

ANNUAL REPORT
2017

SFL LIMITED

SFL LIMITED

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COMPANY PROFILE

Board Of Directors

Chairman	:	Mr. Yousuf Abdullah
Chief Executive	:	Mr. Amer Abdullah
Director	:	Mr. Nadeem Abdullah Mr. Shahid Abdullah Mrs. Ambareen Amer Mr. Mohammad Yamin Mr. Mazhar Saleem
Independent Director		
Audit Committee		
Chairman	:	Mr. Nadeem Abdullah
Member	:	Mr. Shahid Abdullah
Member	:	Mr. Mazhar Saleem
Humon Resource & Remuneration Committee		
Chairman	:	Mr. Shahid Abdullah
Member	:	Mr. Mazhar Saleem
Member	:	Mr. Mohammad Yamin
Chief Financial Officer	:	Mr. Jawwad Faisal
Secretary	:	Mr. Shaukat Mahmud
Auditors	:	Shinewing Hameed Chaudhri & Co Chartered Accountants
Tax Consultants	:	Mushtaq & Company Chartered Accountants
Legal Advisor	:	Mr. Saleem Ikram, Advocate
Bankers	:	Habib Bank Limited
Registered Office	:	316, Cotton Exchange Building, I.I.Chundrigar Road, Karachi.
Share Registrars	:	Thk Associates (Pvt) Ltd, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi.

VISION STATEMENT

To be a leading diversified enterprise pursuing value creation for its shareholders and other stakeholders.

MISSION STATEMENT

To create value for our shareholders and other stakeholders, including employees and community, by investing in related parties and new ventures in various avenues / sectors.

We are a talented workforce, committed to reliability and consistency, capturing relevant investment opportunities.

We will continue our tradition of honesty, fairness and integrity in relationship with our associates, shareholders, community at large and other stakeholders.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 8th Annual General Meeting of **SFL LIMITED** will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Tuesday the 24th day of October, 2017 at 05:00 p.m to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last General Meeting
2. Consideration of the accounts, balance sheets and the reports of the directors and auditors.
3. Declaration of Dividend.
4. Appointment and fixation of remuneration of auditors.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.
Dated : 28th September, 2017

(**SHAUKAT MAHMUD**)
Secretary

NOTES

1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 18th October, 2017 to 24th October, 2017 (both days inclusive). Transfers received in order, by THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S. Karachi up to 17th October, 2017 will be considered in time for the payment of dividend.
2. Participation in the annual general meeting:

A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.
3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 316, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.
4. Change in address: Any change of address of members should be immediately notified to the company's share registrars, THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S. Karachi
5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For attending the meeting:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original computerized national identity card (CNIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be

NOTICE OF ANNUAL GENERAL MEETING

mentioned on the form.

- iii) Attested copies of CNIC or the passport.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.
6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(1)2012 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
7. The Companies Act, 2017, which was promulgated on May 30, 2017 through their section 242 requires that in case of a listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. Through this notice all shareholders of the company are requested to update their bank accounts details in the Central Depository System through respective participants. In case of physical shareholder, please provide bank accounts details to our Share Registrar M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi.
8. Section 244 of the Act requires that any shares that remained unclaimed for a period of three years (or more) as well as any dividend which remained unpaid for period of three years (or more) are to vest with the Federal Government. The law requires the company to deposit any unclaimed or unpaid amount to the credit of the Federal Government, if no claim is made before the company after giving due notices to the shareholders. Through this notice all Shareholders, who by any reason, could not claim their dividend or shares, are advised to contact our Share Registrar M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi to collect / enquire about their unclaimed dividend or pending shares, if any.
9. (i) Pursuant to the provisions of the Finance Act 2016 effective July 1, 2017, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
- 1. Rate of tax deduction for filer of income tax return 15%
 - 2. Rate of tax deduction for non-filers of income tax return 20%
- To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 20%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.
- (ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio / CDS Account #	Total Shares	Principal Share Holder		Joint Holder	
			Name and CNIC #	Share Holding Proportions (No of Shares)	Name and CNIC #	Share Holding Proportions (No of Shares)

NOTICE OF ANNUAL GENERAL MEETING

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

(iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or , THK Associates (Private) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

10. The Company shall provide video conference facility to its members for attending the Annual General Meeting at places other than the town in which general meeting is taking place, provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference atleast 10 days prior to date of the meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city.

In this regard, please fill the following form and submit to registered address of the Company 10 days before holding of the Annual General Meeting:

“ I/We, _____ of _____ being a member of SFL Limited, holder of _____ Ordinary Shares as per registered folio # _____ hereby opt for video conference facility at _____.”

—
Signature of Member

DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the Annual Report together with the Audited Financial Statements and the Auditors' Report of your company for the financial year ended, 30th June 2017. The summarized financial results for the year ended 30th June 2017 are as under:

Financial Highlights

Particular	For the Financial Year Ended 30th June 2017 Amount in Rs.	For the Financial Year Ended 30th June 2016 Amount in Rs.	Change in Percentage %
Net Income	40,670,862	41,527,077	-2.06%
Profit Before Taxation	38,721,913	37,114,321	4.33%
Profit After Taxation	32,770,874	31,789,986	3.09%

Review of Operations

During the year under review, the Company has earned dividend income of Rs. 46,415,023 (2016 39,451,901) Gain on sale of investments of Rs. 718,617 (2016 1,591,362) and change in fair value of investment caused Loss of Rs. 6,462,778 (2016 Gain of Rs. 483,814) during the year. The net profit for the year under review has been Rs. 32,770,874 (2016 31,789,986) during the financial year. The Directors are continuously looking for avenues for future growth of the Company.

Dividend

The Board of Directors of the Company is pleased to recommend cash dividend @ 7.5% for the Year Ended 30 June 2017 (2016 10% Dividend)

Earning per Share

The company's earnings per share (EPS) Stands at Rs. 1.63 as compared to earnings per share of Rs. 1.58 last year.

Future Outlook

The operating assets of the company comprises of, investments in the shares of associated companies, other listed companies and investments in mutual funds. Your management is keen to maximize profitability and improve operational efficiency of the company to increase shareholder's value

Subsidiary of SFL Limited

SFL Corporation (Private) Limited the 100% subsidiary of the Company has not carried out any operational activity during the year.

Related Party Transactions

The Company has fully complied with the best practices on transfer pricing as contained in the listing regulation of stock exchanges in Pakistan. The transactions with related parties were carried out at arm's length prices determined in accordance with the comparable uncontrolled prices method.

Environment, Health, Safety and Social Actions

The Company maintains working conditions which are safe and without risk to the health of all employees and public at large, the management has maintained safe environment in all its operations throughout the year.

Statement on Corporate and Financial Reporting Framework

The Board of Directors periodically reviews the Company's strategic direction. Business plans and targets are set by the Chief Executive and reviewed by the Board. The Board is committed to maintain a high standard of corporate governance.

DIRECTORS' REPORT

The Board has reviewed the Code of Corporate Governance and confirms that:

1. 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.
2. The company has maintained proper books of accounts.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control, which was in place, is being continuously reviewed by the internal audit and other such procedures. The process of review and monitoring will continue with the object to improve it further
6. All liabilities in regard to the payment on account of taxes, duties, levies and charges have been fully provided and will be paid in due course or where claim was not acknowledged as debt the same is disclosed as contingent liabilities in the notes to the accounts.
7. There is no doubt about the Company's ability to continue as a going concern.
8. There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
9. The board of directors in compliance with the Code of Corporate Governance has established an audit committee; the names of its members are given in the Company's profile.
10. Operating and financial data and key ratios of Six years are annexed.
11. No trades, in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief Finance Officer, Company Secretary, their spouses and minor children:
12. During the year five meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Mohammad Abdullah	=4=
Mr. Shahid Abdullah	=4=
Mr. Nadeem Abdullah	=5=
Mr. Amer Abdullah	=4=
Mr. Yousuf Abdullah	=3=
Mr. Mohammad Yamin	=5=
Mr. Mazhar Saleem	=4=
Mrs. Ambreen Amer	=1=
13. During the year four meetings of the Audit Committee were held. Attendance by each Director is as follows:

Mr. Nadeem Abdullah	=3=
Mr. Amer Abdullah	=1=
Mr. Mazhar Saleem	=4=
Mr. Shahid Abdullah	=3=
14. During the year one meeting of the HR & R Committee was held and attended by all the members.
15. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

DIRECTORS' REPORT

Pattern of Shareholding

The pattern of shareholding of the Company as at 30 June, 2017 is annexed. This statement is prepared in accordance with the Code of Corporate Governance and the Companies Ordinance, 1984.

Auditors

The present Auditors, Shinewing Hameed Chaudhri & Company, Chartered Accountants retire and being eligible to offer themselves for re-appointment for the year 2017-2018. Audit Committee and Board of Directors have also recommended their appointment as auditor for the year ending 30 June, 2018.

Acknowledgements

The Management would like to place on record its appreciation for the support of the Board of Directors, Shareholders, regulatory authorities, financial institutions, customers, suppliers' dedication and hard work of the Staff and Workers.

