



SHAMS TEXTILE MILLS LIMITED

ANNUAL REPORT 2023



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COMPANY INFORMATION

Board of Directors

Muhammad Anwar (Chairman)

Adil Bashir

Asif Bashir

Khurram Mazhar Karim

Muhammad Shafiq Gill (Nominee: NIT)

Shahid Arshad

Minail Mishal Adamjee

Chief Executive Officer

Khalid Bashir

Chief Financial Officer

Tariq Javed

Company Secretary

Muhammad Haroon Arif

Audit Committee

Shahid Arshad (Chairman)

Khurram Mazhar Karim (Member)

Adil Bashir (Member)

Human Resource & Remuneration Committee

Minail Mishal Adamjee (Chairman)

Asif Bashir (Member)

Khurram Mazhar Karim (Member)

Risk Committee

Asif Bashir (Chairman)

Shahid Arshad (Member)

Khurram Mazhar Karim (Member)

Share Registrar

Corptec Associates (Pvt) Ltd.
503-E, Johar Town, Lahore.

Auditors

Riaz Ahmad & Company
Chartered Accountants

Bankers

MCB Bank Limited
National Bank of Pakistan (Aitemaad Islamic Banking)
Allied Bank Limited
United Bank Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore

Ph: +92-423-576 0379, 576 0381

Email: info@shams.com.pk

Web: www.shams.com.pk

Project Locations

Kotla Kahloon, District Nankana Sahib, Punjab
3-KM, Faisalabad Road, Chiniot, Punjab

PROFILE

Shams Textile Mills Limited is a public limited company incorporated on January 10, 1968. The company is primarily engaged in the manufacturing and trading of high quality Yarn.

The Company initially setup up its composite project consisting of spinning, weaving, dyeing and finishing at Chiniot in 1968. The plant today comprises of 22,080 spindles having capacity of producing 400,000 Kg/month (approx.) of yarn. During the initial years of operations the management successfully marketed the cotton yarn, grey and finished fabrics produced from these facilities, generating substantial export business. These operations resulted in the manufacturing of premium quality products leading to higher profitability for the company.

The company successfully built enough reserves over time inducing the management to think about the expansion of its existing facilities. The Management therefore decided to increase its spindle age capacity to 46,320 by installing another spinning unit at Shekhupura Road near Shahkot. The facility started its commercial production in August 01, 1994 and ever since has contributed positively to the results of the company.

Our 17,136 spindle-spinning unit located at Shahkot has the capacity of producing 500,000 Kg (approx.) of the finest Knitting and weaving yarns monthly. Our strength is our commitment to customer satisfaction. Every product passes stringent quality control tests conducted on highly sophisticated machinery before it is dispatched to a customer.

The Company has grown steadily and has distinction of being associated with several prestigious local and foreign firms. The modern yet conservative policies of the company helped in attracting investment in the form of equity participation and loans. The weaving, dyeing and finishing facilities have been shut down with the passage of time due to lower profitability and the management's decision to primarily focus on the spinning business which has always been the company's strength.

The specialized yarn based new spinning unit of 12,096 spindles has been added to existing facilities of the Company at Shahkot to cater the demand of coarse count Slub, Multi and Lycra yarns. The plant started its commercial production in January 2006.

Shams Textile Mills Limited is managed by people who have had vast experiences in the textile sector. The management is constantly looking to avail opportunities in the field of textiles and to grow on its strengths. It has a low cost and growth driven approach to its businesses and is looking to grow further on the same policies.

MISSION / VISION STATEMENT

Our Business

We are a manufacturing organization operating integrated spinning and weaving facilities in textile industry and our end products are sold to international and national customers.

Vision of Future Business

We are committed to becoming the premier manufacturing organization in the textile industry maintaining market leadership in the present business and diversifying into value added projects with the object of maximizing returns for all the stakeholders.

Our Strengths

We have made pioneering efforts in development of new products, which has enabled us to emerge as a market leader. This together with an innovative and professional management style has helped us to build a strong and financially sound base.

Our Strategy

We are determined to convert our vision into reality by using innovation to create a market niche for our products and by investing in facilities, people, systems and new technology, diversification into value addition and improvements in productivity and service to customers.

We shall aggressively exploit new markets by drawing strength from our corporate image and by promoting a culture that encourages initiatives at all levels of decision-making.

Our Values

- We take pride in adhering to ethical business practices and in being a good corporate citizen.
- We respect our people and endeavor to provide them opportunities to realize their full potential.
- We recognize our responsibility to our stakeholders and society.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019 ("the Regulations")

Name of Company: Shams Textile Mills Limited
Year ended: June 30, 2023

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are eight (**8**) as per the following:

a. Male: **7**

b. Female: **1**

2. The composition of board is as follows:

Category	Names
Independent Directors	Mrs. Minail Mishal Adamjee Mr. Shahid Arshad
Non-Executive Directors	Mr. Muhammad Anwar Mr. Khurram Mazhar Karim Mr. Adil Bashir Mr. Muhammad Shafiq Gill
Executive Directors	Mr. Khalid Bashir (Chief Executive Officer) Mr. Asif Bashir

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company;
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the 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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;
9. The Board has arranged Directors' Training program for the following:

Names of Director
Mr. Shahid Arshad

Following Directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' training program:

Names of Directors
Mr. Muhammad Anwar Mr. Khurram Mazhar Karim Mr. Adil Bashir Mr. Khalid Bashir (Chief Executive Officer) Mr. Asif Bashir

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant

requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

a) Audit Committee

Names	Designation held
Mr. Shahid Arshad	Chairman
Mr. Khurram Mazhar Karim	Member
Mr. Adil Bashir	Member

b) HR Nomination and Remuneration Committee

Names	Designation held
Mrs. Minail Mishal Adamjee	Chairperson
Mr. Khurram Mazhar Karim	Member
Mr. Asif Bashir	Member

c) Risk Management Committee

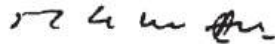
Names	Designation held
Mr. Asif Bashir	Chairman
Mr. Shahid Arshad	Member
Mr. Khurram Mazhar Karim	Member

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**
Four meetings were held during the financial year ended June 30, 2023.
 - b) HR Nomination and Remuneration Committee**
One meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2023.
 - c) Risk Management Committee**
No meeting of Risk Management Committee was held during the financial year ended June 30, 2023.
15. The board has set up an effective internal audit function by appointing Head of Internal Audit and has outsourced the internal audit function to M/s Tahir Consulting (Private) Limited, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
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 and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;

19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee. The Board shall consider to constitute separate nomination committee after next election of directors.	29
2	Disclosure of significant policies on website The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy.	Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future.	35
3	Responsibilities of the Board and its members The Board is responsible for adoption of corporate governance practices by the company.	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.	10(1)
4	Directors' Training It is encouraged that by 30 June 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	Five directors of the company are exempt from Directors' training program and one director of the Company has acquired Directors' Training Program certification. The company has planned to arrange Directors' Training Program certification for remaining two directors before June 30, 2024.	19(1)
5	Directors' Training Companies are encouraged to arrange training for at least one head of department every year under the Directors' Training Program from July 2022.	The company has planned to arrange Directors' Training Program certification for head of department in next few years.	19(3)
6	Representation of Minority shareholders The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	No one intended to contest election as director representing minority shareholders.	5

20. The two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.


MUHAMMAD ANWAR
Chairman

28 September, 2023
Lahore

CHAIRMANS' REVIEW REPORT

I am delighted to share the Chairman's Review Report of our company for the fiscal year ending on 30 June 2023.

Economic Overview

During the year under review, Pakistan faced significant economic hurdles. Escalating inflation and a depreciating currency marked the economic landscape. The State Bank of Pakistan's response, a tightened monetary policy, led to a significant increase in the policy rate. These factors jointly stifled industrial growth and led to a consistent decrease in exports. A notable reduction in home remittances further exacerbated the strain on the currency.

The year also brought challenges in energy prices and availability, negatively impacting export industries. The cotton output of Pakistan settled at around 5 million bales, majorly impacted by harsh rains and floods. Foreign exchange reserves continued their downward slide, and a substantial trade deficit persisted. Looking ahead, the nation anticipates ongoing trials related to imports, inflation, and currency volatility. This challenging economic climate has dulled investor confidence, reflected in the tepid performance of PSX throughout the year.

Corporate Governance

Shams Textile meticulously adheres to all stipulated guidelines in the Companies Act, 2017, and the Listed Companies (Code of Corporate Governance) Regulations, 2019. These guidelines pertain to the structure, functions, and meetings of the Board of Directors and its committees. A yearly evaluation of the Board ensures alignment with the company's objectives and the identification and planning of areas requiring improvement.

The Board's performance for the year, when evaluated based on established criteria, proved satisfactory. Key highlights include:

- **Diversity and Mix:** The Board, with its varied composition of executive, non-executive, and independent directors, actively participated in essential decisions, ensuring diverse perspectives in board deliberations.
- **Engagement in Strategic Planning:** The Board's comprehensive understanding and strategic vision for stakeholder service and the company's future development are noteworthy. Significant time is invested in strategic planning, setting annual goals for various performance sectors.
- **Diligence:** Board members have diligently executed their responsibilities, thoroughly reviewing and approving diverse organizational facets, including business strategies and financial statements. Frequent board meetings ensure the effective discharge of these duties.
- **Monitoring of Organizational Activities:** Regular updates on the company's objectives and performance are provided through presentations by management, auditors, and other consultants. This practice allows the Board to offer timely and appropriate oversight and direction.
- **Governance and Control Environment:** The Board's emphasis on effective governance is evident in the robust and transparent governance system in place. Adherence to the best practices of corporate governance and the promotion of ethical conduct throughout the company further underscore this commitment.

In conclusion, I express my heartfelt appreciation to all shareholders for their sustained trust in our Company. The entire Board and I also extend our gratitude to every member of the STML team for their unwavering support and dedication. Despite the present challenges, our focus on effective management bolsters our confidence in enhancing shareholder value in the forthcoming times.



MUHAMMAD ANWAR
(CHAIRMAN)

28 SEPTEMBER, 2023

چیئر مین کا تجزیہ

میں 30 جون 2023ء کو اختتام پذیر سال کے لئے چیئر مین کی تجزیاتی رپورٹ ازراہ مسرت پیش کرتا ہوں۔

اقتصادی جائزہ

زیر جائزہ سال کے دوران پاکستان شدید معاشی مشکلات کا شکار رہا۔ بڑھتی ہوئی مہنگائی اور کرنسی کی قدر میں کمی نے اقتصادی ڈھانچے کو جھنجھوڑ کر رکھ دیا۔ جس کے جواب میں اسٹیٹ بینک آف پاکستان نے مانیٹری پالیسی کو سخت کرتے ہوئے پالیسی کی شرح میں اضافہ کر دیا۔ یہ عوامل صنعتی ترقی میں بہت بڑی رکاوٹ ہیں جس کے باعث برآمدات میں نمایاں کمی واقع ہوئی ہے۔ ترسیلات زر میں نمایاں کمی نے کرنسی پر دباؤ میں مزید اضافہ کیا ہے۔

مذکورہ سال کے دوران توانائی کی قیمتوں اور دستیابی جیسے مسائل بھی جاری رہے جس نے برآمدی صنعتوں پر منفی اثرات مرتب کئے ہیں۔ پاکستان کی کپاس کی پیداوار تقریباً 5 ملین بیلز رہی جس کی بنیادی وجہ شدید بارشیں اور سیلاب ہیں۔ غیر ملکی زر مبادلہ کے ذخائر میں کمی کا رجحان جاری رہا جس کے باعث بھاری تجارتی خسارے کے بادل منڈلاتے رہے۔ مستقبل پر نظر دوڑائیں تو قوم درآمدات، مہنگائی اور کرنسی کی قیمت میں عدم استحکام جیسی آزمائشوں کا سامنا کرتی رہے گی۔ اس مشکل ترین معاشی ماحول نے سرمایہ داروں کے اعتماد کو ٹھیس پہنچائی ہے جس کے باعث مذکورہ سال کے دوران PSX کی کارکردگی انتہائی مایوس کن رہی۔

کارپوریٹ گورننس

شمس ٹیکسٹائل کمپنیز ایکٹ 2017ء اور لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء میں بیان کردہ ہدایات پر عمل درآمد کے لئے کوشاں ہے۔ یہ ہدایات بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے ڈھانچے، فرائض اور اجلاس سے متعلق ہیں۔ بورڈ کا سالانہ جائزہ بہتری کے حامل شعبوں کی نشاندہی کی پلاننگ اور کمپنی کے مقاصد کے ساتھ ہم آہنگی کو یقینی بناتا ہے۔

سال بھر میں بورڈ کی کارکردگی، طے شدہ معیار کے مطابق جائزہ کی بنیاد پر، تسلی بخش قرار پائی۔ اہم جھلکیاں حسب ذیل ہیں:

- تنوع اور مکس: بورڈ ایگزیکٹو، نان-ایگزیکٹو اور خود مختار ڈائریکٹرز پر مشتمل ہے۔ جو اہم فیصلوں میں فعال کردار ادا کرتے ہیں تاکہ بورڈ کے غور و خوض میں متنوع خیالات سے مستفید ہو سکے۔
- اسٹریٹجک پلاننگ میں شمولیت: بورڈ کی وسیع سوچ بوجھ اور اسٹیک ہولڈرز کے لئے اسٹریٹجک ویژن اور کمپنی کی ترقی کی منصوبہ بندی انتہائی قابل تعریف ہے۔ متعدد شعبوں میں اسٹریٹجک پلاننگ اور سالانہ اہداف وضع کرنے کے لئے خاطر خواہ وقت صرف کیا جاتا ہے۔
- چستی: بورڈ اراکین انتہائی چستی و پھرتی سے اپنی ذمہ داریاں سرانجام دینے، متنوع ادارہ جاتی اہداف بشمول کاروباری حکمت عملی و مالیاتی اسٹیٹمنٹس پر نظر ثانی اور منظوری دیتا ہے۔ کئی بورڈ اجلاس ان فرائض کی موثر انجام دہی کو یقینی بناتے ہیں۔
- ادارہ جاتی سرگرمیوں کی نگرانی: کمپنی کے مقاصد اور کارکردگی پر باقاعدہ اپ ڈیٹس انتظامیہ، آڈیٹرز اور دیگر کنسلٹنٹس کی رپورٹس کے ذریعے دی جاتی ہیں۔ یہ عمل بورڈ کو بروقت اور موزوں بصیرت اور ہدایت فراہم کرنے کے قابل بناتا ہے۔
- گورننس اور کنٹرول اینوائرنمنٹ: مؤثر گورننس پر بورڈ کی بھرپور توجہ مرکوز اور شفاف گورننس سسٹم سے عیاں ہے۔ کمپنی بھر میں کارپوریٹ گورننس کی بہترین عمل داری اور مضابطہ اخلاق کی ترویج اس عزم کو دہراتا ہے۔

لب لباب یہ ہے کہ، میں تمام شیئر ہولڈرز کے ہماری کمپنی پر مسلسل بھروسہ کو صدق دل سے خراج تحسین پیش کرتا ہوں۔ بورڈ اور میں STML ٹیم کے تمام اراکین کی بلا تعطل سپورٹ اور جذبے کو بھی قدر کی نگاہ سے دیکھتا ہے۔ حالیہ چیلنجز کے باوجود مؤثر انتظام پر ہماری توجہ آئندہ وقتوں میں شیئر ہولڈرز کو بھرپور منافع دینے کے لئے ہماری حوصلہ افزائی کرتی ہے۔

محمد انور

محمد انور

(چیئر مین)

28 ستمبر 2023ء

DIRECTORS' REPORT

The Directors of the Company present their Report along with the Audited Financial Statements of the Company and Auditors' Report thereon for the year ended 30 June 2023.

