower of cost and net realizable value; cost being determined as under:

Stores and spares	- At moving average cost
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, labor and appropriate manufacturing overheads.

Net realizable value signifies the selling price at which goods in stock could be currently sold less any further costs which would be incurred to complete the sale.

3.10 Trade debts and other receivables

All outstanding receivables are reviewed at the balance sheet date. The Company recognizes and carries these receivables at original invoice amount less an allowance for uncollectible amounts, if any. Bad debts are written off as incurred and provision is made against debts considered doubtful when the collection of full amount is no longer probable.

3.11 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand, cash at bank and short term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

3.12 Financial instruments**3.12.1 Financial assets**

The classification depends on the intended purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories:

At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. 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. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables in the balance sheet.

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.

*Note 3, Summary of Significant Accounting Policies - Contd...**Available-for-sale*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the management intends to dispose off the investments within twelve months from the balance sheet date, in which case these financial assets are classified as short term investments in the balance sheet.

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

Measurement criteria

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

Financial assets are initially recognised 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 recognised at fair value and transaction costs are expensed in the profit and loss account.

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

Fair values of quoted investments are based on current prices as prevailing on stock exchange. If the market for a financial asset is not active (for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

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 risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

3.12.2 Financial liabilities

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

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

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 and modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in respective carrying amounts is recognised in the profit and loss account.

3.12.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities and tax assets and tax liabilities are set off in the balance sheet, only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Note 3, Summary of Significant Accounting Policies - Contd...

3.13 Foreign currency translation

Assets and liabilities in foreign currency are stated in Pak Rupees at the rates of exchange ruling on the balance sheet date or rate of exchange fixed under contractual agreements. Transactions in foreign currency are translated at the exchange rate prevailing at the date of transaction. All exchange differences are included in the profit and loss account.

3.14 Related party transactions

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

3.15 Revenue recognition

- Revenue from sale of goods is recognised at the time of dispatch of goods to customers.
- Dividend on equity investments is recognized as income when the Company's right to receive the dividend is established.

3.16 Borrowing costs

Borrowing costs are charged to income as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (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.

3.18 Dividends

Dividends are recognized as a liability in the period in which these are declared.

Note 4

Issued, Subscribed and Paid Up Capital

	2017	2016		2017	2016
	Number of shares			Rupees	Rupees
	12,240,569	12,240,569	Ordinary shares of Rs. 10 each fully paid in cash	122,405,690	122,405,690
	4,418,803	4,418,803	Ordinary shares of Rs. 10 each issued for consideration otherwise than in cash	44,188,030	44,188,030
	1,312,000	1,312,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	13,120,000	13,120,000
	<u>17,971,372</u>	<u>17,971,372</u>		<u>179,713,720</u>	<u>179,713,720</u>

4.1 Movement in number of shares during the year

	Number	Number
Opening number of shares	17,971,372	17,971,372
Shares issued / (cancelled) during the year	-	-
Closing number of shares	<u>17,971,372</u>	<u>17,971,372</u>

4.2 Sargodha Jute Mills Limited, an associate, held 21,090 (2016: 21,090) ordinary shares of the Company as at the balance sheet date.

Note 5

Reserves

	Note	2017	2016
			Rupees
Capital			
Share premium reserve	5.1	5,796,000	5,796,000
Revenue			
Unappropriated profits		1,082,991,306	1,023,528,962
		<u>1,088,787,306</u>	<u>1,029,324,962</u>

Note 6

Surplus on Revaluation of Property, Plant and Equipment

		2017	2016
			Rupees
Land - freehold:			
- Opening balance	6.1	239,616,170	197,491,920
- Revaluation during the year	6.2	-	42,124,250
		239,616,170	239,616,170
Buildings on freehold land:			
- Opening balance	6.1	149,190,269	42,511,640
- Revaluation during the year	6.2	-	138,382,068
		149,190,269	180,893,708
Plant and machinery:			
- Opening balance	6.1	100,417,747	242,907,471
- Revaluation during the year	6.2	-	(162,468,809)
		100,417,747	80,438,662
Power house:			
- Opening balance	6.1	16,096,211	1,804,033
- Revaluation during the year	6.2	-	18,585,187
		16,096,211	20,389,220
		505,320,397	521,337,760
Related deferred taxation		-	1,160,829
		505,320,397	522,498,589
Deferred tax relating to export	6.3	(4,573,812)	(2,682,570)
Incremental depreciation charged on revalued property, plant and equipment during the year transferred to retained earnings - net of deferred tax		(15,431,522)	(14,495,622)
Surplus realized on disposal of revalued property, plant and equipment transferred to retained earnings - net of deferred tax		(1,804,186)	-
		<u>483,510,877</u>	<u>505,320,397</u>

Note 5, 'Surplus on Revaluation of Property, Plant and Equipment - Contd...

6.1 First revaluation of land, buildings and plant and machinery was carried out by an independent valuer as at September 30, 1995 resulting in revaluation surplus of Rs. 435.412 million.

6.2 Latest revaluation of property plant and equipment was carried out on June 30, 2016, by an approved valuer that has resulted in revaluation surplus of Rs. 36.63 million. The following basis have been used for revaluation:

Land	Market Value
Buildings	Market Value
Plant and Machinery	Market Value
Power House	Market Value

6.3 This represents amount transferred to deferred tax liability due to change in proportion of local and export sales resulting in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.

Note 7

Long Term Financing

	Note	2017 Rupees	2016 Rupees
Long term financing	7.1	139,516,900	-
Less : Current portion		(40,740,400)	-
		<u>98,776,500</u>	

7.1 These represent long term loans obtained during the year from JS Bank Limited and Habib Metropolitan Bank Limited for enhancement / replacement of power generation facilities under SBP's concessional rate scheme. These loans are secured against specific and exclusive charge on relevant fixed assets of the Company and are repayable in 3 to 5 years starting from February 2017 and ending in February 2022. Mark up on these facilities is charged at SBP rate which is 5% payable quarterly along with payment of principal.

Note 8

Staff Retirement Benefits

	Note	2017 Rupees	2016 Rupees
Staff retirement benefits - Gratuity	8.2.3	<u>91,186,667</u>	<u>93,332,207</u>

8.1 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, 2017. Following key information is included in that actuarial report:

8.2 Actuarial assumptions

Discount rate	7.50%	7.25%
Expected rate of salary increase in future years	6.50%	6.25%
Average expected remaining working life of employees	7 Years	7 Years
Expected mortality rate for active members	As per SLIC (2001-2005) Mortality Table with one year setback	
Actuarial valuation method	Projected Unit Credit Method	

8.2.1 Reconciliation of the funded status

Present value of defined benefit obligation	8.2.2	<u>91,186,667</u>	<u>93,332,207</u>
---	-------	-------------------	-------------------

The company does not maintain plan assets to cover its defined benefit obligation.

8.2.2 Company's liability

Opening balance		93,332,207	88,831,027
Charge for the year	8.2.4	34,597,584	37,726,585
Remeasurement chargeable to other comprehensive income - experience adjustment		(9,234,801)	(6,320,245)
		<u>118,694,990</u>	<u>120,237,367</u>
Benefits paid to outgoing employees		(27,508,323)	(26,905,160)
		<u>91,186,667</u>	<u>93,332,207</u>

Note 8, 'Staff Retirement Benefits - Contd...

8.2.3 Movement in present value of defined benefit obligation

	2017 Rupees	2016 Rupees
Opening balance	93,332,207	88,831,027
Current service cost	28,828,176	30,377,186
Interest cost on defined benefit obligation	5,769,408	7,349,399
Benefits paid to outgoing employees	(27,508,323)	(26,905,160)
Remeasurement chargeable to other comprehensive income - experience adjustment	(9,234,801)	(6,320,245)
	<u>91,186,667</u>	<u>93,332,207</u>

8.2.4 Charge for the year

Current service cost	28,828,176	30,377,186
Interest cost	5,769,408	7,349,399
	<u>34,597,584</u>	<u>37,726,585</u>

8.2.5 Charge for the year has been allocated as under

Cost of sales	29,500,000	31,690,331
Administrative expenses	5,097,584	6,036,254
	<u>34,597,584</u>	<u>37,726,585</u>

8.2.6 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes at the balance sheet 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:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1%	84,917,927	98,391,879
Salary increase	1%	98,575,757	84,634,513

8.2.7 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:

	2017 Rupees	2016 Rupees	2015 Rupees	2014 Rupees	2013 Rupees
Present value of defined benefit obligation	91,186,667	93,332,207	88,831,027	72,795,423	56,724,989
Fair value of plan asset	-	-	-	-	-
Net liability	<u>91,186,667</u>	<u>93,332,207</u>	<u>88,831,027</u>	<u>72,795,423</u>	<u>56,724,989</u>

Note 9

Deferred Tax Liability - Net

	2017 Rupees	2016 Rupees
Taxable temporary differences:		
- Share of net profit of associate	38,129,336	34,801,866
- Accelerated tax depreciation	157,445,589	141,962,485
- Surplus on revaluation of property, plant and equipment	70,443,104	73,720,859
	<u>266,018,029</u>	<u>250,485,210</u>
Deductible temporary differences:		
- Staff retirement benefits and others	(20,435,315)	(19,694,262)
- Unused tax credits available	(42,565,969)	-
- Others	(1,150,562)	-
	<u>(64,151,846)</u>	<u>(19,694,262)</u>
	<u>201,866,183</u>	<u>230,790,948</u>

Note 10

Trade and Other Payables

	Note	2017 Rupees	2016 Rupees
Creditors for:			
- Goods supplied		22,253,176	22,573,345
- Services		12,718,339	40,365,327
Accrued liabilities	10.1	176,585,064	154,285,248
Advances from customers		138,205	1,153,229
Workers' (profit) participation fund	10.2	3,450,221	1,184,115
Workers' welfare fund		1,683,828	454,326
Sales tax payable	10.3	43,595,834	6,928,019
Unclaimed dividend		416,203	416,203
Unclaimed wages		2,733,751	1,777,703
		<u>263,574,621</u>	<u>229,137,515</u>

10.1 This includes Rs. 88.91 million (2016: 68.11 million) on account of gas infrastructure development cess (GIDC) and Nil (2016: 3.199) on account of electricity surcharge payable till June 30, 2017.

