

SGS

Certificate SG05/00526

The management system of

Shahzad Textile Mills Limited

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



has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

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

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

This certificate is valid from 30 October 2014 until 15 August 2017
and remains valid subject to satisfactory surveillance audits.
Re certification audit due before 13 August 2017
Issue 5. Certified since 16 August 2005

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

Authorised by

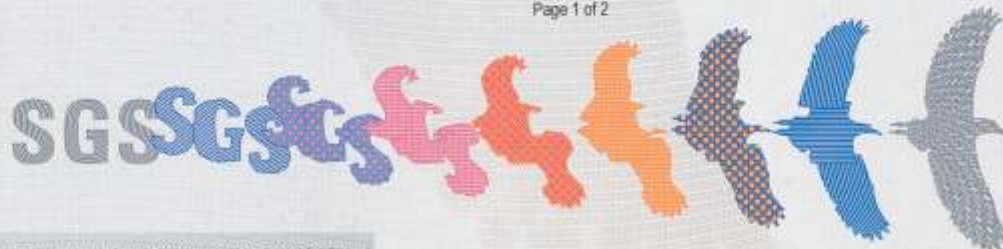
SGS United Kingdom Ltd - Systems & Services Certification
Rosemore Business Park, Ellesmere Port, Cheshire, CH65 3EN, UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com



0005

SGS 9001-8 01 0614 M2

Page 1 of 2



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

Certificate SG05/00526, continued

SGS

Shahzad Textile Mills Limited

ISO 9001:2008



Issue 5

Detailed scope

**Manufacturing and Export of 100% Cotton, Blended,
Pure Synthetic, Combed, Carded and Double Yarn**

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

Additional facilities

**Site 01: 34th km, Sheikhpura Road,
Sheikhpura, Pakistan.**

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



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

CONTENTS

38th ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016








Company's Information	1
Vision and Mission Statements	2
Code of Conduct	3-4
Six Years Financial Summary	5
Statement of Compliance With the Code of Corporate Governance	6-8
Review Report to the Members	9
Notice of Annual General Meeting	10-12
Directors' Report	13-18
Auditors' Report to the Members	19
Balance Sheet	20-21
Profit and Loss Account	22
Statement of Comprehensive Income	23
Cash Flow Statement	24
Statement of Changes In Equity	25-26
Notes to the Accounts	27-55
Pattern of Share Holding	56-57
Proxy Form	59-61



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

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

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



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

 jamapunji.pk

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

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

COMPANY INFORMATION

Board of Directors

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

Chief Financial Officer

Mr. Humayun Bakht

Company Secretary

Mr. Hassan-ud-Din Ansari

Auditors

Horwath Hussain Chaudhry & Co.
Chartered Accountants

Audit Committee

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

Human Resource & Remuneration Committee

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

Bankers

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

Share Registrar

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

Registered Office

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

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

34th KM Lahore Sheikhpura Road,
Sheikhpura

Unit # 2

7th KM Sheikhpura Faisalabad
Road, Sheikhpura.

VISION STATEMENT

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

MISSION STATEMENT

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

CODE OF CONDUCT

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

1. Conflict of interest

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

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

2. Confidentiality

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

3. Kickbacks

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

4. Proper Books of Account

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

5. Relationship with government officials suppliers, agents etc.

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

6. Health and Safety

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

7. Environment

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

8. Alcohol, Drugs

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

9. Coordination among staff members to maintain discipline

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

10. Workplace harassment

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

SIX YEARS FINANCIAL SUMMARY

	2016	2015	2014	2013	2012	2011
	Rupees in Thousand					
Sales	3,692,132	4,211,486	4,997,603	4,977,944	4,172,217	4,513,244
Gross Profit	184,755	253,651	398,645	480,705	345,286	389,170
Profit/(Loss) before taxation	21,632	48,567	285,627	258,799	143,224	200,474
Provision for tax	(34,989)	(12,789)	(67,928)	8,889	(25,830)	(68,359)
Profit/(Loss) after taxation	(13,357)	35,778	217,699	267,688	117,394	132,115
Total Assets	2,630,358	2,598,113	2,639,987	2,460,816	2,127,009	1,971,948
Current liabilities	591,876	578,450	600,823	635,105	536,127	413,192
	2,038,482	2,019,663	2,039,164	1,825,711	1,590,882	1,558,757
Represented By :						
Equity & Surplus	1,714,359	1,703,304	1,693,873	1,497,869	1,218,474	1,108,167
Long Term Loans & leases	-	-	35,224	77,014	125,264	190,162
Deferred Liabilities	324,123	316,359	310,067	250,828	247,144	260,427
	2,038,482	2,019,663	2,039,164	1,825,711	1,590,882	1,558,757

Statement of Compliance with the Code of Corporate Governance Year Ended 30th June, 2016

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.23 of Listing Regulations of the Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on 28th June, 2016 due to resignation of Mr. Imran Haider was filled up by the directors within 90 days as required under CCG.
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 meeting were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause 5.19.7 of CCG, three of Directors of the Company are exempted from the requirement of Directors training program, three directors obtained the certification under Directors Training Program (DTP).
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The director's report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executive do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three (3) members; of whom two (2) are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the company and as required by CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three (3) members, whom two (2) are executive and non-executive directors, and the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function which was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors of the Company.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The “closed period” prior to the announcement of interim /final results, and business decisions, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and Pakistan Stock Exchange Limited.
22. Material/price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange Limited.
23. We confirm that all other material principles enshrined in the CCG have been complied.

Lahore
Dated: 30th September, 2016


IMRAN ASLAM
Chief Executive Officer

REVIEW REPORT TO THE MEMBERS

ON THE STATEMENT OF COMPLIANCE WITH THE CODE
OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Shahzad Textile Mills Limited** for the year ended 30 June, 2016 to comply with the requirements of Listing Regulation No. 5.19.23 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2016.



HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE

Dated: September 30, 2016

(Engagement Partner: Muhammad Nasir Muneer)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Eighth Annual General Meeting of the Shareholders of **SHAHZAD TEXTILE MILLS LIMITED** will be held at Company's Registered Office, 19-A, Off Zafar Ali Road, Gulberg-V, Lahore on **Saturday, October 29, 2016 at 11:00 a.m.**, to transact the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the Extra Ordinary General Meeting of the Company held on 31st March, 2016.
2. To receive, consider and approve the Audited Financial Statements for the year ended June 30, 2016 together with the Directors' and Auditors' Report thereon.
3. To appoint Company's auditors and fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if deemed fit, to pass the following resolution as Special Resolution with or

without modification for alterations in the Article of Association of the Company:

"Resolved that pursuant to Section 28 and other applicable provisions, if any, of the Companies Ordinance, 1984 and any other law(s), Articles of Association of the Company be and are hereby amended as follows:

- (a) By inserting the following new article and its marginal note immediately after Article 42 as Article 42-A, namely:

Exercise of Voting Rights through Electronic means

42-A "Subject to any rules or regulations that may be made from time to time by the Commission in this regard. Members may exercise voting rights at general meeting through electronic means if the Company receive the requisite demand for poll in accordance with the applicable laws. The Company shall facilitate the voting by electronic means in the manner and in accordance with the requirements prescribed by the Commission".

Proxies where Voting Rights Exercised through Electronic means

(b) by inserting the following new article and its marginal note immediately after Article 51 as Article 51-A, namely:

51-A. Notwithstanding anything contained in these Articles, in case of voting by electronic means, both members and non-members can be appointed as Special Proxy or General Proxy.

(c) by inserting the following new article and its marginal note immediately after Article 54 as Article 54-A, namely:

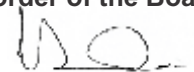
Form of Proxies where Voting Rights Exercised Through electronic means

54-A Notwithstanding anything contained in these Articles, for the purposes of voting by electronic means, the instrument appointing the proxy shall be in such form, and provided to the Company, in the manner stipulated under the applicable laws.

Resolved Further, that the Chief Executive Officer or Company Secretary be and is hereby authorized to do all acts, deed and things, take all steps and action necessary, ancillary and incidental for altering the Articles of Association of the Company including filing of all requisite documents/ statutory forms as may be required and complying with all other regulatory requirements so as to effectuate the alteration in the Articles of Association of the Company."