On behalf of the Board

KARACHI
Dated: 28 September, 2017

AMER ABDULLAH
CHIEF EXECUTIVE

(۵۱) کمپنی نے کوڈ آف کنڈکٹ ترتیب دیا ہے اور اس بات کو یقینی بنانے کے لئے مناسب اقدامات اختیار کئے ہیں کہ کمپنی میں اس کی حکمت عملی اور طریقہ کار کو عام کیا جائے۔

شیئر ہولڈنگ کا طریقہ کار

30 جون 2017ء کو کمپنی کی شیئر ہولڈنگ کا طریقہ کار منسلک ہذا ہے۔ یہ گوشوارہ کوڈ آف کارپوریٹ گورننس اور کمپنیز آرڈیننس مجریہ 1984ء کے مطابق تیار کیا گیا ہے۔

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز شائونگ حمید چوہدری اینڈ کمپنی (چارٹرڈ اکاؤنٹینٹس) سبکدوش ہو گئے ہیں اور اہلیت کی بنیاد پر 18-2017ء کیلئے دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے بھی 30 جون 2018ء کو مکمل ہونی والے سال کیلئے ان کے تقرری سفارش کی ہے۔

شکرگزاری

مینجمنٹ بورڈ آف ڈائریکٹرز ریگولیٹری اتھارٹیز شیئر ہولڈرز صارفین مالیاتی اداروں سپلائرز کے تعاون اور عملہ اور ورکرز کی بے لوث خدمات کو سراہتے ہوئے ریکارڈ میں درج کرنا چاہتی ہے۔

بورڈ کی جانب سے

عامر عبداللہ
چیف ایگزیکٹو

کراچی۔
مورخہ 28 ستمبر 2017ء

- (۸) لسٹنگ ریگولیشنز کے مطابق کارپوریٹ گورننس کے بہترین طریقوں میں کوئی مادی روانگی (Material Departure) عمل میں نہیں آئی ہیں۔
- (۹) بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کے تحت آڈٹ کمیٹی تشکیل دی ہے جن کے نام کمپنی کی پروفائل میں درج ہیں۔
- (۱۰) چھ سال کا فنانشل ڈیٹا کی آپریٹنگ اور کی ریشوز منسلک ہذا ہیں۔
- (۱۱) ڈائریکٹرز چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، ان کے اہل خانہ اور نابالغ بچوں نے کمپنی کے حصص کا کوئی کاروبار نہیں کیا۔
- (۲۱) سال رواں کے دوران بورڈ آف ڈائریکٹرز کے پانچ (5) اجلاس منعقد ہوئے۔ فی ڈائریکٹر اجلاس میں شرکت کی تفصیل حسب ذیل ہے:

نام	اجلاس کی تعداد
جناب محمد عبداللہ	4
جناب شاہد عبداللہ	4
جناب ندیم عبداللہ	5
جناب عامر عبداللہ	4
جناب یوسف عبداللہ	3
جناب محمد یامین	5
جناب مظہر سلیم	4
محترمہ امبرین عامر	1

- (۳۱) سال رواں کے دوران آڈٹ کمیٹی کے چار (4) اجلاس منعقد ہوئے۔ فی ممبر شرکت کی تفصیل حسب ذیل ہے:

نام	اجلاس کی تعداد
جناب ندیم عبداللہ	3
جناب عامر عبداللہ	1
جناب مظہر سلیم	4
جناب شاہد عبداللہ	3

- (۴۱) سال رواں میں افرادی قوت و مشاہیرہ کمیٹی کا ایک (1) اجلاس منعقد ہوا جس میں تمام ممبران نے شرکت کی ہے۔

آئندہ کالائج عمل

کمپنی کے آپریٹنگ اثاثے منسلک کمپنیوں میں سرمایہ کاری دیگر درج کمپنی اور باہمی فنڈز پر مبنی ہیں، آپ کی منجھیٹ کمپنی کے منافع اور آپریٹنگ کارکردگی کو بہتر بنانے کی کوشش کر رہی ہے تاکہ حصص یافتگان کی قدر حصص میں اضافہ ہو سکے۔

سبسیڈری ایس ایف ایل لمیٹڈ

ایس ایف ایل کارپوریشن کمپنی کے 100% سبسیڈری کی رواں مالی سال میں کوئی آپریٹنگ سرگرمیاں نہیں ہیں۔

ریلیٹیڈ پارٹی ٹرانسکشنز

کمپنی نے اسٹاک ایکس چینج آف پاکستان کے لسٹنگ ریگولیشن میں درج منتقلی کے اخراجات پر عمدہ عملدرآمد کے ساتھ تعمیل کی ہے۔ ریلیٹیڈ پارٹیوں کے ساتھ ٹرانسکشنز بلا کنٹرول قیمتوں کے طریقہ کار کے مقابلہ میں طے شدہ قابل قبول نرخوں پر کئے گئے۔

کارپوریٹ ماحول، صحت اور سماجی ذمہ داریاں

کمپنی نے کام کی صورتحال ایسی رکھی ہے جو تمام ملازمین اور بڑے پیمانہ پر عوام کیلئے محفوظ اور صحت کے خدشہ سے پاک ہے ہماری پوری توجہ تمام پہلوؤں کو بہتر بنانے پر مرکوز ہے۔ کمپنی پورے سال آپریٹنگ کے ماحول کے تحفظ اور ماحولیاتی تحفظ کیلئے تمام ممکنہ اقدامات اختیار کیے ہیں۔

کارپوریٹ و فنانشل رپورٹنگ فریم ورک پر گوشوارہ

بورڈ آف ڈائریکٹرز کمپنی مقررہ مدت میں کمپنی کی حکمت عملی کا جائزہ لیتا ہے۔ بزنس پلان اور ہدفوف چیف ایگزیکٹو طے کرتے ہیں اور بورڈ جائزہ لیتا ہے۔ بورڈ نے اعلیٰ درجہ کی کارپوریٹ گورننس قائم رکھنے کا تہیہ کر رکھا ہے۔ بورڈ نے کوڈ آف کارپوریٹ گورننس کا جائزہ لیا اور تصدیق کی ہے کہ:

(۱) مالیاتی گوشوارے کمپنی کی منجھٹ نے تیار کئے ہیں اور یہ امور کارکردگی کے نتائج نقد کے لین دین اور ایکٹیوٹی میں تبدیلی کے بارے میں شفاف صورتحال پیش کرتے ہیں۔

(۲) کمپنی نے اکاؤنٹس کی باقاعدہ کتب بنائی ہوئی ہیں۔

(۳) مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیاں اختیار کی گئی ہیں اور مالیاتی تخمینے موزوں اور منصفانہ بنیادوں پر ہیں۔

(۴) پاکستان میں نافذ العمل انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز مالیاتی گوشواروں کی تیاری میں بروئے عمل لائے گئے ہیں۔

(۵) انٹرنل کنٹرول کا نظام رائج ہے اور انٹرنل آڈٹ جائزہ لیا جاتا ہے جس پر موثر طور پر عملدرآمد ہوتا ہے۔ جائزہ نگرانی کا مسلسل عمل اس کو مزید بہتر بنانے کیلئے ہے۔

(۶) ٹیکس ڈیوٹیوں واجبات کی مد میں ادائیگی کے ضمن میں تمام واجب الادا رقم مکمل طور پر فراہم کر دی گئی ہیں اور جلد ادا کر دی جائیں گی یا جہاں طلب نہیں کی گئی ہے وہاں کٹوتی کر کے اکاؤنٹس کے نوٹس میں عارضی ادائیگیوں میں ظاہر کر دی گئی ہیں۔

(۷) کمپنی کے برقرار رہنے اور مسلسل کام کرنے کی اہلیت میں کوئی شبہ نہیں۔

ڈائریکٹرز رپورٹ برائے حصص یافتگان

معزز ممبران!

ڈائریکٹرز 30 جون 2017ء کو ختم ہونے والے سال کیلئے سالانہ آڈٹ کردہ مالیاتی اسٹیٹمنٹ بمعہ اپنی رپورٹ نہایت مسرت کے ساتھ پیش کرتے ہیں۔

اس سال کیلئے مالیاتی نتائج درج ذیل ہیں:
مالیاتی نتائج:

فیصد میں تبدیلی	اختتام پذیر ہونے والا مالیاتی سال 30 جون 2016ء	اختتام پذیر ہونے والا مالیاتی سال 30 جون 2017ء	رقم روپے میں
-2.06%	41,527,077	40,670,862	نقد آمدنی
4.33%	37,114,321	38,721,913	قبل از ٹیکس منافع
3.09%	31,789,986	32,770,874	بعد از ٹیکس منافع

کارکردگی:

زیر نظر سال کے دوران کمپنی کی ڈیویڈنڈ کی مد میں آمدنی 46,415,023 رہی۔ جبکہ گزشتہ سال (2016 میں 39,451,901) تھی سرمایہ کاری کی فروخت میں منافع 718,617 رہا جبکہ یہ گزشتہ سال (2016 میں 1,591,362) تھا اور سرمایہ کاری کی مناسب قدر میں تبدیلی کی وجہ سے نقصان 6,462,778 ہوا جبکہ یہ گزشتہ سال (2016 میں منافع 483,814) تھا کمپنی کا بعد از ٹیکس منافع زیر سال 32,770,874 رہا، جبکہ یہ گزشتہ سال (2016 میں 31,789,986) تھا۔ ڈائریکٹر کمپنی کی مستقبل میں ترقی اور کارکردگی کو بہتر بنانے کیلئے مسلسل راہیں تلاش کر رہے ہیں۔

منافع منقسمہ

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2017ء کو مکمل ہونے والے سال کیلئے 7.5 فیصد حصص نقد منافع منقسمہ کی سفارش کی ہے، (2016 میں یہ 10 فیصد) تھا۔

فی حصص آمدنی

کمپنی کی فی حصص آمدنی 1.63 رہی۔ جبکہ گزشتہ سال کی آمدنی 1.58 روپے تھی۔

SIX YEARS' KEY OPERATING AND FINANCIAL DATA

(Rupees in Million)

Except as indicated

YEARS		2017	2016	2015	2014	2013	2012
Total Revenue		40.67	41.53	113.52	73.16	18.71	12.26
operating & Administrative expenses		1.95	4.41	1.19	1.04	1.29	0.82
Profit / (Loss) Before Tax		38.72	37.11	112.33	72.18	17.42	11.43
Profit / (Loss) After Tax		32.77	31.78	101.17	65.13	15.55	10.22
Share Capital		200.91	200.91	200.91	200.91	200.91	200.91
shareholder's Equity		530.69	518.01	536.45	435.3	390.2	374.69
Total Assets		531.62	520.17	539.96	435.64	391.06	374.80
Current Assets		54.46	28.21	48.00	69.35	24.77	8.55
Current Liabilities		0.93	2.16	3.50	0.36	0.82	0.11
Dividend- Cash	%	7.5	10	25	-	10	-
Dividend- Stock	%	-	-	-	-	-	2
Ratios:							
Return to Shareholders							
R.O.E- Before Tax	%	7.30	5.40	20.94	16.59	4.46	3.05
R.O.E- After Tax	%	6.18	5.03	18.86	14.96	3.98	2.73
Basic E.P.S- After Tax	Rs.	1.63	1.58	5.04	3.24	0.77	0.51
Current Ratio		58.40	13.07	13.69	193.73	30.06	78.73
Break up value per share	Rs.	26.41	25.78	26.70	21.66	19.42	18.65

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of Company **SFL LIMITED** year ended June 30, 2017.

