



SAJJAD TEXTILE MILLS LIMITED

**Annual Report
2016**



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COMPANY INFORMATION**BOARD OF DIRECTORS**

Mr. Muhammad Asim Sajjad - Chief Executive
 Mrs. Seema Sajjad - Chairperson
 Mr. Salman Muhammad Aslam
 Mrs. Ayesha Rahim
 Miss Batool Zahra
 Mr. Mehr Allah Yar
 Mr. Sultan Mehmood

CFO/COMPANY SECRETARY

Mr. Irfan Hamid

AUDITORS

M/s. Mudassar Ehtisham & Company,
 Chartered Accountants

AUDIT COMMITTEE

Mr. Sultan Mehmood - Chairman
 Mr. Mehr Allah Yar - Member
 Miss Batool Zahra - Member

**HUMAN RESOURCE AND
REMUNERATION COMMITTEE**

Mr. Salman Muhammad Aslam – Chairman
 Mr. Mehr Allah Yar - Member
 Mrs. Seema Sajjad - Member
 Mrs. Ayesha Rahim - Member

BANKERS

Askari Bank Limited
 Habib Bank Limited
 Bank Alfalah Limited
 Habib Metropolitan Bank Limited

COMPANY SHARE REGISTRARS

Hameed Majeed Associates (Pvt) Ltd.
 1st Floor, H.M. House,
 7 - Bank Square, Lahore
 TEL: 042-37235081-82
 FAX: 042-37358817
 e-mail: shares@hmaconsultants.com

REGISTERED OFFICE

19-B, Off. Zafar Ali Road,
 Gulberg-V, Lahore.
 Tel: 042-35775501 & 02
 Fax: 042-35711526
 E-Mail: Info@sajjadtextile.com

MILLS ADDRESS

64-KM, Multan Road, Jumber Kalan
 Tehsil Chunian
 District Kasur.
 Tel: 04951-388102

VISION STATEMENT

We aim at seeing our company to be a model manufacturing unit producing high quality products by complying with the requirements of Quality Management System and continuously improving its effectiveness for total customer's satisfaction. We wish to play a leading role in the economy by keeping a substantial presence in the export and local markets.

MISSION STATEMENT

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

1. **Conflict of interest**

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

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

2. **Confidentiality**

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

3. **Kickbacks**

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

4. **Proper accounts keeping**

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

5. **Relationship with Government officials suppliers, agents etc.**

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES**6. Health and Safety**

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

7. Environment

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

8. Alcohol, Drugs

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

9. Coordination among staff members to maintain discipline

All staff members will work in close coordination with their co-workers, seniors and colleagues so that the Company's work could be carried out effectively and efficiently. All cases of non-cooperation among staff members should be reported to the management and strict disciplinary action will be initiated against violators.

10. Workplace Harassment

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

For and on behalf of the Board

October 05, 2016
Lahore

MUHAMMAD ASIM SAJJAD
Chief Executive

KEY OPERATING AND FINANCIAL DATA

| OPERATING | RUPEES IN MILLION | | | | | |
|--|-------------------|----------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| | | | | | | (Restated) |
| Net Sales | 793.1 | 1171.1 | 1260.2 | 807.5 | 307.9 | 189.5 |
| Gross Profit | (226.9) | 2.5 | 21.1 | 122.3 | 20.0 | 9.4 |
| Operating Profit/(Loss) | (268.4) | (52.3) | (13.9) | 85.2 | 5.6 | 2.1 |
| Pre tax Profit/(Loss) | (275.1) | (56.1) | (17.4) | 80.0 | 1.7 | 1.8 |
| After tax Profit/(Loss) | (282.1) | (46.3) | (4.4) | 51.7 | 2.6 | (11.4) |
| FINANCIAL | | | | | | |
| Tangible Fixed Assets-Net | | | | | | |
| - Operating | 292.9 | 466.2 | 430.7 | 441.0 | 379.0 | 386.4 |
| - Capital work-in-progress | - | - | - | - | - | - |
| - Leased | - | - | - | - | - | - |
| Deposits | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| | 304.3 | 477.5 | 442.1 | 452.4 | 390.4 | 397.8 |
| Current Assets | 143.0 | 203.7 | 167.6 | 258.8 | 106.0 | 64.0 |
| Current Liabilities | (530.8) | (456.9) | (318.3) | (379.6) | (292.5) | (257.9) |
| | (387.8) | (253.2) | 58.5 | 90.8 | 25.1 | 17.8 |
| Capital Employed | (83.6) | 219.4 | 454.0 | 446.3 | 415.5 | 415.6 |
| Long Term Loans and Other Liabilities | 0.3 | 2.5 | 23.3 | 48.4 | 21.2 | 24.0 |
| Share Holders' Equity | (83.9) | 221.9 | 477.3 | 494.7 | 394.3 | 391.5 |
| REPRESENTED BY | | | | | | |
| Share Capital | 212.7 | 212.7 | 212.7 | 212.7 | 212.7 | 212.7 |
| Accumulated Loss | (426.7) | (148.6) | (106.4) | (95.8) | (151.1) | (158.0) |
| Surplus on revaluation of Fixed Assets | 130.2 | 157.8 | 161.9 | 166.2 | 121.0 | 125.2 |
| Directors and Sponsors loan | - | - | 209.2 | 211.7 | 211.7 | 211.6 |
| | (83.9) | 221.9 | 477.3 | 494.7 | 394.3 | 391.5 |
| RATIO | | | | | | |
| Debt/Equity Ratio | 1.38 : 1 | 0.58 : 1 | 0.06 : 1 | 0.13 : 1 | 0.05 : 1 | 0.06 : 1 |
| Current Ratio | 0.27 : 1 | 0.45 : 1 | 0.53 : 1 | 0.68 : 1 | 0.36 : 1 | 0.25 : 1 |
| Gross Profit/(Loss) to Sales % | (28.6) | 0.2 | 1.7 | 15.2 | 6.5 | 4.947 |
| Net Profit/(Loss) to Sales % | (35.6) | (4.0) | (0.3) | 6.4 | 0.9 | (6.00) |
| Break-up value per Share (Rs.) | (3.94) | 10.43 | 12.61 | 13.31 | 8.58 | 8.46 |
| Earning/(Loss) per Share (Rs.) | (13.26) | (2.00) | (0.21) | 2.43 | 0.12 | (0.53) |
| Dividends % | - | - | - | 5.00 | - | - |

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of SAJJAD TEXTILE MILLS LIMITED (“the Company”) for the year ended June 30, 2016 with the Code contained in Pakistan Stock Exchange Limited, where the company is listed.

The responsibility for compliance with the Rules 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 Rules. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Rules require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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, except for the instances mentioned in Explanation of Non-Compliance annexure, 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 Rules as applicable to the Company for the year ended June 30, 2016.

MUDASSAR EHTISHAM & COMPANY
Chartered Accountants

Engagement Partner:

Muhammad Ehtisham

Dated: October 5, 2016

Lahore

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of Members of the **SAJJAD TEXTILE MILLS LIMITED** will be held on October 31, 2016 (Monday) at 11:30 a.m. at registered office of the Company at 19-B, Off. Zafar Ali Road, Gulberg-V, Lahore to transact the following business:

Ordinary Business:

1. To read and confirm minutes of the 27th Annual General Meeting of the Company held on October 31, 2015.
2. To receive, consider and adopt the annual audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2016.
3. To appoint Auditors for the year ending June 30, 2017 and to fix their remuneration. The present auditors M/s Mudassar Ehtisham & Company, chartered accountants being eligible, have offered themselves for re-appointment.

Special Business:

4. To approve the disposal of a sizable part of plant and machinery for the settlement of certain liabilities of the Company.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
Dated: October 05, 2016

(**IRFAN HAMID**)
Company Secretary

NOTES:

1. Share transfer books of the Company will remain closed from October 24, 2016 to October 31, 2016 (both days inclusive). Physical Transfers received in order by the Company's shares Registrar M/s, Hameed Majeed Associates (Private) Limited, H.M. House, 7- Bank Square, Lahore by the close of business on October 22, 2016 will be treated in time to determine voting rights of the members attending the meeting.
2. A member entitled to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. A Proxy must be a member of the Company. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or notarially attested copy of the power of attorney must be deposited at the Registered Office of the Company not later than 48 hours before the time of the meeting. Form of Proxy is attached.
3. Any individual beneficial owner of CDC entitled to attend and vote at this meeting, must bring his/her CNIC or Passport to prove his/her identity and in case of proxy must enclose an attested copy of his/her CNIC or Passport. Representatives of a corporate entity, the Board's resolution/power of attorney with specimen signature should be furnished along with the proxy form to the Company.
4. Members are requested to send copies of their CNICs to the Company's share Registrar to enable the Company to comply with direction of the Securities and Exchange Commission of Pakistan contained in SRO-831(1) 2012. Interested Members are encouraged to send their e-mail addresses with their consent to opt for transmission of annual reports and AGM notice though e-mail, at Company's registered Office.
5. CDC Account Holder will further have to follow the guidelines as laid down in Circular No.1 of 2000, dated: 26th January, 2000 issued by Securities and Exchange Commission of Pakistan.
6. ANNUAL ACCOUNTS for the year ended 2016: Members are hereby informed that Financial Statements of SAJJAD TEXTILE MILLS LIMITED for the year ended June 30, 2016 have been posted on the Company's website: www.sajjadtextile.com. Members of the Company may visit the above cited website. They may contact at info@sajjadtextile.com in case, they face any difficulty in downloading or viewing the financial information.

SAJJAD TEXTILE MILLS LIMITED

ADDENDUM TO NOTICE OF ANNUAL GENERAL MEETING

Special Business

4. To approve the disposal of a sizable part of plant and machinery for the settlement of certain liabilities of the Company. "Resolved that Plant and Machinery of the Company be disposed off for the settlement of certain liabilities of the Company". "Resolved Further, that the consent of the general meeting be and is hereby reckoned to the Board of Directors of the Company in terms of section 196(3) and other applicable provisions if any of the Companies Ordinance, 1984 to dispose of the assets of the Company comprising plant & machinery for such consideration and upon such terms and conditions as may be agreed upon between the Board of Directors of the Company and prospective buyers in the best interest of the company to dispose of the said assets for the repayment certain liabilities of the Company. That the Board of Directors of the Company be and is hereby authorized to complete the sale with any modification as they may consider beneficial for the Company and do all such acts, deeds, matters and things as may be deemed necessary and expedient in the interest of the Company, to execute the documentation on behalf of the Company relating to the disposal, to call bids, and compile competitive analysis for the decision of the Board of Directors."

5. To consider and, if deemed fit, to pass the following resolution as Special Resolution with or without modification for alterations in the Article of Association of the Company:

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

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

Exercise of Voting Rights through Electronic means

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

Proxies where Voting Rights Exercised through Electronic means

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

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

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

Form of Proxies where Voting Rights Exercised Through electronic means

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

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

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

6. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
Dated: October 05, 2016

(IRFAN HAMID)
Company Secretary

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

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Monday, October 31, 2016.

Item (5) of the Agenda in addition to item (4) already published in AGM Notice:

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

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

STATEMENT U/S 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

The directors of the company are not concerned with or interested in the above said business except to the extent of their shareholding in the Company.

DETAILS REQUIRED UNDER SRO 1227/2005

1. (i) The assets proposed to be disposed off are Plant and Machinery of the Company belonging to Back Process, Ring, Autocone and Packing departments having Cost of Rs. 430,980,025/- , Book Value of Rs. 105,400,000/-, Revalued Amount of Rs. 105,400,000/- and estimated Market Value of Rs. 100,000,000/- to Rs. 110,000,000/- .
1. (ii) The proposed manner of disposal of subject assets shall be:
 - (a) Inviting bids through tender in the news-paper and/or
 - (b) Contacting and negotiating with interested parties individually.
1. (iii) The said assets of the Company are proposed to be sold to settle certain liabilities of the Company.