A statement as required under Section 160(1)(b) of the Companies Ordinance 1984 in respect of the special business to be considered at the meeting is annexed to this notice of meeting being sent:

By order of the Board



HASSAN-UD-DIN ANSARI
Company Secretary

Place: **Lahore**
Dated: September 30, 2016

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2016 to October 29, 2016 (both days inclusive). Transfers received in order at Company's Independent Share Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7- Bank Square, Lahore by the close of business on October 20, 2016, will be treated in time for the entitlement to attend the meeting.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting.
3. The Shareholders are requested to immediately notify the change in address if any.
4. CDC Account Holder will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000, Dated 26th January, 2000 issued by The Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

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

B. For Appointing Proxies

- a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC number shall be mentioned on the form.
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

5. Availability of Audited Financial Statements on Company's Website

The Company has placed the Audited Annual Financial Statements for the year ended June 30, 2016 along with Auditors and Directors Reports thereon on its website: www.shahzadtex.com.

6. Notice to Shareholders who have not provided their CNIC's:

Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest.

Distribution of Annual Report through Email:

We are pleased to inform shareholders that SECP has under and pursuant to SRO No. 787(1) 2014 dated 8th September, 2014 allowed companies to circulate their annual balance sheet and profit & loss accounts, auditor's report and director's report etc. ("Annual Report") alongwith the notice of annual general meeting (*Notice*) to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and notices of annual general meeting by email are requested to provide the completed Electronic Communication Consent Form that will be sent together with the Annual Reports 2015-2016 and also can be downloaded from our Company's website i.e www.shahzadtex.com

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

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Saturday, October 29, 2016.

Item (4) of the Agenda

In order to give effect to the Companies (E-voting) Regulation, 2016 vide S.R.O 43(1) 2016 issued by the Securities & Exchange Commission of Pakistan, shareholder approval is being sought to amend the Article of Association.

The directors are not interested, directly or indirectly in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors Report.

Directors' Report

On behalf of directors, it is my great pleasure to present the 38th Annual Report together with the Audited financial statements of the Company for the year ended June 30, 2016 along with auditors' report thereon which reflects the affairs of the company.

Financial and Operational performance:

The financial results of the company are summarized below:

	2016 Rupees	2015 Rupees
Sales	3,692,131,574	4,211,486,571
Profit/(loss) before taxation and share of associate	(3,701,211)	12,460,695
Share of Net profit of Associate	25,333,606	36,106,592
Profit before Taxation	21,632,395	48,567,287
Taxation	(34,989,497)	(12,789,063)
(Loss) / Profit after Taxation	<u>(13,357,102)</u>	<u>35,778,224</u>

The company has suffered a loss after tax of Rs. 13.357 million during the year ended June 30, 2016 as compared to profit after tax of Rs.35.778 millions in previous year. Sales have also decreased in current year to Rs.3.693 billion from previous year's sales Rs. 4.211 billions. Non-availability of favorable sale rates of yarn and scarcity of cotton crop are the reasons which converted positive position into negative state of affair.

During the year under review, textile industry continued to confront difficult times which hampered the operations of several textile units. The yarn market has also confronted depressed condition both domestically and internationally for the period under discussion. Many units reached on the verge of closure. Our management took a prudent decision and reduced the functioning of two units by step downing three shifts to one instead of complete closure of units.

Earnings per Share

Loss per share of the company for the year ended June 30, 2016 is 0.74 as compared to profit of Rs1.99 in the preceding year..

Dividend

The directors have not recommended any dividend in view of loss sustained by the Company during the year.

Future Prospects

From the above narrated financial data, it may be observed that the financial position has deteriorated as compared to the corresponding year. The turnover of the company also decreased as management timely took a decision to run only one shift in Unit No.3 and 4 foreseeing heavy losses due to non-availability of profitable sale rates of yarn in the local as well as international market. Management is making all-out efforts to recover the company from the situation and improve the performance in coming years. But in the prevalent unfavorable state of affairs any positive change in the future financial position cannot be predicted with certainty. However, the management is focusing on exploring new sale's avenues in international and local market to sell its quality yarn at reasonable margins.

In spite of all these adverse scenario, the Management has worked out a plan to replace 6 old gas generators which are in operation in the mills since 2004 with new ones in order to provide the mills un-interrupted supply of power both through direct supply of electricity and generating electricity from gas for constant functioning of mills. Implementing their plan, initially the management has established a letter of credit with bank for import of 2 generators from Austria which are expected to arrive in February 2017 and this process shall be continued till completion of generator replacement plan.

ISO 9001-2008 Certification

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

Related Parties Transactions

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

Code of Conduct for protection against Harassment at Work Place

The company is determined to provide clean environment working atmosphere and ensures that every employee is treated with due respect and dignity. The company is committed to encourage a positive professional work atmosphere that is essential for the professional growth of its staff. Harassment, therefore, has no place at Shahzad Textile Mills Limited. As offender, must be ready to confront disciplinary and corrective action, ranging from a warning to termination of job if such situation arises.

Anti Corruption

We have provided corruption free environment to the workers. It includes corruption of all forms including extortion and bribery.

Corporate and Financial Reporting Frame Work

1. The financial statements are prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of account for the company have been maintained. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
3. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and departures, therefrom has been adequately disclosed and explained, if any.
4. The system of internal control is sound in design and has been effectively implemented and monitored.
5. There are no significant doubts upon the company's ability to continue as going concern.
6. Key operating and financial data for last six years is annexed.
7. In accordance with the criteria specified in clause 5.19.7 of CCG, Three of Directors of the Company are exempted from the requirement of Directors training program, three directors obtained the certification under Directors Training Program (DTP).
8. There are no overdue taxes and levies as on June 30, 2016
9. The form 34 and Pattern of Shareholding as on June 30, 2016 as required by the section 236 of the Companies Ordinance 1984 and Code of Corporate Governance is annexed with this report.
10. The company has adopted practices of Corporate Governance as per listing regulations of stock exchanges.
11. No material change of commitment affecting financial position occurred between June 30, 2016 and date of director report.

12. The Company operates an unfunded gratuity scheme covering its permanent employees. Employee are eligible for benefits under the gratuity scheme after completion of one year continuous service period.

Corporate Social Responsibility

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

Health, Safety and Environment:

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

Work-life balance

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

Business Ethics

The management is committed to conduct all business activities with integrity, honesty, and observance of laws and regulations. A Code of Conduct has been developed and approved by the Board.

Contribution to the National Exchequer:

To meet our social obligations towards the development of the economy of the country, the company has contributed Rs.146.044 millions in the year 2015-16 into the Government Exchequer on account of taxes, levies, excise duty, Income Tax and Sales Tax. Moreover, foreign exchange amount of USD 9.246 Million was also earned for the country from export sales(yarn) during financial year.

Energy Savings

The Management is watchfully focusing on energy saving. There are many preventive measures adopted by fixing energy conserving devices to save the energy. Awareness is also given to workers for energy saving so that unnecessary consumption of energy could be saved.

ABSTRACT UNDER SECTION 218(1) OF THE COMPANIES ORDINANCE, 1984

During the year ended 30 June 2016, the Board of Directors have revised the remuneration of Executive Director, Head of Internal Audit and Company Secretary during the year ended June 30, 2016

Mr. Humayun Bakht	Executive Director	Rs. 315,000/-	to	350,000/-
Mr. Abdul Majeed	Head of Internal Audit	Rs. 36,600/-	to	41,000/-
Mr. Hassan-ud-Din Ansari	Company Secretary	Rs. 72,636/-	to	100,000/-

There was no change in other terms and conditions of their appointments. Mr. Humayun Bakht is an elected director of the Company and is considered as interested in the aforesaid variation of his terms of appointments.

Board of directors Meetings

During the period under review, fifteen (15) meetings of the Board of Directors were held from July 01, 2015 to June 30, 2016. The attendance of the Board members were as follows:

<u>Name of Directors</u>	<u>No. of Meetings Attended</u>
Mian Parvez Aslam	15
Mr. Imran Aslam	14
Mr. Irfan Aslam	15
Mr. Humayun Bakht	15
Mrs. Nazish Imran (Retired on 31-03-2016)	04
Mrs. Sara Irfan (Retired on 31-03-2016)	04
Mr. Naveed Sheikh (Retired on 31-03-2016)	10
Mr. Ahsan Ahmad Khan (Appointed on 31-03-2016)	04
Syed Imran Haider (Appointed on 31-03-2016 & Resigned on 28-06-2016)	03
Mr. Maqsood Shahid Najmi (Appointed on 31-03-2016)	04
Syed Raza Ali Bokhari (Appointed on 28-06-2016)	-

Audit Committee

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

Syed Raza Ali Bokhari	Chairman
Mr. Irfan Aslam	Member
Mr. Maqsood Shahid Najmi	Member
Syed Imran Haider (Appointed on 31-03-2016 & Resigned on 28-06-2016)	
Mr. Ahsan Ahmad Khan (Appointed on 31-03-2016 & Resigned on 28-06-2016)	
Mr. Naveed Sheikh (Retired on 31-03-2016)	
Mrs. Nazish Imran (Retired on 31-03-2016)	
Mrs. Sara Irfan (Retired on 31-03-2016)	