Financial Review:

A brief financial analysis is presented as under:

Rupees in millions

Income Statement	2023	2022	% Change
Sales	3,309	8,674	(61.86)
Gross (Loss)/profit	(54.61)	639.86	(108.53)
Operating (Loss)/profit	(97.06)	462.22	(121.00)
Finance cost	(10.66)	(96.54)	(88.96)
(Loss)/Profit before taxation	(107.72)	365.68	(129.46)
Taxation	(47.58)	(145.53)	(67.31)
Net (Loss)/Profit	(153.30)	220.15	(169.63)
(Loss)/Earnings per share (EPS)	(17.74)	25.48	

Your Company suffered a gross (loss) of Rs. (54.61) million compared to gross profit of Rs. 639.86 million of previous financial year. Gross loss was primarily due to increase in raw material costs and a capacity shutdown at two out of the three manufacturing units. Finance cost decreased by 88.96% in comparison to last year caused by decrease in average borrowings. Income tax provision decreased by 67.31% due to decrease in turnover during the period.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company strongly believes in integration of corporate social responsibility into its business. The Company maintains world class occupational health and safety standards because we consider well-being of our employees as prime responsibility. We provide the facility of in-house dispensaries supervised by qualified doctors at all our production facilities. The Company also owns and operates firefighting equipment's and have maintenance certificate regarding it. The company is also certified under various social compliance programs to ensure worker health and safety as well as goals to decrease our carbon footprint.

FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risk management, as well as policies covering specific areas such as currency risk, other price risk,

interest rate risk, credit risk, liquidity risk.

Financial Statements

As required under regulation 25 of Listed Companies (Code of Corporate Governance) Regulations, 2019 ("CCG Regulations, 2019"), the Chief Executive Officer and the Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors (Board), after consideration and approval, the Board authorize the signing of financial statements for issuance and circulation. The financial statements of the Company have been duly audited by the Messrs. Riaz Ahmad & Co, Chartered Accountants and their report is attached with the financial statements. They have issued an unqualified report to the members.

Auditors

The auditors Messrs. Riaz Ahmad & Co., Chartered Accountants, retire and offer themselves for re-appointment for the FY 2024. The Audit Committee has recommended their re-appointment which has been endorsed by the Board for shareholders consideration and approval at the forthcoming annual general meeting.

Subsequent Events

No material changes and commitments affecting the Financial Position of the Company have occurred between the end of the financial year to which these financial statements relate and the date of the Director's Report.

Pattern of Shareholding

Pattern of shareholding of the Company, as required by section 227(2)(f) of the Companies Act, 2017 as at June 30, 2023 is annexed with this report.

Statement of Compliance with COCG

The Company has complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019 in material respect. Statement to this effect is annexed with this report.

Related Party Transactions

All the related party transactions are entered on arm's length basis in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2017. All related party transactions during the FY 2023 were placed before the Audit Committee and the Board for their review and approval. These transactions were reviewed by the Audit Committee and approved by the Board.

Directors and Board Meetings

Board of STML comprises of 07(Male) and 01(Female) Directors. The composition of the Board is provided below:

S. No.	Category	Name
1	Independent Directors	Mr. Shahid Arshad Mrs. Minail Mishal Adamjee
2	Non-Executive Directors	Mr. Muhammad Anwar (Chairman) Mr. Khurram Mazhar Karim Mr. Adil Bashir Mr. Muhammad Shafiq Gill
3	Executive Directors	Mr. Khalid Bashir (CEO) Mr. Asif Bashir

Meetings of the Board of Directors

Five meetings of the Board of Directors were held during the year 2022-23. Attendance of Directors in meetings of BOD is provided as under:

Sr. No.	Name of Director	Meetings Attended
1.	Mr. Muhammad Anwar	05
2.	Mr. Khalid Bashir	05
3.	Mr. Asif Bashir	05
4.	Mr. Adil Bashir	02
5.	Mr. Khurram Mazhar Karim	05
6.	Mr. Shahid Arshad	05
7.	Mr. Mohammad Shafiq Gill	05
8.	Mrs. Minal Mishal Adamjee	05

However, leave of absence was granted to the Directors who could not attend the Board Meetings due to preoccupations.

Directors' Remuneration

The Board of Directors has devised a directive for determination of remuneration. Its salient features are stated as follow:

- The company will not pay any remuneration to its Non-Executive Directors except as meeting fee for attending the Board and its Committee Meetings.
- The remuneration of directors & meeting fee for attending meeting of the Board of Directors or its committees shall be determined and approved by the Board of Directors.
- The remuneration of Directors is paid as approved by the Board of Directors. The remuneration package is designed to attract suitable candidate and talent on the Board.

A Director is provided or reimbursed for all travelling, boarding, lodging, and other expenses incurred by him for attending meetings of the Board, its committees and General Meetings of the company.

Details of remuneration paid to executive directors of the company for the FY 2023, as required under regulation 34(3) of the Code of Corporate Governance Regulations, 2019; is annexed with this report.

Board Committees & Meetings

Following are the details of Committees of the Board of STML and their Meetings.

Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following directors are its members. Four audit committee meetings were held:

Sr. No.	Name of Member	Meetings Attended
1.	Mr. Shahid Arshad (Chairman)	04
2.	Mr. Khurram Mazhar Karim	04
3.	Mr. Adil Bashir	02

However, leave of absence was granted to the members who could not attend the meeting(s) due to preoccupation.

Human Resource & Remuneration Committee

The Board of Directors in compliance with the Code of Corporate Governance has established a Human Resource Nomination & Remuneration Committee, only one meeting was held during the financial year 2022-23. Following is the composition of Human Resource Nomination & Remuneration Committee:

Sr. No.	Name of Members	Meetings Attended
1.	Mrs. Minail Mishal Adamjee (Chairman)	01
2.	Mr. Asif Bashir	01
3.	Mr. Khurram Mazhar Karim	01

Risk Committee

1.	Mr. Asif Bashir (Chairman)
2.	Mr. Shahid Arshad
3.	Mr. Khurram Mazhar Karim

Adequacy of Internal & Financial Controls

The Board of Directors has established an effective system of Internal & Financial Controls that ensure:

- Effective and efficient conduct of operations.
- Safeguarding company's assets.
- Compliance with applicable Laws and Regulations.
- Reliable Financial Reporting.

The Independent Internal Audit Function of Shams Textile Mills Limited is outsourced to Tahir Consulting that regularly appraises and monitors the implementation of standard Operating Procedures. Internal Audit Reports are presented to the Audit Committee quarterly, as per approved Annual Internal Audit Plan. Accordingly, the Audit Committee reviews the effectiveness of the internal control framework and financial statements in its meetings.

Performance Evaluation of Board of Directors

The evaluation of the Board's role of oversight and its effectiveness is a continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company.
- Strategy formulation and planning for sustainable operation.
- The Board's independence and effectiveness.

Individual feedback was obtained and based on that feedback, the average rating of the performance of the Board and role of the Chairman regarding governing the Board was found up to the mark.

Statement on Corporate and Financial Reporting Framework:

- a. Financial statements prepared by Company's management present fairly its state of affairs, results of its operations, cash flows and changes in equity;
- b. Proper books of accounts have been maintained;
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards (IFRSs) and Islamic Financial Accounting Standards (IFASs), as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- e. The Company has sound potentials to continue as going concern;
- f. There has been no material departure from best practices of corporate governance;
- g. Outstanding taxes and levies are given in the Notes to the Financial Statements;
- h. The majority of the Board members have the prescribed qualifications and experience required for exemption from training program of Directors. All Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies.

Future Outlook

Although there are many challenges faced by the company, we are committed to perform in best possible manner and add value to our stakeholders to meet the long-term goals of the Company. For improving quality of our products and get a premium on selling prices we will continue to upgrade plant and machinery with the prime objective of reducing imbalance and inefficiencies and improving product quality consistently.

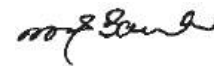
Acknowledgement

The Board of Directors would like to thank all stakeholders of the company including, customers, shareholders, vendors, government agencies, banks, and all other business associates for their continued support during the year. The Board also recognizes the contribution made by a very dedicated team who served the Company with enthusiasm, and hopes that the same spirit of devotion shall remain intact in the future as well.

For and on behalf of the Board of Directors



Khalid Bashir
Chief Executive



Asif Bashir
Director

28 September, 2023

Lahore

شمس ٹیکسٹائل ملز لمیٹڈ

ڈائریکٹرز کی رپورٹ برائے سال ختمہ 30 جون 2023ء

رسک مینجمنٹ پروگرام مالیاتی منڈیوں میں غیر یقینی کی صورت حال پر توجہ مرکوز کر کے مالیاتی کارکردگی پر ممکنہ مضر اثرات کو کم کرنے کے لئے قائم کیا گیا ہے۔ رسک مینجمنٹ بورڈ آف ڈائریکٹرز کی منظور شدہ پالیسیوں کے مطابق فائننس ڈیپارٹمنٹ کے زیر انتظام ہے۔ کمپنی کا فائننس ڈیپارٹمنٹ مالیاتی رسک مینجمنٹ اس کا احاطہ کرنے والے مخصوص شعبوں یعنی کرنسی رسک، پرائس رسک، انٹرسٹ ریٹ رسک، کریڈٹ رسک اور لیویٹی رسک کی بابت مختلف پالیسیوں پر نظر رکھتا ہے۔

مالیاتی اسٹیمینٹس

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط، 2019ء ("CCG" ضوابط، 2019ء) کے قاعدہ 25 کے تحت چیف ایگزیکٹو آفیسر اور چیف فنانسنگ آفیسر اپنے دستخطوں کے ذریعے توثیق کر کے مالیاتی اسٹیمینٹس غور اور منظوری کے لئے بورڈ آف ڈائریکٹرز (بورڈ) کو پیش کرتے ہیں۔ غور اور منظوری کے بعد بورڈ اجراء اور گردش کے لئے ان مالیاتی اسٹیمینٹس پر دستخط کرتا ہے۔ میسرز ریاض احمد اینڈ کو چارٹڈ اکاؤنٹنٹس نے کمپنی کی مالیاتی اسٹیمینٹس کا باقاعدہ آڈٹ کیا ہے اور ان کی رپورٹ مالیاتی اسٹیمینٹس کے ساتھ منسلک ہے۔ انہوں نے اراکین کو غیر مصدقہ رپورٹ جاری کی ہے۔

آڈیٹرز

آڈیٹرز میسرز ریاض احمد اینڈ کو چارٹڈ اکاؤنٹنٹس ریٹائر ہو چکے ہیں اور مالیاتی سال 2024ء کے لئے اپنی دوبارہ تقرری کی پیشکش کرتے ہیں۔ آڈٹ کمپنی نے ان کی دوبارہ تقرری کی سفارش کی ہے اور آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کی جانب سے غور اور منظوری کے لئے بورڈ نے اس فیصلے کی توثیق کی ہے۔

مابعد واقعات

ڈائریکٹرز رپورٹ کی تاریخ اجراء اور مالیاتی اسٹیمینٹس کے مالیاتی سال کے اختتام کے درمیانی عرصے میں کمپنی کی مالیاتی حالت پر اثر انداز ہونے والی کوئی مادی تبدیلی اور عہد وقوع پذیر نہ ہوا ہے۔

شیئر ہولڈنگ کی وضع

کمپنیز ایکٹ 2017ء کے سیکشن (f)(2) 227 کے تحت 30 جون 2023ء تک کمپنی کی شیئر ہولڈنگ کی وضع رپورٹ ہذا کے ساتھ منسلک کی گئی ہے۔

COCG کی تعمیل میں بیان

کمپنی نے لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019ء کے اصولوں کی من و عن تعمیل کی ہے۔ اس تناظر میں بیان رپورٹ ہذا کے ساتھ منسلک ہے۔

متعلقہ فریقین سے لین دین

عمومی امور کی انجام دہی کے دوران تمام متعلقہ فریقین سے لین دین کو آرمز لیگتھ کی بنیاد پر ریکارڈ کیا جاتا ہے۔ تمام لین دین کمپنیز ایکٹ 2017ء کے لاگو قواعد کے تحت عمل میں لایا جاتا ہے۔ نظر ثانی اور منظوری کے لئے مالیاتی سال 2023ء کے دوران متعلقہ فریق سے

