

HALF YEARLY REPORT  
DECEMBER 31, 2022



Shahzad Textile Mills Limited



Certificate PK05/00526

The management system of

# Shahzad Textile Mills Limited

Head Office: 19-A, Off Zafar Ali Road, Gulberg V, Lahore, Pakistan.

has been assessed and certified as meeting the requirements of

## ISO 9001:2015

For the following activities

**Manufacturing and Export of 100% Cotton, Blended, Pure Synthetic, Combed, carded and double yarn.**

This certificate is valid from 10 October 2020 until 15 August 2023 and remains valid subject to satisfactory surveillance audits. Recertification audit due a minimum of 60 days before the expiration date. Issue 1. Certified since 16 August 2005

The audit leading to this certificate commenced on 04 September 2020  
Previous issue certificate validity date was until 15 August 2020

This is a multi-site certification.  
Additional site details are listed on the subsequent page.

Authorised by

SGS United Kingdom Ltd  
Rossmore Business Park, Ellesmere Port, Cheshire CH66 3EN UK  
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Page 1 of 2



0005



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Certificate PK05/00526, continued



# Shahzad Textile Mills Limited

## ISO 9001:2015

Issue 1



Detailed scope

The scope of registration appears on page 1 of this certificate.

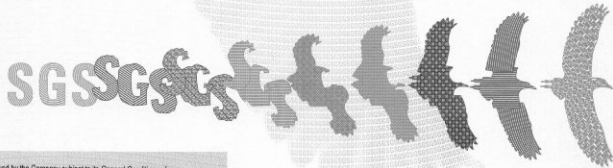
Additional facilities

Site 01: 34<sup>th</sup> km, Sheikhpura Road, Sheikhpura, Pakistan.

Site 02: 7km, Sheikhpura-Faisalabad Road, Sheikhpura, Pakistan.



0005



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**BUREAU VERITAS**  
Certification



**SHAHZAD TEXTILE MILLS LTD  
(SOCKS DIVISION)**

**5 KM-KOT SALEEM LAHORE SHEIKHUPURA ROAD, SHEIKHUPURA-PAKISTAN**

*Bureau Veritas Certification Holding SAS –UK Branch certifies that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below*

**ISO 9001:2015**

**MANUFACTURING OF SOCKS**

Original cycle start date:	<b>16<sup>th</sup> March 2020</b>
Expiry date of previous cycle:	<b>N/A</b>
Certification /Recertification Audit date:	<b>16<sup>th</sup> January 2020</b>
Certification/ Recertification cycle start date:	<b>16<sup>th</sup> March 2020</b>

Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on: **15<sup>th</sup> March 2023**

**Certificate No. MER20.165/UQ    Version : 01    Revision date: 16<sup>th</sup> March 2020**



**Signed on behalf of BVCH SAS UK Branch**

*Certification body address: 5th Floor, 66 Prescott Street, London E1 8HG, United Kingdom  
Bureau Veritas Pakistan (Private) Ltd- Office No. 03, Third Floor, Sardar Begum Plaza,  
Blue Area, Islamabad, Pakistan*

*Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organisation.  
To check this certificate validity please call: (+9251) 2347275-76-78*



**BUREAU VERITAS**  
Certification



**SHAHZAD TEXTILE MILLS LTD  
(SOCKS DIVISION)**

**5 KM-KOT SALEEM LAHORE SHEIKHUPURA ROAD, SHEIKHUPURA-PAKISTAN**

*Bureau Veritas Certification Holding SAS –UK Branch certifies that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below*

**ISO 14001:2015**

**MANUFACTURING OF SOCKS**

Original cycle start date: **16<sup>th</sup> March 2020**  
Expiry date of previous cycle: **N/A**  
Certification /Recertification Audit date: **16<sup>th</sup> January 2020**  
Certification/ Recertification cycle start date: **16<sup>th</sup> March 2020**  
Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on: **15<sup>th</sup> March 2023**

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**BUREAU VERITAS**  
Certification



**SHAHZAD TEXTILE MILLS LTD  
(SOCKS DIVISION)**

5 KM-KOT SALEEM LAHORE SHEIKHUPURA ROAD, SHEIKHUPURA-PAKISTAN

*Bureau Verities Certification Holding SAS –UK Branch certifies that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below*

**ISO 45001:2018**

**MANUFACTURING OF SOCKS**

Original cycle start date:	16 <sup>th</sup> March 2020
Expiry date of previous cycle:	N/A
Certification /Recertification Audit date:	16 <sup>th</sup> January 2020
Certification/ Recertification cycle start date:	16 <sup>th</sup> March 2020
Subject to the continued satisfactory operation of the organization's Management System, this certificate expires on:	15 <sup>th</sup> March 2023

Certificate No. MER20.165/UOH    Version : 01    Revision date: 16<sup>th</sup> March 2020