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

During the period under review five (5) meetings of audit committee of the company were held from July 01, 2015 to June 30, 2016 and attendance of Audit Committee members was as follows:

Name of Member	No. of Meetings Attended
Mr. Naveed Sheikh	Three (3)
Mrs. Nazish Imran	Three (3)
Mrs. Sara Irfan	Three (3)
Mr. Irfan Aslam	Two (2)
Syed Imran Haider	Two (2)
Mr. Ahsan Ahmad Khan	Two (2)

Human Resource and Remuneration (HR & R) Committee

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

Syed Raza Ali Bokhari	(Appointed on 28-06-2016)	Chairman
Mr. Ahsan Ahmad Khan	(Appointed on 31-03-2016)	Member
Mr. Imran Aslam	(Continue)	Member
Mr. Maqsood Shahid Najmi	(Appointed on 31-03-2016 & Resigned on 28-06-2016)	Member
Mr. Naveed Sheikh	(Retired on 31-03-2016)	Member
Mrs. Nazish Imran	(Retired on 31-03-2016)	Member

Names of the members of the Committee Meetings Attended

Mr. Naveed Sheikh	Chairman	One (1)
Mr. Imran Aslam	Member	One (1)
Mrs. Nazish Imran	Member	One (1)

Corporate Governance

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

Appointment of Auditors

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

The Audit committee and the Board have endorsed their re-appointment for reconsideration of the members at the forthcoming annual general meeting of the Company.

Acknowledgement

We are thankful and appreciate the efforts of employees and management to maintain a cordial relation and creating a pleasant working environment in the company. We also grateful for nonstop support received from suppliers, financial institutions and customers. I also express hearty gratitude to our valued share holders for their constant cooperation with the company.

Lahore
Dated: September 30, 2016

For and on behalf of the Board



Mr. Imran Aslam
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAHZAD TEXTILE MILLS LIMITED** as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.



HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

LAHORE


Dated: September 30, 2016

(Engagement Partner: Muhammad Nasir Muneer)

BALANCE SHEET AS AT


	Note	2016 Rupees	2015 Rupees
EQUITY AND LIABILITIES			
Share Capital and Reserve			
Authorized share capital: 40,000,000 (2015: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid up capital	4	179,713,720	179,713,720
Reserves	5	1,029,324,962	1,038,875,778
		1,209,038,682	1,218,589,498
Surplus on Revaluation of Property, Plant and Equipment	6	505,320,397	484,715,062
Non Current Liabilities			
Staff retirement benefits	7	93,332,207	88,831,027
Deferred tax liability	8	230,790,948	227,527,631
		324,123,155	316,358,658
Current Liabilities			
Trade and other payables	9	229,137,515	283,389,160
Accrued mark up on short term borrowings		4,807,189	8,497,367
Short term borrowings	10	320,590,584	208,716,251
Current portion of liabilities against assets subject to finance lease	11	-	35,149,902
Provision for taxation	12	37,340,529	42,698,034
		591,875,817	578,450,714
Contingencies and Commitments	13	-	-
		2,630,358,051	2,598,113,932

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


CHIEF EXECUTIVE

JUNE 30, 2016


	Note	2016 Rupees	2015 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	14	1,576,075,286	1,630,096,697
Long term investment	15	344,014,924	332,297,940
Long term deposits	16	13,970,369	13,970,369
		1,934,060,579	1,976,365,006
Current Assets			
Stores and spares	17	49,408,186	45,860,146
Stock in trade	18	363,390,459	299,115,419
Trade debts	19	45,987,630	60,614,997
Advances, trade deposits, prepayments and other receivables	20	77,380,795	41,843,614
Short term investments	21	1,183,793	1,595,257
Tax refunds due from the Government	22	70,795,771	90,163,110
Cash and bank balances	23	88,150,838	82,556,383
		696,297,472	621,748,926
		<u>2,630,358,051</u>	<u>2,598,113,932</u>


DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales	24	3,692,131,574	4,211,486,571
Cost of sales	25	(3,507,376,875)	(3,957,835,099)
Gross Profit		184,754,699	253,651,472
Operating Expenses			
- Selling and distribution costs	26	(33,545,410)	(47,185,868)
- Administrative expenses	27	(122,130,461)	(129,148,358)
		(155,675,871)	(176,334,226)
Operating Profit		29,078,828	77,317,246
Finance cost	28	(32,158,127)	(64,108,881)
Other operating expenses	29	(2,949,905)	(7,007,950)
Other income	30	2,327,993	6,260,280
Share of net profit of associate	15	25,333,606	36,106,592
		(7,446,433)	(28,749,959)
Profit before Taxation		21,632,395	48,567,287
Taxation	31	(34,989,497)	(12,789,063)
Net (Loss)/Profit for the Year		(13,357,102)	35,778,224
(Loss)/Earnings per Share - Basic and Diluted	33	(0.74)	1.99

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


CHIEF EXECUTIVE


DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	Rupees
Net (Loss)/Profit for the Year	(13,357,102)	35,778,224
Other Comprehensive Income for the Year		
Items that will not be reclassified to profit and loss		
Experience adjustment on remeasurement of staff retirement benefits of:		
- The Company	6,320,245	(2,779,240)
Related tax impact	(1,333,664)	604,289
	4,986,581	(2,174,951)
- Associated company	825,006	(1,565,081)
Related tax impact	(103,126)	195,635
	721,880	(1,369,446)
Items that may be reclassified subsequently to profit and loss		
Share in appreciation of investments available for sale of associated company	(842,571)	772,875
Related tax impact	105,321	(96,609)
	(737,250)	676,266
Other comprehensive income/(loss) for the year	4,971,211	(2,868,131)
Total Comprehensive (Loss)/ Income for the Year	(8,385,891)	32,910,093

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


CHIEF EXECUTIVE

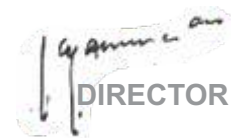

DIRECTOR

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH GENERATED FROM OPERATIONS	32	22,209,917	286,395,865
Income tax paid		(31,693,639)	(22,335,722)
Gratuity paid		(26,905,160)	(22,585,253)
Finance cost paid		(28,930,120)	(52,224,002)
Workers' (profit) participation fund paid		(3,073,265)	(13,192,318)
Workers' welfare fund paid		(1,005,729)	(2,985,901)
		(91,607,913)	(113,323,196)
Net Cash (used in)/generated from Operating Activities		(69,397,996)	173,072,669
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		-	(46,138,667)
Proceeds from disposal of property, plant and equipment		-	3,213,676
Net Cash used in Investing Activities		-	(42,924,991)
CASH FLOW FROM FINANCING ACTIVITIES			
Loan repaid to directors		-	(20,000,000)
Dividends received from associated company		16,240,000	4,060,000
Dividends paid to shareholders		(17,971,980)	(26,959,949)
Repayment of liabilities against assets subject to finance lease		(35,149,902)	(33,544,174)
Short term borrowings acquired/(repaid)- net		111,874,333	(50,098,762)
Net Cash generated from/(used in) Financing Activities		74,992,451	(126,542,885)
Net Increase in Cash and Cash Equivalents		5,594,455	3,604,793
Cash and cash equivalents at the beginning of the year		82,556,383	78,951,590
Cash and Cash Equivalents at the End of the Year		88,150,838	82,556,383

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

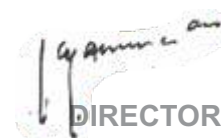

CHIEF EXECUTIVE


DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	Share Premium	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2014	179,713,720	5,796,000	1,007,811,176	1,193,320,896
Final dividend for the year ended June 30, 2014	-	-	(26,957,058)	(26,957,058)
Net profit for the year ended June 30, 2015	-	-	35,778,224	35,778,224
Other comprehensive loss for the year ended June 30, 2015	-	-	(2,868,131)	(2,868,131)
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	15,508,221	15,508,221
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax)	-	-	1,318,906	1,318,906
Share in realized surplus on revaluation of property, plant and equipment of associate (net of deferred tax)	-	-	2,488,440	2,488,440
Balance as at June 30, 2015	179,713,720	5,796,000	1,033,079,778	1,218,589,498


CHIEF EXECUTIVE

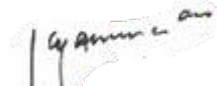

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	Share Premium	Unappropriated Profit	Total
	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2015	179,713,720	5,796,000	1,033,079,778	1,218,589,498
Final dividend for the year ended June 30, 2015	-	-	(17,971,372)	(17,971,372)
Net loss for the year ended June 30, 2016	-	-	(13,357,102)	(13,357,102)
Other comprehensive income for the year ended June 30, 2016	-	-	4,971,211	4,971,211
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year (net of deferred tax)	-	-	14,495,622	14,495,622
Share in realized surplus on revaluation of property, plant and equipment of associate (net of deferred tax)	-	-	2,310,825	2,310,825
Balance as at June 30, 2016	<u>179,713,720</u>	<u>5,796,000</u>	<u>1,023,528,962</u>	<u>1,209,038,682</u>

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


CHIEF EXECUTIVE


DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Note 1

The Company and its Operations

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

Note 2

Basis of Preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

Staff retirement benefits	Note 7	Present value
Certain property, plant and equipment	Note 14	Revalued amount
Long term investment	Note 15	Equity method
Investments in quoted companies	Note 21	Fair value

2.3 Functional and presentational currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

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

Note 2, Basis of Preparation - Contd...

