



SHAMS TEXTILE MILLS LIMITED

ANNUAL REPORT 2020



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COMPANY INFORMATION

Board of Directors

Muhammad Anwar	(Chairman)
Adil Bashir	
Asif Bashir	
Khurram Mazhar Karim	
Muhammad Shafiq Gill	(Nominee: NIT)
Shahid Arshad	
Minail Mishal Adamjee	

Chief Executive Officer

Khalid Bashir

Chief Financial Officer

Tariq Javed

Company Secretary

Muhammad Haroon Arif

Audit Committee

Shahid Arshad	(Chairman)
Khurram Mazhar Karim	(Member)
Asif Bashir	(Member)

Human Resource & Remuneration Committee

Minail Mishal Adamjee	(Chairman)
Asif Bashir	(Member)
Khurram Mazhar Karim	(Member)

Share Registrar

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

Auditors

Riaz Ahmad & Company
Chartered Accountants

Bankers

MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
United Bank Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore
Ph: +92-423-576 0379, 576 0382
Fax: +92-423-576 0376
Email: info@shams.com.pk
Web: www.shams.com.pk

Project Locations

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

PROFILE

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

The Company initially setup up its composite project consisting of spinning, weaving, dyeing and finishing at Chiniot in 1968. The plant today comprises of 24,000 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 Sheikhpura 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, 2019

Name of Company:
Year ended:

Shams Textile Mills Limited
June 30, 2020

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

1. The total number of Directors are eight **(8)** as per the following:
 - a. Male: **7**
 - b. Female: **1**

2. The composition of board is as follows:

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

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the 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 the Board;
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program for the following:

Names of Directors
Mr. Shahid Arshad

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

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

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:
 - a) Audit Committee**
Four meetings were held during the financial year ended June 30, 2020.
 - b) HR and Remuneration Committee**
One meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2020.
15. The board has set up an effective internal audit function by appointing Head of Internal Audit and has outsourced the internal audit function to M/s Tahir Consulting (Private) Limited, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, 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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;
19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee. The Board shall consider to constitute nomination committee after next election of directors.	29
2	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and senior officers of the Company perform the requisite functions and apprise the Board accordingly. The Board shall consider to constitute risk management committee after next election of directors.	30
3	Disclosure of significant policies on website The Company may post key elements of its significant policies, brief synopsis of terms of reference of the Board's committees on its website and key elements of the directors' remuneration policy.	Although these are well circulated among the relevant employees and directors, the Board shall consider posting such policies and synopsis on its website in near future.	35
4	Composition of internal audit function The Company shall appoint or designate a fulltime employee other than chief financial officer, as head of internal audit holding equivalent qualification prescribed under the Regulations, to act as coordinator between firm providing internal audit services and the Board.	This position is vacant since the resignation of previous head of internal audit on 02 October 2019. The Board considers this post as redundant as the professional services firm has direct access to the Board.	31
5	Representation of Minority shareholders The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation.	No one intended to contest election as director representing minority shareholders.	5
6	Responsibilities of the Board and its members The Board is responsible for adoption of corporate governance practices by the company.	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.	10(1)



MUHAMMAD ANWAR
Chairman

September 29, 2020
Lahore

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

I am pleased to present the Chairman's Review Report of the company for the year ending 30 June 2020.

The Economy

The world is currently dealing with the impact of COVID-19 pandemic. It has created considerable uncertainty and is expected to have a lasting effect on the global economy. As a result, economic growth has slowed down globally and it appears unlikely that a moderate pace towards normalization of operations can be achieved in the near future considering apprehensions of second wave of pandemic; therefore, situation presents serious challenges going forward.

Economic growth is anticipated to slow down further in the year 2020-21 due to macro economic interventions that have been introduced in the country. The collective impact of higher taxation, shrinking GDP, PKR devaluation and the COVID-19 lockdown, has greatly impacted the operations of textile industry. The textile sector is biggest employment provider in the country that provides direct and indirect employment to over fifty million people, and serves as a major industrial and economic force in Pakistan. Unfortunately, the industry already facing economic challenges and range bound exports, has now been exposed to additional burdens on account of the pandemic.

However, the external sector improved significantly. Current account deficit contracted by 73% to USD 2.8 billion during FY20. This was driven by a significant reduction in imports and continuous growth in workers' remittances. Monetary assistance from IMF and support from other multilateral partners in the shape of USD 1.4 billion emergency loan & debt rescheduling, have provided much needed support. As a result, the State Bank of Pakistan's (SBP) reserves are now relatively more secure and have recovered to a level of USD 12.3 billion. The downward trend in inflationary pressures is expected to persist with full year inflation rate expected to be in single digit. This is due to easing of core and food inflation as well as lower fuel prices. Since the beginning of crisis, SBP has reduced the policy rate by a cumulative 625 basis points to 7%. This was done with an aim to dilute the impact of the COVID-19 shock to the economy and to maintain financial stability. After having suffered heavily in the month of March 2020, PSX regained its lost momentum and surpassed 42,000 points benchmark by early September 2020.

Agriculture

Pakistan's agriculture sector is considered the cornerstone of the national economy. The performance of this sector, however, remained mixed. A substantial decline was observed in the production of major Kharif crops particularly cotton. Costlier inputs led to the decline in area under cultivation, while untimely rains and pest attacks held back the output. Early estimates of Rabi crops point to some improvement on the back of favorable weather conditions and urea off take. Overall, the recently announced agriculture package and improved support prices are expected to provide relief to this sector.

Large Scale Manufacturing (LSM)

Intensified macroeconomic stabilization measures has resulted in economic slowdown and industrial sector has witnessed the brunt due to minimal public and private consumption. Overall confidence among businesses and consumers remained bleak, as the latter struggled to preserve their purchasing power. On the whole, a number of industries within the LSM struggled with inventory build-ups amid rising input costs. With margins squeezed and rising financing cost, firms scaled back their operations. As a result, a massive contraction of 10.2% was observed in the FY 20 due to ongoing shutdowns on account of COVID-19.

Company Performance

The current financial year was challenging for the Company due to turbulent economic landscape, escalating costs and contracting demand coupled with lockdown. Sales revenue dipped by 21.1% to Rs 4,175.3 million in the year under review as compared to Rs 5,291.7 million in the previous year. Apart from currency depreciation, massive underutilization of plant capacities due to lockdown; raised fixed cost per unit that dragged the gross margins to Rs 94.86 million i.e. a drop of 59.49% from the last year. For further details, refer to Vertical Analysis, Horizontal Analysis and Financial Statements; as available in Annual Report.

Corporate Governance

I am pleased to report that your Company's Board of Directors has continued to provide valuable guidance and oversight to ensure strong governance and to effectively provide encouragement and input to the management throughout the year. A review of the Board's performance and effectiveness through a self-assessment basis has been conducted during the year under review to ensure best practices. 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, 2020 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 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.

Finally, I would like to express my gratitude to all the shareholders for their continued trust and confidence in the Company. The Board is united in extending our thanks to each member of the STML team as we acknowledge their unwavering support and dedication to the Company. We are committed to attain leadership in the industry by producing quality products and handsome returns for our shareholders and pray to Almighty Allah to bless us in our future endeavors.



Muhammad Anwar
(Chairman)

29 September, 2020

چیرمین کا تجزیہ

میں 30 جون 2020ء کو اختتام پذیر سال کے لئے کمپنی کی چیرمین جائزہ رپورٹ بصد مسرت پیش کرتا ہوں۔

معیشیت

دنیا اس وقت COVID-19 وبا کے اثرات سے نیٹ رہی ہے۔ اس وجہ سے عالمی معیشیت میں نمایاں بے یقینی کی صورت حال واضح نظر آرہی ہے۔ نتیجتاً، عالمی سطح پر معاشی نمو سست روی کا شکار ہے اور مستقبل قریب میں وبا کی دوسری لہر کے اثرات کی وجہ سے عین ممکن ہے کہ آپریشنز میں تسلسل کی رفتار معتدل رہے گی لہذا یہ حالات سنجیدہ نوعیت کی مشکلات کا پیش خیمہ ہیں۔

ملک میں متعارف کی گئی میکرو اکنامک اصلاحات کی وجہ سے سال 2020-21 میں معاشی نمو مزید سست روی کا شکار ہوگی۔ زیادہ محصولات، GDP میں کمی، پاکستانی روپے کی کم قدری اور COVID-19 بندش کے مجموعی اثرات سے ٹیکسٹائل کی صنعت بری طرح متاثر ہوئی ہے۔ ٹیکسٹائل کا شعبہ ملک بھر میں پچاس لاکھ سے زائد افراد کو روزگار فراہم کرتا ہے اور یہ پاکستان کی سب سے بڑی صنعتی اور معاشی طاقت ہے۔ بد قسمتی سے یہ شعبہ کافی عرصہ سے معاشی مشکلات کا شکار ہے اور عالمی وبا کی وجہ سے محدود برآمدات نے اس شعبہ پر اضافی بوجھ ڈال دیا ہے۔

تاہم بیرونی شعبہ نمایاں طور پر بہتر ہوا ہے۔ درآمدات میں نمایاں کمی اور ورکرز ریٹنس میں مسلسل بہتری کی وجہ سے کرنٹ اکاؤنٹ خسارہ مالیاتی سال 2020ء میں 73 فی صد یعنی 2.8 بلین ڈالر تک کم ہوا ہے۔ بین الاقوامی مالیاتی فنڈ سے مالی امداد اور دیگر دوست ممالک سے 1.4 بلین ڈالر ہنگامی قرضہ اور قرضوں کی ری شیڈولنگ کی وجہ سے اس مد میں کافی مدد ملی ہے۔ نتیجتاً، بینک دولت پاکستان (SBP) کے ذخائر زیادہ محفوظ ہیں اور اس کی سطح 12.3 بلین ڈالر تک بحال ہوئی ہے۔ افراط زر کے کی شرح بھی سال بھر میں واحد ہندسہ تک پہنچنے کی امید ہے۔ اس کی بنیادی وجہ خوراک اور دیگر ضروریات زندگی اور پٹرولیم مصنوعات کی قیمت میں کمی ہے۔ بحران کے آغاز سے ہی SBP نے 625 پھرسز پوائنٹس کے ساتھ پالیسی کی شرح کو 7 فی صد کر دیا ہے۔ اس کا بنیادی مقصد COVID-19 کے اثرات سے معیشیت کو بچانا اور مالیاتی استحکام برقرار رکھنا تھے۔ مارچ 2020ء میں شدید متاثر ہونے کے بعد PSX نے اپنی ساکھ بحال کی ہے اور ستمبر 2020ء کے آغاز میں بیچ مارک 42,000 پوائنٹس سے تجاوز کر گیا۔

زراعت

پاکستان کے زرعی شعبہ کو قومی معیشیت کی ریڑھ کی ہڈی سمجھا جاتا ہے۔ تاہم یہ شعبہ مخلوط کارکردگی دکھا رہا ہے۔ خریف کی بڑی فصلوں خصوصاً کپاس میں نمایاں کمی کا مشاہدہ کیا گیا ہے۔ مہنگی مشینری کی وجہ سے زیر کاشت رقبہ میں کمی واقع ہوئی ہے جب کہ بے وقت کی بارشیں اور حشرات کے حملوں نے آمدنی پر منفی اثرات مرتب کئے ہیں۔ سازگار موسمی حالات کی وجہ سے ریع کی فصلوں کے ابتدائی تخمینہ جات میں بہتری آئی ہے۔ مجموعی طور پر، حالیہ اعلان کردہ زرعی پیکج اور رعایتی قیمتیں اس شعبہ کو مزید تقویت بخشنی گی۔

بڑی صنعت کاری

استحکام کے لئے مربوط میکرو اکنامک اقدامات سے معیشیت سست روی کا شکار ہوئی اور نجی و عوامی سطح پر کم کھپت کی وجہ سے صنعتی شعبہ دباؤ کا شکار رہا۔ کاروبار اور صارفین کا اعتماد بھی کم ہوا کیونکہ صارفین کی خریدنے کی سکت متاثر ہوئی ہے۔ مجموعی طور پر LSM کی اکثر صنعتیں لاگت میں اضافہ کی وجہ سے اپنے ذخیرہ میں اضافہ کرنے میں مشکلات کا شکار ہیں۔ اہداف میں کمی اور قرضوں کی لاگت میں اضافہ کے ساتھ کمپنیوں نے اپنے آپریشنز میں تجدید کی ہے۔ نتیجتاً، COVID-19 کی وجہ سے جاری بندش سے مالیاتی سال 2020ء میں 10.2 فی صد بھاری فرسودگی کا مشاہدہ کیا گیا۔

کمپنی کی کارکردگی

رواں مالیاتی سال کے دوران بندش کے ساتھ ساتھ غیر یکساں معاشی پیش منظر، اضافی لاگت اور طلب میں کمی کی وجہ سے کمپنی مشکلات کا شکار رہی۔ زیر جائزہ سال کے دوران سیلز ریوینو گزشتہ برس کی اسی مدت میں 5,291.7 ملین روپے کے مقابلہ میں 4,175.3 ملین روپے یعنی 21.1 فی صد کی واقع ہوئی ہے۔ روپے کی قدر میں کمی، بندش کی وجہ سے

صلاحیت سے کم پلانٹ کا استعمال، فی یونٹ مستقل لاگت میں اضافہ سے مجموعی اہداف میں گزشتہ برس کے مقابلہ میں 59.49 فی صدی کے ساتھ 94.86 ملین روپے کی واقع ہوئی۔ مزید معلومات کے لئے افقی وعمودی جائزہ اور مالیاتی اسٹیٹمنٹس و سالانہ رپورٹ میں دستیاب ہیں۔

کارپوریٹ گورننس

میں ازراہ مسرت آگاہ کرتا ہوں کہ آپ کی کمپنی کے بورڈ آف ڈائریکٹرز مربوط گورننس کو یقینی بنانے کے لئے سال بھر میں انتظامیہ کو مؤثر حوصلہ افزائی اور مدد کے ساتھ گراں قدر رہنمائی اور نگرانی فراہم کر رہے ہیں۔ بہترین عمل داری کو یقینی بنانے کے لئے زیر جائزہ سال کے دوران بورڈ کی کارکردگی اور خود تجزیہ کی بنیاد پر اس کو مؤثر بنایا جاتا ہے۔ بہتری کے حامل شعبوں کو حسب ضابطہ زیر غور لایا جاتا ہے اور طریق عمل کو مرتب کیا جاتا ہے۔