کمپنی کے ڈائریکٹرز 30 جون 2023ء کو اختتام پذیر سال کے لئے پڑتال شدہ مالیاتی اسٹیمینٹس اور ان پر آڈیٹرز کی رپورٹ کے ہمراہ کمپنی کی سالانہ رپورٹ ازراہ مسرت پیش کرتے ہیں۔

مالیاتی جائزہ

جامع مالیاتی جائزہ حسب ذیل ہے:

آگم اسٹیمینٹ	2023ء	2022ء	فی صد تبدیلی
(ملین روپوں میں)			
سیلز	3,309	8,674	(61.86)
کل (نقصان)/نفع	(54.61)	639.86	(108.53)
آپریٹنگ (نقصان)/نفع	(97.06)	462.22	(121.00)
قرضوں پر لاگت	(10.66)	(96.54)	(88.96)
(نقصان)/نفع/مجموعہ ٹیکسیشن	(107.72)	365.68	(129.46)
ٹیکسیشن	(47.58)	(145.53)	(67.31)
خالص (نقصان)/نفع	(153.30)	220.15	(169.63)
فی شخص (نقصان)/آمدنی (EPS)	(17.74)	25.48	

آپ کی کمپنی نے گذشتہ مالیاتی سال میں 639.86 ملین روپے کل منافع کی نسبت (54.61) ملین روپے کل خسارہ برداشت کیا۔ کل خسارے کو خام مال کی قیمت میں اضافے اور تین صنعتی مراکز میں سے دو کی بندش سے منسوب کیا جاتا ہے۔ قرضوں پر لاگت میں گذشتہ برس کی نسبت %88.96 کی واقع ہوئی جو اوسط قرضوں کے حصول میں کمی کے باعث ممکن ہوا۔ آگم ٹیکس میں بھی مذکورہ مدت کے دوران ٹرن اور میں کمی کے باعث %67.31 کی واقع ہوئی۔

کاروباری و سماجی ذمہ داری (CSR)

کمپنی اپنی کاروباری سرگرمیوں میں کاروباری و سماجی ذمہ داری کے اطلاق پر قوی یقین رکھتی ہے۔ کمپنی عالمی معیار کی پیشہ ورانہ ہیلتھ اینڈ سیفٹی معیارات کو برقرار رکھتی ہے کیونکہ ہم اپنے ملازمین کی صحت کو اپنی بنیادی ذمہ داری سمجھتے ہیں۔ ہم اپنے تمام پیداواری مراکز میں قابل ڈاکٹروں کی زیر نگرانی ان ہاؤس ڈیپنریز کی سہولت فراہم کرتے ہیں۔ کمپنی فائر فائٹنگ آلات سے بھی لیس ہے اور اس بابت مینٹیننس سرٹیفکیٹ کی حامل ہے۔ کمپنی متعدد سوشل کمپائمنٹس پروگراموں سے سند یافتہ ہے تاکہ عملے کی صحت اور حفاظت کو یقینی بنایا جاسکے اور اپنے کاربن فٹ پرنٹس میں کمی کے ہدف کو حاصل کیا جاسکے۔

مالیاتی رسک مینجمنٹ

کمپنی کی سرگرمیاں کئی اقسام کے مالیاتی رسک یعنی مارکیٹ رسک (بشمول کرنسی رسک، پرائس اور انٹرسٹ ریٹ رسک)، کریڈٹ رسک اور لیویٹی رسک کا سامنا کرتی ہیں۔ کمپنی کا جامع

- بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کے اجلاس میں شرکت کی فیس اور ڈائریکٹرز کے معاوضے کی منظوری اور تعین بورڈ کرے گا۔
- بورڈ آف ڈائریکٹرز کی منظوری سے ڈائریکٹرز کو معاوضہ ادا کیا جائے گا۔ بورڈ میں مناسب امیدوار اور قابل شخص کو مائل کرنے کے لئے معاوضے کا تہیج تیار کیا گیا ہے۔

بورڈ، اس کی کمیٹیوں اور کمپنی کے اجلاس عام میں شرکت کرنے پر ڈائریکٹرز کو سفری، بورڈنگ، لاجنگ اور دیگر اخراجات ادا کئے جائیں گے۔

کوڈ آف کارپوریٹ گورننس ضوابط (3)34 کے تحت مالیاتی سال 2023ء کے لئے کمپنی کے ایگزیکٹو ڈائریکٹرز کو ادا شدہ معاوضے کے تفصیلات رپورٹ ہذا کے ساتھ منسلک کی گئی ہیں۔

بورڈ کمیٹیاں اور اس کے اجلاس

STML کے بورڈ کی کمیٹیوں اور ان کے اجلاس کی تفصیلات حسب ذیل ہیں:

آڈٹ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمیٹی تشکیل دی ہے مندرجہ ذیل ڈائریکٹرز اس کے اراکین ہیں۔ کمیٹی کے چار اجلاس منعقد ہوئے:

1. مسٹر شاہد ارشد (چیئرمین) 04
2. مسٹر خرم مظہر کریم 04
3. مسٹر عادل بشیر 02

البتہ مصروفیت کے باعث اجلاس میں شرکت سے قاصر اراکین کو غیر حاضری کی رخصت عنایت کی گئی۔

ہیومن ریسورس نامی نیشن اینڈ ریویژن کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے ہیومن ریسورس نامی نیشن اینڈ ریویژن کمیٹی تشکیل دی ہے۔ مالیاتی سال 2022-23ء کے دوران اس کمیٹی کا صرف ایک اجلاس منعقد ہوا۔ ہیومن ریسورس نامی نیشن اینڈ ریویژن کمیٹی کی ترکیب حسب ذیل ہے:

1. مسز مینال مشال آدم جی (چیئرمین) 01
2. مسٹر آصف بشیر 01
3. مسٹر خرم مظہر کریم 01

رسک کمیٹی

1. مسٹر آصف بشیر (چیئرمین)
2. مسٹر شاہد ارشد
3. مسٹر خرم مظہر کریم

لین دین کو آڈٹ کمیٹی اور بورڈ کے سامنے رکھا گیا۔ ان ٹرانزیکشنز پر آڈٹ کمیٹی نے نظر ثانی کی ہے اور بورڈ نے منظوری دی ہے۔

ڈائریکٹرز اور بورڈ کے اجلاس

STML کا بورڈ 07 (مرد) اور 01 (خاتون) ڈائریکٹرز پر مشتمل ہے۔ بورڈ کی ترکیب

حسب ذیل ہے:

نمبر شمار	کمیٹری	نام
1	خود مختار ڈائریکٹرز	مسٹر شاہد ارشد مسز مینال مشال آدم جی
2	نان-ایگزیکٹو ڈائریکٹرز	مسٹر محمد انور (چیئرمین) مسٹر خرم مظہر کریم مسٹر عادل بشیر مسٹر محمد شفیق گل
3	ایگزیکٹو ڈائریکٹرز	مسٹر خالد بشیر (CEO) مسٹر آصف بشیر

بورڈ آف ڈائریکٹرز کے اجلاس

سال 2022-23 کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری حسب ذیل ہے:

نمبر شمار	نام ڈائریکٹر	اجلاس میں حاضری
1	مسٹر محمد انور	05
2	مسٹر خالد بشیر	05
3	مسٹر آصف بشیر	05
4	مسٹر عادل بشیر	02
5	مسٹر خرم مظہر کریم	05
6	مسٹر شاہد ارشد	05
7	مسٹر محمد شفیق گل	05
8	مسز مینال مشال آدم جی	05

البتہ مصروفیت کے باعث اجلاس میں شرکت سے قاصر ڈائریکٹرز کو غیر حاضری کی رخصت عنایت کی گئی۔

ڈائریکٹرز کا معاوضہ

بورڈ آف ڈائریکٹرز نے معاوضے کے تعین کے لئے ہدایات مرتب کی ہیں۔ اس کی چیدہ چیدہ خصوصیات مندرجہ ذیل ہیں:

- کمپنی بورڈ اور اس کی کمیٹیوں کے اجلاس میں شرکت کی فیس کے علاوہ اپنے نان-ایگزیکٹو ڈائریکٹرز کو معاوضہ ادا نہیں کرے گی۔

h. بورڈ کے اکثر اراکین ڈائریکٹرز کے تربیتی پروگرام سے استفادے کے لئے درکار قابلیت اور تجربہ رکھتے ہیں۔ تمام ڈائریکٹرز بطور کاروباری ادارے کے ڈائریکٹرز اپنے فرائض سے بخوبی آگاہ ہیں۔

مستقبل کا منظر نامہ

متعدد مسائل درپیش ہونے کے باوجود ہماری کمپنی عمدگی اور اپنے اسٹیک ہولڈرز کو منافع دینے کے جذبہ سے سرشار ہے۔ یہ جذبہ ہمیں اپنے طویل مدتی اہداف کو پورا کرنے میں رہنمائی فراہم کرتا ہے۔ ہم بلند شرح سود اور کیش فلو کی ممکنہ قلت کے اثرات سے نبرد آزما ہونے کے لئے اضافی سرمایہ کاری کے مواقع تلاش کر رہے ہیں۔ پروڈکٹ کے معیار کو بڑھانے کے لئے ہمارا عزم شفاف اور واضح ہے۔ ہم اپنی سہولیات اور ایکوپمنٹ کو اپ گریڈ کرنے پر سرمایہ صرف کر رہے ہیں۔ یہ سرمایہ کاری بہتر کارکردگی اور مصنوعات کے مستقل معیار میں ہماری رہنمائی کرتی ہے اور ہم پر امید ہیں کہ ہمارے صارفین کی تعداد میں اضافہ ہوگا۔ یہ نقطہ نظر ہماری مصنوعات کی قدر میں اضافہ کرے گا۔ مسابقتی منڈیوں میں بھی ہم اپنی پروڈکٹ کی اقسام کو توسیع دینے اور منڈی میں اپنی پوزیشن کو مستحکم کرنے اور منافع میں بہتری کے لئے پرعزم ہیں۔

اظہار تشکر

بورڈ آف ڈائریکٹرز کمپنی کے تمام اسٹیک ہولڈرز بشمول صارفین، شیئر ہولڈرز، وینڈرز، حکومتی ایجنسیوں، بینکوں اور تمام دیگر کاروباری ایسوسی ایشن کی سال بھر میں مسلسل حمایت پر شکریہ ادا کرتے ہیں۔ بورڈ انتہائی پرجوش ٹیم کے کردار کو بھی تسلیم کرتا ہے جنہوں نے پرجوش انداز میں کمپنی کی خدمت کی۔ بورڈ امید رکھتا ہے کہ مستقبل میں بھی اسی جذبے سے سرشار ہو کر یہ ٹیم اپنے فرائض سرانجام دیتی رہے گی۔

منجانب/ برائے بورڈ آف ڈائریکٹرز

محمد سعید

آصف بشیر
ڈائریکٹر

lund roses

خالد بشیر
چیف ایگزیکٹو آفیسر

28 ستمبر، 2023ء

لاہور

داخلی و مالیاتی کنٹرولنگ موزونیت

بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کو یقینی بنانے کے لئے داخلی و مالیاتی کنٹرول ایک مربوط نظام قائم کیا ہے:

- آپریشنز کی موثر اور عمدہ روانی
- کمپنی اثاثہ جات کا تحفظ
- مروجہ قواعد و ضوابط کی تعمیل
- باعتبار مالیاتی رپورٹنگ

ٹینس ٹیکنالوجی ملز لمیٹڈ کا خود مختار داخلی آڈٹ فنکشن طاہر کنسلٹنگ کے حوالے کیا گیا ہے جو آپریشنز کے معیاری طریقہ کار کے نفاذ کی باقاعدگی سے نگرانی کرتا ہے۔ منظور شدہ سالانہ انٹرنل آڈٹ پلان کے تحت داخلی آڈٹ رپورٹس سہ ماہی بنیادوں پر آڈٹ کمیٹی کو پیش کی جاتی ہیں۔ اسی طرح سے آڈٹ کمیٹی اپنے اجلاس میں انٹرنل کنٹرول فریم ورک اور مالیاتی اسٹیٹمنٹس کی افادیت کا جائزہ لیتی ہے۔

بورڈ آف ڈائریکٹرز کی کارکردگی کا جائزہ

دورانہ پیشی کے بورڈ کے کردار کا تعین اور اس کی افادیت ایک جاری عمل ہے۔ جس کی بورڈ نے بذات خود توثیق کی ہے۔ توجہ کا مرکز شعبے حسب ذیل ہیں:

- کمپنی کے ویشن اور مشن کے ساتھ کاروباری اہداف اور مقاصد کی ہم آہنگی۔
- حکمت عملی وضع کرنا اور مربوط آپریشنز کے لئے منصوبہ بندی کرنا۔
- بورڈ کی خود مختاری اور افادیت

انفرادی رائے لی گئی اور اس رائے کی بنیاد پر بورڈ کی کارکردگی اور چیئرمین کے فرائض کا اوسط درجہ معیار کے عین مطابق پایا گیا۔

کاروباری و مالیاتی رپورٹنگ فریم ورک پر بیان

a. کمپنی کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس نصفیت میں تبدیلی، کیش فلو،

آپریشنز اور کاروباری امور کی بہترین عکاسی کرتی ہیں۔

b. کمپنی کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔

c. مالیاتی اسٹیٹمنٹس کی تیاری میں موافق اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور

اکاؤنٹنگ تخمینہ جات موزوں فیصلوں کی بنیاد پر لگائے گئے ہیں۔

d. مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں رائج بین الاقوامی مالیاتی رپورٹنگ

