SHAMS TEXTILE MILLS LIMITED

ANNUAL REPORT 2018

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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	
Sharik Bashir	

Chief Executive Officer
Khalid Bashir

Chief Financial Officer
Farooq Ahmad

Company Secretary
Hashim Tariq

Audit Committee	
Khurram Mazhar Karim	(Chairman)
Muhammad Anwar	(Member)
Asif Bashir	(Member)
Tariq Javed	(Secretary)

Human Resource & Remuneration Committee	
Asif Bashir	(Chairman)
Muhammad Anwar	(Member)
Khurram Mazhar Karim	(Member)

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

Auditors
Riaz Ahmad & Company
Chartered Accountants

Bankers
Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
United Bank Limited
Habib Metropolitan Bank Limited

Registered Office
7-B-III, Aziz Avenue, Gulberg-V, Lahore
Ph: +92-423-576 0379, 576 0382
Fax: +92-423-576 0376
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 24,960 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 Sheikhupura 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 22,176 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) REGULATION, 2017

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

1. The total number of directors are **08** as per the following:

   a. Male: **8**

   b. Female: **NIL**

2. The composition of board is as follows:

   a) Independent Directors: NIL (Since there was no contestant for independent director so shareholders did not elect)

   b) Other Non-executive Directors: **06** as named hereunder

      i. Mr. Adil Bashir;
      ii. Mr. KhurramMazhar Karim;
      iii. Mr. Muhammad Anwar;
      iv. Mr. Shahid Arshad;
      v. Mr. Sharik Bashir; and
      vi. Mr. Muhammad ShafiqGill.

   c) Executive Directors: **02** as named hereunder

      i. Mr. Khalid Bashir (CEO); and
      ii. Mr. Asif Bashir.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors is in the process of developing a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. Five Directors and Chief Executive are exempt from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining 2 directors will undergo Directors' Training Programme within the time allowed by CCG.

10. The board has approved appointment of CFO, 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. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

    a) Audit Committee (Name of members and Chairman)

       Mr. Khurram Mazhar Karim (Chairman)

       Mr. Muhammad Anwar (Member)

       Mr. Asif Bashir (Member)

    b) HR and Remuneration Committee (Name of members and Chairman)

       Mr. Asif Bashir (Chairman)

       Mr. Muhammad Anwar (Member)

       Mr. Khurram Mazhar Karim (Member)

13. The terms of reference of the audit committee has been formed, documented and advised to the committee for compliance. The terms of reference of the HR and Remuneration committee is in the process of being formed and documented and shall be 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: 05

    b) HR and Remuneration Committee: 0

15. The board 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 ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

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Signature (s)
(MUHAMMAD ANWAR)
Chairman

CHAIRMANS' REVIEW REPORT
ON BOARD OVERALL PERFORMANCE U/S 192 OF THE COMPANIES ACT 2017

I am pleased to present my review of Shams Textile Mills Ltd. The Company has performed well in these trying times of continuously increasing costs and regional competition. Our Board comprises of experienced professionals with a commitment towards the company and its objectives. The Board continues to guide management in all aspects of strategy as well as promoting efforts towards retaining an efficient management team. Shams Textile Mills Limited complies with all the statutory requirements as laid in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Shams Textile Mills Limited is carried out. During the year, the Board's Audit, Human Resource and Investment Committees worked diligently in helping achieve our goals. The Audit Committee reviewed the financial statements and worked to ensure an effective system of internal control. The Human Resource Committee continues to ensure that the compensation policies and evaluation systems serve to attract competent people. The Board recognizes the importance of the Code of Corporate Governance and seeks to implement it across the entire spectrum of the company.

I believe that the company is growing at the right pace and keeping itself abreast of the latest technologies available in the textile sector. We hope that we are able to build on our success in our core competencies and are also able to diversify in order to mitigate risk.

I pray for the continued success of the company.

Muhammad Anwar
Chairman, Board of Directors

October 08, 2018
Lahore

چیرمین رپورٹ

کمپنیز ایکٹ ۲۰۱۷ کی دفعہ ۱۹۲ کے تحت بورڈ کی مجموعی کارکردگی

میں شمس ٹیکسٹائل ملز لمیٹڈ کا جائزہ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ کمپنی نے مسلسل بڑھتے ہوئے اخراجات اور علاقائی مقابلہ کے باوجود اچھی کارکردگی کا مظاہرہ کیا ہے۔ ہمارا بورڈ تجربہ کار لوگوں پر مشتمل ہے جو کمپنی اور اس کے مقاصد کے لئے پرعزم ہیں۔ بورڈ کو حکمت عملی کے تمام پہلوؤں میں انتظامیہ کے ساتھ ساتھ مؤثر ٹیم مینجمنٹ کو برقرار رکھنے کی کوششوں کی فروغ جاری رکھے ہے۔ شمس ٹیکسٹائل ملز لمیٹڈ میں کمپنیز ایکٹ ۲۰۱۷ اور فہرست شدہ (لیسٹڈ) کمپنیز (کوڈ آف کارپوریٹ گورننس) کے ضابطے، ۲۰۱۷ میں بیان کردہ تمام قانونی ضروریات پر عمل پیرا ہوئی ہے جن کا تعلق ڈائریکٹرز اور ان کی ذیلی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے سلسلے ہیں۔ جیسا کہ کارپوریٹ گورننس کے تحت ضروری ہے، شمس ٹیکسٹائل ملز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ تشخیص کی جاتی ہے۔ سال کے دوران بورڈ کے آڈٹ، انسانی وسائل اور انویسٹمنٹ کمیٹیوں نے کمپنی کے مقاصد کو حاصل کرنے کے لیے کام کیا ہے۔ آڈٹ کمیشن نے مالی بیانات کا جائزہ لیا ہے اور اندرونی کنٹرول کے مؤثر نظام کو یقینی بنانے کے لئے کام کیا ہے۔ انسانی وسائل کمیٹی نے معاوضہ کی پالیسیوں اور تشخیصی نظام کے اہل افراد کو اپنی طرف متوجہ کیا ہے۔ بورڈ نے کوڈ آف کارپوریٹ گورننس کی اہمیت کو تسلیم کیا ہے اور کمپنی کے پورے سپیکٹرم میں اسے لاگو کرنے کی کوشش کی ہے۔

مجھے یقین ہے کہ کمپنی صحیح رفتار سے بڑھ رہی ہے اور ٹیکسٹائل سیکٹر میں دستیاب جدید ترین ٹیکنالوجیوں میں خودمختار ہو جائے گی۔ ہم امید کرتے ہیں کہ ہم اپنی بنیادی صلاحیتوں سے کامیاب کریں گے اور خطرات کو کم کرنے میں کامیاب ہوں گے۔
میں کمپنی کی مسلسل کامیابی کے لیے دعا گو ہوں۔

محمد انور

چیرمین، بورڈ آف ڈائریکٹرز

اکتوبر ۸، ۲۰۱۸

لاہور۔

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the report on the performance of the Company for the year ending June 30, 2018. Unfortunately, the Textile Industry continues to perform poorly due to various factors. The major being its un-competitiveness as compared to other major suppliers. Your Company has shown an improved profit after tax of Rs. 101.184 Million. This is huge improvement over the performance of the previous year.

Operating Results

During the year under review net sales have shown an increase of 41.32% from Rs. 3,316million to Rs. 4,686million.

Export sales have increased from Rs. 671 million to Rs. 1,170 million. This has positively affected our bottom line. We have endeavored to concentrate on reducing costs where ever possible resulting in better gross profit figures.

(Rs. In Million)

	2018	2017
Sales	4,686	3,316
Gross profit	276	117
Operating expenses	108.46	105.59
Other income	35.82	15.40
Profit/(Loss) from operation	203.41	26.72
Finance cost	38.70	44.72
Profit/(Loss) before taxation	164.71	(18.00)
Provision for taxation	(63.53)	(32.39)
Profit/(Loss) after taxation	101.19	(50.39)
Profit/(Loss) per share (Rs.)	11.71	(5.83)

During the year under review energy situation was relatively stable and gas supplies were regular due to introduction of LNG. However this has resulted in increased cost of gas and hence increase in unit cost of energy. We have been using a mix of WAPDA and Gas generation to meet our needs. We have had to carry higher inventories during the year, resulting in increased financial charges. As usual the cotton crop has failed to meet the requirements of the domestic industry which has had to resort to heavy imports. We have converted our one unit to produce fine yarn only which has lead to lower costs.

Directors' Statement

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

b) Proper books of account of the Company have been maintained;

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from, if any, has been adequately disclosed and explained;

e) The System of Internal Control is sound in design and has been effectively implemented and monitored;

f) There are no doubts upon the listed company's ability to continue as a goingconcern.

g) Except as mentioned in Auditor's **Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017**, there has been no material departure from the best practices of corporate governance;

h) Key operating and financial data of last six years in a summarized form is annexed.

i) The following is the value of investment in respect of retirement benefit funds: Provident Fund: Rs. 167.901 Million (2017:Rs. 167.867 Million)

j) All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.

Board And Its Meetings

The total number of directors are **08** as per the following:

a. Male: **8**

b. Female: **NIL**

The composition of board is as follows:

a) Independent Directors: NIL (Since there was no contestant for independent director so shareholders did not elect)

b) Other Non-executive Directors: **06** as named hereunder

i. Mr. Adil Bashir;

ii. Mr. Khurram Mazhar Karim;

iii. Mr. Muhammad Anwar;

iv. Mr. Shahid Arshad;

v. Mr. Sharik Bashir; and

vi. Mr. Muhammad Shafiq Gill.

c) Executive Directors: **02** as named hereunder

i. Mr. Khalid Bashir (CEO); and

ii. Mr. Asif Bashir.

Four meetings of the Board of Directors were held during the year 2017-18. Attendance by each director was as under:

Sr. No.	Name of Director	No. Of Meetings Attended
1	Mr. Asif Bashir	4
2	Mr. Khalid Bashir	4
3	Mr. Muhammad Anwar	4
4	Mr. Muhammad Asif (NIT) *	2
5	Mr. Khurram Mazhar Karim	2
6	Mr. Shahid Arshad	4
7	Mr. Sharik Bashir	1
8	Mr. Adil Bashir	4
9	Mr. Muhammad Shafiq Gill *	-

(Leave of absence was granted to the Directors who could not attend the Board Meetings due to preoccupations)

* Mr. Muhammad Asif resigned as director on 25 April 2018 and Mr. Muhammad Shafiq Gill was appointed as director on 02 June 2018.

Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and five Audit Committee meetings were held

Sr. No.	Name of Members	No. Of Meetings Attended
1	Mr. Muhammad Anwar	5
2	Mr. Asif Bashir	5
3	Mr. Khurram Mazhar Karim	3

(However, leave of absence was granted to the Members who could not attend the Meeting(s) due to preoccupations)

Human Resource & Remuneration Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Human Resource & Remuneration Committee and the following directors are its members:

Sr. No.	Name of Members	
1.	Mr. Asif Bashir	Chairman
2.	Mr. Muhammad Anwar	Member
3.	Mr. Khurram Mazhar Karim	Member

No meeting held during the year.