بورڈ کے تجزیہ کے لئے جامع معیار طے کیا گیا ہے۔ 30 جون 2020ء کو اختتام پذیر سال کے لئے بورڈ نے اپنا سالانہ تجزیہ مکمل کر لیا ہے اور میں رپورٹ کرتا ہوں کہ: رواں سال کے لئے منظور شدہ معیار کے تحت بورڈ کی مجموعی کارکردگی کا حوصلہ افزا تعین کیا گیا ہے۔ کمپنی کے مقاصد پر بورڈ کے براہ راست کردار کے حامل مندرجہ ذیل اہم اجزاء کے جائزہ کی بنیاد مجموعی جائزہ تسلی بخش ہے:

- **تنوع اور مرکب:** بورڈ اراکین اکیڈمیٹک اور ننان اکیڈمیٹک بورڈ کا امتزاج اور بورڈ میں مؤثر تنوع قائم کرتے ہیں۔ اکیڈمیٹک اور ننان اکیڈمیٹک بورڈ کے اہم معاملات اور فیصلوں میں مساوی کے حصہ دار ہیں۔
- **اسٹریٹجک پلاننگ میں کردار:** بورڈ کمپنی کو خدمات فراہم کرنے والے اسٹیک ہولڈرز (حصص داران، صارفین، ملازمین، وینڈرز اور سوسائٹی) کی فکر رکھتی ہے۔ بورڈ آئندہ تین سے پانچ سال میں ادارے میں انقلاب لانے کے لئے طے شدہ حکمت عملی پر عمل پیرا ہے اور اس نے اپنی کارکردگی کے تمام شعبوں کے انتظام کے لئے سالانہ اہداف مقرر کئے ہیں۔
- **مستقل مزاجی:** بورڈ اراکین نے انتہائی محنت سے اپنے فرائض سرانجام دیئے ہیں اور کاروباری حکمت عملی، مقاصد منصوبوں، بجٹ، مالیاتی اسٹیٹمنٹس اور دیگر رپورٹس پر نظر ثانی اور بحث کر کے منظوری دی ہے۔ انہوں نے بورڈ اور کمیٹی اجلاس سے قبل موزوں وقت میں واضح اور جامع ایجنڈا اور مددگار تحریری متن کو وصول کیا ہے۔ بورڈ باقاعدگی سے اپنی ذمہ داریوں کو سرانجام دے رہا ہے۔
- **ادارے کی کاروباری سرگرمیوں کی نگرانی:** بورڈ انتظامیہ، داخلی و خارجی آڈیٹرز اور دیگر خود مختار مشیروں کی باقاعدہ نمائندگی سے کمپنی کے مقاصد، اہداف، حکمت عملی اور مالیاتی کارکردگی سے متعلق ہمیشہ آگاہ رہی ہے۔ بورڈ کو مناسب ہدایات اور پیش منظر سے متعلق بروقت آگاہی فراہم کی جاتی ہے۔
- **گورننس اور نظم و ضبط کا ماحول:** بورڈ نے گورننس کا شفاف اور ٹھوس نظام ترتیب دے کر مؤثر کارکردگی دکھائی ہے۔ نظم و ضبط کا مؤثر ماحول، کارپوریٹ گورننس کی بہترین عمل داری اور کمپنی میں اخلاقی اور منصفانہ رویہ کی ترویج اس کی عکاسی کرتے ہیں۔

آخر الامر، میں تمام حصص داران کی جانب سے کمپنی پر مسلسل بھروسہ اور اعتماد کے لئے اُن کا شکریہ ادا کرتا ہوں۔ بورڈ اجتماعی سطح پر STML ٹیم کے تمام اراکین کو اپنا تہنیتی پیغام پہنچانا چاہتا ہے اور کیونکہ ہم کمپنی کی ساتھ اُن کی لامحدود حمایت اور جذبہ کا اعتراف کرتے ہیں۔ ہم معیاری مصنوعات کی تیاری سے اس صنعت میں اپنا اعلیٰ مقام برقرار رکھنے اور اپنے حصص داران کو کثیر منافع دینے کے لئے پرعزم ہیں اور مستقبل میں اپنی جدوجہد کو کامیاب بنانے کے لئے ہم اللہ تعالیٰ سے دعا گو ہیں۔

— محمد انور

محمد انور

(چیئرمین)

29 ستمبر، 2020ء

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the operating and financial performance of the company for the year ended 30 June 2020.

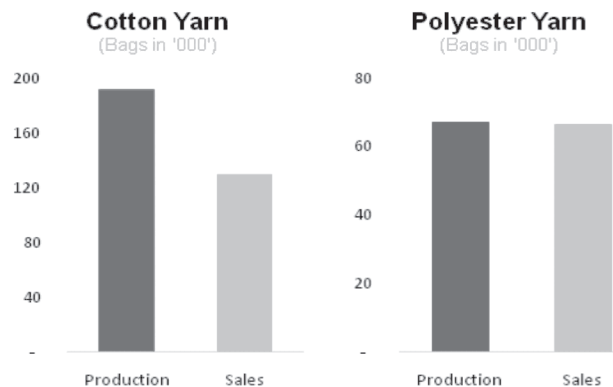
Before the COVID-19 pandemic, Pakistan's economy face dsignificant challenges in terms of fiscal deficit, long-term debt retirement and current account balance. The impact of Coronavirus hampered economic growth, and has proved highly detrimental for the economy resulting increase in cost of doing business, low economic activity and reduced consumer purchasing power. As per IMF forecast following the COVID-19 outbreak, the Pakistan economy is expected to shrink by 1.5% in FY2020. The expected fiscal deficit shall be reduced from 8.8% of GDP to 3.8% of GDP. Further, relief package worth PKR 1.24 trillion announced by the Federal Government, reduction in interest rates by 625 basis points and deferment of principal loan repayments would bode a positive impact on economic revival.

Overview

Considering overall economic recession and declining large scale manufacturing coupled with rising cost of doing business and shattered demand resulted in Operating Loss of PKR 36.31 million against Operating Profit of PKR 140.04 million last year. During prevalent turbulent times, these results are reflection of economic situation prevailing in the country. Operating loss compounded with increase in finance cost due to highest policy rate during Jul-19 to Mar-20, resulted Loss after Tax of PKR 140.20 million against profit of PKR 43.3 Million last year. Loss per share for the period stood at PKR 16.23 (2019: Earnings PKR 5.02).

Business & Financial Performance

Being in textile business your company is principally engaged in the business of manufacturing of Cotton and Polyester Yarn. Following are Production and Sales Numbers.



Operating Results

During the year under review net sales have shown an decrease of 21.10% from Rs. 4,175 million to Rs. 5,292 million.

Decline in production and sales numbers occurred due to halted operations / No Production Days (NPDs) on account of lockdown which directly impacted the profitability; however, optimized business performance and effective planning reduced the adverse impacts of pandemic substantially.

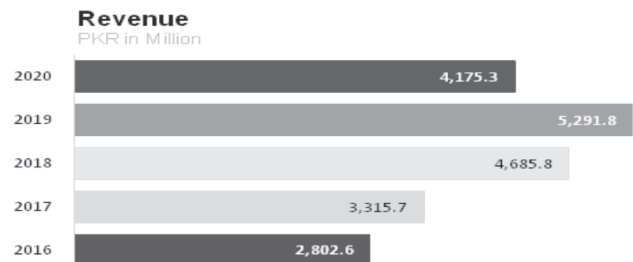
The financial performance of your company for the fiscal year ended June 30, 2020 as compared to last year is presented below:

(Rs. In Million)

Income Statement	2020	2019	% Change
Sales	4,175	5,291	-21.10%
Gross profit	94.8	234.1	-59.49%
Operating profit	(36.3)	140.0	-125.93
Finance cost	(57.5)	(42.9)	34.08%
Profit before taxation	(93.8)	97.1	-196.63%
Taxation	(46.3)	(53.7)	-13.75%
Net (loss) / Profit	(140.2)	43.3	-423.15%
(Loss) / Earnings per share (EPS)	(16.23)	5.02	

Revenue

During the year under review, our net sales declined by 21.1% to Rs. 4,175 million, over the corresponding period. This was mainly attributable to halted operations due to extensive lockdown. Export Sales declined during the period under review as compared to the previous period owing to competitive pricing of our product in domestic market and brisk debtor recovery cycle. Sales statistics of your company for the current fiscal year ended June 30, 2020 compared to last years are as follow:

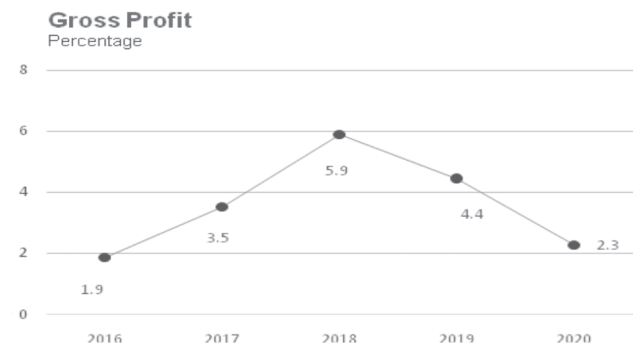


Cost of Sales

During the fiscal year 2019-20 under review, energy situation was relatively stable and gas supplies were regular due to introduction of LNG. However, this has led to increased cost of power production resultantly increase in per unit cost of electricity. We have been using a mix of WAPDA and Gas generation to meet our requirements. Further, increase in cost of sale was mainly on account of expensive raw materials due to adverse exchange rate parity and fixed cost incurred throughout No Production Days (NPDs) during lockdown.

Gross Profit

Your Company has achieved gross profit margin of 2.27% for the fiscal year under review as compared to 4.43% last year, decline is mainly attributable to under absorption of fixed cost due to NPDs and lockdown however effective planning & management of resources hampered further decline in profitability.



Distribution cost was largely even as compared with previous year and in line with business trends of current year. Increase in these segments was in line with inflation. However, increase in Other Operating Expenses is directly attributable to exchange losses incurred on foreign currency due to sharp depreciation in local currency and provision for Expected Credit Loss as required by IFRS-9 due to delayed payments from debtors, resultantly invoking provisioning criterion of IFRS-9.

As per IFRS-9: "Expected Credit Losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due."

Finance Cost

For the year under review, finance cost substantially increased by 34.08% due to peaked policy rate for 9 months that was gradually reduced as a result of monetary easing started from the month of April 2020 in lieu of relief measures for pandemic stricken economy, by State Bank of Pakistan; wherein policy rate was significantly reduced by 550 bps. (40.7% downwards) during the last quarter.

Net Profit

Shattered demand, extensive lockdowns and overall uneven economic situation induced the company to incur heavy losses in last quarter due to which company had posted Loss Before Tax of 93.86 Million during the current fiscal year, as compared to profit of 97.11 Million reported last year. Similarly, company posted an after tax loss of 140.2 Million as compared to profit of 43.38 Million reported last year.

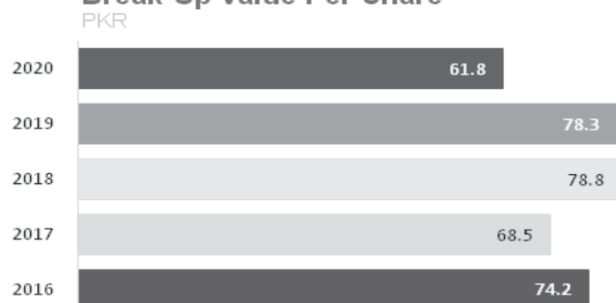
Earnings Per Share (EPS)

Loss Per Share (LPS) of your company for the fiscal year ended June 30, 2020 stood at 16.23 as compared to Earnings Per Share of (EPS) 5.02 reported last year.

Dividend & Appropriation

Considering current economic landscape; the Board had to drop the proposal of cash dividend for current year. This approach remains in line with your company's commitment to be financially viable to meet its working capital requirements in testing times. The Breakup value per share for the year is PKR 61.76 (2019: PKR 78.29).

Break-Up Value Per Share



Sad Demise of Mr. Farooq Ahmad (CFO)

The Board of Directors would like to acknowledge deep appreciation for the services rendered by Mr. Farooq Ahmad (Late), Chief Financial Officer; and place on record its deep sorrow and grief over his untimely passing on 19 July 2020. Mr. Farooq Ahmad had a decades long association with the Company, commencing from early 90s, as its CFO which led the Company towards growth and made it financially stout with the patronage of BOD. In addition to his financial expertise, he was known for his philanthropic contributions in healthcare and social services. We are sure that the legacy he created will continue to grow further. He is missed tremendously by

his family, friends, business colleagues and especially the people whose lives he touched through his services.

Corporate Social Responsibility (CSR)

Your Company considers itself a responsible corporate citizen and its responsibilities toward improvement of society and communities in which it operates. The primary focus of your company remains in the education sector, health, community development, women empowerment and environment conservation. However, due to evident financial constraints in current fiscal year, your company was unable to spend for charitable purposes and community development.

Risk Management

Various risks are being faced by the company and summarized as follow along with mitigating strategies.

Strategic Risks

The strategic risks such as critical availability of gas, electricity and alternate fuels for power generation, and changes in domestic competitive scenario are being continuously monitored. The Company's expansion plans and growth targets are revisited with changing market situation. Changes in macro-economic indicators, inconsistent / arbitrary changes in Government Policies and significant increase in natural gas, electricity and other fuel prices making cost of production substantially higher are also being closely monitored & duly considered. Appropriate mitigation strategies are formulated to reduce the impact of these risks to an acceptable level.

Operational Risks

Business continuity and disaster recovery plans are in place to ensure that continuity in production and sales operations; in case of major failures and outages to ensure continuity, sustain ability and avoid any disruption to the business. Raw material sourcing, adequate segregation of duties, self-sufficiency in power generation at our plants, efficient supply chain and logistic operations have enabled us to mitigate operational risk to an acceptable level.

Financial Risks

One of the major financial risks is the fluctuation of the exchange rate and adverse movements can directly affect our raw material costs and also lead to a rise in manufacturing costs. The Company is aware of this situation and monitors such movements carefully to ensure minimum shocks. Strict financial discipline, cash flow management and investment of available funds in best possible avenues aid us in minimizing Financial Risks.

Compliance Risks

Due to effective compliance with laws and regulations and transparent financial reporting framework, compliance risk posed to the Company remains low. The Board promotes risk management and compliance culture in the Company. Litigation risks involving significant cases against the Company are handled through reputable Law firms with specialized expertise wherever required.

Environmental Footprint

Your Company always takes serious responsibility towards the conservation of Environment in every sphere of its operations. With an effort to further highlight the importance of environment preservation and being a responsible corporate citizen, your Company continued with its tree plantation drive in and around its manufacturing sites and has a considerable attention towards environment protection.

