



**ISO 9001:2015
CERTIFIED**

**Financial Statements
for the year ended
June 30, 2023**

Shahtaj Textile Limited

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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. Abid Nawaz 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

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

To,

All the Shareholders,

Notice is hereby given to all the shareholders of SHAHTAJ TEXTILE LIMITED that the 34th Annual General Meeting of the Company will be held on Friday, the 27th October, 2023, at 11:30 AM at PC Hotel, Shahrah-e-Quaid-e-Azam, Lahore to transact the following ordinary business:

1. To confirm the minutes of last Annual General Meeting held on 28th October, 2022.
2. To consider and adopt audited Financial Statements of the Company for the year ended June 30, 2023 together with Auditors' and Directors' Reports thereon.
3. To approve a cash Dividend @ 65% i.e. Rs.6.50/- per share for the year ended June 30, 2023 as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2023-2024 and to fix their remuneration. The present Auditors M/s. Yousuf Adil, Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board



(JAMIL AHMAD BUTT)

Company Secretary

Karachi: September 21, 2023

Notes:

1. The share transfer books of the Company will remain closed from 18th October, 2023 to 28th October, 2023, (both days inclusive).
2. Members holding shares physically and holders of Accounts and Sub-accounts for Company's shares in Central Depository Company of Pakistan Limited, who wish to attend this Annual General Meeting may do so by identifying themselves through their original CNIC/Passport and providing a copy thereof.
3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed, together with attested copies of CNICs of the member and proxy.
4. In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature and attested copy of CNIC of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

5. DEDUCTION OF INCOME TAX

As per the provisions of Section 150 of the Income Tax Ordinance, 2001 ("Ordinance") different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The Current withholding tax rates are as under:

- | | | |
|-----|---|-----|
| (a) | For the persons whose names are appearing on ATL: | 15% |
| (b) | For the persons whose names are not appearing on ATL: | 30% |

All the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of dividend, otherwise tax on their Dividend will be deducted @ 30% instead of @ 15%.

The Corporate Shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective Participants, whereas corporate physical shareholders should send a copy of their NTN certificates to the Company or Company's Share Registrar and Share Transfer Agent, M/s. JWAFS REGISTRAR SERVICES (PVT) LIMITED.

The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective Folio Numbers.

As per FBR’s clarification, the valid Exemption Certificate under Section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part-IV of Second Schedule to the Ordinance. Those who fall in the category mentioned in above Clause must provide valid Tax Exemption Certificates to our Shares Registrar; otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Ordinance.

For shareholders holding their shares jointly, as per the clarification issued by the FBR, withholding tax will be determined separately on ‘Filer / Non-Filer’ status of Principal shareholder as well as Joint-holder(s) based on their shareholding proportions. All shareholders who hold shares jointly are therefore requested to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to the Registrar and Shares Transfer Agent in writing as follows:

Folio / CDC Account No	Total Shares	Principal Shareholder		Joint Shareholder(s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

6. ELECTRONIC DIVIDEND MANDATE

Under the provisions of Section 242 of the Companies Act, 2017 it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly in to bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested to provide details of the bank mandate specifying:

Title of Account, Account Number, Bank Name, Branch Name and Code, IBAN Number.

In case shares are held in physical form, please send this information duly signed along with a copy of CNIC to the registrar of the Company M/s. JWAFPS Registrar Services (PVT) Limited.

In case shares are held in CDC then Electronic Mandate Form must be submitted directly to shareholder’s broker participant/CDC account.

In case of non-receipt of the information the company will be constrained to withhold payment of dividend to such shareholders.

7. ATTENDING THE MEETING THROUGH VIDEO LINK

Shareholders interested in attending the Annual General Meeting (AGM) through video link facility (‘Zoom’ which can be downloaded from Google Play or Apple App Store) are requested to get themselves registered with the Company Secretary office at least two (02) working days before the holding date of AGM at jamilbutt@shahtaj.com by providing the following details:

Name of Shareholders	CNIC No.	Folio No.	Cell No.	Email Address
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- Upon receipt of the above information from shareholders. The Company will send the login details at their email address.
- On the AGM day, the shareholders will be able to login and participate in the AGM proceedings through their smart phone or computer devices from their any convenient location.
- The login facility will be opened thirty (30) minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

8. CONSENT FOR VIDEO CONFERENCE FACILITY

Members can also avail video conference facility, in this regard, please fill the following and submit to registered address of the Company 7 days before holding of the Annual General Meeting. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 7 days prior to the date

of the meeting, the Company will arrange video conference facility in the city subject to availability of such facility in that city.

I/We, _____ of _____, being a member of Shahtaj Textile Limited, holder(s) of _____ ordinary share(s) as per Registered Folio/CDC account No. _____ hereby opt for video conference facility at _____.

9. CONVERSION OF PHYSICAL SECURITIES INTO BOOK ENTRY FORM

As per Section 72 of the Companies Act, 2017 every listed company is required to replace its physical shares with book entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Act, i.e., May 30, 2017. Further, vide its letter dated March 26, 2021, SECP has directed all the listed companies to pursue its shareholder for conversion of their physical securities into book entry form.

In light of the aforementioned directives, the Shareholders having physical shareholding are encouraged to open CDC account with CDS participant/CDC Investor Account Services and convert their existing physical securities into book entry form.

OUR VISION:

To attain leadership position in the textile sector in Pakistan.

OUR MISSION:

To make the name of Shahtaj synonymous with Quality by striving for the highest level of efficiency, productivity, profitability, customers satisfaction, congenial employees relations and profit sharing with shareholders.

OVERALL CORPORATE STRATEGY:

To develop and market products in the high-end of the textile sector through effective utilization of men, material and machines by encouraging, supporting and rewarding the employees, eliminating any waste, reducing costs aiming at establishing **SHAHTAJ TEXTILE LIMITED** as the most trusted, efficient and successful name among all stake-holders.

1. The directors will ensure implementation of Company's corporate strategy, keeping in view Company's vision and mission and complying with its Memorandum and Articles of Association.
2. They will provide due guidance and discharge their duties to the best of their ability.
3. They will attend meetings of Board of Directors, Audit Committee of the Board, any other Committee and General Meeting of Company.
4. They will disclose their interest in any contract and appointments of the company officers and ownership of company shares and any changes therein.
5. They will not engage in any business competing with the company's business.
6. They will not allow contribution by the company to any political party or for any political purpose to any individual or body.
7. They will ensure maintenance and upkeep of company property, other assets and its record.
8. They will strictly observe all laws of land in running of the company affairs.
9. All company employees will perform their duties faithfully, truly and to the best of their judgment, skill and ability according to company rules and policies.
10. Company employees will not divulge any information about the company or otherwise which comes to their knowledge during the course of employment to any person not connected therein either with in the company or outside.
11. Company employees will not involve in any indiscipline, misbehavior or misconduct, dishonesty, theft or fraud.
12. They will refrain from making commitments on behalf of the company beyond their delegated authority or detrimental to the interest of the company.
13. They will not engage directly or indirectly without the permission of the company in any other business or paid occupation while in the service of the company.
14. They will not give or take bribes or any illegal gratifications.
15. They will be punctual in attendance.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of **Shahtaj Textile Limited** is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended June 30, 2023, the Board's overall performance and effectiveness has been assessed as satisfactory. Improvement is an ongoing process leading to action plans. The overall assessment as satisfactory is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies; monitoring the organization's business activities; monitoring financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business.

The Board of Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The nonexecutive and independent directors are equally involved in important decisions.

Karachi: September 21, 2023

Muneer Nawaz

(Muneer Nawaz)
Chairman

شاہ تاج ٹیکسٹائل لمیٹڈ کے بورڈ آف ڈائریکٹرز کا کوڈ آف کارپوریٹ گورننس کے تحت درکار سالانہ جائزہ لیا گیا۔ اس جائزہ کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال 30 جون 2023 کے لئے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی گئی۔ بہتری ایک مستقل جاری رہنے والا عمل ہے جس کی مدد سے عملی منصوبہ بندیوں کو ممکن بنایا جاتا ہے۔ مجموعی جائزے کے اطمینان بخش قرار پانے کی بنیاد ضروری اجزاء کے انفرادی جائزے پر ہے جن میں دور اندیشی، نصب العین اور اقدار، حکمت عملی کے بنانے میں کردار، پالیسیز کی تشکیل، کمپنی میں جاری کاروباری سرگرمیوں کی نگرانی، مالیاتی وسائل کے انتظام کی نگرانی، موثر مالی نگرانی، بورڈ کے کاروبار کو پورا کرنے میں ملازمین کے ساتھ منصفانہ سلوک اور سرگرمیوں کو موثر انداز سے پورا کرنا شامل ہیں۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو اپنی اور کمیٹیوں کے اجلاسات کے لئے لہجندا مع ضروری دستاویزات بر وقت موصول ہوتے رہے اسی طرح کاروائی رپورٹس بھی۔ بورڈ اپنی ذمہ داریوں کی موثر طریقے سے انجام دہی کے لئے باقاعدگی سے اجلاس کرتا رہا۔ نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی اہم فیصلوں میں برابر شامل ہوتے رہے۔

Munir Nawaz

منیر شاہ نواز

چیئر مین

کراچی مورخہ 21 ستمبر، 2023

Directors are pleased to present the 34th Annual Report of the Company for the Financial Year ended June 30, 2023.

Principal Activity

The principal business of the Company is production and sale of textile goods.

Financial Results and Prospects

Fiscal Year 2022-23 brought extraordinary challenges such as natural disaster, unstable political conditions, deteriorating economic conditions, inflation and global recession. By the grace of Allah, despite these challenges, operating results of the Company have been positive and Company has earned after tax profit of Rs. 153.018 million with an EPS of Rs 15.84 in comparison to Rs 31.06 reported during last year. Net Sales revenue for the year is Rs. 8.085 billion compared to Rs. 7.456 billion showing increase of about 8.4% over the corresponding period of last year which is mainly due to increase in sales volume. Nevertheless, the increase in sales revenue were dampened by inflationary pressures affecting both raw material and conversion costs, coupled with a significant surge in finance costs. Due to increase in cost of sales, Gross Profit (GP) rate for the year came to 7.93% as compared to 9.83% reported last year.

The distribution costs decreased on account of reduction in shipping freight costs as compared to last year. Further, the inflationary pressure on the economy has resulted in an increase in the administrative expenses as compared to last year. During the year interest rates rose to historical high levels. High interest rates have raised bank financing costs to unbearable levels resulting in drastic increase in finance cost from Rs. 86.455 million last year to Rs. 214.342 million for the current year.

Other income increased significantly mainly because of exchange gain due to currency devaluation.

Company in its endeavors for technological upgradation is in the process of replacement of its old sizing machine. LC for new sizing machine has been established which is expected to arrive in the third quarter of current financial year. This BMR will help in achieving better efficiency and reduction in overhead cost.

Textile industry is already facing a crisis-like situation due to multiple factors including stagnant demand in the international market, low foreign exchange reserves, depreciating currency, mounting inflation, tightening monetary policy, surging commodity prices and domestic political uncertainty. Further, the Government has abolished concessional electricity tariff for exporters of Rs. 19.99 / KWH w.e.f. March 1, 2023. This has exposed the textile sector to very high power costs for manufacturing. Thus, textile industry is going through unprecedented challenging times due to a massive increase in manufacturing and operating costs which could not be fully translated into selling prices due to global decline in demand.

Company will continue to do its best to overcome these difficulties.

Dividend

To share the profits with the shareholder, Directors are pleased to recommend a 65% cash dividend for this year. This payment is 41.03% of after tax profit of the Company for the year 2022-23. A sum of Rs. 50 million is proposed to be transferred to general reserve.

Principal Risks and Uncertainties

The Company is exposed to the following risks and uncertainties: -

- Increase in prices of raw materials
- Fluctuating demand of local and international market
- Fluctuation in exchange rates
- Energy availability and cost
- Increasing policy rates i.e., KIBOR resulting in increased financing costs.
- Market disruption due to changes in tax laws and regulations to widen the tax net

Company takes these risks as a challenge and seeks to minimize potential adverse effects of these risks on the financial performance.

Internal Financial Controls

A system of sound internal control is established and prevailing in the Company. The system of internal control is designed in a manner to

ensure achievement of Company's business objectives and operational efficiency, reliable financial reporting and compliance with various statutory laws.

Material Changes and Commitments

No material changes and commitments affecting the financial position of the Company were observed between the end of the financial year of the Company to which the financial statements relate and the date of the report.

Outstanding Statutory Payments

All outstanding payments are normal and of routine nature.

Code of Corporate Governance

Company is cognizant of all requirements of Code of Corporate Governance and is complying with the same. A Review Report by external auditors on Statement of Compliance is annexed.

Corporate and Financial Reporting Statements

- a. The financial statements, prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

Six Years Review

Key operating and financial data and ratios of the company for the last six years are annexed.

Board and its Committees

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

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

The composition of the board is as follows:

Category	Names
Independent Directors	Mr. Farooq Hassan Mr. Amir Amin (NIT) 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

The Board has formed committees comprising of members given below:

a) Audit Committee

- Mr. Amir 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

Directors' Remuneration Policy

The Company does not pay remuneration to non-executive directors except fee for attending the meetings. However, the Company may repay to any director all such reasonable expenses as he/she may incur in attending meetings of the Board or of its committees or the General meeting or which he may otherwise incur in or about the business of the Company.

The remuneration of Chief executive, full time working directors or any other director for performing extra services is determined by the Board in accordance with the provision in the Company's Articles.

The information on remuneration of Directors and CEO during 2022-23 is disclosed in notes to the Financial Statements.

Pattern of Shareholding

The pattern of shareholding as on 30th June, 2023 listing the required details, is annexed.

Auditors

The Audit Committee of the Board has recommended the appointment of present Auditors, M/s. Yousuf Adil., Chartered Accountants, as Auditors of the Company for the year 2023-2024. Board agrees to this recommendation.


Corporate Social Responsibility


The detailed report on Corporate Social Responsibility is annexed and form integral part of this report.