Directors' Training Programme:

Five Directors and Chief Executive are exempt from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining 2 directors will undergo Directors' Training Programme within the time allowed by CCG.

Investor Value

The Board of Directors has recommended a final cash divided of Rs. 2.35/- per sharefor approval by the shareholders in the forthcoming Annual General Meeting.(2017: Nil).

The Break-up value per share for the year is Rs. 78.83/- (2017: Rs. 68.51/-)

Auditors

As recommended by the Audit Committee, the present auditors M/s Riaz Ahmad & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholding as required by section 227 of the Companies Act, 2017 along with additional information is enclosed.

Key Operating and Financial Data

The key operating and financial data for the last six years is annexed.

Environment, Health And Safety

The Company maintains safe working conditions avoiding the risk to the health of employees and public at large.

Corporate Social Responsibility (CSR)

The Company strongly believes in integration of corporate social responsibility into its business that are influenced directly or indirectly by our business.

Material Changes

There have been no material changes and commitments affecting the financial position of the company which have occurred between 30 June 2018 and 08 October 2018.

Impact Of Company's Business On Environment

Your company strives to follow best practices such as paper less environment and conserving energy.

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 programme 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 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.

Future Outlook

The companies Export performance during the year under review has been substantial. Our major customer China has been engaged in a Global Trade War with USA resulting in very poor demand of our products.

The cost of doing business has continued to show a rising trend. Supply position of raw material remains uncertain with very volatile prices. Polyester Fiber prices have risen astronomically due to high oil prices. The new crop season has arrived in a big way but quality remain poor and prices are volatile.

Acknowledgements

On behalf of the Board of Directors, I would take this opportunity to thank all our partners and employees for their continued support. I would also take this opportunity to express my gratitude to the Board for their valuable insights and guidance.

For & On behalf of Board of Directors

Khalid Bashir **Chief Executive**	**Muhammad Anwar** **Director**

October 08, 2018
Lahore

ڈائریکٹرتربیتی پروگرام:

کمپنی کے سات میں سے پانچ ڈائریکٹرز کو 14 سالہ تعلیم اورلسٹڈ کمپنیوں کے بورڈ پر 15 سالہ تجربہ کی بنیاد پراستثنیٰ حاصل ہے۔باقی ڈائریکٹرز ڈائریکٹرتربیتی پروگرام مقررہ وقت کے اندر کرلیں گے۔

سرمایہ کاری کی قیمت:

بورڈ آف ڈائریکٹرز کی جانب سے فی حصص 2.35 روپے ختمی نقد ڈیوڈنڈ کی تجویز دی گئی ہے جو آئندہ عام سالانہ اجلاس میں حصص داران کی منظوری سے مشروط ہے۔(2017: Nil)

اس سال کیلئے فی شیئر بریک اپ ویلیو 78.83 روپے رہی (2017: 68.51)۔

آڈیٹرز:

آڈٹ کمیٹی کی تجویز کے مطابق موجودہ آڈیٹرمیسرز ریاض احمد اینڈ کمپنی، ریٹائرڈ چارٹرڈ اکاؤنٹس دوبارہ بھرتی کیلئے اپلائی کرنے کے اہل ہیں۔

شیئر ہولڈنگ کا پیٹرن:

کمپنیز ایکٹ 2017 کی دفعہ 227 اور کوڈ آف کارپوریٹ گورننس کے تحت پیٹرن آف شیئر ہولڈنگ منسلک ہے۔

اہم انتظامی اور مالیاتی اعدادوشمار:

گزشتہ چھ سال کے اہم انتظامی اور مالیاتی اعدادوشمار منسلک ہیں۔

ماحول صحت اور حفاظت:

کمپنی ملازمین اور بڑے پیمانے پرعوام کی صحت پر اور خطرے سے بچنے کیلئے محفوظ کام کرنے والے حالات کو برقرار رکھتی ہے۔

کارپوریٹ سماجی ذمہ داری: (CSR)

کمپنی کارپوریٹ سماجی ذمہ داری کو کاروبار میں مظبوط انضمام میں یقین رکھتی ہے۔جو براہ راست یا غیر مستقیم ہمارے کاروبار سے منسلک ہے۔

مادی تبدیلیاں:

20 جون 2018ء اور 8 اکتوبر 2018ء کے درمیان واقعہ ہونے والی کمپنی کی مالی حیثیت کومتاثر کرنے میں کوئی مادی تبدیلی نہیں ہوئی ہے۔

کمپنی کے کاروبار کا ماحولیات پر اثرات:

آپ کی کمپنی بہترین ماحول کی پیروی کرنے کی کوشش کرتی ہے جیسے کہ کاغذ کا کم استعمال اور توانائی کی بچت ہے۔

مالیاتی خطرے کے انتظامات:

کمپنی کی سرگرمیاں مختلف قسم کی مالیاتی خطرات سے دوچار ہے۔(جن میں کرنسی کے خطرے، دیگر قیمت کے خطرے، شرح سود کے خطرے) ادھار کا خطرہ اور قرضے کے خطرے شامل ہیں۔کمپنی کا مجموعی رسک مینجمنٹ پروگرام مارکیٹ کی غیر متوقع صلاحیت پرتوجہ مرکوز کرتا ہے اور مالی کارکردگی پر ممکنہ منفی اثرات کوکم کرنے کی کوشش کرتا ہے۔کمپنی کے فنانس ڈیپارٹمنٹ کے ذریعے خطرے کی مدیعت بورڈ آف ڈائریکٹرز کی منظورشدہ پالیسیوں کے تحت کیے جاتے ہیں۔کمپنی کا مالیاتی شعبہ مالیاتی خطرات کا اندازہ کرتے ہیں اور اس کو ہجوم کرتے ہیں۔بورڈ مجموعی طور پر خطرے کے انتظام کے اصولوں کے تحت محسوس علاقوں جیسے کرنسی کا خطرہ، دیگر قیمت کے خطرے، سود کی شرح کے خطرے، قرضے کے خطرے، اُدھار کے خطرے اور خطرے کو پورا کرنے کے لیے پالیسیاں فراہم کرتا ہے۔

مستقبل پر نظر:

زیر جائزہ سال کے تحت کمپنی کی برآمدگی کارکردگی کافی اہم رہی ہے۔تاہم گلوبل کموڈیٹی مارکیٹ میں خرابی کے باعث ہم اپنی کارکردگی کودہرانہیں سکے۔ہمارا اہم گاہک چائنہ امریکہ کے ساتھ گلوبل تجارتی جنگ میں مشغول ہے جس کے نتیجے میں ہماری مصنوعات کی طلب میں کمی پائی گئی ہے۔

کاروبار کرنے کی لاگت میں بڑھتا ہوا رجان جاری رہا ہے۔خام مال کی فراہمی کی صورتحال بھی غیر مستحکم قیمتوں کی وجہ سے غیر یقنی رہی ہے۔تیل کی قیمتوں میں بے پناہ اضافے سے پولیسٹر فائبر کی قیمتیں بھی آسمان چھورہی ہیں۔نئی فصل کا موسم تیار ہو چکا ہے لیکن فصل غیر معیاری اور قیمتیں غیر مستحکم ہیں۔اگر تیار شدہ مصنوعات کی قیمتوں میں مماثلتی اضافہ نہ ہوا تو ہم اچھے نتائج نہیں دکھا سکیں گے۔

اظہار تشکر:

اس موقع سے فائدہ اُٹھاتے ہوئے میں بورڈ آف ڈائریکٹرز کی جانب سے تمام شراکت داروں اور ملازموں کی بھرپور حمایت اور حوصلہ افزائی کے لیے تہہ دل سے ان کا مشکور ہوں۔اور اس موقع سے فائدہ اُٹھاتے ہوئے میں بورڈ کا بھی بے حد مشکور ہوں جنہوں نے اپنی قیمتی بصیرت اور رہنمائی سے نوازا۔

خالد بشیر
چیف ایگزیکٹو

محمد انور
ڈائریکٹر

8 اکتوبر، 2018ء لاہور۔

بورڈ اوران کی ملاقاتیں:

ڈائریکٹرز کی کل تعداد 8 ہے۔ جو درج ذیل ہیں۔

ا۔ مرد 8 ب۔ خواتین -

بورڈ کی ساخت درج ذیل ہے۔

ا۔ آزاد خود مختار ڈائریکٹرز: - (چونکہ آزاد خود مختار ڈائریکٹرز کے لیے کوئی مقابلہ نہیں تھا لہذا حصص داروں نے کسی کو منتخب نہیں کیا۔

ب۔ دیگر غیر انتظامی ڈائریکٹرز: 6 جن کے نام درج ذیل ہیں۔

i۔ جناب عادل بشیر صاحب

ii۔ جناب خرم مظہر کریم صاحب

iii۔ جناب محمد انور صاحب

iv۔ جناب شاہد ارشد صاحب

v۔ جناب شارق بشیر صاحب

vi۔ جناب محمد شفیق گل صاحب

ج۔ انتظامی ڈائریکٹرز: 2 جن کے نام درج ذیل ہیں۔

i۔ جناب خالد بشیر صاحب

ii۔ جناب آصف بشیر صاحب

سال 2017 تا 2018 کے دوران بورڈ آف ڈائریکٹر کی چار میٹنگ ہوئیں۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

سریل نمبر	ڈائریکٹر کا نام	میٹنگ میں حاضری کی تعداد
1	جناب آصف بشیر صاحب	04
2	جناب خالد بشیر صاحب	04
3	جناب محمد انور صاحب	04
4	جناب محمد آصف صاحب (این۔آئی۔ٹی)	02
5	جناب خرم مظہر کریم صاحب	02
6	جناب شاہد ارشد صاحب	04
7	جناب شارق بشیر صاحب	01
8	جناب عادل بشیر صاحب	04
9	جناب محمد شفیق گل صاحب	-

تاہم غیر حاضری کی رخصت ان ڈائریکٹروں کو دی گئی جو کسی وجہ سے میٹنگ میں حاضر نہیں ہو سکتے تھے۔

محترم محمد آصف نے 25 اپریل 2018ء کو استعفیٰ دیا اور محترم محمد شفیق گل 2 جون 2018ء کو منتخب ہوئے۔

آڈٹ کمیٹی:

کوڈ آف کارپوریٹ گورننس کی تعمیل کیلئے بورڈ آف ڈائریکٹر نے آڈٹ کمیٹی کا قیام کیا ہے اور درج ذیل ڈائریکٹرز اس کے ممبر ہیں۔ اب تک پانچ آڈٹ کمیٹی میٹنگ ہوئی ہیں۔

سیریل نمبر	ممبر کا نام	میٹنگ میں حاضری کی تعداد
1	جناب محمد انور صاحب	05
2	جناب آصف بشیر صاحب	05
3	جناب خرم مظہر کریم صاحب	03

تاہم غیر حاضری کی رخصت ان ڈائریکٹروں کو دی گئی جو کسی وجہ سے میٹنگ میں حاضر نہیں ہو سکتے تھے۔

ہیومن ریسورس اینڈ ریمونریشن کمیٹی:

