



Annual Report | 2017



Saritow Spinning Mills Limited

CONTENTS

Company Information	2
Vision and Mission Statement	3
Notice of Annual General Meeting	4
Financial Highlights - <i>Six Years at a Glance</i>	8
Directors' Report to the Shareholders	9
Statement with Compliance of Code of Corporate Governance	12
Review Report on Statement of Compliance with Best Practices of the Code of Corporate Governance.....	14
Auditors' Report to the Members	15
Balance Sheet	16
Profit and Loss Account	18
Statement of Profit or Loss and Other Comprehensive Income	19
Cash Flow Statement	20
Statement of Changes in Equity	21
Notes to and forming part of Financial Statements	22
Pattern of Shareholding	54
Form of Proxy.....	59

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. M. Azam Saigol
Mr. M. Naseem Saigol
Mr. M. Zeid Yousuf Saigol
Mr. Muhammad Athar Rafiq
Mr. Muhammad Omer Farooq
Mr. Samir Iqbal Saigol
Mr. Syed Haroon Rashid

Chief Executive

NIT Nominee

AUDIT COMMITTEE

Mr. Syed Haroon Rashid
Mr. M. Zeid Yousuf Saigol
Mr. Muhammad Omer Farooq
Mr. Muhammad Athar Rafiq

Chairman/Member
Member
Member
Member

HR & REMUNERATION COMMITTEE

Mr. Syed Haroon Rashid
Mr. M. Zeid Yousuf Saigol
Mr. Samir Iqbal Saigol
Mr. Muhammad Omer Farooq

Chairman/Member
Member
Member
Member

COMPANY SECRETARY

Mr. Anees-ur-Rehman

CHIEF FINANCIAL OFFICER

Mr. Muhammad Shamil, FCA

AUDITORS

Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants

BANKERS

Bank Alfalah Limited
Faysal Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
NIB Bank Limited
The Bank of Punjab
Summit Bank Limited
Meezan Bank Limited
Habib Metropolitan Bank Limited
Askari Bank Limited
Habib Bank Limited
JS Bank Limited
Sindh Bank Limited

SHARES REGISTRAR

M/s. CORPLINK (PVT) LTD.
Wings Arcade, 1-K Commercial, Model Town, Lahore.
Tel: 042-35839182, 35887262, 35916719
Fax: 042-35869037

REGISTERED OFFICE

17-Aziz Avenue, Canal Bank,
Gulberg-V, Lahore.
Tel: 042-35717364-65, 35718274-75
Fax: 042-35715105
E-mail: shares@saigols.com

MILLS

51-KM, Multan Road,
Phool Nagar, District Kasur.

VISION

To accomplish, build up and sustain a good reputation of the project in textile sector locally and globally by marketing high quality of yarn through team work by means of honesty, integrity and commitment.

MISSION

To transform the Company into a modern and dynamic Yarn manufacturing Company and to provide quality products to customers and explore new markets to promote / expand sales of the Company through Good Governance and foster a sound and dynamic team, so as to achieve optimum profitability for the Company for sustainable and equitable growth and prosperity of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of Shareholders of **Saritow Spinning Mills Limited** will be held on Tuesday, October 31, 2017 at 10:00 A.M. at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company to transact the following business:-

Ordinary Business

1. To confirm the minutes of the last Annual General Meeting held on October 31, 2016.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2017 along with Directors' and Auditors' Reports thereon.
3. To appoint Auditors of the Company to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.
4. Any other business with the permission of the Chair.

Special Business

1. To get approval/consent from shareholders, as per SRO No. 470(1)/2016 dated May 31, 2016 issued by Securities and Exchange Commission of Pakistan (SECP), for the transmission of the annual audited accounts through CD/DVD/USB instead of transmitting the said accounts in hard copies.
2. To consider and, if thought fit, pass the following resolutions as Special Resolution, with or without modification, to amend the Articles of Association of the Company:-

SPECIAL RESOLUTION

RESOLVED THAT, subject to obtaining the requisite approvals, Articles of Association of the Company be and are hereby amended as following:-

Article 38 be and is hereby amended as following:

38. At least ten (10) Members entitled and present in person and representing not less than twenty-five percent (25%) of the total voting power either on their own account or as proxies shall be the quorum for a General Meeting, and no business shall be transacted at any General Meeting unless the quorum requisite is present at the commencement of the business.

After Article 52, the following new Article 52-A be inserted:

52-A A member may opt for e-voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016 (including any statutory modification thereof), as amended from time to time. In the case of e-voting, both Members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposited with the Company, at least ten (10) days before holding of the general meeting, at the Company's registered office address or through e-mail. The Company will arrange for e-voting if the Company receives demand for poll from at least five (5) members or by any member having not less than one tenth of the voting power.

After Article 56, the following new Article 56-A be inserted:

56-A An instrument of proxy in relation to e-voting shall be in the following form:

I/We, _____ of _____, being a member of _____, holder of _____ Shares as per Register Folio No. _____ hereby opt for e-voting through Intermediary and hereby consent to the appointment of Execution officer _____ as proxy and will exercise e-voting as per the Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My Secure e-mail address is _____, please send login details, password and electronic signature through e-mail.

Signature of member

(Signature should agree with specimen signature registered with the Company)

Signed in the presence of:

Signature of Witness

Signature of Witness

The proxy e-voting form shall be required to be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

After Article 84, the following new Article 84-A be inserted:

84-A The Directors of the Company may participate in the Board of Directors' meetings, whether in Pakistan or abroad, through tele/video conferencing. The draft minutes of the meeting shall be sent to those Director(s) who had participated in the proceedings of the meeting through tele/video conference, for his/their confirmation. Thereafter, the minutes shall be signed by the Chairman of the meeting.

After Article 104, the following new Article 104-A be inserted:

104-A The Company may, after obtaining prior written consent from members, circulate notices of general meeting and the annual balance sheet and profit and loss account, auditors' report and directors' report (annual audited accounts) to its members through e-mail. Further, subject to the consent of the Members obtained in general meeting, circulate the annual balance sheet and profit and loss account, auditors' report and directors' report (annual audited accounts) to its Members through CD/DVD/USB at their registered addresses. However, if a Member prefers to receive hard copies for all the future annual audited accounts then such preference of the Member shall be given to the Company in writing and thereafter the Company shall provide hard copies of all the future annual audited accounts to such Member.

FURTHER RESOLVED That the Company secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution.

By Order of the Board

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

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 October 31, 2017 pertaining to E-voting and circulation of Annual Reports through CD/DVD/USB.

E-Voting

Pursuant to SECP S.R.O. No. 43(1)/2016 dated January 22, 2016, members can also exercise their right to vote through e-voting by giving their consent in writing at least 10 days before the date of meeting to the Company on the appointment of Execution Officer by the Intermediary as a Proxy.

Circulation of Annual Reports through CD/DVD/USB

Pursuant to SECP S.R.O. No. 470(1)/2016 dated May 31, 2016, The Company may, after obtaining prior written consent from members, circulate notices of general meeting and the annual audited accounts to its members through CD/DVD/USB or e-mail at their registered addresses. However, if a Member prefers to receive hard copies for all the future annual audited accounts then such preference of the Member shall be given to the Company in writing and thereafter the Company shall provide hard copies of all the future annual audited accounts to such Member.

Notes:

- Share Transfer Books of the Company will remain closed from **October 25, 2017 to October 31, 2017** (both days inclusive). Physical transfers/CDS transactions ID's received in order at "Company Registrar office M/s Corplink (Pvt.) Limited", wings arcade, 1-K, Commercial Model Town, Lahore on or before October 24, 2017 will be treated in time.
- A member entitled to attend and vote at this Meeting may appoint another Member as his/her proxy. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore the Registered Office of the Company not later than forty-eight hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or original Passports along with their Account Numbers in Central Depository System for attending the meeting.
- Members are requested to notify the Company change in their addresses, if any.
- Annual Audited Financial Statements of the Company for the Financial Year ended June 30, 2017 have been placed on the Company's website i.e. www.saritowspinningmillsLtd.com
- SUBMISSION OF COPY OF CNIC/NTN DETAILS (MANDATORY)**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan CNIC number of individuals is mandatorily required to be mentioned on dividend warrants and pursuant to the provisions of Finance Act 2017, the rate of deduction of income tax under section 150 of the Income Tax Ordinance 2001 from dividend payment have been revised as : for filers of Income Tax return 15.00% and Non filers of Income Tax return 20.00%.

7. DIVIDEND MANDATE

In terms of Section 242 of the Companies Act 2017 in case of a listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. In this regard please provide the following information to Company's Share Registrar, M/s Corplink (Pvt) Limited, 1-K, Commercial Model Town, Lahore:

Bank Account Details of Shareholder	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch name and address	
Cell number of Shareholder	
E-mail address of Shareholder	
Landline number of shareholder, if any	
It is stated that the above mentioned information is correct and in case of any change therein, I/we will immediately intimate to the company and the concerned share registrar.	
_____ Name, signature, folio # and CNIC number of shareholder	
Notes:	
(1) Those shareholders, who hold shares in book entry form in their CDS accounts, will provide the above dividend mandate information directly to their respective Participant/ CDC Investor Account Services Department.	
(2) If dividend mandate information has already been provided by you, ignore this request.	

8. ZAKAT DECLARATIONS (CZ-50)

The Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs. 10/- each) under Zakat and Ushr Laws and will be deposited within the prescribed period with the relevant authority, Please submit your Zakat Declarations under Zakat and Ushr Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund) Rules, 1981 CZ-50 Form, in case you want to claim exemption, with your brokers or the Central Depository Company Ltd. (in case the shares are held in Investor Account Services on the CDC) or to our Registrars, M/s Corplink Private Limited, 1-K, Commercial Model Town, Lahore (in case the shares are held in paper certificate form). The shareholders while sending the Zakat Declarations, as the case may be must quote company name and respective folio numbers.

سالانہ رپورٹس کی ترسیل بذریعہ CD/DVD/USB

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر اینڈ آرڈر نمبر 2016(1)470 مورخہ 31 مئی 2016ء کی فی آرڈر کے تحت رپورٹس کے نوٹس اور سالانہ ڈیٹا اکاؤنٹس کو اپنے ممبران کو بذریعہ CD/DVD/USB کے رجسٹرڈ پتوں پر ارسال کرے گی۔ تاہم اگر کوئی ممبر مستقبل میں سالانہ ڈیٹا اکاؤنٹس کی بارڈر کا پتہ اپنا چاہتا ہے تو ایسے ممبر کو کمپنی کو تحریری درخواست دینا ہوگی اور اس کے بعد کمپنی ایسے ممبر کو مستقبل میں سالانہ ڈیٹا اکاؤنٹس کی بارڈر کا پتہ فراہم کرے گی۔