سٹیٹنڈرڈز (IFRS) اور اسلامی مالیاتی اکاؤنٹنگ معیارات (IFAs) کی

پیروی کی گئی ہے اور اس میں کسی بھی قسم کے سقم کو مناسب انداز میں ظاہر

اور واضح کیا گیا ہے۔

e. کمپنی کاروبار جاری رکھنے کی بھرپور صلاحیت رکھتی ہے۔

f. کارپوریٹ گورننس کی بہترین عمل داری میں کوئی ابہام موجود نہ ہے۔

g. واجب الادا ٹیکس اور لیوی کی فہرست مالیاتی اسٹیٹمنٹس کے نوٹس میں دی گئی ہے۔

FINANCIAL SUMMARY

For the year ended June 30, 2023

rupees in '000's	2023	2022	2021	2020	2019	2018
Net Sales	3,309,014	8,674,940	7,122,421	4,175,298	5,291,753	4,685,847
Cost of sales	3,363,623	8,035,081	6,393,472	4,080,438	5,057,572	4,409,798
Gross (Loss) / Profit	(54,609)	639,859	728,949	94,860	234,181	276,049
Distribution cost	36,846	69,108	65,917	40,769	34,253	39,857
Administrative expenses	116,296	94,130	81,593	77,837	71,714	62,901
Other expenses	3,928	31,865	63,489	18,335	4,924	5,701
	157,070	195,103	210,999	136,941	110,891	108,459
	(211,679)	444,756	517,950	(42,081)	123,290	167,590
Other income	114,621	17,463	18,843	5,770	16,745	35,816
Operating (Loss) / Profit	(97,058)	462,219	536,793	(36,311)	140,035	203,406
Finance cost	(10,658)	96,538	70,327	57,558	42,925	38,696
(Loss) / Profit before taxation	(107,716)	365,681	466,466	(93,869)	97,110	164,710
Taxation	(45,576)	145,529	104,967	46,337	53,724	63,526
(Loss) / Profit after taxation	(153,292)	220,152	361,499	(140,206)	43,386	101,184
Performance Ratio						
Gross (Loss)/Profit Margin (%)	(1.65)	7.38	10.23	2.27	4.43	5.89
Fixed Assets Turnover	4.60	11.74	8.83	5.11	6.32	5.36
Return on capital employed (%)	(16.24)	19.93	40.36	(25.60)	6.28	14.29
Return on equity (%)	(16.37)	20.04	40.39	(26.60)	6.52	15.12
Operating (Loss)/Profit Margin (%)	(6.40)	5.13	7.27	(1.01)	2.33	3.58
Net (Loss)/Profit Margin (%)	(4.63)	2.54	5.08	(3.36)	0.82	2.16
(Loss)/Earning per share (Rupees)	(17.74)	25.48	41.84	(16.23)	5.02	11.71
Working Capital Ratios						
Debtors Turn Over Ratio	4.60	10.59	17.17	26.23	26.16	34.56
Debtors in no of Days	79.40	34.47	21.26	13.91	13.95	10.56
Stock Turn Over Ratio	5.34	10.44	8.29	7.80	13.52	9.93
Stock in no of Days	68.40	34.97	44.04	46.80	27.00	36.75
Liquidity Ratio						
Current Ratio	1.11	1.24	1.06	0.76	0.82	0.84
Quick Ratio	0.64	0.71	0.47	0.15	0.36	0.44
Interest Cover Ratio	0.10	0.26	0.15	(0.61)	0.44	0.23
Financial Performance Ratio						
Gearing Ratio	0:00:00	0:00:00	0:00:00	02:98	02:98	03:97
Break-up value per share (Rupees)	109.22	127.83	103.66	61.76	78.29	78.83
Dividend per share	-	-	2.00	-	1.05	2.35
Price to Book Value	0.42	0.52	0.60	0.41	0.33	0.56
Total Assets	2,458,085	2,455,457	2,573,292	1,698,183	1,734,225	1,741,952
Current Assets	1,685,571	1,675,484	1,766,313	870,108	844,456	849,772
Current Liabilities	1,514,384	1,351,022	1,674,050	1,150,531	1,031,235	1,012,618
Operating Fixed Assets	719,628	719,645	758,780	780,355	819,904	892,180
Long Term Debts	-	-	-	14,036	14,036	27,103
Share holders' Equity	943,701	1,104,435	895,594	533,616	676,428	681,068

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the shareholders of Shams Textile Mills Limited will be held on October 28, 2023 at 9:00 a.m. at Registered Office of the Company i.e., 7-B-III, Marina Homes, Aziz Avenue, Gulberg-V, Lahore to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditor's reports thereon for the year ended June 30, 2023.
2. To appoint auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

3. **To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing below as ordinary resolutions for the circulation of Annual Audited Financial Statements to their members through QR enabled code and weblink as recommended by the Directors.**

"RESOLVED THAT the dissemination of information regarding annual audited financial statements to the shareholders through QR enabled code and weblink as notified by the Securities and Exchange Commission of Pakistan vide its SRO 389 (I)/2023 dated 21 March, 2023, be and is hereby approved while considering technological advancements and old technology becoming obsolete, the circulation of annual financial statements through CD/DVD/USB be discontinued."

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

Lahore
28 September, 2023

By Order of the Board
Company Secretary

BOOK CLOSURE:

The Members' Register will remain closed from October 21, 2023 to October 28, 2023 (both days inclusive)

NOTES:

1. Shareholders interested to participate in the meeting through video link are requested to email their Name, Folio Number, Cell Number and Number of Shares held in their name along with valid copy of both sides of Computerized National Identify Card (CNIC) at tariq.javed@shams.com.pk by October 20, 2023. The video link and login credentials will be shared with only those members/designated proxies whose emails, containing all the required particulars.
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form. A proxy must be a member of the Company. The proxy form is annexed to the notice sent to the members. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be submitted along with copy of CNIC of the representative.

CNIC/IBAN for E-Dividend Payment

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account of designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the

address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company. In case of non-submission, all future dividend payments may be withheld.

Video Conference Facility

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Share Registrar at the address given herein above at least seven (7) days prior to the date of the meeting on the Standard Form provided in the annual report and also available on the company's website.

Replacement of physical shares with book-entry

As per Section 72 of The Companies Act, 2017 every existing company shall replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e., May 31, 2017. The shareholders holding shares in physical form are requested to please convert their shares in the book entry form. For this purpose, the shareholders may open CDC Sub-account with any of the brokers or investor account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares at any time they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Limited.

Unclaimed Dividend / Shares:

Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our Share Registrar M/s. Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore, to collect/enquire about their unclaimed dividend / shares, if any.

Placement of Financial Statements

The Company has placed a copy of the Notice of AGM, Annual Separate and Consolidated Financial Statements for the year ended 30 June 2023 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: www.shams.com.pk

Shareholders are also requested to notify immediately any change in their E-mail address to the Share Registrar of the Company, M/s. Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore. Ph. 042-35170335-37

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

This statement sets out all the material facts concerning Special Business transacted at the 39th Annual General Meeting.

Circulation the Annual Audited Financial Statements to their members through QR enabled code and web link

The Securities and Exchange Commission of Pakistan has allowed listed companies, through its SRO No. 389(I)2023 dated March 21, 2023 to circulate the Annual Audited Financial Statements to their members through QR enabled code and web link instead of transmitting the Annual Audited Financial Statements through CD/DVD/USB. The Company shall circulate Annual Audited Financial Statements through email address in case it has been provided by the members to the Company, and upon demand, supply hard copies of the Annual Audited Financial to the members free of cost

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF SHAMS TEXTILE MILLS LIMITED****Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Shams Textile Mills Limited (the Company) for the year ended 30 June 2023 in accordance with the requirements of regulation 36 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 require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. 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.

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 30 June 2023.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: 30 September, 2023

UDIN: CR202310168BjagXspKw

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SHAMS TEXTILE MILLS LIMITED****Report on the Audit of the Financial Statements****Opinion**

We have audited the annexed financial statements of Shams Textile Mills Limited (the Company), which comprise the statement of financial position as at 30 June 2023, 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 30 June 2023 and of the loss, other comprehensive loss, 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 Matters

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 are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Inventory existence and valuation</p> <p>Inventory as at 30 June 2023 amounted to Rupees 722.236 million and represented a material position in the statement of financial position, break up of which is as follows:</p> <ul style="list-style-type: none"> - Stores and spare parts amounting to Rupees 92.730 million - Stock-in-trade amounting to Rupees 629.506 million <p>Inventory is measured at the lower of cost and net realizable value.</p> <p>We identified existence and valuation of inventory as a key audit matter due to its size, representing 29.38% of the total assets of the Company as at 30 June 2023, and the judgment involved in valuation.</p> <p>For further information on inventory, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Inventories note 2.11 to the financial statements. - Stores and spare parts note 15 and stock-in-trade note 16 to the financial statements. 	<p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <ul style="list-style-type: none"> ● To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management; ● For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets; ● We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded transaction; ● On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any; ● In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs; ● We also made inquiries of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.

Sr. No.	Key audit matters	How the matters were addressed in our audit
2.	<p>Revenue recognition</p> <p>The Company recognized net revenue of Rupees 3,309.014 million for the year ended 30 June 2023.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information on revenue recognition, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue recognition note 2.24 to the financial statements. - Revenue from contracts with customers note 21 to the financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> ● We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; ● We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; ● We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; ● We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; ● We also considered the appropriateness of disclosures in the financial statements.

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 express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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 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.
- 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, 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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Syed Mustafa Ali.



RIAZ AHMAD & COMPANY

Chartered Accountants

Lahore


Date: 30 September, 2023

UDIN: AR2023101681I28wbdsg

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

	Note	2023 (Rupees in thousand)	2022
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
25,000,000 (2022: 25,000,000) ordinary shares of Rupees 10 each		250,000	250,000
Issued, subscribed and paid-up share capital	3	86,400	86,400
Reserves	4	857,301	1,018,035
Total equity		943,701	1,104,435
LIABILITIES			
NON-CURRENT LIABILITIES			
Gas Infrastructure Development Cess (GIDC) payable	5	-	-
CURRENT LIABILITIES			
Trade and other payables	6	1,363,923	1,115,719
Accrued mark-up	7	4,959	9,284
Short term borrowings	8	108,298	156,539
Current portion of GIDC payable	5	31,226	34,130
Unclaimed dividend		4,622	4,627
Taxation - net	9	1,356	30,723
		1,514,384	1,351,022
Total liabilities		1,514,384	1,351,022
CONTINGENCIES AND COMMITMENTS	10	-	-
TOTAL EQUITY AND LIABILITIES		2,458,085	2,455,457

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



Chief Executive




Director



Chief Financial Officer

	Note	2023 (Rupees in thousand)	2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	719,628	719,645
Long term investments	12	45,150	52,592
Long term security deposits	13	7,736	7,736
Deferred income tax asset - net	14	-	-
		772,514	779,973
CURRENT ASSETS			
Stores and spare parts	15	92,730	89,270
Stock-in-trade	16	629,506	631,120
Trade debts	17	536,089	903,581
Advances	18	2,361	4,271
Other receivables	19	32,813	35,040
Sales tax refundable		366,336	-
Cash and bank balances	20	25,736	12,202
		1,685,571	1,675,484
TOTAL ASSETS		2,458,085	2,455,457



Chief Executive



Director



Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 (Rupees in thousand)	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS	21	3,309,014	8,674,940
COST OF SALES	22	(3,363,623)	(8,035,081)
GROSS (LOSS) / PROFIT		(54,609)	639,859
DISTRIBUTION COST	23	(36,846)	(69,108)
ADMINISTRATIVE EXPENSES	24	(116,296)	(94,130)
OTHER EXPENSES	25	(3,928)	(31,865)
		(157,070)	(195,103)
		(211,679)	444,756
OTHER INCOME	26	114,621	17,463
(LOSS) / PROFIT FROM OPERATIONS		(97,058)	462,219
FINANCE COST	27	(10,658)	(96,538)
(LOSS) / PROFIT BEFORE TAXATION		(107,716)	365,681
TAXATION	28	(45,576)	(145,529)
(LOSS) / PROFIT AFTER TAXATION		(153,292)	220,152
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED - RUPEES	29	(17.74)	25.48

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



Chief Executive



Director



Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended JUNE 30, 2023

	2023 (Rupees in thousand)	2022
(LOSS) / PROFIT AFTER TAXATION	(153,292)	220,152
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified to profit or loss:		
(Deficit) / surplus arising on remeasurement of investments at fair value through other comprehensive income	(7,442)	5,969
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss) / income for the year - net of tax	(7,442)	5,969
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(160,734)	226,121

The annexed notes 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, 2023

	RESERVES							TOTAL EQUITY	
	CAPITAL			REVENUE			TOTAL RESERVES		
	SHARE CAPITAL	Premium on issue of right shares	Fair value reserve FVTOCI investments	Sub Total	General reserve	Un-appropriated profit			Sub total
	(Rupees in thousands)								
Balance as at 30 June 2021	86,400	86,400	27,384	113,784	600,000	95,410	695,410	809,194	895,594
Transaction with owners - Final dividend for the year ended 30 June 2021 @ Rupees 2 per share	-	-	-	-	-	(17,280)	(17,280)	(17,280)	(17,280)
Profit for the year	-	-	-	-	-	220,152	220,152	220,152	220,152
Other comprehensive income for the year	-	-	5,969	5,969	-	-	-	5,969	5,969
Total comprehensive income for the year	-	-	5,969	5,969	-	220,152	220,152	226,121	226,121
Balance as at 30 June 2022	86,400	86,400	33,353	119,753	600,000	298,282	898,282	1,018,035	1,101,435
Loss for the year	-	-	-	-	-	(153,292)	(153,292)	(153,292)	(153,292)
Other comprehensive loss for the year	-	-	(7,442)	(7,442)	-	-	-	(7,442)	(7,442)
Total comprehensive loss for the year	-	-	(7,442)	(7,442)	-	(153,292)	(153,292)	(160,734)	(160,734)
Balance as at 30 June 2023	86,400	86,400	25,911	112,311	600,000	144,990	744,990	857,301	943,701

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



Chief Executive



Director



Chief Financial Officer

STATEMENT OF CASH FLOWS
For The Year Ended JUNE 30, 2023

	Note	2023 (Rupees in thousand)	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	198,726	679,543
Finance cost paid		(14,848)	(91,798)
Income tax paid		(74,943)	(111,563)
Workers' profit participation fund paid		(20,701)	(25,066)
Long term security deposits made		-	(6,160)
GIDC paid		(2,925)	(17,545)
Net cash generated from operating activities		85,309	427,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(74,972)	(27,128)
Proceeds from sale of property, plant and equipment		19,461	2,871
Return on bank deposits received		5,643	19
Short term investment made		(601,883)	-
Proceeds from redemption of mutual funds		605,536	-
Dividends received		22,686	900
Net cash used in investing activities		(23,529)	(23,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - obtained		1,038,904	4,549,922
Short term borrowings - repaid		(1,087,145)	(4,942,391)
Dividend paid		(5)	(16,987)
Net cash used in financing activities		(48,246)	(409,456)
Net increase / (decrease) in cash and cash equivalents		13,534	(5,383)
Cash and cash equivalents at the beginning of the year		12,202	17,585
Cash and cash equivalents at the end of the year	20	25,736	12,202

The annexed notes 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, 2023

1. THE COMPANY AND ITS OPERATIONS

1.1 Shams Textile Mills Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. Its registered office is situated at 7-B-III, Aziz Avenue, Gulberg V, Lahore. The Company is engaged in the business of manufacturing, sale and trading of yarn and trading of cloth.

