



*Condensed Interim
Financial Statements
for the half year ended
December 31, 2021*

Shahtaj Textile Limited

Shahtaj Textile Limited

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Shahtaj Textile Limited

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Muneer Nawaz	Chairman
Mr. M. Naeem	Chief Executive
Mr. Abid Nawaz	
Mr. Aamir Amin (NIT)	
Mr. Farooq Hassan	
Mr. Syed Nadeem Ali Kazmi	
Mr. Toqueer Nawaz	
Mrs. Sadia Mohammad	
Mr. Muhammad Usman Khalid	
Lt. Col. (Retd.) R.D. Shams	

COMPANY SECRETARY

Mr. Jamil Ahmad Butt, FCMA

AUDIT COMMITTEE OF THE BOARD

Mr. Aamir Amin	Chairman
Mr. Muneer Nawaz	Member
Mr. Toqueer Nawaz	Member
Mr. Muhammad Usman Khalid	Member
Mr. Jamil Ahmad Butt, FCMA	Secretary

HUMAN RESOURCE AND REMUNERATION COMMITTEE OF THE BOARD

Mr. Farooq Hassan	Chairman
Mr. Muneer Nawaz	Member
Mr. M. Naeem	Member
Mr. Toqueer Nawaz	Member
Mrs. Sadia Muhammad	Member
Mr. Jamil Ahmad Butt, FCMA	Secretary

AUDITORS

Yousuf Adil.
Chartered Accountants.
Cavish Court, A-35, Block 7 & 8 KCHS,
Shahrah-e-Faisal, Karachi 75350.

BANKS

Bank Alfalah Limited
United Bank Limited
Meezan Bank Ltd.
The Bank of Punjab
MCB Bank Limited
Faysal Bank Limited
National Bank of Pakistan

LEGAL ADVISOR

Mr. Ras Tariq Chaudhary
30-Mall Mansion
The Mall
Lahore.

HEAD OFFICE

Shahnawaz Building, 19-Dockyard Road,
West Wharf, Karachi-74000
Ph: 32313934-8, 32312834, 32310973
Fax: 32205723, 32310623
Website: www.shahtaj.com

REGISTERED OFFICE

27-C Abdalian Co-oporetive
Hosing Society, Lahore,
Ph: (042) 35313891-92, 35301596-99
Fax: (042) 35301594

MARKETING OFFICE

27-C Abdalian Co-oporetive
Hosing Society, Lahore,
Ph: (042) 35313891-92, 35301596-99
Fax: (042) 35301594

FACTORY

46 K.M. Lahore/Multan Road
Chunian Industrial Estate
Bhai Pheru, Distt. Kasur, Punjab.
Ph: (049) 4540430-32, 4540133, 4540234
Fax: (049) 4540031

SHARE REGISTRAR

Jwaffs Registrar Services (Pvt.) Ltd.
Suite # 407,408, 4th Floor, Al-Ameera Centre,
Shahrah-e-Iraq, Near Passport Office,
Saddar Karachi.
Tel: 35662023-24 Fax: 35221192

Shahtaj Textile Limited

Directors are pleased to present un-audited Condensed Interim Financial Statements of the Company for the six months period ended on December 31, 2021 together with limited scope review report by the Auditors.

By the grace of Allah operating results of the Company have been positive and Company has earned after tax profit of Rs.179.772 million with an EPS of Rs 18.61 in comparison to Rs 8.34 reported during the same period last year. Net Sales revenue for the period is Rs. 3.77 billion compared to Rs. 2.28 billion showing increase of about 65% over the corresponding period of last year. Raw material prices have touched the highest mark for the last ten years. However, the company, through its marketing efforts, was able to get orders even at these high prices. The increase in sales revenue and better profitability is the result of this increase in prices. Thus, the company was able to achieve Gross Profits (GP) rate of 10.77% as compared to 10.16% of corresponding period of last year.

Increase in export sales and rise in ocean freight resulted in increase in distribution costs. Administration cost for the period is higher than previous corresponding period due to inflationary effect. Other operating expenses increased on account of higher provisions of WPPF and WWF because of higher profitability. Finance cost also increased due to increase in policy rate by SBP.