- 1- کمپنی کی حصص کی منتقلی کی کتابیں 25 اکتوبر 2017ء تا 31 اکتوبر 2017ء (بشمول دونوں دن) بند رہیں گی۔ کمپنی شیئرز رجسٹر آف ایس ایم ایس کارپ لٹک (پرائیویٹ) لمیٹڈ ونگز آرکیڈ، 1-K، کمرشل ماڈل ٹاؤن، لاہور میں وصول ہونے والی منتقلیاں (بشمول CDS/Physical) 24 اکتوبر 2017ء کو کاروبار بند ہونے تک قابل قبول ہوں گی۔
 - 2- اجلاس ہذا میں شرکت کرنے اور ووٹ دینے کا اہل ممبر پر کسی مقرر کر سکتا ہے۔ پراکسیاں تا آئندہ موثر ہو سکیں، اجلاس کے وقت سے کم از کم 48 گھنٹے قبل کمپنی کے صدر دفتر بمقام 17 عزیز ایویٹو، کینال بنک، گلبرگ 7، لاہور میں لازماً وصول ہونی چاہئیں اور باقاعدہ ہر زدہ دستخط شدہ اور گواہ شدہ ہونی چاہئیں۔
 - 3- وہ ممبران جن کے نام حصص سنٹرل ڈیپازٹری سسٹم میں ہیں انہما سے کہ وہ اپنے اصل شناختی کارڈ یا پاسپورٹ اور سنٹرل ڈیپازٹری سسٹم میں اپنے اکاؤنٹ نمبر اجلاس میں شرکت کے لئے ہمراہ لائیں۔
 - 4- ممبران سے التماس ہے کہ اپنے پتے میں کسی بھی تبدیلی کی صورت میں کمپنی کو مطلع فرمائیں۔
 - 5- 30 جون 2017ء کو ختم ہونے والے مالی سال کے کمپنی کے سالانہ ڈیٹا اکاؤنٹس کمپنی کی ویب سائٹ www.saritowspinningmills.com پر جاری کر دیئے گئے ہیں۔
 - 6- کمپیوٹرائزڈ قومی شناختی کارڈ/نیشنل ٹیکس نمبر کی نقل کی حوالگی (لازمی) سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایت کے تحت ڈیویڈنڈ وارنٹ پر شیئرز ہولڈرز کے کمپیوٹرائزڈ قومی شناختی کارڈ ہونا لازمی ہیں۔ انکم ٹیکس آرڈیننس 2001 سیکشن 150 میں فنانس ایکٹ 2017ء کے تحت کی جانے والی ترمیم کے مطابق ڈیویڈنڈ پر وہ ہولڈنگ ٹیکس کی کوٹنی فائل کیلئے 15 فیصد اور نان فائل کیلئے 20 فیصد ہوگی۔
 - 7- ڈیویڈنڈ مینڈیٹ
- کمپنی ایکٹ مجریہ 2017ء کے سیکشن 242 کے مطابق لسٹڈ کمپنی کی صورت میں نقد منافع منقسمہ کی داغ بیل صرف الیکٹرانک موڈ سے شیئرز ہولڈرز کے نامزد کردہ بینک اکاؤنٹ میں براہ راست کریڈٹ کی جائے گی۔ تو اس کے لئے برائے مہربانی درج ذیل معلومات کمپنی کے شیئرز رجسٹر M/S Corplink (PVT) Ltd کو مہیا کریں۔

شیئرز ہولڈرز کے بینک اکاؤنٹ کی تفصیلات

عنوان بینک اکاؤنٹ	
بینک اکاؤنٹ نمبر	
نام بینک	
نام برانچ اور پتہ	
شیئرز ہولڈر کا موبائل نمبر	
شیئرز ہولڈر کا Email	
شیئرز ہولڈر کا لینڈ لائن نمبر، اگر کوئی ہو	

بیان کیا جاتا ہے کہ مذکورہ بالا معلومات درست ہیں اور اس میں کسی تبدیلی کی صورت میں متعلقہ شیئرز رجسٹر آف ایس ایم ایس کارپ لٹک کو فی الفور مطلع کروں گا۔

.....
شیئرز ہولڈر کا نام، دستخط، فوٹیو نمبر اور CNIC نمبر

نوٹ:

- 1- وہ شیئرز ہولڈر جو اپنے CSD اکاؤنٹس میں بک انٹری فارم میں شیئرز رکھتے ہوں مندرجہ بالا ڈیویڈنڈ مینڈیٹ معلومات براہ راست اپنے متعلقہ پارٹنر سپنڈ یا نوٹسٹراکٹس سروسز ڈیپارٹمنٹ کو مہیا کریں گے۔
- 2- اگر آپ ڈیویڈنڈ مینڈیٹ معلومات پہلے ہی مہیا کر چکے ہیں تو درخواست ہذا نظر انداز کریں۔

8- زکوٰۃ ڈیکلریشن (CZ-50)

زکوٰۃ اور عشر تو انہیں کے تحت ڈیویڈنڈ سے زکوٰۃ کی کوٹنی شیئرز کی ادا شدہ رقم (10 روپے فی حصص) پر 2.5 فیصد کے حساب سے کی جائے گی اور متعلقہ اتھارٹیز کو مقررہ مدت میں جمع کروادی جائے گی۔ برائے مہربانی استغنی کے خواہشمند افراد زکوٰۃ اور عشر آرڈیننس 1980 اور CZ-50 فارم زکوٰۃ کے قوانین (کوٹنی اور واپسی) کے قانون نمبر 4 کے تحت اپنے زکوٰۃ ڈیکلریشن فارم اپنے بروکر یا سنٹرل ڈیپازٹری کمپنی لمیٹڈ (شیئرز کے نوٹسٹراکٹس سروسز میں CDC میں ہونے کی صورت میں) یا ہمارے شیئرز رجسٹر آف ایس ایم ایس کارپ لٹک (پرائیویٹ) لمیٹڈ، ونگز آرکیڈ، 1-K کمرشل ماڈل ٹاؤن لاہور کو ارسال کریں (شیئرز کے بیچ بھٹکائی کی صورت میں ہونے پر) شیئرز ہولڈرز زکوٰۃ ڈیکلریشن ارسال کرتے ہوئے اپنی کمپنی کا نام اور ان کے متعلقہ فوٹیو نمبر ضرور فراہم کریں۔

سالانہ اجلاس عام کی اطلاع

بذریعہ نوٹس اپنا مطلع کیا جاتا ہے کہ سارا بیٹو پنگ ملز لمیٹڈ کے حصص داران کا اکتیسواں (31st) سالانہ اجلاس عام 31 اکتوبر 2017 بروز منگل 10 بجے صبح کینی کے رجسٹرڈ آفس، 17- عزیز ایونیو کینال بینک گلبرگ-V اور میں درج ذیل امور کی انجام دہی کیلئے منعقد ہوگا۔

عمومی امور

1- 31 اکتوبر 2016 کو منعقد ہونے والے سالانہ اجلاس عام کی کارروائی کی تصدیق۔

2- مالی سال ختم 30 جون 2017 کی بابت کمپنی کے سالانہ آڈٹ شدہ حسابات بھراہ اُن پر ڈائریکٹران و آڈیٹران کی رپورٹس کی وصولی اور ان کی قبولیت۔

3- اگلے سالانہ اجلاس عام کے اختتام تک عہدہ پر رہنے کیلئے کمپنی کے آڈیٹران کا تقرر اور ان کے صلہ خدمت کا تعین۔

4- صاحب صدر کی اجازت سے کسی دیگر امر پر کارروائی۔

خصوصی امور

1- سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) کے جاری کردہ 2016(1) SRO. No. 470 مورخہ 31 مئی 2016 کے تحت سالانہ آڈٹ شدہ اکاؤنٹس کی ہارڈ کاپیز کی بجائے بذریعہ CD/DVD/USB کی شکل میں دینے کیلئے حصص داران سے منظوری رضامندی حاصل کرنا۔

2- کمپنی کے آرٹیکلز آف ایسوسی ایشن میں ترامیم کیلئے، تبدیلی سمیت یا اسکے بغیر مندرجہ ذیل قراردادوں کو بصورت موزعیت زیر غور لانا۔

خصوصی قرارداد

طے پایا کہ مطلوبہ منظوری حاصل کرنے کے بعد کمپنی کے آرٹیکلز آف ایسوسی ایشن میں درج ذیل ترامیم کی جارہی ہیں۔

38- عام اجلاس کیلئے کورم کی صورت یہ ہوگی کہ کم از کم دس اہل ارکان ذاتی طور پر حاضر ہوں اور ان کے ذاتی یا پراکسی کس وٹوں کی تعداد کم از کم 25 فیصد ہو اور کسی بھی عام اجلاس میں کسی معاملے پر عمل درآمد نہیں ہو سکے گا اگر اجلاس سے پہلے مطلوبہ کورم پورا نہ ہو۔

آرٹیکل 52 کے بعد درج ذیل آرٹیکل A-52 کو شامل سمجھا جائے۔

A-52 کمپنیز (ای وونگ) ریگولیشنز 2016 (بشمول اس سلسلے میں اگر قواعد میں موڈیفیکیشن موجود ہو) کے تحت کمپنی کے اجلاس عام میں اراکین ای وونگ کا حق حاصل کر سکتے ہیں، جس میں وقت کے ساتھ ساتھ تبدیلی ممکن ہے۔ ای وونگ کی صورت میں، بطور پراکسی ممبران اور غیر ممبران دونوں کی تعیناتی کی جاسکتی ہے۔ ایگزیکٹو آفیسر کی تقرری کا معاملہ ہو یا بذریعہ انٹرمیڈیری ای وونگ دینے کا عمل، جنرل مینٹنگ کے انعقاد سے کم از کم 10 دن پہلے کمپنی کو بتانا اور یہ معلومات کمپنی کے رجسٹرڈ آفس کے پتہ پر یا بذریعہ ای میل فراہم کرنی ہوں گی۔ کم از کم 5 ممبران یا کوئی ممبر جو کم از کم دسویں حصے سے کم وونگ پاور نہ رکھتا ہو کی طرف سے درخواست آنے پر کمپنی ای وونگ اختیارات کرے گی۔

آرٹیکل 56 کے بعد درج ذیل آرٹیکل A-56 کو شامل سمجھا جائے۔

پراکسی کی شمولیت کی دستاویز برائے ای وونگ درج ذیل شکل میں ہو۔

میں اہم، از----- رکن----- ہولڈر----- حصص----- برطابق رجسٹرڈ فوئیو نمبر----- بذریعہ انٹرمیڈیٹری ای وونگ کیلئے رضا

مندہ ہوں اور اس سلسلے میں بطور پراکسی ایگزیکٹو آفیسر کی تعیناتی چاہتا ہوں اور ای وونگ کے عمل کیلئے (ای وونگ) ریگولیشنز 2016 کی پابندی کروں گا اور قراردادوں پر رائے دہی کا نتیجہ ہوں۔

میرا محفوظ ای میل ایڈریس یہ ہے----- براہ کرم بذریعہ ای میل لاگ ان تفصیلات، پاس ورڈ اور ایکٹرائٹک دستخط فراہم کر دیں۔

دستخط کرکے----- (دستخط کمپنی میں رجسٹرڈ دستخط سے مطابقت رکھنا ضروری ہے)

دستخط گواہ-----

پراکسی ای وونگ کے فارم کی دو گواہان توثیق کریں گے جن کے نام، پتہ اور کمپیوٹرائزڈ قومی شناختی کارڈ نمبر فارم پر درج ہونے چاہئیں۔

آرٹیکل 84 کے بعد درج ذیل آرٹیکل A-84 شامل سمجھا جائے گا۔

A-84- کمپنی کے ڈائریکٹرز چاہے پاکستان میں ہوں یا باہر ٹیلیفون/ویڈیو کانفرنس کے ذریعے بورڈ آف ڈائریکٹرز کی مینٹنگ میں شرکت کر سکتے ہیں۔ ایسے ڈائریکٹرز جو مینٹنگ کی کارروائی میں ٹیلیفون/ویڈیو کانفرنس کے ذریعے شرکت کر رہے ہوں اپنی ان کی توثیق کیلئے ان کو منٹس آف مینٹنگ کا ذرا فٹ بھیجنا ہوگا اس کے بعد چیئرمین کو منٹس پر دستخط کرنے ہوں گے۔

آرٹیکل 104 کے بعد درج ذیل آرٹیکل A-104 کو شامل سمجھا جائے۔

A-104- کمپنی اراکین سے تحریری رضامندی لینے کے بعد، جنرل مینٹنگ کے نوٹس اور سالانہ نیٹس شیٹ اور پرافٹ اینڈ لاس اکاؤنٹ، آڈیٹ رپورٹ اور ڈائریکٹرز رپورٹ (سالانہ آڈیٹ اکاؤنٹس) کو اپنے ممبران کو بذریعہ سی ڈی/ڈی وی ایو ایس ان کے

رجسٹرڈ پتوں پر ارسال کرے گی۔ تاہم اگر کوئی ممبر مستقبل میں سالانہ آڈیٹ اکاؤنٹس کی ہارڈ کاپیاں لینا چاہتا ہے تو ایسے ممبر کو کمپنی کو تحریری درخواست دینا ہوگی اور اس کے بعد کمپنی ایسے ممبر کو مستقبل میں سالانہ آڈیٹ اکاؤنٹس کی ہارڈ کاپیاں فراہم کرے گی۔

مزید یہ کہ کمپنی سیکرٹری کمپنی کے آرٹیکلز آف ایسوسی ایشن میں ترامیم کے سلسلے میں تمام اقدامات و اختیارات کے مجاز ہیں اور مذکورہ قرارداد کے اطلاق کیلئے ضروری فائلنگ اور قانونی امور کی ادائیگی کے ذمہ دار ہوں گے۔