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

The company has applied the principles contained in the CCG in the following manner:

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

Category	Names
Independent Directors	Mr. Mazhar Saleem
Executive Directors	Mr. Amer Abdullah
Non-Executive Directors	Mr. Nadeem Abdullah Mr. Shahid Abdullah Mr. Yousuf Abdullah Mr. Mohammad Yamin Mrs. Ambareen Amer

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year election of Directors was held and all the retiring Directors were elected as Director of the Company. A casual vacancy occurring on the board on 20-04-2017 was filled up by the directors on same day.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the power 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 and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and board met at least once in every quarter. Written notice 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. In accordance with the criteria specified on clause 5.19.7 of the CCG, Majority of the Directors of the Company are exempted from the requirement of directors' training program as prescribed by the Code of Corporate Governance and one of them has obtained certificate of Directors' Training Program. One of the Directors to be trained within specified time. All the Directors are fully conversant with their duties and responsibilities, they were further apprised through orientation courses during the year.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit earlier, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive directors and one is independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors, one is independent director and the chairman of the committee is a non-executive director.
18. The Board has set up an effective Internal Audit Function.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The closed period prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board

Karachi
Dated: 28th September, 2017

AMERABDULLAH
CHIEF EXECUTIVE

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of SFL Limited (the Company) for the year ended June 30, 2017 to comply with the Code contained in Regulation No.5.19 of the Pakistan Stock Exchange Limited.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

KARACHI;
Dated : September 28, 2017

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner:
Raheel Ahmed

AUDITORS' REPORT TO THE MEMBERS

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

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980,) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KARACHI;
Dated : September 28, 2017

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner:
Raheel Ahmed

BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non current assets			
Investment property	4	73,313,292	88,103,000
Long term investments	5	403,816,351	403,816,351
Long term deposit		37,500	37,500
		477,167,143	491,956,851
Current assets			
Short term investments	6	42,537,024	25,146,310
Dividend receivable		362,259	-
Taxation - net		955	486
Bank balances - current accounts		11,556,785	3,066,856
		54,457,023	28,213,652
Total assets		531,624,166	520,170,503
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	7	200,914,500	200,914,500
Reserve arisen upon de-merger		165,340,500	165,340,500
Unappropriated profit		164,436,654	151,757,230
Total equity		530,691,654	518,012,230
Current liabilities			
Accrued and other liabilities	8	932,512	2,158,273
Contingencies and commitments	9		
Total equity and liabilities		531,624,166	520,170,503

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

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

	Note	2017 Rupees	2016 Rupees
Revenue			
Dividend income	10	46,415,023	39,451,901
Gain on sale of investments		718,617	1,591,362
Change in fair value of investments at fair value through profit or loss		(6,462,778)	483,814
		40,670,862	41,527,077
Administrative expenses	11	1,948,949	4,412,756
Profit before taxation		38,721,913	37,114,321
Taxation	12	5,951,039	5,324,335
Profit after taxation		32,770,874	31,789,986
Earnings per share - basic and diluted	13	1.63	1.58

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
Profit after taxation	32,770,874	31,789,986
Other comprehensive income	-	-
Total comprehensive income	32,770,874	31,789,986

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	38,721,913	37,114,321
Adjustments for non-cash items:		
Dividend income	(46,415,023)	(39,451,901)
Gain on sale of investments	(718,617)	(1,591,362)
Change in fair value of investments at fair value through profit or loss	6,462,778	(483,814)
	(40,670,862)	(41,527,077)
Operating loss before working capital changes	(1,948,949)	(4,412,756)
Working capital changes		
(Decrease) / increase in accrued and other liabilities	(1,309,932)	1,461,607
Cash used in operations	(3,258,881)	(2,951,149)
Taxes paid	(5,951,508)	(8,423,832)
Net cash used in operating activities	(9,210,389)	(11,374,981)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments acquired	(46,598,602)	(43,966,545)
Short term investments redeemed	23,463,727	60,735,276
Advance return for capital work-in-progress	14,789,708	-
Dividend received	46,052,764	39,451,901
Net cash generated from investing activities	37,707,597	56,220,632
CASH USED IN FINANCING ACTIVITIES		
Dividend paid	(20,007,279)	(49,939,434)
Net increase / (decrease) in cash and cash equivalents	8,489,929	(5,093,783)
Cash and cash equivalents at beginning of the year	3,066,856	8,160,639
Cash and cash equivalents at end of the year	11,556,785	3,066,856

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

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

	Share capital	Reserve arisen upon de-merger	Unappropriated profit	Total
	----- Rupees -----			
Balance as at July 1, 2015	200,914,500	165,340,500	170,195,869	536,450,869
Transaction with owners, recognised directly in equity				
Cash dividend for the year ended June 30, 2015 at the rate of Rs.2.50 per share	-	-	(50,228,625)	(50,228,625)
Total comprehensive income for the year				
Profit after taxation	-	-	31,789,986	31,789,986
Other comprehensive income	-	-	-	-
	-	-	31,789,986	31,789,986
Balance as at June 30, 2016	200,914,500	165,340,500	151,757,230	518,012,230
Transaction with owners, recognised directly in equity				
Cash dividend for the year ended June 30, 2016 at the rate of Re.1.00 per share	-	-	(20,091,450)	(20,091,450)
Total comprehensive income for the year				
Profit after taxation	-	-	32,770,874	32,770,874
Other comprehensive income	-	-	-	-
	-	-	32,770,874	32,770,874
Balance as at June 30, 2017	200,914,500	165,340,500	164,436,654	530,691,654

The annexed notes 1 to 19 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. THE COMPANY AND ITS OPERATIONS

SFL Limited (the Company) was incorporated as public limited company on April 26, 2010 and its shares has been listed on Pakistan Stock Exchange Limited. The registered office of the Company is located at 316 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. The main business of the Company is to invest in the shares of Associated Companies and other business as per the Memorandum of Association of the Company.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017 has been promulgated with effect from May 31, 2017, however the Securities and Exchange Commission of Pakistan (SECP) through its Circular # 17 of 2017 dated July 20, 2017, has directed the companies whose financial year ends on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the Companies Ordinance, 1984. These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for investments in mutual funds and listed companies securities which are carried at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee except stated otherwise.

2.4 Changes in accounting standards

2.4.1 Standards and amendments to approved accounting standards effective in current year. New and amended standards mandatory for the first time for the financial year beginning July 1, 2016:

- (a) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable to annual periods beginning on or after January 1, 2016. The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Notes – confirmation that the notes do not need to be presented in a particular order. Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards / accounting policies are not required for these amendments.
- (b) IAS 27 (Amendments), 'Separate financial statements' are applicable to accounting periods beginning on or after January 1, 2016. These provide the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- (c) Amendments to IAS 38 'Intangible assets' and IAS 16 'Property, plant and equipment' are applicable for annual periods beginning on or after January 1, 2016 introduce severe restrictions on the use of revenue-based

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The Company's policy is already in line with these amendments.

The other new standards and amendments to approved accounting standards that are mandatory for the financial year beginning on July 1, 2016 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

2.4.2 Standards and amendments to approved accounting standards that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2016 and have not been early adopted by the Company:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in 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 the incurred loss impairment model used today. The Company has yet to assess the impact of these changes on its financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. 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 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, 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 application. The Company has yet to assess the impact of this standard on its financial statements.
- (c) Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures 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.
- (d) Amendment to IAS 40 'Investment Property' - effective for annual periods beginning on or after January 1, 2018. The amendment clarifies that an entity shall transfer a property to, or from, investment property when and only when there is an actual change in use i.e. an asset meets, or ceases to meet the definition of investment property and there is evidence of change in use. A change in management intention alone does not support a transfer. The amendments do not expect to have a material impact on the Company's financial statements.

There are number of other standards and amendments to the approved accounting standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

are recognised in the period in which the estimate is revised and in any future periods affected.
The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

- fair value of investments: and

- provision for taxation.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Company comprises of freehold land and is valued using the cost model. Cost of investment property consists of historical cost and other directly attributable cost.

3.2 Investments

Investments of the Company are classified into the following categories:

(a) Investments in Subsidiary and Associated Companies

Investments in Subsidiary and Associates are carried at cost less impairment, if any. Impairment losses are recognised as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognised as an expense in profit and loss account.

(b) Held-to-maturity

Investments with fixed maturity, where the management has both the intent and the ability to hold the investments to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortised cost less any accumulated impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

(c) At fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as investments at fair value through profit or loss. All transaction costs are recognised directly in profit and loss account. These are stated at fair value with any resulting gains or losses recognised directly in the profit and loss account.

3.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of bank balances.

3.4 Equity instruments

These are recorded at their face value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

3.5 Accrued and other liabilities

These are carried at cost which is the fair value of the consideration to be paid in future for services.

3.6 Taxation - current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

3.7 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.8 Financial assets and liabilities

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

Financial instruments carried on the balance sheet includes long term deposit, short term investments, bank balances and accrued & other liabilities. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.9 Off-setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

3.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- dividend income from investments is recognised when the Company's right to receive dividend is established; and

- return on investments is recognised on 'accrual basis'.