کارپوریٹ گورننس کے کوڈ کی تعمیل میں بورڈ آف ڈائریکٹر نے ہیومن ریسورس اینڈ ریمونریشن کمیٹی قائم کی ہے۔ جس کے ممبران درج ذیل ڈائریکٹر ہیں۔

1	جناب آصف بشیر صاحب	چیئرمین
2	جناب محمد انور صاحب	ممبر
3	جناب خرم مظہر کریم صاحب	ممبر

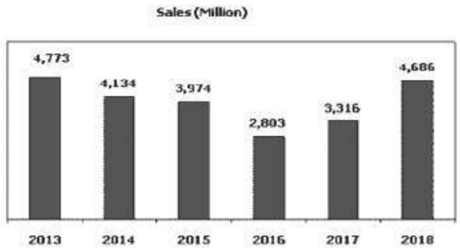
سال کے دوران کوئی ملاقات نہیں ہوئی۔

ڈائریکٹرز رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2018ء کے اختتام پر کمپنی کی فنانشل اور آپریٹنگ پرفارمنس پیش کرتا ہوں۔ بدقسمتی سے کچھ عوامل کی وجہ سے ٹیکسٹائیل کی صنعت نے اچھا پرفارم نہیں کیا۔ دوسرے بڑے سپلائرز کے مقابلے میں غیر سابقتی حالات اہم عوامل ہیں۔ آپ کی کمپنی نے ٹیکسیشن کے بعد منافع میں بہتری دکھائی ہے جو مبلغ 101.184 ملین روپے ہے تاہم یہ پہلے سالوں کی نسبتاً کافی بہتر ہے۔

مالیاتی نتائج:

دروان سال کمپنی کی فروخت 41.32 فیصد بڑھ کر 3,316 ملین روپے سے 4,686 ملین روپے بڑھ گئی ہے۔



برآمدات 671 ملین روپے سے بڑھ کر 1170 ملین روپے ہیں۔ جس نے ہمارے منافع کو بڑھا دیا ہے۔ ہم ہر ممکن طور پر اخراجات کو کم کرنے کی کوشش کر کے لاگت کو کم کر رہے ہیں۔

(مبلغ. ملین میں)

2018	2017	
4,686	3,316	سیلز
276	117	خام منافع
108.46	105.59	آپریٹنگ خرچہ
35.82	15.40	دیگر آمدنی
203.41	26.72	آپریٹنگ منافع
38.70	44.72	فنانشل خرچہ
164.71	(18.00)	ٹیکسیشن سے پہلے منافع/(نقصان)
(63.53)	(32.39)	ٹیکسیشن کے لیے پروویژن
101.19	(50.39)	ٹیکسیشن کے بعد منافع/(نقصان)
11.71	(5.83)	فی شیئر منافع/(نقصان) روپے

دوران سال LNG کی وجہ سے صنعت کو گیس ملتی رہی اور پہلے سالوں کے مقابل توانائی کی صورتحال بہتر رہی۔ تاہم اس سے پیداواری خرچہ میں اضافہ ہوا۔ ہم نے اپنی ضرورت پوری کرنے کے لیے بجلی اور گیس استعمال کی۔ حالیہ سال سٹاک میں اضافہ ہوا جس کی وجہ سے فنانشل خرچہ میں اضافہ ہوا۔ ہمیشہ کی طرح اس سال بھی کپاس کی فصل ہماری ضرورت پوری نہ کر سکی جس کی وجہ سے کپاس درآمد کرنی پڑی۔ ہم اپنے ایک یونٹ سے اچھا دھاگہ بنا رہے ہیں جس کی وجہ سے لاگت کم ہوئی ہے۔

ڈائریکٹرز کے بیانات:

(a کمپنی کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی دستاویزات شفاف انداز سے کمپنی کے معاملات، کاروباری نتائج، نقد رقوم کی ترسیل اور سرمایہ پر مبنی حصص میں تبدیلی کی نمائندگی کرتی ہے۔

(b کمپنی کی جانب سے محاسبی کھاتوں کو باقاعدہ مرتب رکھا جاتا ہے۔

(c مالیاتی دستاویزات کی تیاری میں محاسبی کی مناسب پالیسیوں اور مستقل بنیادوں پر استعمال کیا جاتا ہے اور محاسبی کے تمام تخمینے مناسب اور محتاط فیصلوں پر مبنی ہیں۔

(d مالیاتی دستاویزات بناتے وقت پاکستان میں مشتمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ کی مکمل پاسداری کو ممکن بنایا جاتا ہے اور اگر اس سلسلے میں کوئی بھی روح گردانی کی جائے تو اس کی توسیع وتشریح بیان کر دی جاتی ہے۔

(e اندرونی کنٹرول کا نظام انتہائی مربوط ہے اور مؤثر انداز سے اس کا نفاذ کرنے کے بعد اس کی مکمل مانیٹرنگ بھی کی جاتی ہے۔

(f اس بات میں کسی شک کی کوئی گنجائش نہیں کہ لسٹڈ کمپنی ہمیشگی کی بنیادوں پر اپنا کاروبار چلاتی رہے گی۔

(g سوائے ان کے جو آڈیٹر رپورٹ اور سٹیٹمنٹ آف کمپلائنس ود لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن، 2017 میں درج ہیں۔ کمپنی میں ضابطہ برائے کاروباری نظم ونسق کی کوئی واضح خلاف ورزی کی اطلاع سامنے نہیں آئی ہے۔

(h پچھلے چھ سالوں کے انتظامی اور مالیاتی نتائج کا خلاصہ منسلک ہے۔

(i ریٹائرمنٹ بینیفٹ فنڈ کے ذمرے میں سرمایہ کاری درج ذیل ہے پروویڈنٹ فنڈ: 167.901 ملین روپے (2017: 167.867 ملین روپے)

(j ٹیکس ڈیوٹیوں، لیویز اور چارجز کے سبب تمام تر قانونی ادائیگیاں کی جا چکی ہیں ماسوائے جو فنانشل سٹیٹمنٹ میں دیئے گئے ہیں۔

FINANCIAL SUMMARY
For the year ended June 30, 2018

rupees in '000's	2018	2017	2016	2015	2014	2013
Net Sales	**4,685,847**	3315,682	2,802,613	3,973,517	4,133,696	4,773,213
Cost of sales	**4,409,798**	3,198,776	2,749,993	3,830,891	3,998,814	4,169,070
Gross Profit	**276,049**	116,906	52,620	142,626	134,882	604,143
Distribution cost	**39,857**	36,607	58,220	62,943	71,188	166,241
Administrative expenses	**62,901**	57,325	53,713	50,970	48,877	46,644
Other expenses	**5,701**	11,654	2,627	294	5,000	40,904
	108,459	105,586	114,560	114,207	125,065	253,789
	167,590	11,320	(61,940)	28,419	9,817	350,354
Other income	**35,816**	15,399	17,951	22,974	24,595	16,941
Operating Profit / (Loss)	**203,406**	26,719	(43,989)	51,393	34,412	367,295
Finance cost	**38,696**	44,721	40,240	69,531	72,098	54,481
Profit / (Loss) before taxation	**164,710**	(18,002)	(84,229)	(18,138)	(37,686)	312,814
Taxation	**63,526**	32,390	26,869	34,988	17,952	28,690
Profit / (Loss) after taxation	**101,184**	(50,392)	(111,098)	(53,126)	(55,638)	284,124
Performance Ratio						
Gross Profit Margin (%)	**5.89**	3.53	1.88	3.59	3.26	12.66
Fixed Assets Turnover	**4.64**	3.22	2.64	4.18	4.32	5.68
Return on capital employed (%)	**14.29**	(7.82)	(14.90)	(5.98)	(5.54)	29.18
Return on equity (%)	**15.12**	(8.53)	(17.46)	(7.21)	(7.15)	33.40
Operating Profit Margin (%)	**3.58**	0.34	(2.21)	0.72	0.24	7.34
Net Profit Margin (%)	**2.16**	(1.52)	(3.96)	(1.34)	(1.35)	5.95
Earning / (Loss) per share (Rupees)	**11.71**	(5.83)	(12.86)	(6.15)	(6.44)	32.88
Working Capital Ratios						
Debtors Turn Over Ratio	**34.56**	37.77	24.89	25.91	23.10	28.16
Debtors in no of Days	**10.56**	9.66	14.66	14.09	15.80	12.96
Stock Turn Over Ratio	**9.93**	5.42	6.55	10.13	8.65	10.69
Stock in no of Days	**36.75**	67.34	55.76	36.04	42.21	34.13
Liquidity Ratio						
Current Ratio	**0.84**	0.77	0.81	0.80	0.89	1.20
Quick Ratio	**0.44**	0.27	0.27	0.43	0.32	0.48
Interest Cover Ratio	**0.23**	(2.48)	(0.48)	(3.83)	(1.91)	0.17
Financial Performance Ratio						
Gearing Ratio	**03:97**	08:92	13:87	15:85	21:79	11:89
Break-up value per share (Rupees)	**78:83**	68.51	74.24	86.50	91.43	99.48
Dividend per share	**-**	-	-	-	-	3.00
Price to Book Value	**0.56**	0.39	0.30	0.36	0.50	0.60
Total Assets	**1,741,952**	1,854,355	2,013,577	1,632,013	2,080,193	1,624,731
Current Assets	**849,772**	921,751	1,016,169	586,535	954,306	769,866
Current Liabilities	**1,012,618**	1,201,212	1,261,469	737,537	1,066,314	641,698
Operating Fixed Assets	**892,180**	932,604	997,408	1,045,478	1,125,887	854,865
Long Term Debts	**27,103**	52,670	104,234	141,409	214,537	114,271
Share holders' Equity	**681,068**	591,951	641,448	747,361	789,928	859,524

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 51st Annual General Meeting of the shareholders of Shams Textile Mills Limited will be held on **Monday October 29, 2018 at 9:00 a.m.** at the Registered Office, 7-B-3, Aziz Avenue, Gulberg 5, 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, 2018.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 23.5% i.e. Rs. 2.35/- per share for the year ended June 30, 2018.
3. To appoint auditors of the Company and fix their remuneration. The present auditor M/s Riaz Ahmad and Company Chartered Accountants retires and offers themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS

5. To consider, and if thought fit, to pass the following resolution as a Special Resolution, as per SRO 470 (I)/2016 issued by the Securities and Exchange Commission of Pakistan, for the transmission of Annual Audited Accounts either through E-mail or CD/DVD/USB:

   "RESOLVED that the Company may circulate the annual balance sheet and profit and loss account, auditor's report, directors' report etc. to its members either through E-mail or CD/DVD/USB instead of in hardcopy at their registered addresses".

BOOK CLOSURE:

The Members' Register will remain closed from October 23, 2018 to October 29, 2018 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on October 23, 2018 will be treated in time.
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.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:

   For Attending the Meeting:

   i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting.

   ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

   For Appointing Proxies:

   i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement

   ii. Attested copies of valid CNICor the passport of beneficial owners and the proxy shall be furnished with the proxy form.

   iii. The proxy shall produce his/her original valid CNIC or original passport at the time of the meeting.

   In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be produced (unless it has been provided earlier) at the time of meeting.