**Signed on behalf of BVCH SAS UK Branch**

Certification body address: 5th Floor, 66 Prescot Street, London E1 6HG, United Kingdom

Bureau Veritas Pakistan (Private) Ltd- Office No. 09, Third Floor, Sardar Begum Plaza,

Blue Area, Islamabad, Pakistan

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## Contents

Company's Information	1
Directors' Report - English	2
Directors' Report - Urdu	3
Auditors' Report to the Members on Review of Interim Financial Information	4
Condensed Interim Statement of Financial Position	5
Condensed Interim Statement of Profit and Loss Account	6
Condensed Interim Statement of Comprehensive Income	7
Condensed Interim Statement of Changes in Equity	8
Condensed Interim Statement of Cash Flows	9
Notes to the Condensed Interim Financial Statements	10-16

## Company's Information

### Board of Directors

Mian Parvez Aslam      Chairman  
 Mr. Imran Aslam      Chief Executive Officer  
 Mr. Irfan Aslam  
 Mr. Danish Aslam  
 Syed Raza Ali Bokhari  
 Dr. Ali Raza Khan  
 Mrs. Nazish Imran

### Bankers

Habib Metropolitan Bank Ltd  
 JS Bank Limited  
 Meezan Bank Limited

### Share Registrar

Hameed Majeed Associates (Pvt) Ltd  
 H.M. House, 7-Bank Square Lahore.

### Chief Financial Officer

Mr. Nabeel Naveed

### Registered Office

19-A, Off. Zafar Ali Road,  
 Gulberg-V, Lahore.  
 Ph: +92(042)35754024-27  
 Fax: +92(042) 35712313  
 E-mail: info@shahzadtex.com  
 Web: www.shahzadtex.com

### Company Secretary

Syed Imran Haider

### Auditors

Crowe Hussain Chaudhry & Co.  
 Chartered Accountants

### Mills

Unit # 1, 4 & Socks Hosiery Unit  
 34<sup>th</sup> KM Lahore Sheikhpura  
 Raod, Sheikhpura.

### Audit Committee

Syed Raza Ali Bokhari Chairman  
 Mian Parvez Aslam      Member  
 Mr. Irfan Aslam      Member

### Unit # 2

7<sup>th</sup> KM Sheikhpura Faisalabad  
 Road, Sheikhpura.

### Human Resources & Remuneration Committee

Dr. Ali Raza Khan      Chairman  
 Mr. Danish Aslam      Member  
 Mrs. Nazish Imran      Member



## Directors' Report

On behalf of the directors, I am pleased to present the un-audited condensed interim financial information (reviewed by the statutory auditors) for the second quarter and half year ended December 31, 2022.

The company's six-month loss after tax is Rs 76.598 million which was Rs 293.782 million profit in the corresponding period of previous year. Net sales for six months closed at Rs 3.696 billion (2021:Rs 4.443 billion) showing a drop of 16.8% due to low demand in local and international markets. Export sales of our socks unit showed healthy increase and closed at Rs 667.487 million (2021: Rs 394.455 million).

The current half year remained challenging for the industry. Due to high inflation and soaring energy prices, the value added industry faced closures. This led to reduce demand for the spinning industry which was not able to fetch reasonable prices from the market and is the main reason for incurring loss during the period.

### FUTURE PROSPECTS

The economic condition of Pakistan has worsened due to the balance of payment crises. The reserves of State Bank of Pakistan have declined to a historic low. It has become difficult to import raw materials and spare parts as banks are refusing to open letter of credits. The higher interest rates coupled with galloping inflation in an uncertain political environment have badly affected the overall business of the country.

We hope that the Russia-Ukraine conflict will end soon, which will bring down inflation and energy prices worldwide. This will help the global economy out of recession creating demand for our textile goods and yielding positive effects on the financial results. The management is fully aware of the present challenges facing the company and is focused to achieve better results in future and maximize shareholders wealth.

Loss per share is Rs. (4.26) for the half year ended as compared to Earning per share of Rs 16.35 in the corresponding period of the previous year.

We thankfully appreciate our valued customers, bankers and shareholders who have actively participated in the smooth functioning of our operations. We also appreciate the vigorous efforts of our employees which have maintained a peaceful working environment in the mills.