3.11 Earnings per share

The Company present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average numbers of ordinary shares outstanding during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

4.	INVESTMENT PROPERTY		2017	2016
		Note	Rupees	Rupees
	Freehold land - cost	4.1	73,313,292	73,313,292
	Capital work-in-progress		-	14,789,708
			73,313,292	88,103,000
4.1	The Company during the year ended June 30, 2015 acquired land measuring 54 Kanals and 1 Marla, situated at Lahore Cantt, District Lahore. In the opinion of the directors, the market value of investment property at the reporting date has not changed materially since its acquisition date.			
5.	LONG TERM INVESTMENTS		2017	2016
		Note	Rupees	Rupees
	Subsidiary Company - at cost			
	SFL Corporation (Private) Limited			
	1,000 (2016: 1,000) ordinary shares of			
	Rs.100 each - cost		100,000	100,000
	Equity held: 100% (2016: 100%)			
	Associated Companies - at cost	5.1	403,716,351	403,716,351
			403,816,351	403,816,351

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

5.1 Associated Companies

Quoted

Reliance Cotton Spinning Mills Limited		
557,621 (2016 : 557,621) ordinary shares of Rs.67.21 each - cost	37,561,351	37,561,351
Equity held: 5.42% (2016: 5.42%)		
Market value: Rs.131.94 (2016: Rs.82.20) per share		

Unquoted

Sapphire Finishing Mills Limited		
25,809,000 (2016: 25,809,000) ordinary shares of Rs.10 each - cost	258,090,000	258,090,000
Equity held: 28.05% (2016: 28.05%)		
Break-up value per share Rs.46.89 (2016: Rs.43.56)		
Sapphire Dairies (Private) Limited		
7,000,000 (2016: 7,000,000) ordinary shares of Rs.10 each - cost	70,000,000	70,000,000
Equity held: 6.67% (2016: 6.67%)		
Break-up value per share Rs.9.71 (2016: Rs.9.81)		
Diamond Fabrics Limited		
4,569,000 (2016: 4,569,000) ordinary shares of Rs.10 each - cost	33,368,238	33,368,238
Equity held: 30.69% (2016: 30.69%)		
Break-up value per share Rs.260.26 (2016: Rs.255.33)		
Amer Cotton Mills (Private) Limited		
336,000 (2016: 336,000) ordinary shares of Rs.10 each - cost	549,305	549,305
Equity held: 8.40% (2016: 8.40%)		
Break-up value per share Rs.320.26 (2016: Rs.264.74)		
Amer Tex (Private) Limited		
790,428 (2016: 790,428) ordinary shares of Rs.10 each - cost	4,147,457	4,147,457
Equity held: 14.41% (2016: 14.41%)		
Break-up value per share Rs.155.08 (2016: Rs.167.24)		
	403,716,351	403,716,351

5.1.1 The above mentioned break-up values are based on latest available un-audited financial statements.

5.1.2 All of the investee companies are Associates by virtue of common directorship.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

6. SHORT TERM INVESTMENTS

- at fair value through profit or loss

2017 - (Number of units / shares) -	2016		2017 Rupees	2016 Rupees
Mutual funds				
41,401.01	-	MCB Pakistan Stock Market Fund	4,243,674	-
-	197,114.3474	HBL Income Fund	-	20,912,610
Listed companies				
-	50,000	Altern Energy Limited	-	1,832,500
240,000	-	Aisha Steel Mills Limited	4,881,600	-
61,500	-	BankIslami Pakistan Limited	817,950	-
30,000	-	Engro Corporation Limited	9,777,300	-
200,000	-	Engro Fertilizers Limited	11,048,000	-
35,000	-	Habib Bank Limited	9,419,900	-
20,000	20,000	The Hub Power Company Limited	2,348,600	2,401,200
			<u>42,537,024</u>	<u>25,146,310</u>

7. SHARE CAPITAL

2017	2016			
--- Number of shares --- Authorised capital				
<u>20,200,000</u>	<u>20,200,000</u>	Ordinary shares of Rs.10 each	<u>202,000,000</u>	<u>202,000,000</u>
Issued, subscribed and paid-up capital				
10,000	10,000	Ordinary shares of Rs.10 each, fully paid in cash	100,000	100,000
19,687,500	19,687,500	Ordinary shares of Rs.10 each, issued in pursuant to the scheme of arrangements for de-merger	196,875,000	196,875,000
393,950	393,950	Ordinary shares of Rs.10 each, issued as fully paid bonus shares	3,939,500	3,939,500
<u>20,091,450</u>	<u>20,091,450</u>		<u>200,914,500</u>	<u>200,914,500</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

7.1	Ordinary shares of the Company held by the related parties as at June 30,	2017	2016
		-- Number of shares --	
	Sapphire Fibres Limited	10,199	10,199
	Sapphire Textile Mills Limited	147	147
	Neelum Textile Mills (Private) Limited	2,812,130	2,812,130
	Sapphire Agencies (Private) Limited	602,863	602,863
	Crystal Enterprises (Private) Limited	5,518	5,518
	Sapphire Power Generation Limited	64,534	64,534
	Salman Ismail (SMC-Pvt.) Limited	21,514	21,514
	Reliance Cotton Spinning Mills Limited	401,570	401,570
	Sapphire Holding Limited	3,001,087	3,001,087
	Amer Tex (Private) Limited	2,489,946	2,489,946
		9,409,508	9,409,508
		9,409,508	9,409,508
8.	ACCRUED AND OTHER LIABILITIES	2017	2016
		Rupees	Rupees
	Accrued liabilities	227,075	1,537,007
	Audit fee	265,375	265,375
	Unclaimed dividend	440,062	355,891
		932,512	2,158,273
		932,512	2,158,273

- 8.1 During the year ended June 30, 2015, the Government of Sindh promulgated Sindh Workers Welfare Fund Act, 2014 (the Act) thereby repealing the Workers Welfare Ordinance, 1971 (the Ordinance) in its application to the province of Sindh. As per the Act, every industrial establishment located in province of Sindh whose total income for any year of account commencing on or after December 31, 2013, is not less than Rs.500 is required to pay a sum equal to 2% of total income to the Sindh Revenue Board. However, the management is of the view that the Company does not classify as an "industrial establishment" as define under clause 2(g) of the Act and accordingly is not liable for workers' welfare fund under the Act. Accordingly, no charge for current and prior years, in respect of workers' welfare fund, has been recognised in the financial statements.

9. CONTINGENCIES AND COMMITMENTS

There was no known contingency and commitment as at June 30, 2017 and June 30, 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

10. DIVIDEND INCOME		2017 Rupees	2016 Rupees
Dividend received from:	Note		
Associated Companies			
- Sapphire Finishing Mills Limited		33,551,700	30,970,800
- Amer Tex (Private) Limited		8,694,708	5,532,996
- Reliance Cotton Spinning Mills Limited		2,788,105	2,788,105
Others			
- Listed Companies		966,500	160,000
- Mutual Fund		414,010	-
		<u>46,415,023</u>	<u>39,451,901</u>
11. ADMINISTRATIVE EXPENSES			
Legal and professional charges		382,584	3,015,300
Directors' fee		40,000	50,000
Fee and subscription		665,341	509,038
Professional tax		100,000	100,000
Printing and stationery		137,871	119,187
Auditors' remuneration	11.1	265,375	265,375
Advertisement		69,225	47,100
CDC annual fee		160,000	100,000
Stamp duty and postage		33,433	32,568
Bank charges		5,480	1,607
Provincial sales taxes		60,006	150,830
Others		29,634	21,751
		<u>1,948,949</u>	<u>4,412,756</u>
11.1 Auditors' remuneration			
Fee for:			
Annual audit		165,375	165,375
Half yearly review		65,000	65,000
Review of Code of Corporate Governance		35,000	35,000
		<u>265,375</u>	<u>265,375</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

12. TAXATION

Current year	<u>5,951,039</u>	<u>5,324,335</u>
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12.1 No numeric tax rate reconciliation for the year is given in these financial statements, as provision made for the current year mainly represents tax charged under section 5 of the Income Tax Ordinance, 2001 (the Ordinance).

12.2 Income tax assessments of the Company have been completed upto the Tax Year 2016; the return for the said year has not been taken-up for audit till June 30, 2017.

12.3 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of 7.5% on every public company other than a scheduled bank or modaraba, that derives profits for a tax year but does not distribute 40% of profit either through cash dividend or issuance of bonus shares within six months of the end of said tax year.

The Board of Directors in their meeting held on September 28, 2017 has distributed sufficient cash dividend for the year ended June 30, 2017 (refer note 18) which complies with the above-stated requirements. Accordingly, no provision for tax on profits has been recognised in these financial statements for the year ended June 30, 2017.

13. EARNINGS PER SHARE

	2017	2016
	Rupees	Rupees
Net profit for the year	<u>32,770,874</u>	<u>31,789,986</u>
	--- Number of shares ---	
Weighted average ordinary shares in issue during the year	<u>20,091,450</u>	<u>20,091,450</u>
	----- Rupees -----	
Basic earnings per share	<u>1.63</u>	<u>1.58</u>

13.1 There is no dilutive effect on the basic earnings per share of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

14. FINANCIAL RISK MANAGEMENT

14.1 Financial risk factors

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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 framework.

The Company's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted. Credit risk mainly arises from long term deposit, short term investments and deposits with banks.

The credit risk on liquid funds maintained with banks and investments in mutual fund and listed companies securities is limited as such banks, funds and companies enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The maximum exposure to credit risk at the end of the reporting period is as follows:

	2017 Rupees	2016 Rupees
Long term deposit	37,500	37,500
Short term investments	42,537,024	25,146,310
Dividend receivable	362,259	-
Bank balances	11,556,785	3,066,856
	54,493,568	28,250,666

(b) 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 to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as all obligations of the Company are short term in nature and are restricted to the extent of available liquidity. As at reporting date, accrued and other liabilities are the only financial liability of the Company that are due within next twelve months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

(c) Market risk

Market risk is the risk that changes in market price, 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.

Foreign exchange risk

Foreign exchange risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Company is not exposed to foreign exchange risk as it does not have any foreign currency receivables or payables.

Interest rate risk

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

As the Company has no significant interest bearing assets and liabilities the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

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 foreign exchange risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

The Company's investments in mutual fund and listed securities amounting to Rs.42,537,024 (2016: Rs.25,146,310) are exposed to price risk due to changes in fair value of such funds and listed companies.

A change of 1% in fair value of mutual funds and market value of shares at the reporting date would have increased / (decreased) profit before taxation for the year and investments by the amounts shown below.

	2017 Rupees	2016 Rupees
Effect on profit before taxation	<u>425,370</u>	<u>251,463</u>
Effect on investments	<u>425,370</u>	<u>251,463</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

14.2 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The carrying values of all financial assets and liabilities reflected in the financial statements are a reasonable approximation of their fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Company's financial assets that are measured at fair value at June 30, 2017 and June 30, 2016.