بکرم پورڈ

کمپنی سیکرٹری

لاہور: 09 اکتوبر 2017

کمپنیز ایکٹ 2017 کی ذریعہ دفعہ (3) 134 کے تحت بیان

یہ بیان کمپنی کے سالانہ اجلاس عام منعقد کردہ 31 اکتوبر 2017 میں خصوصی امور کی انجام دہی کے بارے میں ہے جو کہ ای وونگ اور سالانہ رپورٹس کی ترسیل بذریعہ CD/DVD/USB کی شمولیت کے بارے میں ہیں۔

ای وونگ

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ایس آر نمبر 2016 (1) 43 مورخہ 22 جنوری 2016 کے مطابق ممبران مینٹنگ کی تاریخ سے 10 دن قبل تحریری رضامندی بھیج کر ایگزیکٹو آفیسر کی تعیناتی بذریعہ انٹرمیڈیٹری ای وونگ پر اراکین کے بعد ای وونگ کے ذریعے اپنا وٹ ڈالنے کا حق استعمال کر سکتے ہیں۔

FINANCIAL HIGHLIGHTS - Six Years at a Glance

Particulars	2017	2016	2015	2014	2013	2012
<u>Operating Performance (Rupees in Thousands)</u>						
Turnover- Net	2,934,545	2,470,387	2,496,767	2,523,328	2,188,429	2,010,918
Gross Profit	162,762	41,699	167,790	231,337	303,956	215,146
Profit/(Loss) before tax	27,560	(88,436)	(27,788)	53,274	157,973	199,804
Profit/(Loss) after tax	13,779	(66,156)	(17,499)	42,075	120,511	168,855
<u>Financial Position (Rupees in Thousands)</u>						
Share Capital	298,406	298,406	298,406	298,406	298,406	298,406
Shareholders,Equity	529,456	516,960	577,426	631,070	598,772	476,858
Operating Fixed Assets	1,315,578	1,360,930	1,432,050	1,446,553	1,074,622	1,006,093
Total Assets	2,175,202	2,061,806	2,045,964	2,084,799	1,597,520	1,419,166
Bank Borrowings	850,773	703,299	615,691	700,960	278,122	305,983
<u>Ratio Analysis</u>						
<i>Profitability</i>						
Gross Profit Margin-% age	5.55	1.69	6.72	9.17	13.89	10.70
Profit/(Loss)after tax-% age	0.47	(2.68)	(0.70)	1.67	5.51	8.40
Earning/(Loss)Per Share-Rupees	0.46	(2.22)	(0.59)	1.41	4.04	5.66
<i>Activity</i>						
Sales to Operating Fixed Assets-Times	2.23	1.82	1.74	1.74	2.04	2.00
<i>Liquidity</i>						
Current Ratio-Times	0.91	0.96	1.05	1.19	1.37	1.07
Break up Value Per Share-Rupees	17.74	17.32	19.35	21.15	20.07	15.98

DIRECTORS' REPORT

The Directors of M/s Saritow Spinning Mills Limited are please to present Financial Results for the year ended June 30, 2017 along with directors' report thereon.

Financial High Lights	2017 ('000)	2016 ('000)
Net Sales	2,934.545	2,470.387
Gross Profit	162.762	41.699
Pre Tax Profit / (Loss)	27.560	(88.436)
After Tax Profit / (Loss)	13.779	(66.156)
Gross Profit Ratio to Sales	5.55%	1.68%
After Tax Profit to Sales	0.47%	(2.67)%

Operating Financial Results

During the year under review, Alhamdulillah, your Company had posted 18.82% increase in net sales resulted in substantial increase in Gross Profit margin over the last year. Total net sales for the year are Rs. 2,934.545 million as compared to Rs. 2,470.387 million during last year. Net profit after tax for the year is Rs. 13.779 million as against after tax loss of Rs.66.156 million in corresponding year.

The year under review was tough for Textile Industry in general, Domestic crop of Raw cotton was effected badly by untimely rains in cotton growing areas and only 11 million bales were harvested which is quite low as compared to our domestic consumption. Many mills were forced to shut down and the rest was forced to import expensive raw material from abroad. Though yarn prices were good during earlier part of the year but start declining during last quarter of the year under review. Had the prices of yarn remain stable during last quarter the annual results may have been far better.

Future Outlook

Alhamdulillah estimate for running year crop is very good and it is expected that 13 million bales will be harvested locally. Further more, cotton crop all over the globe is very good. We hope that raw material will remain available at competitive prices throughout the year. Hopefully, yarn prices will remain stable and our company will be able to perform better during the current year.

Cash Flow Management

Board of directors places great importance for an effective cash flow management so as to ensure smooth running of the business. For this purpose, cash inflows and outflows are projected on regular basis and verified periodically. Working capital requirements have been planned to be finance through internal cash generation and short term financing from external sources.

Corporate Social Responsibility (CSR)

Your company gives high priority to its social responsibilities and is committed to the highest standards of corporate behavior. The company's CSR responsibilities are fulfilled through monetary contributions in the areas of healthcare, education, environment protection, water and sanitation, child welfare, infrastructure development and other social welfare activities. Our CSR includes contributions to hospitals and education programs engaged in assisting the under privileged patients, students and children of various walks of life.

Health Safety and Environment

Your company is well aware of the importance of skilled workers and staff. Therefore, the company is strongly committed towards all aspects of safety, health and environment connected with our business.

Statement in Compliance of the Code of Corporate Governance

- The Financial Statements, prepared by the management, present a true and fair state of affairs of the company, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no outstanding statutory payments on account of duties, levies and charges.
- Significant deviation from last year in operating results of the Company and reasons thereof have been explained.
- The Key Operating and Financial Data of last six years are attached to the Report.
- There are no significant plans for corporate restructuring and discontinuation of operations except for improvement in the normal business activities to increase the business.
- Four Meetings of the Board of Directors of the Company were held during the year under review. Following was the attendance of the Directors:-

Name of Directors	No. of Meetings Attended
Mr. M. Naseem Saigol	1
Mr. M. Azam Saigol	2
Mr. M. Zeid Yousuf Saigol	2
Mr. Samir Iqbal Saigol	3
Syed Haroon Rashid	3
Mr. Muhammad Omer Farooq	4
Mr. Muhammad Athar Rafiq	4

- Four Meetings of the Audit Committee were held during the year under review. Following was the attendance of the Members:

Name of Members	No. of Meetings Attended
Syed Haroon Rashid	2
Mr. M. Naseem Saigol	2 (Resigned 31-10-2016)
Mr. M. Zeid Yousuf Saigol	2 (Appointed 31-10-2016)
Mr. Muhammad Omer Farooq	4
Mr. Muhammad Athar Rafiq	4

- One Meeting of HR & Remuneration Committee was held during the year under review. Following was the attendance of the Members:-

Name of Members	No. of Meetings Attended
Syed Haroon Rashid	1
Mr. M. Zeid Yousuf Saigol	1
Mr. Samir Iqbal Saigol	1
Mr. Muhammad Omer Farooq	1

During the period under review no Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children sell, buy or take any position in the shares of the Company except as mentioned in Categories of Shareholding required under Code of Corporate Governance.

Pattern of Shareholding

A statement showing pattern of shareholding as on June 30, 2017 is annexed.

Acknowledgment

The Directors of your company take this opportunity to thank the entire stakeholders for their continued support. Your directors also placed on record their appreciation for the contribution made by the employees at all levels.

For and on behalf of the Board

ڈائریکٹرز رپورٹ

ڈائریکٹرز رپورٹ

ساریسٹونگ ملز لمیٹڈ کے ڈائریکٹرز بڑی مسرت کے ساتھ کمپنی کے رواں مالی سال کے مالیاتی نتائج پیش کرتے ہیں جو کہ 30 جون، 2017 کو مکمل ہوا ہے۔

آپریٹنگ نتائج

زیر نظر مدت کے دوران الحمد للہ آپ کی کمپنی کی تمام اشیاء کی فروخت میں %18.82 کا اضافہ ہوا ہے جسکی وجہ سے کمپنی کے خالص منافع میں بھی تسلی بخش اضافہ ہوا ہے۔ دوران سال تمام مصنوعات کی فروخت 2,934.545 ملین روپے رہی اس کے مقابلے میں پچھلے اس عرصے کے دوران تمام مصنوعات کی فروخت 2,470.387 ملین روپے تھی۔ زیر نظر سال میں آپ کی کمپنی نے 13.779 ملین روپے کا خالص منافع کمایا ہے جو گذشتہ سال (66.156) ملین روپے کا خالص نقصان تھا۔

زیر نظر سال ٹیکسٹائل صنعت کے لئے عمومی طور پر بہت سخت تھا۔ ملکی کپاس کی فصل، کپاس کی کاشت کے علاقوں میں بے موسمی بارشوں کی وجہ سے بہت متاثر ہوئی جسکی وجہ سے کپاس کی پیداوار صرف 11 ملین گانٹھ رہی۔ جو کہ ہماری ملکی ٹیکسٹائل صنعت کی ضروریات سے بہت کم ہے۔ بہت ساری ملیں بند ہونے پر مجبور ہو گئیں اور بقایا کو بہت مہنگی غیر ملکی روٹی درآمد کرنی پڑی۔ سال کے شروع میں دھاگے کی قیمتیں بہت بہتر تھیں مگر زیر نظر سال کے آخری چوتھائی میں کم ہونا شروع ہو گئیں۔ اگر دھاگے کی قیمتیں مستحکم رہتیں تو ہماری کمپنی کا سالانہ منافع کافی زیادہ ہو سکتا تھا۔

مستقبل کا نقطہ نظر

الحمد للہ رواں مالی سال کے لئے کپاس کی پیداوار کا تخمینہ بہت اچھا ہے اور امید کی جاتی ہے کہ رواں مالی سال میں کپاس کی پیداوار 13 ملین گانٹھیں ہوگی۔ علاوہ ازیں ساری دنیا میں کپاس کی پیداوار بہت اچھی ہے۔ ہم امید کرتے ہیں کہ خام مال سارا سال اچھی قیمت پر دستیاب رہے گا۔ ہم پُر امید ہیں کہ دھاگے کی قیمتیں مستحکم رہیں گی جس کی وجہ سے ہماری کمپنی رواں مالی سال میں بہتر کارکردگی کا مظاہرہ کرے گی۔

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام کسٹمرز حضرات اور شیئر ہولڈرز کا شکریہ ادا کرتے ہیں اور ساتھ ہی کمپنی کے اہداف کو پورا کرنے کے لئے اپنے تمام ملازمین کی ان تھک محنت کو بھی سہراتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

میاں محمد اعظم سہگل

چیف ایگزیکٹو

لاہور 6 اکتوبر، 2017

STATEMENT WITH COMPLIANCE OF CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Clause 5.19 under 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.

Saritow Spinning Mills Limited (“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 directors. At present the board includes:

Category	Names
Independent Directors	Syed Haroon Rashid
Executive Directors	Mr. Samir Iqbal Saigol
	Mr. M. Azam Saigol
Non-Executive Directors	Mr. M. Naseem Saigol
	Mr. M. Zeid Yousuf Saigol
	Mr. Muhammad Athar Rafiq
	Mr. Muhammad Omer Farooq

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in the payment of any loan to a banking company, a DFI or an NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors during the period.
5. 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.
6. 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.
7. 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 meetings were appropriately recorded and circulated.
9. One training program for its directors by the board arranged during the year.
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. Financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives 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 of 4 members, of whom 3 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 approval of interim and final results of the Company as required by the 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. Its comprises 4 members, of whom 2 are non- executive directors and the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures 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 partner of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.
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 regards.
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 stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
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 with.

For and on behalf of the Board

Lahore : October 06, 2017

CHIEF EXECUTIVE

REVIEW REPORT ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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 **SARITOW SPINNING MILLS LIMITED** for the year ended **June 30, 2017** to comply with the requirements of Regulation No 5.19 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.

There were no related party transactions falling within the ambit of Regulation No. 5.19.6 of the Rule Book of Pakistan Stock Exchange Limited.

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

RAHMAN SARFARAZ RAHIMIQBAL RAFIQ
Chartered Accountants

Engagement Partner: IRFAN RAHMAN MALIK

Lahore: October 06, 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SARITOW SPINNING MILLS LIMITED** ("the Company") as at June 30, 2017 and the related profit and loss account, statement of profit or loss and other 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 purpose 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 Repealed 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 Repealed 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 Repealed Companies Ordinance, 1984, and are in agreement with the books of accounts 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 profit or loss and other 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 Repealed 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, other 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 (XVIII of 1980).

