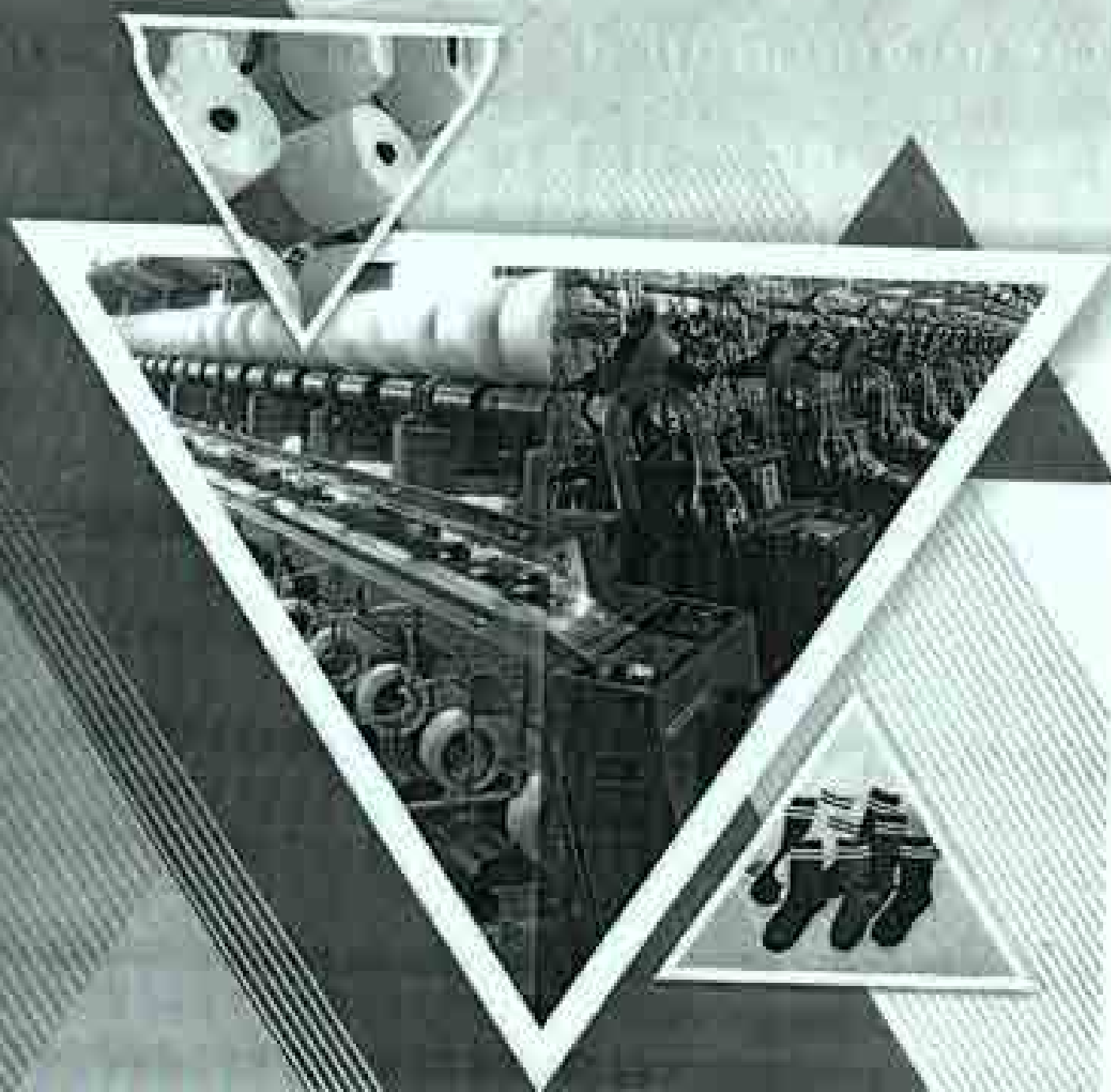


ANNUAL REPORT

2023



Shahzad Textile Mills Limited





CERTIFICATE



Management system as per
ISO 45001:2018

in accordance with TUV AUSTRIA CERT procedures, Ltd. is hereby certified for:

Shahzad Textile Mills Limited (Socks Division)

34 - KM, Lahore - Sheikhupura Road, Sheikhupura, Pakistan.

applies a management system in the with the above specified for the
following scope:

Manufacturing of Socks

Certificate Registration No. 02102230000001

Horaf

Authorized Signer
at TUV AUSTRIA CERT Center

Valid until 2023-03-18

Issue Certificate No. 2021-03-18

Valid from 2021-03-17

This certificate was conducted in accordance with TUV AUSTRIA CERT auditing and certification
procedures and is subject to regular surveillance audits.
TUV AUSTRIA CERT GmbH, Inzersdorf 10 - A-1220 Wien - www.tuv.at



02102230000001



CERTIFICATE



**Management system as per
EN ISO 14001:2015**

is accredited with TUV AUSTRIA CERT procedures. It is hereby certified that:

Shahzad Textile Mills Limited (Socks Division)

34 - KM, Lahore - Sheikhpura Road, Sheikhpura, Pakistan.

operates management system in line with the above standard for the
following scope:

Manufacturing of Socks

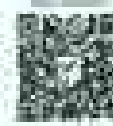
Certificate Registration No. 201400000079

Valid until 2026-03-31
Initial certification: 2023-04-28

Issue: 2023-03-31

Certification Body
at TUV AUSTRIA CERT GmbH

This certificate was concluded in accordance with TUV AUSTRIA CERT auditing and certification
procedures and is subject to regular surveillance audits.
TUV AUSTRIA CERT GmbH, Dornbirnerstr. 12, A-1020 Wien, www.tuv.at



SHAHZAD TEXTILE MILLS LIMITED | DORNBERGERSTRASSE 12 | 1020 WIEN | AUSTRIA



CERTIFICATE



**Management system as per
EN ISO 9001:2015**

in accordance with TUV AUSTRIA CERT standard. It is hereby certified that

Shahzad Textile Mills Limited (Socks Division)

34 – KM, Lahore – Sheikhupura Road, Sheikhupura, Pakistan.

operates a management system in line with its scope stated in the
following scope

Manufacturing of Socks

Certificate Registration No. 201302247888

Valid until 2016-02-19
Issue certificate: 2013-03-14

Certification Body
of TUV AUSTRIA CERT (austri)

Vienna, 1000-00-01

This certification was performed in accordance with TUV AUSTRIA CERT auditing and certification
procedures and is subject to regular surveillance audits.
TUV AUSTRIA CERT (austri) - Geyersstraße 12 - A-1020 Wien - www.tuval.at



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COMPANY INFORMATION

Board of Directors

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

Chief Financial Officer

Mr. Nabeel Naveed

Company Secretary

Syed Imran Haider

Auditors

Crowe Hussain Chaudhry & Co.
Chartered Accountants

Audit Committee

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

Human Resources &

Remuneration Committee

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

Bankers

Habib Metropolitan Bank Ltd
JS Bank Limited
Meezan Bank Limited

Share Registrar

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

Registered Office

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

Mills

Unit # 1, 4 & Socks Hosiery Unit
34th KM Lahore Sheikhupura
Road, Sheikhupura.