Appreciation

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

for and on behalf of the Board of Directors


(M. NAEEM)
Chief Executive


(MUNEER NAWAZ)
Chairman

Karachi: September 21, 2023

ڈائریکٹر زمرست کے ساتھ جون 2023 کو ختم ہونے والے مالی سال کے لئے کمپنی کی پچیسویں سالانہ رپورٹ پیش کرتے ہیں۔

بنیادی کاروبار:-

کمپنی کا بنیادی کاروبار ٹیکسٹائل مصنوعات کی پیداوار اور فروخت ہے۔

مالی حسابات اور امکانات:-

مالی سال 2022-23 قدرتی آفات، غیر مستحکم سیاسی حالات، بگڑتے معاشی حالات، مہنگائی اور عالمی کساد بازاری جیسے غیر معمولی چیلنجز لے کر آیا۔ الحمد للہ، ان چیلنجوں کے باوجود، کمپنی کے آپریٹنگ نتائج مثبت رہے ہیں اور کمپنی نے بعد از ٹیکس منافع 153.018 ملین روپے اور 15.84 روپے EPS حاصل کیا۔ پچھلے سال کے دوران رپورٹ کردہ EPS 31.06 روپے تھا۔ سال کے لیے خالص فروخت کی آمدنی 8.085 بلین روپے رہی جو گزشتہ سال کی 7.456 بلین روپے کے مقابلے میں تقریباً 8.4 فیصد زائد ہے جس کی بنیادی وجہ فروخت کے حجم میں اضافہ ہے۔ پھر بھی، سبز ریونیو میں اضافہ افراط زر کے دباؤ کی وجہ سے متاثر ہوا جس نے خام مال اور تبادلوں کی لاگت دونوں کو بڑھا دیا، جس کے ساتھ مالیاتی اخراجات میں نمایاں اضافہ ہوا۔ فروخت کی لاگت میں اضافے کی وجہ سے، سال کے لیے مجموعی منافع (GP) کی شرح 7.93 فیصد ہو گئی جو گزشتہ سال میں 9.83 فیصد تھی۔

گزشتہ سال کی نسبت شپنگ فریٹ میں کمی کی وجہ سے تقسیم کی لاگت میں کمی واقع ہوئی۔ مزید برآں، معیشت پر مہنگائی کے دباؤ کے نتیجے میں گزشتہ سال کے مقابلے میں انتظامی اخراجات میں اضافہ ہوا ہے۔ سال کے دوران شرح سود تاریخ کی بلند ترین سطح پر پہنچ گئی۔ بلند شرح سود نے قرض پر سود کو ناقابل برداشت سطح تک بڑھا دیا ہے جس کے نتیجے میں مالیاتی لاگت میں زبردست اضافہ بھی ہوا ہے۔ یعنی گزشتہ سال کے 86.455 ملین روپے کے مقابلے میں موجودہ سال کے لیے 214.342 ملین۔

روپے کی قدر میں کمی سے دیگر آمدنی میں نمایاں اضافہ ہوا ہے۔

کمپنی اپنی تکنیکی اپ گریڈیشن کی کوششوں میں اپنی پرانی سائزنگ مشین کو تبدیل کرنے کے عمل میں ہے۔ نئی سائزنگ مشین کے لیے ایل سی کھول دی گئی ہے مشین کی موجودہ مالی سال کی تیسری سہ ماہی میں آمد متوقع ہے۔ یہ BMR بہتر کارکردگی اور اوور ہیڈ لاگت کو کم کرنے میں مدد کرے گا۔

بین الاقوامی منڈی میں منجمد طلب، کم غیر ملکی ذخائر، کرنسی کی قدر میں کمی، مہنگائی میں اضافہ، مانیٹری پالیسی میں سختی، اجناس کی قیمتوں میں اضافہ اور ملکی سیاسی غیر یقینی صورتحال سمیت متعدد عوامل کی وجہ سے ٹیکسٹائل انڈسٹری پہلے ہی بحران جیسی صورتحال کا سامنا کر رہی ہے۔ مزید برآں، حکومت نے برآمد کنندگان کے لیے روپے کی رعایتی بجلی کے ٹیرف 19.99 روپیہ فی KWH یکم مارچ 2023 کو ختم کر دیا ہے۔ اس سے ٹیکسٹائل سیکٹر کو مینوفیکچرنگ کے لیے بہت زیادہ بجلی کی لاگت کا سامنا ہے۔ اس طرح، مینوفیکچرنگ اور آپریٹنگ لاگت میں بڑے پیمانے پر اضافہ عالمی سطح پر مانگ میں کمی کی وجہ سے قیمت فروخت کے اضافے میں پوری طرح منتقل نہیں ہو رہا۔ ان وجوہات سے ٹیکسٹائل کی صنعت بے مثال چیلنجنگ دور سے گزر رہی ہے۔

کمپنی ان مشکلات پر قابو پانے کے لیے اپنی پوری کوشش جاری رکھے گی۔

ڈیویڈنڈ:-

منافع میں حصص داران کو شریک کرنے کی غرض سے، ڈائریکٹرز نے اس سال 65 فیصد نقد ڈیویڈنڈ کی سفارش کی ہے۔ یہ ادائیگی سال 2022-2023 کے منافع بعد از ٹیکس 41.03 فیصد ہے۔ 50 ملین کی رقم جنرل ریزرو میں منتقل کرنے کی تجویز ہے۔



بنیادی خطرات اور غیر یقینی صورتحال:-

کمپنی کو درج ذیل خطرات اور غیر یقینی صورتحال کا سامنا ہے۔

- خام مال کی قیمتوں میں اضافہ
- مقامی اور بین الاقوامی بازار میں قیمتوں میں اتار چڑھاؤ
- شرح تبادلہ میں اتار چڑھاؤ
- توانائی کی دستیابی اور لاگت
- ٹیکس قوانین اور ضوابط میں تبدیلی کے باعث بازار کا متاثر ہونا

کمپنی ان خطرات کو ایک چیلنج کے طور پر لیتی ہے اور مالی کارکردگی پر ان خطرات کے ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتی ہے۔

آڈٹ کا اندرونی انتظام:-

کمپنی میں اندرونی کنٹرول کا ایک مضبوط نظام قائم اور رائج ہے۔ داخلی کنٹرول کا یہ نظام کمپنی کے کاروباری مقاصد اور آپریشنل کارکردگی، قابل اعتماد مالی رپورٹنگ اور متعدد لازمی قوانین کی تعمیل کو یقینی بنانے کے لئے تیار کیا گیا ہے۔

مادی تبدیلیاں اور وعدے:-

کمپنی کے مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے دوران کمپنی کی مالی حیثیت کو متاثر کرنے والی کسی اہم تبدیلیوں اور معاہدوں کا مشاہدہ نہیں کیا گیا۔

بھاری قانونی ادائیگی:-

تمام بھاریا جات معمول کے مطابق اور عام نوعیت کے ہیں۔

کمپنیوں کو چلانے کا طریقہ کار (کوڈ آف کارپوریٹ گورننس):-

کمپنی ان تمام ضروریات سے آگاہ ہے جو کمپنیوں کو چلانے کے طریقہ کار (کوڈ آف کارپوریٹ گورننس) میں مذکور ہیں اور ان کی پابندی کر رہی ہے۔ تعمیل کے تصدیقی بیان پر مشتمل بیرونی آڈیٹرز کی طرف سے جاری کی گئی ایک جائزہ رپورٹ لف ہذا ہے۔

کارپوریٹ اور مالیاتی رپورٹس پر مشتمل بیانات:-

- ا۔ انتظامیہ کی تیار کردہ یہ مالیاتی رپورٹس، آپریشنز کے نتائج، حصول زر اور استعمال نیز ایکویٹی میں ہونے والی تبدیلیوں کی درست عکاسی کرتی ہیں۔
- ب۔ حسابی کتب مناسب طور پر رکھی گئی ہیں۔
- پ۔ مالیاتی گوشواروں کی تیاری میں حسب سابق اکاؤنٹس کے درست اصولوں کو اختیار کیا گیا ہے اور حسابی اندازوں کی بنیاد معقول اور محتاط ہے۔
- ت۔ حسابات کی تیاری میں ان بین الاقوامی معیاروں کی، جن کا نفاذ پاکستان میں ہو چکا ہے، پیروی کی گئی ہے اور کسی بھی انحراف کو واضح طور پر ظاہر کیا گیا ہے۔
- ث۔ اندرونی کنٹرول کا نظام بلحاظ ساخت مکمل ہے اور اس پر عملدرآمد اور نگرانی موثر ہے۔
- ج۔ کمپنی کے چلتے رہنے کی صلاحیت ہر قسم کے ٹیک و شہ سے بالا ہے۔
- د۔ سٹینڈ ریگولیشنز میں کارپوریٹ کوڈ آف گورننس کے بہترین طریقوں، پر عملدرآمد میں کوئی قابل ذکر انحراف نہیں ہوا ہے۔

چھ سالہ جائزہ:-

گزشتہ چھ سال کے کلیدی آپریشن اور مالی اعداد و شمار اور نسبتوں کی تفصیلی منسلک ہے۔

بورڈ آف ڈائریکٹرز اور اس کی کمیٹیاں:-

ڈائریکٹرز کی کل تعداد 10 ہے جن کی تفصیل درج ذیل ہے:

(مر د: 9 ب) خواتین: 1

بورڈ کی ساخت درج ذیل ہے:

نام	اقسام / کیٹگری
جناب فاروق حسن	انڈیپنڈینٹ ڈائریکٹر / آزاد ڈائریکٹر
جناب عامر امین (این آئی ٹی)	
جناب سید ندیم علی کاظمی	
جناب منیر نواز	دیگر غیر انتظامی ڈائریکٹرز
جناب توقیر نواز	
جناب محمد عثمان خالد	
جناب عابد نواز	
محترمہ سعدیہ محمد	خاتون غیر انتظامی ڈائریکٹر
جناب محمد نعیم	ایگزیکٹو ڈائریکٹر / انتظامی ڈائریکٹر
لیفٹینینٹ کرنل (ریٹائر) رشید الدین شمس	

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

الف) آڈٹ کمیٹی

- جناب عامر امین (چیرمین)
- جناب منیر نواز
- جناب توقیر نواز
- جناب محمد عثمان خالد
- جناب عابد نواز

ب) ایچ آر اینڈ ریو نیشن کمیٹی

- جناب فاروق حسن (چیرمین)
- جناب منیر نواز
- جناب محمد نعیم
- جناب توقیر نواز
- محترمہ سعدیہ محمد



ڈائریکٹر رپورٹ برائے حصہ داران

ڈائریکٹر ان کے معاوضہ کی پالیسی:-

کمپنی انتظامی معاملات میں شامل نہ ہونے والے ڈائریکٹر (نان ایگزیکٹو ڈائریکٹر) کو مینٹنگ میں شمولیت کی فیس کے علاوہ کسی قسم کی ادائیگی نہیں کرتی۔ البتہ کسی بھی ڈائریکٹر کو بورڈ یا اس کی کمیٹیوں یا عام اجلاس میں شرکت پر ہونے والے اخراجات کی ادائیگی کرتی ہے یا کسی ایسے خرچ کی جو وہ کمپنی کے کاروبار یا اس سے متعلق کریں۔

چیف ایگزیکٹو، کل وقتی ورکنگ ڈائریکٹر یا کسی بھی ڈائریکٹر کی اضافی خدمات، بحالانے کے معاوضے کا تعین بورڈ کمپنی کے آرٹیکل کے مطابق کرتا ہے۔

ڈائریکٹر اور چیف ایگزیکٹو کو دوران سال 2022-2023 دیئے جانے والے معاوضہ کے بارے میں تمام معلومات سالانہ رپورٹ کے نوٹس میں دے دی گئی ہیں۔

حصہ داروں کی تفصیل (پیٹرن آف شیئر ہولڈرز):-

مالی سال 30 جون 2023 کے اختتام پر قواعد کے مطابق درکار حصہ داران کی تفصیل منسلک ہے۔

آڈیٹر:-

بورڈ کی آڈٹ کمیٹی نے موجودہ آڈیٹر میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹ کی مالی سال 2023-24 کے لئے بطور آڈیٹر تقرری کی سفارش کی ہے۔ بورڈ اس سفارش سے متفق ہے۔

معاشرتی و سماجی ذمہ داریوں:-

معاشرتی و سماجی ذمہ داری سے متعلق مفصل رپورٹ منسلک ہے اور اس رپورٹ کا لازمی جزو ہے۔

حوصلہ افزائی:-

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

برائے اور از طرف بورڈ آف ڈائریکٹرز

Munir Nawaz

(منیر شاہنواز)

چیئر مین

/ Nam

(ایم۔ نعیم)

چیف ایگزیکٹو آفیسر

کراچی

21 ستمبر 2023

In recognition of its social responsibility, Company is regularly contributing reasonably in the interests of its clients, suppliers, employees and environment.

Clients

At STL, we are committed to quality, excellence and customer satisfaction. In order to improve the quality of service, we ensure to meet the expectations of our customers and their complete satisfaction. The STL Quality Management Program includes surveys and audit process conducted regularly both internally and through external companies.

Suppliers

We work and collaborate with leading industry suppliers that meet a code of ethics and respect for the environment. We strive to provide equal opportunities and encourage the purchase of local and national products, always under strict environmental control of raw materials. For each one of them and for the most important products, we ask for the appropriate technical specification.

The products we use are mostly of recognized brands, companies committed to the environment and immersed in Quality Policy and recognized Certifications like ISO, etc.

Environment & Society

At STL, we work to contribute to sustainable development and protect the natural resources of our environment. We promote awareness, training and dissemination of good environmental practices among our customers, suppliers and employees. The goal is to instill a sense of energy and water savings. We have been successful in a way that this activity is also carried into the homes of our employees.

Saving natural resources, water and energy.

- Monitoring of waste control and efficient use of water and energy.
- Turning off lights, fans, closing refrigerators, air conditioners or other electronic equipments when not in use.
- Use of energy saving lamps, lighting using white light energy-saving bulbs and energy-saving LED systems.

Severe energy crisis in our country is not only adversely impacting the national economy but also is a matter of depression for general public as long hours of load shedding of electricity has disturbed peaceful lives of the citizens. STL has shared national burden by investing millions of Rupees in the power generation facilities through gas generators.