For and on behalf of the Board

  
**Mr. Imran Aslam**  
Chief Executive

  
**Irfan Aslam**  
Director

Lahore  
February 24, 2023

## ڈائریکٹرز رپورٹ

ڈائریکٹرز کی جانب سے مجھے 31 دسمبر 2022 کو ختم ہونے والی دوسری سرمایہ اور ششماہی کے لئے غیر آڈٹ شدہ عبوری مالیاتی معلومات (قانونی آڈیٹرز کے ذریعے جائزہ) پیش کرتے ہوئے خوشی ہو رہی ہے۔

کمپنی کا چھ ماہ کا بعد از ٹیکس خسارہ 76,598 ملین روپے ہے۔ جو پچھلے سال کی اسی مدت میں 293,782 ملین روپے کا منافع تھا۔ چھ ماہ کیلئے خالص فروخت 3,696 ملین روپے (2021: 4,443) ملین روپے پر بند ہوئی جسکی وجہ سے مقامی اور بین الاقوامی منڈیوں میں کم مانگ کی وجہ سے 16.8 فیصد کمی ہوئی۔ ہمارے جرابوں کے یونٹ کی برآمدی فروخت میں صحت مند اضافہ ہوا اور 667,487 ملین روپے (2021: 394,455 ملین روپے) پر بند ہوا۔

موجودہ ششماہی صنعت کیلئے چیلنجنگ رہی بلندا افراط زر اور توانائی کی بڑھتی ہوئی قیمتوں کی وجہ سے ویلیو ایڈڈ انڈسٹری کو بندش کا سامنا کرنا پڑا۔ اس کی وجہ سے اسپننگ انڈسٹری کی مانگ میں کمی آئی جو مارکیٹ سے مناسب قیمتیں حاصل کرنے کے قابل نہیں تھی۔ اور اس مدت کے دوران نقصان اٹھانے کی بنیادی وجہ بنی ہے۔

## مستقبل کا نقطہ نظر

اوانٹیکوں کے توازن کو بحران کی وجہ سے پاکستان کی معاشی حالت ابتر ہے۔ اسٹیٹ بینک آف پاکستان کے ذخائر تاریخ کی کم ترین سطح پر آگئے ہیں۔ خام مال اویسپیر مائٹس درم مدکر نامشکل ہو گیا ہے۔ کیونکہ بینک لیٹ آف کریڈٹ کھولنے سے انکار کر رہے ہیں۔ غیر یقینی سیاسی ماحول میں تیزی سے بڑھتی ہوئی مہنگائی کے ساتھ سود کی بلند شرح نے ملک کی مجموعی کاروبار کو بری طرح متاثر کیا ہے۔

ہم امید کرتے ہیں کہ روس اور یکرائن تنازع جلد ختم ہو جائیگا جس سے دنیا بھر میں افراط زر اور توانائی کی قیمتیں کم ہو جائیں گی۔ لیکن سے عالمی معیشت کو کساد بازاری سے نکلنے میں مدد ملے گی جس سے ہماری ٹیکسٹائل مصنوعات کی مانگ پیدا ہوئی اور مالیاتی نتائج مثبت مرتب ہوں گے۔

انتظامیہ کمپنی کو درپیش موجودہ چیلنجز سے پوری طرح آگاہ ہے۔ اور مستقبل میں بہتر نتائج حاصل کرنا اور شیئر ہولڈرز کی حالت کو بہتر سے بہتر بنانے پر مرکوز کر رہی ہے۔

اس سال ششماہی میں کمپنی کا فی شیئر نقصان (4.26) روپے جبکہ پچھلے سال اسی مدت میں 16.35 روپے منافع تھا۔ ہم اپنے قابل قدر صارفین، بینکرز اور شیئر ہولڈرز کے شکر گزار ہیں جنہوں نے بڑھ چڑھ کر ہمارے کام میں حصہ لیا۔ ہم اپنے ملازمین کی بھرپور کوششوں کو بھی سراہتے ہیں جنہوں نے کام کرنے کا پرامن ماحول برقرار رکھا۔

برائے اور بحکم بورڈ

— سہ ماہ  
عرفان اسلم  
ڈائریکٹر

— سہ ماہ  
عمران اسلم  
چیف ایگزیکٹو

لاہور

24 فروری 2023

**INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF  
SHAHZAD TEXTILE MILLS LIMITED****Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **SHAHZAD TEXTILE MILLS LIMITED** ("the Company") as at December 31, 2022 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after 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 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 the 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 are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

**Other Matter**

The figures of the condensed interim statement of profit or loss and the condensed interim statement of comprehensive income for the quarters ended December 31, 2022 and 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2022.

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

LAHORE  
Dated: February 24, 2023  
UDIN:RR202210051Nba96JAXL

  
**CROWE HUSSAIN CHAUDHURY & CO.**  
Chartered Accountants

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**  
**AS AT DECEMBER 31, 2022**

