

Annual Report
2018

SFL LIMITED

SFL LIMITED

CONTENTS

COMPANY PROFILE	04
VISION / MISSION	05
NOTICE OF ANNUAL GENERAL MEETING	06
CHAIRMAN'S REVIEW (English & urdu)	10
DIRECTORS' REPORT (English & urdu)	12
SIX YEARS' KEY OPERATING AND FINANCIAL DATA	20
REVIEW REPORT	21
STATEMENT OF COMPLIANCE	22
AUDITOR'S REPORT	24
STATEMENT OF FINANCIAL POSITION	27
STATEMENT OF PROFIT OR LOSS	28
STATEMENT OF COMPREHENSIVE INCOME	29
STATEMENT OF CASH FLOWS	30
STATEMENT OF CHANGES IN EQUITY	31
NOTES TO THE FINANCIAL STATEMENTS	32
PATTERN OF SHARE HOLDINGS	45

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
Independent Director	:	Mr. Mazhar Saleem
Audit Committee		
Chairman	:	Mr. Mazhar Saleem
Member	:	Mr. Shahid Abdullah
Member	:	Mr. Nadeem Abdullah
Human Resource & Remuneration Committee		
Chairman	:	Mr. Mazhar Saleem
Member	:	Mr. Shahid Abdullah
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
Share Registrars	:	Thk Associates (Pvt) Ltd, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi.
Registered Office	:	316, Cotton Exchange Building, I.I.Chundrigar Road, 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 9th Annual General Meeting of SFL LIMITED will be held at Trading Hall, Cotton Exchange Building, I.I.Chundrigar Road, Karachi on Wednesday the 24th day of October, 2018 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. Appointment and fixation of remuneration of auditors.

SPECIAL BUSINESS

4. To approve by way of special resolution with or without modification the following resolutions in respect of related party transaction in terms of Section 208 of the Companies Act, 2017:

“RESOLVED THAT the Related Parties transactions conducted during the year in which the majority of Directors are interested as disclosed in the note 16 of the unconsolidated financial statements for the year ended June 30, 2018 and specified in the Statement of Material Information under Section 134 (3) be and are hereby ratified, approved and confirmed.”

“RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis during the financial year ending June 30, 2019.

“FURTHER RESOLVED that transactions approved by Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval.”

Any other Business

5. To transact any other business with the permission of the chair.

(Attached to this Notice is a Statement of Material Facts covering the above- mentioned Special Business, as required under section 134(3) of the Companies Act, 2017).

By Order of the Board

Karachi.
Dated: 27th September, 2018

(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, 2018 to 24th October, 2018 (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, 2018 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

NOTICE OF ANNUAL GENERAL MEETING

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 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. Payment of Cash Dividend Electronically (Mandatory Requirement)**

In accordance with the provisions of Section 242 of the Companies Act and Companies (Distribution of Dividends) Regulation 2017, a listed company, is required to pay cash dividend to the shareholders ONLY through electronic mode directly into the bank account designated by the entitled shareholders. In this regard, SFL Limited has already sent letters and Electronic Credit Mandate Forms to the shareholders.

Those shareholders who have still not provided their IBAN are once again requested to fill in "Electronic Credit Mandate Form" as reproduced below and send it duly signed along with a copy of valid CNIC to their respective CDC participant / CDC Investor account services (in case of shareholding in Book Entry Form) or to the Company's Share Registrar M/s. THK Associates (Private) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi (in case of shareholding in Physical Form).

1.	Shareholders' Detail	
	Name	
	Folio# / CDS Account No.	
	CNIC No. (Copy attached)	
	Mobile/ Landline No.	
2.	Shareholders' Bank Detail	
	Title of Bank Account	
	International Bank Account No. (IBAN)	
	Bank's Name	
	Branch Name and Address	

NOTICE OF ANNUAL GENERAL MEETING

In case of non-provision of IBAN, the Company will have to withhold the cash dividend according to SECP directives.

8. (i) Pursuant to the provisions of the Finance Act 2017 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)

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.
9. 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

NOTICE OF ANNUAL GENERAL MEETING

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

1. Item Number 4 of the notice – Ratification and approval of the related party transactions

The Company carries out transactions with its associates and related parties in accordance with its policies, applicable laws, regulations and with approval of board of directors of the company. However, during the year since majority of the Company's Directors are interested in certain transactions (by virtue of being the shareholder or common directorship), therefore due to absent of requisite quorum for approval in Board of Directors meeting, these transactions are being placed for the approval by shareholders in the Annual General Meeting.

All transactions with related parties to be ratified have been disclosed in the note 16 to the unconsolidated financial statements for the year ended June 30, 2018.

The company carries out transactions with its related parties on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business and periodically reviewed by the Board Audit Committee. Upon the recommendation of the Board Audit Committee, such transactions are placed before the board of directors for approval.

Transactions entered into with the related parties include, but are not limited to, sale & purchase of goods, dividends paid and received, investments made (in accordance with the approval of shareholders and board where applicable) and sharing of common expenses.

The nature of relationship with these related parties has also been indicated in the note 16.1 to the unconsolidated financial statements for the year ended June 30, 2018.

2. Authorization for the Board of Directors to approve the related party transactions during the year ending June 30, 2019

The Company shall be conducting transactions with its related parties during the year ending June 30, 2019 on an arm's length basis as per the approved policy with respect to 'transactions with related parties' in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship in the subsidiary / associated companies. In order to promote transparent business practices, the Board of Directors seeks authorization from the shareholders to approve transactions with the related parties from time-to-time on case to case basis for the year ending June 30, 2019 and such transactions shall be deemed to be approved by the Shareholders. The nature and scope of such related party transactions is explained above. These transactions shall be placed before the shareholders in the next AGM for their formal approval/ratification.

REVIEW REPORT BY THE CHAIRMAN

The Board of Directors are performing their duties in accordance with law and in the best interest of company and its shareholders. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of SFL Limited is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2018, the Board's overall performance and effectiveness has been assessed as Satisfactory. This is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

SFL Limited complies with all the requirements set out in the law with respect to the composition, procedures and meetings of the Board of Directors and its committees. Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the board and its committee meetings. The board has exercised all its powers in accordance with relevant laws and regulation and the non- executive and independent directors are equally involved in important decisions.

Lahore :
Dated: September 27, 2018

Yousuf Abdullah
Chairman

چیرمین کی جائزہ رپورٹ

کمپنی کے ڈائریکٹران اپنے فرائض قانون کے مطابق اور حصص یافتگان کے بہترین مفادات میں ادا کر رہے ہیں۔ ایس ایف ایل لمیٹڈ کے بورڈ آف ڈائریکٹرز کا سالانہ جائزہ کوڈ آف کارپوریٹ کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے ۲۰۱۸ء کے لیے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ مجموعی جائزے کا اطمینان بخش ہونا ضروری اجزاء کے انفرادی جائزے پر منحصر ہے جن میں دورانہدیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور بورڈ کی سرگرمیوں کو انداز سے پورا کرنا شامل ہیں۔

ایس ایف ایل لمیٹڈ بورڈ کی تشکیل، طریقہ کار اور بورڈ اور اس کی کمیٹی کی میٹنگز کے سلسلے میں تمام قوانین کی پاس داری کرتا ہے۔ کمپنی کے بورڈ آف ڈائریکٹرز اور اس کی کمیٹی کی ملاقاتوں میں ایجنڈا مع دیگر ضروری دستاویزات قبل از وقت فراہم کئے گئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر طریقے سے انجام دینے کے لئے باقاعدگی سے ملاقات کرتا ہے۔ بورڈ نے اپنے تمام اختیارات کا استعمال قانونی اور ریگولیشن کے مطابق کیا ہے اور نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابری کی بنیاد پر شامل ہوتے ہیں۔

بورڈ کی جانب سے

یوسف عبداللہ
چیرمین

لاہور

27 ستمبر 2018ء

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 2018. The summarized financial results for the year ended 30th June 2018 are as under:

Financial Highlights

Particular	For the Financial Year Ended 30th June 2018 Amount in Rs.	For the Financial Year Ended 30th June 2017 Amount in Rs.	Change in Percentage %
Net Income	1,434,549	40,670,862	-96.47%
Profit Before Taxation	1,423,180	38,721,913	-96.32%
Profit After Taxation	913,339	32,770,874	-97.21%

Review of Operations

During the year under review, the Company has earned dividend income of Rs. 3,438,932 (2017: 46,415,023), loss on sale of investments of Rs. (802,558) (2017: Gain 718,617) and change in fair value of investment caused loss of Rs. 1,201,825 (2017: 6,462,778) during the year. The reason for such a significant decrease is due to decrease in dividend receipt during the year. The net profit for the year under review has been Rs. 913,339 (2017: 32,770,874) 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 have recommended to treat interim dividend already paid @ 37.5% i.e. Rs. 3.75 as Final dividend for the year ended June 30, 2018 (2017: 7.5%).