10.2 Workers' (profit) participation fund

Opening balance	1,184,115	3,073,265
Provision for the year	3,450,221	1,184,115
	<u>4,634,336</u>	<u>4,257,380</u>
Paid during the year	(1,184,115)	(3,073,265)
Closing balance	<u>3,450,221</u>	<u>1,184,115</u>

10.3 This includes Rs. 42.16 million (2016: Nil) on account of provision for further sales tax.

Note 11

Short Term Borrowings

	Note	2017 Rupees	2016 Rupees
From banking companies - Secured			
Cash / packing finances	11.1	366,846,544	280,590,584
From related parties - Unsecured			
Loan from directors	11.2	40,000,000	40,000,000
		<u>406,846,544</u>	<u>320,590,584</u>

11.1 These represent utilized portion of funded and unfunded short term finance facilities of Rs. 2,559 million (2016: Rs. 2,504 million) available from various banks under mark up arrangements. These facilities shall expire on various dates latest by January 31, 2018. Mark up on these facilities is charged from 1 to 6 month KIBOR plus a spread of 1.25% to 2.50% (2016: 1 to 6 month KIBOR plus a spread of 1.25% to 2.25%) payable quarterly. The aggregate short term finances are secured by ranking and hypothecation charge on property, plant and equipment, stocks and receivables of the Company; lien over export and import documents, subordination of sponsor loans and personal guarantee of sponsoring directors of the Company.

11.2 This represents short term loan obtained from directors to meet the working capital requirements of the Company. The loan is unsecured and carries mark up at the rate of 3 month KIBOR (2016: 3 months KIBOR), payable quarterly.

Note 12

Provision for Taxation - Net

	2017 Rupees	2016 Rupees
Opening balance	37,340,529	42,698,034
Charge for the year - Current	46,435,705	37,340,529
Payments / adjustments against advance tax, tax credits and refunds	(38,609,279)	(42,698,034)
	<u>45,166,955</u>	<u>37,340,529</u>

Note 13

Contingencies and Commitments**13.1 Contingencies**

13.1.1 The Company has provided bank guarantees / post dated cheques in the favor of following parties:

	2017	2016
	Rupees in Million	
- Sui Northern Gas Pipeline Limited	69.32	47.84
- Custom Authorities	-	7.10
	<u>69.32</u>	<u>54.94</u>

13.1.2 The Company is contingently liable for Rs. 16.367 million (June 2016: Rs. 11.886 million) on account of electricity duty on self generation. However the company has not admitted the said duty and case is pending before the Supreme Court of Pakistan.

13.2 Commitments

13.2.1 The Company's outstanding commitments / contracts as at the balance sheet date are as under:

Foreign bills of exchange purchased	89.08	85.48
Letters of credit	6.10	33.89
	<u>95.18</u>	<u>119.37</u>

Note 14

Property, Plant and Equipment

	Note	2017 Rupees	2016 Rupees
Operating fixed assets	14.1	1,609,825,939	1,576,075,286
Capital work in progress	14.2	75,158,342	-
		<u>1,684,984,281</u>	<u>1,576,075,286</u>

14.1 Operating fixed assets**Year ended June 30, 2017**

Description	Cost / Revalued Amounts		Rate %	Depreciation			Book Value as at June 30, 2017 Rupees
	As at June 30, 2016 Rupees	Additions / Transfer/ (Disposals) Rupees		Up to June 30, 2016 Rupees	For the year Rupees	Total as at June 30, 2017 Rupees	
Owned							
Land - freehold	244,418,000	-	-	-	-	-	244,418,000
Buildings on freehold land	310,169,000	3,347,500	5	-	15,578,190	15,578,190	297,938,310
Plant and machinery	886,983,001	3,095,288	5	-	44,398,557	44,398,557	845,679,732
Power house	67,757,000	111,283,271 (14,000,000)	20	-	14,822,761	12,599,169	152,441,102
Furniture and fixtures	5,867,172	-	10	5,319,306	54,786	5,374,092	493,080
Vehicles	93,364,440	23,204,344 (16,358,559)	20	46,056,290	11,332,491	48,352,504	51,857,721
Electric installations	43,628,477	-	10	25,601,866	1,802,660	27,404,526	16,223,951
Computers and equipment	3,494,414	58,800	20	2,811,045	137,655	2,948,700	604,514
Arms and ammunition	410,775	-	7	228,486	12,760	241,246	169,529
	<u>1,656,092,279</u>	<u>140,989,203</u> <u>(30,358,559)</u>		<u>80,016,993</u>	<u>88,139,860</u>	<u>156,896,984</u>	<u>1,609,825,939</u>
Total as at June 30, 2017	<u>1,656,092,279</u>	<u>110,630,644</u>		<u>80,016,993</u>	<u>88,139,860</u>	<u>156,896,984</u>	<u>1,609,825,939</u>

14.2 Operating fixed assets
Year ended June 30, 2016

Description	Cost / Revalued Amounts		Rate	Depreciation					Book Value as at June 30, 2016
	As at June 30, 2015	Transfers	Revaluation Adjustment	Up to June 30, 2015	For the year	Revaluation Adjustment	Transfers	Total as at June 30, 2016	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned									
Land - freehold	202,293,750	-	42,124,250	-	-	-	-	-	244,418,000
Buildings on freehold land	199,321,270	-	138,382,068	18,492,921	9,041,417	(27,534,338)	-	-	310,169,000
Plant and machinery	1,067,187,696	146,410,808	(162,468,809)	101,591,849	48,279,792	(164,146,694)	14,275,053	-	886,983,001
Power house	95,315,977	-	18,585,187	33,851,211	12,292,953	(46,144,164)	-	-	67,757,000
Furniture and fixtures	5,867,172	-	-	5,258,432	60,874	-	-	5,319,306	547,866
Vehicles	93,364,440	-	-	34,229,252	11,827,038	-	-	46,056,290	47,308,150
Electric installations	43,628,477	-	-	23,598,909	2,002,957	-	-	25,601,866	18,026,611
Computers and equipment	3,494,414	-	-	2,640,203	170,842	-	-	2,811,045	683,369
Arms and ammunition	410,775	-	-	214,765	13,721	-	-	228,486	182,289
	1,710,883,971	146,410,808	36,622,696	219,877,542	83,689,594	(237,825,196)	14,275,053	80,016,993	1,576,075,286
Leased									
Plant and machinery	146,410,808	(146,410,808)	-	7,320,540	6,954,513	-	(14,275,053)	-	-
Total as at June 30, 2016	1,857,294,779	-	(201,202,500)	227,198,082	90,644,107	(237,825,196)	-	80,016,993	1,576,075,286

14.3 Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as follows.

	As on June 30, 2017		
	Cost	Accumulated Depreciation	Book Value
Land	4,801,830	-	4,801,830
Building on freehold land	217,697,226	99,359,986	118,337,240
Plant and machinery	1,300,502,746	575,559,903	724,942,843
Power house	286,447,702	148,006,452	138,441,250
	1,809,449,504	822,926,341	986,523,163

Note 14, Property, Plant and Equipment - Contd...