All the Plant and Machinery's disposal related transactions shall be reported accordingly to SECP on quarterly basis.

نوٹس برائے سالانہ اجلاس عام

بذریعہ ہذا مطلع کیا جاتا ہے کہ سجاد ٹیکسٹائل ملز لمیٹڈ کا اٹھائیسواں سالانہ اجلاس عام بتاریخ 31 اکتوبر 2016 بروز پیر بوقت صبح 11:30 بجے کمپنی کے رجسٹرڈ آفس بمقام B-19 آف ظفر علی روڈ، گلبرگ V، لاہور پر منعقد ہوگا، جس میں درج ذیل کارروائی عمل میں لائی جائے گی۔

عمومی کارروائی

- 1 کمپنی کے ستائیسویں سالانہ عام اجلاس کی کارروائی کی توثیق۔
- 2 سالانہ تخمینہ 30 جون 2016 کی بابت کمپنی کے آڈٹ شدہ حسابات بھراہ ان پراڈیئر ایکٹران اور آڈیٹران کی رپورٹ کی منظوری، غور و خوض اور ان کی قبولیت۔
- 3 آڈیٹران کا تقرر اور ان کے صلہ خدمت کا تعین۔

خصوصی کارروائی

- 4 کمپنی کے ذمہ واجب الادا رقم کی ادائیگی کیلئے مشینری بیچنے کی منظوری۔
- 5 چیئرمین کی اجازت سے اجلاس میں کسی اور کارروائی کی تجویز یا کسی دیگر امر پر کارروائی۔

لاہور، ۱۵ اکتوبر ۲۰۱۶

بجلم بورڈ

(عرفان حمید)

کمپنی سیکریٹری

نوٹس

- 1 کمپنی کے حصص کی منتقلی کا رجسٹر ۱۴ اکتوبر ۲۰۱۶ سے ۳۱ اکتوبر ۲۰۱۶ (بشمول دونوں دن) بند رہے گا۔ منتقلی کی مکمل درخواستیں جو کہ ۲۲ اکتوبر ۲۰۱۶ کے اوقات کار میں کمپنی کے شیئر رجسٹرار، حمید مجید ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، ایلورا ایچ ایم ہاؤس، ۷، بنک سکوائر، لاہور کو موصول ہوگی، وہ مقررہ وقت میں نمٹائی جائے گی۔
- 2 اجلاس ہذا میں شرکت اور ووٹ کا استحقاق رکھنے والے ممبر کو اپنی جگہ کسی کو عیوضی کے موثر ہونے کیلئے ہر لحاظ سے درست اطلاع نامہ کمپنی کے رجسٹرڈ آفس میں اجلاس شروع ہونے سے کم از کم ۳۸ گھنٹے پہلے موصول ہونا چاہیے اور عیوضی کیلئے ضروری ہے کہ وہ کمپنی کا ممبر ہو۔ ماسوائے کسی کارپوریشن یا کمپنی کے جو کہ SECP کے وضع کردہ قواعد کے مطابق کسی آفیسر کو عیوضی مقرر کر سکتی ہے۔
- 3 CDC کے اکاؤنٹ ہولڈرز کو اپنی شناخت کیلئے اپنے اصلی کمپیوٹرائزڈ قومی شناختی کے ہمراہ آنا ہوگا۔
- 4 ممبران کو درخواست کی جاتی ہے کہ کمپنی رجسٹرار حمید مجید ایسوسی ایٹس پرائیویٹ لمیٹڈ کو اپنے ایڈریس میں تبدیلی اور کمپیوٹرائزڈ قومی شناختی کارڈ کی نقول لازمی ارسال کریں تاکہ SECP کے SRO-831 (1) 2012 کی کمپلائنس کی جاسکے۔ ای میل کے ذریعے سالانہ حسابات اور AGM نوٹس موصول کرنے میں دلچسپی رکھنے والے ممبران اپنا ای میل ایڈریس کمپنی کے رجسٹرڈ ایڈریس پر ارسال کریں
- 5 CDC اکاؤنٹ ہولڈرز کو SECP کے جاری کردہ سکر نمبر 1، مورخہ 26 جنوری 2000 میں درج رہنما ہدایات کی پیروی کرنا ہوگی۔
- 6 کمپنی کے آڈٹ شدہ سالانہ حسابات 2016 کمپنی کی ویب سائٹ www.sajjadtextile.com پر اپ لوڈ کر دیئے گئے ہیں۔ اگر ممبران ڈاؤن لوڈ کرنے یا یوکر کرنے میں دشواری پیش آئے تو وہ کمپنی سے رابطہ کرے

Ph: 042-35775501-02 or info@sajjadtextile.com

کمپنیز آرڈیننس 1984 کے سیکشن (b) (1) 160 کے تحت بیان

کمپنی کے ڈائریکٹران کی دلچسپی صرف اپنے حصص کی حد تک ہے۔

SRO 1227/2005 کے تحت تفصیل

1 (i) فروخت کیلئے مجوزہ اثاثوں کی تفصیل درج ذیل ہے۔

کمپنی کے مجوزہ اثاثوں کی لاگت -/430,980,025 کھاتے میں قیمت -/105,400,000
ریویلیوڈ قیمت -/105,400,000 اور تخمینہ منڈی -/100,000,000 سے -/110,000,000

1 (ii) مجوزہ اثاثوں کا طریقہ فروخت

اخبار میں ٹینڈر کے ذریعے بولی

دلچسپی رکھنے والے گاہکوں سے انفرادی طور پر رابطہ کے ذریعے فروخت

1 (iii) فروخت کیلئے مجوزہ اثاثے کمپنی کے ذمہ واجب الادا قوم کی ادائیگی کیلئے فروخت کرنے کی تجویز زیر غور ہے۔

تمام اثاثوں کے فروخت کی تفصیل سے متعلق معلومات SECP کو ہر سہ ماہی کے بعد دی جائے گی۔

DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS THE MOST MERCIFUL

Dear Members
Assalam-o-Alaikum,

The Directors welcome you to the 28th Annual General Meeting of the Company and are pleased to present the Annual Report together with the Audited Accounts, Auditors' Report and other various statements as required by the Code of Corporate Governance and Pakistan Stock Exchange for the year ended June 30, 2016.

Financial Results

The financial results are as under:

| | <u>30-06-2016</u> | <u>30-06-2015</u> |
|--|----------------------------|----------------------------|
| | <u>Rs.(Million)</u> | <u>Rs.(Million)</u> |
| Sales – Net | 793.087 | 1,171.057 |
| Cost of Sales | 1,019.978 | 1,168.519 |
| Gross Profit / (Loss) | (226.891) | 2.538 |
| Profit / (Loss) before Financial & Other Charges | (268.422) | (52.160) |
| Profit / (Loss) before Taxation | (275.137) | (56.145) |
| Taxation | 6.966 | 9.864 |
| Profit / (Loss) after Taxation | (282.103) | (46.281) |

The Company suffered after tax loss of Rs. (282.103) million for the year ended June 30, 2016 respectively as against after tax loss of Rs. (46.281) million for the preceding year.

Earning/(Loss) per share

Loss after tax per share was Rs. (13.26) for the year ended June 30, 2016 respectively as against per share after tax loss was Rs. (2.18) for the preceding year.

The textile industry is the mainstay of Pakistan's economy and currently it is facing severe challenges. During the financial year under review, the exports of Pakistan has witnessed significant shortfall in comparison with the same period of previous year. The high price of raw material also affected the bottom line. The reason of cotton price hike is 35% lower production of cotton crop than the expected production. Another matter of grave concern is the security risks in our country. Foreign buyers hesitate to visit Pakistan and prefer to go to India, China and Veitnam for doing textile business. Resultantly our yarn export is greatly affected due to security risks. Due to high cost of production and non-availability of profitable sale rates of yarn in the local and international market, we were constrained to suspend the manufacturing operations of our mill on September 22, 2016 along with proposed disposal of Plant & Machinery to settle certain liabilities of the Company. Presently, we are exploring various options for future operations of the Company in view of Government's plan to give relief to the textile sector along with expected favorable dynamics due to implementation of China Pakistan Economic Corridor (CPEC).

Nevertheless, in the presence of aforesaid unfavorable circumstances, our textile industry would be greatly challenged to make progress unless those hurdles are removed and prolonged energy crisis faced by the textile industry is resolved along with availability of energy at regionally competitive rates.

Our Government is making efforts and is expected to announce relief package to the textile industry soon. The Country's security situation is also on the improving incline and our Government's resolve to complete the CPEC within target time is expected to go a long way in improving local industries of Pakistan including textile. Last but not least, our Management is striving hard to give best possible financial results to their shareholders by applying all cost reducing checks on every stage of business.

Corporate and Financial Reporting Framework

- a) The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate account policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There has been no material departure from the best practices of Corporate Governance, as detailed in the Listing Regulations.
- g) Key Operating and Financial Data for the last six (6) years in summarized form are annexed.
- h) There are no overdue taxes and levies as on 30th June, 2016 other than sales and income tax withheld as withholding agent.
- i) The Company operates un-funded gratuity scheme for its employees and proper provision has been made in the accounts.
- j) Pattern of shareholding and additional information is annexed.
- k) Chief Financial Officer / Company Secretary has not been changed during the year.
- l) The appointment of external auditors will be discussed in the annual general meeting; however existing external auditors M/s Mudassar Ehtisham & Company – Chartered Accountant being eligible for re-appointment have offered their services.
- m) Mr. Muhammad Asim Sajjad – Chief Executive Officer himself and five other directors obtained directors training certification, under Directors' Training Program. Chief Executive Officer is strongly encouraging other directors to acquire the above said certification.
- n) Company's periodic financial statements and investor related information along with web link of Jama Punji, as per Securities and Exchange Commission of Pakistan's instructions is available on the company's website www.sajjadtextile.com.
- o) During 2015-2016, trades in shares of the Company were not carried out by the Directors, CEO, CFO/Company Secretary, their Spouses and minor children other than Mr. Sajjad Aslam who has received 595,700 shares as gift from his real brother Mian Parvez Aslam.

DIRECTORS' REPORT TO THE MEMBERS

p) Seventeen (11) Board of Directors' Meetings were held during the year. Following was the attendance of the Directors:-

| <u>Name of Directors</u> | <u>No. of Meetings Attended</u> |
|---------------------------------|--|
| Mr. Muhammad Asim Sajjad | 11 |
| Mrs. Seema Sajjad | 10 |
| Mr. Salman Muhammad Aslam | 11 |
| Mrs. Ayesha Rahim | 09 |
| Miss Batool Zahra | 11 |
| Mr. Mehr Allah Yar | 09 |
| Mr. Sultan Mahmood | 10 |

Directors who could not attend Board Meetings due to illness or some other reasons were granted leave of absence in accordance with the law. The Board of Directors was elected in extra-ordinary general meeting held on 7th April, 2014 and no vacancy occurred during period under discussion.

r) The directors and sponsors loans are unsecured and these are repayable upon easing of the company's liquidity. There is no fix repayment schedule or tenure for repayment of these liabilities. Therefore, these loans have been classified as current liabilities as per Technical Release of ICAP, dated: 11-02-2015.