		June 30, 2017			
		Level 1	Level 2	Level 3	Total
Assets - Recurring fair value measurement		----- Rupees -----			
Financial assets at fair value through profit or loss					
Short term investments		42,537,024	-	-	42,537,024
		June 30, 2016			
		Level 1	Level 2	Level 3	Total
Assets - Recurring fair value measurement		----- Rupees -----			
Financial assets at fair value through profit or loss					
Short term investments		25,146,310	-	-	25,146,310

There were no transfers amongst the levels during the current and preceding year. The Company's policy is to recognise transfer into and transfers out of fair value hierarchy levels as at the end of the reporting periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There were no other material Level 1, 2 or 3 assets or liabilities during the current and preceding year.

14.3 Capital risk management

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the ordinary shareholders.

The capital structure of the Company is equity based with no financing through long term or short term borrowings at the reporting date.

There was no change in the Company's approach to capital management during the year.

15. TRANSACTIONS WITH RELATED PARTIES

There are no significant transactions with related parties during the current year except for dividend income aggregating Rs.45,034,513 (2016: Rs.39,291,901) received from Associated Companies and meeting fees amounting Rs.40,000 (2016: Rs.50,000) paid to a non-executive director.

16. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

No remuneration has been paid or is payable by the Company on account of remuneration of Chief executive officer, directors and executives for the year except for meeting fee paid to a non executive director.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

17. NUMBER OF EMPLOYEES

The total and average number of employees as at year end was 4 (2016: 4).

18. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors, in their meeting held on September 28, 2017, has proposed a final cash dividend of Rs. 0.75(2016: Re.1.00) per share amounting to Rs. 15,068,588 (2016: Rs.20,091,450) for the year ended June 30, 2017. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2017. These financial statements do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2018.

19. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on September 28, 2017 by the Board of Directors of the Company.

Chief Executive

Director

PATTERN OF SHAREHOLDING FOR THE YEAR ENDED JUNE 30, 2017

NUMBER OF SHARE HOLDERS	FROM	TO	TOTAL SHARES HELD
379	1	100	3,572
146	101	500	31,881
123	501	1,000	77,908
82	1,001	5,000	146,511
13	5,001	10,000	89,899
3	10,001	15,000	35,760
3	20,001	25,000	66,955
3	30,001	35,000	95,382
1	35,001	40,000	37,179
1	40,001	45,000	42,233
1	60,001	65,000	64,534
2	70,001	75,000	147,359
1	85,001	90,000	89,791
1	130,001	135,000	133,138
1	165,001	170,000	168,697
1	170,001	175,000	174,993
1	225,001	230,000	229,500
1	230,001	235,000	232,379
1	305,001	310,000	306,955
1	375,001	380,000	375,009
1	395,001	400,000	400,000
1	510,001	515,000	511,107
1	600,001	605,000	602,863
1	615,001	620,000	619,546
1	1,025,001	1,030,000	1,026,817
1	1,145,001	1,150,000	1,147,615
1	1,215,001	1,220,000	1,215,174
1	1,235,001	1,240,000	1,237,134
1	1,350,001	1,355,000	1,350,276
1	1,355,001	1,360,000	1,355,029
1	1,570,001	1,575,000	1,574,996
1	1,690,001	1,695,000	1,694,207
1	1,805,001	1,810,000	1,805,964
1	3,000,001	3,005,000	3,001,087
779		Total : -	20,091,450

CATEGORIES OF SHAREHOLDERS

As AT JUNE 30, 2017

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Director, CEO, spouses and Minor Children	8,187,519	40.75
Associated Companies, undertakings, related parties	9,468,508	47.13
Banks, DFI & NBFI	18,479	0.09
Insurance Companies	4,764	0.02
Modaraba & Mutual Funds	114	0.00
General Public (Local)	2,405,299	11.97
General Public (Foreign)	4,242	0.02
Other Companies	2,525	0.01
	20,091,450	100.00

PATTERN OF SHAREHOLDING FOR THE YEAR ENDED JUNE 30, 2017

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Reliance Cotton Spinning Mills Limited	401570
Neelum Textile Mills (Private) Limited.	2812130
Sapphire Power Generation Limited	64534
Sapphire Holding Limited.	3001087
Amer Tex (Pvt.) Limited	2548946
Crystal Enterprises (Private) Limited	5518
Salman Ismail (SMC-Private) Limited	21514
Sapphire Textile Mills Limited	147
Sapphire Agencies (Private) Limited	602863

B) DIRECTORS, CHIEF EXECUTIVE OFFICER, THEIR SPOUSES AND MINOR CHILDREN

DIRECTORS & THEIR SPOUSES

Mr.Shahid Abdullah	406708
Mrs.Shireen Shahid	1587408
Mr.Nadeem Abdullah	534057
Mr.Yousuf Abddullah	2380957
Mrs.Noshaba Nadeem	1353948
Mrs.Ambareen Amer	1221398
Mr.Muhammad Yamin	717
Mr. Mazhar Saleem	500
Mrs. Usma Yousuf	42233

CHIEF EXECUTIVE OFFICER & THEIR SPOUSES

Mr.Amer Abdullah	659593
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C) BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS

BANKS, DFI & NBF

National Bank of Pakistan	15419
Faysal Bank Limited	3060

INSURANCE COMPANY

State Life Insurance Corporation of Pakistan	4764
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MODARABAS & MUTUAL FUNDS

Modaraba-Al-Mali	114
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PATTERN OF SHAREHOLDING FOR THE YEAR ENDED JUNE 30, 2017

D) SHAREHOLDERS HOLDING 5% OR MORE

Neelum Textile Mills Limited.	2812130
Sapphire Holding Limited	3001087
Amer Tex (Pvt.) Limited	2489946
Mrs.Shamshad Begum	1902641
Mr.Yousuf Abddullah	2380957
Mrs.Noshaba Nadeem	1353948
Mrs.Ambareen Amer	1221398
Mrs.Shireen Shahid	1587408

**E) TRADING IN THE SHARES OF COMPANY DURING THE YEAR
BY THE DIRECTORS, CHIEF EXECUTIVE OFFICER, CHIEF
FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR
SPOUSES AND MINOR CHILDREN.**

Nil

SFL LIMITED

Consolidated Accounts

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DIRECTORS' REPORT

The Directors of the Holding Company of SFL Corporation (Private) Limited are pleased to place before you the Director's report together with the Audited consolidated financial statements of SFL Limited and its subsidiary SFL Corporation (Private) Limited for the Year Ended 30 June 2017.

SFL Corporation (Private) Limited was incorporated for purpose given in the object clause of the Memorandum of Association which includes purchase and holding shares in other company having objects altogether or in part similar to those of this company. The company has not carried out any operational activity since its incorporation.

On behalf of the Board

KARACHI
Dated: 28 September, 2017

AMER ABDULLAH
CHIEF EXECUTIVE

ڈائریکٹرز پورٹ برائے حصص یافتگان

ایس ایف ایل کارپوریشن (پرائیویٹ) لمیٹڈ کی ہولڈنگ کمپنی کے ڈائریکٹران نہایت مسرت کے ساتھ ایس ایف ایل لمیٹڈ اور اس کے ماتحت ادارے ایس ایف ایل کارپوریشن (پرائیویٹ) لمیٹڈ کی 30 جون 2017ء کو اختتام پذیر ہونے والی آڈٹ شدہ یکجا مالیاتی تفصیلات آپ کے سامنے پیش کر رہے ہیں۔

ایس ایف ایل کارپوریشن (پرائیویٹ) لمیٹڈ کا وجود اس مقصد کے تحت ہوا ہے جو اس کی ایسوسی ایشن کی یادداشت میں دیئے گئے ہیں جن میں شامل ہے ان کمپنیوں کے حصص کا حصول اور خریداری جن کا مقصد کم و بیش اسی کمپنی جیسا ہے۔ کمپنی نے اپنے قائم ہونے کے بعد سے آج تک کوئی سرگرمی انجام نہیں دی ہے۔

بورڈ کی جانب سے

عامر عبداللہ
چیف ایگزیکٹو

کراچی
تاریخ: 28 ستمبر 2017ء

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of SFL Limited (SFL) and its subsidiary company, SFL Corporation (Private) Limited as at June 30, 2017 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of SFL. The financial statements of the subsidiary company was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditor. These financial statements are the responsibility of SFL's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of SFL and its subsidiary company as at June 30, 2017 and the results of their operations for the year then ended.

KARACHI
Dated : September 28 ,2017

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner:
Raheel Ahmed

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
Non current assets			
Investment property	4	73,313,292	88,103,000
Long term investments	5	2,814,127,751	2,861,974,744
Long term deposit		37,500	37,500
		2,887,478,543	2,950,115,244
Current assets			
Short term investments	6	42,537,024	25,146,310
Dividend receivable		362,259	-
Taxation - net		955	486
Cash and bank balances	7	11,620,215	3,141,336
		54,520,453	28,288,132
Total assets		2,941,998,996	2,978,403,376
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8	200,914,500	200,914,500
Reserves		231,258,780	199,935,021
Unappropriated profit		2,498,866,918	2,566,684,682
Total equity		2,931,040,198	2,967,534,203
Liabilities			
Non current liabilities			
Deferred taxation		9,901,286	8,600,900
Current liabilities			
Accrued and other liabilities	9	1,057,512	2,268,273
Total liabilities		10,958,798	10,869,173
Contingencies and commitments	10		
Total equity and liabilities		2,941,998,996	2,978,403,376

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

Chief Executive

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Revenue			
Dividend income		1,380,510	160,000
Gain on sale of investments		718,617	1,591,362
Change in fair value of investments at fair value through profit or loss		(6,462,778)	483,814
		(4,363,651)	2,235,176
Administrative expenses	11	1,974,999	4,440,876
		(6,338,650)	(2,205,700)
Share of profit of Associated Companies		35,808,266	110,740,510
Profit before taxation		29,469,616	108,534,810
Taxation	12	7,251,425	7,291,107
Profit after taxation		22,218,191	101,243,703
Earnings per share - basic and diluted	13	1.11	5.04