The 49 looms imported under BMR plan have arrived and will be installed in current quarter. The financing arrangement are based on State bank of Pakistan's concessionary Temporary Economic Finance Facility (TERF). This BMR will further improve the capacity and efficiency of the mill and in turn its financial results

We feel the future is very unpredictable, with so many critical factors, which make us apprehensive as to how the commodity prices will fare in the coming period. The government of Pakistan has increased the rate of re-gasified liquefied natural gas (RLNG) by 38.46 percent from \$6.5 to \$9/ MMBTU for Captive power plants operated by export-oriented sectors w.e.f. November 15, 2021, for three and half months which will increase the energy cost. Another challenge, that export oriented textile sector is facing, is highly disturbed vessel schedule which has badly effected global supply chain. Transit time and shipping cost for import and export shipments have increased noticeably. Pakistan Economy is undergoing high inflation which may cause rise in interest rates which is also detrimental for future profitability.

Efforts will continue as always for more improvement.

Board and its Committees

The total number of directors is ten as per the following:

- a) Male: 9
- b) Female: 1

Category	Names
Independent Directors	Mr. Aamir Amin (NIT) Mr. Farooq Hassan Mr. Syed Nadeem Ali Kazmi
Other Non-Executive Directors	Mr. Muneer Nawaz Mr. Toqueer Nawaz Mr. Muhammad Usman Khalid Mr. Abid Nawaz
Female Non-Executive Director	Mrs. Sadia Muhammad
Executive Directors	Mr. Muhammad Naeem Lt. Col(Retd.) Rashiduddin Shams

Shahtaj Textile Limited

The Board has formed committees comprising of members as below:

a) Audit Committee

- Mr. Aamir Amin (Chairman)
- Mr. Muneer Nawaz
- Mr. Toqueer Nawaz
- Mr. Muhammad Usman Khalid
- Mr. Abid Nawaz

b) HR and Remuneration Committee

- Mr. Farooq Hassan (Chairman)
- Mr. Muneer Nawaz
- Mr. Muhammad Naeem
- Mr. Toqueer Nawaz
- Mrs. Sadia Muhammad


Appreciation

Directors acknowledge with thanks the hard work put in by all employees of the Company.

for and on behalf of the Board of Directors

Karachi
February 28, 2022


(M. Naeem)
Chief Executive


(Muneer Nawaz)
Chairman

Shahtaj Textile Limited

ڈائریکٹر ز رپورٹ برائے حصہ داران

ڈائریکٹر زمرست کے ساتھ 31 دسمبر 2021 کو ختم ہونے والی ششماہی پر کمپنی کے غیر آڈٹ شدہ مالیاتی حسابات آڈیٹر کی محدود دائرہ کار پر مشتمل رپورٹ کے ساتھ پیش کرتے ہیں۔

الحمد للہ کمپنی کے مالیاتی نتائج مثبت رہے اور بعد از ٹیکس منافع 179.772 ملین روپے رہا یعنی 18.61 روپے فی حصہ بالمقابل 8.34 روپے فی حصہ جو گزشتہ سال کے اسی دورانیہ میں رپورٹ ہوا تھا۔ خالص فروخت کا حجم گزشتہ 2.28 بلین روپے کے بالمقابل 3.77 بلین روپے ہے جو پچھلے سال کی اسی مدت کے مقابلے میں 65 فیصد زائد ہے۔ خام مال کی قیمتیں گزشتہ دس سالوں کی بلند ترین سطح کو چھو چکی ہیں۔ تاہم کمپنی اپنی مارکیٹنگ کی کوششوں کے ذریعے، زائد قیمتوں پر بھی آرڈر حاصل کرنے میں کامیاب رہی۔ سٹور یونیویس اضافہ اور بہتر منافع قیمتوں میں اضافے کا نتیجہ ہے۔ اس طرح، کمپنی گزشتہ سال کی اسی مدت کے 10.16 فیصد کے مقابلے میں 10.77 فیصد کی مجموعی منافع (GP) کی شرح حاصل کرنے میں کامیاب رہی۔

برآمدات میں اضافہ اور سمندری مال برداری کے کرایوں میں اضافے کے نتیجے میں تقسیم کی لاگت میں اضافہ ہوا۔ مہنگائی کے اثر کی وجہ سے اس مدت کے لیے انتظامی لاگت گزشتہ اسی مدت سے زیادہ ہے۔ زائد منافع کے باعث WPPF اور WWF میں متناسب اضافہ کی وجہ سے دیگر آپریٹنگ اخراجات میں اضافہ ہوا ہے۔ اسٹیٹ بینک کی جانب سے پالیسی ریٹ میں اضافے کی وجہ سے مالیاتی لاگت میں بھی اضافہ ہوا۔