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

		2017	2016
	Note	Rupees	Rupees
Cost of sales	31	76,602,168	78,455,530
Administrative expenses	33	11,537,692	12,188,578
		<u>88,139,860</u>	<u>90,644,108</u>

14.5 Detail of items of property, plant and equipment having book value exceeding Rs. 50,000 sold during the year

Particulars	Cost / Revalued amount	Accumulated depreciation	Book value	Disposal proceeds	Gain / (Loss)	Mode of disposal	Particulars of buyers
	Rupees	Rupees	Rupees	Rupees	Rupees		
Vehicles							
Toyota Corolla	2,376,560	(781,096)	1,595,464	2,100,000	504,536	Negotiation	Asma Shaharyar, Lahore
Honda Civic	2,494,345	(1,205,268)	1,289,078	2,100,000	810,922	Negotiation	Zari Fawad, Lahore
Suzuki Bolan	625,770	(488,339)	137,431	250,000	112,569	Negotiation	Muhammad Khalid, Lahore
Suzuki Bolan	637,395	(493,625)	143,770	265,000	121,230	Negotiation	Rohail Anwar, Multan
Toyota Corolla	1,729,000	(1,334,297)	394,703	725,000	330,297	Negotiation	Muhammad Ahmad, Sheikhpura
Toyota Corolla	2,483,915	-	2,483,915	2,485,665	1,750	Negotiation	Asma Shaharyar, Lahore
Honda Civic	1,870,573	(1,410,861)	459,712	725,000	265,288	Negotiation	Nisar Ahmad, Lahore
Suzuki Mehran	572,028	(428,531)	143,497	300,000	156,503	Negotiation	Bashir Ahmad, Lahore
Toyota Corolla	1,729,000	(1,375,845)	353,155	600,000	246,845	Negotiation	Syed Izhar ud Din, Islamabad
Honda Civic	1,839,973	(1,518,414)	321,559	700,000	378,441	Negotiation	Aqeel Ahmad, Lahore
Plant and machinery							
Gas Generator	7,000,000	(1,166,667)	5,833,333	3,000,000	(2,833,333)	Negotiation	United Industries, Karachi
Gas Generator	7,000,000	(1,050,000)	5,950,000	5,000,000	(950,000)	Negotiation	Magna Processing Industries (Private) Limited.

Note 14, Property, Plant and Equipment - Contd...

14.6 Capital Work in Progress

Plant and machinery

Additions during the year
Transferred to plant and machinery

2017	2016
Rupees	Rupees
188,441,613	-
(113,283,271)	-
75,158,342	-

Note 15

Long Term Investment

Associates - Unquoted

Sargodha Jute Mills Limited:
8,120,000 (2016: 8,120,000) fully paid ordinary shares of Rs. 10 each
Equity held 24.94% (2016: 36.16%)
Cost of investment Rs. 65,600,000 (2016: Rs. 65,600,000)

	2017	2016
	Rupees	Rupees
- Opening balance	344,014,924	332,297,940
- Share in net profit for the year of associate	36,953,173	25,333,606
- Share in realized surplus on revaluation of property, plant and equipment of associate	1,707,809	2,640,943
- Share in deficit on investments available for sale of associate	(840,245)	(842,571)
- Share in remeasurement of staff retirement benefits liability	(1,050,974)	825,006
- Less: Dividend received	(10,150,000)	(16,240,000)
	370,634,687	344,014,924

15.1 The Company holds 24.94% (2016: 36.16%) shareholding in Sargodha Jute Mills Limited (the associate) and accounts for this investment under equity method as prescribed in IAS 28 (Investments in Associates). During the year, the shareholding percentage in the associate was changed pursuant to right issue of shares by the associate which was not subscribed by the Company. Information extracted from the audited financial statements of the associate is as follows:

	2017	2016
	Rupees in thousand	
Equity	1,172,672	951,063
Total assets	2,978,598	2,048,494
Revenue	3,332,965	2,751,381
Net profit for the year	148,168	70,060

Note 16

Long Term Deposits

Deposit with LESCO
Others

2017	2016
Rupees	Rupees
11,951,410	11,951,410
2,018,959	2,018,959
13,970,369	13,970,369

Note 17

Stores and Spares

	2017	2016
	Rupees	Rupees
Stores and spares	71,792,058	49,408,186

17.1 This includes stores in transit amounting to Rs. 7.335 million (2016: Rs. 2.443 million) as at the balance sheet date.

Note 18

Stock in Trade

	2017	2016
	Rupees	Rupees
Raw materials	389,941,855	281,094,112
Work in process	33,323,636	29,335,701
Finished goods	55,108,377	52,960,646
	<u>478,373,868</u>	<u>363,390,459</u>

18.1 Stocks amounting to Rs. 274.595 million (2016: Rs. 189.549 million) approximately are pledged against short term borrowings.

Note 19

Trade Debts

	2017	2016
	Rupees	Rupees
Local debts (Unsecured - considered good)	58,434,374	33,850,060
Foreign debts (Secured - considered good)	34,249,356	12,137,570
	<u>92,683,730</u>	<u>45,987,630</u>

19.1 There is no outstanding receivable from any related party as at the balance sheet date.

Note 20

Advances, Trade Deposits, Prepayments and Other Receivables

		2017	2016
	Note	Rupees	Rupees
Advances (Unsecured - considered good):			
- Employees	20.1	212,408	611,671
- Suppliers and others		6,578,076	6,987,517
Income tax deducted at source / Advance tax		22,137,779	32,699,368
Margins with banks against:			
- Letters of credit		-	109,218
- Letters of guarantee		7,042,811	18,242,811
Prepayments		1,367,444	8,390,696
Duty draw back on export		10,324,846	-
Insurance claims receivable		3,259,344	7,628,278
Other receivables		132,030	2,711,236
		<u>51,054,738</u>	<u>77,380,795</u>

20.1 Amount due from chief executive, directors and executives as at the balance sheet date was Nil (2016: Nil).

Note 21

Short Term Investments

		2017	2016
	Note	Rupees	Rupees
At fair value through profit or loss			
Investment in quoted shares	21.1	<u>820,508</u>	<u>1,183,793</u>

21.1 Investments are measured at fair value through profit or loss in accordance with IAS - 39 (Financial Instruments: Recognition and Measurement). The quoted market value in an active market is considered as the fair value of investment. The resulting difference between cost and fair value of investment is taken to the profit and loss account.

Note 22

Tax Refunds Due from the Government

	2017	2016
	Rupees	Rupees
Sales tax	58,563,762	22,359,268
Income tax	25,583,025	48,436,503
	<u>84,146,787</u>	<u>70,795,771</u>

Note 23

Cash and Bank Balances

	2017	2016
	Rupees	Rupees
Cash in hand	631,659	892,374
Cash at banks - Current accounts	59,708,108	87,258,464
	<u>60,339,767</u>	<u>88,150,838</u>

Note 24

Sales - Net

	2017	2016
	Rupees	Rupees
Yarn sales		
- Local	3,633,514,205	2,846,030,717
- Export	853,446,629	978,234,204
Waste sales	32,826,537	24,138,085
Duty draw back	15,031,797	-
	<u>4,534,819,168</u>	<u>3,848,403,006</u>
Commission to selling agents	(20,558,044)	(41,921,338)
Sales tax	(3,091,827)	(114,350,094)
	<u>(23,649,871)</u>	<u>(156,271,432)</u>
	<u>4,511,169,297</u>	<u>3,692,131,574</u>

Note 25

Cost of Sales

		2017	2016
	Note	Rupees	Rupees
Raw materials consumed		2,952,152,832	2,362,466,549
Stores and spares consumed		94,297,725	86,614,076
Packing materials consumed		93,365,947	85,951,304
Salaries, wages and other benefits	25.1	457,392,541	394,632,949
Fuel and power		575,782,886	473,563,613
Insurance		7,789,773	10,092,726
Repairs and maintenance		5,275,394	11,072,090
Other manufacturing expenses		11,647,906	9,179,800
Depreciation	14.4	76,602,168	78,455,530
		<u>4,274,307,172</u>	<u>3,512,028,637</u>
Opening work in process		29,335,701	32,366,927
Closing work in process		(33,323,636)	(29,335,701)
		<u>(3,987,935)</u>	<u>3,031,226</u>
Cost of goods manufactured:		<u>4,270,319,237</u>	<u>3,515,059,863</u>
- Opening finished goods		52,960,646	45,277,658
- Closing finished goods		(55,108,377)	(52,960,646)
		<u>(2,147,731)</u>	<u>(7,682,988)</u>
		<u>4,268,171,506</u>	<u>3,507,376,875</u>

25.1 This includes Rs. 29.50 million (2016: Rs. 31.69 million) in respect of staff retirement benefits.

Note 26

Selling and Distribution Costs

	2017	2016
	Rupees	Rupees
Freight and octroi	5,700,982	7,548,840
Export sale expenses	18,204,606	25,996,570
	<u>23,905,588</u>	<u>33,545,410</u>

Note 27

Administrative Expenses

		2017	2016
	Note	Rupees	Rupees
Salaries, wages and other benefits	27.1	71,674,906	70,817,620
Printing and stationery		674,382	725,938
Communication		1,003,566	1,410,789
Travelling and conveyance		1,835,632	574,833
Repairs and maintenance		1,612,606	1,433,144
Vehicles' running and maintenance		6,619,119	6,222,575
Rent, rates and taxes		4,267,706	4,626,540
Insurance		2,221,260	3,078,779
Legal and professional charges		1,285,165	2,076,385
Fees and subscription		2,786,015	2,676,869
Utilities		11,148,726	12,120,242
Entertainment		4,025,463	3,514,790
Advertisement		204,270	231,510
Miscellaneous		357,378	431,869
Depreciation	14.4	11,537,692	12,188,578
		<u>121,253,886</u>	<u>122,130,461</u>

