



SHAMS TEXTILE MILLS LIMITED

ANNUAL REPORT 2019



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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**

Tariq Javed

**Audit Committee**

Khurram Mazhar Karim	(Chairman)
Muhammad Anwar	(Member)
Asif Bashir	(Member)

**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](mailto:info@shams.com.pk)  
Web: [www.shams.com.pk](http://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 Shekhupura Road near Shahkot. The facility started its commercial production in August 01, 1994 and ever since has contributed positively to the results of the company.

Our 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 Shafiq Gill.
  - 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 have 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. KhurramMazhar 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. KhurramMazhar Karim (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:
  - a) Audit Committee: 04
  - b) HR and Remuneration Committee: 01
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

Shams Textile complies with all material requirements set out 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 (the "Board") of Shams Textile Mills Limited (the "Company") is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed.

For the Purpose of Board evaluation, a comprehensive criteria has been developed. The Board has recently completed its annual self-evaluation for the year ended June 30, 2019 and I report that:

The overall performance of the Board measured on the basis of approved criteria for the year was satisfactory.

The overall assessment as Satisfactory is based on an evaluation of the following integral components, which have a direct bearing on Board's role in achievement of Company's objectives:

- **Diversity and Mix:** The Board members effectively bring the diversity to the Board and constitute a mix of executive and non-executive directors. The executive and non-executive and directors were equally involved in all key matters and decisions of the Board.
- **Engagement in Strategic Planning:** Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, Society at large) whom the Company serves. The Board has a strategic vision of how the organization should be evolving over the next three to five years. Further, the Board has spent sufficient time on Strategy formulation and it has set annual goals and targets for the management in all major performance areas.
- **Diligence:** The Board members diligently performed their duties and thoroughly reviewed, discussed and approved Business Strategies, Corporate Objectives, plans, budgets, financial statements and other reports. It received clear and succinct agendas and supporting written material in sufficient time prior to board and committee meetings. The board met frequently enough to adequately discharge its responsibilities.
- **Monitoring of organization's business activities:** The Board remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate direction and oversight on a timely basis.
- **Governance and Control Environment:** The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of corporate governance and by promoting ethical and fair behavior across the company.



**Muhammad Anwar**  
(Chairman)

02 October, 2019

## چیرمین رپورٹ

شس ٹیکسٹائل کمپنیز ایکٹ 2017 میں طے شدہ تمام مادی ضروریات اور رجسٹرڈ کمپنیوں کے (کارپورٹ گورننس کا ضابطہ) 2017 بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور میٹنگوں کے حوالے سے تعمیل کرتی ہے جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت مطلوب ہے۔ شس ٹیکسٹائل ملز لمیٹڈ (کمپنی) کے بورڈ آف ڈائریکٹرز (بورڈ) کی سالانہ تشخیص کی جاتی ہے۔ اس تشخیص کا مقصد یہ یقینی بنانا ہوتا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کی پیمائش کی جائے اور کمپنی کے لیے طے شدہ مقاصد کے تناظر میں توقعات کے خلاف اس کا معیار بنایا جائے۔ جن شعبوں میں بہتری کی ضرورت ہوتی ہے ان پر مناسب طور پر غور کیا جاتا ہے اور عملی منصوبے تیار کیے جاتے ہیں۔

بورڈ کی تشخیص کے مقصد کے لیے ایک جامع معیار تیار کیا گیا ہے۔ بورڈ نے 30 جون 2019 کو ختم ہونے والے سال کے لیے اپنی سالانہ خود تشخیصی حال ہی میں مکمل کر لی ہے اور میں اطلاع دیتا ہوں کہ: بورڈ کی مجموعی کارکردگی کو سال کے منظور شدہ معیارات کی بنیاد پر ماپا گیا جو کہ تسلی بخش رہی۔

اطمینان بخش کے طور پر مجموعی تشخیصی مندرجہ ذیل لازمی اجزاء کی تشخیص پڑنی ہے جس کا برائے راست اثر کمپنی کے مقاصد کے حصول میں بورڈ کے کردار پر ہوتا ہے۔

یکسانیت اور درجہ برابری: بورڈ کے ممبران بورڈ میں موثر انداز میں یکسانیت لاتے ہیں اور ایگزیکٹو اور غیر ایگزیکٹو ڈائریکٹرز کا مرکب تشکیل دیتے ہیں بورڈ کے تمام اہم معاملات اور فیصلوں میں ایگزیکٹو اور غیر ایگزیکٹو اور ڈائریکٹرز برابر کے شریک تھے۔

حکمت عملی کی منصوبہ بندی میں مشغولیت: بورڈ کو متعلقین (حصص یافتگان، صارفین، ملازمین، دکانداروں، بڑے پیمانے پر سوسائٹی) کی واضح تفہیم ہے۔ جس کی کمپنی خدمات انجام دے رہی ہے۔ بورڈ کی حکمت عملی کا اولین مقصد ہے کہ اگلے تین سے پانچ سالوں میں تنظیم کو کس طرح تیار کیا جانا چاہیے۔ مزید یہ کہ بورڈ نے حکمت عملی تیار کرنے میں کافی وقت صرف کیا ہے اور اس نے کارکردگی کے تمام بڑے شعبوں میں انتظامیہ کے لیے سالانہ اہداف اور مقاصد طے کیے ہیں۔

محنت: بورڈ ممبران نے اپنے فرائض کو بخوبی انجام دیا اور کاروباری حکمت عملیوں، کارپوریٹ مقاصد، منصوبوں، بجٹ، مالی بیانات اور دیگر رپورٹس کا مکمل جائزہ، تبادلہ خیال اور منظوری دی۔ بورڈ اور کمیٹی کے اجلاسوں سے کافی وقت قبل اس کو واضح اور پیچیدہ ایجنڈے اور معاون تحریری مواد موصول ہوا۔ بورڈ اپنی ذمہ داریوں کو مناسب طریقے سے نبھانے کے لئے کثرت سے ملتا تھا۔

تنظیمی کاروباری سرگرمیوں کی نگرانی: انتظامیہ، داخلی اور بیرونی آڈیٹرز اور دیگر آزاد مشیروں کی باقاعدہ پیشکشوں کے ذریعے کمپنی کے مقاصد، اہداف، حکمت عملی کے حصول کے سلسلے میں بورڈ مکمل آگاہ رہا۔ بورڈ نے وقت پر مناسب سمت کی نگرانی کی۔

حکمرانی اور کنٹرول ماحولیات: بورڈ نے شفاف اور مضبوط نظام حکمرانی کو عملی جامہ پہناتے ہوئے بہترین حکمرانی کا نظام قائم رکھا۔ اس کی عکاسی موثر کنٹرول ماحول قائم کرنے، کارپوریٹس گورننس کے بہترین طریق کار کی تعمیل اور پوری کمپنی میں اخلاقی اور منصفانہ طرز عمل کو فروغ دینے سے ہوتی ہے۔

محمد انور

محمد انور

(چیرمین)

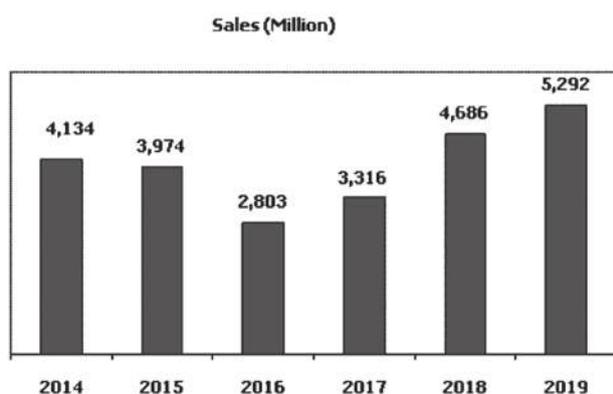
102 اکتوبر 2019ء

## DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the report on the performance of the Company for the financial year ending June 30, 2019. The textile industry in general continue to work under uncertain economic conditions globally and also within the country. Cost of doing business has continued to rise making our products uncompetitive in the global market place. The Pakistani currency was devalued by a huge percentage. Cotton production target were not achieved resulting in fluctuation process throughout the year thus creating uncertainty in the market.

**Operating Results**

During the year under review net sales have shown an increase of 12.93% from Rs.4,686 million to Rs.5,292 million.



Export sales have decreased from Rs.1,170 million to Rs.845 million.

(Rs. In Million)

	2019	2018
Sales	<b>5,292</b>	4,686
Gross profit	<b>234</b>	276
Operating expenses	<b>110.89</b>	108.46
Other income	<b>16.75</b>	35.82
Profit from operation	<b>140.04</b>	203.41
Finance cost	<b>42.93</b>	38.70
Profit before taxation	<b>97.11</b>	164.71
Provision for taxation	<b>(53.72)</b>	(63.53)
Profit after taxation	<b>43.39</b>	101.19
Profit per share (Rs.)	<b>5.02</b>	11.71

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 need. 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 going concern.
- 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. 158.919 Million (2018:Rs. 167.901 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:

- Male: **8**
- Female: **NIL**

The composition of board is as follows:

- Independent Directors: NIL (Since there was no contestant for independent Director so shareholders did not elect)
- Other Non-executive Directors: **06** as named hereunder
  - Mr. Adil Bashir;
  - Mr. Khurram Mazhar Karim;
  - Mr. Muhammad Anwar;
  - Mr. Shahid Arshad;
  - Mr. Sharik Bashir; and
  - Mr. Muhammad Shafiq Gill.
- Executive Directors: **02** as named hereunder
  - Mr. Khalid Bashir
  - Mr. Asif Bashir

Four meetings of the Board of Directors were held during the year 2018-19. 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	3
4	Mr. Khurram Mazhar Karim	4
5	Mr. Shahid Arshad	4
6	Mr. Sharik Bashir	2
7	Mr. Adil Bashir	4
8	Mr. Muhammad Shafiq Gill	4

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

### 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	3
2	Mr. Asif Bashir	4
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 a 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

01 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 dividend of **Rs. 1.05/-** per share for approval by the shareholders in the forthcoming Annual General Meeting. (2018: Rs. 2.35).