Audit Committee

The Board of Directors in compliance of Code of Corporate Governance has established and Audit Committee which consists of following directors:

| <u>Name of Member</u> | | <u>No. of Meetings Attended</u> |
|------------------------------|----------|--|
| Mr. Sultan Mehmood | Chairman | 05 |
| Mr. Mehr Allah Yar | Member | 05 |
| Miss Batool Zahra | Member | 05 |

Human Resource and Remuneration Committee

In compliance with the Code of Corporate the Governance the Board of Directors has formed a human Resource and Remuneration Committee (HR & R Committee) comprising of four members named below one of which is independent director:

Name of Member

| | |
|---------------------------|----------|
| Mr. Salman Muhammad Aslam | Chairman |
| Mr. Sultan Mehmood | Member |
| Mr. Seema Sajjad | Member |
| Mr. Ayesha Rahim | Member |

Statement of compliance with Code of Corporate Governance is annexed.

The Statutory Auditors will retire and being eligible for re-appointment has offered for appointment for the next financial year.

The labour and management relations remained cordial during the year. The directors of the Company place on record their appreciation to all the suppliers who have extended their valuable financial support to the Company during the year.

Lahore
Dated: October 05, 2016

(MUHAMMAD ASIM SAJJAD)
Chief Executive

ڈائریکٹرز رپورٹ

محترم حصص یافتگان

ڈائریکٹران آپکو اٹھائیس سالانہ اجلاس عام میں خوش آمدید کہتے ہیں اور 30 جون 2016 کو اختتام پذیر ہونے والے مالی سال کی سالانہ مالیاتی رپورٹ پیش کرتے ہیں،

مالیاتی نتائج:

مالیاتی نتائج درج ذیل ہیں

| 30-06-2015 | 30-06-2016 | |
|-------------|-------------|-----------------------------------|
| روپے (ملین) | روپے (ملین) | |
| 1,171.057 | 793.087 | فروخت |
| 1,168.519 | 1,019.978 | فروخت کی لاگت |
| 2.538 | (226.891) | مجموعی نفع / (نقصان) |
| (52.160) | (268.422) | نفع / (نقصان) قبل از مالی اخراجات |
| (56.145) | (275.137) | نفع / (نقصان) قبل از ٹیکسیشن |
| 9.864 | 6.966 | ٹیکسیشن |
| (46.281) | (282.103) | نفع / (نقصان) بعد از ٹیکسیشن |

30 جون 2016 کو اختتام پذیر ہونے والے مالی سال میں کمپنی کا بعد از ٹیکس نقصان (282.103) ملین روپے جبکہ پچھلے سال بعد از ٹیکس نقصان (46.281) ملین روپے رہا۔

نفع (نقصان) فی حصص

30 جون 2016 کو اختتام پذیر ہونے والے مالی سال میں کمپنی کا بعد از ٹیکس نقصان فی حصص (13.26) روپے جبکہ پچھلے سال بعد از ٹیکس نقصان فی حصص (2.18) روپے تھا

ٹیکسٹائل پاکستان کی اہم ترین صنعت ہے اور اسے بہت سے درپیش مسائل کا سامنا ہے۔ پچھلے سال کی نسبت اس سال برآمدات میں کمی، توقع کے برعکس روٹی کی پیداوار میں 35 فیصد کمی، اس کے علاوہ سیکورٹی خدشات کے پیش نظر بیرونی سرمایہ کاروں کی پاکستانی مصنوعات میں عدم دلچسپی، مقامی اور بین الاقوامی دھاگے کی منڈی میں بھاؤ کی کمی میں انتظامیہ کو کمپنی کی پیداواری سرگرمیاں بند کرنے پر مجبور کیا۔ کمپنی کی پیداواری سرگرمیاں 22 ستمبر 2016 کو بند ہوئیں اور بورڈ آف ڈائریکٹرز نے مشینری فروخت کر کے کمپنی کے ذمہ واجب الادا رقم ادا کرنے کا فیصلہ کیا۔ مستقبل میں گورنمنٹ کی طرف سے ریلیف پیکیج اور سی پیک منصوبے کی تکمیل سے متوقع فوائد کو مد نظر رکھتے ہوئے کمپنی کیلئے مختلف آپشنز زیر غور ہیں۔

موجودہ حالات میں توانائی اور دوسرے درپیش مسائل سے نئے بغیر ٹیکسٹائل کی صنعت ترقی نہیں کر سکتی۔ گورنمنٹ کی کاوشوں، متوقع ریلیف پیکیج اور سیکورٹی خدشات میں بہتری خوش آئند ہے۔ ہماری انتظامیہ بھرپور کوشش میں ہے کہ مصنوعات کی لاگت میں کمی سے حصص یافتگان کو بہتر مالیاتی نتائج دے

بحکم بورڈ
محمد عاصم سجاد
چیف ایگزیکٹو

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE (Appendix-B) [See clause (5.19.23)]

Name of company SAJJAD TEXTILE MILLS LIMITED Year Ended 30th June, 2016.

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulation No. 5.19.23 of Pakistan stock exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages the representation of non-executive directors and directors representing minority interests on its Board of Directors. At present the composition of Board of Directors is given as under:

| Category | | Name |
|------------------------------------|---|---------------------------|
| Executive Director | 1 | Mr. Muhammad Asim Sajjad |
| -do- | 2 | Mr. Salman Muhammad Aslam |
| Non-executive Independent Director | 3 | Mrs. Seema Sajjad |
| Non-executive Director | 4 | Mrs. Ayesha Rahim |
| -do- | 5 | Miss Batool Zahra |
| -do- | 6 | Mr. Mehr Allah Yar |
| Independent Director | 7 | Mr. Sultan Mehmood |

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
3. All the executive 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Board has developed a vision/mission statement and quality policy. Overall corporate strategy and significant policies of the company are under process of approval.
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 and other executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Company has arranged orientation program for the directors and six directors including chief executive have acquired certification of directors' training as required under code of corporate governance. The Chief Executive recommends that members of the Board should approach him, should they feel any necessity to conduct other orientation courses in this regard.
10. The Board has approved appointment of Internal Auditors, Horwath Hussain Chaudhary & Company - Chartered Accountants, including their remuneration and terms and conditions of employment, as determined by the Board of Directors.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and 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 Code of Corporate Governance.
15. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors and one independent director. The chief executive and chairman of the Board are not members of the audit committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board had formed HR and Remuneration Committee. It comprises three (4) members; of whom two (3) are non-executive directors. The chief executive and chairman of the Board are not members of the HR and Remuneration committee.
18. The board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.
19. The company has appointed its external auditors in line with the requirements envisaged under the Rules.
20. The Board has set up an effective internal audit function who is suitably experienced and his conversant with the policies of the company. The internal audit function was duly reviewed and ratified by the Audit Committee and approved by the Board of Directors of the Company.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, 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 Institute of Chartered Accountants of Pakistan.
22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange including information regarding suspension of business operations, as per requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed..
24. We confirm that all other material principles contained in the Code of Corporate Governance have complied with.

Lahore
Dated: October 5, 2016

(MUHAMMADASIM SAJJAD)
Chief Executive

CORPORATE SOCIAL RESPONSIBILITY

This statement is being presented to comply with the corporate social responsibility.

The Company has applied the principles contained in the Code in the following manner:

1. The Company has implemented all possible measures for the conservation of the energy in order to play its part of job in facing the energy crisis in the country. The Company has restricted the use of electric and gas heaters; the time scheduling has been implemented in the use of A/C and electrical equipments.
2. To ensure the healthy and pollution free environment Sajjad Textile Mills Limited encourages its employees to grow the trees and plants.
3. The Company has adopted fair policy for providing better quality of yarn to our customers so as to deliver good quality clothing's to the end users.
4. The Company management has successfully promoted and maintained an environment of mutual trust and respect between the workers and management.
5. The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the company.
6. The Company has employed disabled persons as per labour laws prevailing in Pakistan.
7. The management has devised a code of ethics for employees to safeguard safety and health issues. The Company has an encouraging environment regarding the workers safety and health. The Company has arranged the first aid facility for providing emergency treatment for labour. Occupational safety and health is ensured by during the operational hours as well as in mills colony.
8. The management has also devised a code of business ethics in order to conduct the smooth business transactions and to avoid any misbehave or un-even incidents.
9. The Company is contributing towards national exchequer by paying its due taxes and levies to the government. All government taxes, dues and levies are paid in time and had never defaulted in such payments.
10. The Company is running under considerable accumulated loss and keeping in view disturbed cash flow, no contribution is made towards corporate philanthropy, community investment & welfare schemes and spending for under-privileged classes/ rural development.

Lahore
Dated: October 05, 2016

(MUHAMMAD ASIM SAJJAD)
Chief Executive

We have audited the annexed Balance Sheet of Sajjad Textile Mills Limited (“the Company”) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that except for the matters as discussed in paragraph (c) and (d) below, 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 the management, as well as, evaluating the overall presentation of the above said statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion, and after due verification we report that;

- a) As fully explained in note (2) to the financial statements, the Company has suspended its operations and intends to dispose of its plant and machinery. Further at the balance sheet date the Company's accumulated losses stand at Rs. 426.70 million. Its equity is eroded by Rs. 214.01 million and its current liabilities exceed its current assets by Rs. 387.81 million. At present, there is no formal approved business plan for future periods. However, as described in note 2, these financial statements have been prepared under the going concern assumption. Because of the circumstances and events as mentioned here in this paragraph along with matters as set forth in note 2 to the financial statements, in our opinion, the Company cannot be considered to be a going concern and thus the preparation of these financial statements on a going concern basis is inappropriate. In our opinion, the financial statements should reflect adjustments to reduce the value of assets to their recoverable amount and to provide any further liabilities that may arise. These adjustments are likely to be substantial, but we are unable to determine the total of the required adjustments and provisions with a reasonable degree of accuracy;
- b) As mentioned in note (9) to the financial statements, trade debts balance stands at Rs. 27.37 million. Out of which Rs. 2.30 million is long outstanding and accordingly appears doubtful of recovery. The Company has not booked any provision against the outstanding balance. Had this provision been recorded the loss after tax for the year and accumulated losses would have increased by an amount of Rs. 2.30 million and equity would have further eroded by Rs. 2.30 million with a corresponding effect on current assets of the Company;
- c) As mentioned in note (8) to the financial statements, stock in trade balance stands at Rs. 59.12 million. The Company has not carried out comparison of carrying value of stock in trade as against their net realizable value. These adjustments are likely to be substantial, but we are unable to determine the total of the required adjustments and provisions with a reasonable degree of accuracy;
- d) As mentioned in note (7) to the financial statements, stores, spare parts and loose tools balance stands at Rs. 16.04 million. The Company has not carried out comparison of carrying value of stores, spare parts and loose tools as against their net realizable value. These adjustments are likely to be substantial, but we are unable to determine the total of the required adjustments and provisions with a reasonable degree of accuracy;

AUDITORS' REPORT TO THE MEMBERS

- e) because of the significance of the matters discussed in paragraphs (a) to (d) above, in our opinion, proper books of account have not been kept by the Company as required by the Companies Ordinance, 1984;
- f) In our opinion:
- I. because of the significance of the matters discussed in paragraphs (a) to (d) above, the balance sheet and profit and loss account together with the notes forming part thereof have not been drawn up in conformity with the Companies Ordinance, 1984 and are not in accordance with the accounting policies consistently applied however these are in agreement with the books of account;
 - 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;
- g) In our opinion, because of the significance of the matters discussed in paragraphs (a) to (d) above, 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 do not conform with the approved accounting standards as applicable in Pakistan, and, do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the Loss, its cash flows and changes in equity for the year then ended; and
- h) In our opinion no Zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980)