RAHMAN SARFARAZ RAHIMIQBAL RAFIQ

Chartered Accountants

Engagement Partner: IRFAN RAHMAN MALIK

Lahore: October 06, 2017

BALANCE SHEET

as at June 30, 2017

	<i>Note</i>	2017 <i>Rupees</i>	2016 <i>Rupees</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized share capital</i>			
35,000,000 (2016: 35,000,000) ordinary shares of Rs. 10 each		350,000,000	350,000,000
Issued, subscribed and paid-up capital	6	298,406,070	298,406,070
Accumulated profit		231,050,224	218,554,426
TOTAL EQUITY		529,456,294	516,960,496
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	7	28,010,984	27,561,315
NON-CURRENT LIABILITIES			
Loan from directors and family members - <i>Unsecured, subordinate</i>	8	265,884,966	265,884,966
Long term finances - <i>Secured</i>	9	201,890,309	302,835,465
Liabilities against assets subject to finance lease - <i>Secured</i>	10	5,388,691	12,352,942
Long term deposits - <i>Unsecured</i>	11	8,000,000	8,000,000
Employees retirement benefits	12	59,307,597	51,147,526
Deferred taxation	13	152,949,760	168,840,139
		693,421,323	809,061,038
CURRENT LIABILITIES			
Trade and other payables	14	265,130,765	305,471,636
Short term borrowings	15	528,125,313	354,758,296
Accrued interest/markup		15,689,287	14,639,801
Current portion of non-current liabilities	16	115,368,415	33,353,025
		924,313,780	708,222,758
TOTAL LIABILITIES		1,617,735,103	1,517,283,796
CONTINGENCIES AND COMMITMENTS	17	2,175,202,381	2,061,805,607

The annexed notes 1 to 49 form an integral part of these financial statements.

	<i>Note</i>	2017 <i>Rupees</i>	2016 <i>Rupees</i>
NON-CURRENT ASSETS			
Property, plant and equipment	18	1,315,578,169	1,360,930,080
Long term deposits - <i>Unsecured, considered good</i>	19	22,674,506	21,038,886
		1,338,252,675	1,381,968,966
CURRENT ASSETS			
Stores, spares and loose tools	20	19,540,628	19,998,068
Stock in trade	21	547,688,255	453,251,090
Trade receivables - <i>Unsecured, considered good</i>		98,890,257	58,939,389
Advances, deposits, prepayments and other receivables	22	83,354,832	68,967,349
Current taxation	23	63,946,040	66,495,655
Cash and bank balances	24	23,529,694	12,185,090
		836,949,706	679,836,641
TOTAL ASSETS		2,175,202,381	2,061,805,607

The annexed notes 1 to 49 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2017

	<i>Note</i>	2017 <i>Rupees</i>	2016 <i>Rupees</i>
Turnover - net	25	2,934,544,549	2,470,387,179
Cost of sales	26	(2,771,782,117)	(2,428,687,763)
Gross profit		162,762,432	41,699,416
Selling and distribution expenses	27	(9,236,080)	(7,216,948)
Administrative and general expenses	28	(50,963,432)	(50,667,607)
		(60,199,512)	(57,884,555)
Net other income/(expenses)	29	12,686	(2,291,558)
Operating profit/(loss)		102,575,606	(18,476,697)
Finance cost	30	(72,958,506)	(69,943,791)
Other charges	31	(2,057,545)	(15,720)
		(75,016,051)	(69,959,511)
Profit/(loss) before taxation		27,559,555	(88,436,208)
Taxation	32	(13,780,221)	22,280,233
Profit/(loss) after taxation		13,779,334	(66,155,975)
Earnings/(loss) per share - basic and diluted	33	0.46	(2.22)

The annexed notes 1 to 49 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended June 30, 2017

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>			
(Decremental)/incremental depreciation	7	(629,537)	1,584,059
Revaluation surplus transferred on disposal of assets	7	-	4,305,453
Remeasurements of defined benefit obligation	12.4	(934,285)	(287,933)
Taxation relating to remeasurements of defined benefit obligation	13	280,286	89,259
		(1,283,536)	5,690,838
Other comprehensive (loss)/income		(1,283,536)	5,690,838
Profit/(loss) for the year		13,779,334	(66,155,975)
Total comprehensive income/(loss)		12,495,798	(60,465,137)

The annexed notes 1 to 49 form an integral part of these financial statements.

CASH FLOW STATEMENT
for the year ended June 30, 2017

	<i>Note</i>	2017 <i>Rupees</i>	2016 <i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	34	(7,729,013)	70,244,332
Payments for:			
Employees retirement benefits		(12,576,272)	(11,969,651)
Interest/markup		(65,829,690)	(65,732,015)
Income tax		(27,020,567)	(32,495,618)
Net cash used in operating activities		(113,155,542)	(39,952,952)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(14,888,376)	(67,157,621)
Proceeds from disposal of property, plant and equipment		1,825,492	7,567,986
Long term deposits		(1,635,620)	(125,000)
Net cash used in investing activities		(14,698,504)	(59,714,635)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		(12,764,790)	(59,248,385)
Repayment of liabilities against assets subject to finance lease		(21,390,891)	(16,470,588)
Net increase in short term borrowings		173,367,017	163,327,165
Net cash generated from financing activities		139,211,336	87,608,192
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,357,290	(12,059,395)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		12,185,090	24,542,998
EXCHANGE GAIN ON CASH AND CASH EQUIVALENTS		(12,686)	(298,513)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	23,529,694	12,185,090

The annexed notes 1 to 49 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended June 30, 2017

	Issued subscribed and paid-up capital	Accumulated profit	Total equity
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Balance as at July 01, 2015	298,406,070	279,019,563	577,425,633
Comprehensive loss			
Loss after taxation	-	(66,155,975)	(66,155,975)
Other comprehensive income	-	5,690,838	5,690,838
Total comprehensive loss	-	(60,465,137)	(60,465,137)
Transaction with owners	-	-	-
Balance as at June 30, 2016	<u>298,406,070</u>	<u>218,554,426</u>	<u>516,960,496</u>
Balance as at July 01, 2016	298,406,070	218,554,426	516,960,496
Comprehensive income			
Profit after taxation	-	13,779,334	13,779,334
Other comprehensive loss	-	(1,283,536)	(1,283,536)
Total comprehensive income	-	12,495,798	12,495,798
Transaction with owners	-	-	-
Balance as at June 30, 2017	<u>298,406,070</u>	<u>231,050,224</u>	<u>529,456,294</u>

The annexed notes 1 to 49 form an integral part of these financial statements.

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS for the year ended June 30, 2017

1 REPORTING ENTITY

Saritow Spinning Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at 17-Aziz Avenue, Canal Bank Gulberg-V, Lahore. The manufacturing facility is located at Bhai Pheru, District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

During the year, the Companies Act 2017 ('the Act') has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, 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 ('IFRSs') issued by the International Accounting Standards Board ('IASB') and Islamic Financial Accounting Standards ('IFASs') issued by the Institute of Chartered Accountants of Pakistan ('ICAP') as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. There are no estimation uncertainties as at the reporting date. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 Depreciation method, rates and useful lives of operating fixed assets (see note 5.1.1)

The Company reassesses useful lives, depreciation method and rates for each item of operating fixed assets annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 Recoverable amount and impairment (see note 5.22)

The management of the Company reviews carrying amounts of its assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

2.3.3 Obligation under defined benefit plan (see note 5.5.2)

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.3.4 Taxation (see note 5.18)

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.5 Provisions (see note 5.13)

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.3.6 Revaluation of property, plant and equipment (see note 5.2)

Revaluation of property, plant and equipment is carried out by independent professional valuers. Revalued amounts of non-depreciable items are determined by reference to local market values and that of depreciable items are determined by reference to present depreciated replacement values.

2.3.7 Net realizable values of stock in trade (see note 5.4).

The company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures.

IFRS 14 – Regulatory Deferral Accounts (2014)

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Equity Method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)

IAS 27 - Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

IFRS 11 - Joint Arrangements has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 - Business Combinations and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
- Disclose the information required by IFRS 3 - Business Combinations and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture have been amended to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.

- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)

IAS 1 Presentation of Financial Statements has been amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Annual Improvements 2012-2014 cycle

These improvements make amendments to the following standards:

- **IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations** - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- **IFRS 7 - Financial Instruments: Disclosures** - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
- **IAS 19 - Employee Benefits** - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- **IAS 34 - Interim Financial Reporting** - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)	January 01, 2018

	Effective date (annual periods beginning on or after)
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40 - Investment Property)	January 01, 2018
Annual Improvements to IFRS 2014–2016 Cycle	January 01, 2018
Companies Act, 2017	July 01, 2017

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan regarding their adoption. The management anticipates that, except as stated below, the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: *Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting:** IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at revalued amount, and buildings on freehold land and plant and machinery which are carried at revalued amounts less accumulated depreciation. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 18.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

5.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

5.2 Surplus / deficit arising on revaluation of property, plant and equipment

Surplus arising on revaluation of items of property, plant and equipment is carried on balance sheet after reversing deficit relating to the same item previously recognized in profit or loss, if any. Deficit arising on revaluation is recognized in profit or loss after reversing the surplus relating to the same item previously carried on balance sheet, if any. An amount equal to incremental depreciation, being the difference between the depreciation based on revalued amounts and that based on the original cost, net of deferred tax, if any, is transferred from surplus on revaluation of property, plant and equipment to accumulated profit every year, through statement of other comprehensive income.

5.3 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

5.4 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

5.5 Employee benefits**5.5.1 Short-term employee benefits**

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

5.5.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 11 to the financial statements.

5.6 Financial instruments**5.6.1 Recognition**

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

5.6.2 Classification

The Company classifies its financial instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities at initial recognition.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

(b) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

5.6.3 Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

5.6.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

5.6.5 Off-setting

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

5.7 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

5.8 Loans and borrowings

Loans and borrowings, other than those convertible into ordinary shares of the Company, are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

5.9 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

5.10 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

5.11 Ijarah transactions

Ujrah payments under an ijarah are recognized as an expense in profit or loss on straight line basis unless another systematic basis are representative of the time pattern of user's benefit.

5.12 Trade and other payables

5.12.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.12.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

5.13 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

5.14 Trade and other receivables

5.14.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

5.14.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

5.15 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. Transfer usually occurs on dispatch of goods to customers.

5.16 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

5.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

5.18 Income tax

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

5.18.1 Current taxation

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

5.18.2 Deferred taxation

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

5.19 Earnings per share ('EPS')

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

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

5.20 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These are classified as 'loans and receivables' and are carried at cost.

5.21 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

5.22 Impairment

5.22.1 Financial assets

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

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

5.22.2 Non-financial assets

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

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

5.23 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10 each		
13,275,000 (2016: 13,275,000) ordinary shares issued for cash	132,750,000	132,750,000
16,565,607 (2016: 16,565,607) ordinary shares issued as consideration on merger	165,656,070	165,656,070
	<u>298,406,070</u>	<u>298,406,070</u>
7 SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
As at beginning of the year	27,561,315	73,152,077
Recognized during the year		
Deficit for the year	-	(58,606,674)
Deferred taxation	-	18,406,188
	-	(40,200,486)
Decremental/(incremental) depreciation transferred to accumulated profits		
Decremental/(incremental) depreciation for the year	899,338	(2,295,738)
Deferred taxation	(269,801)	711,679
	629,537	(1,584,059)
Surplus transferred to accumulated profits on disposal		
Gross surplus on the assets disposed off	-	(6,239,787)
Deferred taxation	-	1,934,334
	-	(4,305,453)
Deferred tax adjustment attributable to changes in tax rates	(179,868)	499,236
As at end of the year	<u>28,010,984</u>	<u>27,561,315</u>

8 LOAN FROM DIRECTORS AND FAMILY MEMBERS - UNSECURED, SUBORDINATE

This represents loan obtained from directors of the Company and their family members. The loan is unsecured.

The loan is subordinate to long term finances (see note 9) and short term borrowings (see note 15) of the Company. Accordingly the loan matures on March 31, 2021 being the date before which the lenders cannot demand repayment of this loan under the subordination agreement.