Deduction of Tax on Dividend Income Finance Act, 2017

It is hereby informed that pursuant to the Finance Act, 2017, effective from July 1, 2016, the rate of withholding tax under Section 150 of the Income Tax Ordinance, 2001 on dividend income has been segregated as follows:

i) Rate of tax deduction on dividend income for filer of income tax return — 15%

ii) Rate of tax deduction of dividend income for non filer of income tax return — 20%

Further you are therefore requested to please provide us the following details:

Name	Folio No./ CDC Account No.	National Tax No.	CNIC No. (for individual only) enclose a copy of valid CNIC, if not already provided

Statement under Section 134(3) of the Companies Act, 2017

This statement is annexed to the Notice of the 51st Annual General Meeting of Shams Textile Mills Limited (the Company) to be held on Monday, October 29, 2018, at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

ITEM (5) OF THE AGENDA.

To give effect to the notification S.R.O 470(I)2016 of the Securities and Exchange Commission of Pakistan ("SECP"), shareholder's approval is being sought to allow the Company to circulate its Annual Report either through E-mail or CD/DVD/USB to all members. The Company however shall place on its website, subject to approval of resolution by shareholders; a standard request form to enable those members requiring a hard copy of the Annual Report instead of either through E-mail or CD/DVD/USB, to communicate the Company of their requirement. Specimen of such request is attached herewith this notice.

In this connection after approval of members regarding aforementioned resolution, the Shareholders who wish to receive Annual Reports and Notices through e-mail are requested to provide through a letter duly signed by them as attached with this Notice of AGM, containing their particulars, i.e. Name, Folio / CDC A/c No. E-mail Address, Contact Number, CNIC Number (attach copy). 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.

Lahore
October 09, 2018

By Order of the Board
Company Secretary

INDEPENDENT AUDITOR'S MODIFIED REVIEW REPORT TO THE MEMBERS

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

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

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

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

The Regulations 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017 (the Act). We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

(i) Regulation 10(3)(v) of the Regulations requires the Board of Directors to ensure that a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of board and of its committees. However, the Company is not in compliance with this requirement of the Regulations.

(ii) Composition of the audit committee is not as per the requirements of the regulation 28(1)(a) and regulation 28(1)(b) of the Regulations as one of the members of the audit committee is an executive director. Further, the audit committee does not include an independent director, hence chairman of the audit committee is not an independent director.

(iii) Composition of the human resource and remuneration committee is not as per the requirements of the regulation 29(1) of the Regulations as human resource and remuneration committee does not include an independent director, hence chairman of the human resource and remuneration committee is not an independent director.

(Iv) Regulation 29(2) of the regulations requires the human resource and remuneration committee to meet at least once in a financial year. However, no meeting of the human resource and remuneration committee was held during the year ended 30 June 2018.

Based on our review, except for the above instances of non-compliance, 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 Regulations as applicable to the Company for the year ended 30 June 2018.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Sr. No.	Paragraph reference	Description
(i)	2	There is no independent director on the Board of Directors of the Company.
(ii)	8	The Board of Directors does not have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
(iii)	13	The terms of reference of human resource and remuneration committee has not yet been formed, documented and advised to the committee for compliance.

RIAZ AHMAD & COMPANY
Chartered Accountants

LAHORE
DATE: 08 October 2018

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 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of the profit, 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 matter was addressed in our audit
1.	**Inventory existence and valuation** Inventory as at 30 June 2018 amounted to Rupees 401.634 million and represented a material position in the statement of financial position, break up of which is as follows: - Stores and spare parts amounting to Rupees 65.276 million - Stock-in-trade amounting to Rupees 336.358 million The business is characterized by high volume serial production and the valuation and existence of inventories are significant to the business. Therefore, considered as one of the key audit matters. Inventories are stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.5 to the financial statements. At year end, the valuation of inventory is reviewed by management and the cost of inventory is reduced where inventory is forecast to be sold below cost. Useable stores and spares parts are valued at moving average cost, raw materials are valued at weighted average cost whereas, costing of work-in-process and finished goods is considered to carry more significant risk as the cost of material, labor and manufacturing overheads is allocated on the basis of complex formulas and involves management judgment. The determination of whether inventory will be realised for a value less than cost requires management to exercise judgement and apply assumptions. Management undertake the following procedures for determining the level of write down required: • Use inventory ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory items. • Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realisable value and a specific write down is recognized, if required. For further information on inventory, refer to the following: - Summary of significant accounting policies, Inventories note 2.5to the financial statements. - Stores and spareparts note 13 and stock-in-trade note 14 to the financial statements.	Our procedures over existence and valuation of inventory included, but were not limited to: • 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 invoice. • 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. • We assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory. • In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs. We also made enquires 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.

<table>
<tr><th>Sr. No.</th><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>2.</td><td>Revenue recognition

The Company generates revenue from sale of goods to domestic as well as export customers.

We identified revenue recognition as key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.

For further information on revenue recognition, refer to the following:
- Summary of significant accounting policies, Revenue recognition note 2.19 to the financial statements.
- Revenue note 21 to the financial statements.</td><td>Our audit procedures to assess the recognition of revenue, amongst others, included the following:
• We obtained an understanding of and assessed the design and operating effectiveness of controls designed to ensure that revenue is recognized in the appropriate accounting period;
• We assessed the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;
• We performed audit measures that included comparing sales transactions recognised at the turn of the financial period to documentation supporting revenue recognition, analysis of nominal ledger entries to identify uncommon entries and comparing outstanding sales receivables at the turn of the financial period with payment transactions; and
• We inspected credit notes issued to record sales returns subsequent to year end, if any.</td></tr>
<tr><td>3.</td><td>Preparation of financial statements under the Companies Act, 2017

The Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.

The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.

In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements.

The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act.

For further information, refer to note 2.1(b) to the financial statements.</td><td>Our procedures included, but were not limited to:
• We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act.
• We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements.
• We verified on test basis the supporting evidences for the additional disclosures and ensured appropriateness of the disclosures made.</td></tr>
</table>

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 of the Company 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'sreport 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 Mubashar Mehmood.

RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

DATE: 08 October 2018

BALANCE SHEET
AS AT JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
25,000,000 (2017: 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	**718,028**	730,095
Accumulated loss		**(123,360)**	(224,544)
Total equity		**681,068**	591,951
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	**27,103**	52,670
Deferred income tax liability	6	**21,163**	8,522
		48,266	61,192
CURRENT LIABILITIES			
Trade and other payables	7	**657,409**	621,348
Accrued mark-up	8	**3,032**	8,279
Short term borrowings	9	**322,772**	499,902
Current portion of long term financing	5	**25,567**	67,832
Unclaimed dividend		**3,838**	3,851
		1,012,618	1,201,212
Total liabilities		**1,060,884**	1,262,404
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		**1,741,952**	1,854,355

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

Chief Executive **Chief Financial Officer** **Director**

	Note	2018	2017
		(Rupees in thousand)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	890,604	931,028
Long term security deposits	12	1,576	1,576
		892,180	932,604
CURRENT ASSETS			
Stores and spare parts	13	65,276	47,411
Stock-in-trade	14	336,358	551,596
Trade debts	15	180,720	90,437
Advances	16	54,772	4,797
Other receivables	17	52,899	9,868
Short term investments	18	50,867	65,218
Sales tax refundable		44,870	77,555
Taxation - net	19	59,250	70,261
Cash and bank balances	20	4,760	4,608
		849,772	921,751
TOTAL ASSETS		1,741,952	1,854,355

Chief Executive **Chief Financial Officer** **Director**

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

	Note	2018	2017
		(Rupees in thousand)	
REVENUE	21	**4,685,847**	3,315,682
COST OF SALES	22	**(4,409,798)**	(3,198,776)
GROSS PROFIT		**276,049**	116,906
DISTRIBUTION COST	23	**(39,857)**	(36,607)
ADMINISTRATIVE EXPENSES	24	**(62,901)**	(57,325)
OTHER EXPENSES	25	**(5,701)**	(11,654)
		(108,459)	(105,586)
		167,590	11,320
OTHER INCOME	26	**35,816**	15,399
PROFIT FROM OPERATIONS		**203,406**	26,719
FINANCE COST	27	**(38,696)**	(44,721)
PROFIT / (LOSS) BEFORE TAXATION		**164,710**	(18,002)
TAXATION	28	**(63,526)**	(32,390)
PROFIT / (LOSS) AFTER TAXATION		**101,184**	(50,392)
EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED (RUPEES)	29	**11.71**	(5.83)

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

Chief Executive **Chief Financial Officer** **Director**

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended JUNE 30, 2018

	2018	2017
	(Rupees in thousand)	
PROFIT / (LOSS) AFTER TAXATION	**101,184**	(50,392)
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that will not be reclassified to profit or loss	**-**	-
Items that may be reclassified subsequently to profit or loss:		
(Deficit) / surplus arising on remeasurement of available for sale investments to fair value	**(3,673)**	895
Reclassification adjustment for gain included in profit or loss	**(8,394)**	-
Other comprehensive (loss) / income for the year - net of tax	**(12,067)**	895
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**89,117**	(49,497)

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

Chief Executive	Chief Financial Officer	Director

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

		RESERVES						
		CAPITAL			REVENUE			
	SHARE CAPITAL	Premium on issue of right shares	Fair value reserve	Sub Total	General reserve	TOTAL RESERVES	Accumulated Loss	TOTAL EQUITY
	(Rupees in thousand)							
Balance as at 30 June 2016	86,400	86,400	42,800	129,200	600,000	729,200	(174,152)	641,448
Loss for the year	-	-	-	-	-	-	(50,392)	(50,392)
Other comprehensive income for the year	-	-	895	895	-	895	-	895
Total comprehensive loss for the year	-	-	895	895	-	895	(50,392)	(49,497)
Balance as at 30 June 2017	86,400	86,400	43,695	130,095	600,000	730,095	(224,544)	591,951
Profit for the year	-	-	-	-	-	-	101,184	101,184
Other comprehensive loss for the year	-	-	(12,067)	(12,067)	-	(12,067)	-	(12,067)
Total comprehensive income for the year	-	-	(12,067)	(12,067)	-	(12,067)	101,184	89,117
Balance as at 30 June 2018	86,400	86,400	31,628	118,028	600,000	718,028	(123,360)	681,068

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

Chief Executive **Chief Financial Officer** **Director**

STATEMENT OF CASH FLOW
For The Year Ended JUNE 30, 2018

	Note	2018	2017
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	355,352	208,262
Finance cost paid		(43,943)	(42,685)
Income tax paid		(39,873)	(21,708)
Net cash generated from operating activities		271,536	143,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(38,217)	(24,418)
Proceeds from sale of property, plant and equipment		35	13,884
Proceeds from sale of short term investment		11,548	-
Dividends received		225	1,539
Net cash used in investing activities		(26,409)	(8,995)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(67,832)	(73,127)
Proceeds from long term financing		-	16,268
Short term borrowings - net		(177,130)	(82,158)
Dividend paid		(13)	(66)
Net cash used in financing activities		(244,975)	(139,083)
Net Increase / (decrease) in cash and cash equivalents		152	(4,209)
Cash and cash equivalents at the beginning of the year		4,608	8,817
Cash and cash equivalents at the end of the year	20	4,760	4,608

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

Chief Executive **Chief Financial Officer** **Director**

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

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	Kotla Kahloon, District Nankana Sahib
Registered and head office	7- B-III, Aziz Avenue, Gulberg V, Lahore
Office	5th floor, HBL Building, Circular Road, Faisalabad

1.3 Summary of significant transactions and events affecting the Company's financial position and performance

a) The exchange rate of United States Dollar to Pak Rupees has increased from Pak Rupees 105.0 as at 30 June 2017 to Pak Rupees 121.4 as at 30 June 2018.

b) For a detailed discussion about the Company's performance, please refer to the Directors' report.