Lahore
Dated: October 05, 2016

MUDASSAR EHTISHAM & COMPANY
Chartered Accountants
Engagement Partner:
Muhammad Ehtisham

BALANCE SHEET

AS AT JUNE 30, 2016

| | NOTE | 2016 (Rupees) | 2015 (Rupees) |
|---|------|----------------------|--------------------|
| ASSETS | | | |
| NON - CURRENT ASSETS | | | |
| Property, plant and equipment | 5 | 292,882,540 | 466,158,167 |
| Long term deposits | 6 | 11,368,938 | 11,368,938 |
| | | 304,251,478 | 477,527,105 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 7 | 16,037,323 | 15,773,514 |
| Stock-in-trade | 8 | 59,121,238 | 85,545,333 |
| Trade debts | 9 | 27,374,398 | 34,948,707 |
| Loans and advances | 10 | 6,991,258 | 6,128,390 |
| Trade deposits, prepayments & other receivables | 11 | 23,385,916 | 41,664,161 |
| Available for sale investments | 12 | 18,870 | 22,333 |
| Cash and bank balances | 13 | 10,022,975 | 19,657,625 |
| | | 142,951,978 | 203,740,063 |
| TOTAL ASSETS | | 447,203,456 | 681,267,168 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | 14 | 300,000,000 | 300,000,000 |
| Issued, subscribed and paid-up capital | 14 | 212,678,000 | 212,678,000 |
| Capital reserve | 15 | 13,058 | 16,521 |
| Accumulated loss | | (426,701,566) | (148,606,248) |
| | | (214,010,508) | 64,088,273 |
| Surplus on revaluation of property, plant and equipment | 16 | 130,157,067 | 157,783,894 |
| NON-CURRENT LIABILITIES | | | |
| Deferred liabilities | 17 | 298,930 | 2,494,057 |
| | | 298,930 | 2,494,057 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 18 | 194,695,904 | 211,083,865 |
| Accrued mark-up | 19 | 22,565,762 | 16,154,622 |
| Short term loan from directors and sponsors- unsecured | 20 | 306,044,820 | 222,019,447 |
| Provision for taxation | 29 | 7,451,481 | 7,643,010 |
| | | 530,757,967 | 456,900,944 |
| CONTINGENCIES & COMMITMENTS | 21 | - | - |
| TOTAL EQUITY AND LIABILITIES | | 447,203,456 | 681,267,168 |

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

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

| | NOTE | 2016 (Rupees) | 2015 (Rupees) |
|---|------|----------------------|------------------|
| Sales - net | 22 | 793,087,469 | 1,171,057,020 |
| Cost of Sales | 23 | (1,019,978,348) | (1,168,519,075) |
| Gross Profit/(Loss) | | (226,890,879) | 2,537,945 |
| Distribution costs | 24 | (5,990,689) | (11,145,133) |
| Administrative expenses | 25 | (36,288,996) | (43,552,911) |
| Other operating expenses | 26 | (102,976) | (992,129) |
| | | (42,382,661) | (55,690,173) |
| | | (269,273,540) | (53,152,228) |
| Other Operating Income | 27 | 852,023 | 861,513 |
| Loss from operations | | (268,421,517) | (52,290,715) |
| Finance cost | 28 | (6,715,706) | (3,854,117) |
| Loss before taxation | | (275,137,223) | (56,144,832) |
| Taxation | 29 | (6,966,264) | 9,864,073 |
| Loss after taxation | | (282,103,487) | (46,280,759) |
| Basic & Diluted loss per share | 30 | (13.26) | (2.18) |

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

| Note | 2016 (Rupees) | 2015 (Rupees) |
|--|---------------------|------------------|
| Loss after taxation | (282,103,487) | (46,280,759) |
| Other comprehensive income Items that will not be classified to profit and loss account | | |
| Other comprehensive income- transferred to equity | | |
| Deficit on re-measurement of available for sale investments to fair value. | (3,463) | (11,035) |
| | (3,463) | (11,035) |
| Other comprehensive income - not transferred to equity | | |
| Loss on revaluation of property, plant and equipment | (23,949,389) | - |
| Total comprehensive income / (loss) | (23,952,852) | (11,035) |

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT

For the Year Ended June 30, 2016

| | NOTE | 2016 (Rupees) | 2015 (Rupees) |
|--|------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (275,137,223) | (56,144,832) |
| Adjustment for: | | | |
| Depreciation | | 20,267,129 | 18,887,275 |
| Gratuity provision | | 5,274,350 | 2,123,444 |
| Impairment loss on revaluation of plant & machinery | | 143,447,704 | |
| Gain from Sale of Assets | | 24,414 | - |
| Finance cost | | 6,715,706 | 3,854,117 |
| Operating Loss before working capital changes | | (99,407,920) | (31,279,996) |
| Adjustments for working capital changes: | | | |
| (Increase) / Decrease in Current Assets | | | |
| Stores and Spares | | (263,809) | (1,548,817) |
| Stock in Trade | | 26,424,095 | (48,066,022) |
| Trade Debts | | 7,574,309 | (17,790,146) |
| Loans and Advances | | (862,868) | (944,211) |
| Trade deposits, prepayments and other receivables | | 11,272,866 | 29,714,066 |
| | | 44,144,593 | (38,635,130) |
| (Decrease) / Increase In Current Liabilities | | | |
| Trade and Other Payables | | (12,126,111) | 139,082,697 |
| | | (12,126,111) | 139,082,697 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from / (utilized) in operations | | (67,389,438) | 69,167,572 |
| Finance costs paid | | (304,566) | (581,947) |
| Gratuity paid | | (5,597,020) | (3,105,994) |
| Workers' welfare fund paid | | - | (4,936,765) |
| Income & Sales tax paid | | (6,004,818) | (22,174,402) |
| Net cash (utilized in) operating activities | | (79,295,842) | 38,368,463 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Fixed capital expenditure | | (14,414,181) | (54,318,634) |
| Proceeds from disposal of property, plant & equipment | | 50,000 | - |
| Net cash (out flow) / in flow from investing activities | | (14,364,181) | (54,318,634) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Short term loan from directors and sponsors - disbursements | | 84,025,373 | 5,327,000 |
| Net cash in flow from financing activities | | 84,025,373 | 5,327,000 |
| Net increase in cash and cash equivalents | | (9,634,650) | (10,623,171) |
| Cash and cash equivalents at beginning of the year | | 19,657,625 | 30,280,796 |
| Cash and cash equivalents at end of the year | 13 | 10,022,975 | 19,657,625 |

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

| | SHARE CAPITAL | CAPITAL RESERVES | REVENUE RESERVE | TOTAL EQUITY |
|---|--------------------------------|--|----------------------|----------------------|
| | Paid up ordinary share capital | Unrealized gain on re-measurement of available for sale investment | ACCUMULATED LOSSES | |
| ----- Rupees ----- | | | | |
| Balance as at June 30, 2014 | 212,678,000 | 27,556 | (106,422,321) | 106,283,236 |
| Total comprehensive loss for the year ended June 30, 2015 | | | | |
| Loss for the year ended June 30, 2015 | - | - | (46,280,759) | (46,280,759) |
| Other Comprehensive income for the year ended | - | (11,035) | - | (11,035) |
| | - | (11,035) | (46,280,759) | (46,291,794) |
| Revaluation surplus realized on account of: | | | | |
| - Incremental Depreciation current year - net off Tax | - | - | 4,096,832 | 4,096,832 |
| - Disposal of property, plant & equipment- net off Tax | - | - | - | - |
| | - | - | 4,096,832 | 4,096,832 |
| Balance as at June 30, 2015 | 212,678,000 | 16,521 | (148,606,248) | 64,088,273 |
| Total comprehensive loss for the year ended June 30, 2016 | | | | |
| Loss for the year ended June 30, 2016 | - | - | (282,103,487) | (282,103,487) |
| Other Comprehensive income for the year ended | - | (3,463) | - | (3,463) |
| | - | (3,463) | (282,103,487) | (282,106,950) |
| Revaluation surplus realized on account of: | | | | |
| Incremental Depreciation current year - net off Tax | - | - | 4,008,169 | 4,008,169 |
| Disposal of property, plant & equipment- net off Tax | - | - | - | - |
| | - | - | 4,008,169 | 4,008,169 |
| Balance as at June 30, 2016 | 212,678,000 | 13,058 | (426,701,566) | (214,010,508) |

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

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016****1-THE COMPANY AND ITS OPERATIONS**

Sajjad Textile Mills Limited ("the company") was incorporated as a public limited company in Pakistan under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The Company is principally engaged in manufacturing, selling, buying and dealing in yarn of all types. The registered office of the company is situated at 19-B, Off Zafar Ali Road, Gulberg-V, Lahore.

2-SIGNIFICANT MATTERS

The Company has suspended its operations and intends to dispose of its plant and machinery to settle its liabilities. An intimation to this effect has been sent to the Pakistan Stock Exchange subsequent to the year end on September 22, 2016. At the balance sheet date the Company's accumulated losses stand at Rs. 426.701 million. Its equity is eroded by Rs. 214.010 million and its current liabilities exceed its current assets by Rs. 387.805 million. Further, at present there is no formal approved business plan for future periods. These factors indicate a material uncertainty that the Company may not be able to continue its operations in the foreseeable future, since the resumption of the Company's operations is dependent upon support from the directors and purchase of new machinery. However, these financial statements have been prepared by the management on the assumption that Company would continue as going concern. Consequently, the financial statements do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

3-BASIS OF PREPARATION**3.1 Statement of Compliance**

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

3.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except for revaluation of certain financial assets at fair value and recognition of certain employee retirement benefits at present value. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

3.3 Functional and Presentation Currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupee .

3.4 Use of Estimate & Judgment

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

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Retirement and other benefits
- Provision for taxation
- Residual values and useful lives of depreciable assets
- Provisions and contingencies

a) **New standards, amendments to approved accounting standards and interpretations which became effective during the year**

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Company.

b) **Standards and amendments to published standards that are not yet effective and have not been early adopted by the Company**

The following standards, interpretations and the amendments to approved accounting standards are not effective for the financial year beginning on July 01, 2016 and have not been early adopted by the company.

IFRS 9 "Financial Instruments" is applicable on accounting period January 01, 2018, IASB has published the complete version of IFRS 9 "Financial Instruments" which replaces the guidelines of IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces incurred loss impairment model use today. This IFRS is under consideration of the relevant committee of the Institute of Chartered Accountant of Pakistan. The company has yet to assess the impact of these changes on its financial statements.

IFRS 15 "Revenue from Contracts with Customers" is applicable on accounting periods beginning on or after January 01, 2017. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard on the principle that revenue is recognized when control of a good or service transferred to customer, so the notion of control replaces the existing notion of risks and rewards. The standards permits a modified retrospective approach for the adoption. Under this approach entities will recognized transitional adjustments in retained earnings on the date of initial application (e.g. July 01, 2017) i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial recognition. The company has yet to assess the impact of these changes on its financial statements.

Amendments to IAS 7 "Statements of Cash flows" are applicable for annual periods beginning on or after January 01, 2017. The amendments require that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non cash changes. The amendments are not likely to have material impact on the company's financial statements.