2.4.1 Property, plant and equipment

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

2.4.2 Doubtful receivables

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

2.4.3 Staff retirement benefits

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

2.4.4 Inventories

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

2.4.5 Taxation

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

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

Amendments to IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) aim to improve consistency and reduce complexity by providing a precise definition of fair value. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard is not likely to have an impact on the Company's financial statements.

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

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

Note 2, Basis of Preparation - Contd...

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

IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019) is introduced during the year that aims to set out the principles for recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all the leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make the lease payments. IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

There were no new standards or amendments to existing standards and interpretations that are neither relevant nor yet effective.

Note 3

Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

3.1 Provisions

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

3.2 Staff retirement benefits**Defined benefits plan**

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

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

3.3 Taxation**Current**

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

Deferred

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

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

generally recognized for all major taxable temporary differences. Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

3.4 Trade and other payables

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

3.5 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.6 Property, plant and equipment**Owned**

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

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

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

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

Leased

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

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

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

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

Capital work-in-progress

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

3.7 Impairment

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

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

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

3.8 Investment in associate

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

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

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

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

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

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

3.9 Stores, spares and stock in trade

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

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

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

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

3.10 Trade debts and other receivables

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

3.11 Cash and cash equivalents

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

3.12 Financial instruments**3.12.1 Financial assets**

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

At fair value through profit or loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise advances, deposits and other receivables in the balance sheet.

Held to maturity

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

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

Available-for-sale

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

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

Measurement criteria

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

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

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

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

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

3.12.2 Financial liabilities

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

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

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

3.12.3 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities and tax assets and tax liabilities are set off in the balance sheet,

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

only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.13 Foreign currency translation

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

3.14 Related party transactions

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

3.15 Revenue recognition

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

3.16 Borrowing costs

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

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer). Segment results, assets, and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.18 Dividends

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

Note 4
Issued, Subscribed and Paid Up Capital

2016	2015		2016	2015
Number of shares			Rupees	Rupees
12,240,569	12,240,569	Ordinary shares of Rs. 10 each fully paid in cash	122,405,690	122,405,690
4,418,803	4,418,803	Ordinary shares of Rs. 10 each issued for consideration otherwise than in cash	44,188,030	44,188,030
1,312,000	1,312,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	13,120,000	13,120,000
<u>17,971,372</u>	<u>17,971,372</u>		<u>179,713,720</u>	<u>179,713,720</u>

4.1 Movement in number of shares during the year

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

4.2 Sargodha Jute Mills Limited, an associate, held 21,090 (2015: 14,990) ordinary shares of the Company as at the balance sheet date.

Note 5
Reserves

		2016	2015
Capital	Note	Rupees	Rupees
Share premium reserve	5.1	5,796,000	5,796,000
Revenue			
Unappropriated profit		<u>1,023,528,962</u>	<u>1,033,079,778</u>
		<u>1,029,324,962</u>	<u>1,038,875,778</u>

5.1 This reserve can be utilized by the Company only for the purposes specified in Section 83(2) of the Companies Ordinance, 1984.

Note 6

Surplus on Revaluation of Property, Plant and Equipment

		2016	2015
	Note	Rupees	Rupees
Land - freehold:			
- Opening balance	6.1	197,491,920	197,491,920
- Revaluation during the year	6.2	42,124,250	-
		239,616,170	197,491,920
Buildings on freehold land:			
- Opening balance	6.1	42,511,640	44,972,386
- Revaluation during the year	6.2	138,382,068	-
		180,893,708	44,972,386
Plant and machinery:			
- Opening balance	6.1	242,907,471	255,363,690
- Revaluation during the year	6.2	(162,468,809)	-
		80,438,662	255,363,690
Power house:			
- Opening balance	6.1	1,804,033	2,723,712
- Revaluation during the year	6.2	18,585,187	-
		20,389,220	2,723,712
		521,337,760	500,551,708
Related deferred taxation		1,160,829	-
		522,498,589	500,551,708
Deferred tax relating to export	6.3	(2,682,570)	(1,633,807)
Deferred tax due to change in tax rate		-	2,624,288
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the year transferred to retained earnings		(14,495,622)	(15,508,221)
Surplus realized on disposal of revalued property, plant and equipment (net of deferred tax) transferred to retained earnings		-	(1,318,906)
		<u>505,320,397</u>	<u>484,715,062</u>

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

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

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

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

Note 7

Staff Retirement Benefits

	Note	2016 Rupees	2015 Rupees
Staff retirement benefits - Gratuity	7.2.3	<u>93,332,207</u>	<u>88,831,027</u>

7.1 The Company operates an unfunded gratuity scheme covering its permanent employees subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme is carried out annually by an independent actuary and the latest actuarial valuation has been carried out as at June 30, 2016. Following key information is included in that actuarial report.

7.2 Actuarial assumptions

Discount rate			
Expected rate of salary increase in future years		7.25%	9.75%
Average expected remaining working life of employees		6.25%	8.75%
Expected mortality rate for active members		7 Years	6 Years
		As per SLIC (2001-2005) Mortality Table with one year setback	
Actuarial valuation method		Projected Unit Credit Method	

7.2.1 Reconciliation of the funded status

Present value of defined benefit obligation	7.2.2	<u>93,332,207</u>	<u>88,831,027</u>
---	-------	-------------------	-------------------

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

7.2.2 Company's liability

Opening balance		88,831,027	72,795,423
Charge for the year	7.2.4	37,726,585	35,841,617
Remeasurement chargeable to other comprehensive income - experience adjustment		(6,320,245)	2,779,240
		120,237,367	111,416,280
Benefits paid to outgoing employees		(26,905,160)	(22,585,253)
		<u>93,332,207</u>	<u>88,831,027</u>

7.2.3 Movement in present value of defined benefit obligation

Opening balance		88,831,027	72,795,423
Current service cost		30,377,186	27,692,496
Interest cost on defined benefit obligation		7,349,399	8,149,121
Benefits paid to outgoing employees		(26,905,160)	(22,585,253)
Remeasurement chargeable to other comprehensive income - experience adjustment		(6,320,245)	2,779,240
		<u>93,332,207</u>	<u>88,831,027</u>

Note 7, Staff Retirement Benefits - Contd...

7.2.4 Charge for the year

	2016	2015
	Rupees	Rupees
Current service cost	30,377,186	27,692,496
Interest cost	7,349,399	8,149,121
	<u>37,726,585</u>	<u>35,841,617</u>

7.2.5 Charge for the year has been allocated as under

Cost of sales	31,690,331	30,083,465
Administrative expenses	6,036,254	5,758,152
	<u>37,726,585</u>	<u>35,841,617</u>

7.2.6 Year end sensitivity analysis on defined benefit obligation

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

	Impact on defined benefit obligation		
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
		Rupees	Rupees
Discount rate	1%	87,612,147	99,850,308
Salary increase	1%	100,078,547	87,298,274

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

	2016	2015	2014	2013	2012
	Rupees	Rupees	Rupees	Rupees	Rupees
Present value of defined benefit obligation	93,332,207	88,831,027	72,795,423	56,724,989	38,577,451
Fair value of plan asset	-	-	-	-	-
Net liability	<u>93,332,207</u>	<u>88,831,027</u>	<u>72,795,423</u>	<u>56,724,989</u>	<u>38,577,451</u>

Note 8

Deferred Tax Liability - Net

	2016	2015
	Rupees	Rupees
Taxable temporary differences:		
- Share of net profit of associate	34,801,866	33,337,243
- Accelerated tax depreciation	141,962,485	127,113,488
- Surplus on revaluation of property, plant and equipment	73,720,859	76,202,530
- Staff retirement benefits and others	-	3,530,011
	250,485,210	240,183,272
Deductible temporary differences:		
- Staff retirement benefits and others	(19,694,262)	-
- Unused tax credits available	-	(12,655,641)
	(19,694,262)	(12,655,641)
	<u>230,790,948</u>	<u>227,527,631</u>

Note 9

Trade and Other Payables

		2016	2015
	Note	Rupees	Rupees
Creditors for:			
- Goods supplied		22,573,345	22,414,706
- Services		40,365,327	31,900,897
Accrued liabilities	9.1	154,285,248	218,628,240
Advances from customers		1,153,229	1,252,935
Workers' (profit) participation fund	9.2	1,184,115	3,073,265
Workers' welfare fund		454,326	1,005,729
Sales tax payable		6,928,019	3,317,288
Unclaimed dividend		416,203	416,811
Unclaimed wages		1,777,703	1,379,289
		<u>229,137,515</u>	<u>283,389,160</u>

9.1 This includes Rs. 3.199 million (2015: 75.02) on account of electricity surcharge payable and Rs. 68.11 million (2015: 54.70 million) on account of gas infrastructure development cess (GIDC) till June 30, 2016.

