



## COMPANY INFORMATION

**BOARD OF DIRECTORS** : Ijaz Hameed (Chairman/Non Executive Director)  
Mohammad Hameed (Chief Executive/Executive Director)  
Farooq Hameed (Executive Director)  
Aamer Hameed (Non Executive Director)  
Tariq Hameed (Non Executive Director)  
Omer Mohyudin Malik (Independent Director)  
Murtaza Hameed (Non Executive Director)  
Sajid Saleem Minhas (Non Executive Director)

**COMPANY SECRETARY** : Usman Khalid

**CHIEF FINANCIAL OFFICER** : Farooq Hameed  
F.C.A (England & Wales)

**AUDIT COMMITTEE** : Omer Mohyudin Malik (Chairman)  
Sajid Saleem Minhas (Member)  
Murtaza Hameed (Member)

**HUMAN RESOURCE & REMUNERATION COMMITTEE** : Ijaz Hameed (Chairman)  
Omer Mohyudin Malik (Member)  
Tariq Hameed (Member)

**BANKERS** : MCB Bank Limited  
Bank Alfalah Limited

**AUDITORS** : Horwath Hussain Chaudhury & Co.,  
Chartered Accountants

**INTERNAL AUDITOR** : Awan & Co.  
Chartered Accountants

**REGISTERED OFFICE** : 38-Empress Road, Lahore  
Telephones: 36304561-3, 36367861-3  
Telefax: (92-42) 3636 7861  
E-mail: info@prime-service.com

**MILLS** : G.T Road, Gujrat  
Telephone: (92-53) 3514065, 3535085  
Telefax: (92-53) 3513700

**Web Reference** : www.prime-service.com  
www.sitl.com.pk

**Share Registrar** : Corplink (Pvt) Ltd.  
Wings Arcade, 1-K Commercial  
Model Town, Lahore  
Tel: 042-35839182, 35916719



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 56th Annual General Meeting of Service Industries Textiles Limited will be held on 30th October, 2017 at 10am at Registered Office of the Company situated at 38 - Empress Road, Lahore to transact the following businesses:

### Ordinary Business

1. To confirm the minutes of the 55th Annual General Meeting held on October 31, 2016.
2. To receive and adopt the audited accounts together with the Directors and Auditors reports thereon for the year ended June 30, 2017.
3. To appoint auditors for the year ending June 30, 2018 and to fix their remuneration. The retiring auditor's M/s Horwath Hussain Chaudhury & Co. Chartered Accountants, being eligible, have offered themselves for reappointment.

### Special Business

4. To consider and approve increase in the Authorized Capital of the Company from Rs. 100,000,000 (Rupees One Hundred Million) divided into 10,000,000 (Ten Million) Ordinary Shares of Rs. 10/- each to Rs. 200,000,000 (Rupees Two Hundred Million) divided into 20,000,000 (Twenty Million) Ordinary Shares of Rs. 10/- each and corresponding amendments in the Memorandum and Articles of Association of the Company and to pass the following resolutions as Special Resolutions with or without any modification, addition or deletion:

“RESOLVED THAT the Authorized Capital of the Company be and is hereby increased from Rs. 100,000,000 (Rupees One Hundred Million) divided into 10,000,000 (Ten Million) Ordinary Shares of Rs. 10/- each to Rs. 200,000,000 (Rupees Two Hundred Million) divided into 20,000,000 (Twenty Million) Ordinary Shares of Rs. 10/- each.

FURTHER RESOLVED THAT Clause V of the Memorandum of Association be and hereby replaced as under:

5. The Authorized Capital of the Company is Rs. 200,000,000 (Rupees two hundred million only) divided into 20,000,000 (Twenty Million) ordinary shares of Rs.10/- each with powers to increase, reduce, subdivide, consolidate or organize its Capital and to divide the shares in the Capital for the time being into several classes in accordance with the provisions of the Companies Act, 2017.

FURTHER RESOLVED THAT Clause 7 of the Articles of Association of the Company be and hereby replaced as under:

6. The Authorized Capital of the Company is Rs. 200,000,000 (Rupees two hundred million only) divided into 20,000,000 (Twenty Million) ordinary shares of Rs.10/- each with powers to increase, reduce, subdivide, consolidate or organize its Capital and to divide the shares in the Capital for the time being into several classes in accordance with the provisions of the Companies Act, 2017.

FURTHER RESOLVED THAT the Chief Executive Officer or Company Secretary be and are hereby authorized singly to comply with the legal formalities and to file the requisite documents with the Office of Registrar of Companies and SECP.”

7. To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

LAHORE  
Dated: 06 October, 2017

(USMAN KHALID)  
Company Secretary



NOTES:

1. The share transfer books of the company will remain closed from 24.10.2017 to 30.10.2017 (both days inclusive).
2. Transfer received in order up to the close of business on 23-10-2017 will be considered in time to affect the voting rights.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given either personally or by proxy or by attorney, and in case of a corporation by a representative duly authorized.
4. The instrument of proxy duly executed in accordance with the Articles of Association of the company should be deposited at the registered office of the company at least 48 hours before the time of the meeting.
5. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or Passport, Account and participant's I.D numbers, to prove his/her Identity, and in case of proxy must enclose and attested copy of his/her CNIC or Passport. Representatives of corporate members should bring the usual document required for such purpose. The account/sub-account holders of CDC will further have to follow the guidelines as laid down in circular No.1 of 2000 dated January 26, 2000 issued by Securities Exchange commission of Pakistan.
6. All shareholders who had not yet submitted the valid copies of CNIC and NTN certificate(s) are requested to send the copies of the same to the Share Registrar. Shareholders of the company who holds shares in script less form on Central Depository Company of Pakistan Limited. (CDC) are requested to submit/send valid copies of CNIC and NTN certificates directly to their CDC participant (Brokers)/ CDC investor Account Services.
7. The financial statement for the year ended June 30, 2017 shall be uploaded on the company's Website on or before October 07, 2017.
8. Pursuant to SECP S.R.O. 787(I) / 2014 Dated September 08, 2014, members may inform the company to receive the Audited Financial Statements and notices through email. By submitting standard request from available company's website.
9. Shareholders are requested to notify the change of their addresses, if any, to Share Registrar M/s Corplink (Private) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore. Tele No. 35839182, 35916719 and Fax No. 35869037.

STATEMENT UNDER SECTION 136(1) (b) OF THE COMPANIES Act. 2017

This Statement sets out the material facts concerning such special business in terms of Section 136(1)(b) of the Companies Act. 2017, to be transacted at the Annual General Meeting to be held on 30th October 2017.

The present authorized capital of the Company is Rs. 100,000,000 (Rupees Hundred Million) divided into 10,000,000 (Ten Million) Ordinary Shares of Rs. 10/- each. The Board of Directors of the Company has recommended that authorized capital of the company be increased to Rs. 200,000,000 (Rupees Two Hundred Million) divided into 20,000,000 (Twenty Million) Ordinary Shares of Rs. 10/- each.

The necessity of increasing Authorized Capital has been arisen due to further issue of ordinary shares in due course and the present Authorized Capital does not permit such further issue of capital. The Directors of the Company has already accorded their approval for increase in authorize capital and approval of the Company's Shareholders is hereby sought through passing of Resolutions for increase of authorized capital of the company.

The Directors of the Company have no other interest in the aforesaid special business except to the extent of their shareholding.



## Review Report by the Chairman

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Service Industries Textiles Limited is carried out.

For the financial year ended June 30, 2017, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

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

Ijaz Hameed  
Chairman

Lahore  
06 October, 2017

## چیرمین کی جائزہ رپورٹ

سروس انڈسٹریز ٹیکسٹائلز لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ کوڈ آف کارپوریٹ گورننس کے تحت کیا گیا۔ مالی سال برائے 30 جون، 2017 کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزے کا اطمینان بخش ہونا ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دور اندیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، ملیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی سرگرمیوں کو موثر انداز سے پورا کرنا شامل ہیں۔

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

اعجاز حمید

چیرمین

لاہور

مورخہ 6- اکتوبر 2017



## DIRECTORS REPORT

The directors are pleased to present the 56th annual report along with the audited financial statement for the year ended 30 June 2017.