Unit # 2

7th KM Sheikhupura Faisalabad
Road, Sheikhupura.

VISION STATEMENT

VISION STATEMENT

We aim at seeing our mills to be a model manufacturing unit producing high quality yarn by complying with the requirements of Quality management System and continuously improving its effectiveness for total customers' satisfaction. We wish to play a leading role in the spinning sector by keeping a substantial presence in the export and local markets.

MISSION STATEMENT

1. To install state of the art machinery and to acquire sophisticated process technology to achieve maximum growth in a competitive quality environment.
2. To make strenuous efforts to enhance profitability of the mills ensuring a fair return to the investors, shareholders and employees of the company.
3. To exercise maximum care for improvement of quality of our products by employing a team of highly skilled technicians and professional managers.
4. To strive hard to explore new customers for the sale of our products in export and local markets.
5. To improve customers' satisfaction level by adhering strictly to quality requirements of our customers in local and export markets and by improving communications with customers for receiving prompt feed backs about quality of our products.
6. To attend and prompt resolution of customers' quality complaints by taking timely corrective measures.
7. To improve logistic facilities for our customers dispatch programme and issue all shipments / delivery documents well in time.
8. To make comprehensive arrangements for the training of our workers / technicians.
9. To promote team work, sense of transparency, creativity in our professionals and technical people.

CODE OF CONDUCT

Shahzad Textile Mills Limited, has laid down the following code of conduct, the observance of which is compulsory for all the directors and staff members of the company in the conduct of company's business in order to protect and safeguard the reputation and integrity of the company at all levels of its operations. Any contravention of these ethics is regarded as misconduct. The company will ensure that all the executives and subordinate staff members are fully aware of these standards and principles.

1. Conflict of interest

All staff member are expected not to engage in a nay activity which can cause conflict between their personal interests and company's interests, such as:

- a. In effecting the purchases for the company and selling its products the directors and the staff members are forbidden from holding any personal interest in any organization supplying goods or services to the company or buying its products.
- b. The staff members should not onenge in any outside business while serving the company.
- c. Staff members are not permitted to conduct personal business in company's premises or use company's facilities for the same.
- d. If a staff member has direct or indirect relationship with an outside organization dealing with the company he must disclose the same to the management.

2. Confidentiality

All staff members are required not to divulge any secrets / informations of the company to any outsider even after leaving the service of the company unless it is so required by a court of law. During the course of service in the company they should not disseminate any information relating to business secrets of the company without the consent of management.

3. Kickbacks

All staff members are strictly forbidden not to accept any favour, gifts or kickbacks from any organization dealing with the company. In case of such a favour is considered, in the interest of the company, the same should be disclosed clearly to the management.

4. Proper Books of Account

All funds, receipts and disbursements should be properly recorded in the books of accounts of the company. No false or fictitious entries should be made or misleading statement pertaining to the company or its operations should be issued. All agreements with agents, dealers and consultants should be made in writing supported with required evidence.

5. Relationship with government officials, suppliers, agents etc.

The dealings of the company with Government officials, suppliers, buyers, agents and consultants of the company should always be such that the integrity of the company and reputation is not damaged. Members having queries in connection with how to deal with these requirements should consult the management.

6. Health and Safety

Every staff member is required to take care of his health and safety and of those working with him. The management is responsible for keeping its staff members insured as per government rules and regulations.

7. Environment

To preserve and protect the environment all staff members are required to operate the company's facilities and processes so as to ensure maximum safety of the adjoining communities, and strive continuously to improve environmental awareness and protection.

8. Alcohol, Drugs

All types of gambling and betting at the company's work places are strictly forbidden. Also bringing alcohols or drugs inside the work places are not allowed. If any staff member, not abiding by these prohibitions will attract disciplinary as well as penal action.

9. Coordination among staff members to maintain discipline

All staff members will work in close coordination with their co-workers, seniors and colleagues. Every member will cooperate with other members so that the company's work could be carried out effectively and efficiently. All cases of non-cooperation among staff members should be reported to the management for necessary and suitable action. Strict disciplinary action will be taken against those staff members who violate the rules and regulations of the company.

10. Workplace harassment

All staff members will be provided an environment that is free from harassment and in which all employees are equally respected. Work place harassment means any action that creates an intimidating, hostile or offensive environment which may include sexual harassment, disparaging remarks based on gender, religious, race or ethnicity.

SIX YEARS FINANCIAL SUMMARY

2023	2022	2021	2020	2019	2018
Rupees In Thousands					

Sales	8,388,630	9,382,890	6,927,057	4,315,237	6,105,210	5,464,278
Gross Profit	234,365	1,074,383	729,359	322,054	525,898	267,585
(Loss)/Profit before taxation	(167,875)	598,787	408,760	62,568	188,593	101,183
Provision for tax	(91,865)	(221,323)	(133,106)	(16,966)	(57,867)	(28,964)
Profit/(Loss) after taxation	(269,240)	377,464	205,654	45,602	130,726	72,219
Total Assets	5,144,993	5,306,707	4,648,956	4,011,775	3,659,893	3,430,522
Current Liabilities	1,445,681	1,308,453	1,169,234	968,118	108,690	909,147
	3,699,272	3,998,254	3,479,722	3,043,657	2,823,203	2,461,375

Represented by :

Equity & Surplus
Long Term Loans & Leases
Deferred Liabilities

3,011,047	3,143,683	2,790,450	2,247,869	2,223,056	2,113,308
298,518	351,050	267,150	336,200	323,671	58,096
389,707	503,518	422,123	359,526	275,476	290,000
3,699,272	3,998,254	3,479,722	3,043,657	2,823,203	2,461,375