Amendments to IAS 12 "Income taxes" is applicable on annual periods beginning on or after January 01, 2017. The amendment clarifies deferred tax treatment for debt instruments and also addresses questions regarding determination of future taxable profit for the recognition test of deferred tax. The amendments are not likely to have material impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual Periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and at guidance that expected future reductions in the selling price of an item that was produced using as asset could indicate the expectation of technological or commercial obsolescence of asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

Summary of Significant Accounting Policies**4.1 Property, Plant and Equipment**

Tangible assets except freehold land, buildings on freehold land, and plant and machinery are stated at cost less accumulated depreciation and impairment in value, if any. Buildings on freehold land, and plant and machinery are stated at revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses while freehold land is stated at revalued amount being the fair value at the date of revaluation, less any subsequent impairment losses, if any. Increase in the carrying amount arising on revaluation is credited to 'Revaluation of fixed assets' and the same is dealt in accordance with section 235 of the Companies Ordinance, 1984. Surplus on revaluation is booked by restating gross carrying amounts of respective assets being revalued, proportionately to the change in their carrying amounts due to revaluation. The accumulated depreciation at the date of

Depreciation on addition and deletion is charged on the basis of number of days the asset remains in use of the company. Assets' residual values, useful life and depreciation rates are reviewed and adjusted, if appropriate at each balance sheet date. Normal repair and maintenance is charged to income as and when incurred. Major renewals and improvements are capitalized.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income / other charges" in profit and loss account.

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to determined whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use or fair value less cost to sell. An impairment is recognized if the carrying amount exceed its estimated recoverable amount.

4.2 Investments

Available for Sale

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

These are measured at fair value. The Company uses latest stock exchange quotations to determine the fair value of its quoted investments whereas fair value of investments in un-quoted companies is determined by applying the appropriate valuation techniques as permissible under IAS 39 (Financial Instruments: Recognition and Measurement). Gains or losses on available-for sale investments are recognized directly in other comprehensive income until the investments are sold or disposed-off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously recognized in other comprehensive income, is re-classified from equity to profit and loss account as re-classification adjustment.

a) **Investments Held to Maturity**

Investments at fair value through profit and loss are those which are acquired for generating a profit from short-term fluctuation in prices. All investments are initially recognized at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at fair value (quoted market price). Any gain or loss from a change in the fair value is recognized in profit and loss account.

b) **Investments at Fair Value through Profit or Loss**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has positive intention to hold to maturity. Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment loss, if any.

4.3 Inventories

These are valued at lower of cost and net realizable value. Cost is determined as follows:

| | |
|------------------------------------|---|
| Stores & Spares | At Weighted average cost. |
| Raw material | At Weighted average cost |
| Work in Process and Finished Goods | Average manufacturing cost including a portion of production overheads. |

Material in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste/Rags are valued at net realizable value.

Net realizable value represents selling price in the ordinary course of business less selling expenses incidental to sales.

4.4 Trade Debts

Trade debts are stated initially at the fair value, subsequent to initial recognition. These are stated at their amortized cost as reduced by appropriate provision for impairment, known impaired receivables are written off, while receivables considered doubtful are fully provided for.

4.5 Other Receivables

Other receivables are recognized at nominal amount which is the fair value of the consideration to be received less an allowance for any uncollectible amounts.

NOTES TO THE FINANCIAL STATEMENTS

4.6 Employees' Retirement Benefits - Defined Benefit Plan

The company operates an unfunded gratuity scheme covering all employees, payable on ceasing of employment subject to completion of minimum qualifying period of service. Obligations under the scheme are provided annually.

4.7 Trade and other Payables

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

4.8 Taxation**a) Current**

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

b) Deferred Tax

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes.

Deferred tax asset is recognized for all the deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset may be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are recognized for all the taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to comprehensive income or equity, in which case it is included in comprehensive income or equity.

4.9 Revenue Recognition

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 and when specific criteria have been met for each of the Company's activities as described below:

a) Sale of goods and conversion charges

Sales revenue and conversion charges are recognized when the goods are dispatched and significant risks and rewards of ownership are transferred to the customer. Revenue from sale of goods is measured at the fair value of consideration received or receivable, net of returns and trade discounts.

b) Income on bank deposits

Interest income on bank deposits is accounted for on the time proportion basis taking into account the amounts outstanding and rate applicable thereon.

c) **Others**

Scrap sales and miscellaneous receipts are recognized on realized amounts. Dividend income from investments is recognized then the Company's rights to receive payments has been established.

4.10 **Borrowing Costs**

Mark-up, interest and other charges on borrowings which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs i.e. mark-up, interest and other charges are charged to the profit and loss account in the period in which they are incurred.

4.11 **Provisions**

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

4.12 **Cash and Cash Equivalents**

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand and deposits in banks that are readily convertible to known amounts of cash.

4.13 **Financial assets**

Financial assets and liabilities are recognized when the Company becomes a party to contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and liabilities are included in profit and loss account for the year.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest method. The carrying values of liabilities approximates to their amortized cost.

Derivatives are initially recorded at cost which is the fair value of consideration given or received respectively on the date a derivative contract is entered into and are remeasured to fair value, amortized cost or cost as the case may be at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at inception of transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial assets or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

4.14 **Impairment**a) **Financial Assets**

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

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

b) **Non-Financial Assets**

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

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

4.15 **Financial Instruments**

Financial assets and liabilities are recognized when the Company becomes a party to contractual provisions of the instrument and de-recognized when the Company loses control of contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and liabilities are included in profit and loss account for the year.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using effective interest method. The carrying values of liabilities approximates to their amortized cost.

Derivatives are initially recorded at cost which is the fair value of consideration given or received respectively on the date a derivative contract is entered into and are remeasured to fair value, amortized cost or cost as the case may be at subsequent reporting dates. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as cash flow hedges.

The Company documents at inception of transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flow of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss account.

Amounts accumulated in equity are recognized in profit and loss account in the periods when the hedged item will effect profit or loss. However, when the forecast hedged transaction results in the recognition of a non-financial assets or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

4.16 Dividend & Appropriation to reserves

Dividend is recognized as a liability in the period in which it is declared.

4.17 Earnings per share

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

4.18 Contingent Liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of 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; or the Company has a present legal or constructive 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 obligation cannot be measured with sufficient reliability.

4.19 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the rates of exchange ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into Pak Rupees at exchange rates prevailing on the balance sheet date. All exchange differences are charged to profit and loss account

4.20 Related party transactions

All transactions with related parties are carried out by the Group at arms' length price using the method prescribed under the Companies Ordinance 1984.

Nature of the related party relationship as well as information about the transactions and outstanding balances are disclosed in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT

| | 2016 Rupees | 2015 Rupees |
|---------------------------------|--------------------|--------------------|
| Tangible Operating Fixed Assets | 292,882,540 | 466,158,167 |
| | <u>292,882,540</u> | <u>466,158,167</u> |

5.1 The following is a statement of property, plant & equipment:

| | Land Freehold Rupees | Building on Freehold land Rupees | Plant and Machinery Rupees | Electric Installation Rupees | Tools and Equipment Rupees | Fire Fighting and Equipment Rupees | Furniture and Fixture Rupees | Office Equipment Rupees | Computers Rupees | Air Conditioners Rupees | Vehicles Rupees | Weighing Scale Rupees | Arm and Ammunition Rupees | Telephone Installation Rupees | Total Rupees | |
|---|-------------------------|-------------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------------|---------------------------------|----------------------------|---------------------|----------------------------|--------------------|--------------------------|------------------------------|----------------------------------|--------------------|----------|
| 30-Jun-16 | | | | | | | | | | | | | | | | |
| Cost/Revalued Amount | | | | | | | | | | | | | | | | |
| Balance as at July 01, 2015 | 79,704,700 | 80,112,503 | 364,739,794 | 9,004,957 | 1,615,503 | 989,105 | 1,839,209 | 1,127,426 | 2,485,712 | 434,700 | 16,461,831 | 1,573,400 | 485,411 | 94,464 | 500,665,715 | |
| Additions | - | 1,476,396 | 12,797,485 | 89,300 | - | - | - | - | 51,000 | - | - | - | - | - | 14,414,181 | |
| Adjustment due to revaluation | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (167,397,093) | |
| Disposals/Write offs | 6,795,300 | 15,356,304 | (189,549,297) | - | - | - | - | - | - | - | (503,900) | - | - | - | (503,900) | |
| Balance as at June 30, 2016 | 86,500,000 | 96,945,804 | 187,987,981 | 9,094,257 | 1,615,503 | 989,105 | 1,839,209 | 1,127,426 | 2,536,712 | 434,700 | 15,957,931 | 1,573,400 | 485,411 | 94,464 | 407,181,902 | |
| Depreciation | | | | | | | | | | | | | | | | |
| Balance as at July 01, 2015 | - | 16,937,303 | 67,532,313 | 1,748,458 | 90,770 | 562,223 | 1,330,607 | 554,089 | 1,504,009 | 273,621 | 2,563,201 | 1,123,665 | 223,924 | 66,223 | 94,510,547 | |
| Charge for the year | - | 3,208,300 | 15,055,668 | 365,064 | 76,237 | 21,344 | 25,430 | 28,667 | 100,406 | 8,054 | 1,340,984 | 22,490 | 13,074 | 1,412 | 20,267,129 | |
| On disposals | - | - | - | - | - | - | - | - | - | - | (478,314) | - | - | - | (478,314) | |
| Balance as at June 30, 2016 | - | 20,145,603 | 82,587,981 | 2,113,522 | 167,007 | 583,567 | 1,356,037 | 582,756 | 1,604,415 | 281,675 | 3,425,871 | 1,146,095 | 238,988 | 67,635 | 114,299,362 | |
| Net Book Value as at June 30, 2016 | 86,500,000 | 76,800,000 | 105,400,000 | 6,980,735 | 1,448,496 | 405,538 | 483,172 | 544,670 | 932,297 | 153,025 | 12,532,060 | 427,305 | 248,413 | 26,829 | 292,882,540 | |
| 30-Jun-15 | | | | | | | | | | | | | | | | |
| Cost/Revalued Amount | | | | | | | | | | | | | | | | |
| Balance as at July 01, 2014 | 79,237,200 | 80,112,503 | 325,087,962 | 4,937,397 | 100,000 | 989,105 | 1,839,209 | 1,127,426 | 2,461,912 | 434,700 | 7,869,391 | 1,573,400 | 485,411 | 94,464 | 506,550,080 | |
| Additions | 467,500 | - | 39,651,831 | 4,067,560 | 1,515,503 | - | - | - | 23,800 | - | 8,592,440 | - | - | - | 54,316,634 | |
| Balance as at June 30, 2015 | 79,704,700 | 80,112,503 | 364,739,794 | 9,004,957 | 1,615,503 | 989,105 | 1,839,209 | 1,127,426 | 2,485,712 | 434,700 | 16,461,831 | 1,573,400 | 485,411 | 94,464 | 560,866,715 | |
| Depreciation | | | | | | | | | | | | | | | | |
| Balance as at July 01, 2014 | - | 13,612,503 | 53,507,084 | 1,402,677 | 50,730 | 539,755 | 1,303,838 | 523,913 | 1,396,794 | 265,143 | 1,646,005 | 1,099,932 | 210,161 | 64,737 | 75,623,272 | |
| Charge for the year | - | 3,325,000 | 14,025,229 | 345,781 | 40,040 | 22,468 | 26,769 | 30,176 | 107,216 | 8,478 | 917,195 | 23,673 | 13,763 | 1,486 | 18,887,275 | |
| Balance as at June 30, 2015 | - | 16,937,303 | 67,532,313 | 1,748,458 | 90,770 | 562,223 | 1,330,607 | 554,089 | 1,504,009 | 273,621 | 2,563,200 | 1,123,665 | 223,924 | 66,223 | 94,510,547 | |
| Net Book Value as at June 30, 2015 | 79,704,700 | 63,175,000 | 297,207,481 | 7,256,499 | 1,524,733 | 426,882 | 508,602 | 573,337 | 981,703 | 161,079 | 13,898,630 | 449,795 | 261,487 | 28,241 | 466,158,167 | |
| Annual Rate of Depreciation (%) | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 10 | 5 | 10 | 5 | 5 | 5 | 5 | 5 |