9.2 Workers' (profit) participation fund

Opening balance	3,073,265	13,192,318
Provision for the year	1,184,115	2,587,846
Interest on funds utilized in the Company's business	-	485,419
	<u>4,257,380</u>	<u>16,265,583</u>
Paid during the year	(3,073,265)	(13,192,318)
Closing balance	<u>1,184,115</u>	<u>3,073,265</u>

Note 10

Short Term Borrowings

		2016	2015
	Note	Rupees	Rupees
From banking companies - Secured			
Cash / packing finances	10.1	280,590,584	168,716,251
From related parties - Unsecured			
Loan from directors	10.2	40,000,000	40,000,000
		<u>320,590,584</u>	<u>208,716,251</u>

10.1 These represent utilized portion of funded and unfunded short term finance facilities of Rs. 2,504 million (2015: Rs. 2,740 million) available from various banks under mark up arrangements. These facilities shall expire on various dates latest by December 31, 2016. Mark up on these facilities is charged from 1 to 6 month KIBOR plus a spread of 1.25% to 2.25% (2015: 1 to 6 month KIBOR plus a spread of 1.5% to 2.25%), payable quarterly. The aggregate short term finances are secured by ranking and hypothecation charge on property, plant and equipment, stocks and receivables of the Company; lien over export and import documents, and personal guarantee of sponsoring directors of the Company.

10.2 This represents short term loan obtained from directors to meet the working capital requirements of the Company. The loan is unsecured and carries mark up at the rate of 3 month KIBOR (2015: 3 months KIBOR), payable quarterly.

Note 11

Current Portion of Liabilities against Assets Subject to Finance Lease

		2016	2015
	Note	Rupees	Rupees
Principal portion of future gross lease installments	11.1	-	35,149,902

11.1 During the year entire lease was repaid and leased assets have been transferred to owned assets.
(Note-14)

Note 12

Provision for Taxation - Net

	2016	2015
	Rupees	Rupees
Opening balance	42,698,034	49,976,031
Charge for the year:		
- Current	37,340,529	42,698,034
- Prior	-	1,110,010
	37,340,529	43,808,044
Payments / adjustments against advance tax, tax credits and refunds	(42,698,034)	(51,086,041)
	37,340,529	42,698,034

12.1 Assessments up to Tax Year 2015 are deemed finalized as income tax returns are filed under the self assessment scheme.

Note 13

Contingencies and Commitments**13.1 Contingencies**

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

	2016	2015
	Rupees in Million	
- Sui Northern Gas Pipeline Limited	47.84	36.64
- Custom Authorities	7.10	5.50
	54.94	42.14

13.1.2 The Company is contingently liable for Rs. 11.886 million (June 2015: Rs. 9.448 million) on account of electricity duty on self generation. However the company has not admitted the said duty and case is pending before the Supreme Court of Pakistan.

13.2 Commitments

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

Foreign bills of exchange purchased	85.48	168.03
Letters of credit	33.89	87.89
	119.37	255.92

Note 14
Property, Plant and Equipment

14.1 Operating fixed assets
Year ended June 30, 2016

Description	Cost / Revalued Amounts			Rate	Depreciation			Book Value as at 30-06-2016
	As at 30-06-2015	Transfers	Revaluation Adjustment		Up to 30-06-2015	For the year	Revaluation Adjustment	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Owned								
Land - freehold	202,293,750	-	42,124,250	-	-	-	-	244,418,000
Buildings on freehold land	199,321,270	-	136,382,068 (27,534,338)	5	18,492,921	9,041,417 (27,534,338)	-	310,169,000
Plant and machinery	1,067,187,696	146,410,808	(162,468,809) (164,146,694)	5	101,591,849	48,279,792 (164,146,694)	14,275,053	886,983,001
Power house	95,315,977	-	18,585,187 (46,144,164)	20	33,851,211	12,292,953 (46,144,164)	-	67,757,000
Furniture and fixtures	5,867,172	-	-	10	5,258,432	60,874	-	5,319,306
Vehicles	93,364,440	-	-	20	34,229,252	11,827,038	-	46,056,290
Electric installations	43,628,477	-	-	10	23,598,909	2,002,957	-	25,601,866
Computers and equipment	3,494,414	-	-	20	2,640,203	170,842	-	2,811,045
Arms and ammunition	410,775	-	-	7	214,765	13,721	-	228,486
	1,710,883,971	146,410,808	36,622,696 (237,825,196)		219,877,542	83,689,594 (237,825,196)	14,275,053	80,016,993
								1,576,075,286
Leased								
Plant and machinery	146,410,808	(146,410,808)	-	5	7,320,540	6,954,513	(14,275,053)	-
Total as at June 30, 2016	1,857,294,779	(201,202,500)	1,656,092,279		227,198,082	90,644,107 (237,825,196)	-	80,016,993

**14.2 Operating fixed assets
Year ended June 30, 2015**

Description	Cost / Revalued Amounts		Rate	Depreciation		Book Value as at 30-06-2015
	As at 30-06-2014	Additions / (Disposals)		Up to 30-06-2014	For the Year	
	Rupees	Rupees	%	Rupees	Rupees	Rupees
Owned						
Land - freehold	202,293,750	-	-	-	-	202,293,750
Buildings on freehold land	196,746,270	2,575,000	5	9,054,697	9,438,224	180,828,349
Plant and machinery	1,044,368,279	28,205,620	5	51,477,455	50,516,220	965,595,847
		(5,386,203)		(401,826)		
Power house	93,536,977	1,779,000	20	18,707,395	15,143,816	61,464,766
Furniture and fixtures	5,867,172	-	10	5,190,794	67,638	608,740
Vehicles	88,574,086	8,637,237	20	23,164,128	13,815,806	59,135,188
		(3,846,883)		(2,750,682)		
Electric installations	38,697,167	4,931,310	10	21,613,311	1,985,598	20,029,568
Computers and equipment	3,483,914	10,500	20	2,428,400	211,803	854,211
Arms and ammunition	410,775	-	7	200,012	14,753	196,010
	1,673,978,390	46,138,667		131,836,192	91,193,858	1,491,006,429
		(9,233,086)		(3,152,508)		
Leased						
Plant and machinery	146,410,808	-	5	-	7,320,540	139,090,268
Total as at June 30, 2015	1,820,389,198	46,138,667		131,836,192	98,514,398	1,630,096,697
		(9,233,086)		(3,152,508)		

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

Description	As on June 30, 2016		Note	2016		2015	
	Cost	Accumulated Depreciation		Rupees	Rupees	Rupees	Rupees
Land - freehold	4,801,830	-					
Buildings on freehold land	214,349,726	93,721,803					
Plant and machinery	1,297,407,458	539,975,277	25	78,455,530	84,404,398		
Power house	189,164,431	141,740,620	27	12,188,578	14,110,000		
	1,705,723,445	775,437,700		90,644,108	98,514,398		

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

Cost of sales	25	78,455,530
Administrative expenses	27	12,188,578
		90,644,108

Note 15

Long Term Investment

	2016	2015
	Rupees	Rupees
Associates - Unquoted		
Sargodha Jute Mills Limited: 8,120,000 (2015: 8,120,000) fully paid ordinary shares of Rs. 10 each Equity held 36.16% (2015: 36.16%) Cost of investment Rs. 65,600,000 (2015: Rs. 65,600,000)		
- Opening balance	332,297,940	298,199,623
- Share in net profit for the year of associate	25,333,606	36,106,592
- Share in realized surplus on revaluation of property, plant and equipment of associate	2,640,943	2,843,931
- Share in appreciation of investments available for sale of associate	(842,571)	772,875
- Share in remeasurement of staff retirement benefits liability	825,006	(1,565,081)
- Less: Dividend received	(16,240,000)	(4,060,000)
	<u>344,014,924</u>	<u>332,297,940</u>