1.2 Geographical location and addresses of all business units are as follows:

Manufacturing units and offices	Address
Manufacturing units:	
Spinning unit I	3-KM, Faisalabad Road, Chiniot
Spinning units II and III	KotlaKahloon, District Nankana Sahib
Registered and head office	
Office	7- B-III, Aziz Avenue, Gulberg V, Lahore
Office	1 st Floor, 949 Regency Arcade, Mall Road, Faisalabad
Office	Office No. 801, Tricon Corporate Centre, 73, Jail Road, Lahore

1.3 Two out of three manufacturing units of the Company are temporarily closed since 11 March 2022 and 18 April 2022 in view of low demand for yarn and cotton prices. The management has carried out a going concern assessment of the Company and believes that the going concern assumption used for the preparation of these financial statements is appropriate and no material uncertainty exists. The assessment is based on: positive working capital and firm commitment to start operations of two manufacturing units very shortly as the sale rates of yarn are now aligned with cotton price; availability of borrowing limits (funded) from financial institutions amounting to Rupees 991.702 million as at the reporting date for procurement of cotton; and chief executive of the Company, his spouse and his son (executive director) are committed to support the Company to continue as a going concern. As at the reporting date, the balance due to chief executive of the Company, his spouse and his son (executive director) is interest free and they have provided support to the Company. Accordingly, no material uncertainties leading to a significant doubt about going concern have been identified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) 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 of:

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

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies.

c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgements were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual value and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Inventories

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Future estimation of export sales

Deferred income tax calculation has been based on estimate of future ratio of export and local sales.

Allowance for expected credit losses

The allowance for expected credit losses (ECLs) assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2022:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use'.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts Cost of Fulfilling a Contract which amended IAS 1 'Presentation of Financial Statements'.
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.
- 'Reference to the Conceptual Framework (Amendments to IFRS 3)' published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'.

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

f) **Amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for the reporting period beginning on or after 1 January 2024.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The above amendments and improvements are likely to have no significant impact on the financial statements.

g) **Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2023 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 **Property, plant and equipment**

Operating fixed assets

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost of operating fixed assets comprises historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the assets to working condition. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

Depreciation is charged to statement of profit or loss applying the reducing balance method so as to write off the cost of the assets over their estimated useful life at the rates given in note 11.1 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use, while for disposals depreciation is charged upto the month of disposal.

Useful life of assets are reviewed at each financial year end and if expectations differ from previous estimates the change is accounted for as change in accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

2.3 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses (if any). Cost comprises of the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

2.4 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

(cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.6 Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

2.7 Financial liabilities - classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

2.8 Impairment of financial assets

The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2.9 De-recognition of financial assets and financial liabilities

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

b) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2.10 Offsetting of financial instruments

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

2.11 Inventories

Inventories, except for stock in transit and waste stock are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores and spare parts

These are valued at moving average cost except for items in transit, which are valued at cost comprising invoice value plus other charges paid thereon. Provision is made against slow moving and obsolete items.

Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

- (i) For raw materials: At weighted average cost.
- (ii) For work-in-process and finished goods: At average manufacturing cost including a proportion of production overheads.

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stock is valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

completion and the estimated costs necessary to make a sale.

2.12 Trade debts and other receivables

Trade debts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.13 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.15 Borrowing cost

Interest, mark-up and other charges on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, mark-up and other charges are recognized in the statement of profit or loss.

2.16 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.17 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost and subsequently measured at amortized cost using the effective interest method.

2.18 Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.19 Derivative financial instruments

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the statement of profit or loss as incurred. They are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss.

2.20 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures are rounded off to the nearest thousand of Pak Rupees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

2.21 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.22 Employee benefits

Defined contribution plan

The Company operates a funded employees' provident fund scheme for its permanent employees. Equal monthly contributions at the rate of six percent of basic pay are made both by the Company and employees to the fund.

Compensated absences

Compensated absences are accounted for in the period in which the absences are earned.

2.23 Borrowings

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

2.24 Revenue recognition

i. Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

ii. Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

iii. Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

iv. Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned

2.25 Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

2.26 Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

2.27 Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

2.28 Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

2.29 Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

2.30 Refund liabilities

Refund liabilities are recognised where the Company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

2.32 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

2.33 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.34 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

2.35 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the periods in which these are approved by the Board of Directors.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2023 (Number of shares)	2022		2023 (Rupees in thousand)	2022
7,510,000	7,510,000	Ordinary shares of Rupees 10 each fully paid in cash	75,100	75,100
1,130,000	1,130,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	11,300	11,300
8,640,000	8,640,000		86,400	86,400

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	2023 (Rupees in thousand)	2022
3.1 Ordinary shares of the Company held by associated companies:		
Premier Insurance Limited	399,000	399,000
The Crescent Textile Mills Limited	812,160	812,160
Crescent Powertec Limited	1,720,105	1,720,105
Mohammad Amin Mohammad Bashir Limited	210	210
	2,931,475	2,931,475

	2023 (Rupees in thousand)	2022
4. RESERVES		
Composition of reserves is as follows:		
Capital		
Premium on issue of right shares (Note 4.1)	86,400	86,400
Fair value reserve FVTOCI investments (Note 4.2)	25,911	33,353
	112,311	119,753
Revenue		
General reserve	600,000	600,000
Un-appropriated profit	144,990	298,282
	744,990	898,282
	857,301	1,018,035

4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

4.2 This represents the unrealized gain on re-measurement of investments at fair value through other comprehensive income and is not available for distribution. Reconciliation of fair value reserve is as under:

	2023 (Rupees in thousand)	2022
Balance as on 01 July	33,353	27,384
(Less) / Add: Fair value adjustment during the year	(7,442)	5,969
Balance as on 30 June	25,911	33,353

5. GAS INFRASTRUCTURE DEVELOPMENT CESS (GIDC) PAYABLE

Gas Infrastructure Development Cess payable at amortized cost	34,130	49,835
Add: Adjustment due to impact of IFRS 9 (Note 27)	21	1,840
Less: Payments made during the year	(2,925)	(17,545)
Balance as on 30 June	31,226	34,130
Current portion shown under current liabilities	(31,226)	(34,130)
	-	-

5.1 This represents Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. During the year ended 30 June 2021, Honourable Supreme Court of Pakistan upheld the GIDC Act, 2015 to be constitutional and intra vires. GIDC payable has been recorded at amortised cost in accordance with IFRS 9 'Financial Instruments'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	2023 (Rupees in thousand)	2022
6. TRADE AND OTHER PAYABLES		
Creditors (Note 6.1)	688,709	274,969
Accrued liabilities	376,612	293,516
Infrastructure cess payable (Note 6.2)	16,946	16,656
Contract liabilities - unsecured	115,546	172,115
Due to related parties (Note 6.3)	146,526	198,176
Sales tax payable	-	120,904
Income tax deducted at source	1,750	1,000
Payable to employees' provident fund trust	737	699
Workers' welfare fund	-	-
Workers' profit participation fund (Note 6.4)	114	20,701
Workers' welfare fund (Note 6.5)	16,983	16,983
	1,363,923	1,115,719

6.1 These include amounts due to following associated companies:

The Crescent Textile Mills Limited	461	115
Crescent Group (Private) Limited	70	70
Crescent Powertec Limited	7,177	-
	7,708	185

6.2 This represents provision for infrastructure cess imposed by the Province of Sindh through Sindh Finance Act, 1994 and its subsequent versions including the final version i.e. Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Company filed writ petition in Honourable Sindh High Court, Karachi whereby stay was granted and directions were given to provide bank guarantees in favour of Director Excise and Taxation, Karachi. The Honourable Sindh High Court, Karachi passed order dated 04 June 2021 against the Company and directed that bank guarantees should be encashed. Being aggrieved by the order, the Company along with others filed petitions for leave to appeal before Honourable Supreme Court of Pakistan against the Sindh High Court's judgment in relation to Sindh infrastructure development cess. On 01 September 2021, after hearing the petitioners, the Honourable Supreme Court dictated the order in open court granting leave to appeal to the petitioners and restraining the Sindh Government from encashing the bank guarantees furnished in pursuance of the interim orders passed by the Sindh High Court. The Honourable Supreme Court was also pleased to direct the release of future consignments subject to furnishing of bank guarantees for the disputed amount. The detail of provision is as follows:

	2023 (Rupees in thousand)	2022
Balance as on 01 July	16,656	12,804
Add: Provision made during the year	290	3,852
Balance as on 30 June	16,946	16,656

6.3 This amount is due to Chief Executive of the Company, his spouse and his son (executive director) and has been utilized for working capital purposes. It is unsecured, interest free and repayable on demand.

	2023 (Rupees in thousand)	2022
6.4 Workers' profit participation fund		
Balance as on 01 July	20,701	25,066
Add: Provision for the year (Note 25)	-	19,692
Add: Interest for the year (Note 27)	114	1,009
Less: Payments during the year	(20,701)	(25,066)
Balance as on 30 June	114	20,701

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

6.4.1 Interest is paid at prescribed rate under the Companies Profits (Workers Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

	2023 (Rupees in thousand)	2022
6.5 Workers' welfare fund		
Balance as on 01 July	16,983	9,520
Add: Provision for the year (Note 25)	-	7,463
Balance as on 30 June	16,983	16,983
7. ACCRUED MARK-UP		
Short term borrowings	4,959	9,284
8. SHORT TERM BORROWINGS		
From banking companies - secured		
Running finances (Note 8.1 and 8.2)	108,298	84,227
Cash finances (Note 8.1 and 8.3)	-	72,312
	108,298	156,539

8.1 These finances are obtained from banking companies under markup arrangements and are secured against the first joint pari passu hypothecation charge on all present and future current assets of the Company and pledge of stocks amounting to Rupees 1,470 million (2022: Rupees 1,470 million). These form part of total credit facilities of Rupees 1,100 million (2022: Rupees 1,100 million).

8.2 The rates of mark-up range from 15.80% to 23.20% (2022: 9.01% to 16.81%) per annum during the year on the balance outstanding.

8.3 The rate of mark-up was 15.55% (2022: 8.76% to 15.56%) per annum during the year on the balance outstanding.

	2023 (Rupees in thousand)	2022
9 TAXATION - NET		
Advance income tax	(69,483)	(117,100)
Less: Provision for taxation	70,839	147,823
	1,356	30,723

10. CONTINGENCIES AND COMMITMENTS

a) Contingencies

- i) Bank guarantees of Rupees 74.249 million (2022: Rupees 80.409 million) are given by the banks of the Company in favor of Sui Northern Gas Pipelines Limited against gas connections, Lahore Electric Supply Company Limited (LESCO) and Faisalabad Electric Supply Company Limited (FESCO) against electricity connections and Director Excise and Taxation, Karachi against infrastructure cess.

b) Commitments

- i) Letters of credit for other than capital expenditures amounted to Rupees 24.158 million (2022: Rupees 47.016 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	2023 (Rupees in thousand)		2022 (Rupees in thousand)	
11. PROPERTY, PLANT AND EQUIPMENT	701,903	714,842	701,903	714,842
• Operating fixed assets (Note 11.1)	17,725	4,803	17,725	4,803
Capital work-in-progress (Note 11.2)	719,628	719,645	719,628	719,645

11.1 Reconciliation of carrying amounts of operating fixed assets at the beginning and at the end of the year is as follows:

	(Rupees in thousands)									
	Freehold land	Factory building on freehold Land	Residential and other building on freehold land	Plant and machinery	Electric & sui gas Installations	Factory equipment	Furniture, fixtures and fittings	Vehicles	Total	
At 30 June 2021										
Cost	3,192	303,559	125,678	1,697,859	47,199	2,608	900	34,707	2,215,702	
Accumulated depreciation	-	(135,402)	(42,704)	(1,228,237)	(36,095)	(2,288)	(715)	(22,051)	(1,467,492)	
Net book value	3,192	168,157	82,974	469,622	11,104	320	185	12,656	748,210	
Year ended 30 June 2022										
Opening net book value	3,192	168,157	82,974	469,622	11,104	320	185	12,656	748,210	
Additions	-	6,543	-	11,783	-	-	-	14,569	32,895	
Disposals:										
Cost	-	-	-	-	-	-	-	(3,085)	(3,085)	
Accumulated depreciation	-	-	-	-	-	-	-	2,336	2,336	
Depreciation charge	-	(8,735)	(4,149)	(47,578)	(1,110)	(32)	(19)	(749)	(749)	
Closing net book value	3,192	165,965	78,825	433,827	9,994	288	166	22,585	714,842	
At 30 June 2022										
Cost	3,192	310,102	125,678	1,709,642	47,199	2,608	900	46,191	2,245,512	
Accumulated depreciation	-	(144,137)	(46,853)	(1,275,815)	(37,205)	(2,320)	(734)	(23,606)	(1,530,670)	
Net book value	3,192	165,965	78,825	433,827	9,994	288	166	22,585	714,842	
Year ended 30 June 2023										
Opening net book value	3,192	165,965	78,825	433,827	9,994	288	166	22,585	714,842	
Additions	-	-	-	47,714	-	-	-	14,336	62,050	
Disposals:										
Cost	-	-	-	(60,192)	-	-	-	(8,168)	(68,360)	
Accumulated depreciation	-	-	-	52,505	-	-	-	6,085	58,590	
Depreciation charge	-	(8,298)	(3,941)	(7,687)	(999)	(29)	(17)	(2,083)	(9,770)	
Closing net book value	3,192	157,667	74,884	427,964	8,995	259	149	28,793	701,903	
At 30 June 2023										
Cost	3,192	310,102	125,678	1,697,164	47,199	2,608	900	52,359	2,239,202	
Accumulated depreciation	-	(152,435)	(50,794)	(1,269,200)	(38,204)	(2,349)	(751)	(23,566)	(1,537,299)	
Net book value	3,192	157,667	74,884	427,964	8,995	259	149	28,793	701,903	
Annual rate of depreciation (%)	-	5	5	10	10	10	10	10	20	20