The Break-up value per share for the year is Rs. **78.29/-** (2018: Rs. 78.83/-)



**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 2019 and 02 October 2019.

**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**

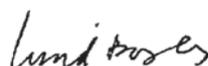
The companies Export performance during the year under review has reduced as compare to the comparative period. Our major customer China has been engaged in a Global Trade War with USA resulting in very poor demand of our products.

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.

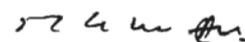
**Acknowledgements**

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

**02 October, 2019**  
**Lahore**



## بورڈ اور ان 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 انحصار 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 ڈائریکٹرز کی چار میٹنگ ہوئیں۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

میٹنگ میں حاضری کی تعداد	ڈائریکٹر کا نام	سریل نمبر
04	جناب آصف بشیر صاحب	1
04	جناب خالد بشیر صاحب	2
03	جناب محمد انور صاحب	3
04	جناب خرم مظہر کریم صاحب	4
04	جناب شاہد ارشد صاحب	5
02	جناب شارق بشیر صاحب	6
04	جناب عادل بشیر صاحب	7
04	جناب محمد شفیق گل صاحب	8

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

## آڈٹ کمیٹی:

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

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

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

## ہیومن ریسورس اینڈ ریمونڈیشن کمیٹی:

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

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

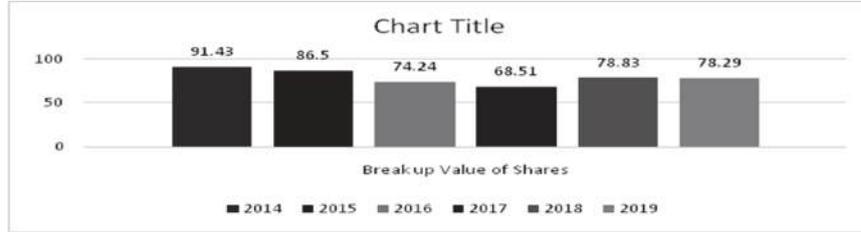
سال کے دوران صرف 1 اجلاس منعقد ہوا۔

## ڈائریکٹریٹی پروگرام:

کمپنی کے سات میں سے پانچ ڈائریکٹرز کو 14 سالہ تعلیم اور سٹڈ کمپنیوں کے بورڈ پر 15 سالہ تجربہ کی بنیاد پر انتخابی حاصل ہے۔ باقی ڈائریکٹرز ڈائریکٹریٹی پروگرام مقررہ وقت کے اندر کر لیں گے۔

## سرمایہ کاری کی قیمت:

بورڈ آف ڈائریکٹرز کی جانب سے فی حصص 1.05 روپے ختمی نقد ڈیویڈنڈ کی تجویز دی گئی ہے جو آئندہ عام سالانہ اجلاس میں حصص داران کی منظوری سے مشروط ہے۔ (2018: 2.35) اس سال کیلئے فی شیئر بریک اپ ویلیو 78.29 روپے رہی (2018: 78.83)۔



## آڈیٹرز:

آڈٹ کمپنی کی تجویز کے مطابق موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، ریٹائرڈ چارٹرڈ اکاؤنٹنٹس دوبارہ بھرتی کیلئے اپلائی کرنے کے اہل ہیں۔  
شیئر ہولڈنگ کا پیٹرن:

کمپنی ایکٹ 2017 کی دفعہ 227 اور کوڈ آف کارپوریٹ گورننس کے تحت پیٹرن آف شیئر ہولڈنگ منسلک ہے۔  
اہم انتظامی اور مالیاتی اعداد و شمار:

گزشتہ چھ سال کے اہم انتظامی اور مالیاتی اعداد و شمار منسلک ہیں۔

## ماحول صحت اور حفاظت:

کمپنی ملازمین اور بڑے پیمانے پر عوام 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 مضبوط انضمام میں یقین رکھتی ہے۔ جو براہ راست یا غیر مستقیم ہمارے کاروبار سے منسلک ہے۔

## مادی تبدیلیاں:

20 جون 2019ء اور 12 اکتوبر 2019ء کے درمیان واقعہ ہونے والی کمپنی کی مالی حیثیت کو متاثر 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 پر توجہ مرکوز کرتا ہے اور مالی کارکردگی پر ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔ کمپنی کے فنانس ڈیپارٹمنٹ کے ذریعے خطرے کی مدیعت بورڈ آف ڈائریکٹرز کی منظور شدہ پالیسیوں کے تحت کیے جاتے ہیں۔ کمپنی کا مالیاتی شعبہ مالیاتی خطرات کا اندازہ کرتے ہیں اور اس کو جھوم 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، ادھار کے خطرے اور خطرے کو پورا کرنے کے لیے پالیسیاں فراہم کرتا ہے۔

## مستقبل پر نظر:

زیر جائزہ سال کے دوران کمپنی کی برآمدگی کارکردگی پچھلے سال کے مقابلے میں کم رہی ہے۔ 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 رجحان جاری رہا ہے۔ خام مال کی فراہمی کی صورت حال بھی غیر مستحکم قیمتوں کی وجہ سے غیر یقینی رہی ہے۔ تیل کی قیمتوں میں بے پناہ اضافے سے پولیسٹرفائبر کی قیمتیں بھی آسمان چھو رہی 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 دکھاسکیں گے۔

## اظہار تشکر:

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

محمد انور

محمد انور  
ڈائریکٹر

lund roses

خالد بشیر

چیف ایگزیکٹو

12 اکتوبر، 2019ء لاہور۔

## FINANCIAL SUMMARY

For the year ended June 30, 2019

rupees in '000's	2019	2018	2017	2016	2015	2014
Net Sales	<b>5,291,753</b>	4,685,847	3,315,682	2,802,613	3,973,517	4,133,696
Cost of sales	<b>5,057,572</b>	4,409,798	3,198,776	2,749,993	3,830,891	3,998,814
<b>Gross Profit</b>	<b>234,181</b>	276,049	116,906	52,620	142,626	134,882
Distribution cost	<b>34,253</b>	39,857	36,607	58,220	62,943	71,188
Administrative expenses	<b>71,714</b>	62,901	57,325	53,713	50,970	48,877
Other expenses	<b>4,924</b>	5,701	11,654	2,627	294	5,000
	<b>110,891</b>	108,459	105,586	114,560	114,207	125,065
	<b>123,290</b>	167,590	11,320	(61,940)	28,419	9,817
Other income	<b>16,745</b>	35,816	15,399	17,951	22,974	24,595
<b>Operating Profit / (Loss)</b>	<b>140,035</b>	203,406	26,719	(43,989)	51,393	34,412
Finance cost	<b>42,925</b>	38,696	44,721	40,240	69,531	72,098
<b>Profit / (Loss) before taxation</b>	<b>97,110</b>	164,710	(18,002)	(84,229)	(18,138)	(37,686)
Taxation	<b>53,724</b>	63,526	32,390	26,869	34,988	17,952
<b>Profit / (Loss) after taxation</b>	<b>43,386</b>	101,184	(50,392)	(111,098)	(53,126)	(55,638)
<b>Performance Ratio</b>						
Gross Profit Margin (%)	<b>4.43</b>	5.89	3.53	1.88	3.59	3.26
Fixed Assets Turnover	<b>5.44</b>	5.36	3.71	3.03	4.18	4.32
Return on capital employed (%)	<b>6.28</b>	14.29	(7.82)	(14.90)	(5.98)	(5.54)
Return on equity (%)	<b>6.52</b>	15.12	(8.53)	(17.46)	(7.21)	(7.15)
Operating Profit Margin (%)	<b>2.33</b>	3.58	0.34	(2.21)	0.72	0.24
Net Profit Margin (%)	<b>0.82</b>	2.16	(1.52)	(3.96)	(1.34)	(1.35)
Earning / (loss) per share (Rupees)	<b>5.02</b>	11.71	(5.83)	(12.86)	(6.15)	(6.44)
<b>Working Capital Ratios</b>						
Debtors Turn Over Ratio	<b>26.16</b>	34.56	37.77	24.89	25.91	23.10
Debtors in no of Days	<b>13.95</b>	10.56	9.66	14.66	14.09	15.80
Stock Turn Over Ratio	<b>13.52</b>	9.93	5.42	6.55	10.13	8.65
Stock in no of Days	<b>27.00</b>	36.75	67.34	55.76	36.04	42.21
<b>Liquidity Ratio</b>						
Current Ratio	<b>0.82</b>	0.84	0.77	0.81	0.80	0.89
Quick Ratio	<b>0.36</b>	0.44	0.27	0.27	0.43	0.32
Interest Cover Ratio	<b>0.44</b>	0.23	(2.48)	(0.48)	(3.83)	(1.91)
<b>Financial Performance Ratio</b>						
Gearing Ratio	<b>02:98</b>	03:97	08:92	13:87	15:85	21:79
Break-up value per share ( Rupees )	<b>78.29</b>	78.83	68.51	74.24	86.50	91.43
Dividend per share	-	2.35	-	-	-	-
Price to Book Value	<b>0.33</b>	0.56	0.39	0.30	0.36	0.50
Total Assets	<b>1,734,225</b>	1,741,952	1,854,355	2,013,577	1,632,013	2,080,193
Current Assets	<b>844,456</b>	849,772	921,751	1,016,169	586,535	954,306
Current Liabilities	<b>1,031,235</b>	1,012,618	1,201,212	1,261,469	737,537	1,066,314
Operating Fixed Assets	<b>819,904</b>	892,180	932,604	997,408	1,045,478	1,125,887
Long Term Debts	<b>14,036</b>	27,103	52,670	104,234	141,409	214,537
Share holders' Equity	<b>676,428</b>	681,068	591,951	641,448	747,361	789,928

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 52<sup>nd</sup> Annual General Meeting of the shareholders of Shams Textile Mills Limited will be held on **Saturday October 26, 2019 at 9:30 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, 2019.
2. To approve as recommended by Directors, the payment of Cash Dividend @10.5% i.e. Rs. 1.05/- per share for the year ended June 30, 2019.
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.