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) Preparation of financial statements under the Companies Act, 2017

The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Fourth Schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company (refer note 11.1.3), management assessment of sufficiency of tax provision in the financial statements (refer note 28.3), change in threshold for identification of executives(refer note 31), additional disclosure requirements for related parties (refer note 32) etc.

c) Accounting convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

d) 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 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 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

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

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.

Provision for doubtful debts

The Company reviews its receivables against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

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

e) 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 2017:**

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments have resulted in certain additional disclosures in the Company's financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary difference the amendments have no significant impact on Company's financial statements.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2018 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 July 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

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

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 July 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefitsthis lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

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 2018 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

Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated 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 errection / construction period of qualifying assets and other directly attributable costs of bringing the assets to working condition.

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.

Leased

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to statement of profit or loss over the lease term.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation on the leased assets is charged to statement of profit or loss.

2.3 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The Company assesses at each reporting date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the statement of profit or loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of profit or loss.

2.4 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in associates (with significant influence), which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

Investments in associates - (with significant influence)

Investments in associates over which the Company has significant influence are accounted for using the equity method. In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the statement of profit or loss. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the reporting date.

Un-quoted

Investments in unquoted equity instruments are stated at cost less any identified impairment loss.

2.5 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 completion and the estimated costs necessary to make a sale.

2.6 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful on a review of all outstanding amounts at the year end. Bad debts are written off when considered irrecoverable.

2.7 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.

2.8 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.

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

2.9 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.

2.10Share 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.

2.11Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.12Provisions

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.

2.13Financial instruments

Financial instruments carried on the statement of financial position include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, short term borrowings, accrued mark-up and trade and other payables, etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the statement of profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item and in the accounting policy of investments.

2.14Offsetting of financial assets and financial liabilities

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.

2.15Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the statement of profit or loss.

2.16Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the reporting date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the statement of profit or loss currently.

2.17Employee 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.

2.18Borrowings

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.

2.19Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Dividend on equity investments is recognized when right to receive dividend is established.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.20Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

2.21Dividend 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 period in which these are approved by the Board of Directors.

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

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2018 (NUMBER OF SHARES)	2017		2018 (Rupees in thousand)	2017
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

	2018 (Number of shares)	2017
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	**1,697,605**	1,697,605
	2,908,765	2,908,765

	2018 (Rupees in thousand)	2017
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 (Note 4.2)	**31,628**	43,695
	118,028	130,095
Revenue		
General reserve	**600,000**	600,000
	718,028	730,095

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 unrealized gain on remeasurement of available for sale investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

	2018 (Rupees in thousand)	2017
5. LONG TERM FINANCING		
Secured		
Financing from banking companies (Note 5.1)	**52,670**	120,502
Less: Current portion shown under current liabilities	**25,567**	67,832
	27,103	52,670

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

5.1 Financing from banking companies

LENDER	2018	2017	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
	(Rupees in thousands)						
Allied Bank Limited	**12,500**	62,500	3 month KIBOR + 2%	Sixteen equal quarterly installments commencing on 06 November 2014 and ending on 05 August 2018.	Quarterly	Quarterly	First pari passu charge over fixed assets of the company amounting to Rupees 533.340 million and first joint pari passu Charge over all current assets of the Company amounting to Rupees 275 million alongwith personal guarantees of directors.
MCB Bank Limited	**-**	5,782	3 month KIBOR + 2.5%	Sixteen equal quarterly installments commenced on 20 December 2013 and ending on 20 September 2017.	Quarterly	Quarterly	Ranking charge of Rupees 134 million over present and future current assets of the Company and personal guarantees of directors.
MCB Bank Limited	**40,170**	52,220	SBP Rate for LTFF +2.5%	One hundred and twelve un-equal quarterly Instalments commencing on 13 September 2017 and ending on 17 August 2021.	-	Quarterly	First pari passu charge over all present and future plant and machinery of the company amounting to Rupees 134.340 million and personal guarantees of Chief Executive and one director of the Company
	52,670	120,502					

	2018	2017
	(Rupees in thousand)	
6. DEFERRED INCOME TAX LIABILITY		
The liability for deferred income tax originated due to timing differences relating to:		
Taxable temporary difference		
Accelerated tax depreciation	**94,734**	87,986
Deductible temporary differences		
Available tax losses	**(25,841)**	(59,340)
Turnover tax carried forward	**(40,462)**	(12,611)
Provision for doubtful debts	**(1,938)**	(1,774)
Provision for slow moving and obsolete items	**(5,329)**	(5,739)
	(73,571)	(79,464)
	21,163	8,522

	2018	2017
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	**271,327**	303,596
Accrued liabilities	**326,512**	223,444
Advances from customers	**12,542**	10,758
Due to related party (Note 7.2)	**37,625**	69,625
Retention money payable - interest free	**16**	590
Excise duty payable	**-**	5,184
Income tax deducted at source	**2,472**	1,787
Payable to employees' provident fund trust	**1,221**	807
Workers' welfare fund	**-**	5,557
Workers' profit participation fund (Note 25)	**5,694**	-
	657,409	621,348

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

	2018	2017
	(Rupees in thousand)	
7.1 These include amounts due to following associated companies:		
Premier Insurance Limited	**332**	306
Crescent Powertec Limited	**-**	8,057
The Crescent Textile Mills Limited	**-**	101
	332	8,464

7.2 This amount is due to Chief Executive of the Company and has been utilized for working capital purposes. It is unsecured, interest free and repayable on demand.

8. ACCRUED MARK-UP

	2018	2017
Long term financing	**693**	1,667
Short term borrowings	**2,339**	6,612
	3,032	8,279

9. SHORT TERM BORROWINGS

From banking companies - Secured

	2018	2017
Running finances (Note 9.1 and 9.2)	**152,877**	138,818
Cash finances (Note 9.1 and 9.3)	**-**	181,084
Other short term borrowings (Note 9.1 and 9.4)	**169,895**	180,000
	322,772	499,902

9.1 These finances are obtained from banking companies under mark up arrangements and are secured against first joint pari passu hypothecation charge on all current assets of the Company and pledge of stocks. These form part of total credit facilities of Rupees 1,000 million (2017: Rupees 718.660 million).

9.2 The rates of mark-up range from 7.51% to 8.17% (2017: 7.05% to 8.81%) per annum during the year on the balance outstanding.

9.3 The rates of mark-up range from 7.23% to 7.55% (2017: 7.20% to 7.28%) per annum during the year on the balance outstanding.

9.4 The rates of mark-up range from 6.26% to 7.48% (2017: 1.50% to 6.68%) per annum during the year on the balance outstanding.

10. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) Bank guarantees of Rupees 69.596 million (2017: Rupees 69.596 million) are given by the banks of the Company in favour 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.

ii) The Sindh High Court ('the Court') in the case of 'Kasim Textile' in its order of 07 May 2013 has held that benefit of carry forward of minimum tax under section 113 of the Income Tax Ordinance, 2001 is only available if tax payable in a tax year is less than minimum tax paid. If in a tax year, no tax is payable by a company due to assessed losses, the company forgoes the right to carry forward minimum tax paid in that year. In the light of this order, the Company is not entitled to carry forward minimum tax paid in the tax year 2018 of Rupees 40.462 million. However, the management is of the view that the verdict has been challenged in the Supreme Court and favorable final outcome is expected.

b) Commitments

i) Contracts for capital expenditures amounted to Rupees Nil (2017: Rupees Nil).

ii) Letters of credit for other than capital expenditures amounted to Rupees 103.383 million (2017: Rupees 6.042 million).

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

	2018	2017
	(Rupees in thousands)	
11. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets Owned (Note 11.1)	**887,854**	879,749
Capital work-in-progress (Note 11.2)	**2,750**	51,279
	890,604	931,028

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

	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
	(Rupees in thousands)								
At 30 June 2016									
Cost	3,192	298,459	72,581	1,611,501	47,199	2,608	900	33,726	2,070,166
Accumulated depreciation	-	(87,704)	(24,273)	(961,853)	(28,394)	(2,065)	(587)	(18,887)	(1,123,763)
Net book value	3,192	210,755	48,308	649,648	18,805	543	313	14,839	946,403
Year ended 30 June 2017									
Opening net book value	3,192	210,755	48,308	649,648	18,805	543	313	14,839	946,403
Additions	-	-	-	16,803	-	-	-	5.765	22,568
Disposals:									
Cost	-	-	-	(7,729)	-	-	-	(14,097)	(21,826)
Accumulated depreciation	-	-	-	6,780	-	-	-	10,714	17,494
	-	-	-	(949)	-	-	-	(3,383)	(4,332)
Depreciation charge	-	(10,538)	(2,415)	(66,278)	(1,881)	(54)	(31)	(3.693)	(84,890)
Closing net book value	3,192	200,2017	45,893	599,224	16,924	489	282	13,528	879,749
At 30 June 2017									
Cost	3,192	298,459	72,581	1,620,575	47,199	2,608	900	25,394	2,070,908
Accumulated depreciation	-	(98,242)	(26,688)	(1,021,351)	(30,275)	(2,119)	(618)	(11,866)	(1,191,159)
Net book value	3,192	200,217	45,893	599,224	16,924	489	282	13,528	879,749
Year ended 30 June 2018									
Opening net book value	3,192	200,217	45,893	599,224	16,924	489	282	13,528	879,749
Additions	-	-	50,879	28,858	-	-	-	7,009	86,746
Disposals:									
Cost	-	-	-	-	-	-	-	(152)	(152)
Accumulated depreciation	-	-	-	-	-	-	-	123	123
	-	-	-	-	-	-	-	(29)	(29)
Depreciation charge	-	(10,011)	(2,507)	(61,199)	(1,692)	(49)	(28)	(3,126)	(78,612)
Closing net book value	3,192	190,206	94,265	566,883	15,232	440	254	17,382	887,854
At 30 June 2018									
Cost	3,192	298,459	123,460	1,649,433	47,199	2,608	900	32,403	2,157,654
Accumulated depreciation	-	(108,253)	(29,195)	(1,082,550)	(31,967)	(2,168)	(646)	(15,021)	(1,269,800)
Net book value	3,192	190,206	94,265	566,883	15,232	440	254	17,382	887,854
Annual rate of depreciation (%)	-	5	5	10	10	10	10	20	

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11.1.1 Detail of operating fixed assets 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 CG-125 LEN-11 -6374	1	86	69	17	20	3	Negotiation	Mr. Aneel Khalid, Company's employee, Lahore
Honda CD-70 LEV-10-5330	1	66	54	12	15	3	Negotiation	Mr. Tariq Javed, Company's employee, Lahore
		152	123	29	35	6		

		2018	2017
		(Rupees in thousand)	
11.1.2	**Depreciation charge for the year has been allocated as follows:**		
	Cost of sales (Note 22)	**75,246**	81,166
	Administrative expenses (Note 24)	**3,366**	3,724
		78,612	84,890

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
		Acres	**Square feet**
Manufacturing units			
Spinning Unit I	3-KM, Faisalabad Road, Chiniot	28.256	428,644
Spinning unit II and Unit III	Kitla Kahloon, District Nankana Sahib	27.043	533,160
		55.299	961,804

	2018	2017
11.2 Capital work-in-progress		
Building		50,879
Advance against purchase of vehicle	**2,750**	400
		51,279

	2018	2017
	(Rupees in thousand)	

12. LONG TERM SECURITY DEPOSITS

These represents security deposits with utility companies against utility connections.