At STL, we always ensure to be a responsible corporate citizen and assist government through timely deposit of taxes and other duties in government treasury.

Employees

At STL, we value people. We believe and work for them. We know that the foundation of our company is its human capital. This is why measures are taken to ensure the motivation and involvement of our employees.

Our system of recruitment, hiring, compensation, professional development, participation ensures equal opportunities and non-discrimination. We ensure the basic measures of health, safety and risk prevention, in addition to implementing the measures necessary to ensure good working atmosphere. We provide tools that foster transparent and bidirectional communication.

Few of the initiatives that have been undertaken in this regard are as follow:

- To offer market-based remuneration packages and bonuses to employees to motivate and acknowledge their valuable services.
- Provision of family and single accommodation to most of the employees in the colony of the Company.
- Provision of food on subsidized rates to all regular employees of the Company.
- Training of employees for firefighting equipment, first aid procedures and evacuation drills.

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

1. The total number of directors are 10 as per the following:
 - a) Male: 9
 - b) Female: 1

2. The composition of the Board is as follows:


Category	Names
Independent directors	Mr. Farooq Hassan
	Mr. Amir Amin
	Mr. Syed Nadeem Ali Kazmi
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 – Chief Executive Officer Lt. Col(Retd.) Rashiduddin Shams

- * The requirement of Independent Directors is at least two or one-third of members of the Board, whichever is higher. Three independent directors were appointed/elected on the Company's Board and the fraction of 0.33 was not rounded up as one since the Board considers that the three Independent Directors have adequately protected the interests of the minority shareholders.
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 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 Companies Act, 2017 (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 the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
 8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
 9. The Board remained fully compliant with the provision with regard to director's training program. Out of total ten directors of the Company, three have minimum of 14 years of education and 15 years of experience on the board of a listed company and therefore are exempt from director's training program. Six other directors have completed the Director's Training Program from Pakistan Institute of Corporate Governance (PICG). The Company, however, intends to facilitate further training for the remaining Director in near future as defined in these Regulations;
 10. There was no fresh appointment of Chief Financial Officer (CFO), Company Secretary (CS) and Head of Internal Audit (HOIA) during the year ended June 30, 2023. 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. The 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 Mr. Amir 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
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- The Board has not formed the 'Nomination Committee' and 'Risk Management Committee' as responsibilities of these committees are being taken care of at the Board Level as and when required. Therefore, a need for the separate formation of these committees does not exist.
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
 14. The frequency of meetings of the committee were as per following:
 - Audit Committee: Four quarterly meetings during the financial year ended June 30, 2023;
 - HR and Remuneration Committee: One meeting during the financial year ended June 30, 2023.
 15. The Board has outsourced the internal audit function to a firm of Chartered Accountants 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, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

for and on behalf of the Board of Directors


(M. NAEEM)
Chief Executive


(MUNEER NAWAZ)
Chairman

TO THE MEMBERS OF SHAHTAJ TEXTILE LIMITED

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

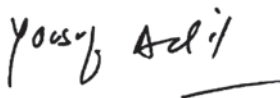
We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Shahtaj Textile Limited (the Company) for the year ended June 30, 2023 in accordance with the requirements of Regulation 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.

Based on our review, 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 June 30, 2023.



Chartered Accountants

Karachi: September 26, 2023

UDIN: CR202310099pQnli1PVo


2022-2023 2021-2022 2020-2021 2019-2020 2018-2019 2017-2018

All figures are in Million Rupees other than where percentages and ratio sign appear.

Ratios
PROFIT AND LOSS ACCOUNT

Net turnover	8085.182	7455.486	4937.494	4365.769	4787.646	3925.325
Gross Profit	640.937	732.981	550.265	421.282	448.758	295.817
Operating Profit	451.497	488.181	334.952	193.314	338.732	141.135
Profit before tax	237.155	401.726	287.541	113.095	251.391	84.598
Profit after tax	153.018	300.049	216.959	72.571	188.048	68.100
Earning per share (Rs.)	15.84	31.06	22.46	7.51	19.47	7.05
Cash dividend	65%	115%	115%	40%	100%	27.50%
Dividend payment ratio	41.03%	51.2%	51.2%	53.2%	51.4%	39%
Cash distribution per share in Rupees	6.50	11.50	11.50	4.00	10.00	2.75

BALANCE SHEET

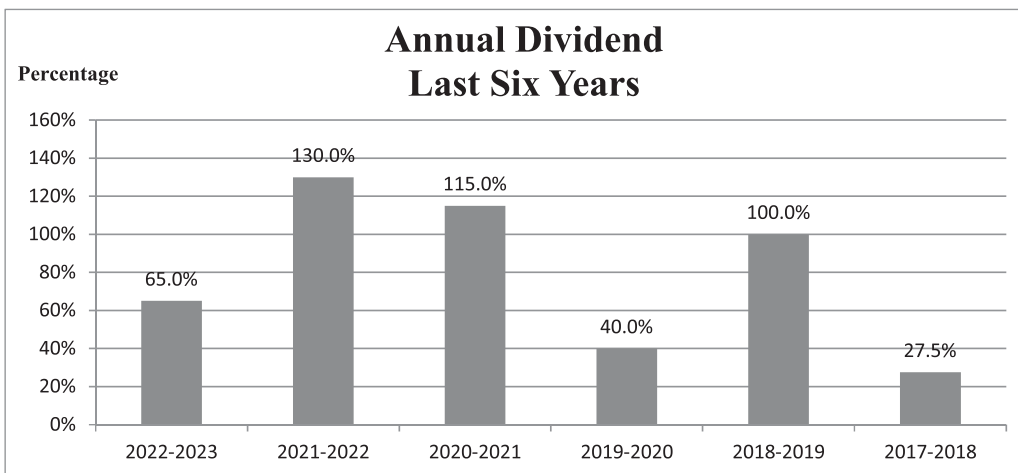
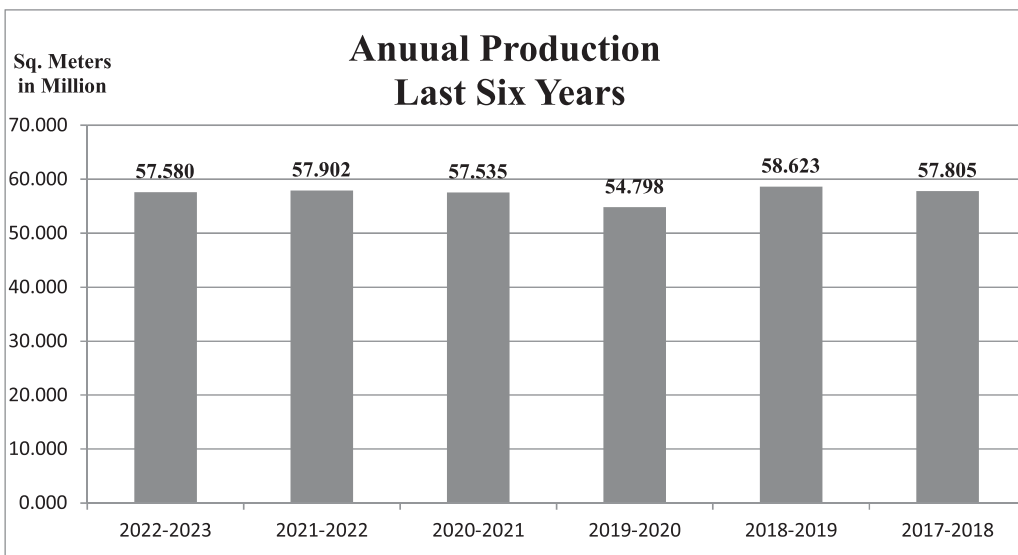
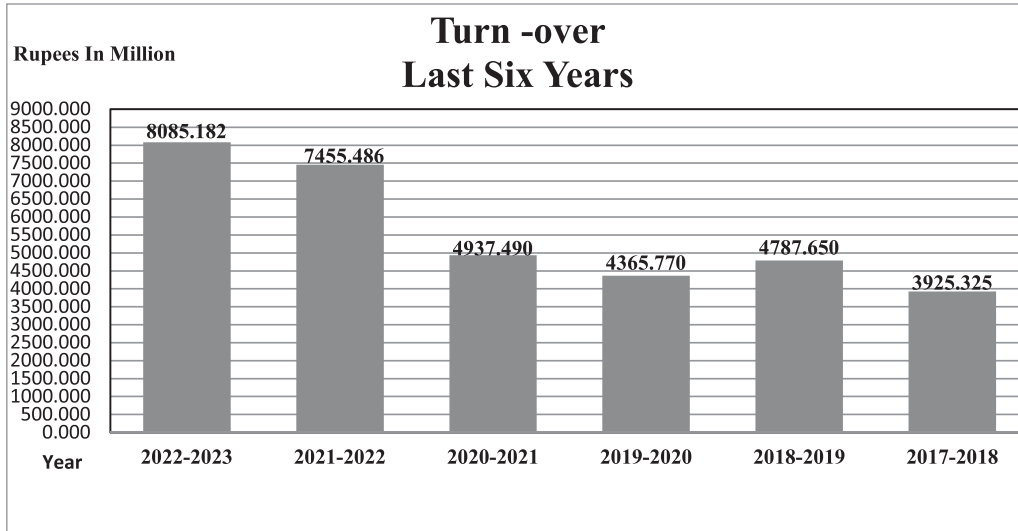
Shareholder funds	96.600	96.600	96.600	96.600	96.600	96.600
Reserves	1493.776	1449.659	1228.449	1037.349	1045.151	875.592
Surplus on revaluation of plant & machinery	197.980	220.081	258.368	63.066	75.983	86.947
Property plant and equipment	1632.173	1706.679	1409.436	1152.175	1080.826	1160.648
Long term finance	870.496	958.625	569.753	513.501	338.888	287.398
Net current assets / liabilities	1160.199	1117.642	868.866	636.015	541.391	252.585

INVESTOR INFORMATION

Gross profit ratio	7.93%	9.83%	11.14%	9.65%	9.37%	7.54%
Profit before tax ratio	2.93%	5.39%	5.82%	2.59%	5.25%	2.16%
Return on equity	8.56%	16.99%	13.70%	6.06%	15.44%	6.42%
Debt equity ratio	33:67	35:65	26:74	30:70	22:78	21:79
Current ratio	1.61	1.55	1.83	1.63	1.44:1	1.20:1
Interest cover ratio	2.11	5.65	7.06	2.41	3.88	2.50

STATEMENT OF VALUE ADDITION

Employees remuneration	422.211	371.495	335.083	317.886	309.365	276.102
Government as taxes	1215.611	1147.006	778.615	699.546	63.342	16.497
Shareholders as dividend	62.790	125.580	111.09	38.64	96.60	26.565
Retained with in business	90.228	174.469	105.87	33.93	91.448	41.535
Financial charges to providers of finance	214.342	86.455	47.411	80.219	87.341	56.537



Pattern of shares held by shareholders as at June 30, 2023 is as under:

SERIAL NUMBER	NUMBER OF SHARE HOLDERS	S H A R E H O L D I N G S			TOTAL SHARES HELD
1	329	1	-	100	11,964
2	161	101	-	500	58,969
3	518	501	-	1,000	303,998
4	82	1,001	-	5,000	174,019
5	10	5,001	-	10,000	66,835
6	4	10,001	-	15,000	49,425
7	4	15,001	-	20,000	70,825
8	3	20,001	-	25,000	71,600
9	1	25,001	-	30,000	26,012
10	2	30,001	-	35,000	62,600
11	2	35,001	-	40,000	74,225
12	3	40,001	-	45,000	124,193
13	4	45,001	-	50,000	199,500
14	1	50,001	-	55,000	54,000
15	1	85,001	-	90,000	85,800
16	1	100,001	-	105,000	104,543
17	2	110,001	-	115,000	227,500
18	1	115,001	-	120,000	118,000
19	1	145,001	-	150,000	149,585
20	1	175,001	-	180,000	177,872
21	1	195,001	-	200,000	199,500
22	1	270,001	-	275,000	271,584
23	1	285,001	-	290,000	289,655
24	1	290,001	-	295,000	294,821
25	1	295,001	-	300,000	300,000
26	1	305,001	-	310,000	306,000
27	1	310,001	-	315,000	311,904
28	1	320,001	-	325,000	320,964
29	1	345,001	-	350,000	350,000
30	1	350,001	-	355,000	352,243
31	1	395,001	-	400,000	396,750
32	1	475,001	-	480,000	475,726
33	1	525,001	-	530,000	529,670
34	1	555,001	-	560,000	555,200
35	1	590,001	-	595,000	591,736
36	1	750,001	-	755,000	752,782
37	1	1,145,001	-	1,150,000	1,150,000
	<u>1,148</u>				<u>9,660,000</u>

SHARE HOLDER'S CATEGORY		Number of Share Held	Percentage of shareholding
(i) Directors, Chief Executive Officer, and their spouse(s) and minor children (name wise details);			
1	Mr. Muneer Nawaz (Chairman)	591,736	
	Mrs. Abida Muneer Nawaz (Wife)	396,750	
2	Mr. M. Naeem (CEO)	659,743	
	Mrs. Amtul Bari Naeem (Wife)	835,670	
3	Mr. Abid Nawaz	177,872	
4	Lt. Col. (Retd.) Rashiduddin Shams	3,450	
5	Mrs Sadia Muhammad	302,500	
6	Mr. Toqueer Nawaz	374,964	
7	Mr. Muhammad Usman Khalid	330,005	
8	Mr. Farooq Hassan	500	
9	Mr. Syed Nadeem Ali Kazmi	500	
		3,673,690	38.03%
(ii) Associated Companies, undertaking & related parties (name wise details);			
	Shahtaj Sugar Mills Limited	1,150,000	
	Shahnawaz (Private) Limited	350,000	
		1,500,000	15.53%
(iii) NIT and ICP			
	CDC-Trustee National Investment (Unit) Trust (Represented on Board of Directors)	475,726	
		475,726	4.92%
(iv) Banks, Development Finance Institutions, Non Banking Financial Institution			
		15,342	0.16%
(v) Insurance Companies			
		-	-
(vi) Modarabas and Mutual Funds			
		-	-
(vii) General Public			
	Local	3,932,717	
	Foreign	-	
		3,932,717	40.71%
(viii) Others			
	Joint Stock Companies	17,506	
	Provident / Pension Funds and Miscellaneous	45,019	
		62,525	0.65%
		9,660,000	100.00%
Shareholder holding 10% or more voting rights in the listed company (name wise details);			
	Shahtaj Sugar Mills Limited	1,150,000	
		1,150,000	11.90%

TO THE MEMBERS OF SHAHTAJ TEXTILE LIMITED
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Shahtaj Textile Limited** (the Company), which comprise the statement of financial position as at June 30, 2023, 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 June 30, 2023 and of the profit, 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 is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
1. Valuation of stock in trade	
<p>(Refer notes 3.3 and 16 to the accompanying financial statements)</p> <p>As at June 30, 2023, the Company held stock-in-trade of Rs. 1,253.199 million, which is 26.5% of total assets. We focused on stock-in-trade as it is a significant portion of Company's total assets and the valuation of finished goods within stock-in-trade at cost has different components, which includes judgment in relation to the allocation of overheads costs, which are incurred in bringing the finished goods to its present location and condition. Further, judgments are also involved in determining the net realizable value of stock-in-trade items in line with the accounting policy.</p>	<p>Our key audit procedures to address the valuation of stock-in-trade, included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of mechanism of recording purchases and valuation of stock-in-trade and evaluated their design and implementation; • Tested on a sample basis purchases with underlying supporting documents; • Evaluate the calculations of the actual labor and overhead costs and checked allocation of labor and overhead costs to finished goods;

Key audit matter	How our audit addressed the key audit matter
1. Valuation of stock in trade	
	<ul style="list-style-type: none"> • Checked the calculations of net realizable value of itemized list of stock-in-trade, on a sample basis and compared the net realizable value with the cost to ensure that valuation of stock-in-trade is in line with the accounting policy. • Assessed the adequacy and appropriateness of the related disclosures in the financial statements for compliance with the requirement of the applicable financial reporting framework.