بی ایم آر پلان کے تحت درآمد کیے گئے 49 لومز آچیکس ہیں اور موجودہ سہ ماہی میں نصب کی جائیں گی۔ فنانسنگ کا انتظام اسٹیٹ بینک آف پاکستان کی رعایتی عارضی اقتصادی مالیاتی سہولت (TERF) پر مبنی ہے۔ یہ BMR مل کی صلاحیت اور کارکردگی کو مزید بہتر بنائے گا اور اس کے نتیجے میں اس کے بہتر مالیاتی نتائج بھی سامنے آئیں گے۔

مستقبل میں بہت سے اہم عوامل کی غیر یقینی صورتحال کے باعث تشویش ہے کہ آنے والے وقت میں اجناس کی قیمتیں کیا ہوں گی۔ حکومت پاکستان نے ایکسپورٹ اور ریپڈ سیکٹرز کے زیر استعمال کمپنیو پاور پلانٹس کے لئے ری گیسفائڈ ٹیکو بیفائیڈ نیچرل گیس (RLNG) کی شرح کو 15 نومبر 2021 سے ساڑھے تین ماہ کے لیے 38.46 فیصد بڑھا کر 6.5 ڈالر سے 9 ڈالر/MMBTU کر دیا ہے جس سے توانائی کی لاگت بڑھے گی۔ ایک اور چیلنج جس کا ایکسپورٹ اور ریپڈ ٹیکسٹائل سیکٹر کو سامنا ہے، مال بردار جہازوں کا انتہائی پریشان کن شیڈول ہے جس نے عالمی سپلائی چین کو بری طرح متاثر کیا ہے۔ درآمد اور برآمد کی ترسیل کے لیے ٹرانزٹ ٹائم اور شپنگ لاگت میں نمایاں اضافہ ہوا ہے۔ پاکستان کی معیشت بلند افراط زر سے گزر رہی ہے جس کی وجہ سے شرح سود میں اضافہ ہو سکتا ہے جو مستقبل کے منافع کے لیے بھی نقصان دہ ہے۔

مزید بہتری کے لئے کوششیں ہمیشہ کی طرح جاری رہیں گی۔

بورڈ اور اس کی کمیٹیاں

مجموعی طور پر دس ڈائریکٹرز ہیں جن کی تفصیل درج ذیل ہے:

(ا) مرد: 9 (ب) خواتین: 1

Shahtaj Textile Limited

بورڈ کی ساخت درج ذیل ہے:

قسم/کننگری	نام	
انڈیپنڈنٹ ڈائریکٹر/آزاد ڈائریکٹر	جناب عامر امین (این آئی ٹی)	جناب فاروق حسن
	جناب سید ندیم علی کظمی	
دیگر غیر انتظامی ڈائریکٹر	جناب منیر نواز	جناب توقیر نواز
	محترمہ سعدیہ محمد	جناب محمد عثمان خالد
	جناب عابد نواز	
ایگزیکٹو ڈائریکٹر/انتظامی ڈائریکٹر	جناب محمد نعیم	لیفٹیننٹ کرنل (ریٹائر) رشید الدین بخش

بورڈ نے جو کمیٹیاں تشکیل دی ہوئی ہیں ان کے ممبران درج ذیل ہیں:

الف) آڈٹ کمیٹی

1- جناب عامر امین (چیرمین)	2- جناب منیر نواز	3- جناب توقیر نواز
4- جناب محمد عثمان خالد	5- جناب عابد نواز	


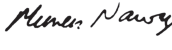
ب) ایچ آر اینڈ ریوینیویشن کمیٹی

1- جناب فاروق حسن (چیرمین)	2- جناب منیر نواز
3- جناب محمد نعیم	5- محترمہ سعدیہ محمد

حوصلہ افزائی

ڈائریکٹر کمپنی کے تمام ملازمین کی انتھک محنت کا شکرگزاری کے ساتھ اعتراف کرتے ہیں۔

برائے اور از طرف بورڈ آف ڈائریکٹر



 (ایم نعیم) (منیر نواز)
 چیف ایگزیکٹو آفیسر چیئر مین

کراچی

28 فروری 2022

Shahtaj Textile Limited

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Member of Shahtaj Textile Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of SHAHTAJ TEXTILE LIMITED (the Company) as at December 31, 2021, and the related condensed interim statement of profit or loss, the condensed interim statement of comprehensive income, the condensed interim statement of cash flows and the condensed interim statement of changes in equity and notes to the condensed interim financial statements for the half year then ended (here-in-after to referred to as the 'interim financial statements'). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

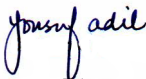
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as at and for the half year ended December 31, 2021 are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Nadeem Yousuf Adil.