13. STORES, SPARE PARTS AND LOOSE TOOLS

	2018	2017
Stores (Note 13.1)	**50,842**	34,584
Spare parts	**42,704**	46,097
	93,546	80,681
Less: Provision for slow moving and obsolete items (Note 13.2)	**(28,270)**	(33,270)
	65,276	47,411

13.1 These include stores in transit of Rupees 13,239 million (2017: Rupees Nil).

NOTES TO THE FINANCIAL STATEMENTS
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	2018	2017
	(Rupees in thousand)	
13.2 Provision for slow moving and obsolete items		
Balance as on 01 July	**33,270**	22,407
Add: Provision made during the year (Note 25)	**-**	10,863
Less: Provision reversed during the year (Note 26)	**(5000)**	-
Balance as on 30 June	**28,270**	33,270

14. STOCK-IN-TRADE

	2018	2017
Raw materials	**185,122**	48,483
Work-in-process	**45,449**	33,878
Finished goods	**92,619**	460,547
Waste stock	**13,168**	8,688
	336,358	551,596

14.1 Stock-in-trade of Rupees 90.695 million (2017: Rupees 465.452 million) is being valued at net realizable value.

14.2 The carrying value of stock in trade pledged with banking companies against short term borrowings is Rupees Nil (2017: Rupees 285.963 million). Detail of the corresponding borrowings are disclosed in note 9 to the financial statements.

14.3 The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 11.940 million (2017: Rupees 33.775 million).

	2018	2017
	(Rupees in thousand)	
15. TRADE DEBTS		
Considered good:		
Secured (against letters of credit) (Note 15.5)	**71,853**	-
Unsecured:		
- Crescent Socks (Private) Limited - associated company (Note 15.2)	**4,052**	1,270
- Others (Note 15.3)	**104,815**	89,167
	180,720	90,437
Considered doubtful:		
Others - Unsecured	**10,282**	10,282
Less: Provision for doubtful debts		
As at 01 July	**10,282**	10,282
Less: Provision made during the year	**-**	-
As at 30 June	**10,282**	10,282
	-	-

15.1 The maximum aggregate amount receivable from associated company at the end of any month during the year was as follows:

	2018	2017
Crescent Socks (Private) Limited	**6,956**	3,018

15.2 As at 30 June 2018, trade debts due from an associated company amounting to Rupees 4.052 million (2017: Rupees 1.270 million) were past due but not impaired. The age analysis of these trade debts is as follows:

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	2018	2017
	(Rupees in thousand)	
Upto 1 month	**-**	1,225
1 to 6 months	**4,038**	37
More than 6 months	**14**	8
	4,052	1,270

15.3 As at 30 June 2018, trade debts due from other than related parties of Rupees 78.077 million (2017: Rupees 82.868 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2018	2017
Upto 1 month	**70,621**	77,267
1 to 6 months	**280**	1,358
More than 6 months	**7,176**	4,243
	78,077	82,868

15.4 As at 30 June 2018, trade debts of Rupees 10.282 million (2017: Rupees 10.282 million) were impaired and provided for. The ageing of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.

15.5 As at 30 June 2018, disclosures in respect of outstanding export debtors along with type of arrangements are as follows:

Jurisdiction and relationship with the Company (related party or other)	Letters of credit	Type of arrangements Cash against documents	Contracts	Total
		Rupees in thousands		
China - other than related parties	71,853	-	-	71,853

	2018	2017
	(Rupees in thousand)	
16. ADVANCES		
Considered good:		
Advances to employees - interest free	**184**	727
Advances to suppliers	**4,475**	1,083
Letters of credit	**50,113**	2,987
	54,772	4,797
17. OTHER RECEIVABLES		
Considered good:		
Duty from associated companies (Note 17.1)	**2,756**	-
Duty drawback receivable	**46,951**	9,868
Claims receivable	**1,815**	-
Miscellaneous	**1,377**	-
	52,899	9,868

17.1 These represent amounts due from associated companies in the ordinary course of business. These are neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS
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	2018	2017
	(Rupees in thousand)	
Suraj Cotton Mills Limited	**1,818**	-
Crescent Powertec Limited	**938**	-
	2,756	-
The age analysis of amounts due from associated companies is as follows:		
Upto 1 month	**2,756**	-
1 to 6 months	**-**	-
More than 6 months	**-**	-
	2,756	-

17.2 The maximum aggregate amount due from associated companies at the end of any month during the year was as follows:

Suraj Cotton Mills Limited	**9,877**	5,309
Crescent Powertec Limited	**1,678**	138

	2018	2017
	(Rupees in thousand)	
18. SHORT TERM INVESTMENTS		
Available for sale		
Associated companies - quoted (Note 18.1)		
Crescent Jute Products Limited (Note 18.2 and 18.4)		
12,476 (2017: 12,476) fully paid ordinary shares of Rupees 10 each. Equity held 0.053% (2017: 0.053 %)	**117**	117
Premier Insurance Limited		
739,069 (2017: 671,881) fully paid ordinary shares of Rupees 10 each. Equity held 1.46% (2017: 1.46%)	**8,179**	8,179
Others - quoted		
Crescent Cotton Mills Limited		
176,790 (2017: 166,784) fully paid ordinary shares of Rupees 10 each	**1,105**	1,105
Jubilee Spinning and Weaving Mills Limited		
7,788 (2017: 7,788) fully paid ordinary shares of Rupees 10 each.	**32**	32
Crescent Fibres Limited		
31,920 (2017: 31,920) fully paid ordinary shares of Rupees 10 each.	**316**	316
Crescent Spinning Mills Limited (Note 18.3 and 18.4)		
208,800 (2017: 208,800) fully paid ordinary shares of Rupees 10 each.	**2,088**	2,088
Samba Bank Limited		
2,764,113 (2017: 2,764,113) fully paid ordinary shares of Rupees 10 each.	**44,017**	44,017
EFU Life Assurance Limited		
60,000 (2017: 98,800) fully paid ordinary shares of Rupees 10 each.	**19,732**	32,493
Other - unquoted		
Crescent Modaraba Management Company (Private) Limited (Note 18.4)		
193,000 (2017: 193,000) fully paid ordinary shares of Rupees 10 each.	**1,930**	1,930
	77,516	90,277
Less: Accumulated impairment loss (Note 18.6)	**(58,277)**	(68,754)
Add: Fair value adjustment	**31,628**	43,695
	50,867	65,218

NOTES TO THE FINANCIAL STATEMENTS
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18.1 These companies are associated due to common directorship.

18.2 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.

18.3 The official liquidator has submitted the statement in the Lahore High Court for final liquidation of the company and the final decision is still awaited.

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

18.5 Investments made in associated companies are in accordance with the requirements of the Companies Act, 2017.

	2018	2017
	(Rupees in thousand)	
18.6 Impairment loss recognized		
Balance as on 01 July	**68,754**	68,754
Add: Impairment loss recognized during the year (Note 25)	**7**	-
Less: Reversal during the year	**(10,485)**	-
Balance as on 30 June	**58,276**	68,754
19. TAXATION - NET		
Advance income tax	**110,136**	100,555
Less: Provision for taxation (Note 28)	**(50,886)**	(30,294)
	59,250	70,261
20. CASH AND BANK BALANCES		
Cash with banks:		
On deposit accounts (Note 20.1)	**145**	899
On current accounts	**4,434**	3,011
	4,579	3,910
Cash in hand	**181**	698
	4,760	4,608

20.1 Rate of profit on bank deposits ranges from 4% to 4.50% (2017: 3.50%) per annum.

	2018	2017
	(Rupees in thousand)	
21. REVENUE		
Export sales	**1,170,731**	671,356
Local sales (Note 21.1)	**3,467,856**	2,634,458
Duty draw back	**47,260**	9,868
	4,685,847	3,315,682
21.1 Local sales		
Sales	**3,477,424**	2,637,448
Less: Sales tax	**(9,568)**	(2,990)
	3,467,856	2,634,458

21.2 Local sales include waste sales of Rupees 178.038 million (2017: Rupees 135.680 million).

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

		2018	2017
		(Rupees in thousand)	
22.	**COST OF SALES**		
	Raw materials consumed (Note 22.1)	**2,962,803**	2,283,283
	Salaries, wages and other benefits (Note 22.2)	**322,469**	239,757
	Stores, spare parts and loose tools consumed	**95,106**	84,707
	Packing materials consumed	**76,958**	61,123
	Repair and maintenance	**19,652**	32,298
	Fuel and power	**490,774**	385,613
	Insurance	**7,057**	6,822
	Other factory overheads	**7,856**	4,733
	Depreciation (Note 11.1.2)	**75,246**	81,166
		4,057,921	3,179,502
	Work-in-process		
	Opening stock	**33,878**	27,855
	Less: Closing stock	**(45,449)**	(33,878)
		(11,571)	(6,023)
	Cost of goods manufactured	**4,046,350**	3,173,479
	Finished goods and waste		
	Opening stock	**469,235**	494,532
	Less: Closing stock	**(105,787)**	(469,235)
		363,448	25,297
	Cost of sales	**4,409,798**	3,198,776

22.1 Raw materials consumed

	2018	2017
Opening stock	**48,483**	106,320
Add: Purchased during the year	**3,099,442**	2,225,446
	3,147,925	2,331,766
Less: Closing stock	**(185,122)**	(48,483)
	2,962,803	2,283,283

22.2 Salaries, wages and other benefits include provident fund contribution of Rupees 4.295 million (2017: Rupees 4.028 million) by the Company.

		2018	2017
		(Rupees in thousand)	
23.	**DISTRIBUTION COST**		
	Salaries and other benefits (Note 23.1)	**1,581**	1,232
	Freight and forwarding - Export	**27,327**	20,566
	Freight - Local	**120**	1,034
	Commission to selling agents	**10,829**	13,775
		39,857	36,607

23.1 Salaries and other benefits include provident fund contribution of Rupees 0.054 million (2017: Rupees 0.044 million) by the Company.