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 of the Company for the year ended June 30, 2023, 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.

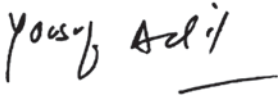
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 Arif Nazeer.


Chartered Accountants


Place: Karachi

Date: September 26, 2023


UDIN: AR202310099EXz1KAB3k

	June 30, 2023	June 30, 2022		June 30, 2023	June 30, 2022
Note	----- (Rupees in '000) -----		Note	----- (Rupees in '000) -----	
EQUITY AND LIABILITIES			ASSETS		
Share capital and reserves			Non-current assets		
Authorized share capital 10,000,000 ordinary shares of Rs. 10 each	100,000	100,000	Property, plant and equipment	1,632,173	1,760,679
Issued, subscribed and paid- up capital	96,600	96,600	Long-term loans	443	524
Revenue reserves	1,493,776	1,449,659	Long-term deposits	33,138	33,138
Surplus on revaluation of plant and machinery	197,980	220,081		1,665,754	1,794,341
Total equity	1,788,356	1,766,340	Current assets		
LIABILITIES			Stores, spares and loose tools	79,171	46,363
Non-current liabilities			Stock-in-trade	1,253,199	1,801,561
Long-term finance	870,496	958,625	Trade debts	1,082,001	997,310
Deferred liabilities	167,101	187,018	Loans and advance	3,073	3,718
	1,037,597	1,145,643	Trade deposits and prepayments	289,870	2,344
Current liabilities			Other receivables	7,061	3,490
Trade and other payables	881,258	955,824	Taxation - net	56,560	56,260
Advance from customers - contract liabilities	34,945	11,012	Sales tax refundable	251,190	220,526
Unclaimed dividend	35,550	24,605	Cash and bank balances	42,586	17,164
Interest accrued	51,396	32,265		3,064,711	3,148,736
Short-term borrowings	819,815	912,968	Total assets	4,730,465	4,943,077
Current portion of long-term finance	81,548	94,420			
	1,904,512	2,031,094			
Total equity and liabilities	4,730,465	4,943,077			
CONTINGENCIES AND COMMITMENTS					
	11				

The annexed notes from 1 to 44. form an integral part of these financial statements.



(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer



(Muneer Nawaz)
Chairman

		June 30, 2023	June 30, 2022
	Note	----- (Rupees in '000) -----	
Sales - net	22	8,085,182	7,455,486
Cost of goods sold	23	(7,444,245)	(6,722,505)
Gross profit		640,937	732,981
Distribution expenses	24	(102,928)	(112,256)
Administrative expenses	25	(142,133)	(125,687)
Other operating expenses	26	(20,102)	(30,657)
Finance cost	27	(214,342)	(86,455)
		(479,505)	(355,055)
		161,432	377,926
Other income	28	75,723	23,800
Profit before taxation		237,155	401,726
Taxation	29	(84,137)	(101,677)
Profit after taxation		153,018	300,049
		----- Rupees -----	
Earnings per share - basic and diluted		15.84	31.06

The annexed notes from 1 to 44. form an integral part of these financial statements.



(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman

	Note	June 30, 2023 ----- (Rupees in '000) -----	June 30, 2022 -----
Profit after taxation		153,018	300,049
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		(33)	(2,368)
		(33)	(2,368)
Loss on remeasurement of defined benefit obligation	7.1.4	(6,234)	(4,243)
Impact of deferred tax thereon	7.2	846	575
		(5,388)	(3,668)
Other comprehensive income for the period		(5,421)	(6,036)
Total comprehensive income for the period		147,597	294,013

The annexed notes from 1 to 44. form an integral part of these financial statements.



(M. Naeem)
Chief Executive




(Amir Ahmed)
Chief Financial Officer




(Muneer Nawaz)
Chairman

	Note	June 30, 2023	June 30, 2022
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		237,155	401,726
Adjustments for:			
Depreciation	12.2	173,057	151,688
Finance cost	27	214,342	86,455
(Gain) on disposal of property, plant and equipment	28 & 26	(1,070)	(453)
Provision for leave encashment	8.3	6,383	4,402
Unrealized exchange (gain)/ loss	28.2	(361)	(11,287)
Provision for gratuity	7.1.3	27,942	22,768
Property, plant and equipment written off	26	-	60
Stores and spares written off	26	2,351	823
Stock in trade written off	9	9	254
Operating cash flows before movements in working capital		659,808	656,436
(Increase) / decrease in current assets			
Stores, spares and loose tools		(35,159)	(733)
Stock-in-trade		548,353	(785,257)
Trade debts		(84,330)	(338,454)
Loans and advances		645	1,529
Trade deposits and prepayments		(287,526)	(117)
Other receivables		(3,571)	(73)
Sales tax refundable		(30,664)	(139,629)
Increase / (decrease) in current liabilities			
Trade and other payables		(75,971)	328,599
Advance from customers - contract liabilities		23,933	1,569
Cash generated from / (used in) operations		715,518	(276,130)
Gratuity paid	7.1.1	(36,756)	(11,050)
Leave encashment paid	8.3	(4,978)	(5,422)
Finance cost paid		(195,211)	(63,630)
Income taxes paid		(100,960)	(82,542)
Net cash generated from / (used) in operating activities		377,613	(438,774)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(46,752)	(554,983)
Proceeds from disposal of property, plant and equipment		3,270	52,445
Long-term deposit		-	(30)
Long-term loans		81	(10)
Net cash used in investing activities		(43,401)	(502,578)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term finance	6.1	(101,002)	(88,284)
Long term finance obtained	6.1	-	483,293
Dividend paid	31	(114,635)	(101,640)
Net cash used in financing activities		(215,637)	293,369
Net increase / (decrease) in cash and cash equivalents			
		118,575	(647,983)
			(247,821)
Cash and cash equivalents at the beginning of the period		(895,804)	
Cash and cash equivalents at the end of the period	32	(777,229)	(895,804)
Cash and cash equivalents at the end of the period			
Short-term borrowings		(819,815)	(912,968)
Cash and bank balances		42,586	17,164
		(777,229)	(895,804)

The annexed notes from 1 to 44. form an integral part of these financial statements.



(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer



(Muneer Nawaz)
Chairman

	Issued, Subscribed and Paid up Capital	Revenue reserve		Capital reserve	Total
		General	Unappropriated profit	Surplus on revaluation of plant and machinery	
(Rupees in '000)					
Balance as at July 01, 2021	96,600	850,000	378,449	258,368	1,583,417
Total comprehensive income for the ended June 30, 2022					
Profit after taxation	-	-	300,049	-	300,049
Other comprehensive income	-	-	(3,668)	(2,368)	(6,036)
	-	-	296,381	2,135,418	294,013
Transferred from surplus on revaluation of plant and machinery on account of:				(2,368)	-
- incremental depreciation net of deferred tax	-	-	25,191	-	-
- disposal net of deferred tax	-	-	10,728	(25,191)	-
Transferred to general reserve	-	85,000	(85,000)	(10,728)	-
Transactions with owners					
Final dividend for the year ended June 30, 2021 @ Rs. 11.50 per share	-	-	(111,090)	-	(111,090)
Balance as at June 30, 2022	96,600	935,000	514,659	220,081	1,766,340
Balance as at July 01, 2022	96,600	935,000	514,659	220,081	1,766,340
Total comprehensive income for the ended June 30, 2023					
Profit after taxation	-	-	153,018	-	153,018
Other comprehensive income	-	-	(5,388)	(33)	(5,421)
	-	-	147,630	(33)	147,597
Transferred from surplus on revaluation of plant and machinery on account of:				(22,004)	-
- incremental depreciation net of deferred tax	-	-	22,004	(22,004)	-
- disposal net of deferred tax	-	-	64	(64)	-
Transferred to general reserve	-	150,000	(150,000)	-	-
Transactions with owners					
Final dividend for the year ended June 30, 2022 @ Rs. 13.00 per share	-	-	(125,580)	-	(125,580)
Balance as at June 30, 2023	96,600	1,085,000	408,776	197,980	1,788,357

The annexed notes from 1 to 44. form an integral part of these financial statements.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman

1. STATUS AND NATURE OF BUSINESS

Shahtaj Textile Limited (the Company) is limited by shares, incorporated in Pakistan on January 24, 1990 under the repealed 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 are the geographical locations and addresses of the Company:

Head Office

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

Manufacturing Facility/Plant

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. BASIS OF PREPARATION

2.1 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 (IFRS Standards) 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 IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared on historical cost basis modified by:

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

2.3 Presentation and functional currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

2.4 Accounting estimates and judgements

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, 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 judgment was exercised in application of accounting policies are as follows:

- Provision for gratuity (notes 3.8 and 7.1);

- Provision for taxation and deferred tax (notes 3.5, 7.2 and 29);
- Contingencies and commitments (note 11);
- Useful lives and residual values of property, plant and equipment (notes 3.1 and 12);
- Revaluation of plant and machinery (notes 3.1 and 12);
- Net realizable value of stock in trade (notes 3.3 and 16) and stores, spares and loose tools (notes 3.2 and 15);
- Impairment of financial assets (notes 3.6.4 and 17); and
- Impairment of non-financial assets (note 3.19).

2.5 NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

2.5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

2.5.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IAS 12 ' Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statement have been consistently applied to all the years presented.

3.1 Property, plant and equipment

Property, plant and equipment, except plant and machinery, are stated at cost less accumulated depreciation and impairment loss, if any.

Plant and machinery is stated at revalued amount, being the fair value at the date of revaluation, less subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity so that the fair value and carrying value do not differ materially at the reporting date. Any revaluation increase arising on the revaluation of such assets is recognised, net of tax, in other comprehensive income and presented as a separate component of equity as “Revaluation surplus on plant and machinery” except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognised in statement of profit or loss, in which case the increase is first recognised in statement of profit or loss account to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to statement of profit or loss. The revaluation reserve is not available for distribution to the Company’s shareholders. The Company has adopted the following accounting treatment of depreciation on revalued assets.

- a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the statement of profit or loss; and
- b) an amount equal to incremental depreciation for the year net of deferred tax is transferred from “Surplus on revaluation of plant and machinery” to unappropriated profits through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

Depreciation is charged to statement of profit or loss applying the reducing balance method at the rate specified in note 12.1, whereby the cost of the asset is written over its useful life. Depreciation on all additions in property, plant and equipment is charged from the month in which the asset is available for use and on disposals up to the month preceding the month of disposal.

Assets' residual values, if significant, and their useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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 benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to statement of profit or loss during the financial year in which they are incurred.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the assets (calculated as difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any and consists of expenditure incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset

category as and when assets are available for intended use.

3.2 Stores, spares and loose tools

These are valued at lower of cost and net realizable value, determined on moving average basis. The carrying value is adjusted for allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon upto reporting date.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost to be incurred for its sale.

The Company writes off stores and spares which at the end of the financial year have remained in stocks from the date of purchase for a period as prescribed under:

Stores general	held over 5 years
Spares	held over 10 years

The above write off is charged to statement of profit or loss in the period such items are written off.

3.3 Stock-in-trade

These are valued at lower of cost and net realizable value. Methods used for determining costs are as follows:

Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost

Raw material-in-transit and finished goods-in-transit are valued at cost comprising of cost and freight value plus other charges incurred thereon up to the reporting date.

Average cost in relation to work-in-process and finished goods signifies average manufacturing cost including a portion of related direct overheads.

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

The Company writes off raw material which at close of the financial year have remained in stocks for more than 3 years from the date of purchase. The write off is charged to statement of profit or loss in the period such stocks are held for more than 3 years.

3.4 Trade debts, loans, deposits and other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss (refer note 3.6.4).

3.5 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation, after taking into account tax rebates and tax credits available, if any, or turnover at the specified rate or Alternate Corporate Tax as defined in section 113C of the Income Tax Ordinance, 2001, whichever is higher. Charge for current tax also includes adjustments, where necessary, relating to prior years which arise from assessment framed / finalized during the year. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method for temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In this regard, the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of Technical Release – 27 (Income taxes) issued by the Institute of Chartered Accountants of Pakistan.