Other matters

The figures of condensed interim statement of profit or loss and condensed interim statement of comprehensive income and related notes for the quarter ended December 31, 2021 have not been reviewed, as we are only required to review the cumulative figures for the half year ended December 31, 2021.



Chartered Accountants

Dated: February 28, 2022

Place: Karachi

UDIN: RR202110091AVWhcH9y


Shahtaj Textile Limited

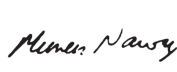
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

	Un-audited December 31, 2021	Audited June 30, 2020
Note	-----Rupees-----	
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorized share capital 10,000,000 ordinary shares of Rs. 10 each	100,000,000	100,000,000
Issued, subscribed and paid-up capital	96,600,000	96,600,000
Revenue reserves	1,310,091,737	1,228,449,261
Surplus on revaluation of plant and machinery	244,139,240	258,369,139
Total equity	1,650,830,977	1,583,417,400
LIABILITIES		
Non-current liabilities		
Long-term finance	519,911,369	569,752,661
Deferred liabilities	169,951,743	158,754,017
	689,863,112	728,506,678
Current liabilities		
Trade and other payables	621,698,939	628,245,743
Advance from customers - contract liabilities	34,308,795	9,442,438
Unclaimed dividend	24,866,661	15,154,575
Interest accrued	14,391,520	9,439,733
Short-term borrowings	485,236,570	298,240,607
Current portion of long-term finance	100,066,963	88,283,340
	1,280,569,448	1,048,806,436
Contingencies and Commitments		
Total equity and liabilities	3,621,263,537	3,360,730,514
ASSETS		
Non-current assets		
Property, plant and equipment	1,365,567,240	1,409,436,223
Long-term loans	797,622	513,716
Long-term deposits	33,108,482	33,108,482
	1,399,473,344	1,443,058,421
Current assets		
Stores, spares and loose tools	61,651,239	46,453,308
Stock-in-trade	1,098,961,535	1,016,557,575
Trade debts	925,788,163	647,568,833
Loans and advance	2,049,047	5,247,482
Trade deposits and prepayments	5,892,131	2,226,718
Other receivables	3,176,181	3,417,053
Taxation - net	50,846,147	64,883,901
Sales tax refundable	52,429,844	80,897,029
Cash and bank balances	20,995,906	50,420,194
	2,221,790,193	1,917,672,093
Total assets	3,621,263,537	3,360,730,514

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman

Shahtaj Textile Limited


CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021 (UNAUDITED)

		Half year ended		Quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Note		(Rupees)			
Sales - net	9	3,771,729,913	2,287,314,156	1,877,568,138	1,113,239,318
Cost of goods sold		(3,365,385,565)	(2,054,938,106)	(1,671,764,792)	(1,002,135,634)
Gross profit		406,344,348	232,376,050	205,803,346	111,103,684
Distribution expenses		(55,418,566)	(28,595,252)	(27,399,884)	(15,424,338)
Administrative expenses		(60,822,906)	(53,294,079)	(30,826,731)	(26,661,467)
Other operating expenses		(23,339,553)	(11,601,391)	(7,628,799)	(5,528,621)
Finance cost		(30,647,271)	(27,626,992)	(14,446,663)	(12,085,682)
		(170,228,296)	(121,117,714)	(80,302,077)	(59,700,108)
		236,116,052	111,258,336	125,501,269	51,403,576
Other income		549,711	294,379	391,861	294,379
Profit before taxation		236,665,763	111,552,715	125,893,130	51,697,955
Taxation	10	(56,893,939)	(30,994,234)	(32,805,666)	(14,746,814)
Profit after taxation		179,771,824	80,558,481	93,087,464	36,951,141
Earnings per share - basic and diluted		18.61	8.34	9.64	3.83

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman


CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021 (UNAUDITED)

	Half year ended		Quarter ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
(Rupees)				
Profit after taxation	179,771,824	80,558,481	93,087,464	36,951,141
Other comprehensive income				
Items that will not be transferred subsequently to profit or loss				
Deferred tax related to change of rate on surplus on revaluation	(1,268,247)	(606,753)	(1,268,247)	(606,753)
Total comprehensive income for the period	178,503,577	79,951,728	91,819,217	36,344,388