Earnings per Share

The company's earnings per share (EPS), Stands at Rs. 0.05 as compared to earnings per share of Rs. 1.63 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 increased the share capital, fully acquired by SFL Limited, and has invested in a 6- month T- Bill which matured during the year.

Board of Directors

The Board of Directors comprises of seven (07) Directors. During the year, five meetings of the Board of Directors were held. Attendance by each Director is as follows:

Mr. Shahid Abdullah	=5=
Mr. Nadeem Abdullah	=4=
Mr. Amer Abdullah	=5=
Mr. Yousuf Abdullah	=5=
Mr. Mohammad Yamin	=5=
Mr. Mazhar Saleem	=5=
Mrs. Ambreen Amer	=3=

DIRECTORS' REPORT

Audit Committee

During the year four (04) meetings of the Audit Committee were held. Attendance by each Director is as follows:

Mr. Nadeem Abdullah	=4=
Mr. Mazhar Saleem	=4=
Mr. Shahid Abdullah	=4=

Human Resource & Remuneration Committee

During the year one meeting of the HR & R Committee was held and attended by all the members.

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

1. The financial statements together with the notes thereon have been drawn up in conformity with the Companies Act, 2017. These present fairly its state of affairs, the result of its operations, its cash flows and its 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 has been effectively implemented. The process of review and monitoring continues 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 are no doubts 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.
9. The key operating and financial data and key ratios of six years are annexed.
10. Following trade in the shares of the Company were carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, their spouses and minor children:

22,448	Shares Gift received by Mr. Amer Abdullah from Father (Mr. Mohammad Abdullah)
26,032	Shares Gift received by Mr. Yousuf Abdullah from Mother (Mst. Shamshad Begum)

Code of Conduct

The code of conduct has been developed and has been communicated and acknowledged by each Director and Employee of the Company.

Related Party Transactions

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

DIRECTORS' REPORT

During the year, the Company carried out transactions with its related parties. Details of these transactions are disclosed in note 16 to unconsolidated financial statements attached therein.

Details of pertinent related party transactions are placed before the Audit Committee, and upon recommendation of the Board Audit Committee, the same are placed before the Board of Directors for review and approval in accordance with regulatory requirements.

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. Our focus remains on improving all aspects of safety especially with regards to the safe, production, delivery, storage and handling of the materials. Your company always ensures environment preservation and adopts all possible means for environment protection.

Pattern of Shareholding

The Pattern of shareholding of the company as at June 30, 2018 is annexed. This statement is prepared in accordance with section 227 (2) (f) of the Companies Act, 2017.

Auditors

The present Auditors, M/s. Shinewing Hameed Chaudhri & Company, Chartered Accountants retire and being eligible to offer themselves for re-appointment for the year 2018-2019. Audit Committee and Board of Directors have also recommended their appointment as auditor for the year ending 30 June, 2019.

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

Lahore
Dated: 27 September, 2018

AMER ABDULLAH
CHIEF EXECUTIVE

YOUSUF ABDULLAH
DIRECTOR

ڈائریکٹر پورٹ برائے حصص یافتگان

آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز شائونگ حمید چوہدری اینڈ کمپنی سبکدوش ہو گئے ہیں اور اہلیت کی بنیاد پر 19-2018ء کیلئے دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے بھی 30 جون 2019ء کو مکمل ہونیوالے سال کیلئے انکے تقرری سفارش کی ہے۔

شکرگزاری

مینجمنٹ بورڈ آف ڈائریکٹرز، ریگولیٹری اتھارٹی، 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۔

منجانب بورڈ

عامر عبداللہ
چیف ایگزیکٹو

یوسف عبداللہ
ڈائریکٹر

لاہور۔

مورخہ 27 ستمبر 2018

ڈائریکٹر رپورٹ برائے حصص یافتگان

- (۹) چھ سال کا فنانشل ڈیٹا کی آپریٹنگ اور کی ریشوز منسلک ہذا ہیں۔
- (۱۰) ڈائریکٹرز چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکریٹری، ان کے اہل خانہ اور نابالغ بچوں نے کمپنی کے حصص کا مندرجہ ذیل کاروبار کیا۔

22,448 shares عامر عبداللہ صاحب کو ان کے والد (محمد عبداللہ) صاحب نے تحفے میں دیے۔

26,032 shares یوسف عبداللہ صاحب کو ان کی والدہ (شمشاد بیگم) محترمہ نے تحفے میں دیے۔

کوڈ آف کنڈکٹ (ضابطہ اخلاق)

کوڈ آف کنڈکٹ عمل میں لایا گیا اور کمپنی کے ہر ڈائریکٹر اور ملازمین سے تسلیم کرایا گیا۔

ریلیٹیڈ پارٹی ٹرانزیکشنز

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 بلاکنٹرول قیمتوں کے طریقہ کار کے مقابلہ میں طے شدہ قابل قبول نرخوں پر کئے گئے۔

رواں سال میں کمپنی نے ریلیٹیڈ پارٹی کے ساتھ ٹرانزیکشنز کی ہیں جس کی تفصیل سنگل اکاؤنٹ کے نوٹ نمبر ۱۶ میں درج ہیں۔

معتبر ریلیٹیڈ پارٹی کی لین دین کے بارے میں تفصیلات آڈٹ کمیٹی کے سامنے پیش کی جاتی ہے۔ ریگولیٹری ضروریات کے مطابق آڈٹ کمیٹی کی سفارشات کو جائزے کے لئے بورڈ کو پیش کیا جاتا ہے۔

کارپوریٹ ماحول، صحت اور سماجی ذمہ داریاں

کمپنی نے کام کی صورتحال ایسی رکھی ہے جو تمام ملازمین اور بڑے پیمانے پر عوام کیلئے محفوظ اور صحت کے خدشہ سے پاک ہے ہماری پوری توجہ تمام پہلوؤں کو بہتر بنانے پر مرکوز ہے خصوصاً تحفظ، پروڈکشن، ڈیلیوری، اسٹوریج اور سامان کی نقل و حمل میں تحفظ کے ضمن میں۔ آپ کے کمپنی ہمیشہ ماحول کے تحفظ اور ماحولیاتی تحفظ کیلئے تمام ممکنہ اقدامات اختیار کرنے کو یقینی بناتی ہے۔

شیئر ہولڈنگ کا طریقہ کار

30 جون 2018ء کو کمپنی کی شیئر ہولڈنگ کا طریقہ کار منسلک ہذا ہے۔ یہ گوشوارہ سیکشن (f) 227(2) کمپنیز ایکٹ 2017ء کے مطابق تیار کیا گیا ہے۔

ڈائریکٹر رپورٹ برائے حصص یافتگان

آڈٹ کمیٹی

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

اجلاس کی تعداد	نام
4	جناب ندیم عبداللہ
4	جناب مظہر سلیم
4	جناب شاہد عبداللہ

افراد قوت اور مشاہیرہ کمیٹی

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

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 ہدف و 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 اور ان پر نوٹس کمپنیز ایکٹ مجریہ 2017ء کے مطابق بنائے گئے ہیں۔ یہ امور کارکردگی کے نتائج نقد کے لین دین اور ایکویٹی 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 و 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 کوٹی 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۔
- (۸) کارپوریٹ گورننس پر بہترین عملدرآمد کوئی ٹھوس فروگزاشت نہیں ہوئی۔