**BOOK CLOSURE:**

The Members' Register will remain closed from October 19, 2019 to October 26, 2019 (both day inclusive)

**NOTES:**

1. Transfer received in order at the Registered Office by the close of business hours on October 18, 2019 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 CNIC or 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, 2019**

It is hereby informed that pursuant to the Finance Act, 2019, effective from July 1, 2019, 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 30%

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

Lahore  
02 October, 2019

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 2019 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) 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.
- (ii) 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.
- (iii) As required by regulation 20(2) of the Regulations, exemption from directors' training program certification has not been obtained from the Securities and Exchange Commission of Pakistan (SECP) in case of five directors and chief executive of the Company who have minimum 14 years of education and 15 years of experience on the board of listed companies
- (iv) The positions of head of internal audit and company secretary are held by the same person. Further, we noted a significant time lag between resignation of previous company secretary and appointment of new company secretary.

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 2019.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

<b>Sr. No.</b>	<b>Paragraph reference</b>	<b>Description</b>
(i)	2	There is no independent director on the Board of Directors of the Company.



**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**LAHORE**  
**DATE: 02 October, 2019**

**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 2019, 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 2019 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.	<p><b>Inventory existence and valuation</b></p> <p>Inventory as at 30 June 2019 amounted to Rupees 470.962million and represented a material position in the statement of financial position, break up of which is as follows:</p> <ul style="list-style-type: none"> <li>- Stores and spare parts amounting to Rupees 58.982 million</li> <li>- Stock-in-trade amounting to Rupees 411.980 million</li> </ul> <p>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.</p> <p>Inventories are stated at lower of cost and net realizable value. Cost is determined as per accounting policy disclosed in Note 2.6 to the financial statements.</p> <p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Use inventory ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory items.</li> <li>• 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.</li> </ul>	<p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• 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.</li> <li>• 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.</li> <li>• We assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory.</li> <li>• In the context of our testing of the calculation, we analyzed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.</li> <li>• 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.</li> </ul>

Sr. No.	Key audit matters	How the matter was addressed in our audit
	<p>For further information on inventory, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories note 2.6 to the financial statements.</li> <li>- Stores and spareparts note 14 and stock-in-trade note 15 to the financial statements.</li> </ul>	
2.	<p><b>Revenue recognition</b></p> <p>The Company generates revenue from sale of goods to domestic as well as export customers.</p> <p>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.</p> <p>For further information on revenue recognition, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Revenue from contracts with customers note 2.19 to the financial statements.</li> <li>- Revenue note 22 to the financial statements.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue;</li> <li>• We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;</li> <li>• We compared a sample of revenue transactions recorded around the year-end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period;</li> <li>• We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; and</li> <li>• We compared the details of a sample of journal entries posted to revenue accounts during the year, which met certain specific risk-based criteria, with the relevant underlying documentation.</li> <li>• We also considered the appropriateness of disclosures in the financial statements.</li> </ul>

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

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

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

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

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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



**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**Lahore**

**Date: 02 October, 2019**

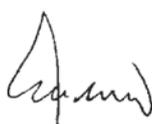
BALANCE SHEET  
AS AT JUNE 30, 2019

	Note	2019 (Rupees in thousands)	2018
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised share capital</b>			
25,000,000 (2018: 25,000,000) ordinary shares of Rupees 10 each			
		<b>250,000</b>	250,000
<b>Issued, subscribed and paid-up share capital</b>	<b>3</b>	<b>86,400</b>	86,400
<b>Reserves</b>	<b>4</b>	<b>706,839</b>	718,028
<b>Accumulated loss</b>		<b>(116,811)</b>	(123,360)
<b>Total equity</b>		<b>676,428</b>	681,068
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	<b>5</b>	<b>14,036</b>	27,103
Deferred income tax liability	<b>6</b>	<b>12,526</b>	21,163
		<b>26,562</b>	48,266
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<b>7</b>	<b>876,422</b>	657,409
Accrued mark-up	<b>8</b>	<b>5,674</b>	3,032
Short term borrowings	<b>9</b>	<b>131,806</b>	322,772
Current portion of long term financing	<b>5</b>	<b>13,067</b>	25,567
Unclaimed dividend		<b>4,266</b>	3,838
		<b>1,031,235</b>	1,012,618
<b>Total liabilities</b>		<b>1,057,797</b>	1,060,884
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>10</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,734,225</b>	1,741,952

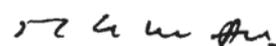
The annexed notes form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

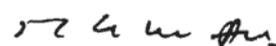
	Note	2019 (Rupees in thousands)	2018
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	819,904	890,604
Long term investments	12	68,289	-
Long term security deposits	13	1,576	1,576
		<b>889,769</b>	892,180
<b>CURRENT ASSETS</b>			
Stores and spare parts	14	58,982	65,276
Stock-in-trade	15	411,980	336,358
Trade debts	16	223,860	180,720
Advances	17	18,444	54,772
Other receivables	18	30,928	52,899
Short term investments	19	-	50,867
Sales tax refundable		36,891	44,870
Taxation - net	20	36,073	59,250
Cash and bank balances	21	27,298	4,760
		<b>844,456</b>	849,772
<b>TOTAL ASSETS</b>		<b>1,734,225</b>	1,741,952



Chief Executive



Chief Financial Officer



Director

STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 (Rupees in thousands)	2018
REVENUE	22	5,291,753	4,685,847
COST OF SALES	23	(5,057,572)	(4,409,798)
GROSS PROFIT		234,181	276,049
DISTRIBUTION COST	24	(34,253)	(39,857)
ADMINISTRATIVE EXPENSES	25	(71,714)	(62,901)
OTHER EXPENSES	26	(4,924)	(5,701)
		(110,891)	(108,459)
		123,290	167,590
OTHER INCOME	27	16,745	35,816
PROFIT FROM OPERATIONS		140,035	203,406
FINANCE COST	28	(42,925)	(38,696)
PROFIT BEFORE TAXATION		97,110	164,710
TAXATION	29	(53,724)	(63,526)
PROFIT AFTER TAXATION		43,386	101,184
EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	30	5.02	11.71

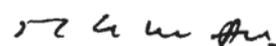
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Chief Executive



Chief Financial Officer



Director

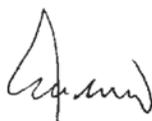
STATEMENT OF COMPREHENSIVE INCOME  
For The Year Ended JUNE 30, 2019

	<b>2019</b> <b>(Rupees in thousands)</b>	2018
PROFIT AFTER TAXATION	<b>43,386</b>	101,184
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to profit or loss		
Deficit arising on remeasurement of investments at fair value through other comprehensive income	<b>(11,189)</b>	-
Items that may be reclassified subsequently to profit or loss:		
Deficit arising on remeasurement of available for sale investments to fair value	-	(3,673)
Reclassification adjustment for gain included in profit or loss	-	(8,394)
	-	(12,067)
Other comprehensive loss for the year - net of tax	<b>(11,189)</b>	(12,067)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>32,197</b>	89,117

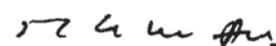
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**Chief Executive**



**Chief Financial Officer**



**Director**

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2019

	RESERVES							Accumulated Loss	TOTAL EQUITY
	SHARE CAPITAL	CAPITAL			REVENUE		TOTAL RESERVES		
		Premium on issue of right shares	Fair value reserve AFS investments	Fair value reserve FVTOCI investments	Sub Total	General reserve			
	(Rupees in thousands)								
<b>Balance as at 30 June 2017</b>	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
<b>Balance as at 30 June 2018</b>	86,400	86,400	31,628	-	118,028	600,000	718,028	(123,360)	681,068
Adjustment on adoption of IFRS 9 (Note 2.4)	-	-	(31,628)	31,628	-	-	-	(5,463)	(5,463)
Adjustment on adoption of IFRS 15 (Note 2.19)	-	-	-	-	-	-	-	(11,070)	(11,070)
<b>Adjusted total equity as at 01 July 2018</b>	86,400	86,400	-	31,628	118,028	600,000	718,028	(139,893)	664,535
Transaction with owners - Final dividend for the year ended 30 June 2018 @ Rupees 2.35 per share	-	-	-	-	-	-	-	(20,304)	(20,304)
Profit for the year	-	-	-	-	-	-	-	43,386	43,386
Other comprehensive loss for the year	-	-	-	(11,189)	(11,189)	-	(11,189)	-	(11,189)
Total comprehensive income for the year	-	-	-	(11,189)	(11,189)	-	(11,189)	43,386	32,197
<b>Balance as at 30 June 2019</b>	86,400	86,400	-	20,439	106,839	600,000	706,839	(116,811)	676,428

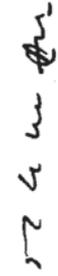
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Chief Executive



Chief Financial Officer

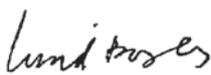


Director

STATEMENT OF CASH FLOW  
For The Year Ended JUNE 30, 2019

	Note	2019 (Rupees in thousands)	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	<b>31</b>	<b>341,217</b>	355,352
Finance cost paid		<b>(40,283)</b>	(43,943)
Income tax paid		<b>(39,184)</b>	(39,873)
<b>Net cash generated from operating activities</b>		<b>261,750</b>	271,536
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		<b>(9,896)</b>	(38,217)
Proceeds from sale of property, plant and equipment		<b>6,160</b>	35
Proceeds from sale of short term investment		-	11,548
Dividends received		<b>933</b>	225
<b>Net cash used in investing activities</b>		<b>(2,803)</b>	(26,409)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term financing		<b>(25,567)</b>	(67,832)
Short term borrowings - net		<b>(190,966)</b>	(177,130)
Dividend paid		<b>(19,876)</b>	(13)
<b>Net cash used in financing activities</b>		<b>(236,409)</b>	(244,975)
<b>Net increase in cash and cash equivalents</b>		<b>22,538</b>	152
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,760</b>	4,608
<b>Cash and cash equivalents at the end of the year</b>	<b>21</b>	<b>27,298</b>	4,760

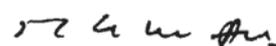
The annexed notes form an integral part of these financial statements.