15.1 The Company holds 36.16% shareholding in Sargodha Jute Mills Limited and accounts for this investment under equity method as prescribed in IAS 28 (Investments in Associates). Information extracted from the audited financial statements of Sargodha Jute Mills Limited is as follows:

	2016	2015
	Rupees in thousand	
Equity	951,063	918,663
Total assets	2,048,494	1,981,987
Revenue	2,751,381	3,085,036
Net profit for the year	70,060	99,852

Note 16

Long Term Deposits

	2016	2015
	Rupees	
Deposit with LESCO	11,951,410	11,951,410
Others	2,018,959	2,018,959
	<u>13,970,369</u>	<u>13,970,369</u>

Note 17

Stores and Spares

		2016	2015
	Note	Rupees	
Stores and spares	17.1	<u>49,408,186</u>	<u>45,860,146</u>

17.1 This includes stores in transit amounting to Rs. 2.443 million (2015: Rs. 1.431 million) as at the balance sheet date.

Note 18

Stock in Trade

	2016	2015
	Rupees	Rupees
Raw materials	281,094,112	214,384,129
Stock in transit	-	7,086,705
Work in process	29,335,701	32,366,927
Finished goods	52,960,646	45,277,658
	<u>363,390,459</u>	<u>299,115,419</u>

18.1 Stocks amounting to Rs. 189.549 million (2015: Rs. 84.209 million) approximately are pledged against short term borrowings.

Note 19

Trade Debts

	2016	2015
	Rupees	Rupees
Local debts (Unsecured - considered good)	33,850,060	20,771,498
Foreign debts (Secured - considered good)	12,137,570	39,843,499
	<u>45,987,630</u>	<u>60,614,997</u>

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

Note 20

Advances, Trade Deposits, Prepayments and Other Receivables

		2016	2015
	Note	Rupees	Rupees
Advances (Unsecured - considered good):			
- Employees	20.1	611,671	781,210
- Suppliers and others		6,987,517	2,638,272
Income tax deducted at source / Advance tax		32,699,368	25,687,624
Margins with banks against:			
- Letters of credit		109,218	324,732
- Letters of guarantee		18,242,811	5,442,811
Prepayments		8,390,696	1,589,078
Insurance claims receivable		7,628,278	5,356,810
Other receivables		2,711,236	23,077
		<u>77,380,795</u>	<u>41,843,614</u>

20.1 Amount due from chief executive, directors and executives as at the balance sheet date was Nil (2015: Nil).

Note 21

Short Term Investments

		2016	2015
	Note	Rupees	Rupees
At fair value through profit or loss			
Investment in quoted shares	21.1	<u>1,183,793</u>	<u>1,595,257</u>

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

Note 22

Tax Refunds Due from the Government

	2016	2015
	Rupees	Rupees
Sales tax	22,359,268	26,141,489
Income tax	48,436,503	64,021,621
	<u>70,795,771</u>	<u>90,163,110</u>

Note 23

Cash and Bank Balances

	2016	2015
	Rupees	Rupees
Cash in hand	892,374	774,726
Cash at banks - Current accounts	87,258,464	81,781,657
	<u>88,150,838</u>	<u>82,556,383</u>

Note 24

Sales - Net

	2016	2015
	Rupees	Rupees
Yarn:		
- Local	2,846,030,717	2,999,941,685
- Export	978,234,204	1,315,214,895
Wastes	24,138,085	31,792,899
	<u>3,848,403,006</u>	<u>4,346,949,479</u>
Less: Commission to selling agents	(41,921,338)	(58,316,777)
Sales tax	(114,350,094)	(77,146,131)
	<u>3,692,131,574</u>	<u>4,211,486,571</u>

Note 25

Cost of Sales

	2016	2015
	Rupees	Rupees
	Note	
Raw materials consumed	2,362,466,549	2,633,175,784
Stores and spares consumed	86,614,076	94,094,617
Packing materials consumed	85,951,304	93,522,718
Salaries, wages and other benefits	25.1 394,632,949	418,778,345
Fuel and power	473,563,613	572,206,923
Insurance	10,092,726	12,381,096
Repairs and maintenance	11,072,090	8,583,809
Other manufacturing expenses	9,179,800	9,019,800
Depreciation	14.4 78,455,530	84,404,398
	<u>3,512,028,637</u>	<u>3,926,167,490</u>
Opening work in process	32,366,927	42,583,035
Closing work in process	(29,335,701)	(32,366,927)
	<u>3,031,226</u>	<u>10,216,108</u>
Cost of goods manufactured:	<u>3,515,059,863</u>	<u>3,936,383,598</u>
- Opening finished goods	45,277,658	70,973,685
- Finished goods lost in transit - insurance claim	-	(4,244,526)
- Closing finished goods	(52,960,646)	(45,277,658)
	<u>(7,682,988)</u>	<u>21,451,501</u>
	<u>3,507,376,875</u>	<u>3,957,835,099</u>

25.1 This includes Rs. 31.69 million (2015: Rs. 30.083 million) in respect of staff retirement benefits..

Note 26

Selling and Distribution Costs

	2016	2015
	Rupees	Rupees
Freight and octroi	7,548,840	10,326,819
Export sale expenses	25,996,570	36,859,049
	<u>33,545,410</u>	<u>47,185,868</u>

Note 27

Administrative Expenses

		2016	2015
	Note	Rupees	Rupees
Salaries, wages and other benefits	27.1	70,817,620	69,925,909
Printing and stationery		725,938	775,125
Communication		1,410,789	1,402,468
Travelling and conveyance		574,833	946,518
Repairs and maintenance		1,433,144	3,058,169
Vehicles' running and maintenance		6,222,575	7,417,843
Rent, rates and taxes		4,626,540	3,715,479
Insurance		3,078,779	3,708,336
Legal and professional charges		2,076,385	3,339,815
Fees and subscription		2,676,869	4,416,067
Utilities		12,120,242	12,609,837
Entertainment		3,514,790	3,270,981
Advertisement		231,510	177,670
Miscellaneous		431,869	274,141
Depreciation	14.4	12,188,578	14,110,000
		<u>122,130,461</u>	<u>129,148,358</u>

27.1 This includes Rs. 6.036 million (2015: Rs. 5.758 million) in respect of staff retirement benefits.

Note 28

Finance Cost

	2016	2015
	Rupees	Rupees
Interest / mark-up on:		
- Short term borrowings	23,626,489	47,410,488
- Liabilities against assets subject to finance lease	1,613,453	6,291,581
	<u>25,239,942</u>	<u>53,702,069</u>
Bank charges and commission	6,280,357	8,757,561
Bank guarantee commission	637,828	1,163,832
Interest on workers' (profit) participation fund	-	485,419
	<u>32,158,127</u>	<u>64,108,881</u>

Note 29

Other Operating Expenses

	2016	2015
	Rupees	Rupees
Auditors' remuneration		
- Statutory audit	750,000	750,000
- Limited scope review	100,000	100,000
- Other attestation services	50,000	50,000
	<u>900,000</u>	<u>900,000</u>
Loss on disposal of property, plant and equipment - Net	-	2,866,902
Provision for workers' (profit) participation fund	1,184,115	2,587,846
Provision for workers' welfare fund	454,326	601,782
Loss on revaluation of short term investments at fair value through profit or loss	411,464	-
Balance Written off	-	51,420
	<u>2,949,905</u>	<u>7,007,950</u>

Note 30

Other Income

		2016	2015
	Note	Rupees	Rupees
Income from financial assets			
Exchange gain		237,154	551,461
Gain on revaluation of short term investments at fair value through profit or loss		-	800,057
Income from non financial assets			
Profit on sale of raw material		1,366,816	4,476,762
Others	30.1	724,023	432,000
		<u>2,327,993</u>	<u>6,260,280</u>

30.1 Includes Rs. 0.432 million (2015: 0.432 million) on account of rental income from related party.

Note 31

Taxation

		2016	2015
		Rupees	Rupees
Current:			
- Current year		37,340,529	42,698,034
- Prior years			
- Adjustment on account of assessment / return		1,060,572	(2,296,647)
- Tax credits utilized		(3,491,593)	(19,206,165)
		<u>(2,431,021)</u>	<u>(21,502,812)</u>
		34,909,508	21,195,222
Deferred			
		79,989	(8,406,159)
		<u>34,989,497</u>	<u>12,789,063</u>