The loan carries interest at one year KIBOR plus 2.5% per annum payable on maturity. During the year, interest amounting to Rs. 23.64 million (2016: Rs. 26.269 million) was waived by the lenders at their sole discretion.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
9 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finance - I	9.1	-	12,764,790
Term Finance - II	9.2	302,835,465	302,835,465
		302,835,465	315,600,255
Current maturity presented under current liabilities	16	(100,945,156)	(12,764,790)
		<u>201,890,309</u>	<u>302,835,465</u>

9.1 The finance was obtained from National Bank of Pakistan to finance capital expenditure and was secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carried markup at six months KIBOR plus 2.5% per annum (2016: six months KIBOR plus 2.5% per annum) payable quarterly. The finance has been fully repaid during the year.

9.2 The finance has been obtained from NIB Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company, subordination of loan from directors and their family members and personal guarantees of the Company's Directors. The finance carries markup at three months KIBOR plus 2.5% per annum (2016: three months KIBOR plus 2.5% per annum) payable quarterly. The finance is repayable in twelve equal quarterly installments with first installment due in July 2017.

9.3 For mortgages and charges on assets as security for liabilities, refer to note 41 to the financial statements.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Present value of minimum lease payments	<i>10.1 & 10.2</i>	19,811,950	32,941,177
Current portion presented under current liabilities	<i>10.1 & 10.2</i>	(14,423,259)	(20,588,235)
		5,388,691	12,352,942

10.1 These represent machinery acquired under finance lease arrangements. The leases are priced at three to six months KIBOR plus 2.25% to 4% per annum (2016: three months KIBOR plus 2.25% per annum). Lease rentals are payable monthly over a tenor of three to five years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of lease terms and intends to exercise the option.

10.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
Not later than one year	15,478,302	22,396,661
Later than one year but not later than five years	5,973,764	12,919,530
Total future minimum lease payments	21,452,066	35,316,191
Finance charge allocated to future periods	(1,640,116)	(2,375,014)
Present value of future minimum lease payments	19,811,950	32,941,177
Not later than one year	(14,423,259)	(20,588,235)
Later than one year but not later than five years	5,388,691	12,352,942

11 LONG TERM DEPOSITS - UNSECURED

These represent interest free security deposits from yarn dealers and are repayable on cancellation or withdrawal of dealership. These are being utilized by the Company in accordance with the terms of dealership agreements. These are classified as 'financial liabilities at amortized cost' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, since the date of repayment cannot be reasonably ascertained, these deposits have been carried at cost as their amortized cost is impracticable to determine.

12 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on balance sheet represents present value of defined benefit obligation.

The amount recognized on balance sheet represents present value of defined benefit obligation.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
12.1 Movement in present value of defined benefit obligation			
As at beginning of the year		51,147,526	44,661,798
Charged to profit or loss for the year	<i>12.2</i>	19,802,058	18,167,446
Benefits paid during the year		(12,576,272)	(11,969,651)
Remeasurements recognized in other comprehensive income	<i>12.4</i>	934,285	287,933
As at end of the year		59,307,597	51,147,526

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
12.2 Charge to profit or loss			
Current service cost		15,764,713	14,686,518
Interest cost		4,037,345	3,480,928
		19,802,058	18,167,446
12.3 The charge to profit or loss has been allocated as follows			
Cost of sales	26.2	15,546,355	14,209,067
Selling and distribution expenses	27.1	314,893	202,178
Administrative and general expenses	28.1	3,940,810	3,756,201
		19,802,058	18,167,446
12.4 Remeasurements recognized in other comprehensive income			
Actuarial loss arising from changes in:			
Demographic assumptions		-	-
Financial assumptions		-	-
Experience adjustments		934,285	287,933
		934,285	287,933

12.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries. The principal assumptions used in determining present value of defined benefit obligation are:

	2017	2016
Discount rate	7.25%	9%
Expected rates of increase in salary	6.25%	8%
Expected average remaining working lives	11 years	11 years

12.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is eleven years.

12.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2018 amounts to Rs. 20.852 million.

12.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2017		2016	
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption	Defined benefit obligation
		<i>Rupees</i>		<i>Rupees</i>
Discount rate	+ 1%	53,103,589	+ 1%	45,696,148
	- 1%	66,810,397	- 1%	57,715,192
Expected rate of increase in salary	+ 1%	66,810,397	+ 1%	57,715,192
	- 1%	52,996,386	- 1%	45,603,326

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

12.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	<i>Note</i>	2016	2015
		<i>Rupees</i>	<i>Rupees</i>
13 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	<i>13.1</i>	239,813,346	239,818,924
Deferred tax asset on deductible temporary differences	<i>13.1</i>	(86,863,586)	(70,978,785)
		152,949,760	168,840,139
13.1 Recognized deferred tax assets and liabilities			

Deferred tax assets and liabilities are attributable to the following:

	2017			
	As at July 01, 2016	Recognized in profit or loss	Recognized in equity	As at June 30, 2017
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Deferred tax liabilities				
Operating fixed assets - owned	234,530,689	(5,651,144)	179,868	229,059,413
Operating fixed assets - leased	5,288,235	5,465,698	-	10,753,933
	239,818,924	(185,446)	179,868	239,813,346
Deferred tax assets				
Employees retirement benefits	(15,855,733)	(1,656,260)	(280,286)	(17,792,279)
Unused tax losses and credits	(55,123,052)	(13,948,255)	-	(69,071,307)
	(70,978,785)	(15,604,515)	(280,286)	(86,863,586)
	168,840,139	(15,789,961)	(100,418)	152,949,760

	2016			
	As at July 01, 2015 <i>Rupees</i>	Recognized in profit or loss <i>Rupees</i>	Recognized in equity <i>Rupees</i>	As at June 30, 2016 <i>Rupees</i>
Deferred tax liabilities				
Operating fixed assets - owned	251,339,528	2,096,585	(18,905,424)	234,530,689
Operating fixed assets - leased	4,224,878	1,063,357	-	5,288,235
	255,564,406	3,159,942	(18,905,424)	239,818,924
Deferred tax assets				
Employees retirement benefits	(14,291,775)	(1,474,699)	(89,259)	(15,855,733)
Unused tax losses and credits	(31,157,576)	(23,965,476)	-	(55,123,052)
	(45,449,351)	(25,440,175)	(89,259)	(70,978,785)
	<u>210,115,055</u>	<u>(22,280,233)</u>	<u>(18,994,683)</u>	<u>168,840,139</u>

13.2 Deferred tax has been calculated at 30% (2016: 31%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

	<i>Note</i>	2017 <i>Rupees</i>	2016 <i>Rupees</i>
14 TRADE AND OTHER PAYABLES			
Trade creditors - <i>Unsecured</i>	14.1	114,748,222	96,892,274
Accrued liabilities		103,319,414	94,074,591
Advances from customers - <i>Unsecured</i>		8,004,680	78,541,586
Bills payable		26,618,114	22,887,772
Workers' Profit Participation Fund	14.2	1,480,213	3,308
Workers' Welfare Fund	14.3	562,440	-
Unclaimed dividend		485,351	485,351
Deductions against vehicle scheme	14.4	3,489,273	4,258,040
Other payables - <i>Unsecured</i>	14.5	6,423,058	8,328,714
		<u>265,130,765</u>	<u>305,471,636</u>

14.1 Trade creditors include an amount of Rs. 954,912 (2016: nil) due to an associated company against rent of generator. The analysis of age is as follows:

	<i>Note</i>	2017 <i>Rupees</i>	2016 <i>Rupees</i>
Due by 0 to 180 days		954,912	-
Due by 181 days to one year		-	-
Due by more than one year		-	-
		<u>954,912</u>	<u>-</u>
14.2 Workers' Profit Participation Fund			
As at beginning of the year		3,308	102,246
Interest on funds utilized by the Company	14.2.1	108	9,283
Charged to profit or loss for the year	31	1,480,105	-
Paid during the year		(3,308)	(108,221)
As at end of the year		<u>1,480,213</u>	<u>3,308</u>

14.2.1 Interest is charged at 13.5% (2016: 13.75%) per annum.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
14.3 Workers' Welfare Fund			
As at beginning of the year		-	38,854
Charged to profit or loss for the year	31	562,440	-
Paid/adjusted during the year		-	(38,854)
As at end of the year		<u>562,440</u>	<u>-</u>

14.4 These represent deductions from employees' salaries on account of vehicle scheme whereby the Company and employees share a portion of the cost of vehicle. The vehicles are registered in the name of employee or leasing company in case of leased vehicles. The cost of vehicles is borne by the Company initially and is recovered from employees on monthly basis.

14.5 These include withholding tax payable amounting to Rs. 6.4 million (2016: Rs. 8.3 million).

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
15 SHORT TERM BORROWINGS			
<i>Secured</i>			
These represent short term finances utilized under interest/markup arrangements from banking companies			
Running finances	15.1	272,856,072	181,845,513
Term loans	15.1	153,269,241	70,912,783
		426,125,313	252,758,296
<i>Unsecured</i>			
Loan from director	15.2	102,000,000	102,000,000
		<u>528,125,313</u>	<u>354,758,296</u>

15.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over current assets and operating fixed assets of the Company, pledge of stock, subordination of loan from directors and their family members and personal guarantees of the Company's Directors.

These finances carry markup at rates ranging from one to three months KIBOR plus 2 % to 7.25% per annum (2016: one to three months KIBOR plus 2.25% to 7.25% per annum), payable quarterly, except for term loans for which interest/markup is payable with principal on maturity.

The aggregate available short term funded facilities amounts to Rs. 795 million (2016: Rs. 795 million) out of which Rs. 369 million (2016: Rs. 542 million) remained unavailed as at the reporting date.

15.2 This represents temporary loan obtained from director of the Company. The loan is unsecured and interest free.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
16 CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finances	9	100,945,156	12,764,790
Liabilities against assets subject to finance lease	10	14,423,259	20,588,235
		<u>115,368,415</u>	<u>33,353,025</u>

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
17 CONTINGENCIES AND COMMITMENTS		
17.1 Contingencies		
17.1.1 Guarantees issued by banks on behalf of the Company	<u>80,980,000</u>	<u>80,980,000</u>
17.1.2 The Company may have to indemnify its Directors for any loss that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.		

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
17.2 Commitments		
17.2.1 Commitments under irrevocable letters of credit for:		
- purchase of raw material	47,923,004	71,228,417
- purchase of stores, spare and loose tools	469,875	2,448,145
	<u>48,392,879</u>	<u>73,676,562</u>

17.2.2 Commitments under operating leases

The Company has rented office premises under operating lease arrangements. Lease agreement covers a period of three years and is renewable/extendable on mutual consent. Commitments for payments in future periods under the lease agreement are as follows:

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
- payments not later than one year	4,205,088	2,343,600
- payments later than one year	1,807,920	6,013,008
	<u>6,013,008</u>	<u>8,356,608</u>

17.2.3 Commitments under ijarah financing

The aggregate amount of ujarah payments for ijarah financing and the period in which these payments will become due are as follows:

	Note	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
- payments not later than one year		-	2,555,690
- payments later than one year but not later than five years		-	-
		<u>-</u>	<u>2,555,690</u>

18 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	18.1	1,315,578,169	1,356,543,840
Capital work in progress	18.2	-	4,386,240
		<u>1,315,578,169</u>	<u>1,360,930,080</u>