ڈائریکٹر پورٹ برائے حصص یافتگان

منافع منقسمہ

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2018ء کو سفارش کی ہے کہ انٹیرم ڈیویڈنڈ کو حتمی منقسمہ قرار دیا جائے جو کہ 37.5 فیصد یعنی 3.75/- روپے تھا۔ (2017: 7.5 فیصد)

فی حصص آمدنی

کمپنی کی فی حصص آمدنی 0.05 رہی۔ جبکہ گزشتہ سال کی آمدنی 1.63 روپے تھی۔

آئندہ کالائج عمل (پروسیکیٹس)

کمپنی کے آپریٹنگ اثاثے منسلک کمپنیوں میں سرمایہ کاری اور دیگر درج کمپنی پر مبنی ہیں، آپ کی مٹھیٹ کمپنی کے منافع اور آپریشنل 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 (پرائیوٹ) لمیٹڈ کمپنی کی 100% سبسیڈری نے حصص میں اضافہ کیا جو کہ ایس ایف ایل لمیٹڈ نے حاصل کئے۔ اور ایس ایف ایل کارپوریشن (پرائیوٹ) لمیٹڈ کمپنی نے چھ ماہ والا T-Bill میں انویسٹمنٹ کی جو کہ رواں سال ہی موصول ہوگئی۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز ساتھ (07) ڈائریکٹرز پر مشتمل ہے۔ سال رواں کے دوران بورڈ آف ڈائریکٹرز کے پانچ (05) اجلاس منعقد ہوئے۔ فی ڈائریکٹر اجلاس میں شرکت کی تفصیل حسب ذیل ہے:

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

ڈائریکٹر رپورٹ برائے حصص یافتگان

معزز ممبران!

ڈائریکٹر 30 جون 2018ء 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 2017ء	اختتام پذیر ہونے والا مالیاتی سال 30 جون 2018ء	رقم روپے میں
-96.47%	40,670,862	1,434,549	نقد آمدنی
-96.32%	38,721,913	1,423,180	قبل از ٹیکس منافع
-97.21%	32,770,874	913,339	بعد از ٹیکس منافع

کارکردگی:

زیر نظر سال کے دوران کمپنی کی ڈیویڈنڈ کی مد میں آمدنی 3,438,932 رہی۔ جبکہ گزشتہ سال (2017 میں 46,415,023) تھی سرمایہ کاری کی فروخت میں نقصان (802,552) رہا جبکہ یہ گزشتہ سال (2017 میں یہ منافع 718,617) تھا اور سرمایہ کاری کی مناسب قدر میں تبدیلی کی وجہ سے نقصان (1,201,825) ہوا جبکہ یہ گزشتہ سال (2017 میں یہ نقصان 6,462,778) تھا۔ اس سال رواں میں نقد آمدنی کی کمی کی وجہ دراصل کم ڈیویڈنڈ ملنا ہے۔ کمپنی کا بعد از ٹیکس منافع زیر سال 913,339 رہا، جبکہ یہ گزشتہ سال (2017 میں یہ 32,770,874) تھا۔ ڈائریکٹر کمپنی کی مستقبل میں ترقی اور کارکردگی کو بہتر بنانے کیلئے مسلسل راہیں تلاش کر رہے ہیں۔

SIX YEARS' KEY OPERATING AND FINANCIAL DATA

(Rupees in Million)
Except as indicated

YEARS		2018	2017	2016	2015	2014	2013
Total Revenue		1.43	40.67	41.53	113.52	73.16	18.71
operating & Administrative expenses		1.69	1.95	4.41	1.19	1.04	1.29
Profit / (Loss) Before Tax		1.42	38.72	37.11	112.33	72.18	17.42
Profit / (Loss) After Tax		0.91	32.77	31.78	101.17	65.13	15.55
Share Capital		200.91	200.91	200.91	200.91	200.91	200.91
shareholder's Equity		441.19	530.69	518.01	536.45	435.3	390.2
Total Assets		517.57	531.62	520.17	539.96	435.64	391.06
Current Assets		111.72	54.46	28.21	48.00	69.35	24.77
Current Liabilities		76.38	0.93	2.16	3.50	0.36	0.82
Dividend- Cash	%	3.75	7.5	10	25	-	10
Dividend- Stock	%	-	-	-	-	-	-
Ratios:							
Return to Shareholders							
R.O.E- Before Tax	%	0.32	7.30	5.40	20.94	16.59	4.46
R.O.E- After Tax	%	0.21	6.18	5.03	18.86	14.96	3.98
Basic E.P.S- After Tax	Rs.	0.05	1.63	1.58	5.04	3.24	0.77
Current Ratio		1.46	58.40	13.07	13.69	193.73	30.06
Break up value per share	Rs.	21.96	26.41	25.78	26.70	21.66	19.42

REVIEW REPORT TO THE MEMBERS

On Statement of Compliance with Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **SFL Limited** (the Company) for the year ended June 30, 2018, in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

KARACHI;
Dated : September 27, 2018

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Company **SFL LIMITED** year ended **June 30, 2018**.

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017 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 complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 07 as per the following:

- a. Male: 06
- b. Female: 01

2. The composition of the Board is as follows:

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

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. 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.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Four Directors of the Company are exempted from the requirement of directors' training program under the criteria prescribed by the Code of Corporate Governance and Two of the Directors are trained rest will be trained within due time.
10. There was no new appointment of CFO/ Company Secretary and Head of Internal Audit during the year.
11. The CFO and CEO duly endorsed the financial statements before approval of the board.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

12. The board has formed committees comprising of members given below:
- a) Audit Committee
 - Mr. Mazhar Saleem (Chairman)
 - Mr. Shahid Abdullah (Member)
 - Mr. Nadeem Abdullah (Member)
 - b) HR and Remuneration Committee
 - Mr. Mazhar Saleem (Chairman)
 - Mr. Shahid Abdullah (Member)
 - Mr. Mohammad Yamin (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committee were as per following:
- a) Audit Committee (Quarterly)
 - b) HR and Remuneration Committee (yearly)
15. The Board has set up an effective Internal Audit Function.
16. 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 (ICAP) and registered with Audit Oversight Board 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

For and on behalf of the Board

Lahore
Dated September 27, 2018

YOUSUF ABDULLAH
CHAIRMAN

AMER ABDULLAH
CHIEF EXECUTIVE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SFL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of SFL Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Compliance with Laws and Regulations - Changes in 4th Schedule</p> <p>The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statement by the elimination of duplicative disclosures with IFRS disclosures requirements and incorporation of significant additional disclosure. These changes are applicable for the first time to the Company's financial statements for the year ended June 30, 2018.</p> <p>The changes are considered as a key audit matter in view of the its impact on the financial statements of the Company.</p> <p>Refer note 2 and 16.1 for key changes in disclosures made through the Companies Act, 2017 applicable to the Company.</p>	<p>Our audit procedures in respect of this area included:</p> <p>Obtained an understanding of the related provisions and schedules of the Act, 2017 applicable to the Company and prepared document to assess the Company's compliance with the disclosure requirement of the Act, 2017.</p> <p>We discussed the applicable changes with the Company's management including the Audit Committee as to whether the Company is in compliance with such changes.</p> <p>We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SFL LIMITED

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- . Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- . Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- . Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SFL LIMITED

- . Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- . Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Raheel Ahmed.