31.1 Reconciliation of tax charge for the year:

	2015
	Rupees
Profit before taxation	<u>48,567,287</u>
Tax @ 33% on profit before taxation	16,027,205
Adjustment relating to prior year tax charge	(2,296,647)
Tax credits utilized and unutilized	(31,861,806)
Tax effect of exports under final tax regime	8,215,770
Tax effect on income taxed at reduced rate	(11,915,175)
Other adjustments	43,025,875
Deferred taxation	(8,406,159)
	<u>12,789,063</u>

31.2 Reconciliation for the year 2016 has not been given since the Company is not under taxable profits.

Note 32

Cash Generated from Operations

	2016	2015
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	21,632,395	48,567,287
Adjustments for:		
- Depreciation	90,644,108	98,514,398
- Share of net profit of associate	(25,333,606)	(36,106,592)
- Loss on disposal of property, plant and equipment - Net	-	2,866,902
- Loss/(gain) on investment at fair value through profit or loss	411,464	(800,057)
- Provision for gratuity related to income statement	37,726,585	35,841,617
- Exchange (gain) / loss	(237,154)	(551,461)
- Provision for workers' (profit) participation fund	1,184,115	2,587,846
- Provision for workers' welfare fund	454,326	601,782
- Interest on workers' (profit) participation fund	-	485,419
- Adjustment of capital work in progress	-	719,560
- Security deposit written off	-	51,420
- Finance cost	25,239,942	53,702,069
	130,089,780	157,912,903
Operating profit before working capital changes	151,722,175	206,480,190
Decrease / (increase) in current assets:		
- Stores and spares	(3,548,040)	154,467
- Stock in trade	(64,275,040)	41,971,793
- Trade debts	14,864,521	(11,141,982)
- Advances, trade deposits, prepayments and other receivables	(28,525,436)	(1,497,638)
- Tax refunds due from the Government	3,782,221	(13,923,687)
Increase / (decrease) in current liabilities:		
- Trade and other payables	(51,810,484)	64,352,722
	(129,512,258)	79,915,675
Cash Generated from Operations	22,209,917	286,395,865

Note 33

Earnings per Share - Basic and Diluted

	2016	2015
	Rupees	Rupees
Basic earning per share is based on		
Net (Loss)/profit for the year attributable to ordinary shareholders	Rupees (13,357,102)	35,778,224
Weighted average number of ordinary shares outstanding during the year	Number 17,971,372	17,971,372
(Loss) /Earnings per share - Basic	Rupees (0.74)	1.99

33.1 Diluted Earnings per Share

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

Note 34

Balances and Transactions with Related Parties

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

Transactions during the year

Related party	Relationship	Nature of Transaction	2016	2015
			Rupees	Rupees
Sargodha Jute Mills Limited	Associate	Dividends income received	16,240,000	4,060,000
		Rent received	432,000	432,000
		Purchase of materials, goods and services	333,412	306,663
		Sale of materials, goods and services	2,310,627	235,630
		Dividends paid	14,990	22,485
Director		Loan from director (repaid)	-	(20,000,000)
		Mark up charged on loan from director	2,641,578	4,043,540

Balances outstanding as at June 30,

Director	Short term loan payable	40,000,000	40,000,000
	Accrued markup payable	-	1,313,332

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

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

Note 35

Chief Executive's, Directors' and Executives' Remuneration

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

	2016			2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	9,272,727	3,818,182	23,443,181	9,272,727	3,436,364	21,888,557
Medical	927,273	381,818	2,344,259	927,273	343,636	3,231,572
Bonus	850,000	315,000	1,554,960	850,000	315,000	1,611,932
Staff retirement benefits	850,000	350,000	1,725,976	850,000	315,000	1,684,849
	<u>11,900,000</u>	<u>4,865,000</u>	<u>29,068,376</u>	<u>11,900,000</u>	<u>4,410,000</u>	<u>28,416,910</u>
Number of persons	1	1	22	1	1	22

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

35.2 No meeting fee has been paid during the year.

Note 36

Segment Information

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

	2016	2015
	Percentage	Percentage
36.1 Information about products:		
Yarn	99.37%	99.20%
36.2 Major customers:		
3 customers (2015: 3 customers)	67.85%	44.05%

36.3 Geographical Information:

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

	2016	2015
	Rupees in thousand	
Pakistan	2,870,169	3,031,735
Asia	619,098	1,009,389
Europe	359,136	310,057
	<u>3,848,403</u>	<u>4,351,181</u>

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

Note 37

Plant Capacity and Production

	2016	2015
	Kilograms	Kilograms
Plant capacity converted into 20/S count based on three shifts per day for 366 days (2015: 365 days)	38,320,778	38,320,778
Actual production converted into 20/S count	34,511,761	33,561,514

Note 38

Financial Risk Management**38.1 Financial risk factors**

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

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

(a) Market risk**(i) Currency risk**

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

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

	2016	2015
	Rupees in thousand	
Trade debts	12,138	39,843
Outstanding commitments against letters of credit	(33,890)	(87,890)
Net exposure	(21,752)	(48,047)

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate during the year reported	103.63	100.23
Reporting date rate	104.70	102.55

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 1% against the USD with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.0228 million (2015: Rs. 0.480 million) respectively lower / higher, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. This sensitivity analysis reflects exposure as at reporting date and is unrepresentative of the exposure during the year.

Note 38, Financial Risk Management - Contd...

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instrument traded in the market. The Company is exposed to equity and commodity price risk in respect of short term investments carried at market value. Following analysis shows the impact of change in equity and commodity price.

	2016		2015
	Equity	Rupees	Equity
Change in commodity prices (%)	1%		1%
Effect on profit and loss account (Rs.)	11,838		15,950

(iii) Interest rate risk

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

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

Floating rate instruments**Financial liabilities**

	2016	2015
	Rupees in thousand	
Liabilities against assets subject to finance lease	-	35,150
Short term borrowings	320,591	208,716

Cash flow sensitivity analysis for variable rate instruments

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

	2016	2015
	Rupees in thousand	
Change in interest rates (%)	1%	1%
Effect on profit and loss account (Rs.)		
Liabilities against asset subject to finance lease	-	352
Short term borrowings	3,206	2,087
Total effect on profit and loss account	3,206	2,439

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2016	2015
	Rupees in thousand	
Long term deposits	13,970	13,970
Trade debts	45,988	60,615
Trade deposits and other receivables	28,582	10,823
Bank balances	87,258	81,782

Note 38, Financial Risk Management - Contd...

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

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

	Rating		Rating Agency	2016	2015
	Short term	Long term			
	Rupees in thousand				
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	13,678	16,337
MCB Bank Limited	A1+	AAA	PACRA	44,705	31,199
Habib Bank Limited	A-1+	AAA	JCR-VIS	2,146	40
Allied Bank Limited	A1+	AA+	PACRA	11,465	16,192
JS Bank Limited	A1+	A+	PACRA	-	14,239
Meezan Bank Limited	A-1+	AA	JCR-VIS	11,756	234
National Bank of Pakistan	A1+	AAA	PACRA	1,123	1,029
United Bank Limited	A-1+	AAA	JCR-VIS	118	2,035
Bank Alfalah Limited	A1+	AA	PACRA	2,267	477
				87,258	81,782

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 2,255 million (2015: 2,280.21 million) worth unavailed short term borrowing limits available (both funded and unfunded) from financial institutions and Rs. 88.15 million (2015: Rs. 82.56 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

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

	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	More than 5 years
	----- Rupees in thousand -----				
Trade and other payables	217,640	217,640	217,640	-	-
Accrued interest	4,807	4,807	4,807	-	-
Short term borrowings	320,591	320,591	320,591	-	-
	543,038	543,038	543,038	-	-

Contractual maturities of financial liabilities as at June 30, 2015:

	Carrying Amount	Contractual cash flows	Within 1 year	2-5 Years	More than 5 years
	----- Rupees in thousand -----				
Liabilities against leased assets	35,150	36,806	36,806	-	-
Trade and other payables	273,361	273,361	273,361	-	-
Accrued interest	8,497	8,497	8,497	-	-
Short term borrowings	208,716	228,269	228,269	-	-
	525,724	546,933	546,933	-	-

Note 38, Financial Risk Management - Contd...