NOTES TO THE FINANCIAL STATEMENTS
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11.1.1 Detail of operating fixed asset, exceeding the book value of Rupees 500,000, disposed of during the year is as follows

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
(Rupees in thousand)								
Vehicles								
Honda civic LEH-16-9544	1	2,810	2,107	703	3,500	2,797	Negotiation	Mr. Yasir Arafat, Lahore.
Plant and machinery								
EJM 168 Ring Frames	10	53,811	46,781	7,030	8,547	1,517	Negotiation	Mubashir Brothers, Faisalabad
Aggregate of other Operating fixed assets with individual book values not exceeding Rupees 500,000								
	10	11,739	9,702	2,037	7,414	5,377		
		68,360	58,590	9,770	19,461	9,691		
							2023	2022
							(Rupees in thousand)	

11.1.2 Depreciation charge for the year has been allocated as follows:

Cost of sales (Note 22)	56,992	59,324
Administrative expenses (Note 24)	8,227	6,190
	65,219	65,514

11.1.3 Particulars of immovable properties (i.e. land and buildings) are as follows:

Manufacturing units	Address	Area of land	Covered area of buildings
			Square feet
Manufacturing units			
Spinning unit I	3-KM, Faisalabad Road, Chiniot	28.256 acres	428,644
Spinning unit II and unit III	Kotla Kahloon, District Nankana Sahib	27.043 acres	533,160
Office	Office No. 801, Tricon Corporate Centre 73, Jail Road, Lahore	5,760 square feet	5,760
		2023	2022
		(Rupees in thousand)	

11.2 Capital work-in-progress

Residential and other buildings on freehold land (Note 11.2.1)	17,725	-
Factory buildings on freehold land (Note 11.2.1)	-	-
Advances against purchase of vehicles (Note 11.2.1)	-	4,803
	17,725	4,803

11.2.1 Movement in capital work in progress

	Residential and other buildings on freehold land	Factory building on free hold land	Advance against purchase of vehicles	Total
----- (Rupees in thousand) -----				
At 30 June 2021	-	5,000	5,570	10,570
Add: Additions during the year	-	2,655	4,970	7,625
Less: Transferred to operating fixed assets during the year	-	(7,655)	(5,737)	(13,392)
At 30 June 2022	-	-	4,803	4,803
Add: Additions during the year	17,725	-	159	17,884
Less: Transferred to operating fixed assets during the year	-	-	(4,962)	(4,962)
At 30 June 2023	17,725	-	-	17,725

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

12. LONG TERM INVESTMENTS

Equity instruments - Fair value through other comprehensive income

2023			2022		
Cost	Fair Value adjustment	Fair Value	Cost	Fair Value adjustment	Fair Value

----- (Rupees in thousand) -----

Quoted - Investments in related parties (Note 12.1)

Crescent Jute Products Limited (Note 12.2 and 12.4)
12,476 (2022: 12,476) fully paid ordinary shares of
Rupees 10 each. Equity held 0.053% (2022: 0.053%)

Premier Insurance Limited
739,069 (2022: 739,069) fully paid ordinary shares of
Rupees 10 each. Equity held 1.46% (2022: 1.46%)

-	-	-	-	-	-
6,196	(2,501)	3,695	6,196	(2,988)	3,208
6,196	(2,501)	3,695	6,196	(2,988)	3,208

Quoted - Others

Crescent Cotton Mills Limited
176,790 (2022: 176,790) fully paid ordinary
shares of Rupees 10 each.

Jubilee Spinning and Weaving Mills Limited
7,788 (2022: 7,788) fully paid ordinary
shares of Rupees 10 each.

Crescent Fibres Limited
31,920 (2022: 31,920) fully paid ordinary
shares of Rupees 10 each.

Samba Bank Limited
2,764,113 (2022: 2,764,113) fully paid ordinary
shares of Rupees 10 each.

EFU Life Assurance Limited
60,000 (2022: 60,000) fully paid ordinary
shares of Rupees 10 each.

876	5,110	5,986	876	7,196	8,072
9	11	20	9	15	24
256	1,064	1,320	256	1,520	1,776
8,383	13,232	21,615	8,383	18,816	27,199
3,519	8,995	12,514	3,519	8,794	12,313
13,043	28,412	41,455	13,043	36,341	49,384

Unquoted - Others

Crescent Spinning Mills Limited (Note 12.3 and 12.4)
208,800 (2022: 208,800) fully paid ordinary
shares of Rupees 10 each.

Crescent Modaraba Management Company Limited (Note 12.4)
193,000 (2022: 193,000) fully paid ordinary
shares of Rupees 10 each.

-	-	-	-	-	-
-	-	-	-	-	-
19,239	25,911	45,150	19,239	33,353	52,592

12.1 These companies are related parties due to common directorship.

12.2 Crescent Jute Products Limited (CJPL) has discontinued its business since long. Securities and Exchange Commission of Pakistan (SECP) has passed an order on 17 March 2017 under section 309 read with section 305 of the Companies Ordinance, 1984 (now Companies Act 2017), authorizing the Registrar, Company Registration Office, SECP to initiate the winding up petition of CJPL. The same information has been sent to Pakistan Stock Exchange by SECP on 15 December 2017 and publically made available on the same date. Based on the above and keeping in view the financial position of CJPL, investment of the Company has been fully impaired in these financial statements.

12.3 The official liquidator has submitted the statement in the Lahore High Court for final liquidation of Crescent Spinning Mills Limited and the final decision is still awaited.

12.4 Full amount of impairment has been provided against investment in Crescent Spinning Mills Limited, Crescent Modaraba Management Company Limited and Crescent Jute Products Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

13. LONG TERM SECURITY DEPOSITS

These represent security deposits with utility companies against utility connections. These are not being carried at amortized cost, as required by IFRS 9 'Financial Instruments' as it will have immaterial impact and thus carried at historical cost.

	2023 (Rupees in thousand)	2022
14. DEFERRED INCOME TAX ASSET - NET		
The asset for deferred income tax originated due to temporary differences relating to:		
Deferred income tax assets		
Minimum tax carried forward	147,428	147,454
Workers' welfare fund	4,764	5,466
Allowance for expected credit losses	1,724	2,508
Carried forward tax losses	41,080	-
Provision for slow moving and obsolete stores and spare parts	8,745	8,769
	203,741	164,197
Deferred income tax liabilities		
Accelerated tax depreciation	(115,173)	(136,785)
Net deferred income tax asset	88,568	27,412
Deferred income tax asset not recognised in these financial statements	(88,568)	(27,412)
Deferred income tax asset recognised in these financial statements	-	-

14.1 The gross movement in net deferred income tax (asset) / liability recognised in these financial statements during the year is as follows:

	2023 (Rupees in thousand)	2022
Opening balance	-	-
(Charged) / credited to other comprehensive income	-	-
(Credited) / charged to statement of profit or loss	-	-
Closing balance	-	-

14.2 Deductible temporary differences are considered to the extent that the realization of related tax benefits is probable from reversals of existing taxable temporary differences and future taxable profits.

	Accounting year to which the minimum tax / losses carried forward relates	Amount of minimum tax / losses carried forward	Accounting year in which minimum tax / losses carried forward will expire
		(Rupees in thousand)	
Minimum tax carry forward	2023	40,346	2026
	2022	336	2027
	2020	51,260	2025
	2019	55,486	2024
Carried forward tax losses	2023	141,656	2029

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	2023 (Rupees in thousand)	2022
15. STORES AND SPARE PARTS		
Stores	13,999	16,730
Spare parts	109,907	99,788
	123,906	116,518
Less: Provision for slow moving and obsolete items (Note 15.1)	(31,176)	(27,248)
	92,730	89,270
15.1 Provision for slow moving and obsolete items		
Balance as on 01 July	27,248	27,181
Less: Provision made during the year (Note 25)	3,928	67
Balance as on 30 June	31,176	27,248
16. STOCK-IN-TRADE		
Raw materials	126,732	144,746
Work-in-process	62,185	84,228
Finished goods	431,394	401,936
Waste stock	9,195	210
	629,506	631,120

16.1 Stock-in-trade of Rupees 424.783 million (2022: Rupees 0.210 million) is being valued at net realizable value.

16.2 The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 16.541 million (2022: Rupees Nil).

	2023 (Rupees in thousand)	2022
17. TRADE DEBTS		
Considered good:		
Unsecured:		
- Suraj Cotton Mills Limited - associated company (Note 17.1 and 17.2)	-	5,249
- Others	542,236	906,126
	542,236	911,375
Less: Allowance for expected credit losses (Note 17.3)	(6,147)	(7,794)
	536,089	903,581
17.1 The age analysis of this receivable is as follows:		
Not past due	-	-
Upto 1 month	-	5,249
1 to 6 months	-	-
More than 6 months	-	-
17.2 This is neither past due nor impaired. The maximum aggregate amount receivable from the associated company at the end of any month during the year was Rupees 5.249 million (2022: Rupees 14.626 million)		
	2023 (Rupees in thousand)	2022
17.3 Allowance for expected credit losses		
Balance as on 1 July	7,794	3,151
Add: Recognized during the year (Note 25)	-	4,643
Less: Reversal during the year (Note 26)	(1,647)	-
Balance as on 30 June	6,147	7,794

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	2023 (Rupees in thousand)	2022
17.4 Type of counterparties		
Corporate	539,643	874,987
Others	2,593	36,388
	542,236	911,375

18. ADVANCES**Considered good:**

Advances to employees - interest free	928	764
Advances to suppliers	1,265	639
Letters of credit	168	2,868
	2,361	4,271

19. OTHER RECEIVABLES**Considered good:**

Due from associated companies (Note 19.1)	2,425	189
Duty drawback receivable	22,388	22,388
Cotton claim receivable	-	4,463
Margin against bank guarantee	8,000	8,000
	32,813	35,040

19.1 This represents amount due from Crescent Powertec Limited - associated company in the ordinary course of business. This is neither past due nor impaired. The maximum aggregate amount due from an associated company at the end of any month during the year was Rupees 2.421 million (2022: Rupees 0.909 million).

	2023 (Rupees in thousand)	2022
20. CASH AND BANK BALANCES		
Cash with banks:		
On deposit accounts (Note 20.1)	17,750	9,279
On current accounts	7,575	2,134
	25,325	11,413
Cash in hand	411	789
	25,736	12,202

20.1 Rate of profit on bank deposits ranges from 12.25% to 19.50% (2022: 5.50% to 12.25%) per annum.

	2023 (Rupees in thousand)	2022
21. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Export sales	114,926	223,184
Local sales (Note 21.1 and 21.2)	3,194,088	8,451,756
	3,309,014	8,674,940
21.1 Local sales		
Sales	3,437,955	9,888,568
Less: Sales tax	(243,867)	(1,436,812)
	3,194,088	8,451,756

NOTES TO THE FINANCIAL STATEMENTS
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21.2 Local sales include waste sales of Rupees 85.468 million (2022: Rupees 358.521 million).

21.3 The amount of Rupees 164.343 million included in contract liabilities (Note 6) on 30 June 2022 has been recognized as revenue in 2023 (2022: 51.969 Rupees million).

21.4 Revenue is recognized at a point in time as per the terms and conditions of underlying contracts with customers. Sales of yarn represent 97.42% (2022: 95.87%) of the total sales of the Company. Remaining sales represent waste sales. 96.52% (2022: 97.43%) of the sales of the Company relate to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 100% (2022: 100%) of those sales are made to customers in China.

	2023 (Rupees in thousand)	2022
22. COST OF SALES		
Raw materials consumed (Note 22.1)	2,715,004	6,511,672
Salaries, wages and other benefits (Note 22.2)	155,749	448,129
Stores and spare parts consumed	60,937	116,727
Packing materials consumed	33,342	92,772
Repair and maintenance	14,084	13,957
Fuel and power	330,178	597,994
Insurance	6,007	6,392
Other factory overheads	7,730	7,733
Depreciation (Note 11.1.2)	56,992	59,324
	3,380,023	7,854,700
Work-in-process		
Opening stock	84,228	60,331
Less: Closing stock	(62,185)	(84,228)
	22,043	(23,897)
Cost of goods manufactured	3,402,066	7,830,803
Finished goods and waste		
Opening stock	402,146	606,424
Less: Closing stock	(440,589)	(402,146)
	(38,443)	204,278
Cost of sales	3,363,623	8,035,081
22.1 Raw materials consumed		
Opening stock	144,746	241,791
Add: Purchased during the year	2,696,990	6,414,627
	2,841,736	6,656,418
Less: Closing stock	(126,732)	(144,746)
	2,715,004	6,511,672
22.2 Salaries, wages, and other benefits include provident fund contribution of Rupees 1.083 million (2022: Rupees 5.627 million) by the Company.		
	2023 (Rupees in thousand)	2022
23. DISTRIBUTION COST		
Salaries and other benefits (Note 23.1)	1,565	2,185
Freight and forwarding - export	5,182	6,271
Freight - local	4,469	2,618
Commission to selling agents	25,630	58,034
	36,846	69,108

NOTES TO THE FINANCIAL STATEMENTS
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23.1 Salaries and other benefits include provident fund contribution of Rupees 0.046 million (2022: Rupees 0.072 million) by the Company.