KARACHI;
Dated : September 27, 2018

SHINewing HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non current assets			
Investment property	5	-	73,313,292
Long term investments	6	405,816,351	403,816,351
Long term deposit		37,500	37,500
		<u>405,853,851</u>	<u>477,167,143</u>
Current assets			
Short term investments	7	34,742,925	42,537,024
Dividend receivable		-	362,259
Taxation - net		954	955
Bank balances - current accounts		76,974,797	11,556,785
		<u>111,718,676</u>	<u>54,457,023</u>
Total assets		<u>517,572,527</u>	<u>531,624,166</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8	200,914,500	200,914,500
Reserve arisen upon de-merger		165,340,500	165,340,500
Unappropriated profit		74,938,310	164,436,654
Total equity		<u>441,193,310</u>	<u>530,691,654</u>
Current liabilities			
Accrued and other liabilities	9	549,497	492,450
Unclaimed dividend		486,782	440,062
Unpaid dividend	10	75,342,938	-
Contingencies and commitments	11		
Total equity and liabilities		<u>517,572,527</u>	<u>531,624,166</u>

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Revenue			
Dividend income	12	3,438,932	46,415,023
(Loss) / gain on sale of investments		(802,558)	718,617
Change in fair value of investments at fair value through profit or loss		(1,201,825)	(6,462,778)
		<u>1,434,549</u>	<u>40,670,862</u>
Administrative expenses	13	1,698,077	1,948,949
Other income - gain on sale of investment property		1,686,708	-
		<u>1,423,180</u>	<u>38,721,913</u>
Taxation	14	509,841	5,951,039
		<u>913,339</u>	<u>32,770,874</u>
Profit after taxation		<u>913,339</u>	<u>32,770,874</u>
Earnings per share - basic and diluted	15	<u>0.05</u>	<u>1.63</u>

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	Rupees
Profit after taxation	913,339	32,770,874
Other comprehensive income	-	-
Total comprehensive income	913,339	32,770,874

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,423,180	38,721,913
Adjustments for non-cash items:		
Dividend income	(3,438,932)	(46,415,023)
Loss / (gain) on sale of investments	802,558	(718,617)
Other income - gain on sale of investment property	(1,686,708)	-
Change in fair value of investments at fair value through profit or loss	1,201,825	6,462,778
	<u>(3,121,257)</u>	<u>(40,670,862)</u>
Operating loss before working capital changes	(1,698,077)	(1,948,949)
Working capital changes		
Increase / (decrease) in accrued and other liabilities	57,047	(1,309,932)
Cash used in operations	(1,641,030)	(3,258,881)
Taxes paid	(509,840)	(5,951,508)
Net cash used in operating activities	(2,150,870)	(9,210,389)
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investments acquired	(2,000,000)	-
Short term investments acquired	-	(46,598,602)
Short term investments redeemed	5,789,716	23,463,727
Advance return for capital work-in-progress	-	14,789,708
Proceed from sale of investment property	75,000,000	-
Dividend received	3,801,191	46,052,764
Net cash generated from investing activities	82,590,907	37,707,597
CASH USED IN FINANCING ACTIVITIES		
Dividend paid	(15,022,025)	(20,007,279)
Net increase in cash and cash equivalents	65,418,012	8,489,929
Cash and cash equivalents at beginning of the year	11,556,785	3,066,856
Cash and cash equivalents at end of the year	76,974,797	11,556,785

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2018

	Share capital	Reserve arisen upon de-merger	Unappro- priated profit	Total
----- Rupees -----				
Balance as at July 1, 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
Transaction with owners, recognised directly in equity				
Cash dividend for the year ended June 30, 2017 at the rate of Re.0.75 per share	-	-	(15,068,745)	(15,068,587)
Interim dividend for the year ended June 30, 2018 at the rate of Rs.3.75 per share	-	-	(75,342,938)	(75,342,938)
Total comprehensive income for the year				
Profit after taxation	-	-	913,339	913,339
Other comprehensive income	-	-	-	-
	-	-	913,339	913,339
Balance as at June 30, 2018	200,914,500	165,340,500	74,938,310	441,193,310

The annexed notes 1 to 22 form an integral part of these financial statements.

Chief Executive

Director

Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. THE COMPANY AND ITS OPERATIONS

SFL Limited (the Company) was incorporated as public limited company on April 26, 2010 and its shares have 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. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

- (a) The Company has disposed its investment property situated at Lahore Cantt, District Lahore for Rs.75 million. Refer note 5.1 for detailed information.
- (b) The Company has declared interim dividend of Rs.3.75 per share. Refer note 10 for further information.

3. BASIS OF PREPARATION

3.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

3.2 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.

3.3 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.

3.4 Changes in accounting standards

3.4.1 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, 2017:

- (a) Amendments to IAS 7, 'Statement of cash flows'. 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.
- (b) The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statement by elimination of duplicative disclosures with IFRS disclosures requirements and incorporation of significant additional disclosure. These changes are applicable the first time to the Company for the financial statements for the year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

The other new standard, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2017 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

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

The following new standards, amendments and interpretations to approved accounting standards are not effective for the financial year beginning on July 1, 2017 and have not been early adopted by the Company:

- (a) IFRS 9, 'Financial instruments' is applicable in Pakistan, to accounting periods beginning on or after July 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 currently being used. The standard is not likely to have material impact on the Company's financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable in Pakistan, to accounting periods beginning on or after July 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) 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.
- (d) Amendment to IFRIC 22 'Foreign currency transactions' is applicable to accounting periods beginning on or after January 1, 2018. The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The related item is translated using the exchange rate on the date that the advance foreign currency was paid or received and the prepayment or deferred income recognised. The amendments are not expected to have a material impact on the Company's financial statements.

There are a 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.

3.5 Use of estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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 Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- fair value of investments; and
- provision for taxation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

4. 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.

4.1 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.

4.2 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 statement of profit or loss.

(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 statement of profit or loss. These are stated at fair value with any resulting gains or losses recognised directly in the statement of profit or loss.

4.3 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise of bank balances.

4.4 Equity instruments

These are recorded at their face value.

4.5 Accrued and other liabilities

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

4.6 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

4.7 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.

4.8 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 statement of profit or loss for the year.

Financial instruments carried on the statement of financial position 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.

4.9 Off- setting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

4.10 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'.

4.11 Earnings per share

The Company presents 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.

5. INVESTMENT PROPERTY

	Note	2018 Rupees	2017 Rupees
Freehold land - cost	5.1	-	73,313,292

5.1 The Company during the year ended June 30, 2015 acquired land measuring 54 Kanals and 1 Marla, situated at Lahore Cantt, District Lahore. The Company has disposed the investment property on June 25, 2018, after approval from Board of Directors dated April 27, 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

6. LONG TERM INVESTMENTS	Note	2018 Rupees	2017 Rupees
Subsidiary Company - at cost			
SFL Corporation (Private) Limited 21,000 (2017: 1,000) ordinary shares of Rs.100 each - cost Equity held: 100% (2017: 100%)	6.1	2,100,000	100,000
Associated Companies - at cost	6.2	403,716,351	403,716,351
		405,816,351	403,816,351
6.1 During the year, SFL Corporation (Private) Limited has issued 20,000 right shares of Rs.100 each which was fully subscribed by the Company.			
6.2 Associated Companies			
Quoted			
Reliance Cotton Spinning Mills Limited 557,621 (2017 : 557,621) ordinary shares of Rs.67.21 each - cost Equity held: 5.42% (2017: 5.42%) Market value: Rs.159.59 (2017: Rs.131.94) per share		37,561,351	37,561,351
Unquoted			
Sapphire Finishing Mills Limited 25,809,000 (2017: 25,809,000) ordinary shares of Rs.10 each - cost Equity held: 28.05% (2017: 28.05%) Break-up value per share Rs.49.15 (2017: Rs.46.89)		258,090,000	258,090,000
Sapphire Dairies (Private) Limited 7,000,000 (2017: 7,000,000) ordinary shares of Rs.10 each - cost Equity held: 6.67% (2017: 6.67%) Break-up value per share Rs.10.42 (2017: Rs.9.71)		70,000,000	70,000,000
Diamond Fabrics Limited 4,569,000 (2017: 4,569,000) ordinary shares of Rs.10 each - cost Equity held: 30.69% (2017: 30.69%) Break-up value per share Rs.252.95 (2017: Rs.260.26)		33,368,238	33,368,238
Amer Cotton Mills (Private) Limited 336,000 (2017: 336,000) ordinary shares of Rs.10 each - cost Equity held: 8.40% (2017: 8.40%) Break-up value per share Rs.346.01 (2017: Rs.320.26)		549,305	549,305
Amer Tex (Private) Limited 790,428 (2017: 790,428) ordinary shares of Rs.10 each - cost Equity held: 42.08% (2017: 42.08%) Break-up value per share Rs.174.44 (2017: Rs.155.08)		4,147,457	4,147,457
		403,716,351	403,716,351

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

6.2.2 All of the investee companies are associates by virtue of common directorship.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