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman


Shahtaj Textile Limited


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	Issued, Subscribed and Paid up Capital	Revenue reserve		Capital reserve	Total
		General	Unappropriated profit	Surplus on revaluation of plant and machinery	
		(Rupees)			
Balance as at July 01, 2020	96,600,000	825,000,000	212,349,820	63,066,369	1,197,016,189
Total comprehensive income for the half year ended December 31, 2020					
Profit after taxation	-	-	80,558,481	-	80,558,481
Other comprehensive income	-	-	-	(606,753)	(606,753)
	-	-	80,558,481	(606,753)	79,951,728
Transferred from surplus on revaluation of plant and machinery on account of:					
- incremental depreciation net of deferred tax	-	-	3,148,652	(3,148,652)	-
Transferred to general reserve	-	25,000,000	(25,000,000)	-	-
Transactions with owners					
Final dividend for the year ended June 30, 2020 @ Rs. 10 per share	-	-	(38,640,000)	-	(38,640,000)
Balance as at December 31, 2020	96,600,000	850,000,000	232,416,953	59,310,964	1,238,327,917
Balance as at July 01, 2021	96,600,000	850,000,000	378,449,261	258,368,139	1,583,417,400
Total comprehensive income for the half year ended December 31, 2021					
Profit after taxation	-	-	179,771,824	-	179,771,824
Other comprehensive income	-	-	-	(1,268,247)	(1,268,247)
	-	-	179,771,824	(1,268,247)	178,503,577
Transferred from surplus on revaluation of plant and machinery on account of:					
- incremental depreciation net of deferred tax	-	-	12,960,652	(12,960,652)	-
Transferred to general reserve	-	85,000,000	(85,000,000)	-	-
Transactions with owners					
Final dividend for the year ended June 30, 2021 @ Rs. 11.50 per share	-	-	(111,090,000)	-	(111,090,000)
Balance as at December 31, 2021	96,600,000	935,000,000	375,091,737	244,139,240	1,650,830,977

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman


Shahtaj Textile Limited


CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

	Half year ended	
	December 31, 2021	December 31, 2020
	-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	236,665,763	111,552,715
Adjustments for:		
Depreciation	70,787,415	53,142,564
Finance cost	30,647,271	27,626,992
Gain on disposal of property, plant and equipment	-	(82,047)
Exchange Loss	5,799,340	3,355,607
Provision for gratuity and leave encashment	14,282,690	12,948,700
Changes in working capital	358,182,479	208,544,531
(Increase) / decrease in current assets		
Stores, spares and loose tools	(15,197,931)	(11,431,053)
Stock-in-trade	(82,403,960)	(35,566,106)
Trade debts	(284,018,670)	(53,989,768)
Loans and advances	3,198,435	3,377,172
Trade deposits and prepayments	(3,665,413)	(11,352,664)
Other receivables	240,872	2,958,672
Sales tax refundable	28,467,185	18,573,959
Increase / (decrease) in current liabilities		
Trade and other payables	(6,504,637)	(91,085,495)
Advance from customers - contract liabilities	24,866,357	(1,378,580)
Cash generated from operations	23,164,717	28,650,668
Gratuity and leave encashment paid	(7,677,271)	(8,007,832)
Finance cost paid	(25,695,484)	(26,756,423)
Income taxes paid	(39,574,291)	(23,194,546)
Net cash used in operating activities	(49,782,329)	(29,308,133)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,918,433)	(113,843,361)
Proceeds from disposal of property, plant and equipment	-	280,000
Long-term loans	(283,906)	(21,953)
Net cash used in investing activities	(27,202,339)	(113,585,314)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term finance	(44,141,669)	(5,651,727)
Long term finance obtained	6,084,000	149,633,245
Dividend paid	(101,377,914)	(35,451,366)
Net cash (used in) / generated from financing activities	(139,435,583)	108,530,152
Net decrease in cash and cash equivalents	(216,420,251)	(34,363,295)
Cash and cash equivalents at the beginning of the period	(247,820,413)	(341,213,483)
Cash and cash equivalents at the end of the period	(464,240,664)	(375,576,778)
Cash and cash equivalents at the end of the period		
Short-term borrowings	(485,236,570)	(422,373,708)
Cash and bank balances	20,995,906	46,796,930
	(464,240,664)	(375,576,778)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman

Shahtaj Textile Limited

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2021 (UNAUDITED)

1. STATUS AND NATURE OF BUSINESS

Shahtaj Textile Limited (the Company) is limited by shares, incorporated in Pakistan on January 24, 1990 under the Companies Ordinance, 1984 (now Companies Act, 2017) as a public limited Company. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The principal business of the Company is manufacture and sale of textile goods.