27.1 This includes Rs. 5.098 million (2016: Rs. 6.036 million) in respect of staff retirement benefits.

Note 28

Finance Cost

	2017	2016
	Rupees	Rupees
Interest / mark-up on:		
- Short term borrowings	27,895,175	23,626,489
- Long term loans	1,371,193	-
- Liabilities against assets subject to finance lease	-	1,613,453
	<u>29,266,368</u>	<u>25,239,942</u>
Bank charges and commission	5,609,161	6,280,357
Bank guarantee commission	1,044,604	637,828
	<u>35,920,133</u>	<u>32,158,127</u>

Note 29

Other Operating Expenses

	2017	2016
	Rupees	Rupees
Auditors' remuneration		
- Statutory audit	862,500	750,000
- Limited scope review	100,000	100,000
- Other attestation services	50,000	50,000
	<u>1,012,500</u>	<u>900,000</u>
Provision for workers' (profit) participation fund	3,450,221	1,184,115
Provision for workers' welfare fund	1,229,502	454,326
Provision for further sales tax	42,164,181	-
Loss on revaluation of short term investments at fair value through profit or loss	363,285	411,464
Loss on disposal of property, plant and equipment - Net	848,026	-
Effect of change in shareholding percentage in associate (reclassified from OCI)	293,721	-
Exchange loss	249,778	-
	<u>49,611,214</u>	<u>2,949,905</u>

Note 30

Other Income

	2017	2016
	Rupees	Rupees
Income from financial assets		
Exchange gain	-	237,154
Income from non financial assets		
Profit on sale of raw material	373,153	1,366,816
Gain on settlement of liabilities	13,965,673	-
Others	432,000	724,023
	<u>14,770,826</u>	<u>2,327,993</u>

30.1 This includes Rs. 0.432 million (2016: 0.432 million) on account of rental income from related party.

Note 31

Taxation

	2017	2016
	Rupees	Rupees
Current:		
- Current period / year	46,435,705	37,340,529
- Prior years		
- Adjustment on account of assessment / return	18,212,317	1,060,572
- Tax credits utilized	-	(3,491,593)
	18,212,317	(2,431,021)
	64,648,022	34,909,508
Deferred	(35,331,693)	79,989
	29,316,329	34,989,497

31.1 The charge for taxation is based on minimum tax under section 113(c) of the Income Tax Ordinance, 2001.

31.2 Reconciliation of tax charge for the year

Profit before taxation	64,030,969
Tax @ 31% on profit before taxation	19,849,600
Prior year tax charge	18,212,317
Tax effect of exports under final tax regime	4,779,215
	(11,455,484)
Other adjustments	33,262,374
Deferred tax	(35,331,693)
	29,316,329

31.3 Reconciliation for the year ending June 30, 2016 has not been given since the Company had accounting and tax losses.

Note 32

Cash Generated from Operations

	2017	2016
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	64,030,969	21,632,395
Adjustments for:		
- Depreciation	88,139,860	90,644,108
- Share of net profit of associate	(36,953,173)	(25,333,606)
- Loss on disposal of property, plant and equipment - Net	848,026	-
- Loss on investment at fair value through profit or loss	363,285	411,464
- Provision for staff retirement benefits	34,597,584	37,726,585
- Exchange loss / (gain)	249,778	(237,154)
- Effect of change in shareholding percentage in associate (reclassified from OCI)	293,721	-
- Provision for workers' (profit) participation fund	3,450,221	1,184,115
- Provision for workers' welfare fund	1,229,502	454,326
- Gain on settlement of liabilities	(13,965,673)	-
- Provision for further sales tax	42,164,181	-
- Finance cost	29,266,368	25,239,942
	149,683,680	130,089,780
Operating profit before working capital changes	213,714,649	151,722,175
Decrease / (increase) in current assets:		
- Stores and spares	(22,383,872)	(3,548,040)
- Stock in trade	(114,983,409)	(64,275,040)
- Trade debts	(46,945,878)	14,864,521
- Advances, trade deposits, prepayments and other receivables	15,764,468	(28,525,436)
- Tax refunds due from the Government	(36,204,494)	3,782,221
Increase / (decrease) in current liabilities:		
- Trade and other payables	2,742,990	(51,810,484)
	(202,010,195)	(129,512,258)
Cash Generated from Operations	11,704,454	22,209,917

Note 33

Earnings per Share - Basic and Diluted

		2017	2016
Basic earning per share is based on			
Net profit / (loss) for the year attributable to ordinary shareholders	Rupees	34,714,640	(13,357,102)
Weighted average number of ordinary shares outstanding during the year	Number	17,971,372	17,971,372
Earnings / (Loss) per share - Basic	Rupees	1.93	(0.74)

33.1 Diluted Earnings per Share

There is no dilutive effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 34

Balances and Transactions with Related Parties

The related parties comprise associated companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Significant balances and transactions with related parties are as follows:

Transactions during the year

Related party	Relationship	Nature of Transaction	2017 Rupees	2016 Rupees
Sargodha Jute Mills Limited	Associate	Dividends income received	10,150,000	16,240,000
		Rent received from leasehold land	432,000	432,000
		Purchase of materials, goods and services	396,100	333,412
		Sale of materials, goods and services	676,801	2,310,627
		Dividends paid	-	14,990
Director		Mark up charged on loan from director	2,110,946	2,641,578

Balances outstanding as at June 30,

Director	Short term loan payable	40,000,000	40,000,000
----------	-------------------------	------------	------------

34.1 There were no transactions with key management personnel other than undertaken as per terms of their employment that have been disclosed in Note 35.

34.2 Sale and purchase transactions have been carried out on commercial terms and conditions under comparable uncontrolled price method.

Note 35

Chief Executive's, Directors' and Executives' Remuneration

The aggregate amounts charged in the financial statements for the year as remuneration and benefits to chief executive, directors and executives of the Company are as follows:

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	9,272,727	3,818,182	23,443,181	9,272,727	3,818,182	23,443,181
Medical	927,273	381,818	2,346,180	927,273	381,818	2,344,259
Bonus	-	-	-	850,000	315,000	1,554,960
Staff retirement benefits	850,000	350,000	1,719,222	850,000	350,000	1,725,976
	11,050,000	4,550,000	27,508,583	11,900,000	4,865,000	29,068,376
Number of persons	1	1	21	1	1	22

35.1 The chief executive, one director and eight executives are provided with free use of the Company maintained vehicles. An executive is defined as an employee with annual basic salary exceeding Rs. 500,000.

35.2 No meeting fee has been paid during the year.

Note 36

Segment Information

For management purposes, the activities of the Company are recognized into one operating segment, i.e. manufacturing and sales of yarn. The Company operates in the said reportable operating segment based on the nature of the product, risk and return, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these financial statements related to the Company's only reportable segment. Entity-wide disclosures regarding reportable segment are as follows:

36.1 Information about products:

Yarn

36.2 Major customers:

4 customers (2016: 3 customers)

36.3 Geographical Information:

Company's revenue from external customers and geographical location is given as under:

Pakistan
Asia
Europe

2017	2016
Percentage	Percentage
99.27%	99.37%
54.10%	67.85%

2017	2016
Rupees in thousand	
3,666,341	2,870,169
704,432	619,098
149,014	359,136
4,519,787	3,848,403

36.4 All non-current assets of the Company are located and operated in Pakistan as at the reporting date.

Note 37

Plant Capacity and Production

Plant capacity converted into 20/S count based on
three shifts per day for 365 days (2016: 366 days) (2016: Restated)
Actual production converted into 20/S count

2017	2016
Kilograms	Kilograms
42,673,542	42,673,542
38,191,592	33,561,514

Note 38

Financial Risk Management**38.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the 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, price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk**(i) 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 with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. As at the balance sheet date, the Company's exposure to currency risk was as follows:

	2017	2016
	Rupees in thousand	
Trade debts	34,249	12,138
Outstanding commitments against letters of credit	(6,095)	(33,890)
Net exposure	<u>28,154</u>	<u>(21,752)</u>

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate during the year reported	103.68	100.23
Reporting date rate	104.80	102.55

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 1% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.2815 million (2016: Rs. 0.2175 million) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. This sensitivity analysis reflects exposure as at reporting date and is unrepresentative of the exposure during the year.

(ii) 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. The Company is exposed to equity and commodity price risk in respect of short term investments carried at market value. Following analysis shows the impact of change in equity and commodity price.

	2017	2016
	Equity	Equity
	Rupees	
Change in commodity prices (%)	1%	1%
Effect on profit and loss account (Rs.)	8,205	11,838

Note 38, Financial Risk Management - Contd...