5.1.1 Depreciation for the year is allocated as under:

| | 2016 Rupees | 2015 Rupees |
|-----------------|-------------------|-------------------|
| Cost of Sales: | 18,749,102 | 17,782,191 |
| Administration: | 1,518,027 | 1,105,084 |
| | <u>20,267,129</u> | <u>18,887,275</u> |

5.2 Disposal of property, plant and equipment

| Particulars | Number | Cost | Accumulated depreciation | Book value | Sale proceeds | Profit/(Loss) | Mode of disposal | Particulars of buyer |
|-----------------------------------|------------|--------------------|--------------------------|--------------------|---------------|---------------|------------------|--|
| Suzuki pickup | LE-15-3362 | 503,900 | 478,314 | 25,586 | 50,000 | 24,414 | Negotiation | Mr. Akbar Khan S/o Saeed Khan Dak-khana Barkhan Distt. Barkhan |
| Land Building Plant and Machinery | Jun-16 | 4,749,129 | - | 4,749,129 | - | - | - | - |
| | | 50,410,733 | 34,185,913 | 16,224,820 | - | - | - | - |
| | | 430,980,025 | 260,508,691 | 170,471,334 | - | - | - | - |
| | Jun-16 | <u>466,139,887</u> | <u>294,694,604</u> | <u>191,445,282</u> | - | - | - | - |
| | Jun-15 | 418,182,540 | 251,630,608 | 166,551,932 | - | - | - | - |

5.3 Had there been no revaluation, related figures of land, building and plant and machinery at June 30, 2016 would have been as follows:

| | 2016 Rupees | 2015 Rupees |
|--|--------------------|--------------------|
| 6 LONG TERM DEPOSITS | | |
| SNGPL | 11,100,000 | 11,100,000 |
| Others | 268,938 | 268,938 |
| | <u>11,368,938</u> | <u>11,368,938</u> |
| 7 STORES, SPARE PARTS AND LOOSE TOOLS | | |
| Stores, spares and loose tools | <u>16,037,323</u> | <u>15,773,514</u> |
| 8 STOCK IN TRADE | | |
| Raw material | 2,284,354 | 49,611,682 |
| Work in process | 8,322,990 | 7,974,828 |
| Finished | 47,334,621 | 25,376,603 |
| Waste | 1,179,273 | 2,582,220 |
| | <u>59,121,238</u> | <u>85,545,333</u> |
| 9 TRADE DEBTS - Unsecured - Considered good | | |
| Trade Debts | 28,020,722 | 35,595,031 |
| Less: | | |
| Provision for Doubtful Debts | (646,324) | (646,324) |
| | <u>27,374,398</u> | <u>34,948,707</u> |
| 10 LOANS AND ADVANCES- Unsecured - considered good | | |
| Advances to: | | |
| Suppliers | 6,080,301 | 5,367,154 |
| Staff | 910,957 | 761,236 |
| | <u>6,991,258</u> | <u>6,128,390</u> |
| 10.1 Directors, Chief Executives and Executives have not received any advance from the company during the year end (2015: nil) | | |
| 11 TRADE DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES | | |
| Other receivables- Unsecured - considered good | 100,000 | 100,000 |
| Letter of credit | 5,000 | 8,167,797 |
| Sales tax refundable | 12,499,014 | 9,177,790 |
| Advance income tax | 5,299,330 | 20,185,277 |
| Prepayments | 346,725 | 135,570 |
| Income tax refundable | 5,135,847 | 3,897,727 |
| | <u>23,385,916</u> | <u>41,664,161</u> |
| 12 AVAILABLE FOR SALE INVESTMENTS | | |
| Allied Bank Limited | 18,870 | 22,333 |
| - 347 (2015: 347) fully paid ordinary shares of Rs. 10/- each | | |
| 13 CASH AND BANK BALANCES | | |
| Cash in hand | 1,936,227 | 273,211 |
| Cash with banks: | | |
| In current accounts | 8,086,748 | 19,384,414 |
| | <u>10,022,975</u> | <u>19,657,625</u> |
| 14 SHARE CAPITAL | | |
| 14.1 Authorized share capital | | |
| Number of shares | | |
| 30,000,000 (2015: 30,000,000) ordinary shares of Rs 10 each | <u>300,000,000</u> | <u>300,000,000</u> |
| 300,000,000 | <u>300,000,000</u> | <u>300,000,000</u> |
| 14.2 Issued, subscribed and paid up capital | | |
| Numbers | | |
| 21,267,800 (2015: 21,267,800) ordinary shares | | |
| of Rs.10/- each fully paid in cash | <u>212,678,000</u> | <u>212,678,000</u> |

The company has one class of ordinary shares which carry no right to fixed income. The holders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the company. All shares rank equally with regard to the company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

| | | 2016 Rupees | 2015 Rupees |
|---|------|--------------------|--------------------|
| 15 CAPITAL RESERVE | | | |
| <u>Un-realized gain on re-measurement of available for sale investments</u> | | | |
| Opening balance - net off tax | | 16,521 | 27,556 |
| (Deficit) / Surplus on re-measurement of available for sale investments to fair value - net off tax | 15.1 | (3,463) | (11,035) |
| | | <u>13,058</u> | <u>16,521</u> |
| 15.1 This represents the unrealized gain on re-measurement of available for sale investments at fair value and is not available for distribution. This will be transferred to income statement on de-recognition of investment. | | | |
| 16 SURPLUS ON REVALUATION OF FIXED ASSETS | | | |
| Gross Surplus | | | |
| At the beginning of the year | | 190,856,953 | 196,971,627 |
| Loss on revaluation of fixed assets during the year | | (23,949,389) | |
| Less: | | | |
| Effect of disposal of fixed assets | | - | - |
| Transferred to accumulated profits in respect of incremental depreciation charge for the year | | (5,808,941) | (6,114,674) |
| At the end of the year | | 161,098,624 | 190,856,953 |
| Deferred tax liability on revaluation surplus | | | |
| At the beginning of the year | | 33,073,059 | 35,090,902 |
| Tax on loss during the year | | - | - |
| Effect of disposal of fixed assets | | - | - |
| Incremental depreciation charged on related assets | | (1,800,772) | (2,017,842) |
| Effect of change in tax rate | | (330,731) | - |
| | | <u>30,941,557</u> | <u>33,073,059</u> |
| | | <u>130,157,067</u> | <u>157,783,894</u> |

16.1 The free hold land, building and plant and machinery were revalued by independent valuer in 2010, 2013 and 2016 respectively. These revaluations resulted in cumulative revaluation surplus, which has been included in the carrying value of the free hold land, building and plant and machinery respectively and credited to the surplus on revaluation of fixed assets. The surplus is adjusted by surplus realized on disposal of revalued assets, if any, subsequent impairment loss and incremental depreciation arising due to revaluation, net of

16.2 In the current year revaluation of plant and machinery indicates impairment loss due to significant decrease in market value of plant and machinery of Rs. 189.549 million, out of which Rs.46.102 million has been transferred to equity to eliminate relevant revaluation surplus and remaining amount of Rs. 143.447 million has been charged to cost of sales in profit and loss account.

17 DEFERRED LIABILITIES

| | | | |
|---|------|------------------|------------------|
| Gratuity - Defined benefit plan | 17.1 | 298,930 | 621,600 |
| Deferred Taxation | 17.2 | - | 1,872,457 |
| | | <u>298,930</u> | <u>2,494,057</u> |
| 17.1 <u>Gratuity - defined benefit plan</u> | | | |
| Movement in liability recognized in the balance sheet are as follows: | | | |
| Liability as at July 1 | | 621,600 | 1,604,150 |
| Charge to profit and loss account | | 5,274,350 | 2,123,444 |
| | | <u>5,895,950</u> | <u>3,727,594</u> |
| Payments during the year | | (5,597,020) | (3,105,994) |
| Liability as at June 30 | | <u>298,930</u> | <u>621,600</u> |

17.1.1 The closing liability represents the present obligation of the company. However, since the amount of gratuity is not material therefore, actuarial valuation has not been carried out during the year.

| | 2016 Rupees | 2015 Rupees |
|---|---------------------|--------------------|
| 17.2 <u>Deferred taxation</u> | | |
| The liability for deferred taxation comprises of temporary differences in respect of: | | |
| <u>Taxable temporary differences in respect of:</u> | | |
| Revaluation surplus | 19,007,329 | 37,177,219 |
| Accelerated Tax depreciation | 49,601,540 | 61,553,276 |
| Re-measurement of investment available for sale | (3,463) | (11,035) |
| <u>Deductible temporary differences in respect of:</u> | | |
| Staff retirement benefits | (92,668) | (198,912) |
| Unabsorbed losses and Credits | (92,050,831) | (71,520,917) |
| Minimum tax available for carry forward | (35,332,449) | (24,920,350) |
| Provisions for doubtful debts | (200,360) | (206,824) |
| Net liability as at June 30, | <u>(59,070,902)</u> | <u>1,872,457</u> |
| Deferred income tax asset, recognized on tax losses available for carry forward, has not been recorded as future taxable profits are not expected at the moment. The aggregate unutilized tax losses at June 30, 2016 amounts to Rs. 296,898,164 (2015: Rs. 223,502,865). | | |
| 18 <u>TRADE AND OTHER PAYABLES</u> | | |
| Creditors | 100,288,445 | 166,865,682 |
| Accrued liabilities | 46,214,030 | 36,794,776 |
| Advances from customers | 46,476,286 | 5,943,723 |
| Income tax deducted at source | 1,550,201 | 1,312,741 |
| Un-claimed dividend | 166,942 | 166,942 |
| | <u>194,695,904</u> | <u>211,083,864</u> |
| 19 <u>ACCRUED MARKUP</u> | | |
| Interest on short term loan from sponsors | 22,565,762 | 16,154,622 |
| | <u>22,565,762</u> | <u>16,154,622</u> |
| 20 <u>SHORT TERM LOAN FROM DIRECTORS AND SPONSORS - UNSECURED</u> | | |
| These are composed of : | | |
| Interest free Short term loan from directors and sponsors | 20.1 199,437,447 | 199,437,447 |
| Interest bearing Short term loan from directors and sponsors | 20.2 106,607,373 | 22,582,000 |
| | <u>306,044,820</u> | <u>222,019,447</u> |

20.1 The above loans are unsecured and are repayable to directors and sponsors on demand.

20.2 These loans are unsecured and repayable on demand. The loan carries markup @ 3 months kibar plus 2%.

21 CONTINGENCIES AND COMMITMENTS

21.1 There were no contingencies as at June 30, 2016. (2015 : 14.985 Million against GIDC amount - stay was granted by Supreme Court