Your Company believes in responsible consumption of valuable resource of water and makes every effort to reduce its usage. By

installation of RO plants at our production facilities we ensure conservation of water and simultaneously provision of clean water to our employees round the clock. By using our expertise, we at Shams Textile remain committed to manage our water usage in an efficient and sustainable manner to support in improvement of access to clean water for communities, wherever possible. We make efforts to restore natural water cycles, benefiting multiple aspects of our value chain and the people and communities we serve.

Code of Corporate Governance

The Directors of your company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations 2019 and the Rule Book of Pakistan Stock Exchange. Your Company has undertaken all necessary steps to ensure Good Corporate Governance and compliance of the Code and we confirm the following:

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.

Proper books of account of the Company have been maintained.

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

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

The System of Internal Control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

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

Statement of pattern of Shareholding has been included as part of this Annual Report.

Key operating and financial data of the last six years in summarized form is annexed.

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

* Mr. Sharik Bashir retired from Board on May 30, 2020 and Mrs. Minail Mishal Adamjee joined BOD.

Meetings of the Board of Directors

Four meetings of the Board of Directors were held during the year 2019-20. Attendance of directors in meetings of BOD is provided as under:

Sr. No.	Name of Directors	No. Of Meetings Attended
1.	Mr. Muhammad Anwar	04
2.	Mr. Khalid Bashir	04
3.	Mr. Asif Bashir	04
4.	Mr. Adil Bashir	03
5.	Mr. Khurram Mazhar Karim	04
6.	Mr. Shahid Arshad	04
7.	Mr. Mohammad Shafiq Gill	04
8.	Mr. Sharik Bashir	03
9.	Mrs. Minail Mishal Adamjee	00

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

Directors' Remuneration

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

§The company will not pay any remuneration to its Non-Executive Directors except as meeting fee for attending the Board and its Committee Meetings.

§The remuneration of directors & meeting fee for attending meeting of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.

§The remuneration of Directors is paid as approved by the Board of Directors. The remuneration package is designed to attract suitable candidate and talent on the Board.

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

Directors' Training Programme

The present BOD elected on May30, 2020 and seven directors out of eight are exempt from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining director(s) have duly undergone Director's Training Programme as specified by CCG.

Board Committees & Meetings

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

Audit Committee

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

Sr. No.	Name of Members	No. Of Meetings Attended
1.	Mr. Muhammad Anwar (Chairman)	04
2.	Mr. Khurram Mazhar Karim	04
3.	Mr. Asif Bashir	04

Further, Audit Committee was reconstituted on June 10, 2020 after election of directors held on May 30, 2020. List of members is as follow:

Sr. No. Name of Members

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

Human Resource & Remuneration Committee

The Board of Directors in compliance to the Code of Corporate Governance has established a Human Resource & Remuneration Committee, only one meeting was held during the financial year 2019-20. Following is the composition of Human Resource & Remuneration Committee:

Sr. No.	Name of Members	No. Of Meetings Attended
1.	Mr. Asif Bashir (Chairman)	01
2.	Mr. Muhammad Anwar	01
3.	Mr. Khurram Mazhar Karim	01

Further, Audit Committee was reconstituted on June 10, 2020 after election of directors held on May 30, 2020. List of members is as follow:

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

Adequacy of Internal & Financial Controls

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

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

The independent Internal Audit Function of Shams Textile Mills Limited is outsourced to M/s Rizwan & Co. Chartered Accountants that regularly appraises and monitors the implementation of Standard Operating Procedures and respective financial controls.

Internal Audit reports are presented to the Audit Committee, as per Internal Audit Plan. Accordingly, the Audit Committee reviews the effectiveness of the internal control framework and financial statements in its meetings.

Auditors

The financial statements of the company for the current financial year 2019-20 were Audited by M/s Riaz Ahmad & Co. Chartered Accountants. The Auditors will retire at the end of Annual General Meeting. Being eligible, they have offered for re-appointment. The Board has recommended the appointment of M/s Riaz Ahmad and Co. Chartered Accountants as Auditors for the ensuing year, as recommended by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

Subsequent Events

Material changes or commitments affecting the financial position of

the company have not occurred between the end of the financial year and the date of this report.

Pattern of Shareholding

Pattern of shareholding of the Company, as required by section 227 (2)(f) of the Companies Act, 2017 as at June 30, 2020 is provided in this report.

Future Outlook

The company's 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. Energy costs are another factor which could lead to higher manufacturing costs as utility prices continue to rise. 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. However, the depreciation of the Pak rupee has made our downstream products quite competitive. Pakistan needs to make new investments in the manufacture of finished products but due to imposition of general sales tax, high finance costs and an unpredictable exchange rate, investors are reluctant.

Pakistan is currently faced with tremendous economic pressures internally and externally. The manufacturing sector is confronting major challenges due to the economic contraction. The country needs visionary policies for the export sectors; as it is only export led growth, which will lead to economic revival.

Your company will continue to focus on its core competencies and its managerial expertise to limit the negative effects and continue to try and perform as per the expectations of its stakeholders and will keep you apprised of our efforts.

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.



Khalid Bashir
Chief Executive



Asif Bashir
Director

29 September, 2020
Lahore

ڈائریکٹر رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2020ء کو اختتام پذیر سال کے لئے کمپنی کی فعالیت اور مالیاتی کارکردگی ازراہ مسرت پیش کرتا ہوں۔

جائزہ

COVID-19 وباء سے قبل پاکستان کی معیشت کو مالیاتی خسارہ، طویل مدتی قرضوں کی ادائیگی اور کرنٹ اکاؤنٹ توازن جیسی مشکلات کا سامنا رہا۔ کورونا وائرس کے اثرات سے معاشی نمو مزید بگڑ گئی اور معیشت کو بہت زیادہ نقصان پہنچا۔ جس سے کاروباری لاگت میں اضافہ، معاشی سرگرمیوں میں سست روی اور صارف کی بائع کرنے کی سکت سامنے آئی۔ آئی ایم ایف کی پیشین گوئی کے مطابق COVID-19 کے بعد پاکستانی معیشت مالیاتی سال 2020ء میں 1.5 فی صد تک سکڑ جائے گی۔ ممکنہ مالیاتی خسارہ مجموعی قومی پیداوار کے 8.8 فی صد سے کم ہو کر 3.8 فی صد رہ جائے گا۔ مزید برآں، وفاقی حکومت کی جانب سے 1.24 ٹریلین روپے کا ریلیف پیکیج، 625 پیسز پوائنٹس تک شرح سود میں کمی اور بنیادی قرضہ کی ادائیگی میں تاخیر کی رعایت سے معیشت کی بحالی پر مثبت اثرات مرتب ہوں گے۔

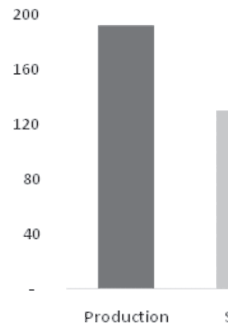
مجموعی معاشی تقاضا اور کاروباری لاگت میں اضافہ کے ساتھ بڑے پیمانے پر صنعت کاری میں کمی اور منتشر طلب کی وجہ سے گزشتہ برس میں 140.04 ملین روپے آپریٹنگ منافع کے مقابلہ میں 36.31 آپریٹنگ خسارہ درج ہوا۔ حالیہ بحران کے دوران یہ نتائج ملک میں موجودہ معاشی حالت کی عکاسی کرتے ہیں۔ جولائی 2019 سے مارچ 2020ء کے دوران زیادہ پالیسی ریٹ کی وجہ سے قرضوں کی لاگت میں اضافہ کے ساتھ آپریٹنگ خسارہ گزشتہ برس میں 43.3 ملین روپے منافع کے مقابلہ میں 140 ملین روپے خسارہ علاوہ ٹیکس رپورٹ کرتا ہے۔ اسی مدت میں فی حصص خسارہ 16.24 روپے (2019: 5.02 روپے) رہا۔

کاروبار اور مالیاتی کارکردگی

ٹیکسٹائل کی صنعت کی وجہ سے آپ کی کمپنی بنیادی طور پر کاٹن اور پولیسٹر دھاگے کی تیاری کے ساتھ منسلک ہے۔ پیداواری و فروخت کے اعداد و شمار حسب ذیل ہیں:

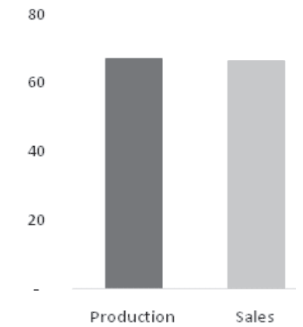
Cotton Yarn

(Bags in '000')



Polyester Yarn

(Bags in '000')



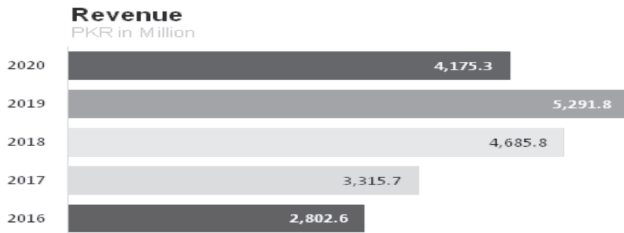
فروخت و پیداوار اعداد میں جھکاؤ لاک ڈاؤن کی وجہ سے آپریشنز کی بندش/غیر پیداوار ایام (NPD) سے منسوب ہے جس سے نفع براہ راست متاثر ہوا تاہم مثبت کاروباری سگرمی اور موثر منصوبہ بندی سے اس وبا کے مضرات کو واضح طور پر کم کیا گیا ہے۔

گزشتہ برس کے مقابلہ میں 30 جون 2020ء کو اختتام پذیر سال کے لئے آپ کی کمپنی کی مالیاتی کارکردگی حسب ذیل ہے:

انکم اسٹیٹمنٹ	2020	2019	فی صد فرق
(ملین روپوں میں)			
فروخت	4,175	5,291	-21.10%
مجموعی منافع	94.8	234.1	-59.49%
آپریٹنگ منافع	(36.3)	140.0	-125.93%
قرضوں پر لاگت	(57.5)	(42.9)	34.08%
نفع بمعہ ٹیکسیشن	(93.8)	97.1	-196.63%
ٹیکسیشن	(46.3)	(53.7)	-13.75%
خالص منافع	(140.2)	43.3	-423.15%
فی حصص آمدنی	(16.23)	5.02	

آمدنی

زیر جائزہ سال کے دوران ہماری خالص سیلز گزشتہ برس کے مقابلہ میں 4,175 ملین روپے یعنی 21.1 فی صد تک گر گئیں۔ اسے سخت لاک ڈاؤن کی وجہ سے بند آپریشنز سے منسوب کیا گیا ہے۔ قومی مارکیٹ اور تیز قرض خواہ بحالی دورانیہ میں ہماری مصنوعات کی متقابل قیمتوں کی وجہ سے گزشتہ سال کے مقابلہ میں زیر جائزہ مدت کے دوران برآمدی فروخت میں بھی کمی واقع ہوئی۔ گزشتہ برس کے مقابلہ میں 30 جون 2020ء کو اختتام پذیر مالیاتی سال کے لئے آپ کی کمپنی کے سیلز اعداد و شمار مندرجہ ذیل ہیں:

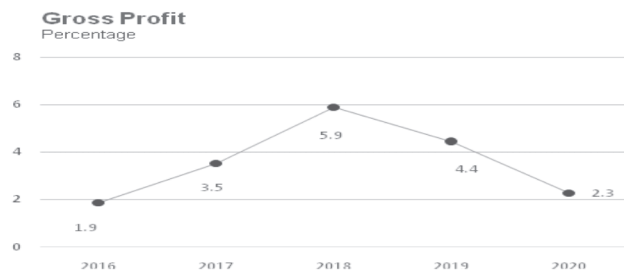


فروخت پر لاگت

زیر جائزہ مالیاتی سال کے دوران توانائی کی صورتحال مقابلہ متحکم تھی اور LNG متعارف کرانے کی وجہ سے گیس کی مسلسل ترسیل ہوئی۔ تاہم، اس وجہ سے توانائی کی پیداواری لاگت میں اضافہ ہوا اور بجلی کی فی یونٹ قیمت بڑھ گئی۔ واپڈ اور گیس سے پیدا کی جانے والی اپنی ضروریات پوری کر رہے ہیں۔ مزید برآں، مہنگے خام مال، شرح مبادلہ میں اتار چڑھاؤ اور لاک ڈاؤن کے دوران غیر پیداواری ایام (NPD) میں مستقل لاگت کی وجہ سے سیلز کی لاگت میں اضافہ ہوا۔

مجموعی منافع

آپ کی کمپنی نے گزشتہ برس 4.43 فی صد مجموعی منافع کے مقابلہ میں زیر جائزہ مالیاتی سال کے لئے 2.27 فی صد مجموعی منافع حاصل کیا۔ اس کی کو NPD اور لاک ڈاؤن کی وجہ سے مستقل لاگت سے منسوب کیا جاتا ہے۔ تاہم موثر منصوبہ بندی اور وسائل کے انتظام سے نفع میں کمی واقع ہوئی۔



مشہور تھے۔ ہمیں یقین ہے کہ جو وراثت انہوں نے چھوڑی ہے اُس کو مزید استحکام حاصل ہوگا۔ خاندان بلکہ دوستوں، کاروباری ساتھیوں اور خصوصاً اپنے دور ملازمت میں اُن کے قریبی رفقاء میں اُن کی کمی شدت سے محسوس کی جائے گی۔

کاروباری و سماجی ذمہ داری (CSR)

آپ کی کمپنی ایک ذمہ دار کاروباری شہری ہے اور معاشرے اور کمیونٹی کی بہتری کے لئے کمپنی اپنی ذمہ داریوں سے بخوبی آگاہ ہے۔ آپ کی توجہ کا مرکز بنیادی طور پر تعلیم، صحت، کمیونٹی کی فلاح، خواتین کی خود مختاری اور ماحولیاتی تحفظ کے شعبے ہیں۔ تاہم، رواں مالیاتی سال میں واضح مالیاتی بحران کی وجہ سے آپ کی کمپنی خیراتی مقاصد اور فلاح و بہبود پر رقم صرف کرنے سے قاصر رہی۔

رиск مینجمنٹ

کمپنی کوئی خطرات و خدشات درپیش ہیں اور بچاؤ کی حکمت عملی کے ہمراہ ان کا خلاصہ مندرجہ ذیل ہے:

سٹرٹجک رиск:

بجلی، گیس اور توانائی پیدا کرنے والے متبادل ذرائع کی دستیابی اور قومی مقابلے میں جیسے اسٹرٹجک خدشات/خطرات کی لگاتار گہرائی جاتی ہے۔ کمپنی کا توسیعی منصوبہ اور نمو کے اہداف پر مبنی کے بدلتے حالات کو مد نظر رکھ کر نظر ثانی کی جاتی ہے۔ معاشی اشاریوں میں تبدیلی، حکومتی پالیسیوں میں عدم استحکام/ضروری تبدیلیوں اور قدرتی گیس، بجلی اور ایندھن کی قیمتوں میں اضافہ کی وجہ سے پیداوار لاگت میں نمایاں اضافہ ہوا ہے۔ جس کی مرہونگاری کی جاتی ہے اور حسب ضابطہ کارروائی کی جاتی ہے۔ بچاؤ کی موزوں حکمت عملی مرتب کی گئی ہے تاکہ ان خطرات کے اثرات کو قابل قبول سطح پر کم کیا جاسکے۔

آپریٹنگ رиск

تسلسل، پائیداری اور کاروبار میں خلل سے بچنے کے لئے بڑے بحرانوں کی صورت میں پیداواری اور سٹورز آپریشنز کو جاری رکھنے کی غرض سے تسلسل اور آفات سے بحالی کے منصوبے مرتب کئے گئے ہیں۔ خام مال کے ذرائع، فراہمی کی مناسب تفریق، اپنے پلائس میں توانائی پیدا کرنے میں خود مختاری، مؤثر سپلائی چین اور نقل و حمل کے افعال ہمیں آپریٹنگ رиск سے نبرد آزما ہونے کے قابل بناتے ہیں۔

مالیاتی خطرات

سب سے بڑا مالیاتی رиск شرح مبادلہ میں اتار چڑھاؤ ہے جس کی وجہ سے ہمارے خام مال اور پیداواری لاگت میں اضافہ ہوتا ہے۔ کمپنی اس صورت حال سے آگاہ ہے اور کم سے کم اثر کو یقینی بنانے کے لئے ایسے اتار چڑھاؤ کی نگرانی کرتی ہے۔ سخت مالیاتی نظم و ضبط، کیش فلو مینجمنٹ اور ہر ممکن حد تک بہترین جگہوں پر دستیاب رقم کی سرمایہ داری سے مالیاتی رиск کو کم کرنے میں مدد ملتی ہے۔

تعمیل کے خدشات/خطرات

قوانین و ضوابط کی مؤثر تعمیل اور شفاف مالیاتی رپورٹنگ فریم ورک کی وجہ سے کمپنی ممکنہ طور پر تعمیل خدشات/خطرات سے کم متاثر ہوتی ہے۔ بورڈ کمپنی میں رиск مینجمنٹ اور تعمیل کلچر کی حوصلہ افزائی کرتا ہے۔ کمپنی کے خلاف درج مقدمات پر مشتمل قانونی کارروائی کے خدشات/خطرات کو معروف لافرمز کے ماہرین کے ذریعے نپٹا جاتا ہے۔

ماحولیاتی اثرات

آپ کی کمپنی اپنے آپریشنز کے ہر شعبہ میں ماحول کے تحفظ پر انتہائی ذمہ داری کا مظاہرہ کرتی ہے۔ ماحولیاتی تحفظ کی اہمیت کو اجاگر کرنے اور ذمہ دار کاروباری شہری بننے کے لئے آپ کی کمپنی نے صنعتی مقامات کے اندر اور اس کے ارد گرد شجرکاری مہم کا آغاز کیا ہے اور ماحولیاتی تحفظ پر بھرپور توجہ دے رہی ہے۔ آپ کی کمپنی پانی کے قیمتی ذرائع کو انتہائی ذمہ داری سے کم ترین استعمال پر یقین رکھتی ہے۔ اپنے

آپریٹنگ اخراجات

زیر جائزہ سال کے دوران آپریٹنگ اخراجات میں 23.49 فی صد کا نمایاں اضافہ ہوا۔ انتظامات کی وضع اور تقسیمی لاگت گذشتہ برس کے مقابلہ میں زیادہ تر متوازن اور رواں برس کے کاروباری رجحانات کے مطابق رہی۔ ان اشاریوں میں اضافہ افرادز کے مطابق تھا۔ تاہم دیگر فعالی اخراجات میں اضافہ مقامی کرنسی کی تیزی سے بے قدری کی وجہ سے غیر ملکی کرنسی میں قرضوں پر برداشت کئے جانے والے زرمبادلہ خسارہ اور قرض خواہان سے تاخیری ادائیگی کی وجہ سے IFRS-9 کے مطابق متوقع کریڈٹ خسارہ سے منسوب کیا جاتا ہے جس کے نتیجے میں IFRS-9 معیارات پر عمل کرنا پڑنا۔

IFRS-9 کے مطابق، ”متوقع کریڈٹ خسارہ میں ادائیگی کی رقم اور وقت شامل ہے۔ کریڈٹ میں خسارہ اُس وقت بھی سامنے آ جاتا ہے جب ادارہ مقررہ تاریخ کے بعد کل ادائیگی کی توقع رکھتا ہے۔“

قرض پر لاگت

زیر جائزہ سال کے دوران 9 ماہ کے لئے زیادہ پالیسی شرح کی وجہ سے قرضوں کی لاگت میں 34.08 فی صد نمایاں اضافہ ہوا۔ وبائے متاثرہ معیشت کو سنبھال دینے کے لئے اسٹیٹ بینک آف پاکستان کی جانب سے ریلیف اقدامات کی مدد میں اپریل 2020ء سے پالیسی کی شرح میں کمی واقع ہونا شروع ہوئی۔ لہذا آخری سہ ماہی کے دوران پالیسی کی شرح نمایاں طور پر 550 بیس پوائنٹس (40.7 فی صد) کم کی گئی۔

خالص منافع

منتشر طلب، سخت لاک ڈاؤن اور مجموعی طور پر غیر مستحکم معاشی صورت حال سے کمپنی کو آخری سہ ماہی میں بھاری نقصان اٹھانا پڑا جس کی وجہ سے کمپنی نے گذشتہ برس 97.11 ملین روپے منافع کے مقابلہ میں رواں مالیاتی سال کے دوران 93.86 ملین روپے خسارہ بمعہ ٹیکس درج کیا۔ اسی طرح سے کمپنی نے گذشتہ برس 43.38 ملین روپے منافع کے مقابلہ میں 140.2 ملین روپے خسارہ علاوہ ٹیکس درج کیا۔

فی حصص آمدنی

30 جون 2020ء کو اختتام پذیر سال کے لئے آپ کی کمپنی کا فی حصص خسارہ 16.23 روپے رہا جب کہ گذشتہ برس 5.02 روپے آمدنی فی حصص ریکارڈ کی گئی۔

منافع منقسمہ اور تصرفات

حالیہ معاشی منظر نامہ کو دیکھتے ہوئے بورڈ نے رواں سال کے لئے نقد منافع منقسمہ کی تجویز کو رد کر دیا ہے۔ یہ حکمت عملی اس بحرانی کیفیت میں ضروری سرمایہ کو برقرار رکھنے کے لئے مالی استحکام کے عزم کے عین مطابق ہے۔ رواں سال کے لئے فی حصص بریک ویلیو 61.76 روپے ہے (2019: 78.29 روپے)

Break-Up Value Per Share PKR

2020	61.8
2019	78.3
2018	78.8
2017	68.5
2016	74.2

جناب فاروق احمد (CFO) کا انتقال پر ملال

بورڈ آف ڈائریکٹرز جناب فاروق احمد (مرحوم) کی بطور چیف فائننشل آفیسر انجام دی گئی خدمات کا تہہ دل سے اعتراف کرتے ہیں۔ 19 جولائی 2020ء کو ان کے اچانک انتقال پر گہرے دکھ اور انفسوس کا اظہار کرتے ہیں۔ جناب فاروق احمد کا کمپنی کے ساتھ نوے کی دہائی سے تعلق ہے۔ بطور CFO انہوں نے کمپنی کو ترقی کی راہ پر گامزن کیا اور BOD کی سرپرستی میں اسے مالی استحکام دیا ہے۔ مالیاتی امور میں تجربہ کے علاوہ صحت اور سماجی خدمات کے شعبہ میں بھی وہ اپنے کلیدی کردار کی وجہ سے

بورڈ آف ڈائریکٹرز کے اجلاس

سال 2019-20 کے دوران بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ BOD اجلاس میں ڈائریکٹرز کی حاضری کی تفصیلات مندرجہ ذیل ہیں:

نمبر شمار	نام ڈائریکٹر	اجلاس میں حاضری
1.	مسٹر محمد انور	04
2.	مسٹر خالد بشیر	04
3.	مسٹر آصف بشیر	04
4.	مسٹر عادل بشیر	03
5.	مسٹر خرم مظہر کریم	04
6.	مسٹر شاہد ارشد	04
7.	مسٹر محمد شفیق گل	04
8.	مسٹر شارق بشیر	03
9.	مسز منال مشال آدم جی	00

مصرفیت کی بنا پر بورڈ اجلاس میں شرکت نہ کرنے والے ڈائریکٹرز کو غیر حاضری کی رخصت عنایت کی گئی۔

ڈائریکٹرز کا مشاہیرہ

بورڈ آف ڈائریکٹرز نے مشاہیرہ کے تعین کے لئے ہدایات جاری کی ہیں۔ اس کی نمایاں خصوصیات مندرجہ ذیل ہیں:

- کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز بورڈ اور کمیٹی اجلاس میں شرکت کی فیس کے علاوہ کو کوئی معاوضہ ادا نہیں کرے گی۔
- بورڈ آف ڈائریکٹرز اور کمیٹیوں کے اجلاس میں شرکت کے لئے ڈائریکٹرز کا معاوضہ اور اجلاس کی فیس کا وقت بہ وقت تعین کیا جائے گا اور بورڈ آف ڈائریکٹرز اس کی منظوری دے گا۔
- بورڈ آف ڈائریکٹرز کی منظوری سے ڈائریکٹرز کو معاوضہ ادا کیا جائے گا۔ بورڈ کے موزوں اور قابل امیدوار کو مائل کرنے کے لئے معاوضہ کا تکلیف تیار کیا گیا ہے۔
- ڈائریکٹرز بورڈ، کمیٹیوں اور کمپنی کے عمومی اجلاس میں شرکت کے لئے سفری، بورڈنگ، لاجنگ اور دیگر اخراجات ادا کئے جائیں گے۔

ڈائریکٹرز کا تربیتی پروگرام

30 مئی 2020ء کو حالیہ منتخب کردہ بورڈ آف ڈائریکٹرز اور تمام ڈائریکٹرز کو 14 سالہ تعلیم اور لیکچرینرز کے بورڈ میں 15 سالہ تجربہ کی وجہ سے ڈائریکٹرز ٹریننگ پروگرام سے استفادہ حاصل ہے۔

بورڈ کمیٹیاں اور اجلاس

STML بورڈ آف ڈائریکٹرز کی کمیٹیوں اور ان کے اجلاس کی تفصیلات مندرجہ ذیل ہیں:

آڈٹ کمیٹی

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

پیداواری مقامات پر RO پلانٹس کی تنصیب سے ہم پانی کی پخت کو یقینی بناتے ہیں اور اسی طرح سے ہم اپنے ملازمین کو ہمہ وقت صاف پانی فراہم کرتے ہیں۔ اپنے تجربہ کو استعمال کرتے ہوئے ہم شمس ٹیکسٹائل پر موثر اور موافق انداز میں پانی کے استعمال کے لئے پرعزم ہیں تاکہ آبادیوں کو ہر جگہ صاف پانی کی فراہمی کو یقینی بنایا جاسکے۔ ہم پانی کی قدرتی گردش کو محفوظ بنانے اور اپنی ویلیو چین کے مختلف شعبوں اور عوام الناس کو فائدہ پہنچانے کے لئے کوشاں ہیں۔

کوڈ آف کارپوریٹ گورننس

آپ کی کمپنی کے ڈائریکٹرز لیکچرینرز (کوڈ آف کارپوریٹ گورننس) ضوابط 2019 اور پاکستان سٹاک ایکسچینج کے قواعد کے تحت اپنی ذمہ داری سے بخوبی آگاہ ہیں۔ آپ کی کمپنی نے بہتر کارپوریٹ گورننس اور ضابطہ کی تعمیل کو یقینی بنانے کے لئے تمام ضروری اقدامات اٹھائے ہیں اور ہم مندرجہ ذیل کی تصدیق کرتے ہیں:

- کمپنی کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس کمپنی کے کاروباری امور، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کی بہترین عکاسی کرتی ہیں۔
- کمپنی کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور معقول فیصلوں کی بنیاد پر لگے جاتے ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ معیارات کی پیروی کی گئی ہے اور اس میں کسی بھی قسم کے عدم اظہار کو واضح طور پر بیان کیا گیا ہے۔
- داخلی نظم و ضبط کا ایک مربوط نظام موجود ہے اور اس کو موثر انداز میں لاگو اور مانیٹر کیا جاتا ہے۔
- کمپنی کی کاروبار جاری رکھنے کی صلاحیت میں کوئی نمایاں ابہام موجود نہ ہے۔
- لسٹنگ ریگولیشنز میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری میں کوئی کمی نہیں ہے۔
- مالیاتی اسٹیٹمنٹس میں بیان کردہ واجبات کے علاوہ ٹیکس، ڈیوٹی، لیوی اور چارجز کی مد میں تمام قانونی ادائیگیاں کردی گئی ہیں۔
- شیئر ہولڈنگ کی وضع کو اس سالانہ رپورٹ کا حصہ بنایا گیا ہے۔
- گزشتہ چھ سال کا اہم آپریننگ اور مالیاتی ڈیٹا کا خلاصہ یہاں منسلک کیا گیا ہے۔

ڈائریکٹرز اور بورڈ کے اجلاس

STML کا بورڈ 7 (مرد) 1 (عورت) ڈائریکٹرز پر مشتمل ہے۔ بورڈ کی ترکیب مندرجہ ذیل ہے:

نمبر شمار	درجہ	نام
1	آزاد اور ڈائریکٹرز	مسٹر شاہد ارشد مسز منال مشال آدم جی *
2	نان ایگزیکٹو ڈائریکٹرز	مسٹر محمد انور (چیئر مین) مسٹر خرم مظہر کریم مسٹر عادل بشیر مسٹر محمد شفیق گل مسٹر شارق بشیر *
3	ایگزیکٹو ڈائریکٹرز	مسٹر خالد بشیر (CEO) مسٹر آصف بشیر