18.1 PROPERTY, PLANT AND EQUIPMENT

	2017										Net book value as at June 30, 2017 Rupees	
	COST / REVALUED AMOUNTS					DEPRECIATION						
	As at July 01, 2016 Rupees	Additions Rupees	Revaluation Rupees	Disposals Rupees	Transfer Rupees	As at June 30, 2017 Rupees	Rate %	For the year Rupees	Revaluation Rupees	Adjustment Rupees		As at June 30, 2017 Rupees
<i>Assets owned by the Company</i>												
Freehold land	99,418,125	-	-	-	-	99,418,125	-	-	-	-	-	99,418,125
Buildings	320,876,217	-	-	-	6,030,627	326,906,844	5	8,741,923	-	-	160,581,140	166,325,704
Plant and machinery	1,643,413,227	-	-	-	13,173,989	1,656,587,216	5	50,708,896	-	-	682,442,123	974,145,093
Services and other equipment	2,976,737	-	-	-	-	2,976,737	10	82,461	-	-	2,234,586	742,151
Office equipment	8,666,607	-	-	-	-	8,666,607	10	166,819	-	-	7,165,240	1,501,367
Furniture and fixtures	7,627,523	-	-	-	-	7,627,523	10	118,586	-	-	6,500,252	1,067,271
Scoters and cycles	49,355	-	-	-	-	49,355	20	140	-	-	48,795	560
Arms and ammunitions	122,790	-	-	-	-	122,790	10	6,776	-	-	61,809	60,981
Vehicles	40,880,858	70,000	-	(3,410,235)	-	37,540,623	20	4,247,587	-	(1,584,743)	20,882,099	16,658,524
	2,124,031,439	70,000	-	(3,410,235)	19,204,616	2,139,895,820		64,073,188	-	(1,584,743)	879,976,044	1,259,919,776
<i>Assets subject to finance lease</i>												
Plant and machinery	58,839,565	-	-	-	8,261,664	67,101,229	5	2,603,271	-	-	11,442,836	55,658,393
	2,182,871,004	70,000	-	(3,410,235)	27,466,280	2,206,997,049		66,676,459	-	(1,584,743)	891,418,880	1,315,578,169
	2016										Net book value as at June 30, 2016 Rupees	
	COST / REVALUED AMOUNTS					DEPRECIATION						
	As at July 01, 2015 Rupees	Additions Rupees	Revaluation Rupees	Disposals Rupees	Transfer Rupees	As at June 30, 2016 Rupees	Rate %	For the year Rupees	Revaluation Rupees	Adjustment Rupees		As at June 30, 2016 Rupees
<i>Assets owned by the Company</i>												
Freehold land	98,650,000	-	768,125	-	-	99,418,125	-	-	-	-	-	99,418,125
Buildings	278,033,496	-	378,762	-	42,463,959	320,876,217	5	7,023,728	179,231	-	151,839,217	169,037,000
Plant and machinery	1,697,928,564	-	(81,369,075)	(30,310,471)	57,164,209	1,643,413,227	5	53,661,711	(31,278,529)	(21,034,266)	631,733,227	1,011,680,000
Services and other equipment	2,976,737	-	-	-	-	2,976,737	10	91,624	-	-	2,152,125	824,612
Office equipment	8,666,607	-	-	-	-	8,666,607	10	185,354	-	-	6,998,421	1,668,186
Furniture and fixtures	7,627,523	-	-	-	-	7,627,523	10	131,762	-	-	6,441,666	1,185,857
Scoters and cycles	49,355	-	-	-	-	49,355	20	175	-	-	48,655	700
Arms and ammunitions	102,920	48,670	-	(28,800)	-	122,790	10	4,046	-	(17,531)	55,033	67,757
Vehicles	40,341,605	4,715,000	-	(4,175,747)	-	40,880,858	20	5,275,230	-	(3,296,240)	18,219,255	22,661,603
	2,134,376,807	4,763,670	(80,222,188)	(34,515,018)	99,628,168	2,124,031,439		66,373,630	(31,099,298)	(24,348,037)	817,487,599	1,306,543,840
<i>Assets subject to finance lease</i>												
Plant and machinery	70,000,000	-	(11,160,435)	-	-	58,839,565	5	3,130,726	(1,676,651)	-	8,839,565	50,000,000
	2,204,376,807	4,763,670	(91,382,623)	(34,515,018)	99,628,168	2,182,871,004		69,504,356	(32,775,949)	(24,348,037)	826,327,164	1,356,543,840

18.1.1 Disposal of property, plant and equipment

	2017						Particulars of buyer
	Cost/revalued amount Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees	Mode of disposal	
Vehicles							
Honda Civic	1,006,740	476,255	530,485	530,485	-	Book value	Company employee
Honda Civic	957,778	453,093	504,685	504,685	-	Book value	Company employee
Toyota GLI	741,956	350,995	390,961	390,961	-	Book value	Company employee
Toyota GLI	703,761	304,400	399,361	399,361	-	Book value	Company employee
	3,410,235	1,584,743	1,825,492	1,825,492	-		
Plant and Machinery							
Drawing Frames	8,695,764	6,095,505	2,600,259	1,300,000	(1,300,259)	Negotiation	Nishat Chunian Power Limited
MK-4 Cards	21,614,707	14,938,762	6,675,945	4,200,000	(2,475,945)	Negotiation	A. A. Cotton Mills Limited
	30,310,471	21,034,267	9,276,204	5,500,000	(3,776,204)		
Vehicles							
Honda Accord	3,908,443	3,085,652	822,791	2,000,000	1,177,209	Negotiation	Mian Iqbal Saigol
Motor Cycle	66,600	43,276	23,324	23,324	-	Book value	Company employee
Suzuki Bolan	200,704	167,312	33,392	33,392	-	Book value	Company employee
	4,175,747	3,296,240	879,507	2,056,716	1,177,209		
Arms and Ammunition							
Shot gun	28,800	17,530	11,270	11,270	-	Book value	Buksh Elahee & Co. (Private) Limited
	34,515,018	24,348,037	10,166,981	7,567,986	(2,598,995)		

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
18.1.2 The depreciation charge for the year has been allocated as follows:			
Cost of sales	26	62,136,551	63,907,789
Administrative and selling expenses	28	4,539,908	5,596,567
		66,676,459	69,504,356

18.1.3 Most recent valuation of land, building, plant and machinery was carried out by an independent valuer Messrs Star Tech Consultants as on June 30, 2016. For basis of valuation and other fair value measurement disclosures, refer to note 40.

Had there been no revaluation, the cost, accumulated depreciation and net book values of revalued items would have been as follows:

	2017		
	Cost	Accumulated	Net
	<i>Rupees</i>	<i>depreciation</i>	<i>book value</i>
		<i>Rupees</i>	<i>Rupees</i>
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	243,357,241	106,244,468	137,112,773
Plant and machinery	1,728,604,867	652,501,020	1,076,103,847
	2016		
	Cost	Accumulated	Net
	<i>Rupees</i>	<i>depreciation</i>	<i>book value</i>
		<i>Rupees</i>	<i>Rupees</i>
Freehold land	59,445,942	-	59,445,942
Buildings on freehold land	237,326,614	99,040,068	138,286,546
Plant and machinery	1,707,169,214	596,751,992	1,110,417,222

18.2 Capital work in progress

	2017			
	As at	Additions	Transfers	As at
	July 01, 2016	Rupees	Rupees	June 30, 2017
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Buildings	4,386,240	1,644,387	(6,030,627)	-
Plant and machinery	-	21,435,653	(21,435,653)	-
	4,386,240	23,080,040	(27,466,280)	-
	2016			
	As at	Additions	Transfers	As at
	July 01, 2015	Rupees	Rupees	June 30, 2016
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Buildings	41,620,457	5,229,742	(42,463,959)	4,386,240
Plant and machinery	-	57,164,209	(57,164,209)	-
	41,620,457	62,393,951	(99,628,168)	4,386,240

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
19 LONG TERM DEPOSITS			
Financial institutions		9,344,096	7,964,976
Others	19.1	13,330,410	13,073,910
		22,674,506	21,038,886

- 19.1** These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
20	STORES, SPARES AND LOOSE TOOLS		
Stores		13,772,678	14,019,723
Spares		5,765,026	5,964,512
Loose tools		2,924	13,833
		<u>19,540,628</u>	<u>19,998,068</u>

- 20.1** There are no spare parts exclusively held for capitalization as at the reporting date.

21 **STOCK IN TRADE**

Raw material	21.1	445,798,577	287,572,127
Work in process		38,534,085	28,898,614
Finished goods	21.2	63,355,593	136,780,349
		<u>547,688,255</u>	<u>453,251,090</u>

- 21.1** These include stock in transit valued at Rs. 69,845,454 (2016: Rs. 31,513,024).

- 21.2** Stock of finished goods include stock of waste valued at net realizable value of Rs. 5,496,826 (2016: Rs. 3,061,775).

- 21.3** Details of stock pledged as security are referred to in note 41 to the financial statements.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
22	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances to suppliers - <i>unsecured, considered good</i>		406,941	2,310,229
Advances to employees - <i>secured</i>	22.1	5,427,277	6,372,141
Prepayments		2,170,854	1,935,097
Letters of credit		1,727,822	13,605,883
Security deposits		40,670	40,670
Sales tax refundable		73,581,268	44,703,329
		<u>83,354,832</u>	<u>68,967,349</u>

- 22.1** These represent advances to employees against salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
23	CURRENT TAX ASSET		
Advance income tax		91,974,086	66,495,655
Provision for taxation		(28,028,046)	-
		<u>63,946,040</u>	<u>66,495,655</u>

	<i>Note</i>	2017 <i>Rupees</i>	2016 <i>Rupees</i>
24 CASH AND BANK BALANCES			
Cash in hand		1,211,222	1,937,388
Cash at banks			
current accounts in local currency		19,338,271	7,212,831
current accounts in foreign currency		2,980,201	3,034,871
		22,318,472	10,247,702
		23,529,694	12,185,090
25 TURNOVER - NET			
Yarn		2,888,390,519	2,525,930,412
Waste		46,154,030	35,665,977
		2,934,544,549	2,561,596,389
Sales tax		-	(91,209,210)
		2,934,544,549	2,470,387,179
26 COST OF SALES			
Raw material consumed	26.1	1,914,835,943	1,684,233,464
Power and fuel		342,665,382	337,998,894
Stores, spares and loose tools consumed		89,651,170	73,965,940
Salaries, wages and benefits	26.2	274,870,631	280,791,029
Entertainment		622,992	570,074
Insurance		3,005,490	3,345,321
Repair and maintenance		16,217,238	18,477,605
Traveling and conveyance		324,134	210,245
Vehicle running and maintenance		2,831,000	1,392,537
Depreciation	18.1.2	62,136,551	63,907,789
Others		832,301	581,638
Manufacturing cost		2,707,992,832	2,465,474,536
Work in process			
As at beginning of the year		28,898,614	27,347,422
As at end of the year		(38,534,085)	(28,898,614)
		(9,635,471)	(1,551,192)
Cost of goods manufactured		2,698,357,361	2,463,923,344
Finished goods			
As at beginning of the year		136,780,349	101,544,768
As at end of the year		(63,355,593)	(136,780,349)
		73,424,756	(35,235,581)
		2,771,782,117	2,428,687,763
26.1 Raw material consumed			
As at beginning of the year		287,572,127	274,831,220
Purchased during the year		2,073,062,393	1,696,974,371
As at end of the year		(445,798,577)	(287,572,127)
		1,914,835,943	1,684,233,464
26.2	These include charge in respect of employees retirement benefits amounting to Rs. 15,546,355 (2016: Rs. 14,209,067).		

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
27			
SELLING AND DISTRIBUTION EXPENSES			
Salaries and benefits	27.1	2,246,093	2,123,378
Commission		6,648,131	4,578,893
Vehicle running and maintenance		134,428	146,292
Others		207,428	368,385
		<u>9,236,080</u>	<u>7,216,948</u>

27.1 These include charge in respect of employees retirement benefits amounting to Rs. 314,893 (2016: Rs. 202,178).

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
28			
ADMINISTRATIVE AND GENERAL EXPENSES			
Directors' meeting fee		25,000	15,000
Salaries and benefits	28.1	30,708,891	29,296,493
Rent, rates and utilities		4,099,680	3,506,130
Printing and stationery		653,473	589,384
Communication		1,555,928	1,518,336
Repair and maintenance		802,971	512,117
Vehicles running and maintenance		1,904,799	1,680,536
Fee and subscription		422,469	931,847
Traveling and conveyance		1,643,493	1,849,752
Legal and professional charges		560,508	593,936
Auditors' remuneration	28.2	786,250	786,250
Entertainment		533,322	507,293
Insurance		1,001,834	1,115,102
Depreciation	18.1.2	4,539,908	5,596,567
Others		1,724,906	2,168,864
		<u>50,963,432</u>	<u>50,667,607</u>

28.1 These include charge in respect of employees retirement benefits amounting to Rs. 3,940,810 (2016: Rs. 3,756,201).

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
28.2 Auditor's remuneration		
Annual statutory audit	577,500	577,500
Half yearly review	131,250	131,250
Review report under Code of Corporate Governance	52,500	52,500
Out of pocket expenses	25,000	25,000
	<u>786,250</u>	<u>786,250</u>
29 NET OTHER (INCOME)/EXPENSES		
Gain on financial instruments		
Exchange gain	(12,686)	(298,513)
Other	-	(8,924)
Other expense		
Loss on sale of property, plant and equipment	-	2,598,995
	<u>(12,686)</u>	<u>2,291,558</u>

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
30 FINANCE COST			
Interest / markup on:			
loan from directors and family members		23,637,173	26,269,435
long term finances		26,177,799	30,961,199
liabilities against assets subject to finance lease		2,961,103	3,524,484
short term borrowings		37,740,274	26,924,136
Interest/markup waived	30.1	(23,637,173)	(26,269,435)
		66,879,176	61,409,819
Ijara rentals paid		2,549,629	4,596,094
Interest on workers' profit participation fund		108	9,283
Bank charges and commission		3,529,593	3,928,595
		72,958,506	69,943,791

30.1 This represents interest on loan obtained from directors and their family members which has been waived off by the lenders at their sole discretion.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
31 OTHER CHARGES			
Workers' Profit Participation Fund	14.2	1,480,105	-
Workers' Welfare Fund	14.3	562,440	-
Donations	31.1	15,000	15,720
		2,057,545	15,720

31.1 None of the directors or their spouses had any interest in donations made by the Company.

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
32 TAXATION			
Current taxation			
for current year	32.1	28,028,046	-
for prior year		1,542,136	-
		29,570,182	-
Deferred taxation	13.1		
for current year		(10,163,637)	(16,128,937)
adjustment attributable to changes in tax rates		(5,626,324)	(6,151,296)
		(15,789,961)	(22,280,233)
		13,780,221	(22,280,233)

32.1 Provision for taxation has been made under section 113 (2016: section 113) of the Income Tax Ordinance, 2001 ("the Ordinance"). There is no relationship between tax expense and accounting profit. Accordingly, no numerical reconciliation has been presented. Due to availability of tax credits in excess of provision, the provision for current tax amounting to Rs. 24.703 million was reduced to nil in previous year.