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

Chief Executive

Director

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

	2017 Rupees	2016 Rupees
Profit after taxation	22,218,191	101,243,703
Other comprehensive income		
Share of unrealized gain on available for sale investments of Associated Companies	31,802,479	12,804,641
Share of unrealized (loss) / gain on hedging instruments of Associated Companies	(478,720)	1,139,908
Share of loss arisen upon re-measurement of retirement benefit obligation of Associated Companies	(2,817,303)	(2,856,449)
	28,506,456	11,088,100
Total comprehensive income	50,724,647	112,331,803

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

Chief Executive

Director

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

	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	29,469,616	108,534,810
Adjustments for non-cash items:		
Dividend income	(1,380,510)	(160,000)
Gain on sale of investments	(718,617)	(1,591,362)
Change in fair value of investments at fair value through profit or loss	6,462,778	(483,814)
Share of profit of Associated Companies	(35,808,266)	(110,740,510)
	(31,444,615)	(112,975,686)
Operating loss before working capital changes	(1,974,999)	(4,440,876)
Working capital changes		
(Decrease) / increase in accrued and other liabilities	(1,294,932)	1,476,607
Cash used in operations	(3,269,931)	(2,964,269)
Taxes paid	(5,951,508)	(8,423,832)
Net cash used in operating activities	(9,221,439)	(11,388,101)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments acquired	(46,598,602)	(43,966,545)
Short term investments redeemed	23,463,727	60,735,276
Advance return for capital work-in-progress	14,789,708	-
Dividend received	46,052,764	39,451,901
Net cash generated from investing activities	37,707,597	56,220,632
CASH USED IN FINANCING ACTIVITIES		
Dividend paid	(20,007,279)	(49,939,434)
Net increase / (decrease) in cash and cash equivalents	8,478,879	(5,106,903)
Cash and cash equivalents at beginning of the year	3,141,336	8,248,239
Cash and cash equivalents at end of the year	11,620,215	3,141,336

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

Chief Executive

Director

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

	Share capital	Reserves				Unappropriated profit	Total
		Reserve arisen upon de-merger	Share of unrealised gain on available for sale investments of Associated Companies	Share of unrealised gain / (loss) on hedging instruments of Associated Companies	Sub-total		
----- Rupees -----							
Balance as at July 1, 2015	200,914,500	165,340,500	20,287,341	362,631	185,990,472	2,523,263,081	2,910,168,053
Transaction with owners, recognised directly in equity							
Cash dividend for the year ended June 30, 2015 at the rate of Rs.2.50 per share	-	-	-	-	-	(50,228,625)	(50,228,625)
Total comprehensive income for the year							
Profit after taxation	-	-	-	-	-	101,243,703	101,243,703
Other comprehensive income / (loss)	-	-	12,804,641	1,139,908	13,944,549	(2,856,449)	11,088,100
	-	-	12,804,641	1,139,908	13,944,549	98,387,254	112,331,803
Effect of items directly credited in equity by the Associated Companies	-	-	-	-	-	(4,737,028)	(4,737,028)
Balance as at June 30, 2016	200,914,500	165,340,500	33,091,982	1,502,539	199,935,021	2,566,684,682	2,967,534,203
Transaction with owners, recognised directly in equity							
Cash dividend for the year ended June 30, 2016 at the rate of Re.1.00 per share	-	-	-	-	-	(20,091,450)	(20,091,450)
Total comprehensive income for the year							
Profit after taxation	-	-	-	-	-	22,218,191	22,218,191
Other comprehensive income / (loss)	-	-	31,802,479	(478,720)	31,323,759	(2,817,303)	28,506,456
	-	-	31,802,479	(478,720)	31,323,759	19,400,888	50,724,647
Effect of items directly credited in equity by the Associated Companies	-	-	-	-	-	(67,127,202)	(67,127,202)
Balance as at June 30, 2017	200,914,500	165,340,500	64,894,461	1,023,819	231,258,780	2,498,866,918	2,931,040,198

The annexed notes 1 to 20 form an integral part of these consolidated financial statements.

Chief Executive

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. THE GROUP AND ITS OPERATIONS

- 1.1** The Group comprises of SFL Limited (the Holding Company) and its wholly owned Subsidiary Company - SFL Corporation (Private) Limited.
- 1.2** SFL Limited (the Holding Company) was incorporated as public limited company on April 26, 2010 and its shares has been listed on Pakistan Stock Exchange Limited. The registered office of the Holding Company is located at 316 - Cotton Exchange Building, I.I. Chundrigar Road, Karachi. The main business of the Holding Company is to invest in the shares of Associated Companies and other business as per the Memorandum of Association of the Holding Company.
- 1.3** SFL Corporation (Private) Limited (the Subsidiary Company) was incorporated as private limited company in Pakistan on October 4, 2011 under the Companies Ordinance, 1984. The address of its registered office is 307, Cotton Exchange Building, I. I. Chundrigar Road, Karachi. The main business of the Subsidiary Company is to invest in the shares and other business activities as per Memorandum of Association.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Companies Act, 2017 has been promulgated with effect from May 31, 2017, however the Securities and Exchange Commission of Pakistan (SECP) through its Circular # 17 of 2017 dated July 20, 2017, has directed that the companies whose financial year ends on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the Companies Ordinance, 1984. These consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the Companies Ordinance, 1984 shall prevail.

- 2.2** These consolidated financial statements include the financial statements of Holding Company and its Subsidiary Company. The Holding Company's direct interest in the Subsidiary Company is 100% as at June 30, 2017 and June 30, 2016.

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the Subsidiary;
- is exposed to variable returns from the Subsidiary; and
- decision making power allows the Group to affects its variable returns from the Subsidiary.

Subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-recognized from the date the control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealized) are also eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

2.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for investments in mutual funds and listed companies securities which are carried at fair value.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees, which is also the Group's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee except stated otherwise.

2.5 New and amended accounting standards

2.5.1 Standards and amendments to approved accounting standards effective in current year

New and amended standards mandatory for the first time for the financial year beginning July 1, 2016:

- (a) Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable to annual periods beginning on or after January 1, 2016. The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Notes – confirmation that the notes do not need to be presented in a particular order. Other comprehensive income (OCI) arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards / accounting policies are not required for these amendments.
- (b) IAS 27 (Amendments), 'Separate financial statements' are applicable to accounting periods beginning on or after January 1, 2016. These provide the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- (c) Amendments to IAS 38 'Intangible assets' and IAS 16 'Property, plant and equipment' are applicable for annual periods beginning on or after January 1, 2016 introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-base methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The Group's policy is already in line with these amendments.
- (d) Amendment to IAS 19 'Employee benefit' as a part of Annual improvements 2014 clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The Group's policy is already in line with this amendment.
- (e) Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12, 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures' are applicable on accounting periods beginning on or after January 01, 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2016 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

2.5.2 Standards and amendments to approved accounting standards that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2016 and have not been early adopted by the Group:

- (a) IFRS 9, 'Financial instruments' is applicable to accounting periods beginning on or after January 1, 2018. IASB has published the complete version of IFRS 9, 'Financial instruments', which replaces the guidance in 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 the incurred loss impairment model used today. The Group has yet to assess the impact of these changes on its consolidated financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable to accounting periods beginning on or after January 1, 2018. 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 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, 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 application. The Group yet to assess the impact of this standard on its financial statements.
- (c) IFRS 16, 'Leases' is applicable on accounting periods beginning on or after January 1, 2019. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This IFRS is under consideration of the relevant Committee of the Institute of Chartered Accountants of Pakistan. The standard not likely to have material impact on the Group's consolidated financial statements.
- (d) Amendments to IAS 7, 'Statement of cash flows' are applicable for annual periods beginning on or after January 1, 2017. The amendment requires disclosures 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 Group's consolidated financial statements.
- (e) Annual improvements 2016 applicable for annual periods beginning on or after January 1, 2017. These amendments include changes from the 2014-2016 cycle of annual improvements project that mainly affect following standards:
 - (i) Amendment to IFRS 12 'Disclosure of Interest in Other Entities', clarifies the scope of IFRS 12 i.e. the disclosure requirements for interests in other entities also applicable to interests that are classified as held for sale or distribution in accordance with IFRS 5.
 - (ii) Amendment to IAS 28 'Investment in Associates and Joint Ventures' clarifies that a venture capital organisation, or other similar qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. Further, a non-investment entity investor while applying equity method on its associate / joint venture investment may elect to retain the fair value accounting applied by its investment entity associate / joint venture to their subsidiaries. This election can be made separately for each investment entity associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Group and therefore, have not been presented here.

2.6 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas where various assumptions and estimates are significant to the Group's financial statements or where judgement was exercised in application of accounting policies are as follows:

- fair value of investments: and

- provision for taxation.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set-out below. These policies have been consistently applied to all the years presented.

3.1 Investment property

Investment property is held for long term rental yields / capital appreciation. Investment property of the Group comprises of freehold land and is valued using the cost model. Cost of investment property consists of historical cost and other directly attributable cost.

3.2 Investments

Investments of the Group are classified into the following categories:

(a) Investments in equity instruments of Associated Companies

Investments in Associated Companies are accounted for using the equity method of accounting. Under the equity method, the investments are initially recognised at cost, and the carrying amounts are increased or decreased to recognise the Company's share of profit or loss of the Investee after the date of acquisition.

The Company's share of post acquisition profit or loss is recognised in the profit and loss account, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in Associates equals or exceeds its interest in the Associates the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associates.

The Company determines at each reporting date whether there is any objective evidence that the investments in the Associates are impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the Associates and its carrying values and recognises the amount adjacent to share of profit / loss of Associates in the profit and loss account.

(b) Held-to-maturity

Investments with fixed maturity, where the management has both the intent and the ability to hold the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

investments to maturity, are classified as held-to-maturity.

Subsequent to initial recognition at cost, these investments are measured at amortised cost less any accumulated impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition by using the effective interest rate method.

(c) At fair value through profit or loss

Investments which are acquired principally for the purpose of selling in the near term or the investments that are part of a portfolio of financial instruments exhibiting short term profit taking are classified as investments at fair value through profit or loss. All transaction costs are recognised directly in consolidated profit and loss account. These are stated at fair value with any resulting gains or losses recognised directly in the consolidated profit and loss account.