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODES) CORPORATE GOVERNANCE REGULATIONS

Name of Company: **SHAHZAD TEXTILE MILLS LIMITED**
 Year Ending: **June 30, 2023**

Shahzad Textile Mills Limited ("the Company") has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") in the following manner:

1. The total numbers of directors are seven (07) as per the following:-

- a) Male: 06
- b) Female: 01

2. The composition of Board is as follows:-

CATEGORY	NAMES
Independent Directors	Syed Raza Ali Bokhari Dr. Ali Raza Khan
Executive Directors	Mr. Imran Aslam Mr. Danish Aslam
Non-Executive Directors	Mian Parvez Aslam Mr. Irfan Aslam Mrs. Nazish Imran
Female Director	Mrs. Nazish Imran

*For a Board comprising of seven members, one-third equates to 2.33. Two independent directors have been appointed, hence it fulfils the requirement of a minimum of two (02) independent directors. Furthermore, the two independent directors have the requisite skills and knowledge to make independent decisions. Therefore, the fraction of 0.33 in each one-third is not rounded up as one this time.

3. The directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company;
4. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. Three members of the Board are exempted from Directors' Training Program by virtue of their requisite qualification and experience of serving on the Board of Listed Company while the remaining four Directors have not acquired prescribed certification under Directors' Training Program;
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:
- a) **Audit Committee:**
- | | |
|-----------------------|----------|
| Syed Raza Ali Bokhari | Chairman |
| Mian Parvez Aslam | Member |
| Mr. Irfan Aslam | Member |
- b) **HR & Remuneration Committee**
- | | |
|-------------------|----------|
| Dr. Ali Raza Khan | Chairman |
| Mr. Danish Aslam | Member |
| Mrs. Nazish Imran | Member |
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/ yearly) of the committee were as per following:-
- a) Audit Committee (1st quarter: 1 2nd quarter: 1 3rd quarter: 2 4th quarter: 3)
- b) HR and Remuneration Committee (3 meetings in financial year)
15. The Board has set up an effective internal audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial officer, Head of Internal Audit, Company Secretary or Director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;
19. Explanation for Non-Compliance with requirements, other than Regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below;

Sr. No.	Reg. Ref.	Requirement	Future course of Action
1.	19	By June 30, 2022, all directors shall acquire certification under Directors' Training Program.	The Board shall take steps to arrange Directors' Training Certification for the remaining four directors by end of 2023



Chairman



Chief Executive

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE
MEMBERS OF SHAHZAD TEXTILE MILLS LIMITED
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE
CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE
GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Shahzad Textile Mills Limited (the Company) for the year ended June 30, 2022 in accordance with the requirements of regulation 38 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, 2022.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance.

Sr. No.	Paragraph Reference	Description
1	19	Four Directors out of Seven have not acquired the prescribed certification under the Directors' Training Program as required under clause 19 of the Regulations.



GHOUSIA HUSSAIN CHAUDHURY & CO
Chartered Accountants

Lahore
Dated: October 05, 2022
UDIN: CR202210051oCUJAW9g



**SHAHZAD
TEXTILE**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 45th Annual General Meeting ("AGM") of the Shareholders of SHAHZAD TEXTILE MILLS LIMITED (the "Company") will be held at Company's Registered Office, 19-A, Off Zafar Ali Road, Gulberg-V, Lahore on Saturday, October 21, 2023 at 11:30 a.m. and via video link to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt Annual Audited Financial Statements of the Company for the year ended June 30, 2023, together with the Chairman's Review Report, Directors' and Auditors' Report thereon.
2. To appoint auditors of the Company and fix their remuneration. The members are hereby notified that the Audit Committee and the Board of Directors of the Company have recommended the reappointment of M/s Crowe Hassain Chaudhry & Co., Chartered Accountants as auditors of the Company.

SPECIAL BUSINESS

3. To ratify and approve transactions carried out with Related Parties during the financial year ended June 30, 2023, under the authority of the special resolution passed in the last annual general meeting held on October 26, 2022 and to authorize the Chief Executive of the Company to approve all transactions with Related Parties carried out and to be carried out in the ordinary course of business during the financial year ending June 30, 2024 and till the date of next Annual General Meeting and to pass the resolutions as proposed in the statement of material facts as special resolutions.
4. To consider and, if deemed fit, to pass the following resolution as Special Resolution with or without modification for alterations in the Article of Association of the Company.

"RESOLVED that pursuant to Section 38 and all other applicable provisions of the Companies Act, 2017, Article 104 of the existing Article of Association of the Company be and is hereby substituted to read as follows:

104. The Board of Directors may capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution among the members who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied in or towards paying up in full unissued shares as bonus shares or debentures of the Company to be allotted and distributed, credited as fully paid up to and amongst such members in the proportion aforesaid, and the Directors shall give effect to such resolution.

FURTHER RESOLVED THAT the Chief Executive and / or any Director of the Company be and are hereby singly authorized to do all acts, deeds and things and take all steps and necessary actions ancillary and incidental including filing of requisite documents and returns as may be required with the Registrar

Shahzad Textile Mills Ltd.

T: +92-42-35754024, 35754027, 35751228 • F: +92-42-35712193

E: info@shahzadtextile.com • A: 19-A, Off Zafar Ali Road, Gulberg V, Lahore, Pakistan

www.shahzadtextile.com



**SHAHZAD
TEXTILE**

of Companies and complying with all other regulatory requirements so as to effectuate the alteration of Articles of Association of the Company and implementing this special resolution.

FURTHER RESOLVED THAT the aforesaid alteration in the Articles of Association of the Company shall be subject to any amendment, modification, addition or deletion as may be required by the Registrar, SECP, and such amendment, modification, addition, or deletion shall not require fresh approval of members.

3. To approve, as and by way of an Ordinary Resolution, transmission of the annual balance sheet, profit & loss account, auditors report, directors report etc. (the "Audited Annual Financial Statements") to the Company's shareholders through QR enabled code and weblink as allowed by the Securities and Exchange Commission of Pakistan via SRO No. 3893/2023 dated March 21, 2023:

"RESOLVED THAT, approval of the shareholders of Shahzad Textile Mills Limited (the "Company") be and is hereby accorded and the Company be and is hereby authorized to circulate the Annual Audited Financial Statements of the Company together with the reports and documents required to be annexed thereto under the applicable law through QR enabled code and weblink instead of circulation through CD/DVD/USB.