## Operating &amp; Financial Results:

By the grace of Almighty Allah during the year, the Company has earned a net profit after taxation of Rs. 8.808 Million as compared to net loss of Rs. 22.763 Million in preceding year. Turnover for the year is Rs.801.43 Million (2016: Rs.483.00 Million). Major reason for the increase in sale is investments in plant and machinery in preceding years, which resulted in improving the quality of yarn and also the inflationary trend in price of yarn helped us in improving the profit margins.

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

## Key Operational and Financial Data

	JUNE 2017 (Rupees)	JUNE 2016 (Rupees)	JUNE 2015 (Rupees)	JUNE 2014 (Rupees)	JUNE 2013 (Rupees) Restated	JUNE 2012 (Rupees) Restated
Sales	801,429,683	483,006,357	586,437,294	698,542,949	683,246,466	525,054,610
Gross Profit / (Loss)	43,914,909	15,036,603	38,568,273	49,297,173	96,317,915	23,292,205
Operating Profit/(Loss)	21,067,190	(8,756,119)	13,734,096	28,638,102	80,371,085	8,945,199
Profit/(Loss) before Tax	8,132,206	(18,025,499)	32,148,906	27,264,348	65,424,969	(19,851,576)
Tax	676,323	(4,737,482)	(2,051,342)	(522,968)	(451,351)	577,532
Profit/(Loss) after Tax	8,808,529	(22,762,981)	30,097,564	26,741,380	64,973,618	(19,274,044)
Total Assets	555,565,690	610,420,908	569,018,132	583,894,700	447,751,266	444,386,408
Current Liabilities	108,390,536	151,979,253	72,941,223	68,865,224	69,785,595	170,807,211
	447,175,154	458,441,655	496,076,909	515,029,476	377,965,671	273,579,197
Presented by:						
Equity-net	353,054,803	343,859,564	366,129,584	220,066,518	67,170,244	1,685,495
Long term loans & leases	60,700,000	72,700,090	84,700,090	243,360,514	278,571,212	236,316,081
Deferred Liability	33,420,351	41,882,001	45,247,235	51,602,444	32,224,215	35,577,621
	447,175,154	458,441,655	496,076,909	515,029,476	377,965,671	273,579,197

## EPS:

Earning per share (basic) for the year ended June 30, 2017 is Rs1.98 (2016:Rs.-5.12)

## Future Prospects:

Although the performance of the Company is satisfactory but we foresee challenging times ahead. Textile sector is already facing an uphill task and uncertain future. Due to high prices and irregular supply of power, Pakistan has lost its competitive edge with respect to low cost of doing business regionally that has resulted in declining the country's share in international market and hence numerous units have shut down their operations since 2014. Furthermore, billions of rupees are stuck in sales tax refunds, which have severely affected the liquidity of textile sector that should be released immediately.

We are fully aware of the challenges and are prepared to do everything possible to mitigate the adverse impact of such an event as far as it is under the control of management. In regard with regional competitiveness our industry suffers due to the availability and quality of our cotton crop. But we do fore see that in near future both these issues will be addressed by our efforts on a national level. We do hope that cotton crop will be good this year as it is essential for the competitiveness and sustainability of textile sector. We also expect that Government not merely announced the textile package but implement it fully in true letter and spirit. Therefore we are very hopeful that current crisis will be over in the coming year and we remain hopeful of the improving macro and micro economic situation of the Country.

## Payment of Dividend:

We regret to inform that no dividend has been declared by the Company during the year due to reinvestment of profits in cotton stock. As you are well aware of the fact that currently we are not availing any working capital limit from any bank and are in the process of building a buffer stock of cotton for the coming months in which cotton is not available. Also we intend to enhance our production capacity by investing in plant and machinery in coming year. Because of all these factors we are unable to declare the dividend for the current year.

## Emphasis of Matter in Auditor's Report

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

## Corporate &amp; Financial Reporting Framework:

- The financial statements prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriated accounting policies have been consistently applied in the preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International financial reporting standards as applicable in Pakistan have been followed in preparation of financial statements.



- e) The system of internal control is sound in design and has been effectively implemented and monitored. The process of review will continue and any weakness in control will be removed.
- f) Six year financial summary is annexed.
- g) Pattern of shareholdings as on June 30, 2017 and its disclosure as required by the Code of Corporate Governance is annexed with this report.
- h) The Company has adopted best practices of corporate governance as per listing regulations of stock exchanges where it is listed.
- i) Auditors have added an emphasis of matter para in their report that has been dealt in the preceding section of Director's report.

#### Internal Control System:

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

#### Statutory Payments:

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

#### Board of Directors Meeting:

During the year ended 30 June 2017, the Board of Directors held four meetings. Attendance of each director is given hereunder:

Mohammad Hameed	6
Ijaz Hameed	6
Farooq Hameed	5
Aamer Hameed	6
Tariq Hameed	6
Sajid Saleem Minhas	6
Murtaza Hameed	6
Omer Mohyudin Malik	6

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

#### Audit Committee Meeting:

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

Omer Mohyudin Malik	4
Sajid Saleem Minhas	4
Murtaza Hameed	4

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

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

Ijaz Hameed	2
Omer Mohyudin Malik	2
Tariq Hameed	2

#### Value of Investment of Gratuity Fund:

The Company has maintained a Gratuity fund for its employees however there are no plan assets covering this liability as on June 30, 2017.

#### Books of Accounts:

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

#### Auditors:

M/s Horwath Hussain Chaudhury & Co., Chartered Accountants retired and being eligible, offered themselves for re-appointment and the Board's Audit Committee has also recommended their re-appointment which is endorsed by the Board for the year ending 30 June 2018.

#### Safety, Health and Environment:

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

#### Pattern of Shareholding:

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

#### Acknowledgement:

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

For & on behalf of the Board of Directors

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director



## ڈائریکٹرز رپورٹ

کمپنی ڈائریکٹر 30 جون 2017ء کو ختم ہونے والے سال کی 56 ویں سالانہ رپورٹ بعد مالیاتی حسابات اور آڈٹ رپورٹ پیش کرتے ہیں۔

کمپنی کی کارکردگی:

الحمد للہ کمپنی کو گزشتہ سال کے 22,763 ملین روپے کے مقابلے میں سال رواں 8.08 ملین روپے کا منافع ہوا۔ کمپنی کا ٹرن آور اس سال 801.43 ملین روپے رہا (2016: 483 ملین روپے)۔ ٹرن آور میں اضافہ کی بنیادی وجہ گزشتہ سالوں میں مشینری میں کی گئی سرمایہ کاری ہے جسکی وجہ سے دھانگے کی کوالٹی بہتر ہوئی اور دھانگے کو اچھے دھانوں میں بیچ سکے اسی لئے کمپنی کے نتائج بہتر آئے۔ آج کل کے حالات میں کمپنی کو چلتی حالت میں رکھنا ایک چیلنج ہے۔ آپ کی کمپنی کے ڈائریکٹر کمپنی کو چلانے کیلئے پرعزم ہیں۔ اس لئے وہ اپنی بھرپور کوشش کر رہے ہیں کہ کمپنی مسابقتی طور پر چلتی رہے۔ کلیدی آپریشنل اور مالیاتی ڈیٹا:

جون 2017ء (روپے)	جون 2016ء (روپے)	جون 2015ء (روپے)	جون 2014ء (روپے)	جون 2013ء (روپے)	جون 2012ء (روپے)
801,429,683	483,006,357	586,437,294	698,542,949	683,246,466	525,054,610
43,914,909	15,036,603	38,568,273	49,297,173	96,317,915	23,292,205
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676,323	(4,737,482)	(2,051,342)	(522,968)	(451,351)	577,532
8,808,529	(22,762,981)	30,097,564	26,741,380	64,973,618	(19,274,044)
555,565,690	610,420,908	569,018,132	583,894,700	447,751,266	444,386,408
108,390,536	151,979,253	72,941,223	68,865,224	69,785,595	170,807,211
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33,420,351	41,882,001	45,247,235	51,602,444	32,224,215	35,577,621
447,175,154	458,441,655	496,076,909	515,029,476	377,965,671	273,579,197

فی شیئر آمدنی:

30 جون 2016ء کے لئے فی شیئر آمدنی 1.98 روپے رہی (5.12 - 2016)