Deferred tax asset is recognized for all deductible temporary differences, carry forward of unused tax losses and tax credits, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

3.6 Financial instruments

3.6.1 Classification of financial assets

The Company classifies its financial assets into following three categories:

- Fair value through other comprehensive income (“FVOCI”); and
- Fair value through profit or loss (“FVTPL”).

Financial assets at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial assets at FVTPL

All other financial assets are classified at FVTPL (for example: equity held for trading and debt securities not classified either as

AC or FVOCI).

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

3.6.2 Recognition and initial measurement of financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of assets and liabilities when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.6.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial assets at FVOCI

All financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income.

For debt instruments classified as financial assets at FVOCI, the amounts in other comprehensive income are reclassified to income statement on derecognition of financial assets. This treatment is in contrast to equity instruments classified as financial assets at FVOCI, where there is no reclassification on derecognition.

All financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the income statement.

3.6.4 Impairment

Impairment of financial assets

Under expected credit loss (ECL) model of IFRS 9, the Company recognises loss allowances for ECLs on financial assets other than debt securities. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

3.6.5 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.6.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the entity has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.6.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

3.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, balances with banks, highly liquid short-term investments, short-term running finance under mark-up arrangements, FE-25 loan and musharaka finance.

3.8 Defined benefit plan - staff gratuity

The Company operates an unfunded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the scheme. Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation. The valuation is carried out using the "Project Unit Credit Method" at each reporting period. All actuarial gains and losses are recognized in 'other comprehensive income'. Current service costs and any past service costs together with net interest cost are charged to statement of profit or loss.

3.9 Compensated absences

The Company provides for compensated absences of its employees on unavailed balance of leave in the period in which the leave is earned.

3.10 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised cost.

3.11 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.12 Revenue recognition

The Company manufactures and contracts with customers for the sale of greige fabric which generally include single performance obligation. Management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset

is transferred to the customer, which is when the goods are dispatched to the customer in case of local sales and date of bill of lading in case of export sales.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the applicable effective interest rate.

Export rebate is recognized on accrual basis at the time of recognizing export sale.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in statement of profit or loss in the period in which they are incurred.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date. Exchange gains and losses arising in respect of borrowings in foreign currency are added in the carrying amount of the borrowing.

3.15 Dividend and appropriation to/ from reserves

Dividend distribution to the Company's shareholders and appropriation to/ from reserves are recognized as a liability in the financial statements in the period in which these are approved by the appropriate authority.

3.16 Foreign currency transactions and translation

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into reporting currency equivalents using foreign currency rates ruling on the reporting date. Exchange differences on foreign currency transactions and translation are included in the income currently.

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Company considers the Board of Directors as the CODM, who is responsible for allocating resources and assessing performance of the operating segments. Management has determined that the Company has a single reportable segment, as the Board of Directors views the Company's operations as one reportable segment because of the similarity in nature of the products, nature of the production processes, type or class of customers for the products and the methods used to distribute the products.

3.18 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.19 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of

money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss.

3.20 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2023	2022		Note	2023	2022
Number of shares				----- (Rupees in '000) -----	
		Ordinary shares of Rs.10 each fully paid			
8,400,000	8,400,000	In cash		84,000	84,000
1,260,000	1,260,000	As bonus shares		12,600	12,600
<u>9,660,000</u>	<u>9,660,000</u>			<u>96,600</u>	<u>96,600</u>

4.1 Shahtaj Sugar Mills Limited and Shah Nawaz (Private) Limited (associated companies) held 1,150,000 (2022: 1,150,000) and 350,000 (2022: Nil) respectively fully paid ordinary shares of Rs. 10 each at year end.

4.2 Directors held 2,441,270 (2022: 2,682,105) fully paid ordinary shares of Rs. 10 each at year end.

4.3 The Company has one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

5. RESERVES

REVENUE RESERVES

	Note	2023	2022
		----- (Rupees in '000) -----	
General reserve		1,085,000	935,000
Unappropriated profit		408,776	514,659
		<u>1,493,776</u>	<u>1,449,659</u>

CAPITAL RESERVE

Surplus on revaluation of plant and machinery	5.1	197,980	220,081
		<u>1,691,756</u>	<u>1,669,740</u>

	Note	2023 ----- (Rupees in '000) -----	2022 -----
5.1 Surplus on revaluation of plant and machinery			
Surplus on revaluation of plant and machinery as at July 01,		254,604	296,158
Impact of revaluation during the year		-	-
Transfer to unappropriated profit on account of:			
- incremental depreciation (net of deferred taxation)		(22,004)	(25,191)
- disposal of property, plant and equipment (net of deferred taxation)		(64)	(10,728)
Related deferred tax liability		(3,464)	(5,635)
		(25,532)	(41,554)
Surplus on revaluation of property, plant and equipment as at June 30		229,072	254,604
Related deferred tax liability on:			
Revaluation as at July 01		(34,523)	(37,790)
(Increase)/decrease in deferred tax for change in rate of deferred tax surplus on revaluation of plant and machinery realized during the year		(33)	(2,368)
- incremental depreciation (net of deferred taxation)		3,454	3,951
- disposal of property, plant and equipment (net of deferred taxation)		10	1,684
		3,431	3,267
		(31,092)	(34,523)
		197,980	220,081
6. LONG-TERM FINANCE			
Secured			
From banking companies		952,044	1,053,045
Less: Current portion shown under current liabilities		(81,548)	(94,420)
	6.1	870,496	958,625

6.1 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	2023 Total	2022 Total	
		Term Finance 1	Term Finance 2	Term Finance 3					
	----- (Rupees in '000) -----								
Balance at July 01	179,846	175,777	83,226	483,293	100,904	30,000	1,053,046	658,036	
Obtained during the year	-	-	-	-	-	-	-	483,293	
	179,846	175,777	83,226	483,293	100,904	30,000	1,053,046	1,141,329	
Repaid during the year	(17,516)	(31,739)	(5,202)	-	(16,545)	29,999,999	(101,002)	(88,284)	
	162,330	144,038	78,024	483,293	84,359	(30,000)	952,044	1,053,045	
Payable within one year	(22,481)	(31,739)	(10,403)	(380)	(16,545)	-	(81,548)	(94,420)	
Balance at June 30	139,849	112,299	67,621	482,913	67,814	-	870,496	958,625	
Mark up rate (per annum)	SBP rate + 80 bps (June 2022: SBP rate + 80 bps)	SBP rate + 75 bps (June 2022: SBP rate + 75 bps)	SBP rate + 150 bps (June 2022: SBP rate + 150 bps)	SBP rate + 130 bps (June 2022: SBP rate + 130 bps)	SBP rate + 50 bps (June 2022: SBP rate + 50 bps)	SBP rate + (200 bps - 250 bps) (June 2022: SBP rate 200 bps- 250 bps)			
Installment repayable	Bi-annually Quarterly	Bi-annually Quarterly	Bi-annually Quarterly	Quarterly	Quarterly	Quarterly			
Mark up payable	10 years	10 years	10 years	10 years	10 years	2.5 years			
Loan 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			
Grace period									
Sub-note	6.2	6.3	6.3	6.3	6.4	6.5			

- 6.2** 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.
- 6.3** The loan is secured by way of first pari passu charge over fixed assets of the Company (including land, building, plant and machinery) for Rs. 1,121 million with 25% margin.
- 6.4** 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.
- 6.5** This represents loan obtained under SBP Islamic 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. 80 million with 25% margin.

	Note	2023 ----- (Rupees in '000) -----	2022
7. DEFERRED LIABILITIES			
Staff gratuity	7.1	101,757	104,336
Deferred taxation	7.2	65,344	82,682
		167,101	187,018
7.1 Staff gratuity			
Liability recognized in the statement of financial position	7.1.1	101,757	104,336
7.1.1 Movement in liability during the year			
Balance as at July 01		104,336	88,375
Charge for the year	7.1.3	27,943	22,768
Remeasurement loss / (gain) recognized in statement of Comprehensive income	7.1.4	6,234	4,243
Payments made during the year		(36,756)	(11,050)
Balance as at June 30		101,757	104,336
7.1.2 Changes in present value of defined benefit obligation			
Present value of defined benefit obligation on July 1		104,336	88,375
Current service cost for the year	7.1.3	16,553	14,483
Interest cost for the year	7.1.3	11,390	8,285
Benefits paid during the year		(36,756)	(11,050)
Actuarial losses for the year	7.1.4	6,234	4,243
Present value of defined benefit obligation on June 30		101,757	104,336
7.1.3 Expense recognized in statement of profit or loss			
Current service cost		16,553	14,483
Interest cost		11,390	8,285
		27,943	22,768

Note 2023 2022
----- (Rupees in '000) -----

7.1.4 Remeasurement losses / (gains) recognized in statement of Comprehensive income

Actuarial losses / (gains) for the year		
Changes in financial assumptions	802	814
Experience adjustments	5,432	3,429
	<u>6,234</u>	<u>4,243</u>

7.1.5 The principal assumptions used in the actuarial valuations carried out as of June 30, 2023 using the 'Projected Unit Credit' method, are as follows:

	2023	2022
Discount rate per annum %	16.25%	13.25%
Expected annum rate of increase in future salaries %	15.25%	12.25%
Expected average remaining working lives	7 years	7 years
Expected mortality rate	SLIC (2001-2005)	SLIC (2001-2005)
	Setback 1 year	Setback 1 year
Expected withdrawal rate	Age based	Age based

7.1.6 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	2023	
		Increase in assumption	Decrease in assumption
		Increase / (decrease) in defined benefit obligation	
		----- (Rupees in '000) -----	
Discount rate	1%	(6,457)	7,239
Salary increase rate	1%	7,453	(6,762)
		2022	
		Increase / (decrease) in defined benefit obligation	
		----- (Rupees in '000) -----	
Discount rate	1%	(6,069)	6,812
Salary increase rate	1%	7,011	(6,356)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for gratuity recognized within the statement of financial position.

7.1.7 The Scheme exposes the Company to the actuarial risks such as:

Salary risk

The risk that the final salary at the time of cessation of service is higher than what was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risk

The risk that the actual mortality / withdrawal experience is different. The effect depends upon the beneficiaries' service / age distribution and the benefit.

Longevity risk

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

7.1.8 Expected gratuity expense for the year ending June 30, 2024 is Rs. 35,491,454.

7.1.9 The weighted average duration of the defined benefit obligation for the year ended June 30, 2023 is 7 years (2022: 7 years).

7.2 Deferred taxation	Opening balance	Recognized in statement of profit or loss	Recognized in statement of comprehensive income	Closing balance
	----- (Rupees in '000) -----			
Movement for the year ended June 30, 2023				
Deferred tax liabilities on taxable temporary differences arising in respect of:				
- property, plant and equipment	79,366	(5,347)	-	74,019
- surplus on revaluation of plant and machinery	34,523	(3,464)	33	31,092
	113,889	(8,811)	33	105,111
Deferred tax assets on deductible temporary differences arising in respect of:				
- staff gratuity	(14,829)	993	(846)	(14,682)
- provision for doubtful debts	(11,612)	(9)	-	(11,621)
- tax credits	(4,766)	(8,698)	-	(13,464)
	(31,207)	(7,714)	(846)	(39,767)
	82,682	(16,525)	(813)	65,344
Movement for the year ended June 30, 2022				
Deferred tax liabilities on taxable temporary differences arising in respect of:				
- property, plant and equipment	61,843	17,523	-	79,366
- surplus on revaluation of plant and machinery	37,790	(5,635)	2,368	34,523
	99,633	11,888	2,368	113,889
Deferred tax assets on deductible temporary differences arising in respect of:				
- staff gratuity	(12,049)	(2,205)	(575)	(14,829)
- provision for doubtful debts	(10,927)	(685)	-	(11,612)
- tax credits	(6,279)	1,513	-	(4,766)
	(29,255)	(1,377)	(575)	(31,207)
	70,378	10,511	1,793	82,682

7.2.1 The deferred tax asset recognised in the financial statements represents the management's best estimate of the potential benefit which is expected to be realized in the future years in the form of reduced tax liability as the Company would be able to set off the tax liability in those years against minimum tax against the taxable profits of future years.

	Note	2023 ----- (Rupees in '000) -----	2022
8. TRADE AND OTHER PAYABLES			
Creditors		560,963	690,432
Bills payable		-	22,096
Accrued liabilities	8.1& 8.2	251,469	186,807
Leave encashment	8.3	6,432	5,026
Due to an associated undertaking	8.4	257	-
Workers' Profit Participation Fund	8.5	12,863	21,575
Workers' Welfare Fund		26,393	21,506
Retention payable		5,578	1,192
Sales tax payable		8,833	171
Others		8,470	7,019
		881,258	955,824

8.1 This includes amount payable to Sui Northern Gas Pipelines Limited (SNGPL) in respect of Gas Infrastructure Development Cess (GIDC). The Federal Government issued GIDC Acts in the years 2011, 2014 and 2015. All GIDC Acts have been subject of thorough debate and consideration at Honorable High Courts of the Country as well as the Supreme Court of Pakistan (SCP).

On August 12, 2020, the SCP issued its verdict and held that "the levy imposed under GAS Infrastructure Development Cess Act, 2015 (the Act) is in accordance with the Provisions of the Constitution". The Supreme Court also held that "the Provisions of Section 8 of the Act, which give retrospective effect to the charge and recovery of GIDC levied from the year 2011 are also declared to be valid being within the legislative competence of the Parliament." However, since the Company is an industrial concern and it did not pass on the burden of GIDC to its consumers prior to the GIDC Act, 2015 (or even thereafter), management believes that the Company is entitled to the exemption under the first proviso to Section 8(2) of the GIDC Act, 2015 from payment of the GIDC levied under the GIDC Act, 2011 and GIDC Ordinance, 2014. As such, arrears due from the Company may only include amounts levied under the GIDC Act, 2015 from the date of its commencement, i.e., May 22, 2015.