RESOLVED THAT the Chief Executive Officer and / or Company Secretary of the Company be and are hereby singly empowered and authorized to do all acts, deeds and things, take or cause to be taken all necessary action for the purposes of implementing this resolution."

Attached to this Notice is the Statement of Material Facts covering the above-mentioned Special Business, as required under Section 134(3) of the Companies Act, 2017

By order of the Board


(SYED AMRAN IQBAL)
Company Secretary

Place: Lahore
Date: October 01, 2023



NOTES:

1. Closure of Share Transfer Books

The Share Transfer Books of the Company will remain closed from October 19, 2023 to October 28, 2023 (both days inclusive). Transfers received in order at Company's Independent Share Registrar's Office, Hameed Majeed Associates (Pvt) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on October 17, 2023 will be treated in time for the purpose of attending, speaking and voting at the annual general meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member or his/her proxy to attend and vote instead of himself and a proxy so appointed shall have the same rights, as respects attending, speaking and voting at the AGM as are available to the members. A Proxy must be a member of the Company.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. Proxy Forms, in English and Urdu languages, have been dispatched to the members along with the notice of AGM.

4. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For attending the Meeting

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above c requirements.

b. Two persons, whose name, addresses and CNIC numbers shall be mentioned on the form, shall witness the proxy form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.



Change of Address

The shareholders are requested to promptly notify change in their address, if any to the Company's Share Registrar

5. CNIC/IBAN for E-Dividend Payment

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account of designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provide to the CDS participants for updating and forwarding to the Company. In case of non-submission, of CNIC / IBAN all future dividend payments may be withheld.

6. Zakat Declarations:

The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980.

7. Circulations of Annual Reports through E-mail

The shareholders are requested to provide their email addresses for transmission of annual report containing financial statements and other documents.

8. Tax Deductions from Filers and Non-Filers

The deduction of income tax from dividend payments shall be made on the basis of filers and non-filers

S.No.	Nature of Shareholders	Rate of deduction
1	Filers	15.0%
2	Non-Filers	30.0%

Tax deduction will be made on the basis of Active Tax Payers List provided on the website of Feral Board of Revenue.

Members seeking exemption from deduction of tax on dividend payments or are eligible for deduction at a reduced rate are requested to submit a valid withholding tax exemption certificate or necessary documentary evidence, as the case may be.

The shareholders who have joint shareholdings held by Filers and Non-Filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a Non-Filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher



**SHAHZAD
TEXTILE**

note, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date,

Folio /CDC Account No.	Name of shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder
------------------------	---------------------	------	--------------	--------------	-----------------------------

9. Placement of Financial Statements

The Company has placed the Notice of AGM and Audited Annual Financial Statements for the year ended June 30, 2023 along with Auditors, Directors and Chairman's Reports thereon on its website: www.shahzadtextile.com

10. Unclaimed Dividend and Bonus Shares

Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, if any are advised to contact our Share Registrar M/s Haroon Majeed Associates (Private) Limited, 7-Bank Square, Lahore, to collect/enquire about their unclaimed dividend or pending shares, if any.

11. Online Participation in the Annual General Meeting

As per instructions of Securities and Exchange Commission of Pakistan, the Company has arranged video link facility for online participation of members in the AGM. The meeting can be attended using smart phones/tablets/computers. To attend the meeting through video link, the members are requested to register themselves by providing the following information along with valid copy of CNIC / passport / certified copy of board resolution/power of attorney in case of corporate shareholders with the subject "Registration for Shahzad Textile Mills Limited AGM" through email corporate@shahzadtextile.com on or before 26th October 2023.

Name of member	CNIC No.	CDC Account No/Folio No.	Cell Number.	Email address

The members who are registered after the necessary verification shall be provided a video link by the Company on the same email address that they entail with the Company with. The login facility will remain open from start of the meeting till its proceedings are concluded.

12. Deposit of Physical Shares in CDC account

As per Section 72 of the Companies Act, 2017 every existing company shall be required to replace its physical shares with book entry form in a manner as may be specified and from the date notified by the SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e. May 31, 2017.



The shareholder having physical shareholding may open CDC sub-account with any of the brokers or investor's account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

13. Voting through Postal Ballot (electronic voting and by ballot paper)

The members of Company shall be provided right to vote through e-voting and voting by post in respect of all Special Business in the manner and subject to the conditions contained in the Companies (Postal Ballot) Regulations, 2011.

Procedure for E-Voting

- i. Details of e-voting facility (including web address, login details and password) will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers and e-mails address available in the register of members of the Company, not later than the close of business on October 19, 2023.
- ii. The security codes will be communicated to members through SMS form the web portal of CorpTech Associates (Pvt) Limited, Limited (being the e-voting service provider).
- iii. Identity of the members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- iv. E-voting lines will start from October 21, 2023, 09:00 a.m. and shall close on October 25, 2023 at 05:00 p.m. Members can cast their votes any time during this period. Once the vote on a resolution is cast by a Member, he/she shall not be allowed to change it subsequently.

Procedure for voting through ballot paper

- i. The members may alternatively opt for voting through postal ballot. Ballot paper in prescribed form is attached with this Notice and is also available on the Company's website shahzad.com to download.
- ii. The members must ensure that the duly filled and signed ballot paper, along with computerized national identity card (CNIC) should reach the Chairman of the meeting through post at the Company's registered address, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore, or email at chairman@shahzad.com by 5:00 pm, October 27, 2023. Postal ballot received after this time/date shall not be considered for voting. The signature on the ballot paper shall match with signature on the CNIC.



STATEMENT UNDER SECTION 140(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning special business to be transacted at the Annual General Meeting of the Company to be held on October 28, 2023.

Agenda Item No. 3

Ratification / approval of Related Party Transactions

The Company carried out transactions with its Related Parties in the ordinary course of business at arm's length basis in accordance with the Policy of related party transactions approved by the Board of Directors and under the authority special resolution passed by the shareholders in the last Annual General Meeting held on October 28, 2022. All the related party transactions summarized below were presented before the Board of Directors for their review and consideration as recommended by the Board Audit Committee on quarterly basis pursuant to the Listed Companies (Code of Corporate Governance) Regulations, 2019.