	December 31, 2022	June 30, 2022
Note	(Un-audited)	(Audited)
	----- Rupees in thousand -----	
<b>EQUITY AND LIABILITIES</b>		
<b>Share Capital and Reserves</b>		
Authorized capital:		
40,000,000 (June 30, 2022: 40,000,000) ordinary shares of Rs. 10 each	400,000	400,000
Issued, subscribed and paid up capital		
17,971,372 (June 30, 2022: 17,971,372) ordinary shares of Rs. 10 each	179,714	179,714
Reserves	2,046,141	2,114,605
Surplus on revaluation of property, plant and equipment	851,284	849,364
	3,077,139	3,143,683
<b>Non Current Liabilities</b>		
Long term financing	5 338,937	351,053
Staff retirement benefits	145,379	141,064
Deferred tax liabilities	348,587	362,454
	832,903	854,571
<b>Current Liabilities</b>		
Trade and other payables	553,610	539,845
Unclaimed dividend	146	146
Unpaid dividend	199	199
Accrued mark up	35,281	27,272
Current portion of non-current liabilities	6 167,779	178,123
Short term borrowings	7 544,396	404,008
Provision for taxation	91,077	158,860
	1,392,488	1,308,453
<b>Contingencies and Commitments</b>		
	8 -	-
	5,302,530	5,306,707
<b>ASSETS</b>		
<b>Non Current Assets</b>		
Property, plant and equipment	9 2,531,023	2,555,402
Investment property	91,670	91,670
Long term investment in associate	692,095	658,240
Long term deposits	3,847	3,847
	3,318,635	3,309,159
<b>Current Assets</b>		
Stores and spares	162,993	140,125
Stock in trade	953,048	795,047
Trade debts	242,934	446,982
Advances, trade deposits, prepayments and other receivables	142,281	275,644
Short term investments	31,563	30,563
Tax refunds due from the Government	316,738	165,962
Cash and bank balances	134,338	143,225
	1,983,895	1,997,548
	5,302,530	5,306,707

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements (un-audited).

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022**

	Note	Half Year Ended		Quarter Ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		---- Rupees in thousand ----			
Sales		3,696,907	4,443,928	1,638,216	2,403,488
Cost of sales	10	(3,490,500)	(3,869,393)	(1,570,886)	(2,110,505)
<b>Gross Profit</b>		206,407	574,535	67,330	292,983
Operating expenses:					
- Selling and distribution		(114,736)	(88,271)	(32,134)	(52,941)
- Administrative expenses		(124,947)	(97,050)	(57,774)	(50,692)
		(239,683)	(185,321)	(89,908)	(103,633)
<b>Operating (Loss) / Profit</b>		(33,276)	389,214	(22,578)	189,350
Finance cost		(55,917)	(39,374)	(32,732)	(23,732)
Other operating expenses		(8,638)	(29,624)	(7,393)	(14,919)
Other income		27,490	11,285	(3,779)	5,947
Share of net profit of associate		33,855	35,117	13,100	10,399
		(3,210)	(22,596)	(30,804)	(22,305)
<b>(Loss) / Profit before Taxation</b>		(36,486)	366,618	(53,382)	167,045
Taxation	11	(40,112)	(72,836)	(29,189)	(49,154)
<b>Net (Loss) / Profit for the Period</b>		(76,598)	293,782	(82,571)	117,891
<b>(Loss) / Earnings per Share - Basic</b>		(4.26)	16.35	(4.59)	6.56

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements (un-audited).

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022**

	Half Year Ended		Quarter Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		---- Rupees in thousand ----		
<b>Net (Loss) / Profit for the Period</b>	(76,598)	293,782	(82,571)	117,891
<b>Other Comprehensive Income for the Period</b>				
Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Items that may be reclassified subsequently to profit or loss	-	-	-	-
<b>Total Comprehensive ( Loss)/Income for the Period</b>	<b>(76,598)</b>	<b>293,782</b>	<b>(82,571)</b>	<b>117,891</b>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements (un-audited).



**CHIEF EXECUTIVE OFFICER**



**CHIEF FINANCIAL OFFICER**



**DIRECTOR**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

Particulars	Share Capital	Share Premium Reserve	Unappropriated Profit	Surplus on Revaluation of Property, Plant and Equipment	Total Equity
----- Rupees in thousand -----					
<b>Balance as at June 30, 2021</b>	179,714	5,796	1,724,442	880,498	2,790,450
Net profit for the period	-	-	293,782	-	293,782
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	293,782	-	293,782
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current period (net of deferred tax)	-	-	9,296	(9,296)	-
Surplus on revaluation of property, plant and equipment related to export	-	-	-	538	538
Surplus realised on disposal revalued property, plant and equipment transferred to retained earning- net of deferred tax	-	-	1,454	(1,454)	-
<b>Balance as at December 31, 2021</b>	<b>179,714</b>	<b>5,796</b>	<b>2,028,974</b>	<b>870,286</b>	<b>3,084,770</b>
<b>Balance as at June 30, 2022</b>	<b>179,714</b>	<b>5,796</b>	<b>2,108,809</b>	<b>849,364</b>	<b>3,143,683</b>
Net loss for the period	-	-	(76,598)	-	(76,598)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(76,598)	-	(76,598)
Transferred from surplus on revaluation of property, plant and equipment on incremental depreciation charged in current period (net of deferred tax)	-	-	8,134	(8,134)	-
Surplus on revaluation of property, plant and equipment related to export	-	-	-	10,054	10,054
<b>Balance as at December 31, 2022</b>	<b>179,714</b>	<b>5,796</b>	<b>2,040,345</b>	<b>851,284</b>	<b>3,077,139</b>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements (un-audited).