* مسٹر شارق بشیر 30 مئی 2020ء کو بورڈ سے ریٹائر ہوئے اور مسز منال مشال آدم جی نے بورڈ آف ڈائریکٹرز میں شمولیت اختیار کی۔

آڈیٹرز

رواں مالیاتی سال 2019-20 کے لئے کمپنی کی مالیاتی اسٹیمٹس کا میسرز ریاض احمد اینڈ کو چارٹرڈ اکاؤنٹنٹس نے آڈٹ کیا ہے۔ آڈیٹرز سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ اہلیت کی بنا پر انہوں نے اپنی دوبارہ تقرری کی پیشکش کی ہے۔ بورڈ آف ڈائریکٹرز نے اگلے سال کے لئے آڈٹ کمپنی کی سفارش پر میسرز ریاض احمد اینڈ کو چارٹرڈ اکاؤنٹنٹس کی بطور آڈیٹر تقرری کی تجویز دی ہے۔ جو آئندہ سالانہ اجلاس عام میں اراکین کی منظوری سے مشروط ہے۔

مابعد اثرات

مالیاتی سال کے اختتام اور اس رپورٹ کے اجرا کے درمیانی وقفہ میں کسی بھی قسم کی مادی تبدیلی سے کمپنی کی مالیاتی حالت پر کوئی اثر نہ پڑا ہے۔

شیئر ہولڈنگ کی وضع

30 جون 2020 تک کمپنیز ایکٹ 2017 کے سیکشن (f)(2)227 کے تحت کمپنی کی شیئر ہولڈنگ کی وضع اس رپورٹ کے صفحہ XX میں فراہم کی گئی ہے۔

مستقبل کا منظر نامہ

زیر جائزہ سال کے دوران کمپنی کی برآمدات میں گزشتہ برس کے مقابلہ میں کمی واقع ہوئی ہے۔ ہمارے بڑے صارفین چین کی امریکہ کے ساتھ عالمی تجارتی جنگ کی وجہ سے ہماری مصنوعات کی طلب بہت کم ہو گئی ہے۔

کاروباری لاگت میں بھی اضافہ کا رجحان جاری ہے۔ خام مال کی ترسیل غیر مستحکم قیمتوں کے ساتھ بے یقینی کی صورت حال سے دوچار ہے۔ توانائی کی لاگت بھی ایک پہلو ہے جس کی وجہ سے پیداواری لاگت میں اضافہ ہو رہا ہے کیونکہ سہولیات کی قیمتوں میں اضافہ جاری ہے۔ تیل کی قیمتوں میں اضافہ کی وجہ سے پولیمر فائبر کی قیمتیں آسمان کو چھو رہی ہیں۔ کاشت کاری کا موسم آچکا ہے لیکن معیار بہت ناقص ہے اور قیمتوں میں عدم استحکام ہے۔ تاہم، پاکستانی روپے کی قدر میں کمی کی وجہ سے ہماری تیار مصنوعات مقابلہ کر سکتی ہیں۔ پاکستان کو تیار مصنوعات کی پیداوار میں سرمایہ داری کی ضرورت ہے لیکن جنرل سلیزنگس کے اطلاق پر قرضوں پر زیادہ لاگت اور غیر متوقع شرح مبادلہ کی وجہ سے سرمایہ داروں کا اعتماد کم ہوا ہے۔

پاکستان اس وقت داخلی و خارجی سطح پر شدید معاشی بحران سے دوچار ہے۔ معاشی ابتری کی وجہ سے صنعت کاری کا شعبہ شدید مشکلات کا سامنا کر رہا ہے۔ ملک کو برآمدی شعبہ میں انقلابی اصلاحات لانی ہوں گی کیونکہ صرف برآمدات نمو میں اضافہ کرتی ہیں جس سے معیشت بحالی کی جانب گامزن ہوگی۔

آپ کی کمپنی اپنی بنیادی صلاحیتوں اور انتظامی تجربہ پر انحصار جاری رکھے گی تاکہ منفی اثرات کو محدود کیا جاسکے اور اپنے سٹیک ہولڈرز کی توقعات کے عین مطابق کارکردگی دکھائی جاسکے۔

اعترافات

بورڈ آف ڈائریکٹرز کی جانب سے میں اس موقع پر اپنے تمام پائٹرز اور ملازمین کی مسلسل حمایت کا شکریہ ادا کرتا ہوں۔ میں بورڈ کی گراں قدر دوراندیشی اور رہنمائی پر اس کی حوصلہ افزائی کرتا ہے۔

آصف بشیر
ڈائریکٹر

خالد بشیر
چیف ایگزیکٹو

29 ستمبر، 2020ء

لاہور

نمبر شمار	نام ڈائریکٹر	اجلاس میں حاضری
1.	مسٹر محمد انور (چیئر مین)	04
2.	مسٹر خرم مظہر کریم	04
3.	مسٹر آصف بشیر	04

30 مئی 2020ء کو منعقدہ ڈائریکٹر کے انتخابات کے بعد 10 جون 2020ء کو آڈٹ کمپنی کی تشکیل نوکی گئی۔ اراکین کی فہرست مندرجہ ذیل ہے:

نمبر شمار	نام ڈائریکٹر
1.	مسٹر شاہد ارشد (چیئر مین)
2.	مسٹر خرم مظہر کریم
3.	مسٹر آصف بشیر

ہیومن ریسورس اینڈ ریمونریشن کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے ہیومن ریسورس اینڈ ریمونریشن کمیٹی تشکیل دی ہے۔ مالیاتی سال 2019-20 میں صرف ایک اجلاس منعقد ہوا۔ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی ترکیب مندرجہ ذیل ہے:

نمبر شمار	نام ڈائریکٹر	اجلاس میں حاضری
1.	مسٹر آصف بشیر (چیئر مین)	01
2.	مسٹر محمد انور	01
3.	مسٹر خرم مظہر کریم	01

30 مئی 2020ء کو منعقدہ ڈائریکٹر کے انتخابات کے بعد 10 جون 2020ء کو آڈٹ کمپنی کی تشکیل نوکی گئی۔ اراکین کی فہرست مندرجہ ذیل ہے:

نمبر شمار	نام ڈائریکٹر
1.	مسز منال مشال آدم جی (چیئر مین)
2.	مسٹر آصف بشیر
3.	مسٹر خرم مظہر کریم

موافق داخلی اور مالیاتی نظم و ضبط

بورڈ آف ڈائریکٹرز نے داخلی اور مالیاتی نظم و ضبط کا ایک موثر نظام قائم کیا ہے تاکہ مندرجہ ذیل کو یقینی بنایا جاسکے:

- آپریشنز پر موثر عمل درآمد
- کمپنی کے اثاثہ جات کا تحفظ
- لاگو قوانین و ضوابط کی تعمیل
- قابل بھروسہ مالیاتی رپورٹنگ

غش ٹیکسٹائل ملز لمیٹڈ کا خود مختار داخلی آڈٹ فنکشن میسرز رضوان اینڈ کو چارٹرڈ اکاؤنٹنٹس کو سونپا گیا ہے جو معیاری آپریٹنگ طریقہ ہائے کار اور متعلقہ مالیاتی کنٹرولز کی باقاعدگی سے نگرانی کرتا ہے۔

داخلی آڈٹ پلان کے مطابق داخلی آڈٹ رپورٹ آڈٹ کمپنی کو پیش کی جاتی ہے۔ آڈٹ کمپنی اپنے اجلاس میں اس داخلی کنٹرول فریم اور مالیاتی اسٹیمٹس کی تائید کا جائزہ لیتی ہے۔

FINANCIAL SUMMARY

For the year ended June 30, 2020

rupees in '000's	2020	2019	2018	2017	2016	2015
Net Sales	4,175,298	5,291,753	4,685,847	3,315,682	2,802,613	3,973,517
Cost of sales	4,080,438	5,057,572	4,409,798	3,198,776	2,749,993	3,830,891
Gross Profit	94,860	234,181	276,049	116,906	52,620	142,626
Distribution cost	40,769	34,253	39,857	36,607	58,220	62,943
Administrative expenses	77,837	71,714	62,901	57,325	53,713	50,970
Other expenses	18,335	4,924	5,701	11,654	2,627	294
	136,941	110,891	108,459	105,586	114,560	114,207
	(42,081)	123,290	167,590	11,320	(61,940)	28,419
Other income	5,770	16,745	35,816	15,399	17,951	22,974
Operating (Loss) / profit	(36,311)	140,035	203,406	26,719	(43,989)	51,393
Finance cost	57,558	42,925	38,696	44,721	40,240	69,531
(Loss) / profit before taxation	(93,869)	97,110	164,710	(18,002)	(84,229)	(18,138)
Taxation	46,337	53,724	63,526	32,390	26,869	34,988
(Loss) / profit after taxation	(140,206)	43,386	101,184	(50,392)	(111,098)	(53,126)
Performance Ratio						
Gross Profit Margin (%)	2.27	4.43	5.89	3.53	1.88	3.59
Fixed Assets Turnover	4.38	6.32	5.36	3.71	3.03	4.18
Return on capital employed (%)	(25.60)	6.28	14.29	(7.82)	(14.90)	(5.98)
Return on equity (%)	(26.60)	6.52	15.12	(8.53)	(17.46)	(7.21)
Operating Profit Margin (%)	(1.01)	2.33	3.58	0.34	(2.21)	0.72
Net Profit Margin (%)	(3.36)	0.82	2.16	(1.52)	(3.96)	(1.34)
Earning / (loss) per share (Rupees)	(16.23)	5.02	11.71	(5.83)	(12.86)	(6.15)
Working Capital Ratios						
Debtors Turn Over Ratio	26.23	26.16	34.56	37.77	24.89	25.91
Debtors in no of Days	13.91	13.95	10.56	9.66	14.66	14.09
Stock Turn Over Ratio	7.80	13.52	9.93	5.42	6.55	10.13
Stock in no of Days	46.80	27.00	36.75	67.34	55.76	36.04
Liquidity Ratio						
Current Ratio	0.76	0.82	0.84	0.77	0.81	0.80
Quick Ratio	0.17	0.36	0.44	0.27	0.27	0.43
Interest Cover Ratio	(0.61)	0.44	0.23	(2.48)	(0.48)	(3.83)
Financial Performance Ratio						
Gearing Ratio	02:98	02:98	03:97	08:92	13:87	15:85
Break-up value per share (Rupees)	61.76	78.29	78.83	68.51	74.24	86.50
Dividend per share	-	1.05	2.35	-	-	-
Price to Book Value	0.41	0.33	0.56	0.39	0.30	0.36
Total Assets	1,723,904	1,734,225	1,741,952	1,854,355	2,013,577	1,632,013
Current Assets	895,829	844,456	849,772	921,751	1,016,169	586,535
Current Liabilities	1,176,252	1,031,235	1,012,618	1,201,212	1,261,469	737,537
Operating Fixed Assets	780,355	819,904	892,180	932,604	997,408	1,045,478
Long Term Debts	14,036	14,036	27,103	52,670	104,234	141,409
Share holders' Equity	533,616	676,428	681,068	591,951	641,448	747,361

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 53rd Annual General Meeting of the shareholders of Shams Textile Mills Limited will be held on **Saturday October 24, 2020 at 9:00 a.m.** at the Registered Office, 7-B3, 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 there on for the year ended June 30, 2020.
2. 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.
3. To transact any other business with the permission of the Chair.

Special Business

4. To approve transmission of annual audited financial statements, auditor's report and directors' report etc. ('Annual Audited Accounts') along with notice of general meeting to the shareholders of Shams Textile Mills Limited through CD / DVD / USB at their registered addresses as allowed by the Securities and Exchange Commission of Pakistan (SECP) and if thought fit to pass the following resolution as ordinary resolution:

"RESOLVED THAT transmission of annual audited financial statements, auditor's report and directors' report etc. ('Annual Audited Accounts') along with notice of general meeting to the shareholders of Shams Textile Mills Limited through CD / DVD / USB at their registered addresses in soft form i.e. CD / DVD / USB as notified by SECP vide its SRO No. 470(I)/2016 dated May 31, 2016 be and is hereby approved".

A statement under section 134 (3) of the Companies Act, 2017 pertaining to Special Business along with the ordinary resolutions proposed to be passed, are being sent to the shareholders with the Notice.

BOOK CLOSURE:

The Members' Register will remain closed from October 17, 2020 to October 24, 2020 (both days inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on October 16, 2020 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 in stead 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 undermentioned 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.
- iv. 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.

Video Conference Facility

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

Placement of Financial Statements

The Company has placed a copy of the Notice of AGM, Annual Separate and Consolidated Financial Statements for the year ended 30 June 2020 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: www.shams.com.pk

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

Statement of Material Facts

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

This statement sets out the material facts concerning the special business to be transacted at Annual General Meeting of Shams Textile Mills Limited to be held on October 24, 2020.

Transmission of Annual Audited Financial Statements through CD/DVD/USB:

The SECP through SRO 470 (I) / 2016 dated May 31, 2016 has allowed companies to circulate the annual balance sheet and profit and loss account, auditor's report and directors' report etc. ("annual audited accounts") along with notice of general meeting to its shareholders in electronic form through CD / DVD / USB at their registered address. This would result in timely delivery of Annual Audited Accounts to the shareholders. The Company has placed on its website i.e. www.shams.com.pk a standard request form containing postal and email address of Company Secretary/Share Registrar, so that shareholders may request a hard copy of the Annual Audited Accounts. The Company will provide one hard copy free of cost to the requesting shareholder at their registered address within one week of the request.

The directors of the Company have no direct or indirect interest in the above mentioned Special Business.

Lahore
29 September, 2020

By Order of the Board
Company Secretary

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF SHAMS TEXTILE MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Shams Textile Mills Limited (the Company) for the year ended 30 June 2020 in accordance with the requirements of regulation 36 of the Regulations.

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


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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 27(1) 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. Moreover, no meeting of the audit committee was held during the first quarter of the year ended 30 June 2020.
- (ii) Only one member of the Board is an independent director instead of at least two independent directors required by regulation 6 of the Regulations.