(iii) 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 has no significant long-term interest-bearing asset. The Company's interest rate risk arises from short term borrowings. As the borrowings made at variable rates, these expose the Company to cash flow interest rate risk. As at the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was as follows:

	2017	2016
	Rupees in thousand	
Fixed rate instruments		
Long term financing	139,517	-
Floating rate instruments		
Financial liabilities		
Short term borrowings	406,847	320,591

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit and loss account. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

	2017	2016
	Rs. In thousand	
Change in interest rates (%)	1%	1%
Effect on profit and loss account (Rs.)		
Short term borrowings	4,068	3,206
Total effect on profit and loss account	4,068	3,206

(b) 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 maximum exposure to credit risk at the reporting date was as follows:

	2017	2016
	Rupees in thousand	
Long term deposits	13,970	13,970
Trade debts	92,684	45,988
Short term investments	821	1,184
Trade deposits and other receivables	20,759	28,582
Bank balances	59,708	87,258

Company exposure relating to credit risk relating to trade debt is disclosed in relevant notes to the financial statement. There are no significant debtors that are past due as at the balance sheet date.

The credit quality of financial assets 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	2017	2016
	Short term	Long term			
Rupees in thousand					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	25,945	13,678
MCB Bank Limited	A1+	AAA	PACRA	12,185	44,705
Habib Bank Limited	A-1+	AAA	JCR-VIS	528	2,146
Allied Bank Limited	A1+	AA+	PACRA	12,199	11,465
Meezan Bank Limited	A-1+	AA	JCR-VIS	2,424	11,756
National Bank of Pakistan	A1+	AAA	PACRA	4,822	1,123
United Bank Limited	A-1+	AAA	JCR-VIS	112	118
Bank Alfalah Limited	A1+	AA	PACRA	1,493	2,267
				59,708	87,258

Note 38, Financial Risk Management - Contd...

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 2,062 million (2016: 2,255 million) worth unavailed short term borrowing limits available (both funded and unfunded) from financial institutions and Rs. 60.40 million (2016: Rs. 88.15 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

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

	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	More than 5 years
	----- Rupees in thousand -----				
Long term financing	139,517	146,493	40,740	105,753	-
Trade and other payables	263,436	263,436	263,436	-	-
Accrued interest	8,631	8,631	8,631	-	-
Short term borrowings	406,847	442,243	442,243	-	-
	<u>818,431</u>	<u>860,803</u>	<u>755,050</u>	<u>105,753</u>	<u>-</u>

Contractual maturities of financial liabilities as at June 30, 2016:

	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	More than 5 years
	----- Rupees in thousand -----				
Trade and other payables	227,984	227,984	227,984	-	-
Accrued interest	4,807	4,807	4,807	-	-
Short term borrowings	320,591	320,591	320,591	-	-
	<u>553,382</u>	<u>553,382</u>	<u>553,382</u>	<u>-</u>	<u>-</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 June 30, 2017. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

(d) 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.

As at June 30, 2017 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values.

The Company classifies the financial instruments measured in the balance sheet at fair value in accordance with the following fair value measurement hierarchy:

- Level 1 Quoted market prices
- Level 2 Valuation techniques (market observable)
- Level 3 Valuation techniques (non market observable)

Note 38, Financial Risk Management - Contd...

38.2 Financial instruments by categories

Financial assets as at June 30, 2017

	Cash and Cash Equivalents	Loans and advances	Fair value through profit or loss	Held for trading	Total
	----- Rupees in thousand -----				
Long term deposits	-	13,970	-	-	13,970
Short term investments	-	-	821	-	821
Trade debts	-	92,684	-	-	92,684
Trade deposits and other receivables	-	20,759	-	-	20,759
Cash and bank balances	60,340	-	-	-	60,340
	<u>60,340</u>	<u>127,413</u>	<u>821</u>	<u>-</u>	<u>188,574</u>

Financial assets as at June 30, 2016

	Cash and Cash Equivalents	Loans and advances	Fair value through profit or loss	Held for trading	Total
	----- Rupees in thousand -----				
Long term deposits	-	13,970	-	-	13,970
Short term investments	-	-	1,184	-	1,184
Trade debts	-	45,988	-	-	45,988
Trade deposits and other receivables	-	28,582	-	-	28,582
Cash and bank balances	88,151	-	-	-	88,151
	<u>88,151</u>	<u>88,540</u>	<u>1,184</u>	<u>-</u>	<u>177,875</u>

Financial liabilities at amortized cost

	2017	2016
	Rupees in thousand	
Long term financing	139,517	-
Trade and other payables	263,436	227,984
Accrued mark-up	8,631	4,807
Short term borrowings	406,847	320,591
	<u>818,431</u>	<u>553,382</u>

38.3 Fair values of financial assets and liabilities

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

Note 39

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing 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 others in the industry, 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 less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

Note 39, Capital Risk Management - Contd...

As at the balance sheet date, the gearing ratio of the Company was as under:

		2017	2016
	Note	Rupees in thousand	
Total borrowings	7 & 11	546,363	320,591
Cash and bank balances		(60,340)	(88,151)
Net Debt		486,023	232,440
Equity		1,268,501	1,209,039
Total capital employed		1,754,524	1,441,479
Gearing Ratio		27.70%	16.13%

Note 40

Number of Employees

	2017				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	31	2,016	5	125	2,177
Average employees during the year	31	1,995	5	125	2,156

	2016				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	32	1,905	4	100	2,041
Average employees during the year	32	1,811	4	100	1,947

Note 41

Provident Fund Related Disclosures

The Company does not maintain any provident fund for its employees.

Note 42

Authorization of Financial Statements

These financial statements were authorized for issuance on September 27, 2017 by the Board of Directors of the Company.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

FORM - 34

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2017
CUIN (INCORPORATION NUMBER) 0006512

No. of Shareholders	Share Holding From	To	Total Share Held
469	1	100	11,609
229	101	500	56,007
39	501	1,000	26,604
43	1,001	5,000	92,115
3	5,001	10,000	25,570
1	10,001	15,000	12,420
2	15,001	20,000	35,061
2	20,001	25,000	42,777
2	35,001	40,000	76,303
1	40001	45000	41,500
1	265,001	270,000	265,553
1	270,001	275,000	272,474
2	295,001	300,000	600,000
1	430,001	435,000	432,131
2	495,001	500,000	1,000,000
1	1,105,001	1,110,000	1,105,907
1	2,440,001	2,445,000	2,442,599
2	3,585,001	3,590,000	7,177,342
1	4,255,001	4,260,000	4,255,400
803	Total		17,971,372

5. Categories of Shareholders	Shares Held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children	13,141,099	73.12
5.2 Associated Companies, undertakings and related parties	1,021,090	5.68
5.3 NIT and ICP	9,310	0.05
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions,	2,200	0.01
5.5 Insurance Companies	600	0.00
5.6 Modarabas and Mutual Funds	122	0.00
5.7 Share Holding 10 % or more	13,875,341	77.21
5.8 General Public		
a. Local	378,516	2.11
b. Foreign	-	-
5.9 Others (Securities & Joint Stock Companies)	5,178	0.03

CATEGORIES OF SHAREHOLDING

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2017

S.#	Particular	Shares Held	Percentage
1)	Associated Companies, Undertakings and Related Parties		
	i) Sargodha Jute Mills Limited	21,090	0.12
	ii) Mrs. Saima Hassan	500,000	2.78
	iii) Sadaf Parvez	500,000	2.78
		1,021,090	5.68
2)	Mutual Funds		
	i) Golden Arrow Selected Stock Fund Limited	122	0.00
3)	Directors, Chief Executive Officer and their Spouse and Minor Children		
	i) Mian Parvez Aslam -Director	4,255,400	23.68
	ii) Mr. Imran Aslam -Chief Executive Officer	3,589,478	19.97
	iii) Mr. Irfan Aslam -Director	3,587,864	19.96
	iv) Mr. Ahsan Ahmad Khan -Director	650	0.00
	v) Syed Raza Ali Bokhari -Director	500	0.00
	vi) Mr. Humayun Bakht -Director	650	0.00
	vii) Mr. Maqsood Shahid Najmi -Director	650	0.00
	viii) Mrs. Nazish Imran -Spouse	300,000	1.67
	ix) Mrs. Sara Irfan -Spouse	300,000	1.67
	xi) Mrs. Fakhra Parvez -Spouse	1,105,907	6.15
		13,141,099	73.11
4)	Executives	500	0.00
5)	Public Sector Companies and Corporations	9,310	0.05
6)	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	2,800	0.02
7)	Individuals and Joint Stock Companies	3,796,451	21.13
	TOTAL NUMBER OF SHARES	17,971,372	100.00
8)	Shareholders Holding Five Percent or More Voting Rights		
	Mian Parvez Aslam	4,255,400	23.68
	Mian Shahzad Aslam	2,442,599	13.59
	Mr. Imran Aslam	3,589,478	19.97
	Mr. Irfan Aslam	3,587,864	19.96
	Mrs. Fakhra Parvez	1,105,907	6.15

Detail of Purchases / Sales of shares by Directors/CEO/ Company Secretary/CFO and Their Spouses /Minor Children during 2017.