Chief Executive



Chief Financial Officer



Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 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
<b>Manufacturing units:</b>	
Spinning unit I	3-KM, Faisalabad Road, Chiniot
Spinning units II and III	KotlaKahloon, District Nankana Sahib
<b>Registered and head office</b>	7- B-III, Aziz Avenue, Gulberg V, Lahore
<b>Office</b>	5 <sup>th</sup> Floor, HBL Building, Circular Road, Faisalabad

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

##### a) Statement of compliance

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

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

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

##### b) Accounting convention

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

##### c) Critical accounting estimates and judgements

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

##### Useful lives, patterns of economic benefits and impairments

Estimates with respect to 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.

##### Allowance for expected credit losses

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

##### Revenue from contracts with customers involving sale of goods

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

##### d) Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to IFRSs: 2014-2016 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9 and IFRS 15. These are disclosed in note 2.4 and note 2.19. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### e) 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 2019 or later periods:

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.

IAS 28 (Amendments) 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2019). The IASB has clarified that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments are not likely to have significant 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.

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

Amendments to IFRS 3 'Business Combinations' (effective for annual periods beginning on or after 01 January 2020). The International Accounting Standards Board (IASB) has issued 'Definition of Business' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

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 benefit; this lowers

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

**f) 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 2019 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 erection / 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 of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

### 2.4 IFRS 9 "Financial instruments"

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company has adopted IFRS 9 without restating the prior year results. Key changes in accounting policies resulting from application of IFRS 9 are as follows:

### i) **Recognition of financial instruments**

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

### ii) **Classification and measurement of financial instruments**

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

#### **Investments and other financial assets**

##### a) **Classification**

From 01 July 2018, the Company classifies its financial assets in the following measurement categories:

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

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

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

##### b) **Measurement**

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

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

##### **Debt instruments**

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

##### **Amortized cost**

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

##### **Fair value through other comprehensive income (FVTOCI)**

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

##### **Fair value through profit or loss**

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

##### **Equity instruments**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**Fair value through other comprehensive income (FVTOCI)**

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

**Fair value through profit or loss**

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

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

**Financial liabilities**

**a) Classification and measurement**

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

**iii) Impairment of financial assets**

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**iv) De-recognition**

**a) Financial assets**

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

**b) Financial liabilities**

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

**v) Offsetting of financial instruments**

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

**vi) Hedge accounting**

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended 30 June 2019.

**vii) Impacts of adoption of IFRS 9 on these financial statements as on 01 July 2018**

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018) and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

**Financial assets (01 July 2018)**

	Available for sale (AFS)	Trade debts categorized as		
		FVTOCI	Loans and receivables	Amortised cost
----- (Rupees in thousands) -----				
<b>Opening balance (before reclassification)</b>	50,867	-	180,720	-
Adjustment on adoption of IFRS 9 reclassification of equity investments from available for sale to FVTOCI	(50,867)	50,867	-	-
Reclassification of trade debts	-	-	(180,720)	180,720
Recognition of expected credit losses on trade debts	-	-	-	(5,463)
<b>Opening balance (after reclassification)</b>	-	50,867	-	175,257

The impact of these changes on the Company's reserves and equity is as follows:

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**Reserves and equity (01 July 2018)**

	Effect on accumulated loss	Effect on value reserve of AFS investments	Effect on value reserve of FVTOCI investments
	----- (Rupees in thousands) -----		
<b>Opening balance (before reclassification)</b>	(123,360)	31,628	-
Adjustment on adoption of IFRS 9 reclassification of fair value reserve of AFS investments to fair value reserve of FVTOCI investments	-	(31,628)	31,628
Adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts	(5,463)	-	-
<b>Opening balance (after reclassification)</b>	<b>(128,823)</b>	<b>-</b>	<b>31,628</b>

Effect on total equity as a result of adjustment on adoption of IFRS 9 due to recognition of expected life time credit losses on trade debts is Rupees 5.463 million and there is no effect on total equity as a result of adjustment on adoption of IFRS 9 reclassification of fair value reserve of AFS investments to fair value reserve of FVTOCI investments.

**Equity investments previously classified as available-for-sale**

The Company elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, as these investments are not held for trading. As a result, assets with a fair value of Rupees 50.867 million were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income (FVTOCI) and fair value gains of Rupees 31.628 million were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through other comprehensive income reserve on 01 July 2018.

**Reclassifications of financial instruments on adoption of IFRS 9**

As on 01 July 2018, the classification and measurement of financial instruments of the Company were as follows:

	Measurement category		Carrying amounts		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
	Rupees in thousand				
<b>Non-current financial assets</b>					
Long term investments	Available for sale	FVTOCI	-	50,867	50,867
Long term security deposits	Loans and receivables	Amortised cost	1,576	1,576	-
<b>Current financial assets</b>					
Trade debts	Loans and receivables	Amortised cost	180,720	175,257	(5,463)
Advances	Loans and receivables	Amortised cost	184	184	-
Other receivables	Loans and receivables	Amortised cost	2,756	2,756	-
Short term investments	Available for sale	FVTOCI	50,867	-	(50,867)
Cash and bank balances	Loans and receivables	Amortised cost	4,760	4,760	-
<b>Non-current financial liabilities</b>					
Long term financing	Amortised cost	Amortised cost	27,103	27,103	-
<b>Current financial liabilities</b>					
Trade and other payables	Amortised cost	Amortised cost	635,480	635,480	-
Accrued mark-up	Amortised cost	Amortised cost	3,032	3,032	-
Short term borrowings	Amortised cost	Amortised cost	322,772	322,772	-
Current portion of long term financing	Amortised cost	Amortised cost	25,567	25,567	-
Unclaimed dividend	Amortised cost	Amortised cost	3,838	3,838	-

**2.5 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.

**2.6 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

### 2.7 Trade debts and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

### 2.8 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.

### 2.9 Cash and cash equivalents

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

### 2.10 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.

### 2.11 Share capital

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

### 2.12 Trade and other payables

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

### 2.13 Provisions

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

### 2.14 Derivative 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.

### 2.15 Functional and presentation currency

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

### 2.16 Foreign currency transactions and translation

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### 2.17 Employee benefits

#### Defined contribution plan

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

#### Compensated absences

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

### 2.18 Borrowings

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

### 2.19 Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The Company has adopted IFRS 15 by applying the modified retrospective approach according to which the Company is not required to restate the prior year results. Key changes in accounting policies resulting from application of IFRS 15 are as follows:

#### i) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

#### Sale of goods

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

#### Interest

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

#### Rent

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

#### Dividend

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

#### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

#### ii) Contract assets

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

#### iii) Customer acquisition costs

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

### iv) Customer fulfilment costs

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

### v) Right of return assets

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

### vi) Contract liabilities

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

### vii) Refund liabilities

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

### viii) Impacts of adoption of IFRS 15 on these financial statements as on 01 July 2018

The following adjustments were made to the amounts recognized in the financial statements at 01 July 2018:

	30 June 2018 Reported	Adjustment	01 July 2018 Restated
	----- (Rupees in thousands) -----		
<b>Current assets</b>			
Stock in trade	336,358	71,001	407,359
Trade debts	180,720	(82,653)	93,067
<b>Current liabilities</b>			
Trade and other payables	657,409	(583)	656,826
<b>Equity</b>			
Reserves (net of accumulated loss)	594,668	(11,070)	583,598

### 2.20 Government 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.

### 2.21 Earnings per share

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

### 2.22 Contingent assets

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

### 2.23 Contingent liabilities

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

### 2.24 Dividend and other appropriations

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

2019 (NUMBER OF SHARES)	2018		2019 (RUPEES IN THOUSAND)	2018
<b>7,510,000</b>	7,510,000	Ordinary shares of Rupees 10 each fully paid in cash	<b>75,100</b>	75,100
<b>1,130,000</b>	1,130,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	<b>11,300</b>	11,300
<b>8,640,000</b>	8,640,000		<b>86,400</b>	86,400

	2019 (NUMBER OF SHARES)	2018
<b>3.1</b> Ordinary shares of the Company held by associated companies:		
Premier Insurance Limited	<b>399,000</b>	399,000
The Crescent Textile Mills Limited	<b>812,160</b>	812,160
Crescent Powertec Limited	<b>1,720,105</b>	1,697,605
	<b>2,931,265</b>	2,908,765

	2019 (Rupees in thousand)	2018
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**4. RESERVES****Composition of reserves is as follows:****Capital**

Premium on issue of right shares (Note 4.1)	<b>86,400</b>	86,400
Fair value reserve available for sale investments (Note 4.2)	-	31,628
Fair value reserve FVTOCI investments (Note 4.2)	<b>20,439</b>	-
	<b>106,839</b>	118,028
<b>Revenue</b>		
General reserve	<b>600,000</b>	600,000
	<b>706,839</b>	718,028

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

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

	2019 (Rupees in thousand)	2018
	Fair value reserve FVTOCI investments	Fair value reserve AFS investments
Balance as on 01 July	<b>31,628</b>	43,695
Less: Fair value adjustment during the year	<b>(11,189)</b>	(12,067)
Balance as on 30 June	<b>20,439</b>	31,628

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

	2019 (Rupees in thousand)	2018
<b>5. LONG TERM FINANCING</b>		
<b>Secured</b>		
Financing from banking companies (Note 5.1)	<b>27,103</b>	52,670
Less: Current portion shown under current liabilities	<b>13,067</b>	25,567
	<b>14,036</b>	27,103