7. SHORT TERM INVESTMENTS

- at fair value through profit or loss

2018	2017		2018	2017
- (Number of units / shares) -			Rupees	Rupees
		Mutual funds		
-	41,401.01	MCB Pakistan Stock Market Fund	-	4,243,674
		Listed companies		
240,000	240,000	Aisha Steel Mills Limited	3,784,800	4,881,600
61,500	61,500	BankIslami Pakistan Limited	734,925	817,950
30,000	30,000	Engro Corporation Limited	9,415,800	9,777,300
200,000	200,000	Engro Fertilizers Limited	14,982,000	11,048,000
35,000	35,000	Habib Bank Limited	5,825,400	9,419,900
-	20,000	The Hub Power Company Limited	-	2,348,600
			34,742,925	42,537,024

8. SHARE CAPITAL

2018	2017			
--- Number of shares ---		Authorized 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

8.1 Ordinary share of the Company held by the related parties as at June 30,

	2018	2017
	-- 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

9.	ACCRUED AND OTHER LIABILITIES	2018	2017
		Rupees	Rupees
	Accrued liabilities	249,122	227,075
	Audit fee	300,375	265,375
		549,497	492,450
9.1			
	<p>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 defined 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.</p>		
10.	UNPAID DIVIDEND		
	<p>This represents interim cash dividend for the year ended June 30, 2018 approved by Board of Directors in their meeting held on June 19, 2018. Unpaid dividend includes Rs.35,518,718 payable to related parties.</p>		
11.	CONTINGENCIES AND COMMITMENTS		
	<p>There was no known contingency and commitment as at June 30, 2018 and June 30, 2017.</p>		
12.	DIVIDEND INCOME	2018	2017
		Rupees	Rupees
	Dividend received from:		
	Associated Companies		
	- Amer Tex (Private) Limited	-	8,694,708
	- Reliance Cotton Spinning Mills Limited	836,432	2,788,105
	- Sapphire Finishing Mills Limited	-	33,551,700
	Others		
	- Listed Companies	2,602,500	966,500
	- Mutual Fund	-	414,010
		3,438,932	46,415,023
13.	ADMINISTRATIVE EXPENSES		
	Legal and professional charges	97,316	382,584
	Directors' fee	50,000	40,000
	Fee and subscription	533,096	665,341
	Professional tax	100,000	100,000
	Printing and stationery	137,327	137,871
	Auditors' remuneration	13.1 335,375	265,375
	Advertisement	63,145	69,225
	CDC annual fee	220,000	160,000
	Postage	52,698	33,433
	Bank charges	1,476	5,480
	Provincial sales taxes	70,830	60,006
	Others	36,814	29,634
		1,698,077	1,948,949

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

		2018 Rupees	2017 Rupees
13.1	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
	Review of statements of free float shares	70,000	-
		335,375	265,375
14.	TAXATION		
	Current year	509,840	5,951,039
	Adjustment of prior year	1	-
		509,841	5,951,039
14.1	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).		
14.2	The management considers the tax provision made in the financial statements sufficient. A comparison of last three years of income tax provisions with tax assessed is presented below:		
		2017	2016
		2015	
		----- Rupees -----	
	Income tax provision for the year - accounts	5,951,039	5,324,335
	Income tax as per tax assessment	5,951,040	5,324,335
	Difference	(1)	-
			(1)
14.3	Income tax assessments of the Company have been completed upto the Tax Year 2017; the return for the said year has not been taken-up for audit till June 30, 2018.		
14.4	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 at least 40% of accounting 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 June 19, 2018 has distributed sufficient cash dividend for the year ended June 30, 2018 (refer note 10) 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, 2018.		
15.	EARNINGS PER SHARE		
		2018 Rupees	2017 Rupees
	Net profit for the year	913,339	32,770,874
		--- Number of shares ---	
	Weighted average ordinary shares in issue during the year	20,091,450	20,091,450
		Rupees	Rupees
	Basic earnings per share	0.05	1.63
15.1	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, 2018

	2018	2017
	Rupees	Rupees
Long term deposit	37,500	37,500
Short term investments	34,742,925	42,537,024
Dividend receivable	-	362,259
Bank balances	76,974,797	11,556,785
	<u>111,755,222</u>	<u>54,493,568</u>

(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 & other liabilities and unclaimed dividend are the only financial liability of the Company 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 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.34,742,925 (2017: Rs.42,537,024) 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.

	2018	2017
	Rupees	Rupees
Effect on profit before taxation	347,429	425,370
Effect on investments	347,429	425,370

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

17.2 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, 2018 and June 30, 2017.

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Assets - Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Short term investments	34,742,925	-	-	34,742,925
	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Assets - Recurring fair value measurement				
Financial assets at fair value through profit or loss				
Short term investments	42,537,024	-	-	42,537,024

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.

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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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.

17.3 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.

18. 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.

19. NUMBER OF EMPLOYEES

The total and average number of employees as at year end was 4 (2017: 4).

20. SHAHRIAH SCREENING DISCLOSURE

	----- 2018 -----		----- 2017 -----	
	Conventional	Shahriah Compliant	Conventional	Shahriah Compliant
	----- Rupees -----			
Short term investments	9,610,200	25,132,725	18,545,174	23,991,850
Bank balances	76,974,797	-	11,556,785	-
Revenue				
a) Dividend income	192,500	3,246,432	42,660,418	3,754,605
b) (Loss) / gain on sale of investments	(286,085)	(516,473)	505,385	213,232
c) Change in fair value of investments at fair value through profit or loss	(4,691,300)	3,489,475	(2,048,806)	(4,413,972)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

22. NON-ADJUSTING EVENT AFTER REPORTING DATE

The Board of Directors of Holding Company, in their meeting held on September 27, 2018, has proposed a final cash dividend of Rs. Nil (2017: Re.0.75) per share amounting to Rs. Nil (2017: Rs. 15,068,587) for the year ended June 30, 2018. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2018. 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, 2019.

23. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 27, 2018 by the Board of Directors of the Holding Company.

Chief Executive

Director

Chief Financial Officer

PATTERN OF SHAREHOLDING
FOR THE YEAR ENDED JUNE 30, 2018

NUMBER OF SHARE HOLDERS	FROM	TO	TOTAL SHARES HELD
370	1	100	3,667
145	101	500	31,830
122	501	1,000	77,041
80	1,001	5,000	144,177
13	5,001	10,000	89,899
3	10,001	15,000	35,767
4	20,001	25,000	89,403
1	25,001	30,000	26,032
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
1	65,001	70,000	67,343
2	70,001	75,000	147,359
1	130,001	135,000	130,528
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	1,027,467
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	1,575,001	1,580,000	1,577,496
1	1,670,001	1,675,000	1,670,785
1	1,805,001	1,810,000	1,805,964
1	3,000,001	3,005,000	3,001,087
768		TOTAL :	20,091,450

CATEGORIES OF SHAREHOLDERS

As AT JUNE 30, 2018

CATEGORIES OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Director, CEO, spouses and Minor Children	8,235,999	40.99
Associated Companies, undertakings, related parties	9,471,658	47.14
Banks, DFI & NBF	18,479	0.09
Insurance Companies	4,764	0.02
Modaraba & Mutual Funds	114	0.00
General Public (Local)	2,353,669	11.71
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, 2018

A) ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES

Sapphire Fibres Limited	10199
Reliance Cotton Spinning Mills Limited	401570
Neelum Textile Mills (Private) Limited	2814630
Sapphire Power Generation Limited	64534
Sapphire Holding Limited	300108
Amer Tex (Pvt.) Limited	2549596
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 Abdullah	2406989
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	682041
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PATTERN OF SHAREHOLDING
FOR THE YEAR ENDED JUNE 30, 2018

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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D) SHAREHOLDERS HOLDING 5% OR MORE

Neelum Textile Mills Limited	2814630
Sapphire Holding Limited	3001087
Amer Tex (Pvt.) Limited	2549596
Mrs. Shamshad Begum	1876609
Mr. Yousuf Abdullah	2406989
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.