No Purchase / Sales of shares were carried out by Directors/CEO/Company Secretary/CFO, Executives, and their spouses and minor children

تعداد حاضری	نام رکن
پانچ (5)	سید رضاعلی
پانچ (5)	عرفان اسلم
پانچ (5)	مقصود شاہد جمی

ہیومن ریسورس اینڈ ریمیزیشن (HR & R) کمیٹی

کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق، بورڈ آف ڈائریکٹرز نے ہیومن ریسورس اینڈ ریمیزیشن (HR & R) کمیٹی تشکیل دی ہے جو درج ذیل نامی تین ارکان پر مشتمل ہے۔ ہیومن ریسورس اینڈ ریمیزیشن (HR & R) کمیٹی کمپنی کے انسانی ذرائع کو موثر طریقے سے فعال بنانے میں مدد فراہم کرتی ہے۔ اس کے علاوہ، ہیومن ریسورس اینڈ ریمیزیشن (HR & R) کمیٹی اس بات کو یقینی بنانے کے لئے کمپنی کی ہیومن ریسورس پالیسیاں اس کے مجموعی کاروبار کے ساتھ باضابطہ طور پر منسلک ہیں کی تشخیص اور سفارشات بھی مرتب کرے گی۔

تعداد حاضری	عہدہ	نام کمیٹی رکن
ایک (1)	چیئر مین	سید رضاعلی بخاری
ایک (1)	رکن	عمران اسلم
ایک (1)	رکن	احسن احمد خان

کارپوریٹ گورننس

کارپوریٹ گورننس کے ضابطہ کی تعمیل کا بیان منسلک ہے۔

محاسب کا تقرر

محاسب میسرز ہارورٹھ حسین چوہدری اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو جائیں گے اور اگلے سال کے لئے کمپنی کے محاسب کے طور پر تقرری کے اہل ہیں۔ آڈٹ کمیٹی اور بورڈ نے کمپنی کے آئندہ سالانہ اجلاس عام میں ممبران کی ری کنسیڈریشن کے لئے ان کی دوبارہ تقرری کی حمایت کی ہے۔

اعتراف

ڈائریکٹرز کمپنی کی ترقی میں عملہ اور کارکنوں کی لگن اور جان نثاری کو سراہتے ہیں۔ مدت کے دوران ڈائریکٹرز اپنے حصص داروں، بینکوں، کمپنی کے مختلف سرکاری اداروں کی اپنے فرائض انجام دیتے وقت مسلسل دلچسپی اور حمایت کا اظہار کرنے میں خوشی محسوس کرتے ہیں اور امید رکھتے ہیں کہ مستقبل میں بھی یہی جذبہ جاری رہے گا۔

برائے اور بحکم بورڈ

جناب عمران اسلم
چیف ایگزیکٹو آفیسر

لاہور: مورخہ 27 ستمبر 2017ء

بجلی کی بچت

انتظامیہ ہمہ وقت بجلی کی بچت پر توجہ مرکوز کر رہی ہے۔ بجلی کی بچت کے آلات نصب کر کے توانائی کے تحفظ کے کئی اقدامات کئے گئے ہیں۔ کارکنوں کو توانائی کی بچت کے لئے آگاہی بھی دی جاتی ہے تاکہ بجلی کے غیر ضروری استعمال کو بچایا جاسکے۔

کمپنیز آرڈیننس کی دفعہ (1) 218 کے تحت خلاصہ

30 جون 2017 کو ختم ہونے والے سال کے دوران، چیف ایگزیکٹو، ڈائریکٹر، چیف فنانشل آفیسر، کمپنی کے سیکرٹری اور داخلی آڈٹ کے سربراہ کے مشاہرہ/انتخواہ میں کوئی تبدیلی نہیں ہوئی تھی۔

اس کے علاوہ، ان کی تقرری کی دوسری شرائط و ضوابط میں کوئی تبدیلی نہیں ہوئی تھی۔

بورڈ آف ڈائریکٹرز

زیر جائزہ سال کے دوران، از یکم جولائی 2016 تا 30 جون 2017 بورڈ آف ڈائریکٹر کے گیارہ (11) اجلاس منعقد ہوئے۔ بورڈ ممبران کی حاضری حسب ذیل تھی:

تعداد حاضری	نام ڈائریکٹرز
11	میان پرویز اسلم
08	عمران اسلم
09	عرفان اسلم
11	سید رضا علی بخاری
11	ہمایوں بخت
11	احسن احمد خان
10	مقصود شاہد نجمی

آڈٹ کمیٹی

بورڈ نے ایک آڈٹ کمیٹی تشکیل دی جو حسب ذیل ڈائریکٹرز پر مشتمل ہے:

سید رضا علی بخاری	چیئر مین
عرفان اسلم	رکن
مقصود شاہد نجمی	رکن

آڈٹ کمیٹی مؤثر طور پر موجودہ اندرونی کنٹرول سسٹم کے مفادات کا جائزہ اور لوپ ہولز کی نشاندہی کرتی ہے۔ کمیٹی اندرونی کنٹرول سسٹم کے بہتر نفاذ کے لئے اصلاحی اقدامات بھی تجویز کرتی ہے۔

زیر جائزہ سال کے دوران، از یکم جولائی 2016 تا 30 جون 2017 آڈٹ کمیٹی کے پانچ (5) اجلاس منعقد ہوئے۔ آڈٹ کمیٹی کی حاضری حسب ذیل تھی:

- 5- کمپنی کے گولڈنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- 6- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- 7- CCG کی شق 5.19.7 میں مختص اہلیتی معیار کے مطابق، کمپنی کے تین ڈائریکٹرز، ڈائریکٹرز ٹریننگ پروگرام کی ضروریات سے شغلی ہیں، تین ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام (DTP) کے تحت سرٹیفکیٹ حاصل کیا ہے۔
- 8- 30 جون 2017 کو کوئی واجب الادا ٹیکسیز اور لیویز نہیں ہیں۔
- 9- کمپنیز آرڈیننس 1984 کی دفعہ 236 اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت درکار فارم 34 اور 30 جون 2017 کے مطابق نمونہ حصص داری اس سالانہ رپورٹ کے ہمراہ منسلک ہیں؛
- 10- کمپنی اسٹاک ایکسچینجر کے مندرجہ قوانین کے مطابق کارپوریٹ گورننس کی پریکٹسز اختیار کی ہیں۔
- 11- 30 جون 2017 اور ڈائریکٹرز رپورٹ کی تاریخ کے دوران مالی حیثیت کو متاثر کرنے والی کوئی مادی تبدیلی واقع نہیں ہوئی ہے۔
- 12- کمپنی اپنے مستقل ملازمین کے لئے ایک غیر فنڈ ڈسکیم چلاتی ہے۔ ملازمین کی مدت ملازمت مسلسل ایک سال مکمل ہونے کے بعد گریجویٹ سکیم کے تحت فوائد کے اہل ہیں۔

کارپوریٹ سماجی ذمہ داری

کمپنی تسلیم کرتی ہے کہ معاشرہ کو اقتصادی فوائد پہنچانا کامیاب اور پائیدار کاروبار کی کلید ہے۔ ہم، اپنے ملازمین کو وسیع سہولیات کی فراہمی، اپنے مرحوم ملازمین کے خاندانوں کی مدد، اپنے ملازمین کے درمیان بہتر کام اور زندگی کے توازن کا فروغ، قانون کے مطابق قومی خزانے میں باقاعدہ حصہ فراہم کر کے اپنی مقامی کمیونٹی، ملازمین اور حکومت کی قدر پیدا کرتے ہیں۔

صحت، حفاظت اور ماحول

ہم اپنے ملازمین کے لئے محفوظ اور صحت مند کام کا ماحول یقینی بنانے کے لئے مسلسل کام کرتے ہیں۔ اس کے علاوہ کمپنی حکومت کے سوشل سیکورٹی اور ایسپلائز اولڈ ایج بینیفٹ ڈیپارٹمنٹ کے ہاں رجسٹرڈ ہے اور کمپنی کے کارکنوں کو صحت کی سہولت اور ریٹائرمنٹ فوائد کے لئے باقاعدہ حصہ ادا کرتی ہے۔

کام اور زندگی کا توازن

صحت کام اور زندگی کے توازن کو فروغ دینے کے لئے ہم سختی سے صبح 9:00 بجے تا سہ پہر 5:30 بجے کام کے معمول کے مطابق عمل کرتے ہیں۔ یہ یقینی بناتا ہے کہ ہمارے ملازمین کے پاس کام کے بعد اپنے اہل خانہ اور دوستوں کے ساتھ غیر نصابی سرگرمیوں کے لئے کافی وقت میسر ہے۔

کاروباری اخلاقیات

انتظامیہ تمام کاروباری سرگرمیوں کو صداقت، میانداری اور قوانین اور قواعد و ضوابط کی پاسداری سے انجام دینے کے لئے پرعزم ہے۔ ضابطہء اخلاق بورڈ کی طرف سے تیار اور منظور کیا گیا ہے۔