مشغلوں کے امکانات:

گوکہ سال رواں میں کمپنی بہتر نتائج دے پائی لیکن ہم آنے والا وقت میں ٹیکسٹائل کے شعبہ میں مشکلات دیکھے ہیں۔ خطے میں کم کاروباری لاگت کی مسابقتی برتری کھولنے کی وجہ سے پاکستان کا عالمی مارکیٹ میں ٹیکسٹائل کا شیئر کم ہو گیا ہے۔ جس کی بنیادی وجہ گیس بجلی کی قیمتوں اضافہ اسکی مسلسل فراہمی میں تاخیر، تنخواہوں میں اضافہ وغیرہ ہے۔ ان وجوہات کی بنا پر گزشتہ سالوں میں کمپنی ٹیکسٹائل پلانٹ بند ہوئے ہیں۔ اس کے علاوہ ٹیکسٹائل شعبے کے کئی ملین روپے سیکورٹیز ریفرنڈ میں پیسے ہوئے ہیں۔ ہم ان مشکلات سے بخوبی آگاہ ہیں اس کا مقابلہ کرنے کیلئے تیار ہیں تاکہ اس کا منفی اثر کم سے کم ہو۔ ہم پرامید ہیں کہ اس سال کمپنی کی فصل اچھی ہوگی وجہ کہ ٹیکسٹائل سیکٹر کی مسابقت اور پائیداری کیلئے ضروری ہے۔ ہم یہ بھی امید کرتے ہیں کہ گورنمنٹ ٹیکسٹائل سیکٹر کے اعلان شدہ کیلج کا صبح معنوں میں عملدرآمد کرے گی۔ جسکی وجہ سے ہم پرامید ہیں کہ موجودہ بحران آنے والے سالوں میں ختم ہو جائے گا۔ ہم کئی معیشت کے بہتر ہونے کے لئے پرامید ہیں۔

ڈیویڈنڈ کی ادائیگی:

اس سال کمپنی نے ڈیویڈنڈ کا اعلان نہیں کیا۔ جیسا کہ آپ جانتے ہیں کہ آپ کی کمپنی کے پاس اس وقت کوئی ورکنگ کپٹل لمٹ نہیں اور مل کو چلانے کیلئے ضروری ہے کہ منافع کو کمپاس کے اسٹاک میں لگایا جائے تاکہ ان دنوں کیلئے ایک بفر اسٹاک قائم کیا جاسکے جب کمپاس آسانی سے دستیاب نہیں ہو۔ علاوہ ازیں کمپنی آئندہ سال میں اپنی پیدوار کی کچھ بڑھانے کیلئے مشینری میں انویسٹمنٹ کا ارادہ رکھتی ہے۔ ان وجوہات کی بنا پر کمپنی ڈیویڈنڈ کا اعلان نہیں کر سکی۔ آڈٹ رپورٹ میں انصاف آف میسرز:

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

کارپوریٹ گورننس اور مالیاتی رپورٹنگ کا طریقہ کار:

- 1- کمپنی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات، اسکے امور پر مشتمل نتائج، نقدی بہاؤ اور ایجوکیشنل تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- 2- کمپنی کے اعداد و شمار بالکل صحیح طور سے بنائے گئے ہیں۔
- 3- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور آئندہ ریزرو فیصلوں پر مبنی ہیں۔
- 4- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے۔
- 5- اندرونی کنٹرول کے نظام کا ڈیزائن منظم ہے اور اسکی موثر طریقے سے عمل درآمد اور نگرانی کی جاتی ہے۔



- 6- گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ثریات منسلک ہیں۔
- 7- پیٹرن آف شیئر ہولڈنگ برائے سال 30 جون 2017 کا انکشاف کوڈ آف کارپوریٹ گورننس کے مطابق اس رپورٹ کے ساتھ منسلک ہے۔
- 8- کمپنی نے کارپوریٹ گورننس کے بہترین طریقہ کو اختیار کیا ہے جو کہ اسٹاک ایکسچینج کے مطابق ہے۔
- 9- آڈیٹرز نے آڈٹ رپورٹ میں انٹیمیز آف بیسٹ پیراکا اضافہ کیا ہے جو کہ پچھلے پیراگراف میں تفصیلاً بیان ہو چکا ہے۔

اندرونی کنٹرول کا نظام:

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

قانونی ادائیگیاں:

کوئی قانونی ادائیگی واجب الادا نہیں جو 30 جون 2017 کو چھاپا ہوں ماسوائے ان کے جن کا مالی حسابات میں ظاہر کیا گیا۔

بورڈ آف ڈائریکٹرز کے اجلاس:

فیم ہونے والے سال 30 جون 2017 میں 6 اجلاس ہوئے۔ حاضری کی پوزیشن مندرجہ ذیل ہے:

☆	محمد حمید	6
☆	انچاز حمید	6
☆	فاروق حمید	5
☆	عامر حمید	6
☆	طارق حمید	6
☆	عابد حسین	6
☆	مرقسی حمید	6

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

آڈٹ کمیٹی کے اجلاس:

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

☆	عمری الدین ملک	4
☆	ساجد سلیم منہاس	4
☆	مرقسی حمید	4

ہیومن ریسورس اینڈ ریمیزیشن کے اجلاس:

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

☆	انچاز حمید	2
☆	عمری الدین ملک	2
☆	طارق حمید	2

گرہجی کنڈری ویلیو آف انویسٹمنٹ:

کمپنی نے اپنے ملازمین کیلئے گرہجی کنڈری کنٹریوٹرز قرار رکھا ہوا ہے لیکن اس 30 جون 2017 کو کوئی پلان ایٹ اس لائسنس کو کوئی نہیں کرتا۔

حسابات کی کتب:

کمپنی نے اپنے رجسٹر آف انس میں مکمل حسابات کی کتب رکھی ہوئی ہیں۔

آڈیٹرز:

میسرز باروتھ حسن چوہدری اینڈ کمپنی ریٹائر ہو گئے ہیں۔ اہل ہونے کی بناء پر سال 2017-18 کیلئے بطور آڈیٹرز دوبارہ تقرری کیلئے خود کو پیش کرتے ہیں۔ اور آڈٹ کمیٹی بھی ان کے تقرر کی سفارش کرتے ہیں جسکو بورڈ آف ڈائریکٹرز کی بھی تائید حاصل ہے۔

تحفظ صحت اور ماحول:

ہم اپنے ملازمین اور عوام کیلئے اعلیٰ معیار کے تحفظ صحت اور ماحول کیلئے پرعزم ہیں۔ ہم اپنے ملازمین کو صاف تھراہت مند اور محفوظ حالات فراہم کرنے کے لئے پرعزم ہیں۔ ہمارے تمام ملازمین اپنے تحفظ کی محفوظ پیادار کی اور عام مال کی محفوظ ادائیگی، چیلنگ اور سٹوریج کی مشق کر دینی جاتی ہے۔

ان مشقوں اور اللہ تعالیٰ کے خصوصی کرم کی وجہ سے کوئی بڑا حادثہ نہیں ہوا۔

پیٹرن آف شیئر ہولڈنگ:

پیٹرن آف شیئر ہولڈنگ اور اضافی معلومات کیلئے سہولت سے منسلک ہیں۔ کمپنی کے شیئرز میں چیف ایگزیکٹو بی ایف او اور جینی کلریری، ان کی سپاؤز نے اور ان کے چھوٹے بچوں نے کوئی تجارت / کاروبار نہیں کیا ہے۔

اعتراف:

کمپنی اپنے ملازمین، شیئر ہولڈرز اور دیگر ذمہ دار کے مسلسل تعاون پر شکر گزار ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے

محمد حمید

چیف ایگزیکٹو

عامر حمید

ڈائریکٹر

لاہور  
مورخہ 6- اکتوبر 2017





**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 30 June 2017**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 5.19.24 of listing regulations of 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 CCG in the following manner.

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

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

The independent directors meet the criteria of independence as per clause 5.19.1.(b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a Stock Exchange, has been declared as defaulter by that Stock Exchange.
4. No casual vacancy occurred in the Board during the year.
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 meeting of the Board was 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 7 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause 5.19.7 of PSX rules, majority of the directors of the company are exempted from the requirement of Director's training program.
10. The Board has approved appointment of CFO, Company Secretary, and Internal Auditor including their remuneration and terms and conditions of employment. No new appointment of Chief Financial Officer, Company Secretary or Head of Internal Audit was made during the year.