Gift received by Mr. Amer Abdullah from father	22448
Gift received by Mr. Yousuf Abdullah from mother	26032

SFL LIMITED

Consolidated Financial Statements

CONTENTS

DIRECTOR'S REPORT (English & urdu)	51
AUDITOR'S REPORT	53
STATEMENT OF FINANCIAL POSITION	56
STATEMENT OF PROFIT OR LOSS	57
STATEMENT OF COMPREHENSIVE INCOME	58
STATEMENT OF CASH FLOWS	59
STATEMENT OF CHANGES IN EQUITY	60
NOTES TO THE FINANCIAL STATEMENTS	61
PROXY FORM (English & urdu)	

DIRECTOR'S REPORT TO THE SHAREHOLDERS

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 2018.

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 invested in a 6- month T- Bill which matured during the year.

On behalf of the Board

Lahore
Dated: 27 September 2018

AMER ABDULLAH
CHIEF EXECUTIVE

YOUSUF ABDULLAH
DIRECTOR

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 2018ء 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 چھ ماہ والا T-Bill میں انویسٹمنٹ کی جو کہ رواں سال ہی موصول ہوگئی۔

منجانب بورڈ

عامر عبداللہ

چیف ایگزیکٹو

یوسف عبداللہ

ڈائریکٹر

لاہور۔

تاریخ: 27 ستمبر 2018ء

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SFL LIMITED

Opinion

We have audited the annexed consolidated financial statements of SFL Limited and its subsidiary (the Group), which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key Audit Matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p>Compliance with Laws and Regulations - Changes in 4th Schedule</p> <p>The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the consolidated financial statements by elimination of duplicative disclosures with IFRS disclosure requirements and incorporation of significant additional disclosures. These changes are applicable first time to the Group's consolidated financial statements for the year ended June 30, 2018.</p> <p>The changes are considered as a key audit matter in view of its impact on the consolidated financial statements of the Group.</p> <p>Refer note 2 and 17.1 for key changes in disclosures made through the Companies Act, 2017 applicable to the Company.</p>	<p>Our audit procedures in respect of this area included:</p> <p>Obtained an understanding of the related provisions and schedules of the Act, 2017 applicable to the Group and prepared document to assess the Group's compliance with the disclosure requirements of the Act, 2017;</p> <p>We discussed the applicable changes with the Group's management and those charged with governance as to whether the Group is in compliance with such changes;</p> <p>We also maintained a high level of vigilance when carrying out our other audit procedures for indication of non-compliance; and</p> <p>We ensured that the consolidated financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the Act, 2017.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SFL LIMITED

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SFL LIMITED

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Raheel Ahmed.

Karachi
Dated : September 27, 2017

SHINEWING HAMEED CHAUDHRI & CO.
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
ASSETS			
Non current assets			
Investment property	5	-	73,313,292
Long term investments	6	2,882,864,951	2,814,127,751
Long term deposit		37,500	37,500
		2,882,902,451	2,887,478,543
Current assets			
Short term investments	7	34,742,925	42,537,024
Dividend receivable		-	362,259
Taxation - net		954	955
Cash and bank balances	8	79,064,541	11,620,215
		113,808,420	54,520,453
Total assets		2,996,710,871	2,941,998,996
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	9	200,914,500	200,914,500
Reserves		47,944,813	231,258,780
Unappropriated profit		2,657,249,704	2,498,866,918
Total equity		2,906,109,017	2,931,040,198
Liabilities			
Non current liabilities			
Deferred taxation		14,078,607	9,901,286
Current liabilities			
Accrued and other liabilities	10	693,527	617,450
Unclaimed dividend		486,782	440,062
Unpaid dividend		75,342,938	-
		76,523,247	1,057,512
Total liabilities		90,601,854	10,958,798
Contingencies and commitments	12		
Total equity and liabilities		2,996,710,871	2,941,998,996

The annexed notes 1 to 23 form an integral part of these consolidated financial statements.

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Revenue			
Dividend income		2,602,500	1,380,510
Interest income on T Bill		52,800	-
(Loss) / gain on sale of investments		(802,558)	718,617
Change in fair value of investments at fair value through profit or loss		(1,201,825)	(6,462,778)
		<u>650,917</u>	<u>(4,363,651)</u>
Administrative expenses	13	(1,737,627)	(1,974,999)
Other income - gain on sale of investment property		1,686,708	-
		<u>599,998</u>	<u>(6,338,650)</u>
Share of profit of Associated Companies		250,240,161	35,808,266
		<u>250,840,159</u>	<u>29,469,616</u>
Profit before taxation		250,840,159	29,469,616
Taxation	14	(4,693,128)	(7,251,425)
		<u>246,147,031</u>	<u>22,218,191</u>
Profit after taxation		246,147,031	22,218,191
Earnings per share - basic and diluted	15	<u>12.25</u>	<u>1.11</u>

The annexed notes 1 to 23 form an integral part of these consolidated financial statements.

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	Rupees	Rupees
Profit after taxation	246,147,031	22,218,191
Other comprehensive (loss) / income		
Share of unrealized (loss) / gain on available for sale investments of Associated Companies	(182,699,520)	31,802,479
Share of unrealized loss on hedging instruments of Associated Companies	(614,447)	(478,720)
Share of loss arisen upon re-measurement of retirement benefit obligation of Associated Companies	(209,512)	(2,817,303)
	(183,523,479)	28,506,456
Total comprehensive income	62,623,552	50,724,647

The annexed notes 1 to 23 form an integral part of these consolidated financial statements.

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	250,840,159	29,469,616
Adjustments for non-cash items:		
Dividend income	(2,602,500)	(1,380,510)
Loss / (gain) on sale of investments	802,558	(718,617)
Change in fair value of investments at fair value through profit or loss	1,201,825	6,462,778
Gain on sale of investment property	(1,686,708)	-
Share of profit of Associated Companies	(250,240,161)	(35,808,266)
	(252,524,986)	(31,444,615)
Operating loss before working capital changes	(1,684,827)	(1,974,999)
Working capital changes		
Increase / (decrease) in accrued and other liabilities	76,077	(1,294,932)
Cash used in operations	(1,608,750)	(3,269,931)
Taxes paid	(515,806)	(5,951,508)
Net cash used in operating activities	(2,124,556)	(9,221,439)
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments acquired	-	(46,598,602)
Short term investments redeemed	5,789,716	23,463,727
Advance return for capital work-in-progress	-	14,789,708
Proceed from sale of investment property	75,000,000	-
Dividend received	3,801,191	46,052,764
Net cash generated from investing activities	84,590,907	37,707,597
CASH USED IN FINANCING ACTIVITIES		
Dividend paid	(15,022,025)	(20,007,279)
Net increase in cash and cash equivalents	67,444,326	8,478,879
Cash and cash equivalents at beginning of the year	11,620,215	3,141,336
Cash and cash equivalents at end of the year	79,064,541	11,620,215

The annexed notes 1 to 23 form an integral part of these consolidated financial statements.

Chief Executive

Director

Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2018

	Reserves				Sub-total	Unappropriated profit	Total
	Share capital	Reserve arisen upon de-merger	Share of unrealised gain / (loss) on available for sale investments of Associated Companies	Share of unrealised gain / (loss) on hedging instruments of Associated Companies			
----- Rupees -----							
Balance as at July 1, 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							
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
Transaction with owners, recognised directly in equity							
Cash dividend for the year ended June 30, 2017 at the rate of Re.0.75 per share	-	-	-	-	-	(15,068,745)	(15,068,745)
Interim dividend for the year ended June 30, 2018 at the rate of Re.3.75 per share	-	-	-	-	-	(75,342,938)	(75,342,938)
Total comprehensive income							
Profit after taxation	-	-	-	-	-	246,147,031	246,147,031
Other comprehensive loss	-	-	(182,699,520)	(614,447)	(183,313,967)	(209,512)	(183,523,479)
	-	-	(182,699,520)	(614,447)	(183,313,967)	245,937,519	62,623,552
Effect of items directly credited in equity by the Associated Companies	-	-	-	-	-	2,856,950	2,856,950
Balance as at June 30, 2018	200,914,500	165,340,500	(117,805,059)	409,372	47,944,813	2,657,249,704	2,906,109,017

The annexed notes 1 to 23 form an integral part of these consolidated financial statements.