قومی خزانے میں شراکت

ملک کی اقتصادی ترقی کے لئے اپنی قانونی اور سماجی ذمہ داری کو پورا کرنے کے لئے، کمپنی نے ٹیکس، لیویز، ایکسائز ڈیوٹی اور سیلز ٹیکس کی مدد میں حکومتی خزانے میں مالی سال 2016-17 میں 38.134 ملین روپے حصہ شامل کیا ہے۔ اس کے علاوہ، مالی سال کے دوران برآمد کی فروخت (یارن) سے ملک کے لئے 8.134 ملین امریکی ڈالر کا غیر ملکی زرمبادلہ بھی کمایا۔

منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2017 کو ختم ہونے والے سال کے لئے 10% نقد منافع منقسمہ تجویز کیا ہے۔ منافع منقسمہ کی سفارش سالانہ اجلاس عام میں حصص داران کی منظوری سے مشروط ہے۔

مستقبل کا نقطہ نظر

ٹیکسٹائل سیکٹر کی کارکردگی خاص طور پر کپاس کی فصل اور دوسرے ممالک کے مقابلے میں ان پٹ لاگت پر انحصار کرتی ہے۔ کپاس کی فصل موجودہ سال میں بہتر نظر آتی ہے لیکن دیگر اخراجات کے دباؤ سمیت توانائی، اجرت اور تنخواہ دیگر حریف ممالک کے مقابلے میں نسبتاً زیادہ ہیں۔ ٹیکسٹائل انڈسٹری موجودہ مالی سال کے دوران بہتری کی توقع رکھتی ہے کیونکہ کپاس کی قیمتیں مستحکم ہو رہی ہیں اور یارن کی قیمتوں میں بہتری آئی ہے۔ انتظامیہ اپنی برآمد کی فروخت میں اضافہ اور مقامی مارکیٹ میں یارن کی بہتر قیمتیں حاصل کر کے بہتر مالی نتائج ظاہر کرنے کا درست وقت خیال کرتی ہے۔

ریاستی امور کے ان خراب حالات کے باوجود، ہماری انتظامیہ نے بجلی پیدا کرنے کے عمل کو بہتر بنانے کے لئے موجودہ پرانے کی جگہ 5 گیس جنریٹر برآمد کرنے کا انتظام کیا ہے۔ Janbacher کمپنی آسٹریا سے درآمد کردہ نئے جنریٹرز، ہماری ملوں میں نصب کئے گئے ہیں اور کامیابی سے کام کر رہے ہیں۔ موجودہ میں سے دو جنریٹروں کو اور ہال کیا جائے گا جس کے لئے تمام ضروری سامان پہلے ہی درآمد کر لیا گیا ہے۔ اور ہالنگ کا عمل رواں سال میں مکمل کیا جائے گا۔

آئی ایس او 9001-2008 سرٹیفیکیشن

کمپنی اپنے صارفین کے مکمل اطمینان تک یارن کے پائیدار معیار میں بھروسہ کرتی ہے۔ اس کے لئے کمپنی نے آئی ایس او 9001-2008 سرٹیفیکیشن کا حالیہ ورژن حاصل کیا ہے جو وسیع پیمانے پر جانچ پڑتال اور کوالٹی مینجمنٹ سسٹم کی مکمل توثیق کے بعد ہر سال تجدید کیا جاتا ہے۔ یہ کوالٹی سرٹیفیکیشن نئے صارفین کے اعتماد کو بڑھانے اور پرانے گاہکوں کے اعتماد کو فروغ دیتی ہے۔

متعلقہ پارٹیوں سے لین دین

متعلقہ پارٹیوں کے درمیان لین دین قابل رسائی قیمتیں مقرر کر کے کیا گیا۔ کمپنی پاکستان میں شاخ ایکسچینج کی لسٹنگ کے ضابطے میں موجود منتقلی پرائسنگ بہترین طریقوں پر عمل پیرا ہے۔ آڈٹ کمیشن کی سفارش پر بورڈ کی طرف سے متعلقہ پارٹی کے لین دین کی منظوری دی گئی تھی۔

کام کی جگہ پر ہراساں کرنے کے خلاف تحفظ کا ضابطہ اخلاق

کمپنی کام کرنے کا صاف ماحول فراہم کرنے کا پختہ ارادہ رکھتی ہے اور اس بات کو یقینی بناتی ہے کہ ہر ملازم سے عزت اور وقار کا سلوک کیا جاتا ہے۔ کمپنی ایک مثبت پیشہ ورانہ کام کے ماحول کو فروغ دینے کے لئے پرعزم ہے جو اس کے عملے کی پیشہ ورانہ ترقی کے لئے ضروری ہے۔ اس وجہ سے ہراساں کرنے کی شہزاد ٹیکسٹائل ملز لمیٹڈ میں کوئی جگہ نہیں ہے۔ تاکہ مجرم کو انضباطی اور اصلاحی کارروائی کا سامنا کرنے، ایسی انتخاب پیدا ہونے پر ملازمت سے برخاستگی کے لئے تیار رہنا چاہئے۔

ایٹنی کرپشن

ہم کارکنوں کو کرپشن سے آزاد ماحول فراہم کرتے ہیں۔ اس میں کرپشن کی تمام صورتیں بدعنوانی اور رشوت بھی شامل ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

- 1- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 2- 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۔
- 3- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے،
- 4- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

میں تمام ڈائریکٹرز کی طرف سے سال 30 جون 2017ء کے اختتام پر کمپنی کے 39 ویں سالانہ نظر ثانی شدہ مالیاتی گوشواروں مع ان پراڈیٹرز کا جائزہ آپ کو پیش کرتا ہوں۔ مالی اور آپریشنل کارکردگی کمپنی کے مالیاتی نتائج کا خلاصہ حسب ذیل ہے:

2016 (روپے)	2017 (روپے)	
3,692,131,574	4,511,169,297	دھانگے کی فروخت
(3,701,211)	27,371,517	ٹیکس سے پہلے منافع / (نقصان) اور ایسوی ایٹ کا حصہ
25,333,606	36,659,452	ایسوی ایٹ کے خالص منافع کا حصہ
21,632,395	64,030,969	ٹیکس سے پہلے منافع
(34,989,497)	(29,316,329)	ٹیکسیشن
(13,357,102)	34,714,640	ٹیکس کے بعد منافع

مالیاتی اعداد و شمار سے واضح ہے کہ کمپنی نے اللہ کے فضل سے قبل از ٹیکس منافع 34,715 ملین روپے کمایا ہے جبکہ گزشتہ سال میں کمپنی کا نقصان 13,357 ملین روپے تھا۔ کمپنی کی دھانگے کی فروخت میں بھی گزشتہ اسی مدت کی 3,692 ملین روپے فروخت کے مقابلے میں 4,511 ملین روپے نمایاں اضافہ واقع ہوا ہے۔

زیر جائزہ سال کے دوران پاکستانی ٹیکسٹائل سیکٹر مشکلات سے دوچار رہا ہے۔ یارن کی قیمتیں برآمد اور مقامی مارکیٹ دونوں میں کم طلب کے باعث کم رہیں اگرچہ کپاس کی قیمتیں گزشتہ سالوں کے مقابلے کم تھیں۔ ٹیکسٹائل ماہرین کے مطابق بھارت، ویتنام اور بنگلہ دیش سے نسبتاً کم قیمتوں پر یارن کی فراہمی کی وجہ سے یارن کی برآمدات پاکستان میں تیزی سے گر رہی ہیں۔ ویتنام میں کاٹن سپلنگ سستی بجلی اور کم اجرت مزدوروں کی دستیابی کے باعث گزشتہ چار سالوں سے تین گنا زیادہ ہے۔ پاکستانی یارن پیداوار بجلی کی قیمتوں میں بہت زیادہ اضافہ کی وجہ سے بڑھتی ہوئی پیداواری لاگت کی مد میں گزشتہ کئی سالوں سے کم ہو رہی ہے۔ پیداوار کی اعلیٰ شرحوں پر بین الاقوامی مارکیٹ میں موجودگی پاکستان کے لئے مشکل ہے۔ حکومت پاکستان نے حالات کی نزاکت کو سمجھتے ہوئے، اپنی برآمدات کو فروغ دینے کے لئے برآمد کنندگان کی حوصلہ افزائی کے لئے 4% برآمدی رعایت کی پیشکش کی ہے۔ حکومت کو صنعت کے لئے سستے ریٹس پر مسلسل بجلی کی سپلائی کو بھی یقینی بنانا چاہئے تاکہ صنعت عالمی مسابقتی سطح کے مساوی درجہ پر چل سکے۔