Name of Related Party	Name of Interested Director	Nature of relationship	Description of transaction	Pricing Policy	Amount (Rs.)
Sargodha Jute Mills Ltd	Mr. Iqbal Aslam	Director	Purchase	Arm's length basis	719,360
	Mr. Irfan Aslam	Chief Executive / Director			
	Miss Parves Aslam	Director			
	Mr. Danish Aslam Mrs. Nazib Iqbal	Director Director			
Sargodha Jute Mills Ltd	Mr. Iqbal Aslam Mr. Irfan Aslam	Director Chief Executive / Director	Sales	Arm's length basis	529,316
	Miss Parves Aslam Mr. Danish Iqbal	Director Director			

The following resolution is proposed to be passed as Special Resolution with or without any modification:

***Resolved that following transactions carried out in the ordinary course of business at arm's length basis with the related parties, in accordance with the Policy of related party transactions approved by the Board of Directors of Shahzad Textile Mills Limited, during the financial year ended June 30, 2023 be and are hereby ratified, approved and confirmed.**



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Name of Related Party	Description of transaction	Amount (Rs.)
Sargodha Jute Mills Ltd	Purchase, Sales	1,568,692

Authorization to the Company to transact with certain related parties

The Company will continue to carry out transactions with its Related Parties in its ordinary course of business at arms' length basis during the financial year ending June 30, 2024 and till the next annual general meeting. The majority of directors are interested in the above transactions as disclosed above, therefore, such related party transactions need approval of the members under the provisions of the Companies Act, 2017. Accordingly, these transactions shall be placed before the shareholders in the next annual general meeting for their formal approval/verification.

The following resolutions are proposed to be passed as Special Resolutions with or without modification:

"Resolved that the Shahzad Textile Mills Limited, (the "Company") be and is hereby authorized to carry out the transactions with its Related Parties (detailed hereunder) as and when required in the ordinary course of business at arm's length basis during the year ending June 30, 2024 and till the next Annual General Meeting, without any limitation on the amounts of the transactions.

Name of Related Party	Description of transaction
Sargodha Jute Mills Ltd	Purchase: Twelve Jute 20/3, Hushia Cloth 40/7
Sargodha Jute Mills Ltd	Sales: Hard Waste PC

Further Resolved that Chief Executive/Company Secretary of the Company be and is hereby authorized to undertake the transaction and take all necessary steps and to sign/execute any purchase order/document/agreement on behalf of the Company as may be required and to authorize any other officer of the Company to do so in order to implement the aforesaid Resolution(s).

The Directors' interest in this business is disclosed hereinabove.

Agenda Item No. 4

To amend the clause 104 of the Articles of Association of the Company

In order to allow the Board of Directors of the Company to approve issuance of bonus shares by way of capitalization any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, the Board of Directors of the Company in their meeting held on October 05, 2023

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has recommended to substitute the Clause 104 of the Articles of Association of the Company accordingly.

Comparative Analysis

Existing Clause 104 of the Articles of Association

104. Any general meeting may, upon recommendation of the Board, resolved that any undistributed profits of the company (including profit carried and standing to the credit of any reserve or reserves or other special accounts or representing premium received on the issue of shares and standing to the credit of the share premium account A/c and capital reserves arising from realized or unrealized appreciation of the assets or goodwill of the company or from any acquisition/sale of interest in other undertakings) not required for paying the dividends of any shares issue with preferential or other special or privileges in regard to dividend, be capitalized such capitalized undistributed profits and reserves shall be distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend, and in the same proportion, on the footing that they become entitled thereto as capital. All or any part of such capitalized funds may be applied on behalf of such shareholders for payment in full or in part either at par or at such premium as the resolution may provide for any unissued shares or debentures of the company which shall be distributed accordingly and such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalized sum.

Proposed Clause 104 of the Articles of Association

104. The Board of Directors may capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution among the members who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied in or towards paying up in full unissued shares as bonus shares or debentures of the Company to be allotted and distributed, credited as fully paid up to and amongst such members in the proportion aforesaid and the Directors shall give effect to such resolution."

Reason for Amendment in Articles of Association:

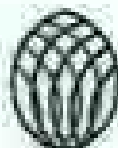
The Board is being allowed to capitalize the reserves/unappropriated profits by issuance of bonus shares for which the alteration in article 104 has been recommended for approval of members.

Availability of Relevant Documents and Inspection

A copy each of the existing and proposed Articles of Association indicating the proposed amendments are available for inspection at the registered office of the Company from 9:00 a.m. to 5:00 p.m. on any working day, up to the last working day before the date of the Annual General Meeting.

Interest of Directors

The Directors, Chief Executive of the Company have no interest, directly or indirectly, in this Special Business and/or Special Resolution except in their capacities as Directors / Chief Executive Shareholders.



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Statement of the Board of Directors

We, the members of the Board of Directors of the Company hereby confirm that the proposed amendment in Articles of Association of the Company is in line with the applicable provisions of the laws and regulatory framework.

Inspection

Copies of the Memorandum of Association and Articles of Association of the Company (existing and with proposed amendments) and other related documents have been placed at the Registered Office of the Company which can be inspected from the date of this notice till last date before the date of the meeting. The same will also be available during the course of the meeting for inspection of members.

Agenda Item No. 5

Resolution for Agenda No. 5 –Circulation of Annual Report through QR enabled code and weblink.

In view of technological advancements, and taking into account that old technology is becoming obsolete, the Securities and Exchange Commission of Pakistan ("SECP") has, vide S.R.O.389 (I)2023 dated March 21, 2023, allowed listed companies to circulate the Annual Report (including the audited financial statements, Auditors' report, Directors' report, Chairman's review report) to the members of the Company through QR enabled code and weblink. The SECP has also permitted that the circulation of annual financial statements through CD/DVD/USB may be discontinued.

In accordance with the aforesaid SRO, the same is subject to the approval of the members of the Company.

Considering the optimum use of advancements in technology and in order to fulfil the Company's corporate social responsibility, to the environment and sustainability, the Company seeks to discontinue the circulation of the Annual Report through CDs in the future. Consequently, the Board of Directors of the Company has recommended that the special resolution, as set out in the notice, be passed by the members for the circulation of the Annual Report (including annual audited financial statements and other reports contained therein) to the members of the Company through QR enabled code and weblink.

This arrangement will help all members wherever they are located to access the financial statements of the Company additionally, it will also reduce unnecessary expenditure for making CDs.

It is pertinent to mention that if any member seeks to obtain a hard copy of the Annual Report, such member(s) will be provided a printed version of the same free of cost in accordance with the aforementioned SRO. No change in that right/privileged is being proposed.

None of the Directors of the Company have any personal interest in the aforesaid special business, except in their capacity as members and Directors of the Company.