21.2 There were no commitments as at June 30, 2016. (2015 : Nil)

NOTES TO THE FINANCIAL STATEMENTS

| | | 2016 Rupees | 2015 Rupees |
|-----------------------------------|-------|----------------------|----------------------|
| 22 SALES - NET | | | |
| Sale of yarn - Local | 22.1 | 644,877,345 | 839,909,727 |
| Sale of yarn - Export | | 137,327,797 | 316,077,181 |
| Sale of waste | 22.2 | 14,959,504 | 21,648,359 |
| | | <u>797,164,646</u> | <u>1,177,635,267</u> |
| Less: Commission | | (4,077,177) | (6,578,247) |
| | | <u>793,087,469</u> | <u>1,171,057,020</u> |
| 22.1 Sale of yarn - Local | | | |
| Sales | | 668,463,473 | 855,967,406 |
| Less: Sales tax | | (23,586,128) | (16,057,679) |
| | | <u>644,877,345</u> | <u>839,909,727</u> |
| 22.2 Sale of waste | | | |
| Sales | | 15,414,254 | 22,091,124 |
| Less: Sales tax | | (454,750) | (442,765) |
| | | <u>14,959,504</u> | <u>21,648,359</u> |
| 23 COST OF SALES | | | |
| Raw material consumed | 23.1 | 577,345,090 | 877,152,117 |
| Salaries, wages and benefits | 23.2 | 79,004,154 | 83,961,506 |
| Packing material | | 13,053,473 | 18,947,598 |
| Fuel and power | | 170,704,474 | 143,590,575 |
| Repair and maintenance | | 2,065,250 | 3,760,736 |
| Other manufacturing overheads | | 17,058,397 | 16,755,098 |
| Rent, Rates & Taxes | | 769,879 | 126,499 |
| Cotton cess duty | | 1,015,037 | 1,826,150 |
| Store consumed | | 13,545,661 | 18,635,259 |
| Insurance | | 3,494,794 | 3,260,614 |
| Workers' Welfare Expenses | | 628,566 | 716,318 |
| Impairment of plant and machinery | 23.3 | 143,447,704 | - |
| Miscellaneous expenses | | - | 22,564 |
| Depreciation | 5.1.1 | 18,749,102 | 17,782,190 |
| | | <u>1,040,881,581</u> | <u>1,186,537,224</u> |
| Opening stock of work in process | | 7,974,828 | 10,528,125 |
| Closing stock of work in process | | (8,322,990) | (7,974,828) |
| | | <u>(348,162)</u> | <u>2,553,297</u> |
| Cost of goods manufactured | | 1,040,533,419 | 1,189,090,521 |
| Opening stock of finished goods | | 25,376,603 | 6,225,232 |
| Closing Stock of Finished Goods | | (47,334,621) | (25,376,603) |
| | | <u>(21,958,018)</u> | <u>(19,151,371)</u> |
| Opening stock of waste | | 2,582,220 | 1,162,145 |
| Closing stock of waste | | (1,179,273) | (2,582,220) |
| | | <u>1,402,947</u> | <u>(1,420,075)</u> |
| | | <u>1,019,978,348</u> | <u>1,168,519,075</u> |
| 23.1 Raw Material Consumed | | | |
| Opening Raw Material | | 49,611,682 | 19,563,809 |
| Add: Purchases | | 530,017,762 | 907,199,990 |
| Less: closing stock | | (2,284,354) | (49,611,682) |
| | | <u>577,345,090</u> | <u>877,152,117</u> |

23.2 Salaries, wages and other benefits include Rs. 5.153 million (2015: Rs. 0.726 million) in respect of staff retirement benefits.

23.3 Revaluation loss net of deferred tax amounting to Rs. 46.102 million charged to revaluation surplus and 143.447 million charged to cost of sales.

| | | 2016 Rupees | 2015 Rupees |
|--|-------|-------------------|-------------------|
| 24 DISTRIBUTION COSTS | | | |
| Export expenses | | 3,742,970 | 5,308,888 |
| Freight - Steamer | | 1,770,156 | 1,734,153 |
| - Inland | | 477,563 | 4,102,092 |
| | | <u>5,990,689</u> | <u>11,145,133</u> |
| 25 ADMINISTRATIVE EXPENSES | | | |
| Salaries and Other Benefits | 25.1 | 18,259,725 | 18,390,985 |
| Vehicle running and maintenance | | 2,296,522 | 2,906,947 |
| Traveling and conveyance | | 2,617,007 | 5,941,641 |
| Printing and stationery | | 457,780 | 309,581 |
| Entertainment | | 558,514 | 650,572 |
| Rent, rate and taxes | | 86,668 | 76,361 |
| Fee and subscription | | 3,645,421 | 2,463,538 |
| Legal and professional | | 3,201,393 | 6,702,356 |
| Postage | | 290,105 | 543,295 |
| Telephone | | 733,546 | 772,234 |
| Utilities | | 825,883 | 910,043 |
| Repair & maintenance | | 735,664 | 1,241,474 |
| | | 6,522 | 6,116 |
| Insurance | | 275,520 | 460,200 |
| Gardening | | 262,990 | 656,050 |
| Staff Welfare | | 25,559 | 13,533 |
| Advertisement | | 122,150 | 107,900 |
| Auditors' remuneration | 25.2 | 370,000 | 295,000 |
| Depreciation | 5.1.1 | 1,518,027 | 1,105,085 |
| | | <u>36,288,996</u> | <u>43,552,911</u> |
| 25.1 Salaries and Other Benefits includes Rs.460,000/- (2015: Rs. 422,131/-) in respect of staff retirement benefits. | | | |
| 25.2 <u>Auditors' Remuneration</u> | | | |
| Statutory audit fee | | 330,000 | 260,000 |
| Review of compliance with code of corporate governance | | 10,000 | 10,000 |
| Half yearly review | | 30,000 | 25,000 |
| | | <u>370,000</u> | <u>295,000</u> |
| 26 OTHER OPERATING EXEPNSES | | | |
| Short Realization | | - | 992,129 |
| Exchange Loss | | 102,976 | - |
| | | <u>102,976</u> | <u>992,129</u> |
| 27 OTHER OPERATING INCOME | | | |
| Gain on sale of fixed assets | | 24,414 | - |
| Income non-financial assets | | | |
| - Excess Realization | | 825,332 | - |
| - Exchange Gain | 27.1 | - | 861,044 |
| Income financial assets | | | |
| - Dividend | | 2,277 | 469 |
| | | <u>852,023</u> | <u>861,513</u> |
| 27.1 This represented gain on margin held by bank. | | | |
| 28 FINANCE COST | | | |
| Markup on loan from directors and sponsors: | | | |
| - Short term | | 6,411,140 | 3,272,169 |
| Bank charges and commission | | 304,566 | 581,948 |
| | | <u>6,715,706</u> | <u>3,854,117</u> |

NOTES TO THE FINANCIAL STATEMENTS

| | 2016 Rupees | 2015 Rupees |
|--------------------|------------------|--------------------|
| 29 TAXATION | | |
| Current | 7,451,481 | 7,643,010 |
| Deferred | (1,541,726) | (20,791,686) |
| Prior | 1,056,509 | 3,284,603 |
| | 6,966,264 | (9,864,073) |

29.1 The company's income tax assessments have been finalized up to and including tax year 2015

29.2 The current tax provision represents the minimum tax on turnover for the year due under Section 113 of Income Tax Ordinance, 2001 since Company's tax computation results in tax loss. Therefore reconciliation of tax charge for the year is not presented.

30 BASIC LOSS PER SHARE

There is no dilutive effect on the basic earning / (loss) per share of the company.

| | | |
|--|----------------|---------------|
| Profit /(Loss) after taxation | (282,103,487) | (46,280,759) |
| Weighted average number of issued shares | 21,267,800 | 21,267,800 |
| Basic Earning / (Loss) per share | (13.26) | (2.18) |

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts during the year for remuneration including benefits is as follows:

| | June 30, 2016 | | | June 30, 2015 | | |
|--|------------------|-------------------|------------------|------------------|------------------|------------------|
| | Chief Executive | Executives | Director | Chief Executive | Executives | Director |
| Managerial Remuneration including House Rent & Utility | 2,697,000 | 13,627,000 | 2,697,000 | 2,697,000 | 9,865,000 | 2,697,000 |
| | 2,697,000 | 13,627,000 | 2,697,000 | 2,697,000 | 9,865,000 | 2,697,000 |
| Number of persons | 1 | 9 | 1 | 1 | 7 | 1 |

No meeting fee has been paid to any director of the company during the year (2015: Rs. Nil).

Fuel and maintenance charges of vehicles are reimbursed to Chief Executive and one Director of the company for business use only.

32 TRANSACTION WITH RELATED PARTIES:

Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the terms of

- The company purchased from associated undertaking material of aggregate sum of Rs. Nil (2015: Rs. Nil) during the year.
- Interest free short term loan repaid Rs. Nil and provided by sponsors Rs. Nil (June 30, 2015 Rs. Nil)
- Interest bearing short term loan repaid Rs. 22.200 million and provided by sponsors Rs. 112.225 million (June 30, 2015 Rs. 22.582 million)
- Markup payable to directors and sponsors Rs. 22.574 million (June 30, 2015 Rs. 16.154 million)

32.1 All related party transactions are approved by the audit committee and the Board of directors of the Company. Directors' interest is limited to interest on these loans.

33 FINANCIAL RISK MANAGEMENT**33.1 Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Board meets frequently throughout the year for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a

33.2 Financial instruments by category**Financial Assets**

| | | |
|----------------------------------|-------------------|-------------------|
| Long term deposits | 11,368,938 | 11,368,938 |
| Trade debts (net-off impairment) | 27,374,398 | 34,948,707 |
| Loans and Advances | 910,957 | 761,236 |
| Financial Asset | 18,870 | 22,333 |
| Cash and bank balances | 10,022,975 | 19,657,625 |
| Total | 49,696,138 | 66,758,839 |

| | 2016 Rupees | 2015 Rupees |
|---------------------------------|--------------------|--------------------|
| Financial Liabilities | | |
| Gratuity - Defined benefit plan | 298,930 | 621,600 |
| Trade and other payables | 146,502,475 | 203,660,458 |
| Accrued mark-up | 22,565,762 | 16,154,622 |
| Short term loan from sponsors | 306,044,820 | 222,019,447 |
| Total | 475,411,987 | 442,456,127 |

33.3 Fair Values

The carrying values of the financial assets and financial liabilities approximate their fair values except for Interest free sponsors' loans as disclosed in note. 20 to the financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If the transaction is not based on market terms, or if a market price cannot be readily determined, then an estimate of future cash payments or receipts, discounted using the current market interest rate for a similar financial instrument, is used to approximate the fair value.

33.4 Financial Risk Factors

The Company has exposures to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

33.4.1 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from long term security deposits, loans and advances, deposits, trade debts, other receivables, bank

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To manage exposure to credit risk in respect of trade receivables, management reviews credit worthiness, references, establish purchase limits taking into account the

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. One of the major customer account for Rs. 4.28 million of the trade debts carrying amount as at June 30, 2016 that has good track record with the Company.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date was:

| | | |
|--------------------|-------------------|-------------------|
| Long term deposits | 11,368,938 | 11,368,938 |
| Trade debts | 27,374,398 | 34,948,707 |
| Loans and Advances | 910,957 | 761,236 |
| Financial Asset | 18,870 | 22,333 |
| Bank balances | 8,086,748 | 19,384,414 |
| Total | 47,759,911 | 66,485,628 |

For trade debts, internal risk assessment process determines the credit quality of the customers, taking into account their financial positions, past experiences and other factors. The company assesses the credit quality of the counter parties as satisfactory. Bank balances are held only with reputable banks with high quality credit ratings. Loans and advances are not exposed to any material credit risk. Geographically there is no concentration of credit risk. The maximum exposure to credit risk for trade debts at the reporting date are with customers within the country.

Detail of impairment of trade debts is given in Note.9. Based on past experience the management believes that no further impairment allowance is necessary as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

33.4.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. Prudent liquidity, risk management implies maintaining sufficient cash, marketable securities and the availability of adequate credit facilities. Furthermore, the directors and the sponsors have provided liquidity support to the Company in the form of short term and long term interest free and interest bearing loans.