پاکستان میں مقامی ٹیکسٹائل مارکیٹ معیشت پر چھائے غیر یقینی سیاسی حالات کے سیاہ بادلوں کے باعث مشکل ادوار کا سامنا کر رہی ہے۔ گزشتہ سالوں میں ہماری کپاس کی فصل کا سائز تقریباً 30 فیصد کم ہو گیا ہے۔ حکومت صنعت پر اس کے منفی اثرات کا تخمینہ لگائے بغیر غیر منحصر طور پر بجلی اور گیس کی قیمتوں میں اضافہ کر دیتی ہے۔ یہ ناقابل برداشت حد تک منافع مارجن کو کم کر دیتا ہے۔ اس کے نتیجے میں، بہت سے صنعت کار اپنے یونٹس کو بند کرنے پر مجبور ہو گئے ہیں اور دوسری صورت میں بغیر نقصان پر چلانے کے لئے مجبور ہیں۔ ان تمام رکاوٹوں کے باوجود ہماری انتظامیہ اپنی تمام ذہانت اور وسیع صنعتی تجربے کے ساتھ مل کو موثر انداز سے چلایا اور اپنے حصص داروں کے لئے منافع کمایا ہے۔ فی الحال، مقامی مارکیٹ نے یارن کی شرحوں میں بہتری اور منافع بخش مارجن ظاہر کیا ہے جس سے ہمارے سبز حجم اور منافع کی سطح کو مزید فروغ ملے گا۔

فی حصص آمدنی

30 جون، 2017 کو ختم ہونے والے سال کے لئے کمپنی کی فی شیئر آمدنی 1.93 ہے جو پچھلے سال 2016 میں منفی (0.74) روپے تھی۔

This Page is intentionally left blank

FORM OF PROXY

I/We _____ Son / Daughter / Wife of _____ being a member
 Of SHAHZAD TEXTILE MILLS LIMITED and holder of _____ Shares Folio
 No. _____ CDC Participant ID # _____ and
 Sub Account # _____ do hereby appoint _____ of or failing
 him /her _____ of _____ as my/our proxy to
 attend, speak and vote for me/us and on my/our behalf at the Annual General meeting of Shahzad Textile Mills Limited
 scheduled to be held on _____ at 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore
 and at any adjournment thereof.
 As witness my/our hands this _____ day of _____ 2017.

1. Witnesses:

Name: _____

Signature: _____

CNIC: _____

Address: _____

Please affix here Revenue
Stamp of Rs. 5/-

Members' Signature

2. Witnesses:

Name: _____

Shareholder's Folio No. _____

Signature _____

CDC A/c No. _____

CNIC: _____

CNIC: _____

Address: _____

Address: _____

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy.
2. Proxies, in order to be effective, must be received at the Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. CDC account holders will further have to follow the under-mentioned guidelines as laid down in circular # 1, dated 26th January, 2000 of the Securities and Exchange Commission of Pakistan.
 - i) Incase of individuals, the account holder and/or sub-account holder whose securities and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
 - ii) The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii) Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - iv) the proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - v) In case of corporate entity, the Board's resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

The Secretary

SHAHZAD TEXTILE MILLS LIMITED

19-A, Off Zafar Ali Road, Gulberg V, Lahore.

Tel: +92 (42) 35754024-27

پراکسی فارم (مختار نامہ)

میں / ہم _____
 ولد / دختر / زوجہ _____
 بحیثیت رکن شہزاد ٹیکسٹائل ملز لمیٹڈ اور حامل _____ حصص بمطابق فولیو نمبر _____
 سی ڈی سی پارٹنرشپ (شرکت) آئی ڈی نمبر _____ اور سب اکاؤنٹ (ذیلی کھاتہ) نمبر _____
 محترم / محترمہ _____ کا / کی _____

کو اپنے / ہمارے ایماء پر: _____
 off, 19-A ظفر علی روڈ، گلبرگ-V، لاہور پر _____
 بمقام: _____
 منعقد ہونے والے شہزاد ٹیکسٹائل ملز لمیٹڈ کے 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۔
 آج بروز بتاریخ 2017ء کو میرے / ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔
گواہان

1- _____
 نام: _____
 دستخط: _____
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____
 پتہ: _____
 دستخط رکن: _____

2- _____
 نام: _____
 دستخط: _____
 کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: _____
 پتہ: _____
 دستخط رکن: _____

نوٹ:

- 1- سالانہ اجلاس عام میں شرکت اور رائے دہی کا مستحق رکن، پراکسی مقرر کر سکتا ہے۔
- 2- پر آگیاں تا تکہ مؤثر ہو سکیں، کمپنی کے رجسٹرڈ دفتر، off, 19-A ظفر علی روڈ، گلبرگ-V، لاہور میں اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل لازماً وصول ہو جانی چاہئیں اور باقاعدہ مہر، دستخط اور گواہی شدہ ہونی چاہئیں۔
- 3- اراکین جو اپنے حصص سنٹرل ڈیپازٹری کمپنی پاکستان لمیٹڈ کے سنٹرل ڈیپازٹری سسٹم میں جمع کروا چکے ہوں، کو سکیورٹیز اینڈ ایکسچینج کمیشن پاکستان کی سرکلر نمبر 1، مورخہ 26 جنوری 2000 میں دی گئی ذیل میں درج ذیل ہدایات پر عمل کرنا ہوگا۔

- i- بصورت افراد، اکاؤنٹ ہولڈر اور / یا سب اکاؤنٹ ہولڈر جن کی رجسٹریشن تفصیلات سی ڈی سی قواعد و ضوابط کے مطابق اپ لوڈ ہوں، انہیں درج بالا شرائط کے مطابق پراکسی فارم (مختار نامہ) جمع کرانا ہوئے۔
- ii- بینیفیشل اوئرز (مستفید ہونے والے فرد) اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول، پراکسی فارم (مختار نامہ) کے ہمراہ جمع کرانا ہوگی۔
- iii- بصورت کارپوریٹ ایٹلٹی، بورڈ کی قرارداد / مختار نامہ معائنہ مزید کے دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختار نامہ) کے ہمراہ کمپنی میں جمع کرانا ہوگا۔

سکریٹری

شہزاد ٹیکسٹائل ملز لمیٹڈ

A-19 آف ظفر علی روڈ، گلبرگ ۵ لاہور

Tel: +92 (42) 35754024-27

IMPORTANT NOTICE

Dear Valued Shareholder(s)

Section 242 of Companies Act 2017 and Circular No. 18/2017 dated August 01, 2017 issued by Securities & Exchange Commission of Pakistan (SECP) has directed all listed Companies to pay dividend only through electronic mode directly into the Bank Accounts designated by the entitled shareholders with effect from November 01, 2017.

In view of above, you are advised to provide you complete Bank Account / IBAN detail as per format given below to Shahzad Textile Mills Limited 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore (in case of CDC Account Holder / Sub Account Holders please provide said details to respective member Stock Exchange) enabling us to comply with above Section / Circular.



HASSAN-UD-DIN ANSARI
Company Secretary

DIVIDEND MANDATE DETIAL

Folio Number	
Name of Shareholder	
Title of Bank Account	
Bank Account Number (Complete)	
Bank's Name Branch Name, Code And Address	
Cell Number	
Landline Number, if any	
CNIC Number (also attaché copy)	
<p>It is stated that the above mentioned information is correct, that I will intimate the changes in the above mentioned information to the Company.</p> <p style="text-align: right;">_____ Shareholder's Signature</p>	

محترم شیئر ہولڈر (ز)

کمپنیز ایکٹ 2017 کی شق 242 اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکلر نمبر 18/2017 بتاریخ یکم اگست 2017 کے ذریعے SECP کی طرف سے تمام لمیٹڈ کمپنیوں کو ہدایت کی گئی ہے کہ یکم نومبر 2017 کے بعد سے ادا ہونے والے ڈیویڈنڈ کی رقم الیکٹرانک طریقہ کار سے براہ راست شیئر ہولڈرز کی طرف سے فراہم کردہ بینک اکاؤنٹ میں منتقل کی جائے۔

درج بالا ہدایات کے تناظر میں، آپ سے گزارش کی جاتی ہے کہ اپنے مکمل بینک اکاؤنٹ/IBAN (انٹرنیشنل بینک نمبر) کی تفصیل درج ذیل فارمیٹ کے تحت کمپنی کے شیئرز رجسٹرار، شہزاد ٹیکسٹائل ملز لمیٹڈ، 19-A آف ظفر علی روڈ، گلبرگ 5 لاہور کو مہیا کریں (سی ڈی سی اکاؤنٹ ہولڈر/سب اکاؤنٹ ہولڈر یہ تفصیل متعلقہ ممبر اسٹاک ایکسچینج کو مہیا کریں) تاکہ ہم درج بالا شق/سرکلر پر عمل پیرا ہو سکیں۔



حسن الدین انصاری

کمپنی سیکریٹری

شہزاد ٹیکسٹائل ملز لمیٹڈ

فولیو نمبر	
شیئر ہولڈر کا نام	
بینک اکاؤنٹ جس نام سے ہے	
مکمل بینک اکاؤنٹ نمبر	
بینک کا نام، برانچ کا نام، کوڈ اور پتہ	
موبائل نمبر	
فون نمبر (اگر ہے)	
کمپیوٹرائزڈ شناختی کارڈ نمبر (کاپی منسلک کریں)	
<p>بیان کیا جاتا ہے کہ درج بالا معلومات درست ہیں اور یہ کہ میں درج بالا معلومات میں تبدیلی کی صورت میں کمپنی اور متعلقہ شیئرز رجسٹرار کو مطلع کرونگا۔</p>	
<p>دستخط شیئر ہولڈر</p>	