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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore

Date: September 29, 2020

**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 2020, 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 2020 and of the loss, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

Sr. No.	Key audit matters	How the matters were addressed in our audit
1.	<p>Inventory existence and valuation</p> <p>Inventory as at 30 June 2020 amounted to Rupees 697.452 million and represented a material position in the statement of financial position, break up of which is as follows:</p> <ul style="list-style-type: none"> - Stores and spare parts amounting to Rupees 63.053 million - Stock-in-trade amounting to Rupees 634.399 million <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 2.11 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"> Use inventory ageing reports together with historical trends to estimate the likely future saleability of slow moving and older inventory items. Perform a line-by-line analysis of remaining inventory to ensure it is stated at the lower of cost and net realisable value and a specific write down is recognized, if required. 	<p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <p>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;</p> <p>For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets;</p> <p>We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded transaction;</p> <p>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;</p> <p>We assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory;</p> <p>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;</p> <p>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.</p>

Sr. No.	Key audit matters	How the matters were addressed in our audit
	<p>For further information on inventory, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Inventories note 2.11 to the financial statements. - Stores and spare parts note 15 and stock-in-trade note 16 to the financial statements. 	
2.	<p>Revenue recognition</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"> - Summary of significant accounting policies, Revenue from contracts with customers note 2.24 to the financial statements. - Revenue note 22 to the financial statements. 	<p>Our procedures included, but were not limited to:</p> <p>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;</p> <p>We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents;</p> <p>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;</p> <p>We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers';</p> <p>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;</p> <p>We also considered the appropriateness of disclosures in the financial statements.</p>

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: 29 September, 2020

BALANCE SHEET
AS AT JUNE 30, 2020

	Note	2020 (Rupees in thousands)	2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
25,000,000 (2019: 25,000,000) ordinary shares of Rupees 10 each		250,000	250,000
Issued, subscribed and paid-up share capital	3	86,400	86,400
Reserves	4	713,305	706,839
Accumulated loss		(266,089)	(116,811)
Total equity		533,616	676,428
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	14,036	14,036
Deferred income tax liability	6	-	12,526
		14,036	26,562
CURRENT LIABILITIES			
Trade and other payables	7	839,599	876,422
Accrued mark-up	8	5,559	5,674
Short term borrowings	9	324,420	131,806
Current portion of long term financing	5	2,250	13,067
Unclaimed dividend	10	4,424	4,266
		1,176,252	1,031,235
Total liabilities		1,190,288	1,057,797
CONTINGENCIES AND COMMITMENTS	11	-	-
TOTAL EQUITY AND LIABILITIES		1,723,904	1,734,225

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



Chief Executive



Director



Chief Financial Officer

	Note	2020 (Rupees in thousands)	2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	780,355	819,904
Long term investments	13	46,144	68,289
Long term security deposits	14	1,576	1,576
		828,075	889,769
CURRENT ASSETS			
Stores and spare parts	15	63,053	58,982
Stock-in-trade	16	634,399	411,980
Trade debts	17	94,477	223,860
Advances	18	11,949	18,444
Other receivables	19	24,060	30,928
Sales tax refundable		25,721	36,891
Taxation - net	20	35,096	36,073
Cash and bank balances	21	7,074	27,298
		895,829	844,456
TOTAL ASSETS		1,723,904	1,734,225



Chief Executive



Director



Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees in thousands)	2019
SALES	22	4,175,298	5,291,753
COST OF SALES	23	(4,080,438)	(5,057,572)
GROSS PROFIT		94,860	234,181
DISTRIBUTION COST	24	(40,769)	(34,253)
ADMINISTRATIVE EXPENSES	25	(77,837)	(71,714)
OTHER EXPENSES	26	(18,335)	(4,924)
		(136,941)	(110,891)
		(42,081)	123,290
OTHER INCOME	27	5,770	16,745
(LOSS) / PROFIT FROM OPERATIONS		(36,311)	140,035
FINANCE COST	28	(57,558)	(42,925)
(LOSS) / PROFIT BEFORE TAXATION		(93,869)	97,110
TAXATION	29	(46,337)	(53,724)
(LOSS) / PROFIT AFTER TAXATION		(140,206)	43,386
(LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED (RUPEES)	30	(16.23)	5.02

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



Chief Executive



Director



Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended JUNE 30, 2020

	2020 (Rupees in thousands)	2019
(LOSS) / PROFIT AFTER TAXATION	(140,206)	43,386
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to profit or loss:		
Surplus / (deficit) arising on remeasurement of investments at fair value through other comprehensive income	6,466	(11,189)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year - net of tax	6,466	(11,189)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(133,740)	32,197

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



Chief Executive



Director



Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	RESERVES					Accumulated Loss	TOTAL EQUITY	
	CAPITAL		REVENUE		TOTAL RESERVES			
	Premium on issue of right shares	Fair value reserve FVTOCI investments	Sub Total	General reserve				
(Rupees in thousands)								
Balance as at 01 July 2018	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
Balance as at 30 June 2019	86,400	86,400	20,439	106,839	600,000	706,839	(116,811)	676,428
Transaction with owners - Final dividend for the year ended 30 June 2019 @ Rupees 1.05 per share	-	-	-	-	-	-	(9,072)	(9,072)
Loss for the year	-	-	-	-	-	-	(140,206)	(140,206)
Other comprehensive income for the year	-	-	6,466	6,466	-	6,466	-	6,466
Total comprehensive loss for the year	-	-	6,466	6,466	-	6,466	(140,206)	(133,740)
Balance as at 30 June 2020	86,400	86,400	26,905	113,305	600,000	713,305	(266,089)	533,616

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


Chief Executive


Director


Chief Financial Officer

STATEMENT OF CASH FLOWS
For The Year Ended JUNE 30, 2020

	Note	2020 (Rupees in thousands)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilized in) / generated from operations	31	(46,531)	341,217
Finance cost paid		(57,673)	(40,283)
Income tax paid		(57,886)	(39,184)
Net cash (used in) / generated from operating activities		(162,090)	261,750
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(32,177)	(9,896)
Proceeds from sale of property, plant and equipment		350	6,160
Dividend received		810	933
Net cash used in investing activities		(31,017)	(2,803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(10,817)	(25,567)
Short term borrowings - net		192,614	(190,966)
Dividend paid		(8,914)	(19,876)
Net cash from / (used in) financing activities		172,883	(236,409)
Net (decrease) / increase in cash and cash equivalents		(20,224)	22,538
Cash and cash equivalents at the beginning of the year		27,298	4,760
Cash and cash equivalents at the end of the year	21	7,074	27,298

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



Chief Executive



Director



Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. THE COMPANY AND ITS OPERATIONS

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

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

Manufacturing units and offices	Address
Manufacturing units:	
Spinning unit I	3-KM, Faisalabad Road, Chiniot
Spinning units II and III	Kotla Kahloon, District Nankana Sahib
Registered and head office	7- B-III, Aziz Avenue, Gulberg V, Lahore
Office	5 th 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 as otherwise stated in the respective accounting policies.

c) Critical accounting estimates and judgements

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

Useful lives, patterns of economic benefits and impairments

Estimates with respect to 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Allowance for expected credit loss

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

Revenue from contracts with customers involving sale of goods

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

Provisions

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

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

Following standard, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

IFRS 16 'Leases'

IFRS 9 (Amendments) 'Financial Instruments'

IFRIC 23 'Uncertainty over Income Tax Treatments'

IASB's Annual Improvements to IFRSs: 2015-2017 Cycle

The above mentioned accounting standards 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) Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting period 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.

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

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

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 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 benefits this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 1 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarify what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 'Financial Instruments' - The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' - The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

The above amendments and improvements do not have a material impact on the financial statements.

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

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2020 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

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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 12.1 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use, while for disposals depreciation is charged upto the month of disposal.

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

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

2.3 IFRS 16 "Leases"

The Company has adopted IFRS 16 from 01 July 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the statement of profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The adoption of IFRS 16 has no financial impact on the financial statements of the Company.

Right-of-use assets

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

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

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

Lease liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2.4 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.

2.5 Investments and other financial assets

a) Classification

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

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

those to be measured at amortized cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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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).

Fair value through other comprehensive income (FVTOCI)

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

Fair value through profit or loss

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

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

2.6 Financial liabilities classification and measurement

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

2.7 Impairment of financial assets

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.

2.8 De-recognition of financial assets and financial liabilities

a) Financial assets

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

b) Financial liabilities

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

2.9 Offsetting of financial instruments

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

2.10 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.

2.11 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Stores and spare parts

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

Stock-in-trade

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

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

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

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

2.12 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.

2.13 Taxation

Current

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

Deferred

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

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

2.14 Cash and cash equivalents

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

2.15 Borrowing cost

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

2.16 Share capital

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

2.17 Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS

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2.18 Provisions

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

2.19 Derivative financial instruments

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.

2.20 Functional and presentation currency

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

2.21 Foreign currency transactions and translation

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

2.22 Employee benefits

Defined contribution plan

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

Compensated absences

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

2.23 Borrowings

Financing and borrowings are 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.

2.24 Revenue from contracts with customers

i) Revenue recognition

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.

Dividend

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

NOTES TO THE FINANCIAL STATEMENTS

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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.

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.

2.25 Government grants

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

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

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

2.26 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.

2.27 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.

2.28 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2.29 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.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2020 (Number of shares)	2019		2020 (Rupees in thousand)	2019
7,510,000	7,510,000	Ordinary shares of Rupees 10 each fully paid in cash	75,100	75,100
1,130,000	1,130,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	11,300	11,300
8,640,000	8,640,000		86,400	86,400

	2020 (Rupees in thousand)	2019
3.1 Ordinary shares of the Company held by associated companies:		
Premier Insurance Limited	399,000	399,000
The Crescent Textile Mills Limited	812,160	812,160
Crescent Powertec Limited	1,720,105	1,720,105
	2,931,265	2,931,265

	2020 (Rupees in thousand)	2019
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4. RESERVES

Composition of reserves is as follows:

Capital

Premium on issue of right shares (Note 4.1)	86,400	86,400
Fair value reserve FVTOCI investments (Note 4.2)	26,905	20,439
	113,305	106,839

Revenue

General reserve	600,000	600,000
	713,305	706,839

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:

	2020 (Rupees in thousand)	2019
Balance as on 01 July	20,439	31,628
Less: Fair value adjustment during the year	6,466	(11,189)
Balance as on 30 June	26,905	20,439

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
5. LONG TERM FINANCING		
Secured		
Financing from banking companies (Note 5.1)	16,286	27,103
Less: Current portion shown under current liabilities	2,250	13,067
	14,036	14,036

5.1 Financing from banking company

LENDER	2020	2019	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(Rupees in thousands)							
MCB Bank Limited	16,286	27,103	SBP Rate for LTFF+2.5%	One hundred and twelve un-equal quarterly instalments commenced on 13 September 2017 and ending on 17 August 2022 (Note 5.2).	-	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.
	16,286	27,103					

5.2 Repayment period includes deferment of repayment of principal loan amount by one year in accordance with State Bank of Pakistan BPRD Circular Letter No. 13 of 2020 dated 26 March 2020.

	2020 (Rupees in thousand)	2019
6. DEFERRED INCOME TAX LIABILITY		
The (asset) / liability for deferred income tax originated due to timing differences relating to:		
Taxable temporary difference		
Accelerated tax depreciation	110,327	119,111
Deductible temporary differences		
Available tax losses	(24,403)	(10,741)
Turnover tax carried forward	(147,208)	(84,948)
Allowance for expected credit losses	(892)	(3,869)
Provision for slow moving and obsolete stores and spare parts	(6,739)	(7,027)
	(179,242)	(106,585)
Deferred income tax (asset) / liability	(68,915)	12,526
Deferred income tax asset not recognised in these financial statements	68,915	-
Deferred income tax (asset) / liability recognised in these financial statements	-	12,526

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
7. TRADE AND OTHER PAYABLES		
Creditors (Note 7.1)	290,214	357,030
Accrued liabilities	387,718	383,854
Advances from customers	18,989	14,215
Due to related parties (Note 7.2)	139,710	108,725
Income tax deducted at source	881	4,143
Payable to employees' provident fund trust	1,496	2,932
Workers' profit participation fund (Note 7.3)	591	5,523
	839,599	876,422

7.1 These include amounts due to following associated companies:

Premier Insurance Limited	42	163
The Crescent Textile Mills Limited	617	109
Crescent Group (Private) Limited	70	70
Suraj Cotton Mills Limited	10	-
	739	342

7.2 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.

	2020 (Rupees in thousand)	2019
7.3 Workers' profit participation fund		
Opening balance	5,523	5,694
Less: Adjustment on adoption of IFRS 15	-	(583)
	5,523	5,111
Add: Provision for the year (Note 26)	-	5,102
Interest for the year (Note 28)	591	1,004
	591	6,106
Less: Payments during the year	(5,523)	(5,694)
Balance as on 30 June	591	5,523

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

	2020 (Rupees in thousand)	2019
8. ACCRUED MARK-UP		
Long term financing	209	367
Short term borrowings	5,350	5,307
	5,559	5,674

9. SHORT TERM BORROWINGS

From banking companies - secured

Running finances (Note 9.1 and 9.2)	302,420	110,043
Cash finances (Note 9.1 and 9.3)	-	-
Other short term borrowings (Note 9.1 and 9.4)	22,000	-
Temporary bank overdraft	-	21,763
	324,420	131,806

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

- 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 present and future current assets of the Company and pledge of stocks. These form part of total credit facilities of Rupees 700 million (2019: Rupees 700 million).
- 9.2** The rates of mark-up range from 9.58% to 15.31% (2019: 8.17% to 14.05%) per annum during the year on the balance outstanding.
- 9.3** The rates of mark-up range from 9.33% to 14.81% (2019: 9.01% to 12.33%) per annum during the year on the balance outstanding.
- 9.4** The rates of mark-up range from 9.24% to 14.55% (2019: 7.61% to 11.80%) per annum during the year on the balance outstanding.

10 UNCLAIMED DIVIDEND

As at the reporting date, the Company is in the process of complying with the provisions of section 244 of the Companies Act, 2017.