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	Half Year Ended	
	December 31, 2022	December 31, 2021
	--- Rupees in thousand ---	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(36,486)	366,618
Adjustments for:		
- Depreciation	64,863	61,928
- (Gain) / loss on disposal of property, plant and equipment	(6,370)	2,500
- Fair value gain on investment property	-	(773)
- Share of net profit of associate	(33,855)	(35,117)
- Finance cost	53,663	32,897
- Unwinding of deferred liability	46	2,813
- Amortization of deferred grant	(256)	(2,137)
- Unwinding of long term financing	256	2,137
- Provision for workers' profit participation fund	-	19,742
- Provision for workers' welfare fund	856	6,963
- Allowance for doubtful debts	3,781	-
- Interest on workers' (profit) participation fund	1,952	1,527
- Provision for gratuity	34,770	28,052
- Exchange (gain) / loss	(7,515)	320
	112,191	120,852
<b>Operating Profit before Working Capital Changes</b>	75,705	487,470
(Increase) / decrease in current assets		
- Stores and spares	(22,868)	8,336
- Stock in trade	(159,893)	(590,965)
- Trade debts	207,781	(292,808)
- Advances, trade deposits, prepayments, and other receivables	55,516	(64,694)
- Tax refunds due from the Government	(139,130)	(56,599)
Increase in current liabilities		
- Trade and other payables	45,172	175,952
	(13,422)	(820,778)
<b>Net Cash generated from / (used in) Operations</b>	62,283	(333,308)
Income tax paid	(43,614)	(58,114)
Gratuity paid	(30,455)	(31,397)
Workers' (profit) participation fund paid	(34,214)	-
Workers' welfare fund paid	-	(8,776)
Repayment of GIDC	(4,378)	(13,133)
Finance cost paid	(45,654)	(27,117)
<b>Net Cash Used in Operating Activities</b>	(96,032)	(471,845)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	8,500	8,006
Property, plant and equipment purchased	(42,615)	(17,611)
Short term investments purchased	(28,563)	(13,493)
Encashment of short term investment	27,563	13,497
<b>Net Cash Used in Investing Activities</b>	(35,115)	(9,601)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term financing received	26,828	-
Repayment of long term financing	(44,956)	(51,875)
Short term borrowings - net	140,388	561,546
<b>Net Cash Generated from Financing Activities</b>	122,260	509,671
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	(8,887)	28,225
Cash and cash equivalents at the beginning of the period	143,225	147,748
<b>Cash and Cash Equivalents at the End of the period</b>	134,338	175,973

  
**CHIEF EXECUTIVE OFFICER**

  
**CHIEF FINANCIAL OFFICER**

  
**DIRECTOR**

**NOTES TO AND FORMING PART OF**  
**CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

Note 1

**The Company and its Operations**

Shahzad Textile Mills Limited (the Company) was incorporated in Pakistan on October 24, 1978 as a Public Limited Company under the repealed Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The Company is domiciled in Pakistan and its principal business is to manufacture and deal in all types of yarn and socks. The Company holds 24.94% ordinary shares in M/s Sargodha Jute Mills Limited, an Associated Company that is engaged in manufacturing, selling and dealing in jute products.

The Company's business units including its manufacturing facilities are located as under:

- The Company's registered office is situated at 19-A, Off Zafar Ali Road, Gulberg - V, Lahore
- Three units of manufacturing facilities are situated at 34 KM, Lahore-Sheikhupura Road, Sheikhupura
- One unit of manufacturing facility is situated at 7 KM, Sheikhupura-Faisalabad Road, Kharianwala

Note 2

**Basis of Preparation**

**2.1 Statement of compliance**

**2.1.1** These condensed interim financial statements of the Company 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;
- 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.

**2.1.2** These condensed interim financial statements comprise of the condensed interim statement of financial position of the Company, as at December 31, 2022 and the related condensed interim (unaudited) statement of profit or loss, condensed interim (unaudited) statement of comprehensive income, condensed interim (unaudited) statement of changes in equity and condensed interim statement of cash flows together with the notes forming part thereof.

**2.1.3** These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended June 30, 2022.

**2.1.4** These condensed interim financial statements comprise of the condensed interim statement of financial position of the Company, as at December 31, 2022 and the related condensed interim (unaudited) statement of profit or loss, condensed interim (unaudited) statement of comprehensive income, condensed interim (unaudited) statement of changes in equity and condensed interim statement of cash flows together with the notes forming part thereof.