3.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances.

3.4 Equity instruments

These are recorded at their face value.

3.5 Accrued and other liabilities

These are carried at cost which is the fair value of the consideration to be paid in future for services.

3.6 Taxation - current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any.

3.7 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.8 Financial assets and liabilities

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and derecognised when the Group loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet includes long term deposit, short term investments, dividend receivable, cash & bank balances and accrued & other liabilities. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortised cost or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

3.9 Off setting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counter party.

3.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

-dividend income from investments is recognised when the Group's right to receive dividend is established; and

-return on investments is recognised on 'accrual basis'.

3.11 Earnings per share

The Group present basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average numbers of ordinary shares outstanding during the year.

3.12 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Group considers itself to be a single reportable segment.

4. INVESTMENT PROPERTY

	Note	2017 Rupees	2016 Rupees
Freehold land - cost	4.1	73,313,292	73,313,292
Capital work-in-progress		-	14,789,708
		73,313,292	88,103,000

4.1 The Holding Company during the year ended June 30, 2015, acquired land measuring 54 Kanals and 1 Marla, situated at Lahore Cantt, District Lahore.

In the opinion of the directors, the market value of investment property at the reporting date has not changed materially since its acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

5. LONG TERM INVESTMENTS

Associated Companies - Equity method

Name of entity	Note	-- Equity held --		--- Carrying value ---	
		2017	2016	2017 Rupees	2016 Rupees
Unquoted					
Sapphire Finishing Mills Limited (SFML)	5.1	28.05%	28.05%	1,210,065,085	1,124,450,071
Sapphire Dairies (Private) Limited (SDL)	5.2	6.36%	6.67%	67,968,406	68,688,888
Diamond Fabrics Limited (DFL)	5.3	30.69%	30.69%	1,189,137,156	1,214,208,640
Amer Cotton Mills (Private) Limited (ACML)	5.4	8.40%	8.40%	107,607,891	216,065,380
Amer Tex (Private) Limited (ATL)	5.5	14.41%	14.41%	122,577,573	132,193,218
Quoted					
Reliance Cotton Spinning Mills Limited (RCSML)	5.6	5.42%	5.42%	116,771,640	106,368,547
				2,814,127,751	2,861,974,744

- 5.1** SFML was incorporated in Pakistan on July 25, 2000 as a public limited company. SFML is principally engaged in processing, dyeing, finishing of fabric and stitching of garments.
- 5.2** SDL was incorporated in Pakistan as a private limited company on January 31, 2008. The principal business of SDL is to produce and sale of milk and milk products. SDL is an associate of the Group due to common directorship.
- 5.3** DFL was incorporated in Pakistan as a private limited company on February 10, 1988 and later on converted into public limited company on October 8, 1988. The principal business of DFL is to manufacture and sale of cloth.
- 5.4** ACML was incorporated in Pakistan as a private limited company on December 19, 1985. It is principally engaged in manufacturing and sale of yarn. ACML is an associate of the Group due to common directorship.
- 5.5** ATL is a limited liability company incorporated in Pakistan on April 21, 2010 and registered under the Companies Ordinance, 1984. The main business of ATL is to invest in the shares of associated companies and other business as per memorandum of association. ATL is an associate of the Group due to common directorship.
- 5.6** RCSML was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The principal activity of RCSML is manufacturing and sale of yarn. RCSML is an associate of the Group due to common directorship. Fair value of RCSML as at June 30, 2017 is Rs.73.573 million (2016: Rs.45.836 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

5.7 Reconciliation and summarised financial information of associates

The table below presented the reconciliation and financial information of associates as at June 30, 2017. Financial statements have been amended to reflect adjustments made by the entity when using the equity method.

	----- For the year ended June 30, 2017 -----					
	SFML	SDL	DFL	ACML	ATL	RCSML
	----- Rupees -----					
Reconciliation to carrying amount						
Opening net assets	4,008,474,466	1,030,333,322	4,031,905,049	1,204,082,494	917,334,265	1,963,242,219
Profit / (loss) for the year	249,604,728	(11,775,107)	(152,157,644)	20,730,741	(6,385,736)	228,994,025
Other comprehensive income / (loss)	177,794,947	(483,270)	3,429,102	59,740,803	-	57,808,725
Other adjustment	(2,818,065)	50,000,000	(8,135,336)	(3,507,716)	-	(43,333,070)
Dividend paid	(119,600,000)	-	-	-	(60,335,902)	(51,460,000)
Closing net assets	4,313,456,076	1,068,074,945	3,875,041,171	1,281,046,322	850,612,627	2,155,251,899
Company's share (Percentage)	28.05%	6.36%	30.69%	8.40%	14.41%	5.42%
Company's share	1,210,065,085	67,968,406	1,189,137,156	107,607,891	122,577,573	116,771,640
	----- As at June 30, 2017 -----					
	SFML	SDL	DFL	ACML	ATL	RCSML
	----- Rupees -----					
Summarised Balance Sheet						
Non current assets	6,272,211,200	1,092,296,098	8,111,840,426	1,667,296,907	794,391,633	2,154,720,053
Current assets	6,790,065,377	305,710,651	5,473,900,292	2,094,786,634	56,306,929	1,529,155,658
	13,062,276,577	1,398,006,749	13,585,740,718	3,762,083,541	850,698,562	3,683,875,711
Non current liabilities	2,151,915,957	160,542,118	4,525,326,435	344,911,862	-	220,150,447
Current liabilities	6,596,904,544	169,389,686	5,185,373,112	2,136,125,357	85,935	1,308,473,365
	8,748,820,501	329,931,804	9,710,699,547	2,481,037,219	85,935	1,528,623,812
Net asset	4,313,456,076	1,068,074,945	3,875,041,171	1,281,046,322	850,612,627	2,155,251,899
	----- For the year ended June 30, 2017 -----					
	SFML	SDL	DFL	ACML	ATL	RCSML
	----- Rupees -----					
Summarised Profit and Loss Account						
Revenue	14,823,569,969	620,643,003	13,599,375,011	4,982,063,879	129,455,304	3,570,713,354
Profit / (loss) after tax	249,604,728	(11,775,107)	(152,157,644)	20,730,741	(6,385,736)	228,994,025
Other comprehensive income / (loss)	177,794,947	(483,270)	3,429,102	59,740,803	-	57,808,725
Total comprehensive income / (loss)	427,399,675	(12,258,377)	(148,728,542)	80,471,544	(6,385,736)	286,802,750
Dividend received from associates	33,551,700	-	-	-	8,694,708	2,788,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

6. SHORT TERM INVESTMENTS

- at fair value through profit or loss

2017	2016		2017	2016
- (Number of units / shares) -			Rupees	Rupees
		Mutual funds		
41,401.01	-	MCB Pakistan Stock Market Fund	4,243,674	-
-	197,114.3474	HBL Income Fund	-	20,912,610
		Listed companies		
-	50,000	Altern Energy Limited	-	1,832,500
240,000	-	Aisha Steel Mills Limited	4,881,600	-
61,500	-	BankIslami Pakistan Limited	817,950	-
30,000	-	Engro Corporation Limited	9,777,300	-
200,000	-	Engro Fertilizers Limited	11,048,000	-
35,000	-	Habib Bank Limited	9,419,900	-
20,000	20,000	The Hub Power Company Limited	2,348,600	2,401,200
			42,537,024	25,146,310

7. CASH AND BANK BALANCES

	2017	2016
	Rupees	Rupees
Cash in hand	3,800	4,850
Cash at bank in current accounts	11,616,415	3,136,486
	11,620,215	3,141,336

8. SHARE CAPITAL

2017	2016		2017	2016
--- Number of shares ---		Authorised capital		
20,200,000	20,200,000	Ordinary shares of Rs.10 each	202,000,000	202,000,000
		Issued, subscribed and paid-up capital		
10,000	10,000	Ordinary shares of Rs.10 each, fully paid in cash	100,000	100,000
19,687,500	19,687,500	Ordinary shares of Rs.10 each, issued in pursuant to the scheme of arrangements for de-merger	196,875,000	196,875,000
393,950	393,950	Ordinary shares of Rs.10 each, issued as fully paid bonus shares	3,939,500	3,939,500
20,091,450	20,091,450		200,914,500	200,914,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

8.1	Ordinary shares held by the related parties as at June 30,	2017	2016
		-- Number of shares --	
	Sapphire Fibres Limited	10,199	10,199
	Sapphire Textile Mills Limited	147	147
	Neelum Textile Mills (Private) Limited	2,812,130	2,812,130
	Sapphire Agencies (Private) Limited	602,863	602,863
	Crystal Enterprises (Private) Limited	5,518	5,518
	Sapphire Power Generation Limited	64,534	64,534
	Salman Ismail (SMC-Pvt.) Limited	21,514	21,514
	Reliance Cotton Spinning Mills Limited	401,570	401,570
	Sapphire Holding Limited	3,001,087	3,001,087
	Amer Tex (Private) Limited	2,489,946	2,489,946
		9,409,508	9,409,508
9.	ACCRUED AND OTHER LIABILITIES	2017	2016
		Rupees	Rupees
	Accrued liabilities	262,075	1,572,007
	Audit fee	355,375	340,375
	Unclaimed dividend	440,062	355,891
		1,057,512	2,268,273

9.1

During the year ended June 30, 2015, the Government of Sindh promulgated Sindh Workers Welfare Fund Act, 2014 (the Act) thereby repealing the Workers Welfare Ordinance, 1971 (the Ordinance) in its application to the province of Sindh. As per the Act, every industrial establishment located in province of Sindh whose total income for any year of account commencing on or after December 31, 2013, is not less than Rs.500 is required to pay a sum equal to 2% of total income to the Sindh Revenue Board. However, the management is of the view that the Company does not classify as an "industrial establishment" as define under clause 2(g) of the Act and accordingly is not liable for workers' welfare fund under the Act. Accordingly, no charge for current and prior years, in respect of workers' welfare fund, has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

10. CONTINGENCIES AND COMMITMENTS

There was no known contingency and commitment as at June 30, 2017 and June 30, 2016.