11. The directors' 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 by the Board.
13. The directors, CEO, and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.
16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, all of whom are non-executive directors.
18. The board has out sourced the internal audit function to Awan & Co who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the 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 ICAP.
20. The statutory auditors or 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/financial results and business decisions which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees, and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated and senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For & on behalf of the Board of Directors

(MOHAMMAD HAMEED)  
Chief Executive

Lahore  
Dated: 06 October, 2017

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

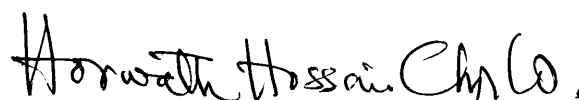
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Service Industries Textiles Limited ("the Company") for the year ended June 30, 2017 to comply with the requirements of Listing Regulations No. 5.19.24 of the Rule Book of Pakistan Stock Exchange 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 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 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 June 30, 2017.



Lahore  
Dated: 06 October, 2017

(HORWATH HUSSAIN CHAUDHURY & CO.)  
Chartered Accountants

(Engagement Partner: Amin Ali)

## SERVICE INDUSTRIES TEXTILES LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Service Industries Textiles Limited as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

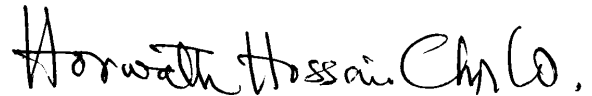
It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to Note 1.2 of accompanied financial statements which states that as of June 30, 2017 the current liabilities of the Company exceed its current assets by Rs. 47.924 million and it has accumulated loss of Rs. 202.427 million. These factors indicate the existence of a material uncertainty, which may cast doubt about the Company's ability to continue as going concern. Our opinion is not qualified in respect of this matter.



(HORWATH HUSSAIN CHAUDHURY & CO.)  
Chartered Accountants

(Engagement Partner: Amin Ali)

Lahore  
Dated: 06 October, 2017



**BALANCE SHEET AS AT JUNE 30, 2017**

	Note	2017 Rupees Restated	2016 Rupees Restated
<b>CAPITAL AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized share capital			
10,000,000 (2016: 10,000,000) ordinary shares of Rs. 10 each		100,000,000	100,000,000
Issued, subscribed and paid up capital	6	44,491,590	44,491,590
Share deposit money	7	150,000,000	150,000,000
General reserve	8	-	35,000,000
Accumulated loss		(202,426,848)	(254,406,127)
		(7,935,258)	(24,914,537)
Surplus on Revaluation of Property, Plant and Equipment	9	360,990,061	368,774,101
<b>Non Current Liabilities</b>			
Long term financing	10	60,700,000	72,700,090
Staff retirement benefits	11	10,604,785	10,508,941
Deferred tax liability	12	22,815,566	31,373,060
		94,120,351	114,582,091
<b>Current Liabilities</b>			
Trade and other payables	13	76,347,261	123,927,644
Accrued markup on long term financing		11,907,678	9,811,841
Current portion of long term financing	10	12,000,090	13,409,704
Provision for taxation	14	8,135,507	4,830,064
		108,390,536	151,979,253
Contingencies and Commitments	15	-	-
		555,565,690	610,420,908

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

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

Farooq Hameed  
Chief Financial Officer



## BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017 Rupees Restated	2016 Rupees Restated
ASSETS			
Non Current Assets			
Property, plant and equipment	16	483,657,318	498,418,698
Long term deposits	17	11,442,037	11,442,037
		495,099,355	509,860,735
Current Assets			
Stores and spares	18	4,727,083	4,692,626
Stock in trade	19	28,748,079	75,171,290
Trade debts	20	-	61,004
Sales tax refunds due from the government		1,214,173	-
Advances, prepayments and other receivables	21	8,149,734	8,917,733
Cash and bank balances	22	17,627,266	11,717,520
		60,466,335	100,560,173
		555,565,690	610,420,908

Mohammad Hameed  
Chief ExecutiveAamer Hameed  
DirectorFarooq Hameed  
Chief Financial Officer



**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
Sales	23	801,429,683	483,006,357
Cost of sales	24	(757,514,774)	(467,969,754)
Gross Profit		43,914,909	15,036,603
Operating expenses:			
- Distribution costs	25	(657,109)	(814,043)
- Administrative expenses	26	(22,190,610)	(22,978,679)
		(22,847,719)	(23,792,722)
Operating Profit / (Loss)		21,067,190	(8,756,119)
Finance cost	27	(7,785,809)	(8,739,380)
Other operating expenses	28	(5,149,175)	(530,000)
		(12,934,984)	(9,269,380)
Profit / (Loss) before Taxation		8,132,206	(18,025,499)
Taxation	29	676,323	(4,737,482)
Net Profit / (Loss) for the Year		8,808,529	(22,762,981)
Earnings / (Loss) per Share - Basic	30	1.98	(5.12)
Earnings / (Loss) per Share - Dilutive	30	0.45	(1.17)

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

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

Farooq Hameed  
Chief Financial Officer



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2017**

	2017 Rupees	2016 Rupees
Net Profit / (Loss) for the Year	8,808,529	(22,762,981)
Other Comprehensive Income for the Year		
Items that will be reclassified to profit and loss	-	-
Items that will not be reclassified to profit and loss		
Experience adjustment on remeasurement of staff retirement benefits - net of deferred tax	386,710	492,961
Total Comprehensive Income / (Loss) for the Year	<u>8,808,529</u>	<u>(22,270,020)</u>

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

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

Farooq Hameed  
Chief Financial Officer



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2017**

	2017 Rupees	2016 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (loss) before taxation	8,132,206	(18,025,499)
Adjustments for:		
- Depreciation	21,200,060	22,105,906
- Provision for gratuity	4,235,723	3,775,966
- Advances to employees written off	98,040	-
- Provision for bad debts	27,432	-
- Provision against advance to suppliers	1,928,054	-
- Write-down of inventories to net realizable value	983,036	-
- Workers' (profit) participation fund	477,324	-
- Workers' welfare fund	165,963	-
- Finance cost	7,748,883	8,190,204
	<u>36,864,515</u>	<u>34,072,076</u>
Operating profit before working capital changes	44,996,721	16,046,577
(Increase) / decrease in current assets:		
- Stores and spares	(34,457)	(931,536)
- Stock in trade	45,440,175	(43,955,695)
- Trade debts	33,572	774,882
- Sales tax refunds due from the government	(1,214,173)	-
- Advances, prepayments and other receivables	(537,538)	(446,809)
(Decrease) / increase in current liabilities:		
- Trade and other payables	(48,223,670)	71,832,465
	<u>(4,536,091)</u>	<u>27,273,307</u>
Cash generated from operations	40,460,630	43,319,884
Income tax paid	(5,462,018)	(11,548,849)
Workers' welfare fund paid	-	(642,978)
Finance cost paid	(5,653,046)	(554,115)
Gratuity paid	(3,587,436)	(3,222,452)
Net Cash generated from Operating Activities	25,758,130	27,351,490
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,438,680)	(15,674,178)
Long term deposits	-	(1,382,473)
Net Cash used in Investing Activities	(6,438,680)	(17,056,651)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing - net	(13,409,704)	(10,590,296)
Net Cash used in Financing Activities	(13,409,704)	(10,590,296)
Net Increase / (Decrease) in Cash and Cash Equivalents	5,909,746	(295,457)
Cash and cash equivalents at the beginning of the year	11,717,520	12,012,977
Cash and Cash Equivalents at the End of the Year	<u>17,627,266</u>	<u>11,717,520</u>

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

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

Farooq Hameed  
Chief Financial Officer



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2017**

	Share Capital Rupees	Share Deposit Money Rupees	General Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at June 30, 2015	44,491,590	150,000,000	35,000,000	(240,785,040)	(11,293,450)
Net loss for the year	-	-	-	(22,762,981)	(22,762,981)
Other comprehensive income for the year	-	-	-	492,961	492,961
Total comprehensive loss for the year	-	-	-	(22,270,020)	(22,270,020)
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax	-	-	-	8,648,933	8,648,933
Balance as at June 30, 2016	44,491,590	150,000,000	35,000,000	(254,406,127)	(24,914,537)
Net profit for the year	-	-	-	8,808,529	8,808,529
Other comprehensive income for the year	-	-	-	386,710	386,710
Total comprehensive income for the year	-	-	-	9,195,239	9,195,239
Transfer to accumulated loss	-	-	(35,000,000)	35,000,000	-
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current year - net of deferred tax	-	-	-	7,784,040	7,784,040
Balance as at June 30, 2017	44,491,590	150,000,000	-	(202,426,848)	(7,935,258)

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

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

Farooq Hameed  
Chief Financial Officer



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Note 1****The Company and its Operations**

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1.1 Service Industries Textiles Limited (the Company) was incorporated in Pakistan in 1962 as a Private Limited Company under the repealed Companies Act 1913, (now the Companies Ordinance, 1984) and was subsequently converted into a Public Limited Company in 1970. The Company is listed on the Pakistan Stock Exchange. The principal activity of the Company is manufacturing and sale of yarn made from raw cotton and synthetic fiber. The registered office of the Company is situated at 38 - Empress Road, Lahore.