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CHAIRMAN'S REVIEW REPORT

I am pleased to present to you the Chairman's Review for the financial year 2022-2023 highlighting the overall performance of the Board and the effectiveness of its role in the achievements of Shahzad Textile Mills Limited.

The Board has carried out a review of its effectiveness and performance, which is satisfactory. The Board evaluation during the year 2023 robustly considered all aspects of the Board including the performance of individual Directors, towards areas of improvements and recommending effective solutions. The Non-Executive and Independent Directors are equally involved in important decisions of the Company made by the board. I am pleased to report that Board's overall performance remained satisfactory for the year 2023. The Company has also developed a mechanism for the evaluation of the performance of the Board of Directors and its Committees. During the year, a self-evaluation was carried out, as required. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness are measured and benchmarked against expectations in the context of objectives set for the company for the financial year ending June 30, 2023.

Sound corporate governance is fundamental to corporate success and enhances stakeholder confidence, we have designed our corporate governance structure to ensure maximum compliance with legal and regulatory framework and meeting the information needs of our stakeholders. The corporate governance framework applied by Shahzad Textile is based on Pakistani law, in particular, the Companies Act 2017, Code of Corporate Governance and other statutory, regulatory and compliance requirements that are applicable to companies listed on the Pakistan Stock Exchange. To ensure compliance with all relevant laws and regulations, the Company has in place a code of conduct, whistle-blowing policy and code of business ethics among others.

Our employees remain at the heart of our success story. Their dedication, skills, and unwavering commitment continue to drive us forward. We have strived to provide a conducive work environment that encourages innovation, collaboration, and personal growth.

As we enter the new fiscal year, we do so with a sense of cautious optimism, while challenges persist, we are well-equipped to navigate them through our strategic foresight and robust operational framework. Our focus on innovation, sustainability, and customer-centricity will remain steadfast as we continue to adapt forward, I am confident that our shared vision and dedication will propel us to even greater heights.

I would also like to extend my gratitude to The Board of Directors who continue to provide sound leadership, aptly supported by the unflinching commitment and efforts of the entire workforce. Together we work earnestly in steering the Company towards the accomplishment of its objectives while ensuring value creation for the shareholders.

Lahore:

Dated: October 05, 2023


MIAN PARVEZ ASLAM
Chairman

DIRECTORS' REPORT

The Board of Directors take pleasure to presenting before you the 45th Directors' Report for Shahtad Textile Mills Limited for the financial year ended June 30, 2023. In this report, we provide an overview of the company's performance, the reasons behind the loss incurred during the year, and our strategies for the future.

The Directors' Report has been prepared in accordance with section 227 of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019 and will be submitted to the shareholders at the forty-fifth Annual General Meeting of the Company to be held on October 28, 2023.

The financial performance of your Company for the year ended June 30, 2023 is as follows:

	2023 (Rupees)	2022 (Rupees)
Sales	8,398,630,158	9,382,850,241
Gross Profit	234,365,087	1,074,383,475
Operating Profit / (Loss)	(96,266,693)	624,478,900
Profit / (Loss) before Taxation	(187,875,168)	598,787,169
Taxation	(81,364,764)	(221,322,842)
Profit / (Loss) after Taxation	<u>(269,239,932)</u>	<u>377,464,321</u>

The Company has suffered a loss after tax of Rs. 269.24 million during the year ended June 30, 2023, as compared to profit after tax of Rs. 377.46 million in the previous year. Overall sales have decreased in current year to Rs. 8.398 billion from previous year's sales of Rs. 9.382 billion mainly due to low demand in local and international market. However, export sales of our sock's unit have increased significantly by 25% to Rs 858.95 million which is a remarkable achievement keeping in view recession in international market.

This decline in financial performance can be attributed to various factors that impacted the company's operations. During the year, the industry suffered from unfavorable sale rates of yarn due to weak demand, unprecedented inflation, very high interest rates and cotton price. Due to these factors, profit margins remained low resulting into incurring of loss during the year.

FUTURE OUTLOOK

Pakistan is facing unprecedented political and economic challenges. Persistently high inflation, very high interest rates and sharp depreciation of currency have significantly impacted economic growth. The economic activity is expected to remain slow in coming year and GDP growth is projected at just 0.5%. While the recent SBA with IMF combined with the lifting of restrictions on imports is likely to give some relief to the economic activity in the country, consumer confidence will take a while to return and any meaningful economic recovery is unlikely in the foreseeable future. The continuous increase in input costs and an unfriendly business environment will continue to bear down on the textile industry and textile manufacturers may find it difficult to pass on increases in costs which may impact the profit margins.

The management of the company remains committed to taking proactive measures to address these challenges and restore profitability. We will focus on identifying and eliminating inefficiencies across our operations to control costs without compromising quality.

EARNING PER SHARE

Loss per share of the company for the year ended June 30, 2023 is (Rs. 14.98) as compared to earnings per share of Rs. 21.00 in the preceding year.

DIVIDEND

The directors have not recommended any dividend in view of loss sustained by the Company during the year.

ISO 9001-2015 Certification

The Company believes in the high quality of products to the complete satisfaction of its clients. For this purpose, company has obtained the latest version of ISO 9001-2015. This quality certification, which is renewed after every three years after exhaustive checking and comprehensive verification of company's quality management system. This quality certification boosts the trust of new customers and maintain the confidence of our old clients as well.

PRINCIPAL RISKS AND UN-CERTAINITIES FACING THE COMPANY

Although the Company's financial performance is not satisfactory in the period under discussion there are also some other risk factors, that may have an impact on the future performance of the company.

FORMATION OF RISK MANAGEMENT COMMITTEE

Formation of risk management committee is not mandatory as per CCG Regulations 2019.

RISK FACTORS

A) FOREIGN EXCHANGE RISK

Foreign currency risk arises mainly where receivable and payable exist due to transactions entered into foreign currencies. As dollar shows shaky position with ever-increasing trend therefore, company is exposed to foreign currency risk on trade debts, payable and revenues, which are entered in a currency to other than Pak Rupees.

B) LIQUIDITY RISK

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company's exposure to liquidity risk arises primarily from mismatch of the maturities of financial assets and liabilities. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate actions for new requirements.

C) CREDIT RISK

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The Management also continuously monitors credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

D) INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Majority of the interest rate exposure arises from short and long-term borrowings from bank, term deposits and deposits in profit and loss/saving accounts with banks and investments in mutual funds.