32.2 Assessments for the tax years up to 2016 have either been finalized or are deemed assessments in terms of Section 120 (1) of the Ordinance, as per returns filed by the Company.

32.3 The Government of Pakistan vide Finance Act 2015 notified a reduced tax rate of 31% for tax year 2016 as compared 32% applicable to previous year for Companies.

	<i>Unit</i>	2017	2016
33 PROFIT/(LOSS) PER SHARE - BASIC AND DILUTED			
Profit/(loss) attributable to ordinary shareholders	<i>Rupees</i>	<u>13,779,334</u>	<u>(66,155,975)</u>
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	<u>29,840,607</u>	<u>29,840,607</u>
Profit/(loss) per share - <i>Basic</i>	<i>Rupees</i>	<u>0.46</u>	<u>(2.22)</u>
There is no anti-dilutive effect on the basic loss per share of the Company.			
	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
34 CASH GENERATED FROM OPERATIONS			
Profit/(loss) before taxation		27,559,555	(88,436,208)
Adjustments for non-cash and other items			
Interest/markup on borrowings		66,879,176	61,409,819
Loss on disposal of operating fixed assets		-	2,598,995
Unrealized foreign exchange gain		12,686	298,513
Provision for employees retirement benefits		19,802,058	18,167,446
Depreciation		66,676,459	69,504,356
		<u>153,370,379</u>	<u>151,979,129</u>
Operating profit before changes in working capital		<u>180,929,934</u>	<u>63,542,921</u>
Changes in working capital			
Stores, spares and loose tools		457,440	(735,166)
Stock in trade		(94,437,165)	(49,527,680)
Trade receivables		(39,950,868)	10,923,608
Advances, deposits, prepayments and other receivables		(14,387,483)	(27,360,304)
Trade and other payables		(40,340,871)	73,400,953
		<u>(188,658,947)</u>	<u>6,701,411</u>
Cash (used in)/generated from operations		<u>(7,729,013)</u>	<u>70,244,332</u>
35 CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	<u>23,529,694</u>	<u>12,185,090</u>
		<u>23,529,694</u>	<u>12,185,090</u>
36 TRANSACTIONS AND BALANCES WITH RELATED PARTIES			

Related parties from the Company's perspective comprise associated company, directors and their family members and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. Transactions with directors and their family members are limited to provision of long term and temporary short term loans to the Company. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.

Details of transactions and balances with related parties is as follows:

		2017	2016
		<i>Rupees</i>	<i>Rupees</i>
36.1	Transactions with related parties		
	Nature of relationship		
	Nature of transactions		
	Key management personnel	7,465,000	7,173,333
		620,000	580,000
		1,825,492	-
	Directors and their family members	-	102,000,000
		-	2,000,000
	Associated company	12,000,000	-
36.2	Balances with related parties		
	Nature of relationship		
	Nature of balance		
	Directors and their family members	265,884,966	265,884,966
		102,000,000	102,000,000
	Key management personnel	545,574	532,242
		1,621,725	1,581,725
	Associated company	954,912	-

37 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

		Note	2017	2016
			<i>Rupees</i>	<i>Rupees</i>
37.1	Financial assets			
	Cash in hand	24	1,211,222	1,937,388
	Loans and receivables			
	Long term deposits	19	22,674,506	21,038,886
	Trade receivables		98,890,257	58,939,389
	Security deposits	22	40,670	40,670
	Bank balances	24	22,318,472	10,247,702
			<u>145,135,127</u>	<u>92,204,035</u>
37.2	Financial liabilities			
	Financial liabilities at amortized cost			
	Loan from directors and family members	8	265,884,966	265,884,966
	Long term finances	9	302,835,465	315,600,255
	Liabilities against assets subject to finance lease - Secured	10	19,811,950	32,941,177
	Long term deposits	11	8,000,000	8,000,000
	Short term borrowings	15	528,125,313	354,758,296
	Accrued interest/markup		15,689,287	14,639,801
	Trade creditors	14	114,748,222	96,892,274
	Accrued liabilities	14	103,319,414	94,074,591
	Bills payable	14	26,618,114	22,887,772
	Unclaimed dividend	14	485,351	485,351
			<u>1,385,518,082</u>	<u>1,206,164,483</u>

38 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

38.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

38.1.1 Maximum exposure to credit risk

Credit risk mainly arises from the Company's loans and receivables. The maximum exposure to credit risk as at the reporting date is as follows:

	<i>Note</i>	2017	2016
		<i>Rupees</i>	<i>Rupees</i>
<i>Loans and receivables</i>			
Long term deposits	19	22,674,506	21,038,886
Trade debts		98,890,257	58,939,389
Security deposits	22	40,670	40,670
Cash at banks	24	22,318,472	10,247,702
		<u>143,923,905</u>	<u>90,266,647</u>

38.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
Customers	98,890,257	58,939,389
Banking companies and financial institutions	31,662,568	18,212,678
Utility companies and regulatory authorities	13,371,080	13,114,580
	<u>143,923,905</u>	<u>90,266,647</u>

38.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. All counterparties, with the exception of customers, have external credit ratings determined by various credit rating agencies. Credit quality of customers is assessed by reference to historical defaults rates and present ages.

(a) Counterparties with external credit ratings

These include banking companies and financial institutions, which are counterparties to 'long term deposits' and 'cash at bank'. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

(b) Counterparties without external credit ratings

These include customers which are counter parties to trade debts and utility companies and regulatory authorities which are counter parties to 'security deposits' and 'long term deposits'. Credit risk in respect of 'security deposits' and 'long term deposits' is considered to be insignificant as non-performance by these parties is not expected. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2017		2016	
	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>	Gross carrying amount <i>Rupees</i>	Accumulated Impairment <i>Rupees</i>
Neither past due nor impaired	98,890,257	-	58,939,389	-
Past due	-	-	-	-
	98,890,257	-	58,939,389	-

The Company's two (2016: two) significant customers account for Rs. 47.34 million (2016: Rs. 21.91 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2016: 10%) of trade debts as at the reporting date. The Company's customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

38.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets.

38.1.5 Credit risk management

The Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of receivables are established and executed. In monitoring customer credit risk, the ageing profile of total receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

38.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

38.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

	2017				
	Carrying amount <i>Rupees</i>	Contractual cash flows <i>Rupees</i>	One year or less <i>Rupees</i>	One to five years <i>Rupees</i>	More than five years <i>Rupees</i>
Loan from directors and family members	265,884,966	265,884,966	265,884,966	-	-
Long term finances	302,835,465	338,836,318	121,649,893	217,186,425	-
Liabilities against assets subject to finance lease	19,811,950	21,452,066	15,478,302	5,973,764	-
Long term deposits	8,000,000	8,000,000	-	8,000,000	-
Short term borrowings	528,125,313	535,158,762	535,158,762	-	-
Accrued interest/markup	15,689,287	15,689,287	15,689,287	-	-
Trade creditors	114,748,222	114,748,222	114,748,222	-	-
Accrued liabilities	103,319,414	103,319,414	103,319,414	-	-
Bill payable	26,618,114	26,618,114	26,618,114	-	-
Unclaimed dividend	485,351	485,351	485,351	-	-
	1,385,518,082	1,430,192,500	1,199,032,311	231,160,189	-

	2016				
	Carrying amount <i>Rupees</i>	Contractual cash flows <i>Rupees</i>	One year or less <i>Rupees</i>	One to five years <i>Rupees</i>	More than five years <i>Rupees</i>
Loan from directors and family members	265,884,966	265,884,966	265,884,966	-	-
Long term finances	315,600,255	372,792,099	33,053,332	339,738,767	-
Liabilities against assets subject to finance lease	32,941,177	35,316,191	22,396,661	12,919,530	-
Long term deposits	8,000,000	8,000,000	-	8,000,000	-
Short term borrowings	354,758,296	358,240,346	358,240,346	-	-
Accrued interest/markup	14,639,801	14,639,801	14,639,801	-	-
Trade creditors	96,892,274	96,892,274	96,892,274	-	-
Accrued liabilities	94,074,591	94,074,591	94,074,591	-	-
Bill payable	22,887,772	22,887,772	22,887,772	-	-
Unclaimed dividend	485,351	485,351	485,351	-	-
	<u>1,206,164,483</u>	<u>1,269,213,391</u>	<u>908,555,094</u>	<u>360,658,297</u>	<u>-</u>

38.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies. Further, the Company has continued support of its sponsors and in respect of any temporary liquidity shortfalls.

38.3 Market risk

38.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

(a) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2017			
	CHF <i>Rupees</i>	JPY <i>Rupees</i>	USD <i>Rupees</i>	Total <i>Rupees</i>
Financial assets				
Cash and bank balances	-	-	2,980,201	2,980,201
Financial liabilities				
	-	-	-	-
Net balance sheet exposure	<u>-</u>	<u>-</u>	<u>2,980,201</u>	<u>2,980,201</u>
Foreign currency commitments	-	-	(48,392,879)	(48,392,879)
Net exposure	<u>-</u>	<u>-</u>	<u>(45,412,678)</u>	<u>(45,412,678)</u>

	2016			Total Rupees
	CHF Rupees	JPY Rupees	USD Rupees	
Financial assets				
Cash and bank balances	-	-	3,034,871	3,034,871
Financial liabilities	-	-	-	-
Net balance sheet exposure	-	-	3,034,871	3,034,871
Foreign currency commitments	(2,352,377)	(95,769)	(71,228,416)	(73,676,562)
Net exposure	<u>(2,352,377)</u>	<u>(95,769)</u>	<u>(68,193,545)</u>	<u>(70,641,691)</u>

(b) Exchange rates applied as at reporting date

The following spot exchange rates were applied as at reporting date

	2017		2016	
	Assets Rupees	Liabilities Rupees	Assets Rupees	Liabilities Rupees
CHF	-	-	-	106.8500
JPY	-	-	-	1.0186
USD	104.80000	105.0000	104.5000	104.7000

(c) Sensitivity analysis

A ten percent appreciation in Pak Rupee against the US \$ would have decreased profit for the year by Rs. 0.298 million (2016: Rs. 0.303 million). A ten percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

(d) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

38.3.2 Interest rate risk

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

(a) Interest/markup bearing financial instruments

The effective interest/markup rates for interest/markup bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/markup bearing financial instruments as at the reporting date are as follows:

	2017 Rupees	2016 Rupees
Fixed rate instruments	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	850,772,728	703,299,728

(b) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 8.51 million (2016: Rs. 7.03 million). A decrease of 100 basis points would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

(c) Interest rate risk management

The Company manages interest rate risk by analyzing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

38.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of 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 instruments. The Company is not exposed to price risk since the fair values of the Company's financial instruments are not based on market prices.