11. CONTINGENCIES AND COMMITMENTS

a) Contingencies

- i) Bank guarantees of Rupees 69.596 million (2019: 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 218.812 million (2019: Rupees 10.152 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

2020 (Rupees in thousands)										2019 (Rupees in thousands)												
12. PROPERTY, PLANT AND EQUIPMENT																						
Operating fixed assets (Note 12.1)																						
Capital work-in-progress (Note 12.2)																						
780,355																						
817,790																						
2,114																						
780,355																						
819,904																						
12.1 Reconciliation of carrying amounts of operating fixed assets at the beginning and at the end of the year is as follows:																						
(Rupees in thousands)																						
At 30 June 2018		Freehold land	Factory buildings on freehold land	Residential and other buildings on freehold land	Plant and machinery	Electric and sui gas installations	Factory equipment	Furniture, fixtures and fittings	Vehicles	Total												
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												
Year ended 30 June 2019																						
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												
At 30 June 2019																						
Cost		3,192	298,459	123,460	1,652,698	47,199	2,608	900	39,670	2,168,186												
Accumulated depreciation		-	(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												
Year ended 30 June 2020																						
Opening net book value		3,192	180,696	89,552	513,012	13,709	396	229	17,004	817,790												
Additions		-	-	-	31,737	-	-	-	2,554	34,291												
Disposals:																						
Cost		-	-	-	(3,056)	-	-	-	-	(3,056)												
Accumulated depreciation		-	-	-	2,555	-	-	-	-	2,555												
Depreciation charge		-	(9,035)	(4,478)	(501)	(1,371)	(40)	(23)	(3,827)	(501)												
Closing net book value		3,192	171,661	85,074	491,797	12,338	356	206	15,731	780,355												
At 30 June 2020																						
Cost		3,192	298,459	123,460	1,684,435	47,199	2,608	900	42,224	2,202,477												
Accumulated depreciation		-	(126,798)	(38,386)	(1,192,638)	(34,861)	(2,252)	(694)	(26,493)	(1,422,122)												
Net book value		3,192	171,661	85,074	491,797	12,338	356	206	15,731	780,355												
Annual rate of depreciation (%)		-	5	5	10	10	10	10	20													

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

12.1.1 Detail of operating fixed assets disposed of during the year is as follows:

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchaser
(Rupees in thousand)								
Plant and Machinery								
Ring Frames FA-506-480 Spindles	2	1,550	1,349	201	250	49	Negotiation	Ali Hamza, Faisalabad
Tructuzchler Drawing Machine TD-03	1	1,506	1,206	300	100	(200)	Negotiation	Malik Arshad, Faisalabad
		3,056	2,555	501	350	(151)		
						2020	2019	
						(Rupees in thousand)		

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

Cost of sales (Note 23)	64,968	70,159
Administrative expenses (Note 25)	6,257	6,940
	71,225	77,099

12.1.3 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
Manufacturing units			
Spinning unit I	3-KM, Faisalabad Road, Chiniot	28.256	428,644
Spinning unit II and unit III	Kotla Kahloon, District Nankana Sahib	27.043	533,160
		55.299	961,804
		2020	2019
		(Rupees in thousand)	

12.2 Capital work-in-progress

Advance against purchase of vehicle	-	2,114
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13. LONG TERM INVESTMENTS

Debt instruments (Note 13.1)	-	28,611
Equity instruments (Note 13.2)	46,144	39,678
	46,144	68,289

13.1 Debt instruments

At amortized cost

Sales tax refund bonds (Note 13.1.1)		
Nil (2019: 284) bonds of Rupees 100,000 each	-	28,400
Add: Accrued interest	-	211
	-	28,611

13.1.1 These represented investment in sales tax refund bonds having maturity period of three years issued by FBR Refund Settlement Company Limited under Section 67A of Sales Tax Act, 1990 against sales tax

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

refund payment orders issued in favour of the Company. These bonds were carried at amortized cost using effective interest at the rate of 9.14% per annum.

	2020 (Rupees in thousand)	2019
13.2 Equity instruments		
Fair value through other comprehensive income		
Associated companies - quoted (Note 13.2.1)		
Crescent Jute Products Limited (Note 13.2.2 and 13.2.4) 12,476 (2019: 12,476) fully paid ordinary shares of Rupees 10 each. Equity held 0.053% (2019: 0.053%)	-	-
Premier Insurance Limited 739,069 (2019: 739,069) fully paid ordinary shares of Rupees 10 each. Equity held 1.46% (2019: 1.46%)	6,196	6,196
Crescent Cotton Mills Limited 176,790 (2019: 176,790) fully paid ordinary shares of Rupees 10 each. Equity held 0.78% (2019: 0.78%)	876	-
Others - quoted		
Crescent Cotton Mills Limited 176,790 (2019: 176,790) fully paid ordinary shares of Rupees 10 each. Equity held 0.78% (2019: 0.78%)	-	876
Jubilee Spinning and Weaving Mills Limited 7,788 (2019: 7,788) fully paid ordinary shares of Rupees 10 each.	9	9
Crescent Fibres Limited 31,920 (2019: 31,920) fully paid ordinary shares of Rupees 10 each.	256	256
Crescent Spinning Mills Limited (Note 13.2.3 and 13.2.4) 208,800 (2019: 208,800) fully paid ordinary shares of Rupees 10 each.	-	-
Samba Bank Limited 2,764,113 (2019: 2,764,113) fully paid ordinary shares of Rupees 10 each.	8,383	8,383
EFU Life Assurance Limited 60,000 (2019: 60,000) fully paid ordinary shares of Rupees 10 each.	3,519	3,519
Other - unquoted		
Crescent Modaraba Management Company (Private) Limited (Note 13.2.4) 193,000 (2019: 193,000) fully paid ordinary shares of Rupees 10 each.	-	-
	19,239	19,239
Add: Fair value adjustment	26,905	20,439
	46,144	39,678

13.2.1 These companies are associated due to common directorship.

13.2.2 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.

13.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

13.2.4 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.

14. LONG TERM SECURITY DEPOSITS

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

	2020 (Rupees in thousand)	2019
15. STORES AND SPARE PARTS		
Stores	43,902	44,694
Spare parts	47,421	42,558
	91,323	87,252
Less: Provision for slow moving and obsolete items	(28,270)	(28,270)
	63,053	58,982
16. STOCK-IN-TRADE		
Raw materials	172,538	105,411
Work-in-process	44,886	49,915
Finished goods	392,670	252,318
Waste stock	24,305	4,336
	634,399	411,980

16.1 Stock-in-trade of Rupees 306.315 million (2019: Rupees 81.782 million) is being valued at net realizable value.

16.2 Finished goods include stock in transit of Rupees Nil (2019: Rupees 18.387 million).

16.3 The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 113.62 million (2019: Rupees 9.352 million).

	2020 (Rupees in thousand)	2019
17. TRADE DEBTS		
Considered good:		
Unsecured:		
- Suraj Cotton Mills Limited - associated company (Note 17.1 and 17.2)	-	493
- Others (Note 17.3)	98,217	238,934
	98,217	239,427
Less: Allowance for expected credit loss (Note 17.4)	(3,740)	(15,567)
	94,477	223,860
17.1 The maximum aggregate amount receivable from associated company at the end of any month during the year was as follows:		
Suraj Cotton Mill Limited	6,091	574
17.2 As at 30 June 2020, trade debts due from an associated company amounting to Rupees Nil (2019: Rupees 0.493 million) were past due but not impaired. The age analysis of these trade debts is as follows:		
Upto 1 month	-	493
1 to 6 months	-	-
More than 6 months	-	-
	-	493

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

17.3 As at 30 June 2020, trade debts due from other than related parties of Rupees 59.501 million (2019: Rupees 157.341 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:

	2020 (Rupees in thousand)	2019
Upto 1 month	22,339	135,937
1 to 6 months	34,186	5,088
More than 6 months	2,976	16,316
	59,501	157,341
17.4 Allowance for expected credit loss		
Opening balance	15,567	10,282
Add: Recognized as on 01 July 2019	-	5,463
Add: Recognized during the year (Note 26)	4,966	-
Less: Reversal during the year (Note 26)	-	(178)
Less: Trade debts written off during the year (Note 17.5)	(16,793)	-
Closing balance	3,740	15,567

17.5 Trade debts of Rupees 16.793 million (2019 Nil) were impaired and written off during the year. The ageing of these trade debts was more than one year. These trade debts do not include amounts due from related parties.

	2020 (Rupees in thousand)	2019
18. ADVANCES		
Considered good:		
Advances to employees - interest free	161	259
Advances to suppliers	7,640	1,067
Letters of credit	4,148	17,118
	11,949	18,444

19. OTHER RECEIVABLES		
Considered good:		
Due from associated companies (Note 19.1)	878	586
Duty drawback receivable	22,388	29,129
Miscellaneous	794	1,213
	24,060	30,928

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

	2020 (Rupees in thousand)	2019
Suraj Cotton Mills Limited	-	-
Crescent Powertec Limited	878	586
	878	586

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

Suraj Cotton Mills Limited	1,780	2,972
Crescent Powertec Limited	1,354	1,405

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
20. TAXATION - NET		
Advance income tax	93,959	98,433
Less: Provision for taxation (Note 29)	(58,863)	(62,360)
	35,096	36,073
21. CASH AND BANK BALANCES		
Cash with banks:		
On deposit accounts (Note 21.1)	185	146
On current accounts	6,361	26,514
	6,546	26,660
Cash in hand	528	638
	7,074	27,298

21.1 Rate of profit on bank deposits ranges from 4% to 5.5% (2019: 4.25% to 10.75%) per annum.

	2020 (Rupees in thousand)	2019
22. SALES		
Export sales	761,271	844,496
Local sales (Note 22.1 and 22.2)	3,414,027	4,447,257
	4,175,298	5,291,753
22.1 Local sales		
Sales	3,994,412	4,463,767
Less: Sales tax	(580,385)	(16,510)
	3,414,027	4,447,257

22.2 Local sales include waste sales of Rupees 160.983 million (2019: Rupees 193.815 million).

	2020 (Rupees in thousand)	2019
23. COST OF SALES		
Raw materials consumed (Note 23.1)	3,206,932	3,966,959
Salaries, wages and other benefits (Note 23.2)	321,136	349,829
Stores and spare parts consumed	79,536	91,073
Packing materials consumed	62,671	75,820
Repair and maintenance	12,879	13,860
Fuel and power	475,422	559,250
Insurance	5,701	7,371
Other factory overheads	6,485	7,583
Depreciation (Note 12.1.2)	64,968	70,159
	4,235,730	5,141,904
Work-in-process		
Opening stock	49,915	45,449
Less: Closing stock	(44,886)	(49,915)
	5,029	(4,466)
Cost of goods manufactured	4,240,759	5,137,438

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
Finished goods and waste		
Opening stock	256,654	176,788
Less: Closing stock	(416,975)	(256,654)
	(160,321)	(79,866)
Cost of sales	4,080,438	5,057,572
23.1 Raw materials consumed		
Opening stock	105,411	185,122
Add: Purchased during the year	3,274,059	3,887,248
	3,379,470	4,072,370
Less: Closing stock	(172,538)	(105,411)
	3,206,932	3,966,959

23.2 Salaries, wages and other benefits include provident fund contribution of Rupees 4.554 million (2019: Rupees 4.264 million) by the Company.

	2020 (Rupees in thousand)	2019
24. DISTRIBUTION COST		
Salaries and other benefits (Note 24.1)	1,355	1,789
Freight and forwarding - export	19,827	16,898
Freight - local	172	271
Commission to selling agents	19,415	15,295
	40,769	34,253

24.1 Salaries and other benefits include provident fund contribution of Rupees 0.040 million (2019: Rupees 0.060 million) by the Company.

	2020 (Rupees in thousand)	2019
25. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 25.1)	46,288	41,697
Directors' meeting fee	600	480
Rent, rates and taxes	3,071	3,071
Insurance	532	1,362
Travelling and conveyance	2,665	4,455
Vehicles' running	3,275	3,132
Entertainment	1,292	1,269
Legal and professional	2,596	1,499
Auditor's remuneration (Note 25.2)	1,050	1,050
Advertisement	141	47
Postage and telephone	1,275	1,116
Electricity and gas	1,789	1,595
Printing and stationery	633	1,344
Repair and maintenance	1,910	961
Fee and subscription	4,450	1,684
Depreciation (Note 12.1.2)	6,257	6,940
Miscellaneous	13	12
	77,837	71,714

25.1 Salaries and other benefits include provident fund contribution of Rupees 1.500 million (2019: Rupees 1.355 million) by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
25.2 Auditor's remuneration		
Audit fee	865	865
Half yearly review	115	115
Other certifications	50	50
Out-of-pocket expenses	20	20
	1,050	1,050
26. OTHER EXPENSES		
Exchange loss - net	13,007	-
Workers' profit participation fund (Note 7)	-	5,102
Provision / (reversal) of allowance for expected credit loss (Note 17.4)	4,966	(178)
Loss on sale of property, plant and equipment (Note 12.1.1)	151	-
Impact of de-recognition of financial instrument carried at amortized cost	211	-
	18,335	4,924
27. OTHER INCOME		
Income from financial assets		
Dividend income (Note 27.1)	810	933
Profit on deposits with banks	38	128
Exchange gain - net	-	4,851
Interest income on sales tax refund bonds	-	211
	848	6,123
Income from assets other than financial assets		
Gain on sale of property, plant and equipment (Note 12.1.1)	-	2,663
Scrap sales	3,294	4,665
Rental income	1,628	3,294
	4,922	10,622
	5,770	16,745
27.1 Dividend income		
Other than related parties:		
EFU Life Assurance Limited	810	933
28. FINANCE COST		
Mark-up on:		
Long term financing	1,071	1,811
Short term borrowings	50,304	30,979
Interest on employees' provident fund	597	6,021
Interest on workers' profit participation fund (Note 7.3)	591	1,004
Bank charges and commission	4,995	3,110
	57,558	42,925
29. TAXATION		
For the year		
Current tax (Note 29.1)	58,864	64,012
Deferred tax	(12,526)	(8,636)
Prior year		
Current tax	(1)	(1,652)
	46,337	53,724

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 84.148 million (2019: Rupees 49.253 million).