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at June 30, 2016. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

38.2 Financial instruments by categories**Financial assets as at June 30, 2016**

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

Financial assets as at June 30, 2015

	Cash and Cash Equivalents	Loans and advances	Fair value through profit or loss	Held for trading	Total
----- Rupees in thousand -----					
Long term deposits	-	13,970	-	-	13,970
Short term investments	-	-	1,595	-	1,595
Trade debts	-	60,615	-	-	60,615
Trade deposits and other receivables	-	10,823	-	-	10,823
Cash and bank balances	82,556	-	-	-	82,556
	<u>82,556</u>	<u>85,408</u>	<u>1,595</u>	<u>-</u>	<u>169,559</u>

Financial liabilities at amortized cost

	2016	2015
Rupees in thousand		
Liabilities against assets subject to finance lease	-	35,150
Trade and other payables	229,138	273,361
Accrued mark-up	4,807	8,497
Short term borrowings	320,591	208,716
	<u>554,536</u>	<u>525,724</u>

38.3 Fair values of financial assets and liabilities

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

Note 39

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

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

	2016	2015
	Rupees in thousand	
Total borrowings	320,591	208,716
Cash and bank balances	(88,151)	(82,556)
Net Debt	232,440	126,160
Equity	1,209,039	1,218,589
Total Capital	1,441,479	1,344,749
Gearing Ratio	16.13%	9.38%

Note 40

Number of Employees

	2016				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	32	1,905	4	100	2,041
Average employees during the year	32	1,811	4	100	1,947
	2015				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at the year end	36	2,104	3	122	2,265
Average employees during the year	36	2,029	3	108	2,186

Note 41

Provident Fund Related Disclosures


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

Note 42

Authorization of Financial Statements

These financial statements were authorized for issuance on September 30, 2016 by the Board of Directors of the Company.


CHIEF EXECUTIVE


DIRECTOR

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2016
CUIN (INCORPORATION NUMBER) 0006512

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
471	1	100	11,634
236	101	500	58,270
42	501	1,000	29,607
47	1,001	5,000	103,324
4	5,001	10,000	34,570
1	10,001	15,000	12,420
3	15,001	20,000	51,061
2	20,001	25,000	42,777
2	35,001	40,000	76,303
1	265,001	270,000	265,553
1	270,001	275,000	272,474
2	295,001	300,000	600,000
1	430,001	435,000	432,131
2	495,001	500,000	1,000,000
1	1,105,001	1,110,000	1,105,907
1	2,440,001	2,445,000	2,442,599
2	3,585,001	3,590,000	7,177,342
1	4,255,001	4,260,000	4,255,400
820	Total		17,971,372

5. Categories of Shareholders

	Shares Held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children	13,141,099	73.12
5.2 Associated Companies, undertakings and related parties	1,021,090	5.68
5.3 NIT and ICP	9,310	0.05
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions,	2,200	0.01
5.5 Insurance Companies	600	0.00
5.6 Modarabas and Mutual Funds	122	0.00
5.7 Share Holding 10 % or more	13,875,341	77.21
5.8 General Public		
a. Local	378,959	2.11
b. Foreign	-	-
5.9 Others (Securities & Joint Stock Companies)	5,235	0.03

CATEGORIES OF SHAREHOLDING
INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2016

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

Detail of Purchases / Sales of shares by Directors/CEO/ Company Secretary/CFO and Their Spouses /Minor Children during 2016.

650 shares were purchased by Mr. Ahsan Ahmad Khan

500 shares were purchased by Syed Raza Ali Bokhari

650 shares were purchased by Maqsood Shahid Najmi

500 shares were purchased by Syed Imran Haider

No trades were carried out by other directors, executives, and their spouses and minor children

—This Page is intentionally left blank—

PROXY FORM

I/We _____ Son / Daughter / Wife of _____ being a member of **SHAHZAD TEXTILE MILLS LIMITED** and holder of _____ Shares Folio No. _____ CDC Participant ID # _____ and Sub Account # _____ do hereby appoint _____ of _____ or failing him/her _____ of _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Annual General meeting of Shahzad Textile Mills Limited scheduled to be held on Saturday October 29, 2016 at 11:00 AM at 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore and at any adjournment thereof.

As witness my/our hands this _____ day of _____ 2016.

1. Witnesses:

Name: _____
Signature: _____
CNIC: _____
Address: _____

Please affix here Revenue
Stamp of Rs.5/-

Members' Signature

2. Witnesses:

Name: _____
Signature: _____
CNIC: _____
Address: _____

Shareholder's Folio No. _____

CDC A/c No. _____

CNIC: _____

Address: _____

Notes:

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

The Secretary
SHAHZAD TEXTILE MILLS LIMITED
19-A Off, Zafar Ali Road,
Gulberg V, Lahore.
Tel: +92 (42) 35754024-27

شہزاد ٹیکسٹائل ملز لمیٹڈ

19-A ظفر علی روڈ گلبرگ V لاہور۔

میں رہم _____ کارنی _____
 بحیثیت رکن شہزاد ٹیکسٹائل ملز لمیٹڈ اور حامل _____ عام حصص برطابق رجسٹرڈ فوئیو نمبر _____
 بذریعہ ہذا اختتام مجتزمہ _____ کمپیوٹرائزڈ قومی شناختی کارڈ نمبر _____
 مورخہ 29 اکتوبر 2016 بروز ہفتہ بوقت گیارہ بجے دن کو اپنے رہمار سے ایماء پر: _____
 متعقد ہونے والے کپنی کے سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التوا کی صورت میں اپنا رہمار بطور مختار (پراکسی) مقرر کرنا ہوں کرتے ہیں۔
 آج بروز _____ بتاریخ _____ 2016ء کو میرے رہمار سے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

ممبر کے دستخط _____
 روپیوں کی مہر 5 روپے

2. گواہان

دستخط _____
 نام _____
 کمپیوٹرائزڈ قومی شناختی نمبر _____

1. گواہان

دستخط _____
 نام _____
 کمپیوٹرائزڈ قومی شناختی نمبر _____

نوٹ:

- 1- پراکسی تقرری کے یہ آلات تقرر کرنے والے کے دستخط یا اس کے باقاعدہ یا اختیار وکیل کے تحریری اجازت نامہ، یا اگر تقرر کرنے والا کارپوریشن ہے تو عام مہر یا ایک آفیشل کے تحت یا ایسے بااختیار وکیل کے دستخط ہوں گے۔ جو کپنی کا رکن نہیں ہے اسے پراکسی مقرر نہیں کیا جائے گا سوائے ایک کارپوریشن کے جو ووٹ ڈالنے کے لئے ایک غیر رکن شخص کو پراکسی مقرر کر سکتی ہے۔
- 2- پراکسی اور مختار نامہ یا اتھارٹی (اگر کوئی ہوں) تقرر کے آلات، جس کے تحت یہ دستخط شدہ ہو یا اس مختار نامہ کی نوٹری بلی مصدقہ کاپی، کپنی کے دفتر میں وقت سے کم از کم 48 (اڑتالیس) گھنٹے قبل اجلاس جس میں ووٹ دینے کے مقاصد کے لئے انسٹرو منٹ میں نامزد شخص کی تجویز پیش کی جمع کروایا جائے گا، بصورت دیگر پراکسی کا انسٹرو منٹ کارآمد نہ ہوگا۔
- 3- سی ڈی سی حصص یافتگان یا ان کے پراکسی کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ معہ پارٹیشنٹ (شرکت) آئی ڈی نمبر اور اکاؤنٹ نمبر اپنی شناخت کی سہولت کے لئے اپنے ہمراہ لانا چاہئے۔ تفصیلی طریقہ کار نوٹس AGM کے نوٹ میں دیا گیا ہے۔

(I). افرادی صورت میں بحیثیت رکن یا ذیلی رکن من کی سیکورٹیز اور رجسٹریشن کی تفصیلات ضوابط کے مطابق موجود ہوں پراکسی فارم مذکورہ بالا قواعد کے مطابق جمع کروائیں۔

(II). پراکسی فارم پر دو گواہان کے نام سے پتہ اور شناختی کارڈ نمبر اور ان کے دستخط بھی موجود ہونے چاہیے۔

(III). تصدیق شدہ شناختی کارڈ یا پاسپورٹ کی کاپی پراکسی فارم کے ساتھ پیش کی جائے گی۔

(IV). پراکسی فارم کے حامل اصل شناختی کارڈ یا اصل پاسپورٹ میٹنگ کے وقت پیش کرے گا۔

(V). کارپوریشن کی صورت میں بورڈ کی قرارداد اور مختار نامہ اور پراکسی فارم کے حامل کے دستخط کا نمونہ بھی پراکسی فارم کے ساتھ پیش کیا جائے گا۔

سیکرٹری
شہزاد ٹیکسٹائل ملز لمیٹڈ
19-A ظفر علی روڈ گلبرگ V لاہور۔
Tel: +92 (42) 35754024-27