CHANGES DURING FINANCIAL YEAR CONCERNING NATURE OF THE BUSINESS OF THE COMPANY OR OF ITS SUBSIDIARIES AND JOINT OPERATION

The Textile yarn and socks manufacturing unit is functioning and we are interested in adopting innovation and restoring profitability. Our strategies for the upcoming year are to introduce the latest technologies for our mills.

MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT, PERFORMANCE AND POSITION OF THE COMPANY BUSINESS

During the reporting period, the company incurred loss during the year primarily due to the company facing significant challenges in the form of increased operating costs, decreased demand for products, and unfavorable market conditions. The company remains committed to overcoming the current challenges and improving its financial performance and the management team is focused on implementing a comprehensive turnaround strategy aimed at improving financial performance, enhancing operational efficiency, and gaining profitability.

IMPACT OF COMPANY BUSINESS ON THE ENVIRONMENT

We are carefully maintaining a fresh and pollution free system at our mills by using latest safety devices which suck all the fluff and other substances injurious to the health of the workers.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS

We have introduced comprehensive internal control system commensurate with the size, scale and complexity of our operations and well documented procedures for various processes, which are periodically reviewed for the changes warranted due to business needs. The internal auditors continuously monitor the efficiency of internal control and regularly reporting to the Audit Committee and Board of Directors. The system internal control facilitate effective compliance of Companies Act, 2017 and the Listing Regulations 2019.

RELATED PARTIES TRANSACTIONS

The transactions between the related parties were made at arm's length prices determined in accordance with the comparable uncontrolled price method. The same are disclosed in the attached financial statements. The related party transactions were approved by the Board on the recommendation of Audit Committee.

CODE OF CONDUCT FOR PROTECTION AGAINST HARASSMENT AT WORK PLACE

The Company is determined to provide clean environment working atmosphere and ensures that every employee is treated with respect and dignity. The Company is committed to encourage a positive professional work atmosphere that is essential for the professional growth of its staff. Harassment, therefore, has no place at Shahzad Textile Mills limited. As such, any offender must be ready to confront disciplinary and corrective action, ranging from a warning to termination of job if such situation arises.

ANTI CORRUPTION

We have provided corruption free environment to the workers. It includes corruption of all forms including extortion and bribery.

CORPORATE SOCIAL RESPONSIBILITY

The company recognizes that the key to successful and sustainable business is to give back to the society from where we derive economic benefits. We create value for our local community, employers and the government by providing a vast array of facilities to our employees, financial assistance to the families of our deceased employees, promoting a better work life balance and contributing regularly to the national exchequer as per law.

i) Health, Safety and Environment

We work continuously to ensure that our employees work in safe and healthy working environment. Besides, the Company is registered with Social Security and Employees Old Age Benefit Department of the Government and pay regular contribution for the health facility and retirement benefits to the workers of the company.

ii) Work-Life Balance

In order to promote a healthy life balance we strictly observe working timing from 9.00 am to 5:30 pm. This ensures that our employees have plenty of time for recreational activities with their families and friends.

iii) Business Ethics

The Management is committed to conduct all business activities with integrity, honesty, and observance of laws and regulations. A Code of Conduct has been developed and approved by Board.

Contribution to the National Exchequer

To meet our social obligations towards the development of the economy of the country, the Company has contributed Rs.622, 698,668 million in the year 2022-23 into the Government Exchequer on account of taxes, levies, import duty, income Tax, sales tax etc.

Energy Savings

The management is very attentive and watchfully focusing on energy saving. There are many preventive measures adopted by fixing energy conserving devices to save the energy. Awareness is also given to workers for energy saving so that unnecessary consumption wastage of energy could be saved.

COMPOSITION OF THE BOARD

The composition of the Board of Directors is in compliance with the requirement of listed Companies Code of Corporate Governance (CCG), Regulations 2019 applicable on a listed company which is given below:

Total Number of Directors:

a) Male	06
b) Female	01

Composition:

i) Independent Directors	02
ii) Non-Executive Directors	03
iii) Executive Directors	02

NAME OF THE DIRECTORS AND BOARD OF DIRECTORS MEETING

During the period under review, Sixteen (16) meetings of the Board of Directors were held from July 01, 2022 to June 30, 2023. The details regarding the attendance by the Board members at these meetings has been provided below:

Name of Directors	No. of Meetings Attended
Mian Parvez Aslam	16
Mr. Imran Aslam	16
Mr. Irfan Aslam	16
Mr. Danish Aslam	16
Syed Raza Ali Bokhari	16
Dr. Ali Raza Khan	16
Mrs. Nazish Imran	14

AUDIT COMMITTEE

The Board has formed an Audit Committee, which consists of the following directors:

Syed Raza Ali Bokhari	Independent Director	Chairman
Mian Parvez Aslam	Non-Executive Director	Member
Mr. Irfan Aslam	Non-Executive Director	Member

During the period under review, Seven (7) meetings of audit committee of the company were held from July 01, 2022 to June 30, 2023 respectively and the details of the attendance at these meetings are as follows:

Name of Member	No. of Meeting Attended
Syed Raza Ali Bokhari	Seven (7)
Mian Parvez Aslam	Seven (7)

HUMAN RESOURCE AND REMUNERATION COMMITTEE

In Compliance with the Code of Corporate Governance (CCG) Regulations, 2019 the Board of Directors has formed a Human Resource and Remuneration Committee comprising of three Directors name below. The HR & R Committee provides assistances to the Board of Directors in helping the Company's Human Resource function efficiently. Further, the HR & R Committee will also assess and makes recommendations to ensure that the Company's Human Resource policies are objectively associated with its overall business.

Dr. Ali Raza Khan	Independent Director	Chairman
Mr. Danish Aslam	Executive Director	Member
Mrs. Nazish Imran	Non-Executive Director	Member

Names of the members of the Committee	No. of Meeting Attended
--	--------------------------------

Dr. Ali Raza Khan	Three (3)
Mr. Danish Aslam	Three (3)
Mrs. Nazish Imran	Three (3)

CORPORATE GOVERNANCE

Statement of compliance as required under the listed companies' code of corporate governance regulations 2019 is annexed statement of compliance under the Companies Act, 2017 has not been notified.

PERFORMANCE EVALUATION OF BOARD OF DIRECTORS AND THE BOARD COMMITTEES

Complying with Listed Companies Code of Corporate Governance, Regulations 2019 the Board has developed a mechanism for evaluation of performance of the Board of Directors and board committees. Director's evaluation of performance according to questionnaire is expected in shorty. The core area of focus covered included:

- Alignment of corporate goals and objectives with vision and mission of the Company;
- Strategy formulation for sustainable operation;
- Measuring and monitoring of performance; and
- Evaluation of Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference.