NOTES TO THE FINANCIAL STATEMENTS
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		2018	2017
		(Rupees in thousand)	
24.	**ADMINISTRATIVE EXPENSES**		
	Salaries and other benefits (Note 24.1)	**37,972**	35,634
	Directors' meeting fee	**480**	480
	Rent, rates and taxes	**2,981**	2,715
	Insurance	**867**	702
	Travelling and conveyance	**4,430**	1,675
	Vehicles' running	**3,334**	2,372
	Entertainment	**967**	820
	Legal and professional	**1,743**	2,089
	Auditors' remuneration (Note 24.2)	**945**	850
	Advertisement	**39**	101
	Postage and telephone	**1,282**	1,324
	Electricity and gas	**1,402**	1,229
	Printing and stationery	**362**	486
	Repair and maintenance	**1,527**	1,498
	Fee and subscription	**1,196**	847
	Depreciation (Note 11.1.2)	**3,366**	3,724
	Miscellaneous	**8**	779
		62,901	57,325

24.1 Salaries and other benefits include provident fund contribution of Rupees 1.229 million (2017: Rupees 1.169 million) by the Company.

24.2	**Auditors' remuneration**		
	Audit fee	**760**	665
	Half yearly review	**115**	115
	Other certifications	**50**	50
	Out-of-pocket expenses	**20**	20
		945	850

25.	**OTHER EXPENSES**		
	Exchange loss - net	**-**	791
	Impairement loss on equity investment	**7**	-
	Workers' profit participation fund (Note 7)	**5,694**	-
	Provision for slow moving and obsolete items (Note 13.2)	**-**	10,863
		5,701	11,654

26.	**OTHER INCOME**		
	Income from financial assets		
	Dividend income (Note 26.1)	**225**	1,539
	Profit on deposits with banks	**94**	17
	Exchange gain - net	**3,039**	-
	Gain on sale of investment	**9,272**	-
		12,630	1,556
	Income from assets other than financial assets		
	Gain on sale of property, plant and equipment	**6**	9,552
	Excise duty payable written back	**5,184**	-
	Reversal of provision for workers' welfare fund (Note 26.2)	**5,557**	-
	Reversal of provision for slow moving and obsolete items (Note 13.2)	**5,000**	-
	Scrap sales	**4,713**	4,251
	Rental income	**2,726**	40
		23,186	13,843
		35,816	15,399

NOTES TO THE FINANCIAL STATEMENTS
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	2018	2017
	(Rupees in thousand)	
26.1 Dividend income		
Other than related parties:		
EFU Life Assurance Limited	**225**	1,507
Crescent Fibers Limited	**-**	32
	225	1,539

26.2 Provisions for workers' welfare fund recognized in prior years have been reversed during the year in view of judgment of Honourable Supreme Court of Pakistan announced on 10 November 2016 declaring amendments made in Worker Welfare Ordinance, 1971 through Finance Acts 2006 and 2008 to be unlawful and ultra vires the Constitution of the Islamic Republic of Pakistan, 1973.

27. FINANCE COST

	2018	2017
Mark-up on:		
Long term financing	**5,410**	11,281
Short term borrowings	**22,423**	31,075
Interest on employees' provident fund	**5,021**	18
Bank charges and commission	**5,842**	2,347
	38,696	44,721

28. TAXATION

	2018	2017
For the year		
Current tax (Note 28.1)	**51,573**	31,613
Deferred tax	**12,640**	2,096
Prior year		
Current tax	**(687)**	(1,319)
	63,526	32,390

28.1 The provision for current tax represents minimum tax on local sales, final tax on export sales and tax on income from other sources. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate has not been presented, being impracticable.

28.2 The Company has carry forwardable tax losses of Rupees 89.112 million (2017: Rupees 197.800 million).

28.3 The Company computes tax based on the generally accepted interpretations of the tax laws to ensure that the sufficient provision for the purposes of taxation is available which can be analysed as follows:

Description	Year ended 30 June		
	2017	2016	2015
	(Rupees in thousands)		
Provision for taxation	31,613	25,863	39,886
Tax assessed	30,926	24,544	40,012

29. EARNING / (LOSS) PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earning / (loss) per share which is based on:

		2018	2017
Profit / (loss) attributable to ordinary shares	**(Rupees in thousand)**	**101,184**	(50,392)
Weighted average number of ordinary shares	**(Numbers)**	**8,640,000**	8,640,000
Earnings / (loss) per share	**(Rupees)**	**11.71**	(5.83)

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

	2018	2017
	(Rupees in thousand)	
30. CASH GENERATED FROM OPERATIONS		
Profit / (loss) before taxation	**164,710**	(18,002)
Adjustments for non-cash charges and other items:		
Depreciation	**78,612**	84,890
Gain on sale of property, plant and equipment	**(6)**	(9,552)
Gain on sale of investment	**(9,272)**	-
Dividend income	**(225)**	(1,539)
(Reversal) / provision for slow moving and obsolete items	**(5,000)**	10,863
Impairment loss on equity investment	**7**	-
Excise duty payable written back	**(5,184)**	-
Workers' profit participation fund	**5,694**	-
Reversal of provision for workers' welfare fund	**(5,557)**	-
Finance cost	**38,696**	44,721
Working capital changes (Note 30.1)	**92,877**	96,881
	355,352	208,262

30.1 Working capital changes

	2018	2017
Decrease / (increase) in current assets:		
- Stores and spare parts	**(12,865)**	(15,846)
- Stock-in-trade	**215,238**	77,111
- Trade debts	**(90,283)**	(5,319)
- Advances	**(49,975)**	43,062
- Short term prepayments	**-**	5,026
- Other receivables	**(43,031)**	(8,205)
- Sales tax refundable	**32,685**	(24,174)
	51,769	71,655
Increase in trade and other payables	**41,108**	25,226
	92,877	96,881

30.2 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities from financing activities			**Total**
	Long term Financing	**Short term borrowings**	**Unclaimed dividend**	
	(Rupees in thousand)			
Balance as at 01 July 2017	120,502	499,902	3,851	624,255
Financing / borrowings obtained	-	6,216,666	-	6,216,666
Repayment of financing / borrowings	(67,832)	(6,393,796)	-	(6,461,628)
Dividend paid	-	-	(13)	(13)
Balance as at 30 June 2018	52,670	322,772	3,838	379,280

NOTES TO THE FINANCIAL STATEMENTS
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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 follow:

	Chief Executive		Director		Executives	
	2018	2017	**2018**	2017	**2018**	2017
	(Rupees in thousand)					
Managerial remuneration	**9,663**	8,785	**5,637**	5,124	**2,430**	2,279
Allowances						
House rent	**4,348**	3,953	**2,537**	2,306	**1,094**	1,025
Conveyance	**-**	-	**-**	-	**243**	228
Medical	**-**	-	**-**	-	**170**	160
Utilities	**966**	878	**564**	512	**243**	228
Other	**-**	-	**-**	-	**35**	38
Contribution to provident fund	**580**	527	**338**	308	**146**	137
	15,557	14,143	**9,076**	8,250	**4,361**	4,095
Number of persons	**1**	1	**1**	1	**1**	1

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

31.2 Non-executive directors of the Company were paid Rupees 0.480 million (2017: Rupees 0.480 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:

	2018	2017
	(Rupees in thousand)	
Associated companies		
Sale of goods and services	**13,575**	19,638
Insurance claim received	**5,605**	16,443
Purchase of goods and services	**269**	329
Purchase of machinery	**4,212**	-
Insurance premium	**9,591**	2,940
Rent expense	**2,310**	2,040
Electricity purchased	**21,816**	98,160
Sale of operating fixed assets	**-**	1,437
Advance against sale of asset received	**100,000**	-
Advance against sale of asset repaid	**100,000**	-
Other related parties		
Company's contribution to employees' provident fund trust	**5,578**	5,241
Loan obtained from employees' provident fund trust	**78,000**	-
Loan repaid to employees' provident fund trust	**78,000**	-

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:

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

Name of the related party	Basis of relationship	Transactions entered or agreements and / or arrangements in place during the financial year	Percentage of
Suraj Cotton Mills Limited	Common directorship	Yes	None
Crescent Powertec Limited	Common directorship	Yes	None
The Shams Textile Mills Limited Employee Provident Fund Trust	Post-employment benefit plan	Yes	None
Premier Insurance Limited	Common directorship and shareholding	Yes	1.46%
Crescent Socks (Private) Limited	Common directorship	Yes	None
The Crescent Textile Mills Limited	Common directorship	Yes	None
Shakarganj Mills Limited	Common directorship	No	None
Crescent Jute Products Limited	Common directorship and shareholding	No	0.05%
Crescent Software Products (Private) Limited	Common directorship	No	None
Crescent Agrifarms (Private) Limited	Common directorship	No	None
Crescent Venture International (Private) Limited	Common directorship	No	None
Crescot Mills Limited	Common directorship	No	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 rules formulated for this purpose in terms of SRO 731(I)/2018 issued by Securities and Exchange Commission of Pakistan on 06 June 2018 which allows transition period of one year for bringing the Employees Provident Fund Trust in conformity with the requirements of rules.

	2018	2017
	(Rupees in thousand)	
34. NUMBERS OF EMPLOYEES		
Number of employees as on 30 June (Note 34.1)	**1,439**	1,008
Average number of employees during the year	**1,224**	981

34.1 These include 1,405 (2017: 989) number of factory employees.

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.

The Company is exposed to currency risk primarily with respect to the United States Dollar (USD). The Company's foreign exchange risk exposure is restricted to the amounts receivable from the foreign entities and short term borrowings. The Company's exposure to currency risk was as follows:

	2018	2017
Trade debts - USD	**591,867**	-
Net exposure - USD	**591,867**	-

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	**110.43**	104.73
Reporting date rate	**121.40**	105.00

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year, would have been Rupees Nil respectively higher / lower (2016: Rupees 10.525 million respectively higher / lower) mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's loss after taxation for the year and on 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:

Index	**Impact on loss after Taxation**		**Statement of comprehensive income (fair value reserve)**	
	2018	2017	**2018**	2017
	(RUPEES IN THOUSAND)			
PSX 100 (5% increase)	**-**	-	2,543	3,216
PSX 100 (5% decrease)	**-**	-	**(2,543)**	(3,216)

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

(iii) Interest rate risk

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

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. 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:

	2018	2017
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	**-**	769
Financial liabilities		
Long term financing	**40,170**	52,220
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	**145**	130
Financial liabilities		
Long term financing	**12,500**	68,282
Short term borrowings	**322,772**	499,902

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 5.681 million (2016: Rupees 7.593 million) respectively 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:

	2018	2017
	(Rupees in thousand)	
Long term security deposits	**1,576**	1,576
Trade debts	**180,720**	90,437
Advances	**184**	727
Other receivables	**4,571**	-
Short term investments	**50,867**	65,218
Bank balances	**4,579**	3,910
	242,497	161,868

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:

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

	Rating			2018	2017
	Short Term	Long Term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	**248**	541
MCB Bank Limited	A1+	AAA	PACRA	**3,304**	1,713
Faysal Bank Limited	A1+	AA	PACRA	**841**	827
Allied Bank Limited	A1+	AA+	PACRA	**29**	32
United Bank Limited	A-1+	AAA	JCR-VIS	**5**	5
The Bank of Punjab	A1+	AA	PACRA	**22**	22
Bank Islami Pakistan Limited	A1	A+	PACRA	**3**	1
IGI Investment Bank Limited	Not available			**-**	769
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**127**	-
				4,579	3,910
Investments					
Premier Insurance Limited	Not available	A	PACRA	**5,728**	9,742
Samba Bank Limited	A-1	AA	JCR-VIS	**21,145**	19,764
EFU Life Assurance Limited	Not available	AA+	JCR-VIS	**18,689**	27,170
Crescent Cotton Mills Limited	Not available			**4,445**	7,447
Crescent Fibres Limited	Not available			**814**	986
Crescent Jute Products Limited	Not available			**-**	61
Jubilee Spinning and Weaving Mills Limited	Not available			**46**	48
				50,867	65,218
				55,446	69,128

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 15.