Chief Executive

Director

Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 have 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 (now the Companies Act, 2017). 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. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

- (a) The Holding Company has disposed its investment property situated at Lahore Cantt, District Lahore for Rs.75 million. Refer note 5.1 for detailed information.
- (b) The Holding Company has declared interim dividend of Rs.3.75 per share. Refer note 11 for further information.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017.

Where provision of and directives issued under the Companies Act, 2017 differ from the IFRS, the provision of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of consolidation

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, 2018 and June 30, 2017.

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 affect 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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

3.3 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.

3.4 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.

3.5 New and amended accounting standards

3.5.1 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, 2017:

- (a) Amendments to IAS 7, 'Statement of cash flows'. 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.
- (b) The Companies Act, 2017 (the Act, 2017) promulgated on May 30, 2017. The Act, 2017 revised and replaced the Fourth Schedule of the Companies Ordinance, 1984 and brought changes in the presentation and disclosures of the financial statement by elimination of duplicative disclosures with IFRS disclosures requirements and incorporation of significant additional disclosure. These changes are applicable the first time to the Group for the financial statements for the year ended June 30, 2018.

The other new standard, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2017 are considered not to be relevant or to have any significant effect on the Group's financial reporting and operations.

3.5.2 Standards, interpretations 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, 2017 and have not been early adopted by the Group:

- (a) IFRS 9, 'Financial instruments' is applicable in Pakistan, to accounting periods beginning on or after July 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 currently being used. The standard not likely to have material impact on the Group consolidated financial statements.
- (b) IFRS 15, 'Revenue from contracts with customers' is applicable in Pakistan, to accounting periods beginning on or after July 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 has yet to assess the impact of this standard on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- (c) 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.
- (d) Amendment to IFRIC 22 'Foreign currency transactions' is applicable to accounting periods beginning on or after January 1, 2018. The interpretation clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt. The related item is translated using the exchange rate on the date that the advance foreign currency was paid or received and the prepayment or deferred income recognised. The amendments are not expected to have a material impact on the Groups' consolidated financial statements.

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.

3.6 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.

4. 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.

4.1 Investment property

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

4.2 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 Group's share of profit or loss of the Investee after the date of acquisition.

The Group's share of post acquisition profit or loss is recognised in the statement of profit or loss, and its share of post acquisition movements in other comprehensive income is recognised in statement of other comprehensive income with the corresponding adjustment to the carrying amount of the investment. When

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

the Group's share of losses in Associates equals or exceeds its interest in the Associates the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the Associates.

The Group 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 Group 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 statement of profit or loss.

(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 consolidated statement of profit or loss. These are stated at fair value with any resulting gains or losses recognised directly in the consolidated statement of profit or loss.

4.3 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand and bank balances.

4.4 Equity instruments

These are recorded at their face value.

4.5 Accrued and other liabilities

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

4.6 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.

4.7 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.

4.8 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 statement of profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Financial instruments carried on the statement of financial position includes long term deposit, short term investments, dividend receivable, cash & bank balances, accrued & other liabilities, unclaimed dividend and unpaid dividend. 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.

4.9 Off setting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

4.10 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'.

4.11 Earnings per share

The Group presents 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.

4.12 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.

5. INVESTMENT PROPERTY

	Note	2018 Rupees	2017 Rupees
Freehold land - cost	5.1	-	73,313,292

- 5.1 The Group during the year ended June 30, 2015 acquired land measuring 54 Kanals and 1 Marla, situated at Lahore Cantt, District Lahore. The Group has disposed the investment property on June 25, 2018, after approval from Board of Directors dated April 27, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

6. LONG TERM INVESTMENTS

Associated Companies - Equity method

Name of entity	Note	-- Equity held --		--- Carrying value ---	
		2018	2017	2018	2017
				Rupees	Rupees
Unquoted					
Sapphire Finishing Mills Limited (SFML)	6.1	28.05%	28.05%	1,268,612,974	1,210,065,085
Sapphire Dairies (Private) Limited (SDL)	6.2	6.36%	6.36%	72,960,543	67,968,406
Diamond Fabrics Limited (DFL)	6.3	30.69%	30.69%	1,155,734,020	1,189,137,156
Amer Cotton Mills (Private) Limited (ACML)	6.4	8.40%	8.40%	116,259,609	107,607,891
Amer Tex (Private) Limited (ATL)	6.5	42.08%	42.08%	137,879,072	122,577,573
Quoted					
Reliance Cotton Spinning Mills Limited (RCSML)	6.6	5.42%	5.42%	131,418,733	116,771,640
				2,882,864,951	2,814,127,751

- 6.1 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.
- 6.2 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.
- 6.3 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.
- 6.4 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.
- 6.5 ATL is a limited liability company incorporated in Pakistan on April 21, 2010 and registered under the Companies Ordinance, 1984 (now the Companies Act, 2017). 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.
- 6.6 RCSML was incorporated in Pakistan on June 13, 1990 as a public limited company under the Companies Ordinance, 1984 (now the Companies Act, 2017) 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, 2018 is Rs.88.991 million (2017: Rs.73.573 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

6.7 Reconciliation and summarised financial information of associates

The table below presents the reconciliation and financial information of associates as at June 30, 2018. Financial statements have been amended to reflect adjustments made by the entity when using the equity method.

	----- For the year ended June 30, 2018 -----					
	SFML	SDL	DFL	ACML	ATL	RCSML
	----- Rupees -----					
	Re-stated					
Reconciliation to carrying amount						
Opening net assets	4,310,323,606	1,068,074,945	3,831,523,242	1,281,046,322	332,096,564	2,155,251,899
Profit / (loss) for the year	641,427,695	78,421,916	103,773,962	189,685,240	(4,437,440)	358,006,396
Other comprehensive (loss) / income	(429,592,613)	25,964	(169,081,255)	(86,873,602)	-	(70,633,114)
Other adjustment	-	-	(25,574)	185,009	-	(1,594,175)
Dividend paid	-	-	-			(15,438,000)
Closing net assets	4,522,158,688	1,146,522,825	3,766,190,375	1,384,042,969	327,659,124	2,425,593,006
Company's share (Percentage)	28.05%	6.36%	30.69%	8.40%	42.08%	5.42%
Company's share	1,268,612,974	72,960,543	1,155,734,020	116,259,609	137,879,072	131,418,733
	----- As at June 30, 2018 -----					
	SFML	SDL	DFL	ACML	ATL	RCSML
	----- Rupees -----					
Summarised Statement of financial position						
Non current assets	8,682,792,329	1,340,435,563	9,069,749,139	1,816,154,119	794,391,633	2,188,080,154
Current assets	7,041,612,479	341,775,205	7,817,583,690	2,772,184,683	56,306,929	2,392,630,231
	15,724,404,808	1,682,210,768	16,887,332,829	4,588,338,802	850,698,562	4,580,710,385
Non current liabilities	4,044,502,194	268,939,784	5,799,395,818	443,918,391	-	354,715,345
Current liabilities	7,157,743,926	266,748,159	7,321,746,636	2,760,377,442	85,935	1,800,402,034
	11,202,246,120	535,687,943	13,121,142,454	3,204,295,833	85,935	2,155,117,379
Net asset	4,522,158,688	1,146,522,825	3,766,190,375	1,384,042,969	850,612,627	2,425,593,006
	----- For the year ended June 30, 2018 -----					
	SFML	SDL	DFL	ACML	ATL	RCSML
	----- Rupees -----					
Summarised statement of profit or loss						
Revenue	14,823,569,969	890,073,373	15,547,201,637	4,982,063,879	337,668	4,398,017,387
Profit / (loss) after tax	641,427,695	78,421,916	103,773,962	189,685,240	(4,437,440)	358,006,396
Other comprehensive (loss) / income	(429,592,613)	25,964	(169,081,255)	(86,873,602)	-	(70,633,114)
Total comprehensive income / (loss)	211,835,082	78,447,880	(65,307,293)	102,811,638	(4,437,440)	287,373,282
Dividend received from associates	-	-	-	-	-	836,432

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

7. SHORT TERM INVESTMENTS

- at fair value through profit or loss

2018	2017		2018	2017
- (Number of units / shares) -		Mutual funds	Rupees	Rupees
-	41,401.0100	MCB Pakistan Stock Market Fund	-	4,243,674
		Listed companies		
240,000	240,000	Aisha Steel Mills Limited	3,784,800	4,881,600
61,500	61,500	BankIslami Pakistan Limited	734,925	817,950
30,000	30,000	Engro Corporation Limited	9,415,800	9,777,300
200,000	200,000	Engro Fertilizers Limited	14,982,000	11,048,000
35,000	35,000	Habib Bank Limited	5,825,400	9,419,900
-	20,000	The Hub Power Company Limited	-	2,348,600
			34,742,925	42,537,024

8. CASH AND BANK BALANCES

Cash in hand	3,800	3,800
Cash at bank in current accounts	79,060,741	11,616,415
	79,064,541	11,620,215

9. SHARE CAPITAL

2018	2017			
--- 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, 2018

9.1	Ordinary shares held by the related parties as at June 30,	2018	2017
		-- 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
<hr/>			
10.	ACCRUED AND OTHER LIABILITIES		
	Accrued liabilities	288,152	262,075
	Audit fee	405,375	355,375
		693,527	617,450
<hr/>			

- 10.1** 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 Group 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.