Following is the geographical locations and addresses of all business units of the Company:

Head Office

Shahnawaz Building, 19 - Dockyard Road, West Wharf, Karachi, Sindh, Pakistan.

Manufacturing Facility

46 KM, Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, Distt. Kasur, Punjab, Pakistan.

Registered Office

27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore, Pakistan.

2. STATEMENT OF COMPLIANCE

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of IAS-34. These condensed interim financial statements do not include all the information and disclosures which are required in a full set of financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2021. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance since the last financial statements of the Company.

2.2 The financial statements have been prepared under the historical cost basis modified by:

- revaluation of certain plant and machinery; and.
- obligation under defined benefit plan at net present value.

2.3 These condensed interim financial statements are presented in Pakistani Rupees which is also the Company's functional currency and figures presented in these condensed interim financial statements have been rounded off to the nearest rupee.

2.4 These condensed interim financial statements are unaudited. However, a limited scope review of these condensed interim financial statements has been performed by the external auditors of the Company in accordance with the requirements of Section 237 of Companies Act, 2017 and they have issued their review report thereon. These condensed interim financial statements are submitted to the shareholders as required by Section 237 of the Companies Act, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the

Shahtaj Textile Limited

annual audited financial statements of the Company for the year ended June 30, 2021.

3.2 There are certain standards, interpretations on accounting and reporting standards as applicable in Pakistan and amendments to certain existing standards, which have been published and are mandatory for the accounting period beginning on or after July 01, 2021. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant impact on the accounting policies of the Company and therefore not disclosed in these condensed interim financial statements.

3.3 The preparation of these condensed interim financial statements require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies, the key source of estimation and uncertainty were the same as those that applied to the financial statements of the Company for the year ended June 30, 2021.

4. FINANCIAL RISK MANAGEMENT

The Company's financial risk objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended June 30, 2021.

(Un-audited)
December 31,
2021
-----Rupees-----
(Audited)
June 30,
2021

5. LONG-TERM FINANCE

Secured

From banking companies	619,978,332	658,036,001
Less: Current portion shown under current liabilities	(100,066,963)	(88,283,340)
	519,911,369	569,752,661

5.1 Details and movement are as follows:

	The Bank of Punjab Term Finance	Bank Alfalah Limited			United Bank Limited Term Finance	Faysal Bank Limited Diminishing Musharaka	(Un-audited) March 31, 2021	(Audited) June 30, 2020
	Term Finance 1	Term Finance 2	Term Finance 3				Total	Total
	----- (Rupees) -----							
Balance at July 01	179,845,644	207,515,809	83,226,000	-	117,448,552	69,999,996	658,036,001	540,720,833
Obtained during the period/ year	-	-	-	6,084,000	-	-	6,084,000	154,534,629
	179,845,644	207,515,809	83,226,000	6,084,000	117,448,552	69,999,996	664,120,001	695,255,462
Repaid during the period/ year	-	(15,869,376)	-	-	(8,272,294)	(19,999,999)	(44,141,669)	(37,219,461)
	179,845,644	191,646,433	83,226,000	6,084,000	109,176,258	49,999,997	619,978,332	658,036,001
Payable within one year	(6,582,000)	(36,940,377)	-	-	(16,544,588)	(39,999,998)	(100,066,963)	(88,283,340)
Balance at	173,263,644	154,706,056	83,226,000	6,084,000	92,631,670	9,999,999	519,911,369	569,752,661
Mark up rate (per annum)	SBP rate + 80 bps	SBP rate + 75 bps	SBP rate + 150 bps	SBP rate + 130 bps	SBP rate + 50 bps	SBP rate + (200 bps - 250 bps)		
	(June 2021: SBP rate + 80 bps)	(June 2021: SBP rate + 75 bps)	(June 2021: SBP rate + 150 bps)	(June 2021: Nil)	(June 2021: SBP rate + 50 bps)	(June 2021: SBP rate + 200 bps - 250 bps)		
Installment repayable	Bi-annually	Bi-annually	Bi-annually	Bi-annually	Quarterly	Quarterly		
Mark up payable	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly		
Loan period	10 years	10 years	10 years	10 years	10 years	2.5 years		
Grace period	2 year from last drawn date	2 year from last drawn date	2 year from last drawn date	2 year from last drawn date	2 year from last drawn date	6 months from last drawn date		
Sub-note	5.2	5.3	5.3	5.3 & 5.4	5.5	5.6		