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

(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 2017, the Company had Rupees 218.758 million (2016: Rupees 342.500 million) available borrowing limits from financial institutions and Rupees 4.608 million (2016: Rupees 8.817 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 2018

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	52,670	55,297	20,360	7,330	14,181	13,426
Trade and other payables	635,480	635,480	635,480	-	-	-
Unclaimed dividend	3,838	3,838	3,838	-	-	-
Accrued mark-up	3,032	3,032	3,032	-	-	-
Short term borrowings	322,772	322,772	322,772	-	-	-
	1,017,792	1,021,051	986,114	7,330	14,181	13,426

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

Contractual maturities of financial liabilities as at 30 June 2017

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees in thousand)					
Non-derivative financial liabilities:						
Long term financing	120,502	130,150	39,978	33,901	27,581	28,690
Trade and other payables	597,255	597,255	597,255	-	-	-
Unclaimed dividend	3,851	3,851	3,851	-	-	-
Accrued mark-up	8,279	8,279	8,279	-	-	-
Short term borrowings	499,902	509,052	509,052	-	-	-
	1,229,789	1,248,587	1,158,415	33,901	27,581	28,690

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 5 and note 9 to these financial statements.

35.2 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
Assets as per statement of financial position			
As at 30 June 2018			
Long term security deposits	1,576	-	1,576
Trade debts	180,720	-	180,720
Loans and advances	184	-	184
Other receivables	4,571	-	4,571
Short term investments	-	50,867	50,867
Cash and bank balances	4,760	-	4,760
	191,811	50,867	242,678
As at 30 June 2017			
Long term security deposits	1,576	-	1,576
Trade debts	90,437	-	90,437
Advances	727	-	727
Other receivables	-	-	-
Short term investments	-	65,218	65,218
Cash and bank balances	4,608	-	4,608
	97,348	65,218	162,566

	Financial liabilities at amortized cost	
	2018	2017
	(Rupees in thousand)	
Liabilities as per balance sheet		
Long term financing	**52,670**	120,502
Trade and other payables	**635,480**	597,255
Accrued mark-up	**3,032**	8,279
Short term borrowings	**322,772**	499,902
Unclaimed dividend	**3,838**	3,851
	1,017,792	1,229,789

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

35.3Offsetting 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 long term financing and short term borrowings obtained by the Company as referred to in note 5 and 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'.

		2018	2017
Borrowings	Rupees in thousand	**375,442**	620,404
Total equity	Rupees in thousand	**681,068**	591,951
Total capital employed	Rupees in thousand	**1,056,510**	1,212,355
Gearing	Percentage	**35.54**	51.17

The increase in gearing ratio is due to increase in borrowings.

37. PLANT CAPACITY AND ACTUAL PRODUCTION

Number of spindles installed	**59,232**	59,232
Number of spindles operated	**50,283**	40,269
100 % plant capacity converted to 20s count based on 3 shifts per day (Kgs)	**22,658,691**	21,935,860
Actual production converted to 20s count based on 3 shifts per day (Kgs)	**18,887,118**	15,165,873

37.1 Reasons for low production:

Under utilization of available capacity was due to normal maintenance and energy crisis prevailing in the country and closure of Company's spinning unit in Chiniot.

38. 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 30m June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
		(Rupees in thousands)		
Financial assets				
Available for sale financial assets	**50,867**	**-**	**-**	**50,867**
Total financial assets	**50,867**	**-**	**-**	**50,867**

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

Recurring fair value measurements At 30m June 2017	Level 1	Level 2	Level 3	Total
		(Rupees in thousands)		
Financial assets				
Available for sale financial assets	65,218	-	-	65,218
Total financial assets	65,218	-	-	65,218

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 available-for-sale 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.

39 OPERATING SEGMENTS

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

Sales of yarn represents 96.16% (2017: 95.90%) of the total sales of the Company.

74.76% (2017: 79.69%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 99.62% (2017: 99.35%) of those sales are made to customers in China.

All non-current assets of the Company at 30 June 2018 are located in Pakistan.

14.37% (2017: 14.80%) of the total sales of the Company are made to a single customer in Pakistan.

40 EVENTS AFTER THE REPORTING PERIOD

40.1 The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2018 of Rupees 2.35 per share (2017: Rupees Nil per share) at their meeting held on October 8, 2018. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

40.2 Under Section 5A of the Income Tax Ordinance, 2001, a tax shall be imposed at the rate of 5% of accounting profit before tax of the Company if it does not distribute at least 20% of its after tax profit for the year within six months of the end of the year ended 30 June 2018 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on October 08, 2018 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 08, 2018 by the Board of Directors of the Company.

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. To comply with the requirements of the Companies Act, 2017 unclaimed dividend has been reclassified from trade and other payables and presented on the face of statement of financial position.

43 GENERAL

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

Chief Executive **Chief Financial Officer** **Director**

PATTERN OF SHARE HOLDING
AS AT JUNE 30, 2018

Form - 34

Number of Shareholders	Shareholding		Total Shares held
	From	To	
456	1	100	18,279
264	101	500	65,263
58	501	1,000	43,206
100	1,001	5,000	249,548
41	5,001	10,000	298,173
17	10,001	15,000	226,763
8	15,001	20,000	132,085
4	20,001	25,000	91,472
8	25,001	30,000	211,643
6	30,001	35,000	199,969
4	35,001	40,000	151,549
3	45,001	50,000	144,970
1	50,001	55,000	54,693
2	65,001	70,000	136,034
1	110,001	115,000	110,806
1	120,001	125,000	125,000
1	185,001	190,000	187,460
1	220,001	225,000	224,067
1	225,001	230,000	229,994
1	260,001	265,000	264,586
1	305,001	310,000	306,500
1	310,001	315,000	313,979
1	395,001	400,000	399,000
1	810,001	815,000	812,160
1	900,001	905,000	900,748
1	1,040,001	1,045,000	1,044,498
1	1,695,001	1,700,000	1,697,555
985			**8,640,000**

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2018

Categories of Share Holders	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Children				
Chief Executive				
Mr. Khalid Bashir	-	900,748	900,748	10.43
Directors				
Mr. Adil Bashir	-	306,500	306,500	3.55
Mr. Asif Bashir	-	224,067	224,067	2.59
Mr. Khurram Mazhar Karim	-	23,400	23,400	0.27
Mr. Muhammad Anwar	-	26,946	26,946	0.31
Mr. Shahid Arshad	-	8,674	8,674	0.10
Mr. Sharik Bashir	32,000	-	32,000	0.37
Director's Spouses and Their Minor Children				
Mrs. Tanveer Khalid Bashir (W/O Khalid Bashir)	-	313,797	313,779	3.63
Mrs. Amna Asif Bashir (W/O Asif Bashir)	-	187,460	187,460	2.17
Mrs. Sana Adil Bashir (W/O Adil Bashir)	-	18,000	18,000	0.21
	32,000	**2,009,774**	**2,041,774**	**23.63**
Associated Companies, Undertakings & Related Parties				
Crescent Powertec Limited	50	1,697,555	1,697,605	19.65
Premier Insurance Limited	-	399,000	399,000	4.62
The Cresent Textile Mills Limited	-	812,160	812,160	9.40
	50	**2,908,715**	**2,908,765**	**33.67**
NIT & ICP (Name Wise Detail)				
CDC - Trustee National Investment (Unit) Trust	-	1,044,498	1,044,498	12.09
	-	**1,044,498**	**1,044,498**	**12.09**
Banks, NBFCs, DFIs, Takaful, Pension Funds	**32,013**	**111,556**	**143,569**	**1.66**
Modarabas	**13,151**	**-**	**13,151**	**0.15**
Insurance Companies	**300**	**5,430**	**5,730**	**0.07**
Other Companies,Corporate Bodies, Trust etc.	**50,978**	**5,185**	**56,163**	**0.65**
General Public	**351,597**	**2,074,753**	**2,426,350**	**28.08**
	480,089	**8,159,911**	**8,640,000**	**100.00**

Shareholders More Than 5.00%

Crescent Powertec Limited	1,697,605	19.65
CDC - Trustee National Investment (Unit) Trust	1,044,498	12.09
Mr. Khalid Bashir	900,748	10.43
The Cresent Textile Mills Limited	812,160	9.40

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: October 08, 2018

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 / CDS 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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Insurance & Investment Checklist
FAQs Answered
Stock trading simulator (based on live feed from KSE)
Knowledge center
Risk profiler*
Financial calculator
Subscription to Alerts (event notifications, corporate and regulatory actions)
Jamapunji application for mobile device
Online Quizzes
jamapunji.pk
@jamapunji_pk
*Mobile apps are also available for download for android and ios devices
Jama Punji is an Investor Education Initiative of Securites and Exchange Commission of Pakistan
SECP

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 51st Annual General Meeting of the Company to be held on Monday, October 29, 2018 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 _________, 2018. Signature of the Shareholder ____________________

For Beneficial owners as per CDC list

Affix
Revenue of
Stamps of Rs. 5/-

1-Witness:

Signature __________________

Name __________________

Address __________________

2-**Witness:**

Signature __________________

Name __________________

Address __________________

____

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)

۵۱واں سالانہ اجلاس عام

میں / ہم---

ساکن------------------بحثیت 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 محترمہ ------------------------------

ساکن------------------یا بصورت دیگر محترم محترمہ -------------------------

ساکن----------------کو اپنی جگہ بروز پیر ۲۹ اکتوبر ۲۰۱۸ دن ۹:۰۰ بجے صبح بمقام کمپنی کے رجسٹرڈ آفس (۷ بی ۳، عزیز ایوینیو، گلبرگ ۵، لاہور) میں منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا کرتی ہوں۔

مؤرخہ-------دن--------۲۱۰۸

ریونیو چسپاں کریں

گواہ

(۱) دستخط------------------

(دستخط کمپنی میں پہلے سے موجود نمونہ کہ مطابق ہونے چاہیئے)

نام-------------------

پتہ-------------------

سی این آئی سی-------------------

(۲) دستخط-------------------

نام-------------------

پتہ-------------------

سی این آئی سی---------------------

Shams Textile Mills Limited
7-B-3, Aziz Avenue, Gulberg 5
Lahore Pakistan

Telephone 92 (42) 3576 0381
Fax: 92 (42) 3576 0376
E-mail: info@shams.com.pk
Web: www.shams.com.pk

Grace Print N Pack (Pvt) Ltd.
0334-4067024