1.2 Going concern assumption

As at June 30, 2017, the current liabilities of the Company exceed its current assets by Rs. 47.924 million (2016: Rs. 51.419 million) and it has accumulated loss of Rs. 202.427 million (2016: Rs. 254.406 million). These factors raise doubts about the Company being a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

**Note 2****Basis of Preparation**

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2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). 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 and 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 certain property, plant and equipment that have been stated at revalued amounts and post employment benefits that are stated at present 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.



## Note 3

## Changes in Accounting Standards, Interpretations and Pronouncements

## 3.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

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

	Effective Date (Period beginning on or after)
IFRS 7 - Financial Instruments: Disclosures [Amendments]	January 01, 2016
IAS 1 - Presentation of Financial Statements [Amendments]	January 01, 2016
IAS 16 - Property, Plant and Equipment [Amendments]	January 01, 2016
IAS 38 - Intangible Assets [Amendments]	January 01, 2016
IAS 19 - Employee Benefits [Amendments]	January 01, 2016

## 3.2 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.

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

- i) IAS 7 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers balance sheet items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided.
- ii) IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after January 1, 2018). This standard is yet to be notified by the SECP. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations.

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

There are number of other standards, amendments and interpretations to the published standards that are neither relevant nor yet effective and, therefore, have not been presented here.



Note 4  
Use of Estimates and Judgments

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The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

4.1 Property, plant and equipment

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

4.2 Staff retirement benefits

The Company has recorded its employee retirement benefits at present value using actuarial assumptions regarding increase in salaries in subsequent years, 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.

4.3 Inventories

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

4.4 Taxation

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



## Note 5 Significant Accounting Policies

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

### 5.1 Provisions

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

### 5.2 Staff retirement benefits

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

### 5.3 Trade and other payables

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

### 5.4 Taxation

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

#### 5.4.1 Current

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

#### 5.4.2 Deferred

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

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

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

Carrying amounts of deferred tax assets are reviewed at each balance sheet date and is recognized only to the extent that it is probable that future taxable profits will be available against which assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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



## Note 5, Significant Accounting Policies - Contd...

## 5.5 Property, plant and equipment

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

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

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

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

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

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

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

**Capital work-in-progress**

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

## 5.6 Impairment of Assets

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

## 5.7 Stores and spares

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





## Note 5, Significant Accounting Policies - Contd...

## 5.8 Stock in trade

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

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

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

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

## 5.9 Long term financing

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

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

## 5.10 Trade debts

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

## 5.11 Cash and cash equivalents

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

## 5.12 Mark-up, interest and other charges

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

## 5.13 Related party transactions

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

## 5.14 Financial instruments

## 5.14.1 Financial assets

## 5.14.1.1 Classification

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



## Note 5, Significant Accounting Policies - Contd...

## Financial assets at fair value through profit and loss

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

## Loans and receivables

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

## Available-for-sale financial assets

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

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

## Held to maturity

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

## 5.14.1.2 Initial recognition and measurement

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

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

## 5.14.1.3 Subsequent measurement

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

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

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

## 5.14.1.4 Derecognition

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

## 5.14.2 Financial liabilities

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



## Note 5, Significant Accounting Policies - Contd...

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

## 5.14.3 Offsetting of financial assets and liabilities

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

## 5.15 Foreign currency transactions and translation

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

## 5.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

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

## 5.17 Segment reporting

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

## 5.18 Contingent liabilities

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

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

## 5.19 Dividend and other appropriations

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



## Note 6

## Issued, Subscribed and Paid up Capital

2017	2016		2017	2016
Number of shares			Rupees	Rupees
2,884,580	2,884,580	Ordinary shares of Rs. 10 each	28,845,800	28,845,800
23,400	23,400	Ordinary shares of Rs. 10 each issued for consideration other than cash	234,000	234,000
1,541,179	1,541,179	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	15,411,790	15,411,790
<u>4,449,159</u>	<u>4,449,159</u>		<u>44,491,590</u>	<u>44,491,590</u>

6.1 No shares have been issued, redeemed or cancelled during the year.

## Note 7

## Share Deposit Money

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

## Note 8

## General Reserve

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

## Note 9

## Surplus on Revaluation of Property, Plant and Equipment

	2017	2016
	Rupees	Rupees
Land - Freehold	290,933,702	290,933,702
Factory buildings on freehold land	48,274,857	53,638,730
Plant and machinery	28,664,419	31,849,354
Gas generator	845,091	938,990
Electric fittings	56,032	62,258
	<u>368,774,101</u>	<u>377,423,034</u>
Incremental depreciation charged on revalued property, plant and equipment in current year transferred to retained earnings - net of deferred tax	<u>(7,784,040)</u>	<u>(8,648,933)</u>
	<u>360,990,061</u>	<u>368,774,101</u>

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

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

This resulted in revaluation surplus of Rs. 150.457 million.



Note 10

Long Term Financing

	Note	2017 Rupees	2016 Rupees
Related parties - Unsecured			
Loan from Directors	10.1	72,700,090	86,109,794
Less: Current portion		(12,000,090)	(13,409,704)
		<u>60,700,000</u>	<u>72,700,090</u>

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

Note 11

Staff Retirement Benefits

	Note	2017 Rupees	2016 Rupees
Staff retirement benefits - Gratuity		<u>10,604,785</u>	<u>10,508,941</u>

- 11.1 Latest actuarial valuation of the gratuity scheme was conducted as on June 30, 2017. Results of actuarial valuation are as under:

- 11.2 Movement in net liability for staff gratuity

Opening balance	11.4	10,508,941	10,448,388
Charge for the year		4,235,723	3,775,966
Net remeasurements for the year - Other comprehensive income		(552,443)	(492,961)
		<u>14,192,221</u>	<u>13,731,393</u>
Benefits paid during the year		(3,587,436)	(3,222,452)
		<u>10,604,785</u>	<u>10,508,941</u>

- 11.3 The movement in present value of defined benefit obligation is as follows:

Opening balance		10,508,941	10,448,388
Current service cost for the year		3,603,869	2,605,042
Interest cost for the year		631,854	1,170,924
Experience adjustment		(552,443)	(492,961)
Benefits paid during the year		(3,587,436)	(3,222,452)
Closing balance		<u>10,604,785</u>	<u>10,508,941</u>

- 11.4 Charge for the year

Current service cost		3,603,869	2,605,042
Interest cost		631,854	1,170,924
		<u>4,235,723</u>	<u>3,775,966</u>

- 11.5 Actuarial assumptions

Balance sheet liability and charge for the current year has been determined on the basis of actuarial estimates provided by the actuary as under:

Discount rate - per annum	7.75%	7.25%
Expected rate of increase in salary level - per annum	6.75%	6.25%
Average expected remaining working lives of employees	8 Years	6 Years
Expected mortality rate for active employees	SLIC (2001-2005) Mortality Table	
Actuarial valuation method	Projected Unit Credit Method	



Note 11, Staff Retirement Benefits - Contd...