**5.1 Financing from banking companies**

LENDER	2019	2018	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(Rupees in thousands)							
Allied Bank Limited	-	12,500	3 month KIBOR +2%	Sixteen equal quarterly instalments commenced on 06 November 2014 and ended 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 along with personal guarantees of directors.
MCB Bank Limited	<b>27,103</b>	40,170	SBP Rate for	One hundred and twelve un-equal quarterly instalments commenced 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.
	<b>27,103</b>	52,670					

	2019 (Rupees in thousand)	2018
<b>6. DEFERRED INCOME TAX LIABILITY</b>		
The liability for deferred income tax originated due to timing differences relating to:		
<b>Taxable temporary difference</b>		
Accelerated tax depreciation	<b>119,111</b>	94,734
<b>Deductible temporary differences</b>		
Available tax losses	<b>(10,741)</b>	(25,842)
Turnover tax carried forward	<b>(84,948)</b>	(40,462)
Allowance for expected credit losses	<b>(3,869)</b>	(1,938)
Provision for slow moving and obsolete items	<b>(7,027)</b>	(5,329)
	<b>(106,585)</b>	(73,571)
	<b>12,526</b>	21,163

**7. TRADE AND OTHER PAYABLES**

Creditors (Note 7.1)	<b>357,030</b>	271,327
Accrued liabilities	<b>383,854</b>	326,512
Advances from customers	<b>14,215</b>	12,542

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

	2019 (Rupees in thousand)	2018
Due to related parties (Note 7.2)	<b>108,725</b>	37,625
Retention money payable	-	16
Income tax deducted at source	<b>4,143</b>	2,472
Payable to employees' provident fund trust	<b>2,932</b>	1,221
Workers' profit participation fund (Note 7.3)	<b>5,523</b>	5,694
	<b>876,422</b>	657,409
<b>7.1</b> These include amounts due to following associated companies:		
Premier Insurance Limited	<b>163</b>	332
The Crescent Textile Mills Limited	<b>109</b>	-
	<b>272</b>	332
<b>7.2</b> This amount is due to Chief Executive of the Company and his spouse and has been utilized for working capital purposes. It is unsecured, interest free and repayable on demand.		
<b>7.3 Workers' profit participation fund</b>		
Opening balance	<b>5,694</b>	-
Less: Adjustment on adoption of IFRS 15	<b>(583)</b>	-
	<b>5,111</b>	-
Add: Provision for the year (Note 26)	<b>5,102</b>	5,694
Interest for the year (Note 28)	<b>1,004</b>	-
	<b>6,106</b>	5,694
Less: Payments during the year	<b>(5,694)</b>	-
Balance as on 30 June	<b>5,523</b>	5,694
<b>7.3.1</b> Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.		
<b>8. ACCRUED MARK-UP</b>		
Long term financing	<b>367</b>	693
Short term borrowings	<b>5,307</b>	2,339
	<b>5,674</b>	3,032
<b>9. SHORT TERM BORROWINGS</b>		
<b>From banking companies - secured</b>		
Running finances (Note 9.1 and 9.2)	<b>110,043</b>	152,877
Cash finances (Note 9.1 and 9.3)	-	-
Other short term borrowings (Note 9.1 and 9.4)	-	169,895
Temporary bank overdraft	<b>21,763</b>	-
	<b>131,806</b>	322,772

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year ended 30 June 2011, would have been Rupees 5.012 million lower / higher mainly as a result of higher / lower interest expense on floating rate borrowings. If interest rates at the year ended 30 June 2010, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year ended 30 June 2010, would have been Rupees 5.012 million 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 statement of financial position dates were outstanding for the whole year.

**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 700 million (2018: Rupees 1,000 million).

**9.2** The rates of mark-up range from 8.17% to 14.05% (2018: 7.51% to 8.17%) per annum during the year on the balance outstanding.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

- 9.3** The rates of mark-up range from 9.01% to 12.33% (2018: 7.23% to 7.55%) per annum during the year on the balance outstanding.
- 9.4** The rates of mark-up range from 7.61% to 11.80% (2018: 6.26% to 7.48%) per annum during the year on the balance outstanding.

**10. CONTINGENCIES AND COMMITMENTS**

**a) Contingencies**

- i) Bank guarantees of Rupees 69.596 million (2018: 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.

**b) Commitments**

- i) Letters of credit for other than capital expenditures amounted to Rupees 10.152 million (2018: Rupees 103.383 million).

NOTES TO THE FINANCIAL STATEMENTS  
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	2019 (Rupees in thousands)	2018 (Rupees in thousands)
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>		
• Operating fixed assets Owned (Note 11.1)	817,790	887,854
Capital work-in-progress (Note 11.2)	2,114	2,750
	<b>819,904</b>	<b>890,604</b>

**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)									
<b>At 30 June 2017</b>									
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
<b>Year ended 30 June 2018</b>									
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
Depreciation charge	-	(10,011)	(2,507)	(61,199)	(1,692)	(49)	(28)	(29)	(78,612)
Closing net book value	3,192	190,206	94,265	566,883	15,232	440	254	17,382	887,854
<b>At 30 June 2018</b>									
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
<b>Year ended 30 June 2019</b>									
Opening net book value	3,192	190,206	94,265	566,883	15,232	440	254	17,382	887,854
Additions	-	-	-	3,265	-	-	-	7,267	10,532
Disposals:									
Cost	-	-	-	(1,550)	-	-	-	(7,383)	(8,933)
Accumulated depreciation	-	-	-	1,315	-	-	-	4,121	5,436
Depreciation charge	-	(9,510)	(4,713)	(235)	(1,523)	(44)	(25)	(3,262)	(3,497)
Closing net book value	3,192	180,696	89,552	513,012	13,709	396	229	17,004	817,790
<b>At 30 June 2019</b>									
Cost	3,192	298,459	123,460	1,652,698	47,199	2,608	900	39,670	2,168,186
Accumulated depreciation <sup>1</sup>	-	(117,763)	(33,908)	(1,139,686)	(33,490)	(2,212)	(671)	(22,666)	(1,350,396)
Net book value	3,192	180,696	89,552	513,012	13,709	396	229	17,004	817,790
<b>Annual rate of depreciation (%)</b>	-	5	5	10	10	10	10	20	20

NOTES TO THE FINANCIAL STATEMENTS  
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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)								
<b>Vehicles</b>								
Suzuki Swift LEE-18-671	1	1,062	824	238	600	362	Negotiation	Rana Imran Munawar, Lahore
Honda Civic LEA-18-3419	1	2,639	1,551	1,088	1,835	747	Negotiation	Muhammad Akhtar, Faisalabad
Suzuki Swift LEA-9840	1	1,408	313	1,095	1,405	310	Negotiation	Umer Khawer, Lahore
Honda Civic LEA-14-3607	1	2,274	1,433	841	1,700	859	Negotiation	Umer Khawer, Lahore
<b>Plant and Machinery</b>								
Ring Frames FA-506-480 Spindles	2	1,550	1,315	235	620	385	Negotiation	Naeem Akhtar, Faisalabad
		8,933	5,436	3,497	6,160	2,663		

**2019**  
**(Rupees in thousand)**

2018

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

Cost of sales (Note 23)	<b>70,159</b>	75,246
Administrative expenses (Note 25)	<b>6,940</b>	3,366
	<b>77,099</b>	78,612

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

Manufacturing units	Address	Area of land Acres	Covered area of buildings Square feet
<b>Manufacturing units</b>			
Spinning unit I	3-KM, Faisalabad Road, Chiniot	<b>28.256</b>	428,644
Spinning unit II and unit III	Kotla Kahloon, District Nankana Sahib	<b>27.043</b>	533,160
		<b>55.299</b>	961,804

**11.2 Capital work-in-progress**

Advance against purchase of vehicle	<b>2,114</b>	2,750
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**12. LONG TERM INVESTMENTS**

Debt instruments (Note 12.1)	<b>28,611</b>	-
Equity instruments (note 12.2)	<b>39,678</b>	-
	<b>68,289</b>	-

**12.1 Debt instruments**

At amortized cost		
Sales tax refund bonds (Note 12.1.1)		
284(2018: Nil) bonds of Rupees 100,000 each	<b>28,400</b>	-
Add: Accrued interest	<b>211</b>	-
	<b>28,611</b>	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

	2019 (Rupees in thousand)	2018
<b>12.2 Equity instruments</b>		
<b>Fair value through other comprehensive income</b>		
Associated companies - quoted (Note 12.2.1)		
Crescent Jute Products Limited (Note 12.2.2 and 12.2.4) 12,476 (2018: 12,476) fully paid ordinary shares of Rupees 10 each. Equity held 0.053% (2018: 0.053%)	-	-
Premier Insurance Limited 739,069 (2018: 739,069) fully paid ordinary shares of Rupees 10 each. Equity held 1.46% (2018: 1.46%)	<b>6,196</b>	-
<b>Others - quoted</b>		
Crescent Cotton Mills Limited 176,790 (2018: 176,790) fully paid ordinary shares of Rupees 10 each.	<b>876</b>	-
Jubilee Spinning and Weaving Mills Limited 7,788 (2018: 7,788) fully paid ordinary shares of Rupees 10 each.	<b>9</b>	-
Crescent Fibres Limited 31,920 (2018: 31,920) fully paid ordinary shares of Rupees 10 each.	<b>256</b>	-
Crescent Spinning Mills Limited (Note 12.2.3 and 12.2.4) 208,800 (2018: 208,800) fully paid ordinary shares of Rupees 10 each.	-	-
Samba Bank Limited 2,764,113 (2018: 2,764,113) fully paid ordinary shares of Rupees 10 each.	<b>8,383</b>	-
EFU Life Assurance Limited 60,000 (2018: 60,000) fully paid ordinary shares of Rupees 10 each.	<b>3,519</b>	-
<b>Other - unquoted</b>		
Crescent Modaraba Management Company (Private) Limited (Note 12.2.4) 193,000 (2018: 193,000) fully paid ordinary shares of Rupees 10 each.	-	-
	<b>19,239</b>	-
Add: Fair value adjustment	<b>20,439</b>	-
	<b>39,678</b>	-

**12.2.1** These companies are associated due to common directorship.

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

**12.2.3** 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.

**12.2.4** 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.

**13. LONG TERM SECURITY DEPOSITS**

These represent security deposits with utility companies against utility connections.