**2.1.5** These condensed interim financial statements are unaudited and are being submitted to the shareholders as required under Section 237 of the Companies Act, 2017 ("the Act"); these are however, subject to limited scope review by external auditors as required by the Act and Code of Corporate Governance.

**2.2 Functional and presentation currency**

These condensed interim financial statements are presented in Pakistan Rupees which is the Company's functional currency.

Note 3

**Judgments and Estimates**

The preparation of these condensed interim financial statements (un-audited) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Note 4

**Significant Accounting Policies**

The Company's accounting and financial risk management policies and methods of computation adopted in the preparation of these condensed interim financial statements (un-audited) are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2022.

Note 5

**Long Term Financing**

		<b>December 31, 2022</b>	<b>June 30, 2022</b>
		(Un-audited)	(Audited)
		Rupees in thousand	
<b>Loan from banking companies - Secured</b>			
Habib Metro Bank Limited - SBP LTFF	5.1	344,316	365,840
Meezan Bank Limited - Diminishing Musharka	5.2	56,130	29,302
JS Bank Limited - Loan as per SBP refinance scheme	5.3	-	23,176
		<u>400,446</u>	<u>418,318</u>
Less: Current portion		<u>(61,509)</u>	<u>(67,265)</u>
		<u><b>338,937</b></u>	<u><b>351,053</b></u>

- 5.1** These represent outstanding amounts of long term financing obtained from Habib Metropolitan Bank Limited for machinery of socks unit under State Bank of Pakistan's (SBP) concessional rate scheme. These loans are secured against specific and exclusive charge on relevant machinery of the Company and are repayable in 8 years starting from April 2021 and ending in February 2028. Markup on these facilities is charged @ 5% representing SBP base rate of 2% and spread of 3% per annum, payable on calendar quarter basis.
- 5.2** This diminishing musharka facility is availed to purchase machinery. The sanctioned limit amounts to Rs. 100 million (2022: Rs. 100 million) and is secured by way of exclusive charge over imported machinery with 15% margin and personal guarantee of sponsoring directors. This facility is repayable in 16 equal quarterly instalments, latest by June 2027, and carries markup at 3 month KIBOR plus 1.25% (2022: 3 month KIBOR plus 1.25%) per annum, payable on quarterly basis.
- 5.3** This represented borrowing obtained by the Company from JS Bank Limited under the State Bank of Pakistan's refinance scheme for payment of salaries and wages, at subsidized rate of borrowing. This financing was secured against the fixed asset of the Company. Markup on this financing was charged at 3% per annum. The Company has paid the remaining amount of loan during the period.

Note 6

**Current Portion of Non-Current Liabilities**

		<b>December 31, 2022</b>	<b>June 30, 2022</b>
		(Un-audited)	(Audited)
		----- Rupees in thousand -----	
Long term financing		61,509	67,265
Deferred liability - GIDC	6.1	106,270	110,602
Deferred grant		-	256
		<u>167,779</u>	<u>178,123</u>

- 6.1** This represents Gas Infrastructure Development Cess which is to be payable in 24 monthly equal instalments. The Company has calculated its present value at borrowing cost of the Company and resultant difference charged to the profit or loss account.



Note 7

**Short Term Borrowings**

		<b>December 31, 2022</b>	<b>June 30, 2022</b>
	Note	(Un-audited)	(Audited)
----- Rupees in thousand -----			
<b>From banking companies - Secured</b>			
Cash / packing finances	7.1	544,396	404,008

- 7.1** The Company obtained various funded and unfunded financial facilities from different banks for a total sanctioned limit of Rs. 2,477 million (June 30, 2022: Rs. 2,477 million) towards working capital requirements, retirement of local and foreign LCs and discounting of local bills / receivables. These facilities shall expire on various dates latest by January 31, 2023. Mark up on these facilities is charged from 1 to 6 months KIBOR plus a spread of 1% to 1.25% (June 30, 2022: 1 to 6 months KIBOR plus a spread of 1% to 1.25%) payable quarterly. These facilities are secured by ranking and hypothecation charge on property, plant and equipment, stocks and receivables of the Company; lien over export and import documents and personal guarantee of sponsoring directors of the Company. The Company has utilized foreign bill discounting facility and un-funded facilities amounting to Rs. 76.610 million (June 30, 2022: Rs. 120.19 million) and Rs. 354.490 million (June 30, 2022: Rs. 285.744 million) respectively. Unutilized amount of funded and unfunded facilities are Rs. 1,502.906 million (June 30, 2022: Rs. 1,667.06 million).