11. UNPAID DIVIDEND

This represents interim cash dividend for the year ended June 30, 2018 approved by Board of Directors of the Holding Company in their meeting held on June 19, 2018. Unpaid dividend includes Rs.35,518,718 payable to related parties.

12. CONTINGENCIES AND COMMITMENTS

There was no known contingency and commitment as at June 30, 2018 and June 30, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

13. ADMINISTRATIVE EXPENSES	Note	2018 Rupees	2017 Rupees
Legal and professional charges		97,316	382,584
Directors' fee		50,000	40,000
Fee and subscription		547,646	666,391
Professional tax		110,000	110,000
Printing and stationery		137,327	137,871
Auditors' remuneration	13.1	350,375	280,375
Advertisement		63,145	69,225
CDC annual fee		220,000	160,000
Stamp duty and postage		52,698	33,433
Bank charges		1,476	5,480
Provincial sales taxes		70,830	60,006
Others		36,814	29,634
		1,737,627	1,974,999
13.1 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
- review of statements of free float shares		70,000	-
Mushtaq & Co. - audit fee		15,000	15,000
		350,375	280,375
14. TAXATION			
Current year		515,806	5,951,039
Adjustment of prior year		1	
Deferred taxation		4,177,321	1,300,386
		4,693,128	7,251,425
14.1	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).		
14.2	Income tax assessments of the Holding Company have been completed up to the Tax Year 2018; the return for the said year has not been taken-up for audit till June 30, 2018.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

15. EARNINGS PER SHARE	2018 Rupees	2017 Rupees
Net profit for the year	246,147,031	22,218,191
	--- Number of shares ---	
Weighted average ordinary shares in issue during the year	20,091,450	20,091,450
	Rupees	Rupees
Basic earnings per share	12.25	1.11

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

16. FINANCIAL RISK MANAGEMENT

16.1 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:

	2018 Rupees	2017 Rupees
Long term deposit	37,500	37,500
Short term investments	34,742,925	42,537,024
Dividend receivable	-	362,259
Bank balances	79,060,741	11,616,415
	113,841,166	54,553,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

(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 & other liabilities, unclaimed dividend and unpaid dividend are the financial liabilities 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 effecting all similar financial instruments traded in the market.

The Group's investments in mutual fund and listed securities amounting to Rs.34,742,925 (2017: Rs.42,537,024) 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.

	2018	2017
	Rupees	Rupees
Effect on profit before taxation	347,429	425,370
Effect on investments	347,429	425,370

16.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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 Group's financial assets that are measured at fair value at June 30, 2018 and June 30, 2017.

	June 30, 2018			Total
	Level 1	Level 2	Level 3	
Assets - Recurring fair value measurement	----- Rupees -----			
Financial assets at fair value through profit or loss				
Short term investments	34,742,925	-	-	34,742,925
	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

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 reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

16.3 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.

17. RELATED PARTIES

Related parties comprise associated companies, staff retirement funds, directors and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Detail of related parties (with whom the Group has transacted) along with relationship and transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

17.1 Name and nature of relationship

Associated Companies - common directorship

Reliance Cotton Spinning Mills Limited	Sapphire Finishing Mills Limited
Sapphire Dairies (Private) Limited	Diamond Fabrics Limited
Amer Cotton Mills (Private) Limited	Amer Tex (Private) Limited
Sapphire Fibres Limited	Sapphire Holding Limited
Sapphire Textile Mills Limited	Neelum Textiles Mills (Private) Limited
Sapphire Power Generation Limited	Crystal Enterprises (Private) Limited
Sapphire Agencies (Private) Limited	Salman Ismail (SMC-Pvt.) Limited

17.2 Transactions with related parties

There are no significant transactions with related parties during the current year except for dividend income aggregating Rs.836,432 (2017: Rs.45,034,513) received from Associated Companies, dividend of Rs.7,057,131 (2017 : Rs.9,409,508) paid to associated companies and meeting fees amounting Rs.50,000 (2017: Rs.40,000) charged to a non-executive director.

18. 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, 2018 are located in Pakistan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

19. 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.

20. NUMBER OF EMPLOYEES

The total and average number of employees as at year end was 4 (2017: 4).

21. SHAHRIAH SCREENING DISCLOSURE

	----- 2018 -----		----- 2017 -----	
	Conventional	Shahriah Compliant	Conventional	Shahriah Compliant
	----- Rupees -----			
Short term investments	9,610,200	25,132,725	18,545,174	23,991,850
Bank balances	79,060,741	3,800	11,616,415	3,800
Revenue				
a) Dividend income	192,500	2,410,000	414,010	966,500
b) Interest income on T Bill	52,800	-	-	-
c) (Loss) / gain on sale of investments	(286,085)	(516,473)	505,385	213,232
d) Change in fair value of investments at fair value through profit or loss	(4,691,300)	3,489,475	(2,048,806)	(4,413,972)
Other income - gain on sale of investment property	-	1,686,708	-	-

22. NON-ADJUSTING EVENT AFTER REPORTING DATE

The Board of Directors of Holding Company, in their meeting held on September 27, 2018, has proposed a final cash dividend of Rs. Nil (2017: Re.0.75) per share amounting to Rs. Nil (2017: Rs.15,068,587) for the year ended June 30, 2018. This appropriation will be approved by the members in the forthcoming Annual General Meeting to be held on October 24, 2018. 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, 2019.

23. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 27, 2018 by the Board of Directors of the Holding Company.

Chief Executive

Director

Chief Financial Officer



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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, 2018 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 _____ 2018

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.

فارم برائے قائم مقام / متبادل

میں / ہم _____

پتہ: _____

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

نام (جناب / محترمہ) _____

پتہ: _____

اور اُن کی غیر موجودگی میں جناب / محترمہ _____

پتہ: _____

میری / ہماری غیر موجودگی میں قائم مقام / متبادل کمپنی کی سالانہ جنرل میٹنگ میں شرکت کریں گے جو بروز بدھ 24 اکتوبر 2018ء کو

بوقت 05:00 بجے شام، ٹریڈنگ ہال، کاٹن ایکسچینج بلڈنگ، آئی آئی چندریگر روڈ، کراچی میں منعقد ہوگی۔

اس دستاویز پر مورخہ _____ 2018 کو دستخط ہوئے۔

گواہان:

(1) دستخط: _____

نام: _____

پتہ: _____

CNIC یا پاسپورٹ نمبر _____

شیر ہولڈر کے دستخط

(1) دستخط: _____

نام: _____

پتہ: _____

CNIC یا پاسپورٹ نمبر _____ اور سب اکاؤنٹ نمبر _____

نوٹ: یہ قائم مقام / متبادل فارم مکمل کر کے میٹنگ کی تاریخ سے 48 گھنٹے پہلے تک کمپنی دفتر بہ مقام کاٹن ایکسچینج بلڈنگ، آئی آئی چندریگر

روڈ، کراچی جمع کروائیں۔

C D C شیر 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 شیر ہولڈر یا اُن کے قائم مقام / متبادل سے گزارش ہے کہ اپنے اصلی کمپیوٹرائزڈ قومی 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۔

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