Shahtaj Textile Limited

- 5.2** The loan is secured by way of first pari passu hypothecation charge over present and future fixed assets of the Company (including land, building, plant and machinery) for Rs 253 million with 25% margin.
- 5.3** The loan is secured by way of first pari passu charge over fixed assets of the Company (including land, building, plant and machinery) with 25% margin for an amount of Rs 1,121 million.
- 5.4** The Company has entered into a Temporary Economic Refinance Facility (TERF) agreement with a commercial bank, with an approved limit of Rs. 500 million (June 2021:Rs. 500 million). The unavailed facility as at year end was Rs. 494 million (June 2021:Rs. 500 million).
- 5.5** The loan is secured by way of first pari passu charge over plant and machinery of the Company for an amount of Rs.177 million.
- 5.6** This represents loan obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan. The facility has an aggregate sanctioned limit of Rs. 80 million. The facility is secured against first pari passu hypothecation and mortgage charge over fixed assets (including land and building) and over stock and book debts for Rs. 133.33 million.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
		-----Rupees-----	
6. SHORT-TERM BORROWINGS			
Running finances under markup arrangement	6.1	400,274,788	188,281,890
Musharaka finance	6.2	84,961,782	109,958,717
		<u>485,236,570</u>	<u>298,240,607</u>

- 6.1** The Company can avail finance facilities from various banks aggregating to Rs. 970 million (June 2021: Rs. 970 million). The unavailed facilities for the year ended December 31, 2021 were Rs. 569.73 million (June 2021: Rs. 782 million). The facilities are secured by hypothecation of stocks and book debts. These are subject to mark-up ranging from 1 to 3 months KIBOR plus 0.35% to 1.25% per annum (June 2021: KIBOR plus 0.35% to 1.25% per annum).
- 6.2** The Company can avail finance facility under Musharaka of Rs. 200 million (June 2021: Rs. 200 million). The unavailed facility for the half year ended December 31, 2021 was Rs. 115 million (June 2021: Rs. 90 million). This finance facility is secured by hypothecation of stocks and book debts. These are subject to mark-up of 1 month KIBOR plus 0.65% per annum (June 2021: 1 month KIBOR plus 0.65% per annum).

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

Contingencies have not materially changed from the contingencies disclosed in note 11 to the annual financial statements for the year ended June 30, 2021.

	(Un-audited) December 31, 2021	(Audited) June 30, 2021
	-----Rupees-----	
7.2 Commitments		
Capital expenditure	483,182,638	453,932,847
Raw material	-	205,902,868
Spare parts	-	11,892,693

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	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
		-----Rupees-----	
8. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	8.1	1,344,294,585	1,406,597,822
Capital work in progress	8.2	21,272,655	2,838,401
		<u>1,365,567,240</u>	<u>1,409,436,223</u>

8.1 Details of additions and disposals during the period / year pertaining to operating fixed assets are as under:

	(Un-audited) Half year ended December 31, 2021		(Audited) June 30, 2021	
Additions during the period / year	Additions / transfers at / from cost / cwip	Disposals at book value	Additions / transfers at / from cost / cwip	Disposals at book value
	----- (Rupees) -----			
Buildings on freehold land	-	-	15,393,542	-
Plant and machinery	7,568,610	-	329,272,000	2,398,754
Furniture and fixtures	147,656	-	7,000	-
Equipment and installations	266,999	-	243,500	124,236
Computer equipment	500,914	-	1,011,819	-
Vehicles	-	-	15,378,455	397,720
	<u>8,484,179</u>	<u>-</u>	<u>361,306,316</u>	<u>2,920,710</u>

8.2 Details of additions and transfers from capital work-in-progress during the period / year are as under:

	(Un-audited) Half year ended December 31, 2021		(Audited) June 30, 2021	
	Additions / transfers at / from cost / cwip	Disposals at book value	Additions / transfers at / from cost / cwip	Disposals at book value
	----- (Rupees) -----			
Buildings on freehold land	13,458,625	-	3,392,726	15,393,542
Plant and machinery	10,289,425	6,313,796	123,042,409	325,486,518
Vehicles	1,000,000	-	9,580,455	12,813,455
	<u>24,748,050</u>	<u>6,313,796</u>	<u>136,015,590</u>	<u>353,693,515</u>