11.6 Estimated Charge for the year 2017-2018

Current service cost  
Interest cost

Rupees

2,601,250  
758,446  
3,359,696

11.7 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes as 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:

	Change in assumption %	Increase in assumption Rupees	Decrease in assumption Rupees
Discount rate	1%	9,860,537	11,457,068
Salary increase	1%	11,481,200	9,825,102

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

	2017 Rupees	2016 Rupees	2015 Rupees	2014 Rupees	2013 Rupees
Present value of defined benefit obligation	10,604,785	10,508,941	10,448,388	9,791,229	2,969,134
Fair value of plan asset	-	-	-	-	-
Net deficit	<u>10,604,785</u>	<u>10,508,941</u>	<u>10,448,388</u>	<u>9,791,229</u>	<u>2,969,134</u>

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

	Note	2017 Rupees	2016 Rupees
Cost of sales	24	3,676,438	3,444,091
Distribution costs	25	27,109	37,500
Administrative expenses	26	532,176	294,375
		<u>4,235,723</u>	<u>3,775,966</u>



Note 12

Deferred Tax Liability

	2017 Rupees	2016 Rupees
Deferred tax liability on taxable temporary differences arising in respect of:		
- Accelerated tax depreciation on property, plant and equipment	14,360,068	16,284,983
- Surplus on revaluation of property, plant and equipment	30,730,997	34,145,553
	45,091,065	50,430,536
Deferred tax asset on deductible temporary differences arising in respect of:		
- Unused tax losses	(15,904,794)	(15,904,794)
- Provision for Workers' (profit) participation fund	(2,867,679)	-
- Provision for Workers' welfare fund	(321,590)	-
- Staff retirement benefits and others	(3,181,436)	(3,152,682)
	(22,275,499)	(19,057,476)
	<u>22,815,566</u>	<u>31,373,060</u>

- 12.1 Deferred tax asset on tax losses available for carry forward has been recognized to the extent that the realization of related tax benefit is probable from reversal of existing taxable temporary differences and future taxable profit. Management's assertion of future taxable profit is mainly based on increasing sales. Being prudent, the Company has yet not recognized deferred tax assets of Rs. 32.08 million (2016: Rs. 48.13 million) in respect of unused tax losses and available tax credits. Unused tax losses on which deferred tax asset has not been recognized represent unabsorbed depreciation losses, which can be carried forward for unlimited time, and other tax credits.

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

Opening balance	31,373,060	34,798,847
Charged to other comprehensive income	165,733	-
Charged to the profit and loss account	(8,723,227)	(3,425,787)
Closing balance	<u>22,815,566</u>	<u>31,373,060</u>

Note 13

Trade and Other Payables

	Note	2017 Rupees	2016 Rupees
Trade creditors - Raw materials and others		35,564,055	25,495,942
Accrued liabilities		21,376,149	12,928,181
Advances from customers		4,487,949	69,401,050
Workers' (profit) participation fund	13.1	9,558,930	8,310,628
Workers' welfare fund		1,071,968	906,005
Income tax withheld		4,050,207	3,745,508
Sales tax payable		5,016	1,773,216
Other liabilities		-	1,134,127
Unclaimed dividends		232,987	232,987
		<u>76,347,261</u>	<u>123,927,644</u>
13.1 Workers' (profit) participation fund			
Opening balance		8,310,628	7,803,416
Provision for the year		477,324	-
Interest on workers' (profit) participation fund		770,978	507,212
		9,558,930	8,310,628
Paid during the year		-	-
Closing Balance		<u>9,558,930</u>	<u>8,310,628</u>



## Note 14

## Provision for Taxation

	2017	2016
	Rupees	Rupees
Opening balance	4,830,064	6,600,871
Provision for current year	8,135,507	4,830,064
Prior years charge / tax credits	(1,445,720)	3,333,205
	11,519,851	14,764,140
Payments / adjustments during the year	(3,384,344)	(9,934,076)
	<u>8,135,507</u>	<u>4,830,064</u>

14.1 Income tax assessments are deemed finalized up to the Tax Year 2016 as returns were filed under self assessment scheme.

## Note 15

## Contingencies and Commitments

## Contingencies

15.1 Sui Northern Gas Pipelines Limited (SNGPL) has demanded an amount of Rs. 7.42 million (2016: Rs. 6.36 million) from the Company in respect of Gas Infrastructure Development Cess under the Gas Infrastructure Development Cess Act, 2015. However, the Company denies the claim and has filed a suit through APTMA before the Honourable Lahore High Court which is pending for adjudication. Based on the advice of legal counsel, the management is of the view that there are meritorious grounds to defend the Company's position and it would be resolved in the Company's favor. Hence, no provision has been made in these financial statements.

## Commitments

15.2 There are no material commitments outstanding as at the balance sheet date (2016: Nil).





Note 16  
Property, Plant and Equipment

16.1 Operating fixed assets for the Year Ended June 30, 2017

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

16.2 Operating fixed assets for the Year Ended June 30, 2016

Particulars	Cost / Revalued Amount			Depreciation				Written Down Value as at June 30, 2016
	As at July 01, 2015	Additions / (Disposals)	Total as at June 30, 2016	Rate	As at July 01, 2015	For the year	Total as at June 30, 2016	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	
Land - freehold	290,950,000	-	290,950,000	-	-	-	-	290,950,000
Factory building on freehold land	92,332,000	3,598,746	95,930,746	10	9,233,200	8,669,755	17,902,955	78,027,791
Plant and machinery	118,102,522	10,966,750	129,069,272	10	11,510,351	11,256,293	22,766,644	106,302,628
Furniture and fixtures	7,037,586	38,225	7,075,811	10	6,297,128	76,594	6,373,722	702,089
Gas generator	19,080,661	3,490,453	22,571,114	10	1,302,689	1,833,300	3,135,989	19,435,125
Vehicles	2,815,298	1,104,000	3,919,298	20	2,773,940	63,472	2,837,412	1,081,886
Electric fittings, equipment and appliances	5,592,590	74,750	5,667,340	10	3,541,669	206,492	3,748,161	1,919,179
Library books	11,856	-	11,856	10	11,856	-	11,856	-
Total Rupees	535,922,513	19,272,924	555,195,437		34,670,833	22,105,906	56,776,739	498,418,698

16.3

	2017 Rupees	2016 Rupees
Factory and colony building on freehold land:		
- Opening balance	-	3,598,746
- Additions during the year	-	-
- Transferred to factory building on freehold land	-	(3,598,746)
- Closing balance	-	-

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

	As on June 30, 2017		
	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees
Land	16,298	-	16,298
Factory building	42,956,538	35,224,904	7,731,634
Plant and machinery	344,865,989	284,380,669	60,485,320
Gas generator	34,535,720	18,139,481	16,396,239
Electric fittings, equipment and appliances	15,573,861	13,737,218	1,836,643
	437,948,406	351,482,272	86,466,134

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

	2017 Rupees	2016 Rupees
Note		
Cost of sales	24	20,728,282
Administrative expenses	26	471,778
		21,200,060
		22,105,906



Note 17  
Long Term Deposits

	2017	2016
	Rupees	Rupees
Sui Northern Gas Pipeline Limited	8,968,607	9,962,037
WAPDA	2,920,000	1,480,000
	<u>11,442,037</u>	<u>11,442,037</u>

Note 18  
Stores and Spares

	2017	2016
	Rupees	Rupees
Stores and spares	2,952,427	3,220,773
Packing materials	1,774,656	1,471,853
	<u>4,727,083</u>	<u>4,692,626</u>

Note 19  
Stock in Trade

	2017	2016
	Rupees	Rupees
Raw materials	20,978,941	13,638,279
Work in process	5,241,327	4,595,171
Finished goods	2,009,073	55,287,940
Waste	1,501,774	1,649,900
	29,731,115	75,171,290
Write-down of inventories to net realizable value	(983,036)	-
	<u>28,748,079</u>	<u>75,171,290</u>

Note 20  
Trade Debts

		2017	2016
	Note	Rupees	Rupees
Local debts (Unsecured - considered good) :			
- Local debts		-	163,976
- Less: Provision for doubtful debts	20.1	-	(102,972)
		<u>-</u>	<u>61,004</u>
20.1 Provision for doubtful debts			
Opening balance		102,972	102,972
Provision made during the year		27,432	-
		<u>130,404</u>	<u>102,972</u>
Bad debts written off		(130,404)	-
Closing balance		<u>-</u>	<u>102,972</u>

Note 21  
Advance, Prepayments and Other Receivables

		2017	2016
	Note	Rupees	Rupees
Advances to employees (Unsecured - considered good)	21.1	363,857	392,784
Advances to suppliers (Unsecured)		699,171	8,192,547
Less: Provision against doubtful advances	21.2	-	(5,565,071)
		699,171	2,627,476
Income tax deducted at source / advance tax		6,311,623	5,591,066
Prepayments		310,780	306,407
Other receivables		464,303	-
		<u>8,149,734</u>	<u>8,917,733</u>



## Note 21, Advance, Prepayments and Other Receivables - Contd...

21.1 This includes amount of Rs. 148,118 (2016: 188,381) due from the chief executive, directors and executives of the Company.