		2020	2019
30. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED			
There is no dilutive effect on the basic (loss) / earnings per share which is based on:			
(Loss) / profit attributable to ordinary shares	(Rupees in thousand)	(140,206)	43,386
Weighted average number of ordinary shares	(Numbers)	8,640,000	8,640,000
(Loss) / earnings per share	(Rupees)	(16.23)	5.02

	2020 (Rupees in thousand)	2019
31. CASH (UTILIZED IN)/GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	(93,869)	97,110
Adjustments for non-cash charges and other items:		
Depreciation	71,225	77,099
Loss / (gain) on sale of property, plant and equipment	151	(2,663)
Interest income on sales tax refund bonds	-	(211)
Impact of de-recognition of financial instrument carried at amortized cost	211	-
Dividend income	(810)	(933)
Provision / (reversal) of allowance for expected credit losses	4,966	(178)
Workers' profit participation fund	-	5,102
Finance cost	57,558	42,925
Working capital changes (Note 31.1)	(85,963)	122,966
	(46,531)	341,217

31.1 Working capital changes

Decrease / (increase) in current assets:

- Stores and spare parts
- Stock-in-trade
- Trade debts
- Advances
- Other receivables
- Sales tax refundable

(4,071)
(222,419)
124,417
6,495
6,868
39,570

6,294
(4,621)
(131,078)
36,328
21,971
(20,421)

	(49,140)	(91,527)
(Decrease) / increase in trade and other payables	(36,823)	214,493
	(85,963)	122,966

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020			
	Liabilities from financing activities			Total
	Long term financing	Short term borrowings	Unclaimed dividend	
Balance as at 01 July 2019	27,103	131,806	4,266	163,175
Repayment of financing	(10,817)	-	-	(10,817)
Short term borrowings - net	-	192,614	-	192,614
Dividend declared	-	-	9,072	9,072
Dividend paid	-	-	(8,914)	(8,914)
Balance as at 30 June 2020	16,286	324,420	4,424	345,130

	2019			
	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

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	
	2020	2019	2020	2019	2020	2019
	(Rupees in thousand)					
Managerial remuneration	11,599	10,629	6,775	6,200	1,213	2,088
Allowances						
House rent	5,220	4,783	3,049	2,790	546	940
Conveyance	-	-	-	-	36	209
Medical	-	-	-	-	85	146
Utilities	1,160	1,063	678	620	49	209
Other	-	-	-	-	43	29
Contribution to provident fund	696	638	407	372	73	125
	18,675	17,113	10,909	9,982	2,045	3,746
Number of persons	1	1	1	1	1	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 0.600 million (2019: 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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 (Rupees in thousand)	2019
Associated companies		
Sale of goods and services	133,245	2,126
Purchase of goods and services	3,029	231
Insurance premium	8,268	9,667
Rent expense	2,400	2,400
Electricity purchased	-	1,065
Dividend paid	3,078	6,888
Other related parties		
Company's contribution to employees' provident fund trust	6,094	5,680
Loan obtained from employees' provident fund trust	-	64,000
Loan repaid to employees' provident fund trust	-	64,000
Loan obtained from chief executive and his spouse	39,254	73,100
Loan repaid to chief executive and his spouse	8,268	2,000

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

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

Name of the related party	Basis of relationship	Transactions entered or agreements and / or arrangements in		Percentage of shareholding
		2020	2019	
Suraj Cotton Mills Limited	Common directorship	Yes	Yes	None
Crescent Powertec Limited	Common directorship	Yes	Yes	None
The Shams Textile Mills Limited Employees Provident Fund Trust	Post-employment benefit plan	Yes	Yes	None
Premier Insurance Limited	Common directorship	Yes	Yes	1.46%
The Crescent Textile Mills Limited	Common directorship	Yes	Yes	None
Shakarganj Limited	Common directorship	No	No	None
Crescent Jute Products Limited	Common directorship	No	No	0.05%
S2 Power Limited	Common directorship	No	No	None
S2 Solar Limited	Common directorship	No	No	None
Crescent Agri (Private) Limited	Common directorship	No	No	None
Crescent Venture (Private) Limited	Common directorship	No	No	None
Crescot Mills Limited	Common directorship	No	No	None
S2 Hydro Limited	Common directorship	No	No	None
Bhikki Spinning Mills (Private) Limited	Common directorship	No	No	None
Crescent Retail (Private) Limited	Common directorship	No	No	None
Crescent Group (Private) Limited	Common directorship	No	No	None
Crescent Cotton Mills Limited	Common directorship	No	No	0.780%
Bridgeline Global Logistics (Private) Limited	Common directorship	No	No	None
Ayesha Khurram (Private) Limited	Common directorship	No	No	None
Karachi Cotton Association	Common directorship	No	No	None

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 three years for bringing the Employees Provident Fund Trust in conformity with the requirements of the regulations.

	2020	2019
35. NUMBER OF EMPLOYEES		
Number of employees as on 30 June	989	1,602
Average number of employees during the year	1,296	1,521

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 receivables and payables that exist due to transactions in foreign currencies.

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

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is 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)	
	2020 (Rupees in thousand)	2019
PSX 100 (5% increase)	2,307	1,984
PSX 100 (5% decrease)	(2,307)	(1,984)
Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as FVTOCI.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

(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 long-term interest-bearing asset. 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:

	2020 (Rupees in thousand)	2019
Fixed rate instruments		
Financial assets		
Sales tax refund bonds	-	28,611
Financial liabilities		
Long term financing	16,286	27,103
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	185	146
Financial liabilities		
Short term borrowings	302,420	110,043

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 2.146 million (2019: profit after taxation for the year would have been Rupees 0.780 million lower / higher) higher / lower mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

	2020 (Rupees in thousand)	2019
Investments	46,144	68,289
Security deposits	1,576	1,576
Trade debts	94,477	223,860
Advances	161	259
Other receivables	878	586
Bank balances	6,546	26,660
	149,782	321,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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				2020	2019
Short Term	Long Term	Agency	(Rupees in thousand)		
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	15	388
MCB Bank Limited	A1+	AAA	PACRA	5,589	25,355
Faysal Bank Limited	A1+	AA	PACRA	869	843
Allied Bank Limited	A1+	AAA	PACRA	36	36
United Bank Limited	A-1+	AAA	JCR-VIS	5	5
The Bank of Punjab	A1+	AA	PACRA	22	21
BankIslami Pakistan Limited	A1	A+	PACRA	3	3
Finca Microfinance Bank Limited	A1	A	JCR-VIS	5	7
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	2	2
				6,546	26,660
Investments					
Premier Insurance Limited	Unknown	A	PACRA	3,695	4,457
Samba Bank Limited	A-1	AA	JCR-VIS	21,589	15,175
EFU Life Assurance Limited	-	AA+	JCR-VIS	12,626	13,800
Crescent Cotton Mills Limited	Unknown	-	-	7,019	5,017
Crescent Fibres Limited	Unknown	-	-	1,190	1,211
Jubilee Spinning and Weaving Mills Limited	Unknown	-	-	25	18
Sales tax refund bonds	Unknown	-	-	-	28,611
				46,144	68,289
				52,690	94,949

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 17.

Due to the Company's long standing business relationships with these counterparties 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 2020, the Company had Rupees 375.580 million (2019: Rupees 589.957 million) available borrowing limits from financial institutions and Rupees 7.074 million (2019: Rupees 27.298 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Contractual maturities of financial liabilities as at 30 June 2020

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
(Rupees in thousand)						
Non-derivative financial liabilities:						
Long term financing	16,286	17,615	552	2,607	13,426	1,030
Trade and other payables	817,642	817,642	817,642	-	-	-
Accrued mark-up	5,559	5,559	5,559	-	-	-
Short term borrowings	324,420	324,436	324,436	-	-	-
Unclaimed dividend	4,424	4,424	4,424	-	-	-
	1,168,331	1,169,676	1,152,613	2,607	13,426	1,030

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)						
Non-derivative financial liabilities:						
Long term financing	27,103	27,103	6,534	6,534	13,019	1,016
Trade and other payables	849,609	849,609	849,609	-	-	-
Unclaimed dividend	4,266	4,266	4,266	-	-	-
Accrued mark-up	5,674	5,674	5,674	-	-	-
Short term borrowings	131,806	132,438	132,438	-	-	-
	1,018,458	1,019,090	998,521	6,534	13,019	1,016

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

	Amortized cost	FVTOCI	Total
(Rupees in thousand)			
Assets as per statement of financial position As at 30 June 2020			
Investments	-	46,144	46,144
Security deposits	1,576	-	1,576
Trade debts	94,477	-	94,477
Advances	161	-	161
Other receivables	878	-	878
Cash and bank balances	7,074	-	7,074
	104,166	46,144	150,310
(Rupees in thousand)			
As at 30 June 2019			
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
	282,190	39,678	321,868

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	Financial liabilities at amortized cost	
	2020	2019
	(Rupees in thousand)	
Liabilities as per Statement of Financial Position		
Long term financing	16,286	27,103
Trade and other payables	817,642	849,609
Accrued mark-up	5,559	5,674
Short term borrowings	324,420	131,806
Unclaimed dividend	4,424	4,266
	1,168,331	1,018,458

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 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'.

		2020	2019
Borrowings	Rupees in thousand	340,706	158,909
Total equity	Rupees in thousand	533,616	676,428
Total capital employed	Rupees in thousand	874,322	835,337
Gearing	Percentage	38.97	19.02

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

	2020	2019
38. PLANT CAPACITY AND ACTUAL PRODUCTION		
Number of spindles installed	58,272	59,232
Number of spindles operated	41,134	57,652
100% plant capacity converted to 20s count based on 3 shifts per day (Kgs)	22,293,414	22,658,691
Actual production converted to 20s count based on 3 shifts per day (Kgs)	16,084,361	20,335,963

38.1 Reasons for low production:

Under utilization of available capacity was mainly due to temporary suspension of operations due to lock down announced by the Government of Punjab.

39. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL STATEMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

Recurring fair value measurements At 30 June 2020	Level 1	Level 2	Level 3	Total
(Rupees in thousands)				
Financial assets				
Fair value through other comprehensive income	46,144	-	-	46,144
Total financial assets	46,144	-	-	46,144

Recurring fair value measurements At 30 June 2019	Level 1	Level 2	Level 3	Total
(Rupees in thousands)				
Financial assets				
Fair value through other comprehensive income	39,678	-	-	39,678
Total financial assets	39,678	-	-	39,678

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

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

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

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

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

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

(ii) Valuation techniques used to determine fair values

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

40 DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX

Description	Note	2020 (Rupees in thousand)	2019
Loan / advances obtained as per Islamic mode:			
Loans	5 and 9	-	-
Advances	7	18,989	14,215
Shariah compliant bank deposits / bank balances			
Bank balances	21	3	3
Profit earned from shariah compliant bank deposits / bank balances			
Profit on deposits with banks	27	-	-
Revenue earned from shariah compliant business	22	4,175,298	5,291,753
Gain / (loss) or dividend earned from shariah compliant investments			
Dividend income	27.1	-	-
Unrealized gain / (loss) on remeasurement of investment at FVTOCI	13.2	1,980	942
Exchange gain earned		-	4,851
Mark-up paid on Islamic mode of financing		-	-
Profits earned or interest paid on any conventional loan / advance			
Interest paid on loans		57,673	40,283
Profit earned on deposits with banks		38	128
Interest income on sales tax refund bonds		-	211
Relationship with shariah compliant banks			
Name	Relationship		
Bank Islami Pakistan Limited	Bank balance		

41 OPERATING SEGMENTS

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

Sales of yarn represents 96.14% (2019: 96.26%) of the total sales of the Company.

81.77% (2019: 84.04%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 100% (2018: 97.78%) of those sales are made to customers in China.

All non-current assets of the Company at 30 June 2020 are located in Pakistan.

6.14% (2019: 15.61%) 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 2020 of Rupees NIL per share (2019: Rupees 1.05 per share) at their meeting held on 29 September, 2020. 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.

43 IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 23 March 2020, the Government of the Punjab and the Government of Sindh

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations gradually from 28 May 2020 and took all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowdown in economic activity. The lockdown caused disruptions in supply chain including supply of goods to the customers resulting in a decline in sales. Subsequent to the year ended 30 June 2020, due to significant reduction in outbreak, demand for the Company's goods is fast reverting back to normal levels. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- the impairment of tangible assets under IAS 36 'Impairment of Assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- provisions and contingent liabilities under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 29 September, 2020 by the Board of Directors of the Company.

45 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	PART -I
	Shams Textile Mills Limited
	PART -II

Pattern of Holding of the Shares held by the Shareholders as at :June 30, 2020

Number of Shareholders	Shareholding		Total Shares held
	From	To	
450	1	100	18,081
261	101	500	64,757
60	501	1,000	44,474
92	1,001	5,000	228,295
39	5,001	10,000	288,730
14	10,001	15,000	187,108
8	15,001	20,000	132,712
6	20,001	25,000	130,882
8	25,001	30,000	211,643
5	30,001	35,000	165,631
4	35,001	40,000	150,329
1	45,001	50,000	49,364
2	50,001	55,000	107,693
2	65,001	70,000	136,034
1	110,001	115,000	110,806
1	120,001	125,000	125,000
1	185,001	190,000	187,460
1	225,001	230,000	229,994
1	250,001	255,000	252,567
1	270,001	275,000	271,000
1	310,001	315,000	313,979
1	355,001	360,000	357,000
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
965			8,640,000

As On: June 30, 2020

Categories of Shareholder	Share held	Percentage
Directors, CEO, Their Spouse and Minor Children	2,143,274	24.81
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)	2,038,874	23.60
Other Companies (Local)	437,830	5.07
	8,640,000	100.00

Shareholders More Than 10.00%		
CRESCENT POWERTEC LIMITED	1,720,105	19.91
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1,044,498	12.09
KHALID BASHIR	901,486	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: 29 September, 2020

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.	
<div style="border-top: 1px solid black; width: 250px; margin-left: 0;"></div> 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 53rd Annual General Meeting
 of the Company to be held on Saturday, 24 October, 2020 at 9:00 a.m. at Registered Office, 7-B-3, Aziz
 Avenue, Gulberg-5 Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2020. Signature of the Shareholder _____

For Beneficial owners as per CDC list**1-Witness:**

Signature _____

Name _____

Address _____

2-Witness:

Signature _____

Name _____

Address _____

Affix
 Revenue of
 Stamps of Rs. 5/-

 Signature of Member

Note:

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

شمس ٹیکسٹائل ملز لمیٹڈ
تشکیل نیابت داری (پراسی فارم)
۵۳ واں سالانہ اجلاس عام

میں / ہم -----
ساکن ----- بحیثیت شمس ٹیکسٹائل ملز لمیٹڈ رکن (ممبر) اور حامل ہیں -----
عام حصص کے مطابق درج شدہ فولیو نمبر ----- اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر -----
اور ذیلی کھاتہ نمبر ----- محترم محترمہ -----
ساکن ----- یا بصورت دیگر محترم محترمہ -----
ساکن ----- کو اپنی جگہ بروز ہفتہ ۲۲ اکتوبر ۲۰۲۰ دن ۹:۰۰ بجے صبح بمقام کمپنی کے رجسٹرڈ آفس (۷ بی ۳، عزیز ایونیو، گلبرگ ۵، لاہور) میں منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں رائے دہندگی کے لیے اپنا نماندہ مقرر کرتا کرتی ہوں۔
مؤرخہ ----- دن ----- ۲۰۲۰

ریونیو چسپاں کریں

گواہ

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

(۱) دستخط -----

نام -----

پتہ -----

سی این آئی سی -----

(۲) دستخط -----

نام -----

پتہ -----

سی این آئی سی -----

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

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