11. ADMINISTRATIVE EXPENSES

	Note	2017 Rupees	2016 Rupees
Legal and professional charges		382,584	3,015,300
Directors' fee		40,000	50,000
Fee and subscription		666,391	512,088
Professional tax		110,000	110,000
Printing and stationery		137,871	119,187
Auditors' remuneration	11.1	280,375	280,375
Advertisement		69,225	47,100
CDC annual fee		160,000	100,000
Stamp duty and postage		33,433	32,568
Bank charges		5,480	1,677
Provincial sales taxes		60,006	150,830
Others		29,634	21,751
		1,974,999	4,440,876

11.1 Auditors' remuneration

ShineWing Hameed Chaudhri & Co.

- audit fee	165,375	165,375
- half yearly review	65,000	65,000
- review of Code of Corporate Governance	35,000	35,000

Mushtaq & Co.

- audit fee	15,000	15,000
	280,375	280,375

12. TAXATION

Current year	5,951,039	5,324,335
Deferred taxation	1,300,386	1,966,772
	7,251,425	7,291,107

12.1 No numeric tax rate reconciliation for the year is given in these consolidated financial statements, as provision made for the current year mainly represents tax charged under section 5 of the Income Tax Ordinance, 2001 (the Ordinance).

12.2 Income tax assessments of the Holding Company have been completed up to the Tax Year 2016; the return for the said year has not been taken-up for audit till June 30, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

12.3 Section 5A of the Income Tax Ordinance, 2001 imposes tax at the rate of 7.5% on every public company other than a scheduled bank or modaraba, that derives profits for tax a year but does not distribute 40% of profits either through cash dividend or issuance of bonus shares within six months of the end of said tax year.

The Board of Directors in their meeting held on September 28, 2017 has distributed sufficient cash dividend for the year ended June 30, 2017 (refer note 19) which complies with the above-stated requirements. Accordingly, no provision for tax on profits has been recognised in these financial statements for the year ended June 30, 2017.

13. EARNINGS PER SHARE

EARNINGS PER SHARE	2017	2016
	Rupees	Rupees
Net profit for the year	22,218,191	101,243,703
	--- Number of shares ---	
Weighted average ordinary shares in issue during the year	20,091,450	20,091,450
	Rupees	Rupees
Basic earnings per share	1.11	5.04

13.1 There is no dilutive effect on the basic earnings per share of the Group.

14. FINANCIAL RISK MANAGEMENT

14.1 Financial risk factors

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

The Group's overall risk management program focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

(a) Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties fail completely to perform as contracted. Credit risk mainly arises from long term deposit, short term investments and deposits with banks.

The credit risk on liquid funds maintained with banks and investments in mutual funds & listed companies securities is limited as such banks, funds and companies enjoy reasonably high credit rating. Accordingly, management does not expect any counter party to fail in meeting their obligations.

The maximum exposure to credit risk at the end of the reporting period is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The maximum exposure to credit risk at the end of the reporting period is as follows:

	2017 Rupees	2016 Rupees
Long term deposit	37,500	37,500
Short term investments	42,537,024	25,146,310
Dividend receivable	362,259	-
Bank balances	11,616,415	3,136,486
	54,553,198	28,320,296

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Group is not materially exposed to liquidity risk as all obligations of the Group are short term in nature and are restricted to the extent of available liquidity. As at reporting date, accrued and other liabilities are the only financial liability of the Group that are due within next twelve months.

(c) Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Foreign exchange risk

Foreign exchange risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The Group is not exposed to foreign exchange risk as it does not have any foreign currency receivables or payables.

Interest rate risk

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

As the Group has no significant interest bearing assets and liabilities the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

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 foreign exchange risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The Group's investments in mutual fund and listed securities amounting to Rs.42,537,024 (2016: Rs.25,146,310) are exposed to price risk due to changes in fair value of such funds and listed companies.

A change of 1% in fair value of mutual funds and of shares at the reporting date would have increased / (decreased) profit before taxation for the year and investments by the amounts shown below.

	2017 Rupees	2016 Rupees
Effect on profit before taxation	425,370	251,463
Effect on investments	425,370	251,463

14.2 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is going concern and there is no intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

The carrying values of all financial assets and liabilities reflected in the financial statements are a reasonable approximation of their fair values.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The following table presents the Group's financial assets that are measured at fair value at June 30, 2017 and June 30, 2016.

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets - Recurring fair value measurement	----- Rupees -----			
Financial assets at fair value through profit or loss				
Short term investments	<u>42,537,024</u>	<u>-</u>	<u>-</u>	<u>42,537,024</u>
	June 30, 2016			
	Level 1	Level 2	Level 3	Total
Assets - Recurring fair value measurement	----- Rupees -----			
Financial assets at fair value through profit or loss				
Short term investments	<u>25,146,310</u>	<u>-</u>	<u>-</u>	<u>25,146,310</u>

There were no transfers amongst the levels during the current and preceding year. The Group's policy is to recognise transfer into and transfers out of fair value hierarchy levels as at the end of the reporting periods.

Valuation techniques used to determine fair values

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

There were no other material Level 1, 2 or 3 assets or liabilities during the current and preceding year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

14.3 Capital risk management

The Group's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the ordinary shareholders.

The capital structure of the Group is equity based with no financing through long term or short term borrowings at the reporting date.

There was no change in the Group's approach to capital management during the year.

15. TRANSACTIONS WITH RELATED PARTIES

There are no significant transactions with related parties during the current year except for dividend income aggregating Rs.45,034,513 (2016: Rs.39,291,901) received from Associated Companies and meeting fees amounting Rs.40,000 (2016: Rs.50,000) paid to a non-executive director.

16. OPERATING SEGMENTS

These consolidated financial statements have been prepared on the basis of single reportable segment.

(a) Total revenues of the Group are earned from investments in Pakistan.

(b) All non-current assets of the Group as at June 30, 2017 are located in Pakistan.

17. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

No remuneration has been paid or is payable by the Group on account of remuneration of Chief executive officer, directors and executives for the year except for meeting fee paid to a non executive director.

18. NUMBER OF EMPLOYEES

The total and average number of employees as at year end was 4 (2016: 4).

19. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Holding Company, in their meeting held on September 28, 2017, has proposed a final cash dividend of Rs. 0.75 (2016: Re.1.00) per share amounting to Rs. 15,068,588(2016: Rs.20,091,450) for the year ended June 30, 2017. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2017. These consolidated financial statements do not include the effect of this appropriation which will be accounted for in the consolidated financial statements for the year ending June 30, 2018.

20. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 28 , 2017 by the Board of Directors of the Holding Company.

Chief Executive

Director

Form of Proxy

I / we

Folio No. _____ of _____

a member(s) of **SFL Limited** and a holder of _____ Ordinary Shares,

do hereby appoint

of _____

or failing him/her _____

of _____

a member of **SFL Limited**, vide Registered Folio No. _____ as my/our Proxy to act on my/our behalf at 08th Annual General Meeting of the Company to be held on Tuesday the 24th October, 2017 at 05:00 p.m. at Trading Hall, Cotton Exchange Building, I. I. Chundrigar Road, Karachi and / or any adjournment thereof.

Signed this _____ day of _____ 2017

Signature _____

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

REVENUE
STAMP OF
RS.5/-

NOTICE

1. No proxy shall be valid unless it is duly stamped with a revenue stamp of Rs.5/-
2. In the case of Bank or Company, the proxy form must be executed under its Common seal and signed by its authorized person.
3. Power of attorney or other authority (if any) under which this proxy form is signed then a certified copy of that power of attorney must be deposited along with this proxy form.
4. This form of proxy duly completed must be deposited at the Registered Office of the Company atleast 48 hours before the time of holding the meeting.
5. In case of CDC account holder :
 - i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - ii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iii) The proxy shall produce his original CNIC or original passport at the time of meeting.
 - iv) In case of corporate entity, the board of directors' resolution/power of attorney with specimen signature of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the company.

Witness :

Name

Address

NIC No.

Name

Address

NIC No.

لمیڈ S F L

فارم برائے قائم مقام / متبادل

میں / ہم۔

S F L لمیٹڈ کے ممبر ہونے کے ناطے اپنا / اپنے مندرجہ ذیل قائم مقام / متبادل مقرر کرتا ہوں / کرتے ہیں۔

نام (جناب/محترمہ)۔



اور اُن کی غیر موجودگی میں جناب / محترمہ۔



میری/ ہماری غیر موجودگی میں قائم مقام/ متبادل کمپنی کی سالانہ جنرل میٹنگ میں شرکت کریں گے جو بروز منگل 24 اکتوبر 2017ء کو بوقت 05:00 بجے شام، ٹریڈنگ ہال، کاٹن ایسچینج بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں منعقد ہوگی۔

[illegible]

گواہان:

(1) دستخط:

نام:

۱۰۰

CNIC یا سپورٹ نمبر۔

شیر ہولڈر کے دستخط

شیر ہولڈر کا فولیو نمبر:-

(1) دستخط:

نام:

اور / اور LCD

۱۰۰

CNIC یا سپورٹ نمبر۔

نوٹ:

نوٹ: یہ قائم مقام/متبادل فارم مکمل کر کے میٹنگ کی تاریخ سے 48 گھنٹے پہلے تک کمپنی دفتر برہم کام کاٹن ایسوسی ایٹس بلڈنگ، آئی آئی چندریگر روڈ، کراچی جمع کروائیں۔

C D C شیئر ہولڈر اور اُن کے قائم مقام/ متبادل ہر ایک سے گزارش ہے کہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ کی فوٹو کاپی اس فارم کے ساتھ کمپنی میں جمع کروائیں۔

C D C شیئر ہولڈر یا اُن کے قائم مقام/ متبادل سے گزارش ہے کہ اپنے اصلی کمپیوٹر انڈسٹری شناختی کارڈ یا پاسپورٹ ہمراہ شرکت کا I.D. نمبر اور اپنا اکاؤنٹ نمبر سالانہ جنرل میٹنگ میں شرکت کے لیے آتے ہوئے ساتھ لائیں تاکہ اُن کی شناخت میں آسانی ہو۔

BOOK POST
Under Postal Certificate

SFL LIMITED
316, Cotton Exchange Building,
I. I. Chundrigar Road,
Karachi.