21.2 Provision against doubtful advances

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

## Note 22

## Cash and Bank Balances

	2017	2016
	Rupees	Rupees
Cash in hand	301,827	508,795
Cash at banks in current accounts	17,325,439	11,208,725
	17,627,266	11,717,520

## Note 23

## Sales

	2017	2016
	Rupees	Rupees
Local:		
- Yarn	808,069,251	509,359,326
- Wastes	5,481,471	5,075,640
	813,550,722	514,434,966
Less: Sales tax	-	(24,428,609)
Less: Commission	(12,121,039)	(7,000,000)
	801,429,683	483,006,357

## Note 24

## Cost of Sales

	Note	2017	2016
		Rupees	Rupees
Raw materials consumed		477,853,073	321,523,279
Stores and spares consumed		10,096,385	10,167,949
Packing materials consumed		10,456,331	8,547,870
Fuel and power		86,246,523	74,478,165
Salaries and wages	24.1	95,213,186	81,005,449
Repairs and maintenance		4,140,157	3,517,931
Depreciation	16.5	20,728,282	21,965,840
		704,733,937	521,206,483
Work in process:			
- Opening		4,595,171	4,810,914
- Closing		(5,241,327)	(4,595,171)
		(646,156)	215,743
		704,087,781	521,422,226
Finished goods including waste:			
- Opening		56,937,840	3,485,368
- Closing		(3,510,847)	(56,937,840)
		53,426,993	(53,452,472)
		757,514,774	467,969,754

24.1 This includes Rs. 3.68 million (2016: Rs. 3.44 million) in respect of staff retirement benefits.



## Note 25

## Distribution Cost

		2017	2016
	Note	Rupees	Rupees
Salaries	25.1	657,109	592,500
Other selling expenses		-	221,543
		<u>657,109</u>	<u>814,043</u>

25.1 This includes Rs. 0.027 (2016: Rs. 0.037 million) in respect of staff retirement benefits.

## Note 26

## Administrative Expenses

		2017	2016
	Note	Rupees	Rupees
Salaries and benefits	26.1	13,202,531	14,985,996
Utilities		449,453	704,518
Printing and stationery		339,563	283,936
Communication		651,901	565,337
Travelling and conveyance		1,355,696	1,367,075
Repairs and maintenance		251,153	298,895
Rent, rates and taxes		927,912	636,878
Vehicle running and maintenance		505,564	872,005
Fees and subscription		241,184	335,613
Legal and professional charges		1,238,370	766,695
Insurance		708,925	397,057
Entertainment		1,094,198	1,048,393
Advertisement		103,500	38,150
Newspapers and periodicals		73,990	68,157
Donations	26.2	468,884	431,844
Gardening expenses		59,895	-
Miscellaneous		46,113	38,064
Depreciation	16.5	<u>471,778</u>	<u>140,066</u>
		<u>22,190,610</u>	<u>22,978,679</u>

26.1 This includes Rs. 0.532 million (2016: Rs. Rs. 0.294 million) in respect of staff retirement benefits.

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

## Note 27

## Finance Cost

		2017	2016
	Note	Rupees	Rupees
Markup on long term financing		6,977,905	8,190,204
Interest on workers' (profit) participation fund	13.1	770,978	507,212
Bank charges		36,926	41,964
		<u>7,785,809</u>	<u>8,739,380</u>



Note 28

Other Operating Expenses

		2017	2016
	Note	Rupees	Rupees
Auditors' remuneration:			
- Statutory audit fee		460,000	400,000
- Other attestation services		140,000	130,000
		<u>600,000</u>	<u>530,000</u>
Provision for workers' (profit) participation fund	13.1	477,324	-
Provision for workers' welfare fund		165,963	-
Advances to employees written off		98,040	-
Fines and penalties	28.1	869,326	-
Provision for bad debts	20.1	27,432	-
Write-down of inventories to net realizable value		983,036	-
Provision against advance to suppliers	21.2	1,928,054	-
		<u>5,149,175</u>	<u>530,000</u>

- 28.1 The Company was selected for withholding income tax audit u/s 161 / 205 of the Income Tax Ordinance, 2001 by the Federal Board of Revenue for the tax years 2011, 2012, 2013 and 2014. Final orders after audit proceedings were issued creating a demand of Rs. 321,577; Rs. 152,968; Rs. 188,730; and 206,051 respectively.

Note 29

Taxation

	2017	2016
	Rupees	Rupees
Current:		
- Charge for the year	8,135,507	4,830,064
- Prior years charge	1,357,117	3,333,205
- Tax credits	(1,445,720)	-
	<u>8,046,904</u>	<u>8,163,269</u>
Deferred tax	(8,723,227)	(3,425,787)
	<u>(676,323)</u>	<u>4,737,482</u>

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

Note 30

Earnings / (Loss) per Share - Basic and Dilutive

		2017	2016
Net profit / (loss) for the year attributable to ordinary shareholders	Rupees	8,808,529	(22,762,981)
Weighted average number of ordinary shares	Number	4,449,159	4,449,159
Weighted average number of dilutive shares	Number	19,449,159	19,449,159
Earnings / (loss) per share - Basic	Rupees	<u>1.98</u>	<u>(5.12)</u>
Earnings / (loss) per share - Dilutive	Rupees	<u>0.45</u>	<u>(1.17)</u>

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



Note 31

Chief Executive's and Directors' Remuneration

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

	Chief Executive	Executive Director	Non-Executive / Independent Directors	Executives	Chief Executive	Executive Director	Non-Executive / Independent Directors	Executives
	2017				2016			
	Rupees				Rupees			
Managerial remuneration	1,680,000	1,680,000	-	5,856,000	1,680,000	1,680,000	-	5,406,000
House rent allowance	480,000	480,000	-	-	480,000	480,000	-	-
Medical allowance / reimbursement	240,000	386,283	-	-	240,000	2,733,465	-	-
	<u>2,400,000</u>	<u>2,546,283</u>	<u>-</u>	<u>5,856,000</u>	<u>2,400,000</u>	<u>4,893,465</u>	<u>-</u>	<u>5,406,000</u>
Number of persons	1	1	6	4	1	1	5	4

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

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

31.3 An executive is defined as an employee, other than the chief executive and directors, whose basic salary exceeds Rs. 500,000 in a financial year.

Note 32

Transactions with Related Parties

Related parties comprise associated companies, related group companies, directors of the Company and their close relatives, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under respective notes to these financial statements. Significant transactions with related parties are given below:

Transactions during the year			2017	2016
			Rupees	Rupees
Related party	Relationship	Nature of transaction		
Directors and close relatives thereof	Associated persons	Long term financing repaid to directors	13,409,704	10,590,296
		Markup on long term financing from directors	6,977,905	8,190,204
		Markup on long term financing repaid / adjusted	4,882,068	-
Balance outstanding as at June 30,				
Directors, executives and close relatives thereof		Long term financing	72,700,090	86,109,794
		Accrued markup on long term financing	11,907,678	9,811,841
		Share deposit money	150,000,000	150,000,000
			234,607,768	245,921,635

Note 33

Plant Capacity and Production

	2017	2016
	KGs	KGs
100% plant capacity converted into		
20/S (2016: 20/S) count based on three shifts		
per day for 1080 shifts (2016: 1080 shifts)	6,168,874	6,168,874
Actual production for the year		
converted into 20/S (2016: 20/S)	5,593,129	5,044,450

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

The reason for low production is less number of orders and power shortage.