39 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Any temporary shortfall is met through interest free loans from sponsors. The Board of Directors monitors the return on capital and seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances including current maturity. Total capital employed includes total equity, as shown in the balance sheet, plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	<i>Unit</i>	2017	2016
Total debt	<i>Rupees</i>	322,647,415	348,541,432
Total equity	<i>Rupees</i>	529,456,294	516,960,496
		852,103,709	865,501,928
Gearing	<i>% age</i>	37.86%	40.27%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any other externally imposed capital requirements, except those, related to maintenance of debt covenants, commonly imposed by the providers of debt finance and subordination of long term loan from directors and their family members (see note 8).

40 FAIR VALUE MEASUREMENTS**40.1 Financial Instruments**

The Company measures some of its assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

40.1.1 Financial instruments measured at fair value**a) Recurring fair value measurements**

There are no recurring fair value measurements as at the reporting date.

b) Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

40.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

40.2 Assets and liabilities other than financial instruments.**40.2.1 Recurring fair value measurements**

For recurring fair value measurements, the fair value hierarchy and information about how the fair values are determined is as follows:

	Level 1	Level 2	Level 3	2017	2016
				<i>Rupees</i>	<i>Rupees</i>
Freehold land	-	99,418,125	-	99,418,125	99,418,125
Buildings	-	-	166,325,704	166,325,704	169,037,000
Plant and machinery	-	-	1,029,803,486	1,029,803,486	1,061,680,000

For fair value measurements categorised into Level 2 and Level 3 the following information is relevant:

	Valuation technique	Significant inputs	Sensitivity
Buildings	Cost approach that reflects the cost to the market participants to construct assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated construction costs and other ancillary expenditure.	A 5% increase in estimated construction and other ancillary expenditure would result in an increase in fair value of buildings by Rs. 8.32 million (2016: Rs. 8.45 million).
Plant and machinery	Cost approach that reflects the cost to the market participants to acquire assets of comparable utility and age, adjusted for obsolescence and depreciation. There was no change in valuation technique during the year.	Estimated purchase price, including import duties and non-refundable purchase taxes and other costs directly attributable to the acquisition or construction, erection and installation.	A 5% increase in estimated purchase price, including import duties and non-refundable purchase taxes and other directly attributable costs would result in an increase in fair value of plant and machinery by Rs. 51.49 million (2016: Rs. 53.08 million).

Reconciliation of fair value measurements categorized in Level 3 is presented in note 18.1.

There were no transfers between fair value hierarchies during the year.

40.2.2 Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

	2017	2016
	<i>Rupees</i>	<i>Rupees</i>
41 RESTRICTION ON TITLE AND ASSETS PLEDGED AS SECURITY		
Mortgages and charges		
Charge over current assets	534,000,000	534,000,000
Charge over operating fixed assets	1,102,000,000	1,102,000,000
Pledge		
Raw material	369,200,362	287,572,127
Finished goods	63,355,593	133,718,574

In addition to the above, Saritow Spinning Mills Limited ("SSML") has given undertaking to various banking companies to effect that the Company, pursuant to the merger of Azam Textile Mills Limited ("ATML") into SSML will be liable in respect of all finance facilities availed by ATML in the same manner as ATML was originally liable to the extent of Rs. 720 million.

42 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives of the Company on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2017		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	-	4,900,008	8,013,804
Allowances and perquisites	-	2,539,992	4,006,896
Meeting fee	-	25,000	-
Post employment benefits	-	620,000	1,001,725
	-	8,085,000	13,022,425
Number of persons	-	2	5

	2016		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	-	4,580,004	8,013,804
Allowances and perquisites	-	2,578,329	4,340,805
Meeting fee	-	15,000	-
Post employment benefits	-	580,000	1,001,725
	-	7,753,333	13,356,334
Number of persons	-	2	5

42.1 Meeting fee includes Rs. 25,000 (2016: Rs. 15,000) paid to non-executive directors of the Company.

42.2 Executive Directors and Executives are provided with free use of Company maintained vehicles.

43 SEGMENT INFORMATION

43.1 The Company is a single reportable segment.

43.2 All non-current assets of the Company are situated in Pakistan.

43.3 All sales of the Company have originated from Pakistan.

44 PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>Unit</i>	2017	2016
Number of spindles installed	<i>No.</i>	51,840	51,840
Plant capacity on the basis of utilization converted into 80s count	<i>Kgs</i>	3,054,796	3,054,796
Actual production converted into 80s count	<i>Kgs</i>	2,663,298	2,521,430

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to the pattern of production adopted in a particular year. Further, power shortage in the country has also resulted in lower capacity utilization.

45 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,175 (2016: 1,156). Average number of persons employed by the Company during the year are 1,161 (2016: 1,212).

46 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment of and/or disclosure in these financial statements

47 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 06, 2017 by the Board of Directors of the Company.

49 GENERAL

49.1 Figures have been rounded off to the nearest rupee.

49.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **0015779**2. Name of the Company **SARITOW SPINNING MILLS LIMITED**3. Pattern of holding of the shares held by the shareholders as at **30-06-2017**

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
195	1	100	5,121
262	101	500	78,795
217	501	1,000	174,565
251	1,001	5,000	639,139
65	5,001	10,000	515,041
38	10,001	15,000	480,713
19	15,001	20,000	349,786
13	20,001	25,000	299,853
10	25,001	30,000	284,876
6	30,001	35,000	195,321
3	35,001	40,000	113,500
5	40,001	45,000	218,000
4	45,001	50,000	193,500
3	50,001	55,000	157,500
3	55,001	60,000	172,500
3	60,001	65,000	191,593
2	65,001	70,000	140,000
1	75,001	80,000	76,000
1	80,001	85,000	85,000
1	90,001	95,000	91,500
3	95,001	100,000	300,000
1	100,001	105,000	102,170
2	115,001	120,000	237,500
1	125,001	130,000	130,000
1	130,001	135,000	130,136
1	135,001	140,000	139,500
2	145,001	150,000	299,745
1	185,001	190,000	190,000
1	195,001	200,000	199,500
1	205,001	210,000	210,000
2	245,001	250,000	500,000
1	295,001	300,000	300,000
1	315,001	320,000	319,000
1	640,001	645,000	640,500
1	930,001	935,000	931,549
1	1,305,001	1,310,000	1,309,435
1	2,175,001	2,180,000	2,179,462
1	2,495,001	2,500,000	2,497,500
1	2,500,001	2,505,000	2,502,500
1	4,120,001	4,125,000	4,121,657
1	8,135,001	8,140,000	8,138,150
1128			29,840,607

Categories of Shareholding required under Code of Corporate Governance (CCG) As on June 30, 2017

Sr.No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties:		-	-
Mutual Funds:			
1	PRUDENTIAL STOCK FUND LTD (CDC)	5,000	0.0168
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	1,309,435	4.3881
Directors and their Spouse and Minor Children:			
1	MR. M. NASEEM SAIGOL (CDC)	8,138,150	27.2721
2	MR. M. AZAM SAIGOL (CDC)	931,549	3.1217
3	MR. MUHAMMAD ATHAR RAFIQ	1,123	0.0038
4	MR. MUHAMMAD OMER FAROOQ	2,881	0.0097
5	MR. SAMIR IQBAL SAIGOL	1,123	0.0038
6	MR. MUHAMMAD ZEID YOUSUF SAIGOL	2,503,123	8.3883
7	MRS. AMBER HAROON SAIGOL W/O M. AZAM SAIGOL (CDC)	4,121,657	13.8122
8	MRS. SEHYR SAIGOL W/O M. NASEEM SAIGOL (CDC)	2,179,462	7.3037
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Institution, Insurance Companies, Modarabas and Pension Funds:		272,354	0.9127
Shareholders holding five percent or more voting interest in the listed company			
1	MR. M. NASEEM SAIGOL. (CDC)	8,138,150	27.2721
2	MRS. AMBER HAROON SAIGOL (CDC)	4,121,657	13.8122
3	MR. MUHAMMAD ZEID YOUSUF SAIGOL (CDC)	2,502,500	8.3862
4	MR. M. MURAD SAIGOL (CDC)	2,497,500	8.3695
5	MRS. SEHYR SAIGOL (CDC)	2,179,462	7.3037
All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary, Their spouses and minor children:			
S. No.	NAME	SALE	PURCHASE
NIL			
Categories of Shareholders		No. of Shareholders	Share held
		Percentage	
Directors, Chief Executive Officer, and their spouse and minor children		8	17,879,068
Associated Companies, undertakings and related party		-	-
NIT and ICP		2	41,304
Banks Development Financial Institutions Non Banking Financial Institution		8	30,337
Insurance Companies		2	108,784
Modarabas and Mutual Funds		5	1,317,532
General Public		1079	10,257,612
Others (to be specified)			
Pension Funds		1	130,136
Other Companies		1	4,566
Joint Stock Companies		15	42,838
Foreign Companies		7	28,430
		<u>1128</u>	<u>29,840,607</u>
			<u>100.0000</u>

پیٹرن آف شیئر ہولڈنگ

30 جون 2017

نمبر شمار	کیٹیگری آف شیئر ہولڈرز	تعداد حصص داران	تعداد حصص	فیصد
1	ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی بیویاں اور چھوٹے بچے۔	8	17,879,068	59.9152
2	ایسوسی ایٹڈ کمپنیز، انڈرٹیکرز اور متعلقہ پارٹی۔	-	-	-
3	این آئی ٹی اور آئی سی پی	2	41,304	0.1384
4	بینک، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس انسٹی ٹیوشنز	8	30,337	0.1017
5	انسورنس کمپنیز	2	108,784	0.3646
6	مدار بہ اور میوچل فنڈز	5	1,317,532	4.4152
7	عام عوام	1,079	10,257,612	34.3747
8	دوسرے (مخصوص کیا جائے گا)			
	میشن فنڈز	1	130,136	0.4361
	دوسری کمپنیز	1	4,566	0.0153
	جوائنٹ سٹاک کمپنیز	15	42,838	0.1436
	غیر ملکی کمپنیز	7	28,430	0.0953
	کل تعداد	1,128	9,840,607	100.0000

تعداد حصص

-
1,314,435
17,879,068
-
-
272,354
19,439,269

ایسوسی ایٹڈ کمپنیز، انڈرٹیکرز اور متعلقہ پارٹی۔

میوچل فنڈز

ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ان کی بیویاں اور چھوٹے بچے۔

ایگزیکٹوز

پبلک سیلکمپنیز اور کارپوریشنز

بینک، ڈیولپمنٹ فنانس انسٹی ٹیوشنز، نان بینکنگ فنانس انسٹی ٹیوشنز، انسورنس کمپنیز، مدار بہ اور پینشن فنڈز

پانچ فیصد یا اس سے زیادہ کے حصص داران

لسٹڈ کمپنیز میں ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری، ان کی بیویاں اور چھوٹے بچوں کے حصص کی خرید و فروخت

نمبر شمار	نام	فروخت	خرید	رائٹ

کوئی نہیں

Form of Proxy

31ST ANNUAL GENERAL MEETING

LEDGER FOLIO

SHARES HELD

I / We _____
of _____
appoint _____
(or of _____
failing him) _____

(being a member of the Company) as my / or proxy to attend and vote for me / us and on my / our behalf at the 31st Annual General Meeting of the Company to be held on October 31, 2017 at 17-Aziz Avenue, Canal Bank, Gulberg-V, Lahore at 10:00 A.M. and at every adjournment thereof, if any.

A witness my / our hand (s) this _____ day of _____ 2017.

Signed by the said

REVENUE STAMP

Witnesses:

1) Name _____	2) Name _____
Address _____	Address _____
CNIC No. _____	CNIC No. _____

Notes:

- A member entitled to attend and vote at this Meeting may appoint proxy in accordance with the provisions of Article 52 of the Articles of Association of the Company. Proxies in order to be effective, must be received at 17-Aziz Avenue, Canal Bank Gulberg-V, Lahore, the Registered Office of the Company not later than forty eight hours before the time of holding the meeting and must be duly stamped, signed and witnessed.
- For CDC Account Holders/ Corporate Entities in addition to the above the following requirement have to be met.
 - Attested copies of CNIC or the passport of the Beneficial Owners and the Proxy shall be provided with the proxy form
 - In case of a Corporate entity, the Board of Directors' Resolution / Power of Attorney with specimen signatures shall be submitted (unless it has been provided earlier alongwith proxy form to the Company).
 - The Proxy shall produce his original CNIC or original passport at the time of the meeting.

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