Subsequent to the Order passed by the Honorable SCP on August 13, 2020, SNGPL issued bills to the industry, including the Company, claiming arrears of first Instalment in deference to the said Judgement of the SCP. The bills of arrears were calculated for monthly instalment on the basis of entire payable amount from 2011 to July 2020 by charging Cess at the higher rate of tariff applicable to Captive Connections. Further, the implication of Section 8 of the said Act, 2015 was not taken into consideration whereby it was provided that the industry, which has not collected the Cess from the Customers prior to 2015 shall not be liable to the payment of GIDC for the said period from 2011 to 2015. Accordingly, during the year ended June 30, 2021, a writ petition was filed by All Pakistan Textile Mills Association (APTMA) (where the Company is also a party to the petition) before Honorable Lahore High Court (LHC) against imposition of GIDC Act 2015 and the recovery of Cess from December 2011 to May 2015. Further, during the year ended June 30, 2021, SNGPL started billing for GIDC to the Company against which certain payments have been made by the Company based on the order issued by Honorable Lahore High Court against the aforementioned writ petition. Pursuant to the order, Lahore High Court restrained SNGPL from charging the Cess at the higher tariff rate of Captive Connection and directed to issue revised bill calculated at the rate applicable to industrial connection and ordered the Companies to make payment based on industrial tariff and for the difference between the amount charged to industrial consumers and captive power consumers, post-dated cheques be issued. Accordingly, the Company made certain payments at tariff rate that is applicable to industrial consumers and also issued post-dated cheques for the differential amount in favour of SNGPL. Further, pursuant to the order of the Lahore High Court, the payment for the period from 2011 to 2015 was also suspended in view of the implication of the said provision of law.

On September 27, 2021, the Honorable Lahore High Court issued a judgment on writ petition No. 42716 / 2020 whereby it was concluded that all the parties to the petition (including the Company) fall under the category of Industrial Consumers rather than Captive Power Plant and shall remain liable to the tariff applicable to Industrial Consumers.

Further, during the year ended June 30, 2022, the Company filed an appeal before the Honorable High Court of Sindh (SHC) on the ground that no burden of GIDC had been passed to its customers / clients and thus the Company is not liable to pay GIDC under GIDC Act 2015. The SHC granted stay order on August 31, 2021 against recovery of GIDC payable by the Company till the finalization of matter by SHC. The matter is currently pending in the SHC. However, as a matter of abundant caution and without prejudice to the suits filed, the Company has made aggregate provision of Rs. 18.384 million (2022: Rs. 18.384 million) in respect of GIDC up to June 30, 2023.

8.2 In June 2017, Oil and Gas Regulatory Authority (OGRA) revised the RLNG tariff retrospectively. Based on retrospective tariff determination, the Company received demand in respect of RLNG tariff arrears. In view of this development, the All Pakistan Textile Mills Association (APTMA) (where the Company is also a party to the petition) filed a law suit in Lahore High Court against charge of RLNG tariff arrears. However, management on prudent basis has recognized provision of Rs. 27.026 million (2020: Rs. 27.026 million) in this respect, which is included in accrued liabilities.

	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
8.3 Leave encashment		
Balance as at July 01	5,027	6,046
Provision during the year	6,383	4,402
Paid during the year	(4,978)	(5,422)
Balance as at June 30	<u>6,432</u>	<u>5,026</u>

8.4 This represents payable to Shahnawaz (Private) Limited, a related party, on account of computer and computer supplies.

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
8.5 Workers' Profit Participation Fund			
Balance as at July 01		21,575	15,443
Interest on funds utilized in the Company's business	27	729	1,569
		<u>22,304</u>	17,012
Payments made during the year			(17,012)
Allocation for the year	26	(22,304)	21,575
Balance as at June 30		<u>12,863</u>	<u>21,575</u>

9. INTEREST ACCRUED

Interest accrued on:

- Long-term finance	7,936	8,473
- Running finance	32,479	17,131
- Musharaka finance	10,981	6,661
	<u>51,396</u>	<u>32,265</u>

	Note	2023 ----- (Rupees in '000) -----	2022
10. SHORT-TERM BORROWINGS			
Banking companies- secured			
Running finances under markup arrangement	10.1	446,577	714,745
Musharaka finance	10.2	198,238	198,223
Istisna financing	10.3	175,000	-
		<u>819,815</u>	<u>912,968</u>

10.1 The Company can avail finance facilities from various banks aggregating to Rs. 875 million (2022: Rs. 1020 million). The unavailed facilities as at year end were Rs. 428.71 million (2022: Rs. 305.25 million). The facilities are secured by hypothecation of stocks and book debts. These are subject to mark-up ranging from 1 month KIBOR plus 0.5% to 1% per annum (2022: 1 to 3 months KIBOR plus 0.35% to 1.25% per annum).

10.2 The Company can avail finance facility under Musharaka of Rs. 200 million (2022: Rs. 200 million). The unavailed facility as at year end was Rs. 1.61 million (2022: Rs. 1.77 million). This finance facility is secured by fixed pari passu hypothecation of stocks and receivables with 25% margin. These are subject to mark-up rate of 1 month KIBOR plus 0.65% per annum (2022: 1 month KIBOR plus 0.65% per annum).

10.3 Short term Istisna Financing was obtained under shariah arrangement to finance the manufacturing of finished goods. The bank has approved a facility of Rs. 175 million (2022: Sublimit of Running Finance of Rs 175 million). The mark-up rate on the financing is 6 months KIBOR + 1% per annum (2022: Nil). The facility is secured against first pari passu charge over land, building, plant and machinery and stocks / receivables with 25% margin. The maximum tenor of the Istisna Financing is 180 days.

	Note	2023 ----- (Rupees in '000) -----	2022
11. CONTINGENCIES AND COMMITMENTS			
Contingencies			
Guarantees issued by banks on behalf of the Company in favor of Sui Northern Gas Pipelines Limited (SNGPL)		36,843	36,843
Tax contingencies have been disclosed in note 29 to the financial statements.			
11.1 Commitments			
- Capital expenditure		227,140	24,856
- Raw material		-	22,096
12. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	12.1	1,629,654	1,726,808
Capital work in progress	12.6	2,519	33,871
		<u>1,632,173</u>	<u>1,760,679</u>



12.1 Operating fixed assets

	Buildings on freehold land										Total
	Freehold land	Mills building	Labour colony	Marketing office and others	Plant and machinery*	Furniture and fixtures	Equipment and installations	Computer equipment	Vehicles	Others - arms	
Year ended June 30, 2023	(Rupees in '000)										
As at July 01, 2022	31,121	222,296	35,952	21,007	2,930,453	13,146	8,676	8,280	48,389	80	3,319,400
Cost / revalued amount	-	(149,623)	(29,073)	(11,122)	(1,359,058)	(7,228)	(4,039)	(6,161)	(26,213)	(75)	(1,592,592)
Accumulated depreciation	31,121	72,673	6,879	9,885	1,571,395	5,918	4,637	2,119	22,176	5	1,726,808
Net book value	-	65,272	-	-	5,613	97	7	1,247	5,867	-	78,103
Additions / transfers from CWIP	-	-	-	-	(6,478)	-	-	-	(4,863)	-	(11,341)
Disposals	-	-	-	-	6,173	-	-	-	2,968	-	9,141
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation on write off	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(7,804)	(691)	(496)	(157,478)	(598)	(465)	(867)	(4,658)	-	(173,057)
Closing net book value	31,121	130,141	6,188	9,389	1,419,225	5,417	4,179	2,499	21,490	5	1,629,654
As at June 30, 2023	31,121	287,568	35,952	21,007	2,929,588	13,243	8,683	9,527	49,393	80	3,386,162
Cost / revalued amount	-	(157,427)	(29,764)	(11,618)	(1,510,363)	(7,826)	(4,504)	(7,028)	(27,903)	(75)	(1,756,508)
Accumulated depreciation	31,121	130,141	6,188	9,389	1,419,225	5,417	4,179	2,499	21,490	5	1,629,654
Net book value	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	
Depreciation rate											



Buildings on freehold land											
	Freehold land	Mills building	Labour colony	Marketing office and others	Plant and machinery*	Furniture and fixtures	Equipment and installations	Computer equipment	Vehicles	Others - arms	Total
Year ended June 30, 2022	31,121	222,296	35,952	21,007	2,634,700	12,978	7,868	7,812	47,011	80	3,020,825
As at July 01, 2021	-	(141,548)	(28,309)	(10,602)	(1,394,447)	(6,586)	(3,783)	(5,306)	(23,571)	(75)	(1,614,227)
Cost / revalued amount	31,121	80,748	7,643	10,405	1,240,253	6,392	4,085	2,506	23,440	5	1,406,598
Accumulated depreciation	-	-	-	-	518,304	195	1,074	517	3,860	-	523,950
Net book value	-	-	-	-	(222,551)	-	(72)	-	(2,482)	-	(225,105)
Additions / transfers from CWIP	-	-	-	-	170,785	-	28	-	2,300	-	173,113
Disposals	-	-	-	-	-	(27)	(194)	(49)	-	-	(270)
Accumulated depreciation on disposals	-	-	-	-	-	7	170	33	-	-	210
Write off	-	-	-	-	(135,396)	(649)	(454)	(888)	(4,942)	-	(151,688)
Accumulated depreciation on write off	-	(8,075)	(764)	(520)	-	-	-	-	-	-	-
Depreciation charge for the year	-	-	-	-	-	-	-	-	-	-	-
Closing net book value	31,121	72,673	6,879	9,885	1,571,395	5,918	4,637	2,119	22,176	5	1,726,808

As at June 30, 2022	31,121	222,296	35,952	21,007	2,930,453	13,146	8,676	8,280	48,389	80	3,319,400
Cost / revalued amount	-	(149,623)	(29,073)	(11,122)	(1,359,058)	(7,228)	(4,039)	(6,161)	(26,213)	(75)	(1,592,592)
Accumulated depreciation	31,121	72,673	6,879	9,885	1,571,395	5,918	4,637	2,119	22,176	5	1,726,808
Net book value	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	-
Depreciation rate	-	10%	10%	5%	10%	10%	10%	30%	20%	10%	-

* Carried at revalued amount.

12.1.1 Details of assets sold, having net book value in excess of Rs. 500,000 where the aggregate book value of class of assets exceeds Rs. 5,000,000 are as follows:

Description	Cost / revalued amount	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Mode of disposal	Relationship of purchaser with Company	Particulars of purchaser
Plant and machinery	2,011	586	1,425	1,450	25	Negotiation	None	Mr. Sultan
Vehicle	2,011	586	1,425	1,450	25			
	2,011	586	1,425	1,450	25			

	Note	2023 ----- (Rupees in '000) -----	2022
12.2 The depreciation charge for the year has been allocated as follows:			
Cost of goods sold	23	166,048	144,317
Distribution expenses	25	6,593	437
Administrative expenses	24	416	6,934
		<u>173,057</u>	<u>151,688</u>

12.3 The Company had its plant and machinery revalued by independent valuer M/s Asif Associates (Private) Limited in March 2021 on the basis of depreciated replacement value. The revaluation surplus, net of deferred tax, is recognized in statement of comprehensive income and accumulated in equity under the heading of 'Surplus on revaluation of plant and machinery'. The forced sale value of plant and machinery based on valuation conducted in March 2021 was Rs. 1,026 million.

An amount equal to incremental depreciation net of deferred tax for the year is transferred from "Surplus on revaluation of plant and machinery" to "Unappropriated profit" for recording realization of surplus to the extent of incremental depreciation net of deferred tax charged during the year.

12.4 Had there been no revaluation, the carrying amount of the plant and machinery would have been as follows:

	2023 ----- (Rupees in '000) -----	2022
Cost	2,273,567	2,274,230
Accumulated depreciation	(1,083,414)	(957,439)
Written down value	<u>1,190,153</u>	<u>1,316,791</u>

12.5 Particulars of immovable property (i.e. land and building) in the name of the Company are as follows:

Location	Total Area (in Kanals)	Usage of immovable property
46 KM. Lahore/Multan Road, Chunian Industrial Estate, Bhai Pheru, Distt. Kasur, Punjab	189.45	Manufacturing facility and Labour Colony
27-C, Abdalian Cooperative Housing Society Limited, Opposite Expo Center, Lahore, Punjab.	1.5	Marketing Office

12.6 Capital work in progress	Vehicles	Civil work	Plant and machinery	Total
	----- (Rupees in '000) -----			
As at July 1, 2021	-	-	2,838	2,838
Additions	3,860	31,877	514,521	550,258
Transferred to operating fixed assets	(3,860)	-	(515,365)	(519,225)
As at June 30, 2022	-	31,877	1,994	33,871
Additions				
Transferred to operating fixed assets	4,417	33,395	4,241	42,053
	<u>(4,417)</u>	<u>(65,272)</u>	<u>(3,716)</u>	<u>(73,405)</u>
As at June 30, 2023	<u>-</u>	<u>-</u>	<u>2,519</u>	<u>2,519</u>

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
13. LONG-TERM LOANS			
Considered good - secured			
Loan to employees		663	799
Less: Recoverable within one year shown under current assets	18 13.1	(220) 443	(275) 524

13.1 Reconciliation of carrying amount of long term loans given is as follows:

Balance at July 1,		799	762
Disbursements during the year		300	715
		1,099	1,477
Received during the year		(436)	(678)
Balance at June 30,		663	799
Current portion of long term loans		(220)	(275)
		443	524

13.2 These are non-interest bearing loans given for miscellaneous purposes and are recoverable in 60 equal monthly installments. These loans are secured against gratuity.

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
14. LONG-TERM DEPOSITS			
Security deposits against:			
Utilities	14.1	33,113	33,113
Others		25	25
		33,138	33,138

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
15. STORES, SPARES AND LOOSE TOOLS			
Stores		28,307	29,186
Spares		46,950	13,311
Loose tools		3,914	3,866
	23.2	79,171	46,363
Provision made during the year		2,351	823
Written off during the year	26	(2,351)	(823)
		-	-
Balance as at June 30		79,171	46,363

	Note	2023 ----- (Rupees in '000) -----	2022
16. STOCK-IN-TRADE			
Raw and packing materials			
in hand	23.1	652,241	785,998
in transit		-	22,543
Work-in-process	23	102,275	119,376
Finished goods, including goods-in-transit	16.1, 16.2 & 23	498,683	873,644
		1,253,199	1,801,561
Provision for obsolete raw material			
Provision made during the year	23	9	254
Written off during the year		(9)	(254)
Balance as at June 30		-	-
		1,253,199	1,801,561

16.1 This includes finished goods in transit amounting to Rs.Nil (2022: Rs. 5.97 million).

16.2 This includes items costing Rs. 6.31 million (2022: Rs. 51.17 million) valued at net realizable value of Rs. 1.8 million (2022: Rs. 14.57 million).