## Note 34

## Financial Risk Management

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

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

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

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

## 34.1 Market risk

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

## 34.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. As there are no foreign receivables / payables of the Company, it is not exposed to currency risk.

## 34.1.2 Interest rate risk

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

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

	2017	2016
	------(Rupees in '000)-----	
Floating rate instruments		
Financial liabilities		
Long term financing from directors	72,700	86,110

## Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date fluctuate by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 0.727 million (2015: Rs. 0.861 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at the balance sheet date are outstanding for the entire year.

## 34.1.3 Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. As there are no investments in marketable securities, the Company is not exposed to equity and commodity price risk.

## 34.2 Credit risk

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

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



## Note 34, Financial Risk Management - Contd...

## 34.2.1 Exposure to credit risk

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

	2017	2016
	----- (Rupees in '000) -----	
Long term deposits	11,442	11,442
Trade debts	-	61
Other receivables	464	
Bank balances	17,325	11,209

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

Past due 1 - 180 days	-	61
-----------------------	---	----

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

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

## 34.2.3 Credit quality of bank balances

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

	Rating		Rating Agency	2017	2016
	Short term	Long term		Rupees	Rupees
National Bank of Pakistan	A1+	AAA	PACRA	4,108	119,108
MCB Bank Limited	A1+	AAA	PACRA	11,004,828	8,488,674
Bank Alfalah Limited	A1+	AA+	PACRA	6,316,356	2,597,272
JS Bank Limited	A1+	AA-	PACRA	-	239
The Bank of Punjab	A1+	AA	PACRA	147	3,432
				<u>17,325,439</u>	<u>11,208,725</u>

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

## 34.3 Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash. As at the balance sheet date, the Company has Rs. 17.627 million (2016: Rs. 11.718 million) cash and bank balances. The management believes that the company has low liquidity risk as the directors shall inject funds to meet the liquidity requirements of the Company, if required. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows as the impact of discounting is not significant.





Note 34, Financial Risk Management - Contd...

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	5 - 10 years
Rupees in '000						
Contractual maturities of financial liabilities as at June 30, 2017:						
Long term financing	72,700	143,696	12,417	12,392	40,799	78,088
Trade and other payables	57,173	57,173	57,173	-	-	-
Accrued markup on long term financing	11,908	11,908	11,908	-	-	-
	<u>141,781</u>	<u>212,777</u>	<u>81,498</u>	<u>12,392</u>	<u>40,799</u>	<u>78,088</u>

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

Long term financing	86,110	170,185	14,682	15,109	48,210	92,184
Trade and other payables	39,791	39,791	39,791	-	-	-
Accrued markup on long term financing	9,812	9,812	9,812	-	-	-
	<u>135,175</u>	<u>219,788</u>	<u>64,285</u>	<u>15,109</u>	<u>48,210</u>	<u>92,184</u>

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

34.4 Financial instruments by categories

Financial assets as at June 30, 2017

	At fair value through profit or loss	Loans and Receivables	Available-for-sale	Held to maturity	Total
Rupees in '000					
Long term deposits	-	11,442	-	-	11,442
Other receivables	-	464	-	-	464
Cash and bank balances	-	17,627	-	-	17,627
	<u>-</u>	<u>29,533</u>	<u>-</u>	<u>-</u>	<u>29,533</u>

Financial assets as at June 30, 2016

	At fair value through profit or loss	Loans and Receivables	Available-for-sale	Held to maturity	Total
Rupees in '000					
Long term deposits	-	11,442	-	-	11,442
Trade debts	-	61	-	-	61
Cash and bank balances	-	11,718	-	-	11,718
	<u>-</u>	<u>23,221</u>	<u>-</u>	<u>-</u>	<u>23,221</u>

Financial liabilities at amortized cost

	2017	2016
(Rupees in '000)		
Long term financing	72,700	86,110
Trade and other payable	57,173	39,791
Accrued markup on long term financing	11,908	9,812
	<u>141,781</u>	<u>135,713</u>



## Note 34, Financial Risk Management - Contd...

## 34.5 Fair value of financial instruments

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

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

## Note 35

## Capital Risk Management

The Company's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the Company's business. The Board of Directors monitors the Return on Capital Employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

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

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norm, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current and excluding sponsors' loans) and finance leases less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt. Owing to negative equity, the leverage ratio has not been worked out.

## Note 36

## Segment Information

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

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

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

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



Note 37  
Number of Employees

	2017				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at June 30,	10	43	10	272	335
Average employees during the year	10	43	9	278	340

	2016				
	Permanent		Contractual		Total
	Head office	Mills	Head office	Mills	
	Number	Number	Number	Number	Number
Employees as at June 30,	10	42	7	283	342
Average employees during the year	10	42	7	280	339

Note 38  
Date of Authorization for Issue

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

Note 39  
General

Corresponding figures have been re-arranged, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements for better presentation:

Nature	From	To	Amount (Rupees)
Waste	Finished goods (Note 19)	Waste (Note 19)	1,649,900
Commission on sales	Yarn Sales (Note 23)	Commission (Note 23)	7,000,000

Mohammad Hameed  
Chief Executive

Aamer Hameed  
Director

Farooq Hameed  
Chief Financial Officer



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

FORM 34

1. Incorporation Number	0001420
2. Name of the Company	Service Industries Textiles Limited
3. Pattern of holding of the shares held by the shareholders as at	30-06-2017

-----Shareholding-----			
4. No. of Shareholders	From	To	Total Shares Held
537	1	100	14,401
450	101	500	106,355
103	501	1000	82,772
98	1001	5000	226,384
15	5001	10000	118,564
5	10001	15000	57,090
2	15001	20000	34,300
3	20001	25000	73,021
1	30001	35000	35,000
2	35001	40000	79,220
2	40001	45000	84,500
9	45001	50000	442,480
2	50001	55000	103,560
1	70001	75000	74,606
3	85001	90000	269,239
2	95001	100000	197,461
2	110001	115000	222,390
1	120001	125000	123,148
1	125001	130000	130,000
1	130001	135000	130,946
1	160001	165000	162,908
1	195001	200000	199,420
1	265001	270000	268,324
1	395001	400000	400,000
1	400001	405000	401,359
1	410001	415000	411,711
1246			4,449,159

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	1,635,320	36.7557%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	130,946	2.9432%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	108,946	2.4487%
5.5 Insurance Companies	382,420	8.5953%
5.6 Modarabas and Mutual Funds	170,808	3.8391%
5.7 Share holders holding 10% or more	0	0.0000%
5.8 General Public		
a. Local	1,996,213	44.8672%
b. Foreign	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	24,506	0.5508%



**SEVICE INDUSTRIES TEXTILES LIMITED**  
**Catagories of Shareholding required under Code of Corporate Governance (CCG)**  
**As on 30.06.2017**

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)		-	-
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	162,908	3.6615%
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. AAMER HAMEED	411,711	9.2537%
2	MR. FAROOQ HAMEED	401,359	9.0210%
3	MR. IJAZ HAMEED	268,324	6.0309%
4	MR. MUHAMMAD HAMEED	89,713	2.0164%
5	MR. TARIQ HAMEED	89,713	2.0164%
6	MR. MURTAZA HAMEED	42,500	0.9552%
7	MR. SAJID SALIM MINHAS	500	0.0112%
8	MR. OMAR MOHY-UD-DIN MALIK	500	0.0112%
9	MRS. ROBINA IJAZ W/O IJAZ HAMEED	123,148	2.7679%
10	MRS. UZMA HAMEED W/O FAROOQ HAMEED	110,352	2.4803%
11	MRS. SAIMA HAMEED W/O AAMER HAMEED	97,500	2.1914%
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		499,266	11.2216%
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	MR. AAMER HAMEED	411,711	9.2537%
2	MR. FAROOQ HAMEED	401,359	9.0210%
3	MR. IJAZ HAMEED	268,324	6.0309%
4	MR. MUNAF IBRAHIM (CDC)	400,000	8.9905%

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

S.No	NAME	SALE	PURCHASE
1	MR. SAJID SALIM MINHAS		500
2	MR. OMAR MOHY-UD-DIN MALIK		500