	2023 (Rupees in thousand)	2022
24. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 24.1)	65,511	55,222
Directors' meeting fee	740	600
Rent, rates and taxes (Note 24.2)	3,525	3,300
Insurance	470	585
Travelling and conveyance	7,003	6,096
Vehicles' running	5,761	3,850
Entertainment	1,686	1,159
Legal and professional	2,785	2,104
Auditor's remuneration (Note 24.3)	1,400	1,320
Advertisement	434	84
Postage and telephone	1,669	1,419
Electricity and gas	3,365	2,587
Printing and stationery	1,195	1,009
Repair and maintenance	4,334	3,380
Fee and subscription	8,186	5,220
Depreciation (Note 11.1.2)	8,227	6,190
Miscellaneous	5	5
	116,296	94,130

24.1 Salaries and other benefits include provident fund contribution of Rupees 1.943 million (2022: Rupees 1.748 million) by the Company.

24.2 This include rent expense relating to lease of low value assets.

	2023 (Rupees in thousand)	2022
24.3 Auditor's remuneration		
Audit fee	1,070	990
Half yearly review	165	165
Other certifications	110	110
Out-of-pocket expenses	55	55
	1,400	1,320

25. OTHER EXPENSES		
Workers' profit participation fund (Note 6.4)	-	19,692
Workers' welfare fund (Note 6.5)	-	7,463
Allowance for expected credit losses (Note 17.3)	-	4,643
Provision for slow moving and obsolete stores and spare parts (Note 15.1)	3,928	67
	3,928	31,865

	2023 (Rupees in thousand)	2022
26. OTHER INCOME		
Income from financial assets		
Dividend income (Note 26.1)	22,686	900
Gain on redemption of mutual funds	3,653	-
Exchange gain - net	31,108	180
Profit on deposits with banks	5,643	19
Reversal of allowance for expected credit losses (Note 17.3)	1,647	-
	64,737	1,099

NOTES TO THE FINANCIAL STATEMENTS
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	2023 (Rupees in thousand)	2022
Income from assets other than financial assets		
Gain on sale of property, plant and equipment (Note 11.1.1)	9,691	2,122
Scrap sales	33,629	6,029
Rental income	6,564	8,213
	49,884	16,364
	114,621	17,463
26.1 Dividend income		
Other than related parties:		
Crescent Cotton Mills Limited	133	-
EFU Life Assurance Limited	256	900
MCB Cash Management Optimizer	22,297	-
	22,686	900
27. FINANCE COST		
Mark-up on:		
Short term borrowings	8,541	81,305
Interest on employees' provident fund	-	139
Interest on workers' profit participation fund (Note 6.4)	114	1,009
Bank charges and commission	1,982	12,245
Adjustment due to impact of IFRS 9 on GIDC (Note 5)	21	1,840
	10,658	96,538
28. TAXATION		
For the year		
Current tax (Note 28.1)	45,757	147,823
Deferred tax	-	-
Prior year		
Current tax	(181)	(2,294)
	45,576	145,529

28.1 The provision for current tax represents minimum tax on local sales and, final tax on export sales, dividend income and capital gain.

	2023 (Rupees in thousand)	2022
28.2 Reconciliation between tax expense and accounting (loss) / profit		
Accounting (loss) / profit before taxation	(107,716)	365,681
Applicable tax rate	29%	29%
Tax on accounting (loss) / profit	(31,238)	106,047
Tax effect of change in prior year's tax	(181)	(2,294)
Tax effect of final tax regime	(9,546)	(503)
Tax effect due to adjustment of brought forward losses	-	(8,857)
Tax effect due to minimum tax	81,426	1,851
Tax effect due to super tax	-	39,732
Others	5,115	9,553
	45,576	145,529

NOTES TO THE FINANCIAL STATEMENTS
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	2023	2022
29. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic earnings per share which is based on:		
(Loss) / Profit attributable to ordinary shares (Rupees in thousand)	(153,292)	220,152
Weighted average number of ordinary shares (Numbers)	8,640,000	8,640,000
(Loss) / Earnings per share (Rupees)	(17.74)	25.48
	2023	2022
	(Rupees in thousand)	
30. CASH GENERATED FROM OPERATIONS		
(Loss) / Profit before taxation	(107,716)	365,681
Adjustments for non-cash charges and other items:		
Depreciation	65,219	65,514
Finance cost	10,658	96,538
Gain on sale of property, plant and equipment	(9,691)	(2,122)
Gain on redemption of mutual funds	(3,653)	-
Dividend income	(22,686)	(900)
Exchange gain	(31,108)	(180)
(Reversal) / allowance for expected credit losses	(1,647)	4,643
Profit on deposits with banks	(5,643)	(19)
Provision for slow moving and obsolete stores and spare parts	3,928	67
Provision for workers' profit participation fund	-	19,692
Provision for workers' welfare fund	-	7,463
Working capital changes (Note 30.1)	301,065	123,166
	198,726	679,543
30.1 Working capital changes		
Decrease / (increase) in current assets:		
- Stores and spare parts	(7,388)	(24,701)
- Stock-in-trade	1,614	277,426
- Trade debts	400,247	(172,995)
- Advances	1,910	3,055
- Other receivables	2,227	(5,111)
- Sales tax refundable	(487,240)	-
	(88,630)	77,674
Increase in trade and other payables	389,695	45,492
	301,065	123,166
30.2 Reconciliation of movement of liabilities to cash flows arising from financing activities		
	2023	
	Liabilities from financing activities	
	Short term borrowings	Unclaimed dividend
	(Rupees in thousands)	
Balance as at 01 July 2022	156,539	4,627
Short term borrowings - obtained	1,038,904	-
Short term borrowings - repaid	(1,087,145)	-
Dividend paid	-	(5)
Balance as at 30 June 2023	108,298	4,622

NOTES TO THE FINANCIAL STATEMENTS
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	2022	
	Liabilities from financing activities	
	Short term borrowings	Unclaimed dividend
	(Rupees in thousands)	
Balance as at 01 July 2021	549,008	4,334
Short term borrowings - obtained	4,549,922	-
Short term borrowings - repaid	(4,942,391)	-
Dividend declared	-	17,280
Dividend paid	-	(16,987)
Balance as at 30 June 2022	156,539	4,627

30.3 There are no non-cash financing activities during the year.

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration including all benefits to Chief Executive, Director and Executives of the Company is as follows:

	Chief Executive		Director		Executives	
	2023	2022	2023	2022	2023	2022
	(Rupees in thousand)					
Managerial remuneration	14,086	12,910	8,543	7,653	6,463	3,113
Allowances						
House rent	6,339	5,810	3,844	3,444	2,909	1,403
Conveyance	-	-	-	-	242	311
Medical	-	-	-	-	506	218
Utilities	1,409	1,291	854	765	484	305
Other	-	-	-	-	-	-
Contribution to provident fund	845	775	513	459	226	187
	22,679	20,786	13,754	12,321	10,830	5,537
Number of persons	1	1	1	1	3	2

31.1 Chief executive, director and executives of the Company are provided with fully maintained vehicles.

31.2 Non-executive directors of the Company were paid Rupees 0.740 million (2022: Rupees 0.600 million) as meeting fee.

31.3 No remuneration was paid to non-executive directors of the Company.

32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related parties, staff retirement benefit fund and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	2023 (Rupees in thousand)	2022
Associated companies		
Sale of goods and services	5,452	99,279
Purchase of goods and services	2,455	10,812
Purchase of operating fixed asset	7,788	-
Insurance premium	7,513	8,179
Rent expense	3,300	3,300
Fund received	-	50,000
Fund paid	-	50,000
Dividend paid	-	5,863
Other related parties		
Company's contribution to employees' provident fund trust	3,073	7,447
Dividend paid	-	6,127
Loan obtained from chief executive and his spouse	8,000	76,800
Loan repaid to chief executive and his spouse	79,000	50,052
Loan obtained from director	29,350	-
Loan repaid to director	10,000	-

32.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in Note 31.

32.2 Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place:

Name of the related party	Basis of relationship	Transactions entered or agreements and /or arrangements in place during the financial year		Percentage of shareholding
		2023	2022	
Suraj Cotton Mills Limited	Common directorship	Yes	Yes	None
Crescent Powertec Limited	Common directorship	Yes	Yes	19.91%
The Shams Textile Mills Limited				
Employees Provident Fund Trust	Post-employment benefit plan	Yes	Yes	None
Premier Insurance Limited	Common directorship	Yes	Yes	4.62%
The Crescent Textile Mills Limited	Common directorship	Yes	Yes	9.40%
Crescent Jute Products Limited	Common directorship	No	No	None
S2 Power Limited	Common directorship	No	No	None
S2 Solar Limited	Common directorship	No	No	None
Crescent Agri (Private) Limited	Common directorship	No	No	None
Crescent Venture (Private) Limited	Common directorship	No	No	None
Crescot Mills Limited	Common directorship	No	No	None
S2 Hydro Limited	Common directorship	No	No	None
Bhikki Spinning Mills (Private) Limited	Common directorship	No	No	None
Crescent Retail (Private) Limited	Common directorship	No	No	None
Crescent Group (Private) Limited	Common directorship	No	No	None
Suraj Brands (Private) Limited	Common directorship	No	No	None
Suraj Fabrics Limited	Common directorship	No	No	None
Bridgeline Global Logistics (Private) Limited	Common directorship	No	No	None
Mohammad Amin Mohammad				
Bashir Limited	Common directorship	No	Yes	None
Crescent Educational Trust	Director is trustee of the Trust	No	No	None

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Name of the related party	Basis of relationship	Transactions entered or agreements and /or arrangements in place during the financial year		Percentage of shareholding
		2023	2022	
Mr. Khalid Bashir	Chief Executive Officer	Yes	Yes	None
Mr. Muhammad Anwar	Director	Yes	Yes	None
Mr. Adil Bashir	Director	Yes	Yes	None
Mr. Shahid Arshad	Director	Yes	Yes	None
Mr. Khurram Mazhar Karim	Director	Yes	Yes	None
Mr. Muhammad Shafiq Gill	Director	Yes	Yes	None
Mr. Asif Bashir	Director	Yes	Yes	None
Ms. Minail Mishal Adamjee	Director	Yes	Yes	None
Ms. Tanveer Khalid Bashir	Spouse of Chief Executive	No	Yes	None

33. PROVIDENT FUND

As at the reporting date, The Shams Textile Mills Limited Employees Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan.

	2023	2022
34. NUMBER OF EMPLOYEES		
Number of employees as on 30 June	386	275
Average number of employees during the year	280	1,282

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

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

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

As at the reporting date, there are no significant receivables or payables in foreign currencies. Hence, the Company is not exposed to currency risk.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

NOTES TO THE FINANCIAL STATEMENTS
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Index	Impact on statement of comprehensive income (fair value reserve)	
	2023 (Rupees in thousand)	2022
PSX (5% increase)	2,258	2,6301
PSX (5% decrease)	(2,258)	(2,630)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as FVTOCI.

(iii) Interest rate risk

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

The Company has no long-term interest-bearing asset. The Company's interest rate risk arises from short term borrowings and bank balances in deposit accounts. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2023 (Rupees in thousand)	2022
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
Floating rate instruments		
Financial assets	-	-
Bank balances - deposit accounts	17,750	9,279
Financial liabilities		
Short term borrowings	108,298	156,539

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 0.905 million (2022: profit after taxation for the year would have been Rupees 1.370 million lower / higher) higher / lower mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	2023 (Rupees in thousand)	2022
Long term investments	45,150	52,592
Long term security deposits	7,736	7,736
Trade debts	536,089	903,581
Advances	928	764
Other receivables	10,425	12,652
Bank balances	25,325	11,413
	625,653	988,738

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

	Rating			2023	2022
	Short Term	Long Term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	103	102
MCB Bank Limited	A1+	AAA	PACRA	24,239	9,515
Faysal Bank Limited	A1+	AA	PACRA	860	851
Allied Bank Limited	A1+	AAA	PACRA	35	35
United Bank Limited	A-1+	AAA	VIS	37	842
The Bank of Punjab	A1+	AA+	PACRA	-	22
BankIslami Pakistan Limited	A1	AA-	PACRA	-	3
Finca Microfinance Bank Limited	A-2	A-	VIS	51	41
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	2
				25,325	11,413
Investments					
Premier Insurance Limited		A+	PACRA	3,695	3,208
Samba Bank Limited	A-1	AA	VIS	21,615	27,199
EFU Life Assurance Limited		AA++	VIS	12,514	12,313
Crescent Cotton Mills Limited		Unknown	-	5,986	8,072
Crescent Fibres Limited		Unknown	-	1,320	1,776
Jubilee Spinning and Weaving Mills Limited		Unknown	-	20	24
				45,150	52,592
				70,475	64,005

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

Trade debts

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained from these customers to calculate the net exposure towards these customers. The Company has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of time before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product, Unemployment, Interest and the Inflation Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows:

At 30 June 2023

	Local Sale			Export Sale		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	(Rupees in thousand)		%	(Rupees in thousand)	
Not past due	0.00%	527,903	-	0.00%	-	-
Up to 30 days	3.00%	578	17	0.00%	-	-
31 to 60 days	5.80%	3,980	222	0.00%	-	-
61 to 90 days	22.92%	3,379	774	0.00%	-	-
91 to 180 days	38.57%	2,003	773	0.00%	-	-
181 to 360 days	62.85%	87	55	0.00%	-	-
Above 360 days	100.00%	4,306	4,306	100.00%	-	-
		542,236	6,147		-	-

At 30 June 2022

	Local Sale			Export Sale		
	Expected loss rate	Trade debts	Loss allowance	Expected loss rate	Trade debts	Loss allowance
	%	(Rupees in thousand)		%	(Rupees in thousand)	
Not past due	0.00%	804,401	-	0.00%	-	-
Up to 30 days	3.27%	92,688	3,027	0.00%	-	-
31 to 60 days	4.94%	5,410	267	0.00%	-	-
61 to 90 days	20.35%	1,355	276	0.00%	-	-
91 to 180 days	40.17%	3,588	1,441	0.00%	-	-
181 to 360 days	60.80%	2,936	1,786	0.00%	-	-
Above 360 days	100.00%	997	997	100.00%	-	-
		911,375	7,794		-	-

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2023, the Company had Rupees 991.702 million (2022: Rupees 943.461 million) available borrowing limits from financial institutions and Rupees 25.736 million (2022: Rupees 12.202 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2023

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
			(Rupees in thousand)			
Non-derivative financial liabilities:						
Trade and other payables	1,211,847	1,211,847	1,211,847	-	-	-
Accrued mark-up	4,959	4,959	4,959	-	-	-
Short term borrowings	108,298	108,298	108,298	-	-	-
Unclaimed dividend	4,622	4,622	4,622	-	-	-
	1,329,726	1,329,726	1,329,726	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Contractual maturities of financial liabilities as at 30 June 2022

	Carrying Amount	Contractual cash flows	6 months or less	6-12 months	1-2 Years	More than 2 Years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Trade and other payables	766,661	766,661	766,661	-	-	-
Accrued mark-up	9,284	9,284	9,284	-	-	-
Short term borrowings	156,539	162,679	162,679	-	-	-
Unclaimed dividend	4,627	4,627	4,627	-	-	-
	937,111	943,251	943,251	-	-	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 8 to these financial statements.