	Note	2023 ----- (Rupees in '000) -----	2022
17. TRADE DEBTS			
Secured - considered good			
Export	17.1 & 17.2	531,569	287,775
Local	17.1	116,836	53,939
Unsecured - considered good			
Local	17.3	433,596	655,596
Unsecured - considered doubtful			
Doubtful debts		(85,627)	(85,627)
Provision for doubtful debts		85,627	85,627
		-	-
		1,082,001	997,310

17.1 Major portion of these amounts are secured against letters of credit in favor of the Company.

17.2 The maximum aggregate amount due from Lionsmill Trading LLC (related party) at the end of any month during the year was Nil (2022: Rs. 3.289 million).

17.3 The aging of unimpaired trade debts is disclosed in note 35.4.

17.4 Trade debts are non-interest bearing and are generally on 7 days to 180 days credit terms.

	Note	2023 ----- (Rupees in '000) -----	2022
18. LOANS AND ADVANCES			
Advances - considered good			
Employees		469	339
Suppliers and contractors		2,384	3,104
		<u>2,853</u>	<u>3,443</u>
Current portion of long-term loans		220	275
		<u>3,073</u>	<u>3,718</u>
19. TRADE DEPOSITS AND PREPAYMENTS			
Trade deposits against container		-	388
Prepayments			
LC Margin and others		287,658	-
Subscription		2,212	1,810
Insurance		-	146
		<u>289,870</u>	<u>1,956</u>
		<u>289,870</u>	<u>2,344</u>
20. OTHER RECEIVABLES			
Considered good			
Export rebate		3,952	3,490
Others		3,109	-
		<u>7,061</u>	<u>3,490</u>
21. CASH AND BANK BALANCES			
Cash at bank - current accounts	21.1	42,444	16,800
Cash in hand		142	364
		<u>42,586</u>	<u>17,164</u>

22. SALES - NET	Note	2023 ----- (Rupees in '000) -----	2022
Export	22.1	1,637,176	1,375,840
Indirect export		3,494,741	3,684,169
Local		4,146,199	3,491,872
		<u>9,278,116</u>	<u>8,551,881</u>
Export rebate		496	537
Waste sales		24,207	18,277
		<u>9,302,819</u>	<u>8,570,695</u>
Commission			
- Local		(41,121)	(32,498)
- Export		(45,042)	(37,382)
		<u>(86,163)</u>	<u>(69,880)</u>
Sales tax		(1,131,474)	(1,045,329)
	22.2	<u>8,085,182</u>	<u>7,455,486</u>

22.1 It includes sales made to related parties, i.e., Lionsmill Trading LLC amounting to Rs. Nil (2022: Rs.11.66).

22.2 Revenue from three major customers of the Company represents 49% (2022: 53%) of total revenue of the Company.

23. COST OF GOODS SOLD	Note	2023 ----- (Rupees in '000) -----	2022
Raw and packing materials	23.1	5,803,577	6,318,860
Stores and spares	23.2	43,639	62,730
Manufacturing expenses			
Salaries, wages and benefits	23.3	279,480	242,786
Directors' remuneration	33	9,533	9,735
Fuel and power		720,107	444,990
Repairs and maintenance		9,493	10,962
Insurance		9,436	8,494
Depreciation	12.2	166,048	144,317
Raw material written off	16	9	254
Others		5,717	874
		<u>7,047,039</u>	<u>7,244,002</u>
Work-in-process			
Opening stock		119,376	95,394
Closing stock	16	(102,275)	(119,376)
		<u>17,101</u>	<u>(23,982)</u>
Cost of goods manufactured		<u>7,064,140</u>	<u>7,220,020</u>
Finished goods			
Opening stock		873,644	370,180
Closing stock	16	(498,683)	(873,644)
		<u>374,961</u>	<u>(503,464)</u>
		<u>7,439,101</u>	<u>6,716,556</u>
Outside processing charges		5,144	5,949
		<u>7,444,245</u>	<u>6,722,505</u>

	Note	2023 ----- (Rupees in '000) -----	2022
23.1 Raw and packing materials consumed			
Opening stock		785,998	446,271
Purchases		5,669,820	6,658,587
		6,455,818	7,104,858
Closing stock	16	(652,241)	(785,998)
		5,803,577	6,318,860
23.2 Stores and spares consumed			
Opening stock		46,363	46,453
Purchases and related expenses		76,447	62,640
		122,810	109,093
Closing stock	15	(79,171)	(46,363)
		43,639	62,730

23.3 Salaries, wages and benefits include Rs. 14.975 million (2022: Rs. 13.324 million) in respect of staff retirement gratuity.

	Note	2023 ----- (Rupees in '000) -----	2022
24. DISTRIBUTION EXPENSES			
Export related			
Ocean freight		37,002	61,833
Insurance		692	605
Forwarding		72	65
Export duty		5,649	3,953
Postage and courier		58	78
Fees and subscription		43	294
Travelling and conveyance		5,127	432
Other		1,299	598
		49,942	67,858
Local			
Salaries and benefits	24.1	34,727	32,170
Local freight		11,564	7,790
Travelling and conveyance		727	702
Sales promotion		532	486
Marketing office		2,972	2,118
Depreciation	12.2	416	437
Insurance		20	48
Claim from buyers		1,003	270
Other		1,025	377
		52,986	44,398
		102,928	112,256

24.1 Salaries and benefits include Rs. 5.252 million (2022: Rs. 4.894 million) in respect of staff retirement gratuity.

25. ADMINISTRATIVE EXPENSES	Note	2023 ----- (Rupees in '000) -----	2022
Salaries and benefits	25.1	81,731	70,634
Director's remuneration		16,740	16,170
Travelling and conveyance		1,015	1,059
Vehicles running and maintenance		8,453	6,999
Telephone and fax		799	329
Postage and courier		286	245
Printing and stationery		2,518	1,954
Computer expenses		3,115	4,562
Rent, rates and taxes		4,800	2,560
Repairs and maintenance		931	637
Insurance		1,170	1,044
Auditor's remuneration	25.3	1,237	1,237
Legal and professional		1,479	2,302
Advertising		44	202
Entertainment		513	284
Fees and subscription		5,772	5,244
Donations	25.2	1,500	-
Depreciation	12.2	6,593	6,934
Share registrar services		285	274
Other		3,152	3,017
		142,133	125,687

25.1 Salaries and benefits include Rs.7.715 million (2022: Rs.4.551 million) in respect of staff retirement gratuity.

25.2 None of the directors and their spouses had any interest in the donee's fund.

25.3 Auditor's remuneration	Note	2023 ----- (Rupees in '000) -----	2022
Audit fee		850	850
Half yearly review fee		150	150
Review of statement of compliance and other certifications		125	125
Out of pocket expenses		112	112
		1,237	1,237

26. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	8.5	12,863	21,575
Workers Welfare Fund		4,888	8,199
Property and equipment written off		-	60
Stores and spares written off	15	2,351	823
		20,102	30,657

	Note	2023 ----- (Rupees in '000) -----	2022
27. FINANCE COST			
Mark-up on:			
Long-term finance		25,733	21,908
Running finance under markup arrangement		100,597	39,098
Musharaka finance		34,279	13,652
Discounting charges		49,109	8,350
Interest on Workers' Profit Participation Fund	8.5	729	1,569
Bank charges and commission		3,895	1,878
		<u>214,342</u>	<u>86,455</u>
28. OTHER INCOME			
Income from other than financial assets			
Net income from trading	28.1	2,104	1,329
Exchange gain	28.2	72,549	22,017
Gain on disposal of property, plant and equipment		1,070	454
		<u>75,723</u>	<u>23,800</u>
28.1 Net income from trading			
Sales - Local		6,894	10,272
Cost - Purchases and related expenses		(4,790)	(8,943)
		<u>2,104</u>	<u>1,329</u>
28.2 It includes unrealized gain amounting to Rs 0.361 million (2022: 11.287 million)			
29. TAXATION			
Current		100,073	91,168
Prior years		589	(2)
		<u>100,662</u>	<u>91,166</u>
Deferred		(16,525)	10,511
	29.1	<u>84,137</u>	<u>101,677</u>
29.1 Relationship between income tax expense and accounting profit:			
Profit before taxation		237,155	401,726
Tax rate %		29%	29%
Tax on accounting profit		68,775	116,501
Effect of income subject to final tax regime		7,803	(27,688)
Effect of Tax Credits		(1,072)	-
Effect due to change in rate	29.5	-	512
Effect of Super Tax		8,667	8,699
Effect on prior year adjustment		589	(2)
Others		(625)	3,655
Tax charge for the year		<u>84,137</u>	<u>101,677</u>

		2023	2022
30. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation for the year	Rupees in '000	153,018	300,049
Weighted average number of ordinary shares in issue	Number	9,660,000	9,660,000
Earnings per share - basic and diluted	Rupees	15.84	31.06

30.1 There is no dilutive effect on the basic earnings per share of the Company.

31. CHANGES ARISING FROM FINANCING ACTIVITIES

The table below states changes in the Company's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	June 30, 2022	Financing cash inflows	Financing cash outflows	Non cash changes - Transfer current portion	June 30, 2023
	----- (Rupees in '000) -----				
Unclaimed dividend	24,605	-	(114,635)	125,580	35,550
	June 30, 2021				June 30, 2022
Unclaimed dividend	15,155	-	(101,640)	111,090	24,605

	Note	2023 ----- (Rupees in '000) -----	2022
32. CASH AND CASH EQUIVALENTS			
Short-term borrowings - Running finances under markup arrangement	10	(819,815)	(298,241)
Cash and bank balances	22	42,586	50,420
		(777,229)	(247,821)

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2023			2022		
	Chief Executive	Executive Director	Executives	Chief Executive	Executive Director	Executives
	----- (Rupees in '000) -----					
Remuneration	5,040	5,199	28,687	5,040	5,199	22,976
Bonus	930	650	3,133	930	381	2,509
Retirement benefits	930	650	3,536	930	650	2,872
House rent	2,520	1,561	8,610	2,520	1,561	6,895
Ex-gratia	420	433	2,089	1,350	904	4,545
Medical	1,800	520	2,869	1,800	520	2,298
Utilities	1,800	520	2,869	1,800	520	2,298
Leave encashment	-	-	1,661	-	-	1,180
	13,440	9,533	53,454	14,370	9,735	45,573
Number of persons	1	1	12	1	1	10

- 33.1** In addition, the Chief Executive is provided with Company's owned and maintained car for personal and official use.
- 33.2** In addition, the Executive Director and Executives are provided with Company's owned and maintained cars for official use.
- 33.3** In addition to the above, fee paid to 8(2022: 8) non-executive directors during the year amounted to Rs. 3.30 million (2022: Rs. 1.80 million) on account of meeting fee.

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of associated undertakings, directors and key management personnel. The transactions between the Company and the related parties are duly approved by board of directors and carried out as per agreed terms. Amounts due from and to related parties have been disclosed in the notes to the financial statement as follows:

- Due to associated undertakings under payables in note 8;
- Remuneration of key management personnel is disclosed in note 33;
- Due from other related party under trade debts in note 17.

Other significant transactions with related parties are as follows:

Relationship with the Company	% of Shareholding / Other basis of Relationship	Name	Nature of transactions	2023 ----- (Rupees in '000) -----	2022
Associated undertakings	3.62% / Common Directorship	Shahnawaz (Private) Limited	Computers, computer supplies and others purchases	255	733
			Services received for office facility	5,436	2,812
			Software development charges	2,400	3,900
			Dividend paid	4,550	4,025
	11.9% / Common Directorship	Shahtaj Sugar Mills Limited	Dividend paid	14,950	13,225
	Nil / Common Directorship	Shezan International Limited	Purchase of goods	235	215
	Nil / Common Directorship	Information Systems Associates Limited	Website maintenance	68	61
Other related parties	Nil / Close family member	Lionsmill Trading LLC	Sale of fabric Commission on sales	- 2,429	11,663 -
Directors			Dividend paid	34,867	30,844

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 Financial instruments by category	Note	2023 ----- (Rupees in '000) -----	2022
Financial assets as per statement of financial position			
Loans and receivables measured at amortized cost			
Long-term loans		443	524
Long-term deposits		33,138	33,138
Trade debts		1,082,001	997,310
Loans and advances		443	614
Trade deposits		289,870	388
Cash and bank balances		42,586	17,164
		<u>1,448,481</u>	<u>1,049,138</u>
Financial liabilities as per statement of financial position			
Financial liabilities measured at amortized cost			
Long-term financing		952,044	1,053,045
Trade and other payables		833,169	912,572
Interest accrued		51,396	32,265
Short-term borrowings		819,815	912,968
Unclaimed dividend		35,550	24,605
		<u>2,691,974</u>	<u>2,935,455</u>

35.2 Financial risk factors
Introduction and overview

The Company has exposure to the following risks from financial instruments:

- market risk
- credit risk
- liquidity risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, Company's objectives, policies and processes for measuring and managing risk, fair value of financial instruments and the Company's management of capital.

The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

The Company's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in Company's activities but it is managed through monitoring and controlling activities which are based on internal controls set on different activities of the Company by the Board of Directors. These controls reflect the business strategy and market environment of the Company as well as the level of the risk that the Company is willing to accept.

The Board along with the Company's finance department oversees the management of the financial risks reflecting changes in the market conditions and also the Company's risk taking activities providing assurance that these activities are governed by appropriate procedures and that the financial risk are identified, measured and managed in accordance with the Company risk appetite.

35.3 The Company's principal financial liabilities comprise long-term finances, short-term borrowings, accrued markup/interest and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's financial assets comprise of trade debts, loans and advances, trade deposits, other receivables, other financial assets and cash and bank balances that arise directly from its operations.