NOTES TO THE FINANCIAL STATEMENTS  
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	2019 (Rupees in thousand)	2018
<b>14. STORES AND SPARE PARTS</b>		
Stores (Note 14.1)	44,694	50,842
Spare parts	42,558	42,704
	<b>87,252</b>	93,546
Less: Provision for slow moving and obsolete items (Note 14.2)	<b>(28,270)</b>	(28,270)
	<b>58,982</b>	65,276
<b>14.1</b> These include stores in transit of Rupees Nil (2018: Rupees 13.239 million).		
<b>14.2 Provision for slow moving and obsolete items</b>		
Balance as on 01 July	28,270	33,270
Less: Provision reversed during the year (Note 27)	-	(5,000)
Balance as on 30 June	28,270	28,270
<b>15. STOCK-IN-TRADE</b>		
Raw materials	105,411	185,122
Work-in-process	49,915	45,449
Finished goods	252,318	92,619
Waste stock	4,336	13,168
	<b>411,980</b>	336,358

**15.1** Stock-in-trade of Rupees 81.782 million (2018: Rupees 90.695 million) is being valued at net realizable value.

**15.2** The carrying value of stock in trade pledged with banking companies against short term borrowings is Rupees Nil (2018: Rupees Nil). Detail of the corresponding borrowings are disclosed in note 9 to the financial statements.

**15.3** Finished goods include stock in transit of Rupees 18.387 million (2018: Rupees 71.001 million).

**15.4** The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 9.352 million (2018: Rupees 11.940 million).

	2019 (Rupees in thousand)	2018
<b>16. TRADE DEBTS</b>		
<b>Considered good:</b>		
Secured (against letters of credit)	-	71,853
Unsecured:		
- Suraj Cotton Mills Limited - associated company (Note 16.3)	493	-
- Crescent Socks (Private) Limited (Note 16.1)	-	4,052
- Others (Note 16.4)	238,934	115,097
	<b>239,427</b>	191,002
Less: Allowance for expected credit losses (Note 16.5)	<b>(15,567)</b>	(10,282)
	<b>223,860</b>	180,720

**16.1** Crescent Socks (Private) Limited ceased to be an associated company during the current year with effect from 06 August 2018.

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

	2019 (Rupees in thousand)	2018
Suraj Cotton Mills Limited	574	-
Crescent Socks (Private) Limited	-	6,956

NOTES TO THE FINANCIAL STATEMENTS  
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**16.3** As at 30 June 2019, trade debts due from an associated company amounting to Rupees 0.493 million (2018: Rupees 4.052 million) were past due but not impaired. The age analysis of these trade debts is as follows:

	2019 (Rupees in thousand)	2018
Upto 1 month	493	-
1 to 6 months	-	4,038
More than 6 months	-	14
	<b>493</b>	4,052

**16.4** As at 30 June 2019, trade debts due from other than related parties of Rupees 157.341 million (2018: Rupees 78.077 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:

	2019 (Rupees in thousand)	2018
Upto 1 month	135,937	70,621
1 to 6 months	5,088	280
More than 6 months	16,316	7,176
	<b>157,341</b>	78,077

**16.5 Allowance for expected credit losses**

Opening balance	10,282	10,282
Add: Recognized as on 01 July 2018	5,463	-
Less: Reversal during the year (Note 26)	(178)	-
Closing balance	<b>15,567</b>	10,282

**17. ADVANCES**

**Considered good:**

Advances to employees - interest free	259	184
Advances to suppliers	1,067	4,475
Letters of credit	17,118	50,113
	<b>18,444</b>	54,772

**18. OTHER RECEIVABLES**

**Considered good:**

Due from associated companies (Note 18.1)	586	2,756
Duty drawback receivable	29,129	46,951
Claims receivable	-	1,815
Miscellaneous	1,213	1,377
	<b>30,928</b>	52,899

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

	2019 (Rupees in thousand)	2018
Suraj Cotton Mills Limited	-	1,818
Crescent Powertec Limited	586	938
	<b>586</b>	2,756

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

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	2019 (Rupees in thousand)	2018
Suraj Cotton Mills Limited	2,972	9,877
Crescent Powertec Limited	1,405	1,678
<b>19. SHORT TERM INVESTMENTS</b>		
<b>Available for sale</b>		
<b>Associated companies - quoted</b>		
Crescent Jute Products Limited 12,476 (2018: 12,476) fully paid ordinary shares of Rupees 10 each. Equity held 0.053% (2018: 0.053%)	-	-
Premier Insurance Limited 739,069 (2018: 739,069) fully paid ordinary shares of Rupees 10 each. Equity held 1.46% (2018: 1.46%)	-	6,196
<b>Others - quoted</b>		
Crescent Cotton Mills Limited 176,790 (2018: 176,790) fully paid ordinary shares of Rupees 10 each.	-	876
Jubilee Spinning and Weaving Mills Limited 7,788 (2018: 7,788) fully paid ordinary shares of Rupees 10 each.	-	9
Crescent Fibres Limited 31,920 (2018: 31,920) fully paid ordinary shares of Rupees 10 each.	-	256
Crescent Spinning Mills Limited 208,800 (2018: 208,800) fully paid ordinary shares of Rupees 10 each.	-	-
Samba Bank Limited 2,764,113 (2018: 2,764,113) fully paid ordinary shares of Rupees 10 each.	-	8,383
EFU Life Assurance Limited 60,000 (2018: 60,000) fully paid ordinary shares of Rupees 10 each.	-	3,519
<b>Other - unquoted</b>		
Crescent Modaraba Management Company (Private) Limited 193,000 (2018: 193,000) fully paid ordinary shares of Rupees 10 each.	-	-
Add: Fair value adjustment	-	19,239 31,628
	-	50,867
<b>20. TAXATION - NET</b>		
Advance income tax	98,433	110,136
Less: Provision for taxation (Note 29)	(62,360)	(50,886)
	36,073	59,250
<b>21. CASH AND BANK BALANCES</b>		
<b>Cash with banks:</b>		
On deposit accounts (Note 21.1)	146	145
On current accounts	26,514	4,434
	26,660	4,579
<b>Cash in hand</b>	638	181
	27,298	4,760

**21.1** Rate of profit on bank deposits ranges from 4.25% to 10.75% (2018: 4% to 4.50%) per annum.

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	2019 (Rupees in thousand)	2018
<b>22. REVENUE</b>		
Export sales	<b>844,496</b>	1,170,731
Local sales (Note 22.1 and 22.2)	<b>4,447,257</b>	3,467,856
Duty draw back	-	47,260
	<b>5,291,753</b>	4,685,847
<b>22.1 Local sales</b>		
Sales	<b>4,463,767</b>	3,477,424
Less: Sales tax	<b>(16,510)</b>	(9,568)
	<b>4,447,257</b>	3,467,856

**22.2** Local sales include waste sales of Rupees 193.815 million (2018: Rupees 178.038 million).

	2019 (Rupees in thousand)	2018
<b>23. COST OF SALES</b>		
Raw materials consumed (Note 23.1)	<b>3,966,959</b>	2,962,803
Salaries, wages and other benefits (Note 23.2)	<b>349,829</b>	322,469
Stores, spare parts and loose tools consumed	<b>91,073</b>	95,106
Packing materials consumed	<b>75,820</b>	76,958
Repair and maintenance	<b>13,860</b>	19,652
Fuel and power	<b>559,250</b>	490,774
Insurance	<b>7,371</b>	7,057
Other factory overheads	<b>7,583</b>	7,856
Depreciation (Note 11.1.2)	<b>70,159</b>	75,246
	<b>5,141,904</b>	4,057,921
Work-in-process		
Opening stock	<b>45,449</b>	33,878
Less: Closing stock	<b>(49,915)</b>	(45,449)
	<b>(4,466)</b>	(11,571)
Cost of goods manufactured	<b>5,137,438</b>	4,046,350
Finished goods and waste		
Opening stock (Note 23.3)	<b>176,788</b>	469,235
Less: Closing stock	<b>(256,654)</b>	(105,787)
	<b>(79,866)</b>	363,448
Cost of sales	<b>5,057,572</b>	4,409,798
<b>23.1 Raw materials consumed</b>		
Opening stock	<b>185,122</b>	48,483
Add: Purchased during the year	<b>3,887,248</b>	3,099,442
	<b>4,072,370</b>	3,147,925
Less: Closing stock	<b>(105,411)</b>	(185,122)
	<b>3,966,959</b>	2,962,803

**23.2** Salaries, wages and other benefits include provident fund contribution of Rupees 4.264 million (2018: Rupees 4.295 million) by the Company.

**23.3** This includes the impact of adjustment on adoption of IFRS 15 amounting to Rupees 71.001 million.

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	2019 (Rupees in thousand)	2018
<b>24. DISTRIBUTION COST</b>		
Salaries and other benefits (Note 24.1)	1,789	1,581
Freight and forwarding - export	16,898	27,327
Freight - local	271	120
Commission to selling agents	15,295	10,829
	<b>34,253</b>	39,857

**24.1** Salaries and other benefits include provident fund contribution of Rupees 0.060 million (2018: Rupees 0.054 million) by the Company.