35.2 Financial instruments by categories

	Amortized cost	FVTOCI	Total
	(Rupees in thousand)		
Assets as per statement of financial position			
As at 30 June 2023			
Long term investments	-	45,150	45,150
Long term security deposits	7,736	-	7,736
Trade debts	536,089	-	536,089
Advances	928	-	928
Other receivables	10,425	-	10,425
Cash and bank balances	25,736	-	25,736
	580,914	45,150	626,064

	Amortized cost	FVTOCI	Total
	(Rupees in thousand)		
As at 30 June 2022			
Long term investments	-	52,592	52,592
Long term security deposits	7,736	-	7,736
Trade debts	903,581	-	903,581
Advances	764	-	764
Other receivables	12,652	-	12,652
Cash and bank balances	12,202	-	12,202
	936,935	52,592	989,527

	Financial liabilities at amortized cost	
	2023	2022
	(Rupees in thousand)	
Liabilities as per statement of financial position		
Trade and other payables	1,211,847	766,661
Accrued mark-up	4,959	9,284
Short term borrowings	108,298	156,539
Unclaimed dividend	4,622	4,627
	1,329,726	937,111

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

35.3 Reconciliation to the line items presented in the statement of financial position is as follows:

2023			
Financial assets	Non-financial assets	Assets as per statement of financial position	
(Rupees in thousand)			
Assets			
Long term investments	45,150	-	45,150
Long term security deposits	7,736	-	7,736
Trade debts	536,089	-	536,089
Advances	928	1,433	2,361
Other receivables	10,425	22,388	32,813
Cash and bank balances	25,736	-	25,736
	626,064	23,821	649,885

2023			
Financial liabilities	Non-financial liabilities	Liabilities as per statement of financial position	
(Rupees in thousand)			
Liabilities			
Trade and other payables	1,211,847	152,076	1,363,923
Accrued mark-up	4,959	-	4,959
Short term borrowings	108,298	-	108,298
Unclaimed dividend	4,622	-	4,622
	1,329,726	152,076	1,481,802

2022			
Financial assets	Non-financial assets	Assets as per statement of financial position	
(Rupees in thousand)			
Assets			
Long term investments	52,592	-	52,592
Long term security deposits	7,736	-	7,736
Trade debts	903,581	-	903,581
Advances	764	3,507	4,271
Other receivables	12,652	22,388	35,040
Cash and bank balances	12,202	-	12,202
	989,527	25,895	1,015,422

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2022		
Financial liabilities	Non-financial liabilities	Liabilities as per statement financial of position

(Rupees in thousand)

Liabilities			
Trade and other payables	766,661	349,058	1,115,719
Accrued mark-up	9,284	-	9,284
Short term borrowings	156,539	-	156,539
Unclaimed dividend	4,627	-	4,627
	937,111	349,058	1,286,169

35.4 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

36. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and 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 shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent short term borrowings obtained by the Company as referred to in note 8. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'.

		2023	2022
Borrowings	Rupees in thousand	108,298	156,539
Total equity	Rupees in thousand	943,701	1,104,435
Total capital employed	Rupees in thousand	1,051,999	1,260,974
Gearing ratio	Percentage	10.29	12.41

Decrease in gearing ratio is due to decrease in borrowings.

37. UNUTILIZED CREDIT FACILITIES

Non-funded		Funded	
2023	2022	2023	2022

(Rupees in thousand)

Total facilities	800,000	800,000	1,100,000	1,100,000
Utilized at the end of the year	(127,298)	(40,311)	(108,298)	(156,539)
Unutilized at the end of the year	672,702	759,689	991,702	943,461

2023		2022	
------	--	------	--

38. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	51,312	56,352
Number of spindles operated	7,103	41,214
100% plant capacity converted to 20s on 3 shifts per day (Kgs)	19,346,188	21,380,128
Actual production converted to 20s on 3 shifts per day (Kgs)	1,361,707	13,784,796

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

38.1 Reasons for low production:

Under utilization of available capacity was due to temporary closure of Company's spinning units due to low demand.

39. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL STATEMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 30 June 2023	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

(Rupees in thousands)

Financial assets				
Fair value through other comprehensive income	45,150	-	-	45,150
Total financial assets	45,150	-	-	45,150

Recurring fair value measurements At 30 June 2022	Level 1	Level 2	Level 3	Total
--	---------	---------	---------	-------

(Rupees in thousands)

Financial assets				
Fair value through other comprehensive income	52,592	-	-	52,592
Total financial assets	52,592	-	-	52,592

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation technique used to value financial instruments was use of quoted market prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

40 DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

	Note	2023 (Rupees in thousand)	2022
Description			
Loan / advances obtained as per Islamic mode:			
Loans	8	-	-
Contract liabilities	6	115,546	172,115
Shariah compliant bank deposits / bank balances			
Bank balances	20	96	98
Profit earned from shariah compliant bank deposits / bank balances			
Profit on deposits with banks	26	-	-
Revenue earned from shariah compliant business	21	3,309,014	8,674,940
Gain or dividend earned from shariah complaint investments		-	-
Exchange gain	26	31,108	(180)
Mark-up paid on Islamic mode of financing		-	-
Profits earned or interest paid on any conventional loan / advance			
Interest paid on loans		12,866	79,412
Profit earned on deposits with banks	26	5,643	19
Relationship with shariah compliant banks			
Name	Relationship		
Bank Islami Pakistan Limited	Bank balance		
National Bank of Pakistan (Islamic)	Bank balance		

41 OPERATING SEGMENTS

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

Sales of yarn represents 97.42% (2022: 95.87%) of the total sales of the Company.

96.52% (2022: 97.43%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 100% (2022: 100%) of those sales are made to customers in China.

All non-current assets of the Company at 30 June 2023 are located in Pakistan.

56.87% (2022: 28%) of the total sales of the Company are made to a single customer in Pakistan.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 28 September, 2023 by the Board of Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

43 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison.

44 GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

The Companies ACT, 2017
The Companies (General Provisions and Forms) Regulations,
2018[Section 227(2)(f)]
Pattern of Shareholding

Form - 34

	PART - I
Name of The Company	Shams Textile Mills Limited
	PART - II

Pattern of Holding of the Shares held by the Shareholders as at :June 30, 2023

Number of Shareholders	Shareholding		Total Shares held
	From	To	
453	1	100	18,097
268	101	500	70,525
56	501	1,000	42,279
104	1,001	5,000	254,338
26	5,001	10,000	194,706
15	10,001	15,000	194,711
6	15,001	20,000	99,599
5	20,001	25,000	113,264
9	25,001	30,000	244,931
4	30,001	35,000	134,921
4	35,001	40,000	150,329
1	45,001	50,000	49,364
1	55,001	60,000	55,983
1	70,001	75,000	74,209
1	85,001	90,000	89,500
1	110,001	115,000	110,806
1	120,001	125,000	125,000
1	225,001	230,000	229,994
1	260,001	265,000	263,067
1	295,001	300,000	296,460
1	310,001	315,000	313,979
1	395,001	400,000	399,000
1	610,001	615,000	613,999
1	810,001	815,000	812,160
1	945,001	950,000	949,726
1	1,015,001	1,020,000	1,018,998
1	1,720,001	1,725,000	1,720,055
966			8,640,000

As On: June 30, 2023

2.3 Categories of Shareholder	Share held	Percentage
2.3.1 - Directors, CEO, Their Spouse and Minor Childern	2,543,578	29.44
2.3.2 - Associated Companies, Undertakings & Related Parties	2,931,265	33.93
2.3.3 - NIT & ICP	1,018,998	11.79
2.3.4 - Banks, DFIs, NBFCs	14,759	0.17
2.3.5 - Insurance Companies	300	0.00
2.3.6 - Modarabas and Mutual Funds	13,151	0.15
2.3.8 - A. General Public (Local)	1,909,119	22.10
2.3.9 - A. Other Companies (Local)	208,830	2.42
	8,640,000	100.00

Shareholders More Than 10.00%		
CRESCENT POWERTEC LIMITED	1,720,105	19.91
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,018,998	11.79
KHALID BASHIR	949,726	10.99

Notice to the Shareholders in terms of section 244 of the Companies Act 2017, to files their respective claims in respect of unpaid Dividend that remained unclaimed for a period of three years (or more)

Dear Shareholder,

In terms of section 244 of the Companies Act, 2017 (the Act) promulgated on May 30, 2017, Companies are required to deposit with the Federal Government, all the dividends, which remain unclaimed or unpaid for a period of three years from the date of issue. In view of the forgoing, it is to inform you that if you have any outstanding/unclaimed dividend(s), in respect of your account, you are therefore, advised to contact and lodge your claim to the share Registrar of the Company at following address and arrange to receive your cheque against unclaimed/outstanding dividend after completing necessary formalities.

M/s Corptec Associates (Pvt) Ltd.

503-E Johar Town Lahore
Tel:042-35170335 -7

You are requested to submit your claim along with supporting evidence at your very earliest.

Yours sincerely

Company Secretary

Mandatory Requirement of Bank Account Details for Electronic Credit of Cash Dividend Payment as Per the Companies Act, 2017

Date: 28 September, 2023

Dear Shareholder,

This is to inform you that in accordance with the section 242 of the Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly into the bank account designed by the entitled shareholders. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in book Entry Form) OR to our Share Registrar M/s. Corptec Associates (Pvt) Ltd. 503-E Johar Town Lahore. (in case your shareholding is in Physical Form):

Details of Shareholders	
Name of Shareholders	
Folio / CDC Account No.	
CNIC No. (Copy attached)	
Cell number of shareholders	
Landline number of shareholders, if any	
Email	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	PK_____ (24 digit) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the Company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and address	
It is stated that the above mentioned information is correct and in case of any change herein, I / We will immediately intimate Participant / Share Registrar accordingly.	
_____ Signature of Shareholders	

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- 👤 Risk profiler*
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PROXY

I/We _____
 _____ of _____ being a member of Shams Textile
 Mills Limited and holder of _____ shares as per
 Registered Folio No. _____

For Beneficial Owners as per CDC list CDC Participant I. D. N o. _____ Sub-AccountNo. _____ NICNo. _____ or Passport N o. _____

hereby appoint _____ of _____ who is also a member of the
 Company, Folio No. _____ or failing him/her _____
 of _____ who is also member of the Company vide Registered Folio No. _____ as
 my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the 56th Annual General Meeting
 of the Company to be held on Saturday, 28 October, 2023 at 9:00 a.m. at Registered Office, 7-B-3,
 Aziz Avenue, Gulberg-5 Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2023. Signature of the Shareholder _____

For Beneficial owners as per CDC list

1-Witness:

Signature _____
 Name _____
 Address _____

2-Witness:

Signature _____
 Name _____
 Address _____

Affix Revenue of Stamps of Rs. 5/-
--

 Signature of Member

Note:

- Proxies in order to be effective must be received at the Registered Office of the Company at 7-B-3, Aziz Avenue, Gulberg-5, Lahore not later than 48 hours before the meeting.
- CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.

شمس ٹیکسٹائل ملز لمیٹڈ
تشکیل نیابت داری (پراکسی فارم)
۵۶ واں سالانہ اجلاس عام

میں / ہم
ساکن۔ بحیثیت شمس ٹیکسٹائل ملز لمیٹڈ رکن (ممبر) اور حامل ہیں۔
عام حصص کے مطابق درج شدہ فولیو نمبر۔ اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر۔
اور ذیلی کھاتہ نمبر۔ محترم محترم
ساکن۔ یا بصورت دیگر محترم محترم
ساکن۔ کو اپنی جگہ بروز ہفتہ ۲۸ اکتوبر ۲۰۲۳ء دن ۹:۰۰ بجے صبح بمقام کمپنی کے رجسٹرڈ آفس (۷ بی ۳،
عزیز ایونیو، گلبرگ ۵، لاہور) میں منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں رائے دہندگی کے لیے اپنا نماندہ مقرر کرتا
کرتی ہوں۔
مورخہ۔۔۔۔۔ دن۔۔۔۔۔ ۲۰۲۳

ریونیو چسپاں کریں

گواہ

(دستخط کمپنی میں پہلے سے موجود

۱) دستخط۔۔۔۔۔

نمونہ کہ مطابق ہونے چاہیے)

نام۔۔۔۔۔

پتہ۔۔۔۔۔

سی این آئی سی۔۔۔۔۔

۲) دستخط۔۔۔۔۔

نام۔۔۔۔۔

پتہ۔۔۔۔۔

سی این آئی سی۔۔۔۔۔

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