35.3.1 Market risk

Market risk is the risk that the value of cashflows of the financial instrument may fluctuate as a result of changes in market interest rates, foreign exchange rates or the equity prices due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Under market risk the Company is exposed to currency risk, interest rate risk and other price risk (equity price risk).

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings and bank balances in foreign currency. The Company's exposure to foreign currency risk is as follows:

	June 30, 2023		
	USD	EURO	Total
	----- (Rupees in '000) -----		
Trade and other receivables	149,105	382,465	531,570
Trade and other payables	9,521	-	9,521
Net exposure	158,626	382,465	541,091

	June 30, 2022		
	USD	EURO	Total
	----- (Rupees in '000) -----		
Trade and other receivables	33,711	254,064	287,775
Trade and other payables	(22,096)	-	(22,096)
Net exposure	11,615	254,064	265,679

	Average rate		Reporting date rate	
	2023	2022	2023	2022
USD	247.998	173.470	285.99	204.17
Euro	260.146	196.220	312.93	213.59

At June 30, 2023, if the Pakistani Rupee had weakened / strengthened by 10% against the US Dollar and Euro with all other variables held constant, profit before tax for the year would have been lower / higher by Rs. 54.11 million million (2022: Rs. 26.56 million), mainly as a result of foreign exchange losses / gains on translation of US Dollar and Euro - denominated trade debts and trade payables.

(b) Interest rate risk management

Interest rate risk is 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's interest rate risk arises from other financial assets, long term loans, long term finance and short term borrowings. These are benchmarked to variable rates which exposes the Company to cash flow interest rate risk only.

	Carrying amount	
	2023	2022
	----- (Rupees in '000) -----	
Variable rate instruments		
Financial liabilities		
- Short term borrowings	819,815	912,968

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the year end would have increased or decreased the profit before tax for the year by Rs. 8.198 million (2022: Rs. 9.13 million). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2022.

	Interest rate		Carrying amount	
	2023	2022	2023	2022
	----- % -----		----- (Rupees in '000) -----	
Fixed rate instruments				
Financial liabilities - long term finances				
	2.75%	2.75%	144,038	175,777
	2.50%	2.50%	84,359	100,903
	2.80%	2.80%	162,330	179,846
	2.30%	2.30%	483,293	483,293
	3.50%	3.50%	78,024	83,226
	-	2 - 2.50%	-	30,000
Net financial liabilities at fixed interest rates			952,044	1,053,045

Cash flow sensitivity analysis for fixed rate instrument

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 statement of profit or loss.

(c) Equity price risk

Equity price risk is 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 currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at year end, there are no financial instruments of the Company which are subject to equity price risk.

35.4 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Out of the total financial assets of Rs. 1448.661 million (2022: Rs. 1049.138 million), the financial assets which are subject to credit risk amounted to Rs. 1,448.265 million (2022: Rs. 1048.774 million).

The Company is exposed to credit risk from its operating activities (primarily for trade debts and loans and advances) and from its investing activities, including deposits with banks and financial institutions and other financial instruments. The credit risk on liquid funds (cash and bank balances) is limited because the counter parties are banks with a reasonably high credit rating.

The analysis below summarises the credit quality of the Company's bank balances as at June 30, 2023:

Name	Balances held as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating Agency
------	-----------------------------------	---	---------------

--(Rupees in '000)--

Bank balances

United Bank Limited	10	AAA	VIS
Bank of Punjab	7,629	AA+	PACRA
Habib Bank Limited	19,593	AAA	VIS
Bank Al-Falah	10,665	AA+	PACRA
MCB Bank Limited	4,007	AAA	PACRA
Habib Metropolitan Bank Limited	76	AA+	PACRA
Faysal Bank Limited	464	AA	PACRA

The analysis below summarises the credit quality of the Company's bank balances as at June 30, 2022:

Name	Balances held as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating Agency
------	-----------------------------------	---	---------------

--(Rupees in '000)--

Bank balances

Bank balances			
United Bank Limited	10	AA+	VIS
Bank Al-Falah	2,374	AA+	PACRA
Bank of Punjab	137	AA+	PACRA
Habib Bank Limited	13,355	AAA	VIS
Habib Metropolitan Bank Limited	924	AA+	PACRA

The Company's main credit exposure is with trade receivables. The Company has adopted a policy of only dealing with creditworthy counterparties and majority of the transactions are made through post dated cheques. Further, the Company's credit exposure is continuously monitored and the aggregate value of transactions are spread amongst approved counterparties, and overdue counterparties are pursued efficiently by the management for recovery. 60% (2022: 34%) of the credit exposure of the Company at year end is secured against letters of credit or other form of security.

Trade debts consist of a large number of customers, spread across geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate. The major credit exposure of the Company from its top 10 customers is 88.42% (2022: 88.31%) of the total trade receivables as at year end.

The total exposure of the Company in trade debts is Rs. 1,167.627 million (2022: Rs. 1,082.936 million), which has been discussed as follows:

The Company has the policy to grant credit of 7 days to 180 days to their customers. The exposure of the Company in trade receivables, which are neither overdue nor impaired, is Rs. 948.422 million (2022 Rs. 757.096 million)

Trade receivables, which have crossed their credit days limits, amounting to Rs. 219.206 million (2022: Rs. 325.840 million) for which the company has provided Rs. 85.627 million (2022: 85.627 million) and the remaining amounts are still considered recoverable.

	2023 ----- (Rupees in '000) -----	2022 -----
Less than 1 month	86,214	240,020
1 - 3 months	45,354	4
3 - 6 months	6	18
6 months - 1 year	1,895	55
1 - 3 years	110	116
Over 3 years	-	-
	133,579	240,213

The aging of overdue and impaired trade receivables is as follows:

1 - 3 years	85,627	85,627
Over 3 Years	85,627	85,627

35.5 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large customers by securing them against letters of credit.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and long-term loans. 79% of the Company's long-term and short-term debt will mature in less than one year at June 30, 2023 (2022: 73%) based on the carrying value of borrowings as given below.

35.5.1 Liquidity and interest risk table

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2023					
	Long-term finance	Short-term borrowings	Trade and other payables	Unclaimed Dividend	Interest accrued	Total
	----- (Rupees in '000) -----					
With in 1 year	105,594	819,815	881,258	35,550	51,396	1,893,613
1 - 5 years	876,905	-	-	-	-	876,905
More than 5 years	45,800	-	-	-	-	45,800
	1,028,299	819,815	881,258	35,550	51,396	2,816,318

	2022					
	Long-term finance	Short-term borrowings	Trade and other payables	Unclaimed Dividend	Interest accrued	Total
	----- (Rupees in '000) -----					
With in 1 year	121,065	912,968	912,572	24,605	32,265	2,003,475
1 - 5 years	746,800	-	-	-	-	746,800
More than 5 years	306,736	-	-	-	-	306,736
	1,174,601	912,968	912,572	24,605	32,265	3,057,011

35.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities, either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behavior. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its business objective and generating returns for investors.

Primary responsibility for the development and implementation of controls over operational risk rests with the management of the Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective; and
- operational and qualitative track record of the plant and equipment supplier and related service providers.

36. Fair values of financial assets and liabilities

- (a) Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

- (b) Fair Value Estimation

The Company discloses the financial instruments measured in the balance sheet 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).

As at June 30, 2023, other financial assets was categorized in level 2 (2022: Level 2).

There are no transfers between the levels during the year.

- 36.1** There are no assets or liabilities to classify under above levels except the Company's plant and machinery 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 March 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.

Details of the Company's plant and machinery and information about the fair value hierarchy as at end of June 30, 2023 are as follows:

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Plant and machinery	-	-	1,419,225	1,419,225

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Plant and machinery	-	-	1,571,935	1,571,935

37. CAPITAL RISK MANAGEMENT

The objectives of the Company when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The capital structure of the Company consists of share capital and reserves as well as debts of the Company. Share capital and reserves consist of share capital, reserves and unappropriated profit and debts consist of short-term borrowings and long-term financing. The Company manages its capital structure by monitoring return on total capital employed and makes adjustments to it in the light of changes in economic conditions and monitoring its gearing ratio. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the shareholders, issue new shares or adjust its debts. The Company's overall strategy is to reduce the gearing ratio gradually. The gearing ratio analysis is as follows:

	2023	2022
	----- (Rupees in '000) -----	
Total borrowings	1,771,859	1,966,013
Less: Cash and bank balances	(42,586)	(17,164)
Net debt	1,729,273	1,948,849
Total equity	1,788,356	1,766,340
Total capital employed	3,517,629	3,715,189
Gearing ratio	49%	52%

The Company is not subject to any externally imposed capital requirement.

38. OPERATING SEGMENT

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

38.2 Revenue from sale of fabric represents 99.91% (2022: 99.86%) of total revenue whereas, remaining represents revenue from trading.

38.3 All non current assets of the Company as at June 30, 2023 are located in Pakistan.

38.4 79.96% (2022: 81.7%) of sales of fabric are local and indirect export whereas 20.04% (2022: 18.3%) of sales are export / foreign sales. All sales were made to external customers except one related party to which 0.0% (2022: 0.2%) of sales were made.

38.5 Revenue from three major customers of the Company represents 49% (2022: 53%) of total revenue of the Company.

	Note	2023	2022
39. PLANT CAPACITY AND ACTUAL PRODUCTION			
Number of looms installed		179	179
Number of looms worked		179	179
100% Plant capacity at 60 picks (Sq. Meters)		65,303,576	65,303,576
Actual production converted to 60 picks (Sq. Meters)	39.1	57,580,184	57,902,986
Number of days worked during the year		359	365

39.1 Calculation of rated capacity is based on a fixed fabric width and looms speed. In actual these factors vary with the ever changing qualities under production. Further, 100% efficiency level is notional and in practice elusive, hence, actual production figure is less than the rated capacity.

	2023	2022
40. NUMBER OF PERSONS EMPLOYED		
Number of employees at June 30	481	492
Average number of employees during the year	488	504

41. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

In their meeting held on September 21, 2023, the Board of Directors (the Board) of the Company have proposed a final cash dividend for the year ended June 30, 2023 of Rs. 6.50 per share (2022: cash dividend of Rs. 13.00 per share). In addition, the Board has proposed a transfer of Rs. 50,000,000 from Unappropriated Profit to General Reserve (2022: Rs. 150,000,000).

The Financial statements for the year ended June 30, 2023 do not include the effect of the final cash dividend nor the effect of the proposed transfer between reserves which will be accounted for in the financial statements for the year ending June 30, 2024.

42. CORRESPONDING FIGURES


Corresponding figures have been reclassified / rearranged, wherever necessary.


43. DATE OF AUTHORIZATION FOR ISSUE


These financial statements have been approved by the Board of Directors of the Company and authorized for issue on September 21, 2023 .

44. GENERAL

Figures have been rounded off to the nearest Thousand.


(M. Naeem)
Chief Executive


(Amir Ahmed)
Chief Financial Officer


(Muneer Nawaz)
Chairman



PROXY FORM

Please quote

Folio No./CDC A/C No.	Shares Held

I/We _____ of _____
in the district of _____ being a member of SHAHTAJ TEXTILE LIMITED
hereby appoint _____ of _____
as my/our proxy to vote for me/us and on my/our behalf at the 34th Annual General Meeting of the Company to be held
on Friday, 27th October, 2023 and at any adjournment thereof.

As witnessed given under my/our hand(s) this _____ day of _____ 2023.

Witness Signature _____

Name: _____

C.N.I.C. No. _____

Member's Signature on
Applicable Revenue Stamp

Notes:

1. This form of Proxy must be deposited duly completed, at the company's Registered Office, not less than 48 hours before the meeting.
2. A Proxy of individual members must be a member of the Company.
3. In case of corporates the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted along with proxy form to the company.
4. Signature should agree with the specimen signature registered with the Company.
5. For CDC account holders and corporates in addition to the above following requirements have to be met:
 - i) Attested copy of C.N.I.C. or the passport of the beneficial owner shall be provided with proxy form.
 - ii) Proxy shall produce his/her original C.N.I.C. or original passport at the time of meeting.

پراکسی فارم

درج ذیل پُر کریں

تعداد حصص	فولیو/ CDC اکاؤنٹ نمبر

میں مسٹری / مسماة _____ ساکن _____
 ضلع _____ بحیثیت ممبر شاہ تاج ٹیکسٹائل لمیٹڈ، مسماة _____ ساکن _____
 کو بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے چوتیسویں اجلاس عام جو
 بتاریخ **27 اکتوبر، 2023** بروز جمعہ منعقد ہو رہا ہے میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

مطلوبہ ریویژن چیکٹ چپاں کر کے ممبر کے دستخط

دستخط گواہ: _____
 نام: _____
 قومی شناختی کارڈ نمبر: _____

تاریخ: _____

نوٹ:

- ۱- مکمل پُر شدہ پراکسی فارم کمپنی کے رجسٹرڈ آفس میں میٹنگ سے 48 گھنٹے قبل جمع کرایا جانا لازمی ہے۔
- ۲- تمام ممبران کے لئے ضروری ہے کہ جس کو پراکسی دیں وہ بھی کمپنی کا ممبر ہو۔
- ۳- کارپوریٹ ممبران کے لئے پراکسی فارم کے ساتھ پراکسی کے حق میں بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی بمع نمونہ کے دستخط کا جمع کروایا جانا ضروری ہے۔
- ۴- دستخط کمپنی کے پاس پہلے سے محفوظ دستخطی نمونہ کے مطابق ہونے ضروری ہیں۔
- ۵- CDC میں اکاؤنٹ رکھنے والے اور کارپوریٹ ممبران کے لئے مندرجہ بالا کے علاوہ درج ذیل شرائط کو پورا کرنا بھی ضروری ہے:
 - i- پراکسی جس کے حق میں ہو اس کا شناختی کارڈ یا پاسپورٹ کی ایک تصدیق شدہ نقل پراکسی کے ساتھ لگائی جائے۔
 - ii- پراکسی جس کے حق میں ہو وہ اجلاس میں شریک ہوتے وقت اصل شناختی کارڈ/ پاسپورٹ پیش کرے۔