NOTES TO THE FINANCIAL STATEMENTS

| | 2016 Rupees | 2015 Rupees |
|--|--------------------------------------|--|
| Following is the contractual maturity analysis of financial liabilities: | | |
| | Up to One Year Rupees | Between 1 to 5 years Rupees |
| <u>Non derivative financial liabilities</u> | | |
| Gratuity - Defined benefit plan | - | - |
| Trade and other payables | 146,502,475 | - |
| Accrued mark-up | 22,565,762 | - |
| Short term loan from sponsors | 306,044,820 | - |
| 2016 | 475,113,057 | - |
| <u>Non derivative financial liabilities</u> | | |
| Gratuity - Defined benefit plan | - | 621,600 |
| Trade and other payables | 203,660,458 | - |
| Accrued mark-up | 16,154,622 | - |
| Short term loan from sponsors | 222,019,447 | - |
| 2015 | 441,834,527 | 621,600 |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

33.4.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The company analysis its interest rates exposure on a regular basis by monitoring existing facilities against prevailing market interest rates and taking into accounts various other financing options available. The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect the profit and loss account.

As at June 30, 2016, if interest rates on sponsors' loans had been 2% higher / lower the markup expenses would have been higher / lower by 1.498 million (2015: Rs. 0.363 million). The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and asset / liabilities of the Company.

b) Other price risk

Other price risk is 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). Equity price risk arises from available for sale equity securities held. The investment in available for sale equity securities is not material and company is not expose to significant price risk.

c) Currency risk

The company does not hold bank balances in foreign currencies nor any investment is denominated in currency other than the functional currency of the company. Therefore, the company is not expose to foreign currency risk.

34 CAPITAL RISK MANAGEMENT

The Board'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 its business. The company's objective when managing capital are to safe guard the company's ability to continue as a going concern and to maintain an optimum capital structure to reduce the cost of capital.

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, or sell assets to reduce debt. The company is not subject to externally imposed capital requirements.

| | 2016 Rupees | 2015 Rupees |
|--|-------------------|-------------------|
| 35 CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances (Note 13) | 10,022,975 | 19,657,625 |
| 36 PLANT CAPACITY AND ACTUAL PRODUCTION | | |
| | Nos | Nos |
| Number of spindles installed | 20,208 | 20,208 |
| Number of spindles operated | 19,200 | 19,200 |
| | Kgs | Kgs |
| Actual production for the year (including conversion for others) | 3,286,997 | 4,863,681 |
| Production at normal capacity converted into 20/s count based on 3 shifts per day for 1080 shifts (2015-1080 shifts) | 6,496,607 | 6,496,607 |
| Actual production converted into 20/s count based on 3 shifts per day for 1080 shifts (2015-1080 shifts) | 4,950,274 | 4,484,063 |
| 36.1 Due to operational losses, as result of electricity shutdown the production was below normal capacity. | | |
| 37 NUMBER OF EMPLOYEES | | |
| | Nos | Nos |
| Number of employees at the year end | 622 | 585 |
| Average number of employees | 604 | 424 |
| 38 NON ADJUSTING EVENTS AFTER BALANCE SHEET DATE | | |

The Company has suspended its operations and intends to dispose of its plant and machinery to settle its liabilities. An intimation to this effect has been sent to the Pakistan Stock Exchange subsequent to the year end on September 22, 2016. At the balance sheet date the Company's accumulated losses stand at Rs. 426.701 million. Its equity is eroded by Rs. 214.010 million and its current liabilities exceed its current assets by Rs. 387.805 million. Further, at present there is no formal approved business plan for future periods. These factors indicate a material uncertainty that the Company may not be able to continue its operations in the foreseeable future, since the resumption of the Company's operations is dependent upon support from the directors and purchase of new machinery. However, these financial statements have been prepared by the management on the assumption that Company would continue as going concern. Consequently, the financial statements do not include any adjustments relating to the realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

39 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 5th, 2016 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2016

FORM - 34
PATTERN OF HOLDING OF SHARES

| No. of Share Holders | Shareholdings | | Total Shares Held |
|----------------------|---------------|---------|-------------------|
| | From | To | |
| 123 | 1 | 100 | 7,159 |
| 274 | 101 | 500 | 117,788 |
| 33 | 501 | 1000 | 31,320 |
| 27 | 1001 | 5000 | 69,418 |
| 10 | 5001 | 10000 | 78,039 |
| 5 | 10001 | 50000 | 147,675 |
| 1 | 50001 | 100000 | 72,025 |
| 2 | 100001 | 200000 | 318,368 |
| 4 | 200001 | 400000 | 1,359,414 |
| 2 | 400001 | 1000000 | 1,000,050 |
| 4 | 1000001 | 2000000 | 6,807,092 |
| 1 | 2000001 | 3000000 | 2,185,107 |
| 1 | 3000001 | 4000000 | 3,686,569 |
| 1 | 4000001 | 6000000 | 5,387,776 |
| 488 | | | 21,267,800 |

CATEGORIES OF SHAREHOLDERS**AS AT 30-06-2016**

| | | <u>SHARES HELD</u> | <u>PERCENTAGE</u> |
|--|-----------------------------|---------------------------|--------------------------|
| | | | % |
| 1 Directors, Chief Executive | | | |
| Their Spouse and minor Children | | | |
| Mr. Salman Muhammad Aslam | - Chief Executive /Director | 1,662,590 | 7.817 |
| Mr. Muhammad Asim Sajjad | - Director | 1,667,590 | 7.841 |
| Mrs. Seema Sajjad | - Director | 2,185,107 | 10.274 |
| Mrs. Ayesha Rahim | - Director | 1,816,722 | 8.542 |
| Miss Batool Zahra | - Director | 500 | 0.002 |
| Mr. Mehr Allah Yar | - Director | 500 | 0.002 |
| Mr. Sultan Mehmood | - Director | 500 | 0.002 |
| | TOTAL | 7,333,509 | 34.482 |
| 2 Executives | | - | - |

CATEGORIES OF SHAREHOLDERS**AS AT 30-06-2016**

| | | |
|---|-------------------|----------------|
| Associated Companies, undertakings, related parties, spouse and family members of Directors. | - | - |
| Mr. Raza Muhammad Aslam | 5,387,776 | 25.333 |
| Mr. Sajjad Aslam | 1,660,190 | 7.806 |
| NIT and ICP | 347,724 | 1.635 |
| Bank, DFIs, Non-Banking Financial Institutions | 579 | 0.003 |
| Insurance Companies | - | 0.000 |
| Modaraba and Mutual Funds | 500 | 0.002 |
| General Public | | |
| a) Local | 5,761,722 | 27.091 |
| b) Foreign | - | - |
| Other (to be specified) | | |
| Sargodha Spinning Mills Limited | 344,900 | 1.622 |
| Nazir Cotton Mills Limited | 383,300 | 1.802 |
| Tariq Industries Limited | 2,100 | 0.010 |
| Sargodha Jute Mills Limited | 19,400 | 0.091 |
| Shahzad Textile Mills Limited | 26,000 | 0.122 |
| Mehran Sugar Mills Ltd. | 100 | 0.000 |
| Grand Total | 21,267,800 | 100.000 |

SHAREHOLDERS HOLDING MORE THAN 5% SHAREHOLDING

| | <u>SHARES HELD</u> | <u>PERCENTAGE</u> |
|---------------------------|---------------------------|--------------------------|
| Mr. Sajjad Aslam | 5,387,776 | 25.333 |
| Mr. Shahzad Aslam | 3,686,569 | 17.334 |
| Mrs. Seema Sajjad | 2,185,107 | 10.274 |
| Mrs. Ayesha Rahim | 1,816,722 | 8.542 |
| Mr. Salman Muhammad Aslam | 1,667,590 | 7.841 |
| Mr. Muhammad Asim Sajjad | 1,662,590 | 7.817 |
| Mr. Raza Muhammad Aslam | 1,660,190 | 7.806 |

No trade in shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children other than Mr. Sajjad Aslam who has received 595,700 shares as gift from his real brother Mian Parvez Aslam.

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





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


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

Ledger Folio/CDC A/C No.

Shares Held

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

being another member of the Company as my/our proxy to attend and vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on Monday 31st October, 2016 at 11:30 a.m. and at every adjournment thereof.

As witness my/our hand(s) this Day of

Signed by the said

Witnesses:

1. Signature
Name:
N.I.C. No.....
Address.....

2. Signature.....
Name:
N.I.C. No.....
Address:

Notes:

1. A member entitled to attend and vote at this Meeting may appoint member as his/her proxy in accordance with the provisions of Article 52 of the Articles of Association of the Company. Proxies in order to be effective, must be received at 19 -B, Off. Zafar Ali Road, Gulberg-V, Lahore, the Registered Office of the Company not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
2. For CDC Accounts Holders/Corporate Entities in addition to the above the following requirements be met:
 - i). Attested copies of NIC or the Passport of the Beneficial Owners and the proxy shall be provided with the proxy form.
 - ii). In case of a Corporate Entity, the Board of Directors Resolution/Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
 - iii). The proxy shall produce his original CNIC or original Passport at the time of attending the meeting.

CIRCULATION OF ANNUAL ACCOUNTS THROUGH E -MAIL

SECP SRO 787(1)/2014 Dated September 8, 2014, the company can Circulate its Annual Financial Statements alongwith Company's Notice of Annual General Meeting through email to its shareholders of the company who wish to receive Annual Audited Report via email are requested to provide the complete consent form to the company.

.....

CONSENT FORM FOR ELECTRONIC TRANSMISSION OF ANNUAL AUDITED FINANCIAL STATEMENTS AND NOTICE OF THE AGM**The Company Secretary**

Sajjad Textile Mills Limited
19-B, Off. Zafar Ali Road, Gulberg-V,
LAHORE.

E-mail corporate@sajjadtextile.com

Website: www.sajjadtextile.com

Subject: **Annual Audited Accounts through e-mail**

Dear Sir,

Pursuant to the directions given by the Securities and Exchange Commission of Pakistan through its SRO 787(1)/2014 of 08/09/2014, hereby consent to have Audited Financial Statements and Notice of Annual General Meeting delivered to me via email on my email address provided below.

| | |
|-----------------------------------|--|
| Name of the Member / Shareholders | |
| Folio /CDC Account Number | |
| Email Address: | |

It is stated that the above mentioned information is true and correct and that I shall notify the Company in writing of any change in my e-mail address or withdrawal of my consent to e-mail delivery of the Company's Audited Financial Statements and Notice of Annual General Meeting.

Signature of Shareholder

REGISTERED OFFICE: 19-B, OFF ZAFAR ALI ROAD, GULBERG-V, LAHORE (PAKISTAN)
PHONES NO. 35754024-35754027-35876481 WEBSITE www.sajjadtextile.com
FAX NO. (042) 35712313, E-mail: corporate@sajjadtextile.com

Option 2
Form for E-voting as per The Companies (E-Voting) Regulations, 2016

I/We, _____ of _____ being a member of Sajjad Textile Mills Limited, holder of Ordinary Share(s) as per Register Folio No./CDC Accounts No. _____ hereby opt for e-voting through Intermediary and hereby consent the appointment of execution officer (ABC) as proxy and will exercise e-voting as per The Companies (e-voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____, please send login details, password and electronic signature through email.

Signature should agree
with the specimen signature
registered with the company

Signed in the presence of:

Signature of Witness

Signature of Witness

NOTES:

The instrument of e-voting under option 2 shall be deposited in advance in writing at least ten days before holding of general meeting, at the registered office of the Company: 19-B, Off Zafar Ali Road, Gulberg-V, Lahore or through email corporate@sajjadtextile.com .