Note 8

**Contingencies and Commitments**

		<b>December 31, 2022</b>	<b>June 30, 2022</b>
	Note	(Un-audited)	(Audited)
----- Rupees in thousand -----			
<b>8.1 Contingencies</b>			
<b>8.1.1</b> The Company has provided bank guarantees in favour of following parties:			
- Sui Northern Gas Pipelines Limited		79,748	80,048
- Lahore Electric Supply Company		10,430	10,430
- Excise and Taxation Office		30,400	27,100
- SBP Banking Services Corporation		17,929	17,929
		<u>138,507</u>	<u>135,507</u>

- 8.1.2** The Company is contingently liable for Rs. 35.656 million (June 30, 2022: Rs. 34.329 million) on account of electricity duty on self generation. However, the Company has not admitted the said duty and case is pending before the Supreme Court of Pakistan.

- 8.1.3** Further, there is no material change in the status of contingencies as reported in the financial statements for the year ended June 30, 2022.

**8.2 Commitments**

- The Company's outstanding commitments / contracts as at the reporting date are as under:

	<b>December 31, 2022</b>	<b>June 30, 2022</b>
	(Un-audited)	(Audited)
----- Rupees in thousand -----		
Letters of credit	211,397	150,237

Note 9

**Property, Plant and Equipment**

		<b>December 31, 2022</b>	<b>June 30, 2022</b>
	Note	(Un-audited)	(Audited)
		---- Rupees in thousand ----	
Operating fixed assets	9.1	2,524,261	2,555,401
Capital work in progress		6,762	-
		<b>2,531,023</b>	<b>2,555,401</b>
<b>9.1 Operating fixed assets</b>			
Opening written down value (June 30,2022)		2,555,401	2,415,858
Additions during the period / year (at cost)		35,853	278,640
		2,591,254	2,694,498
Disposals during the period / year (at written down value)		(2,130)	(10,769)
		2,589,124	2,683,729
Depreciation charged for the period / year		(64,863)	(128,328)
		<b>2,524,261</b>	<b>2,555,401</b>

Note 10

**Cost of Sales**

	<b>Half Year Ended</b>		<b>Quarter Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	---- (Un-audited) ----			
	---- Rupees in thousand ----			
Raw materials consumed	2,618,015	2,895,571	1,209,553	1,494,220
Stores and spares consumed	70,043	83,363	31,517	41,455
Packing materials consumed	92,664	105,241	43,804	50,098
Salaries, wages and other benefits	368,227	395,168	176,371	183,555
Fuel and power	441,415	346,263	194,527	187,586
Insurance	7,435	6,304	4,233	3,935
Repairs and maintenance	9,863	5,292	3,573	2,486
Toll manufacturing charges	1,259	3,942	-	-
Other manufacturing expenses	7,083	7,904	1,506	5,083
Depreciation	57,993	57,004	28,972	28,519
	<b>3,673,997</b>	<b>3,906,051</b>	<b>1,694,056</b>	<b>1,996,937</b>
Opening work in process	84,732	85,044	84,505	84,505
Closing work in process	(78,895)	(78,256)	(78,895)	(78,256)
	5,837	6,788	5,610	6,249
Cost of goods manufactured	3,679,834	3,912,839	1,699,666	2,003,186
Opening finished goods	152,967	105,505	214,489	256,270
Closing finished goods	(342,301)	(148,951)	(342,301)	(148,951)
	(189,334)	(43,446)	(127,812)	107,319
	<b>3,490,500</b>	<b>3,869,393</b>	<b>1,571,854</b>	<b>2,110,505</b>

Note 11

**Taxation**

	<b>Half Year Ended</b>		<b>Quarter Ended</b>	
	<b>December 31, 2022</b>	<b>December 31, 2021</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	---- (Un-audited) ----			
	---- Rupees in thousand ----			
Current:				
- Current period	43,543	76,913	19,738	53,231
- Prior years	5,260	-	5,260	-
	48,803	76,913	24,998	53,231
Deferred Tax	(8,690)	(4,077)	(12,882)	(4,077)
	<b>40,113</b>	<b>72,836</b>	<b>12,116</b>	<b>49,154</b>

Note 12

**Transactions with Related Parties**

Related parties comprise related group companies, associated companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Transaction during the period	Related party	Relationship	Nature of Transaction	December 31,	December 31,
				2022	2021
				---- (Un-audited) ---- ---- Rupees in thousand ----	
	Sargodha Jute Mills Limited	Associate 24.94%	Purchase of materials, goods and services	145	435
			Sale of materials and goods	381	303
			Rental income	-	240

Note 13

**Financial Risk Management**

The Company's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual financial statements for the year ended June 30, 2022.