	2019 (Rupees in thousand)	2018
<b>25. ADMINISTRATIVE EXPENSES</b>		
Salaries and other benefits (Note 25.1)	41,697	37,972
Directors' meeting fee	480	480
Rent, rates and taxes	3,071	2,981
Insurance	1,362	867
Travelling and conveyance	4,455	4,430
Vehicles' running	3,132	3,334
Entertainment	1,269	967
Legal and professional	1,499	1,743
Auditor's remuneration (Note 25.2)	1,050	945
Advertisement	47	39
Postage and telephone	1,116	1,282
Electricity and gas	1,595	1,402
Printing and stationery	1,344	362
Repair and maintenance	961	1,527
Fee and subscription	1,684	1,196
Depreciation (Note 11.1.2)	6,940	3,366
Miscellaneous	12	8
	<b>71,714</b>	62,901

**25.1** Salaries and other benefits include provident fund contribution of Rupees 1.355 million (2018: Rupees 1.229 million) by the Company.

	2019 (Rupees in thousand)	2018
<b>25.2 Auditor's remuneration</b>		
Audit fee	865	760
Half yearly review	115	115
Other certifications	50	50
Out-of-pocket expenses	20	20
	<b>1,050</b>	945

<b>26. OTHER EXPENSES</b>		
Exchange loss - net	-	-
Impairment loss on equity investment	-	7
Workers' profit participation fund (Note 7)	5,102	5,694
Reversal of allowance for expected credit losses (Note 16.5)	(178)	-
	<b>4,924</b>	5,701

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	2019 (Rupees in thousand)	2018
<b>27. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Dividend income (Note 27.1)	933	225
Profit on deposits with banks	128	94
Exchange gain - net	4,851	3,039
Gain on sale of investment	-	9,272
Interest income on sales tax refund bonds	211	-
	<b>6,123</b>	12,630
<b>Income from assets other than financial assets</b>		
Gain on sale of property, plant and equipment (Note 11.1.1)	2,663	6
Excise duty payable written back	-	5,184
Reversal of provision for workers' welfare fund	-	5,557
Reversal of provision for slow moving and obsolete items (Note 14.2)	-	5,000
Scrap sales	4,665	4,713
Rental income	3,294	2,726
	<b>10,622</b>	23,186
	<b>16,745</b>	35,816
<b>27.1 Dividend income</b>		
<b>Other than related parties:</b>		
EFU Life Assurance Limited	933	225
<b>28. FINANCE COST</b>		
Mark-up on:		
Long term financing	1,811	5,410
Short term borrowings	30,979	22,423
Interest on employees' provident fund	6,021	5,021
Interest on workers' profit participation fund (Note 7.3)	1,004	-
Bank charges and commission	3,110	5,842
	<b>42,925</b>	38,696
<b>29. TAXATION</b>		
<b>For the year</b>		
Current tax (Note 29.1)	64,012	51,573
Deferred tax	(8,636)	12,640
<b>Prior year</b>		
Current tax	(1,652)	(687)
	<b>53,724</b>	63,526

**29.1** 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.

**29.2** The Company has carry forwardable tax losses of Rupees 49.253 million (2018: Rupees 89.112 million).

NOTES TO THE FINANCIAL STATEMENTS  
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		2019	2018
<b>30. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
There is no dilutive effect on the basic earnings per share which is based on:			
Profit attributable to ordinary shares	(Rupees in thousand)	<b>43,386</b>	101,184
Weighted average number of ordinary shares	(Numbers)	<b>8,640,000</b>	8,640,000
Earnings per share	(Rupees)	<b>5.02</b>	11.71

		2019 (Rupees in thousand)	2018
<b>31. CASH GENERATED FROM OPERATIONS</b>			
<b>Profit before taxation</b>		<b>97,110</b>	164,710
<b>Adjustments for non-cash charges and other items:</b>			
Depreciation		<b>77,099</b>	78,612
Gain on sale of property, plant and equipment		<b>(2,663)</b>	(6)
Gain on sale of investment		-	(9,272)
Interest income on sales tax refund bonds		<b>(211)</b>	
Dividend income		<b>(933)</b>	(225)
Reversal of provision for slow moving and obsolete items		-	(5,000)
Impairment loss on equity investment		-	7
Reversal of allowance for expected credit losses		<b>(178)</b>	-
Excise duty payable written back		-	(5,184)
Workers' profit participation fund		<b>5,102</b>	5,694
Reversal of provision for workers' welfare fund		-	(5,557)
Finance cost		<b>42,925</b>	38,696
Working capital changes (Note 31.1)		<b>122,966</b>	92,877
		<b>341,217</b>	355,352

**31.1 Working capital changes**

Decrease / (increase) in current assets:			
- Stores and spare parts		<b>6,294</b>	(12,865)
- Stock-in-trade		<b>(4,621)</b>	215,238
- Trade debts		<b>(131,078)</b>	(90,283)
- Advances		<b>36,328</b>	(49,975)
- Other receivables		<b>21,971</b>	(43,031)
- Sales tax refundable		<b>(20,421)</b>	32,685
		<b>(91,527)</b>	51,769
Increase in trade and other payables		<b>214,493</b>	41,108
		<b>122,966</b>	92,877

**31.2 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	
Balance as at 01 July 2018	52,670	322,772	3,838	379,280
Repayment of financing	(25,567)	-	-	(25,567)
Short term borrowings - net	-	(190,966)	-	(190,966)
Dividend declared	-	-	20,304	20,304
Dividend paid	-	-	(19,876)	(19,876)
Balance as at 30 June 2019	27,103	131,806	4,266	163,175

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**32. 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	
	2019	2018	2019	2018	2019	2018
	(Rupees in thousand)					
<b>Managerial remuneration</b>	<b>10,629</b>	9,663	<b>6,200</b>	5,637	<b>2,088</b>	2,430
<b>Allowances</b>						
House rent	<b>4,783</b>	4,348	<b>2,790</b>	2,537	<b>940</b>	1,094
Conveyance	-	-	-	-	<b>209</b>	243
Medical	-	-	-	-	<b>146</b>	170
Utilities	<b>1,063</b>	966	<b>620</b>	564	<b>209</b>	243
Other	-	-	-	-	<b>29</b>	35
<b>Contribution to provident fund</b>	<b>638</b>	580	<b>372</b>	338	<b>125</b>	146
	<b>17,113</b>	15,557	<b>9,982</b>	9,076	<b>3,746</b>	4,361
<b>Number of persons</b>	<b>1</b>	1	<b>1</b>	1	<b>1</b>	1

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

**32.2** Non-executive directors of the Company were paid Rupees 0.480 million (2018: Rupees 0.480 million) as meeting fee.

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

**33. 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:

	2019	2018
	(Rupees in thousand)	
<b>Associated companies</b>		
Sale of goods and services	<b>2,126</b>	13,575
Insurance claim received	-	5,605
Purchase of goods and services	<b>231</b>	269
Purchase of machinery	-	4,212
Insurance premium	<b>9,667</b>	9,591
Rent expense	<b>2,400</b>	2,310
Electricity purchased	<b>1,065</b>	21,816
Dividend paid	<b>6,888</b>	-
Advance against sale of asset received	-	100,000
Advance against sale of asset repaid	-	100,000
<b>Other related parties</b>		
Company's contribution to employees' provident fund trust	<b>5,680</b>	5,578
Loan obtained from employees' provident fund trust	<b>64,000</b>	78,000
Loan repaid to employees' provident fund trust	<b>64,000</b>	78,000
Loan obtained from chief executive and his spouse	<b>73,100</b>	18,000
Loan repaid to chief executive and his spouse	<b>2,000</b>	50,000

Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in Note 32.

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

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Name of the related party	Basis of relationship financial year	Transactions entered or agreements and / or arrangements in place during the	Percentage of shareholding
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%
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 Agri (Private) Limited	Common directorship	No	None
Crescent Venture (Private) Limited	Common directorship	No	None
Ayesha Khurram (Private) Limited	Common directorship	No	None
Crescot Mills Limited	Common directorship	No	None

### 34. PROVIDENT FUND

As at the reporting date, the Shams Textile Mills Limited Employees Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan which allows transition period of 3 years for bringing the Employees Provident Fund Trust in conformity with the requirements of the regulations.

	2019	2018
<b>35. NUMBER OF EMPLOYEES</b>		
Number of employees as on 30 June	<b>1,602</b>	1,439
Average number of employees during the year	<b>1,521</b>	1,224

### 36. FINANCIAL RISK MANAGEMENT

#### 36.1 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

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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. The Company's exposure to currency risk was as follows:

	2019	2018
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	<b>137.29</b>	110.43
Reporting date rate	<b>164.00</b>	121.40

**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 profit after taxation for the year, would have been Rupees Nil (2018: Rupees 3.592 million) respectively higher / lower mainly as a result of exchange gains / losses 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 also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

**Sensitivity analysis**

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

Index	Impact on statement of comprehensive income (fair value reserve)	
	2019 (Rupees in thousand)	2018
PSX 100 (5% increase)	<b>1,984</b>	2,543
PSX 100 (5% decrease)	<b>(1,984)</b>	(2,543)

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

**(iii) Interest rate risk**

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

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:

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	2019 (Rupees in thousand)	2018
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Sales tax refund bonds	28,611	-
<b>Financial liabilities</b>		
Long term financing	27,103	40,170
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	146	145
<b>Financial liabilities</b>		
Long term financing	-	12,500
Short term borrowings	110,043	322,772

**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, profit after taxation for the year would have been Rupees 0.780 million (2018: Rupees 3.351 million) lower / higher 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.