9. Sales - net

	(Un-audited) Half year ended		(Un-audited) Quarter ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- (Rupees) -----			
Export	744,991,773	384,415,315	302,847,258	171,604,339
Indirect export	2,219,512,971	862,757,631	1,054,955,130	414,894,544
Local	1,367,332,599	1,381,704,131	809,178,475	695,525,900
	<u>4,331,837,343</u>	<u>2,628,877,077</u>	<u>2,166,980,863</u>	<u>1,282,024,783</u>
Waste sales	8,426,656	5,553,559	5,019,764	2,768,393
	<u>4,340,263,999</u>	<u>2,634,430,636</u>	<u>2,172,000,627</u>	<u>1,284,793,176</u>
Commission				
- Local	(24,615,870)	(12,374,743)	(13,219,028)	(5,626,627)
- Export	(21,528,234)	(7,816,435)	(9,132,055)	(4,181,844)
Sales tax	(522,389,982)	(326,925,302)	(272,081,406)	(161,745,387)
	<u>3,771,729,913</u>	<u>2,287,314,156</u>	<u>1,877,568,138</u>	<u>1,113,239,318</u>

Shahtaj Textile Limited

10. TAXATION

	(Un-audited) Half year ended		(Un-audited) Quarter ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	----- (Rupees) -----			
Current	53,614,173	29,025,695	32,704,987	14,236,832
Prior year	(2,128)	-	(2,128)	-
	53,612,045	29,025,695	32,702,859	14,236,832
Deferred	3,281,894	1,968,539	102,807	509,982
	56,893,939	30,994,234	32,805,666	14,746,814

There is no change in the status of tax contingencies that are disclosed in note 29 to the annual financial statements for the year ended June 30, 2021.

11. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

11.1 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying values of all financial assets and liabilities reflected in the condensed interim financial statements approximate their fair values.

11.2 Fair value estimation

The Company discloses the financial instruments measured in the condensed interim statement of financial position at fair value in accordance with the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1 and 2 during the period.

11.3 There are no assets or liabilities to classify under above levels except the Company's plant and machinery which are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The fair value measurements of the Company's plant and machinery carried out as at February 28, 2021, were performed by M/s Asif Associates (Private) Limited (valuer), an independent valuer not related to the Company, using depreciated replacement cost method. The valuer is listed on panel of Pakistan Banks Association and they have appropriate qualification and experience in the fair value measurement of properties, plant and machinery. Value determined by independent valuer is classified as level 3 in the fair value hierarchy.

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of associated companies, directors and key management personnel of the Company. Transactions with related parties are carried out as per agreed terms. The transactions with related parties during the period generally consist of sales and purchases. Nature and description of related party transactions during the period along with monetary values are as follows:

Shahtaj Textile Limited

		Half year ended (Un-audited)	
		December 31, 2021	December 31, 2020
Nature of relationship	Nature of transactions	(Rupees)	
Key management personnel	Remuneration	13,045,180	11,162,880
Key management personnel	Dividend paid	30,844,208	10,724,420
Nature of relationship	Nature of transactions		
- Shahtaj Sugar Mills Limited	Dividend paid	13,225,000	4,600,000
- Shahnawaz (Private) Limited	Dividend paid	4,025,000	1,400,000
	Purchase of computer equipment and supplies	386,914	326,726
	Administrative services received	1,423,500	1,365,000
	Software development charges	1,200,000	-
Other related party- Close Family Member			
- Lionsmill General Trading LLC	Sale of fabric	11,662,729	34,027,694
		(Unaudited) December 31, 2021	(Audited) December 31, 2020
Balance due to related party		(Rupees)	
- Shahnawaz (Private) Limited		1,696,414	1,145,710

13. OPERATING SEGMENTS


The Chief Executive considers the business as a single operating segment as the Company's assets allocation decisions are based on a single, integrated business strategy, and the Company's performance is evaluated on an overall basis. Sales of the Company related to export customers is 69.20 percent (2020: 48.62 percent). As at year end, all non-current assets of the Company are located within Pakistan.

14. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial statements were authorized for issue on February 28, 2022 by the Board of Directors of the Company.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman

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