Note 14

**Segment Information**

For management purposes, the activities of the Company are recognized into two operating segment, i.e. manufacturing and sales of yarn and socks. The Company operates in the said reportable operating segments based on the nature of the product, risk and return, organizational and management structure and internal financial reporting systems. Accordingly, the figures reported in these condensed interim financial statements (un-audited) relate to the Company's reportable segments. Entity-wide disclosures regarding reportable segments are as follows:

	Yarn	Socks	Total
	---- (Un-audited) ----		
	---- Rupees in thousand ----		
<b>14.1</b>			
Segment Results for the period ended December 31 2022			
Revenue	3,018,062	678,845	3,696,907
Operating profit	(45,715)	12,439	(33,276)
Finance cost	(45,845)	(10,072)	(55,917)
Other income	23,108	4,382	27,490
Other operating expenses			(8,638)
Share of net profit from associate			33,855
Loss before taxation			(36,486)
Segment Results for the period ended December 31, 2021			
Revenue	4,025,975	417,953	4,443,928
Operating profit	372,359	16,855	389,214
Finance cost	(32,344)	(7,030)	(39,374)
Other operating expense			(29,624)
Other income			11,285
Share of net profit from associate			35,117
Profit before taxation			366,618

## 14.2

Segment financial position for the year ended December 31, 2022

	Yarn	Socks	Total
	---- (Un-audited) ----		
	---- Rupees in thousand ----		
<b>Assets</b>			
Property plant and equipment	1,379,213	1,151,810	2,531,023
Store and spares	115,778	47,215	162,993
Stock in trade	940,574	12,474	953,048
Trade debts	37,453	205,481	242,934
Advances to suppliers	16,826	7,795	24,621
	<u>2,489,844</u>	<u>1,424,775</u>	<u>3,914,619</u>
<b>Unallocated Assets</b>			
Investment property			91,670
Long term investments			692,095
Long term deposits			3,847
Advances, trade deposits, prepayments and other receivables			117,660
Short term investments			31,563
Tax refunds due from the Government			316,738
Cash and bank balances			<u>134,338</u>
			<u>5,302,530</u>
<b>Liabilities</b>			
Long term financing	56,130	344,316	400,446
Trade creditors	54,809	43,875	98,684
Short term borrowings	484,396	60,000	544,396
Accrued mark up	15,431	19,850	35,281
	<u>610,766</u>	<u>468,041</u>	<u>1,078,807</u>
<b>Unallocated liabilities</b>			
Deferred tax liability - net			348,587
Deferred liabilities - GIDC			106,270
Staff retirement benefit			145,379
Trade and other payables			454,926
Unclaimed dividends			146
Unpaid dividend			199
Provision for taxation - net			<u>91,077</u>
			<u>2,225,391</u>

Segment financial position for the year ended June 30, 2022

<b>Assets</b>			
Property plant and equipment	1,436,442	1,118,960	2,555,402
Store and spares	104,537	35,588	140,125
Stock in trade	646,247	148,800	795,047
Trade Debts	399,279	47,703	446,982
Advances to supplier	93,188	8,439	101,627
	<u>2,679,693</u>	<u>1,359,490</u>	<u>4,039,183</u>
<b>Unallocated Assets</b>			
Investment property			91,670
Long term investments			658,240
Long term deposits			3,847
Advances, trade deposits, prepayments and other			174,017
Short term investments			30,563
Tax refunds due from the Government			165,962
Cash and bank balances			<u>143,225</u>
			<u>5,306,707</u>

	Yarn	Socks	Total
	---- (Un-audited) ----		
	---- Rupees in thousand ----		
<b>Liabilities</b>			
Long term financing	142,478	275,840	418,318
Trade creditors	34,856	54,987	89,843
Short term borrowings	404,008	-	404,008
Accrued mark	11,423	15,849	27,272
	<u>592,765</u>	<u>346,676</u>	<u>939,441</u>

**Unallocated liabilities**

Deferred tax liability - net			362,454
Deferred grant			256
Gas infrastructure development cess			110,602
Staff retirement benefit			141,064
Trade and other payables			450,002
Unclaimed dividends			146
Unpaid dividends			199
Provision for taxation - net			<u>158,860</u>
			<u>2,163,024</u>

**14.3 Information about products:**

	December 31, 2022	December 31, 2021
	Percentage	Percentage
	(Un-audited)	(Un-audited)
Yarn	80.95%	90.50%
Socks	18.30%	9.00%

**14.4 Major customers:**

There is no individual customer to whom sales are more than 10% of revenue.

**14.5 Geographical Information:**

Company's revenue from external customers on the basis of geographical location is given as under:

	December 31, 2022	December 31, 2021
	(Un-audited)	(Un-audited)
	----- Rupees in thousand -----	
Pakistan	2,629,385	3,698,824
Europe	946,656	481,940
United State of America	120,866	263,164
	<u>3,696,907</u>	<u>4,443,928</u>

Note 15

**Authorization of Interim Financial Information**

These condensed interim financial statements (un-audited) for the half year ended December 31, 2022 were approved and authorized for issuance by the Board of Directors on February 24, 2023.

Note 16

**General**

Corresponding figures are rearranged for better presentation and comparison. No re-arrangements have been made in these interim financial statements (un-audited).



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR





19-A, Off, Zafar Ali Road  
Gulberg-V, Lahore - Pakistan