**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:

	2019 (Rupees in thousand)	2018
Investments	68,289	50,867
Security deposits	1,576	1,576
Trade debts	223,860	180,720
Advances	259	184
Other receivables	586	2,756
Bank balances	26,660	4,579
	<b>321,230</b>	240,682

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 counter party default rate:

	Rating			2019	2018
	Short Term	Long Term	Agency	(Rupees in thousand)	
<b>Banks</b>					
National Bank of Pakistan	A1+	AAA	PACRA	388	248
MCB Bank Limited	A1+	AAA	PACRA	25,355	3,304
Faysal Bank Limited	A1+	AA	PACRA	843	841
Allied Bank Limited	A1+	AAA	PACRA	36	29
United Bank Limited	A-1+	AAA	JCR-VIS	5	5
The Bank of Punjab	A1+	AA	PACRA	21	22
Bank Islami Pakistan Limited	A1	A+	PACRA	3	3
FINCA Microfinance Bank Limited	A1	A	JCR-VIS	7	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2	127
				<b>26,660</b>	4,579

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	Rating			2019	2018
	Short Term	Long Term	Agency	(Rupees in thousand)	
<b>Investments</b>					
Premier Insurance Limited	-	A	PACRA	<b>4,457</b>	5,728
Samba Bank Limited	A-1	AA	JCR-VIS	<b>15,175</b>	21,145
EFU Life Assurance Limited	-	AA+	JCR-VIS	<b>13,800</b>	18,689
Crescent Cotton Mills Limited	Unknown		-	<b>5,017</b>	4,445
Crescent Fibres Limited	Unknown		-	<b>1,211</b>	814
Jubilee Spinning and Weaving Mills Limited	Unknown		-	<b>18</b>	46
Sales tax refund bonds	Unknown		-	<b>28,611</b>	-
				<b>68,289</b>	50,867
				<b>94,949</b>	55,446

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 16.

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 2019, the Company had Rupees 589.957 million (2018: Rupees 677.228 million) available borrowing limits from financial institutions and Rupees 27.298 million (2018: Rupees 4.760 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 2019

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees in thousand)					
<b>Non-derivative financial liabilities:</b>						
Long term financing	<b>27,103</b>	<b>27,103</b>	<b>6,534</b>	<b>6,534</b>	<b>13,019</b>	<b>1,016</b>
Trade and other payables	<b>849,609</b>	<b>849,609</b>	<b>849,609</b>	-	-	-
Unclaimed dividend	<b>4,266</b>	<b>4,266</b>	<b>4,266</b>	-	-	-
Accrued mark-up	<b>5,674</b>	<b>5,674</b>	<b>5,674</b>	-	-	-
Short term borrowings	<b>131,806</b>	<b>132,438</b>	<b>132,438</b>	-	-	-
	<b>1,018,458</b>	<b>1,019,090</b>	<b>998,521</b>	<b>6,534</b>	<b>13,019</b>	<b>1,016</b>

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)					
<b>Non-derivative financial liabilities:</b>						
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	323,404	323,404	-	-	-
	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, 2019

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.

**36.2 Financial instruments by categories**

	Loans and receivables	Available for sale	Total
<b>(Rupees in thousand)</b>			
<b>Assets as per balance sheet of financial position</b>			
<b>As at 30 June 2019</b>			
Investments	28,611	39,678	68,289
Security deposits	1,576	-	1,576
Trade debts	223,860	-	223,860
Advances	259	-	259
Other receivables	586	-	586
Cash and bank balances	27,298	-	27,298
	<b>282,190</b>	<b>39,678</b>	<b>321,868</b>

	Loans and receivables	Available for sale	Total
<b>(Rupees in thousand)</b>			
As at 30 June 2018			
Investments	-	50,867	50,867
Security deposits	1,576	-	1,576
Trade debts	180,720	-	180,720
Advances	184	-	184
Other receivables	2,756	-	2,756
Cash and bank balances	4,760	-	4,760
	<b>189,996</b>	<b>50,867</b>	<b>240,863</b>

	<b>Financial liabilities at amortized cost</b>	
	<b>2019</b>	2018
<b>(Rupees in thousand)</b>		
<b>Liabilities as per balance sheet</b>		
Long term financing	27,103	52,670
Trade and other payables	849,609	635,480
Accrued mark-up	5,674	3,032
Short term borrowings	131,806	322,772
Unclaimed dividend	4,266	3,838
	<b>1,018,458</b>	<b>1,017,792</b>

**36.3 Offsetting financial assets and financial liabilities**

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

**37. 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

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 statement of financial position plus 'borrowings'.

		2019	2018
Borrowings	Rupees in thousand	<b>158,909</b>	375,442
Total equity	Rupees in thousand	<b>676,428</b>	681,068
Total capital employed	Rupees in thousand	<b>835,337</b>	1,056,510
Gearing ratio	Percentage	<b>19.02</b>	35.54

The decrease in gearing ratio is due to decrease in borrowings of the Company.

		2019	2018
--	--	------	------

**38. PLANT CAPACITY AND ACTUAL PRODUCTION**

Number of spindles installed	<b>59,232</b>	59,232
Number of spindles operated	<b>57,652</b>	50,283
100% plant capacity converted to 20s count based on 3 shifts per day (Kgs)	<b>22,658,691</b>	22,658,691
Actual production converted to 20s count based on 3 shifts per day (Kgs)	<b>20,335,963</b>	18,887,118

**38.1 Reasons for low production:**

Under utilization of available capacity was due to normal maintenance.

**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 2019	Level 1	Level 2	Level 3	Total
---	---------	---------	---------	-------

(Rupees in thousands)

<b>Financial assets</b>				
<b>Available for sale financial assets</b>	<b>39,678</b>	-	-	<b>39,678</b>
<b>Total financial assets</b>	<b>39,678</b>	-	-	<b>39,678</b>

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

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

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

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

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) **Valuation techniques used to determine fair values**

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

**40 DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX**

	Note	2019 (Rupees in thousand)	2018
<b>Description</b>			
<b>Loan / advances obtained as per Islamic mode:</b>			
Loans	5 and 9	-	-
Advances	7	14,215	12,542
<b>Shariah compliant bank deposits / bank balances</b>			
Bank balances	25	3	3
<b>Profit earned from shariah compliant bank deposits / bank balances</b>			
Profit on deposits with banks	27	-	-
<b>Revenue earned from shariah compliant business</b>			
	22	5,291,753	4,685,847
<b>Gain / (loss) or dividend earned from shariah compliant investments</b>			
Dividend income	27.1	-	-
Unrealized gain / (loss) on remeasurement of investment at FVTOCI	12.2	942	(3,176)
<b>Exchange gain earned</b>			
		4,851	3,039
<b>Mark-up paid on Islamic mode of financing</b>			
		-	-
<b>Profits earned or interest paid on any conventional loan / advance</b>			
Interest paid on loans		40,283	43,943
Profit earned on deposits with banks		128	94
Interest income on sales tax refund bonds		211	-
<b>Relationship with shariah compliant banks</b>			
<b>Name</b>	<b>Relationship</b>		
Bank Islami Pakistan Limited	Bank balance		

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**41 OPERATING SEGMENTS**

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

Sales of yarn represents 96.26% (2018: 96.16%) of the total sales of the Company.

84.04% (2018: 74.76%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 97.78% (2018: 99.62%) of those sales are made to customers in China.

All non-current assets of the Company at 30 June 2019 are located in Pakistan.

15.61% (2018: 14.37%) of the total sales of the Company are made to a single customer in Pakistan.

**42 EVENTS AFTER THE REPORTING PERIOD**

**42.1** The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2019 of Rupees 1.05 per share (2018: Rupees 2.35 per share) at their meeting held on 02 October, 2019. 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.

**42.2** 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 2019 through cash. The requisite cash dividend has been proposed by the Board of Directors of the Company in their meeting held on 02 October, 2019 and will be distributed within the prescribed time limit. Therefore, the recognition of any income tax liability in this respect is not considered necessary.

**43 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 02 October, 2019 by the Board of Directors of the Company.

**44 CORRESPONDING FIGURES**

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

**45 GENERAL**

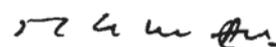
Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

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

**Form - 34**

Name of The Company	<b>PART -I</b>
	<b>Shams Textile Mills Limited</b>
	<b>PART -II</b>

Pattern of Holding of the Shares held by the Shareholders as at :June 30, 2019

Number of Shareholders	Shareholding		Total Shares held
	From	To	
451	1	100	18,159
266	101	500	66,501
59	501	1,000	44,162
93	1,001	5,000	227,805
38	5,001	10,000	280,730
15	10,001	15,000	200,843
7	15,001	20,000	117,957
6	20,001	25,000	131,882
9	25,001	30,000	241,643
5	30,001	35,000	165,631
4	35,001	40,000	150,329
2	45,001	50,000	98,864
2	50,001	55,000	105,193
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	225,001	230,000	229,994
2	250,001	255,000	504,067
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	1,720,001	1,725,000	1,720,055
<b>972</b>			<b>8,640,000</b>

**As On: June 30, 2019**

<b>Categories of Shareholder</b>	<b>Share held</b>	<b>Percentage</b>
Directors, CEO, Their Spouse and Minor Childern	2,098,274	24.29
Associated Companies, Undertakings & Related Parties	2,931,265	33.93
NIT & ICP	1,044,498	12.09
Banks, DFIs, NBFCs	25,378	0.29
Insurance Companies	5,730	0.07
Modarabas and Mutual Funds	13,151	0.15
General Public (Local)	2,354,874	27.26
Other Companies (Local)	166,830	1.93
	<b>8,640,000</b>	<b>100.00</b>

<b>Shareholders More Than 10.00%</b>		
CRESCENT POWERTEC LIMITED	1,720,105	19.91
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,044,498	12.09
KHALID BASHIR	900,748	10.43

**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: 02 October, 2019

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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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 52<sup>nd</sup> Annual General Meeting  
 of the Company to be held on Saturday, 26 October, 2019 at 9:30 a.m. at Registered Office, 7-B-3, Aziz  
 Avenue, Gulberg-5 Lahore and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2019. Signature of the Shareholder \_\_\_\_\_

**For Beneficial owners as per CDC list**

**1-Witness:**

Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_

**2-Witness:**

Signature \_\_\_\_\_  
 Name \_\_\_\_\_  
 Address \_\_\_\_\_

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

\_\_\_\_\_  
 Signature of Member

**Note:**

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



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

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Fax: 92 (42) 3576 0376  
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