Individual feedback was obtained and on the basis of that feedback the average rating of the performance of the board was found satisfactory. Improvement is an ongoing process and the board has identified the areas of improvement in the line with the global best practices.

DIRECTORS' REMUNERATION

The Executive Directors remuneration is considered and recommended by the Human Resource and Remuneration Committee (HR & R) to the Board of Directors. Then remuneration matter is discussed, considered, reviewed and approved by the Board of Directors after due deliberations. Same policy is applicable for determination of remuneration for Non-Executive and Independent Directors.

APPOINTMENT OF AUDITORS

The Auditors M/s Crowe Hussain Chaudhury & Co. Chartered Accountant, will retire and eligible for re-appointment as auditors of the Company for the next year. The Audit Committee and the Board have endorsed their re-appointment for reconsideration of the members at the forthcoming Annual General Meeting of the Company.

PATTERN OF SHAREHOLDING

The pattern of shareholding as of June 30, 2023 on the prescribed Form 34 is attached herewith.

SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of this report.

ACKNOWLEDGMENT

We extend our gratitude to our dedicated employees, valued customers, and supportive shareholders for their continued trust and commitment. We are confident that, with your support, Shahzad Textile Mills Limited, will overcome these challenges and emerge stronger.

For and on behalf of the Board


DIRECTOR


CHIEF EXECUTIVE OFFICER

Lahore:
Dated October 05, 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHAHZAD TEXTILE MILLS LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Shahzad Textile Mills Limited**, which comprise the statement of financial position as at June 30, 2023, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to and forming part of these 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 other 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 (XXI of 2017), in the manner so required and respectively give a true and fair view of the Company's affairs as at June 30, 2023 and of the loss, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key Audit Matters:

S. No.	Key audit matter	How the matter was addressed in our audit
1. Revenue		
	<p data-bbox="370 522 808 588">Refer to note 3.16 & 26 to the financial statements.</p> <p data-bbox="370 621 808 754">Revenue of the Company has decreased from Rs. 9,383 million to Rs. 8,399 million for the year ending June 30 2023.</p> <p data-bbox="370 787 808 1052">The Company is primarily engaged in manufacturing and sale of yarn and socks. We identified recognition of revenue as a key audit matter due to revenue being one of the key performance indicators of the Company and decrease in revenue from last year.</p>	<p data-bbox="824 522 1430 588">Our key audit procedures related to revenue included:</p> <ul data-bbox="824 621 1430 1816" style="list-style-type: none"> <li data-bbox="824 621 1430 787">• Obtaining an understanding of the Company's processes and related internal controls for revenue recognition and on a sample basis, testing the operating effectiveness of those controls. <li data-bbox="824 820 1430 953">• Assessing the appropriateness of the Company's revenue recognition policies and their compliance with applicable accounting and reporting standards. <li data-bbox="824 986 1430 1119">• Comparing a sample of revenue transactions recorded during the year with customers' orders, sales invoices, delivery orders and other relevant underlying documents. <li data-bbox="824 1152 1430 1417">• Reviewing contracts with customers and comparing the revenue transactions to the relevant sales orders, sales invoices, and other relevant underlying documents to assess whether the revenue was recorded in accordance with the Company's revenue accounting policy and applicable financial reporting framework. <li data-bbox="824 1451 1430 1539">• Performing cut-off procedures on sales to ensure revenue has been recorded in the correct period. <li data-bbox="824 1572 1430 1639">• Examining the customer receipts for sales made during the year. <li data-bbox="824 1672 1430 1816">• Assessing the appropriateness and adequacy of disclosed information in the financial statements in accordance with the relevant accounting and reporting standard standards.

2. Stocks in trade

	<p>Refer to note 3.11 & 20 to the financial statements which reflect inventory at the reporting date. Inventories have decreased from Rs. 795.047 million to Rs. 688.627 as at June 30, 2023.</p> <p>We identified this area as a key audit matter because inventories constitute a significant portion of the total assets of the Company.</p> <p>Further, determining an appropriate write-down as a result of net realizable value (NRV) and provision for slow-moving inventories involves management judgment and estimation.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none">• Observing physical inventory count procedures and comparing, on a sample basis, physically counted inventories with valuation sheets provided by the management• Comparing on a sample basis specific purchases and directly attributable costs with underlying supporting documents.• Checking the accumulation of costs at different stages of production to ascertain valuation of work in process and finished goods.• Comparing the net realizable value, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value stocks in accordance with applicable accounting and reporting standards.• Assessing the provision for slow moving stocks as of the reporting date and assessed whether it is in accordance with the Company's policies and relevant accounting and reporting standards.• Considering adequacy of the related disclosures and assessed whether these are in accordance with the applicable accounting and financial reporting standards.
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Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Lahore
Dated:
UDIN:



CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

SHAIKZAD ENTITLEMENTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023

	2023		2022	
	Equity	Liabilities	Equity	Liabilities
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Authorized Share Capital				
40,000,000 (2023) - 40,000,000 (2022) shares				
(issued at Rs. 10 each)	400,000,000	400,000,000	400,000,000	400,000,000
Reserve, subscription and sale of equity				
Reserves	129,714,790	129,714,790	129,714,790	129,714,790
Reserve for distribution of proceeds, land and buildings	1,170,000,000	1,170,000,000	1,170,000,000	1,170,000,000
	1,299,714,790	1,299,714,790	1,299,714,790	1,299,714,790
Non Current Liabilities				
1,000 term financing	200,000,000	200,000,000	200,000,000	200,000,000
Term financing payable	100,000,000	100,000,000	100,000,000	100,000,000
Banking facilities	100,000,000	100,000,000	100,000,000	100,000,000
	300,000,000	300,000,000	300,000,000	300,000,000
Current Liabilities				
Trade pay (short period)	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Unfulfilled contracts	100,000,000	100,000,000	100,000,000	100,000,000
Deposit received	20,000,000	20,000,000	20,000,000	20,000,000
Accrued interest	100,000,000	100,000,000	100,000,000	100,000,000
Current portion of non-current liabilities	100,000,000	100,000,000	100,000,000	100,000,000
Short term borrowings	100,000,000	100,000,000	100,000,000	100,000,000
Provision for creditors	100,000,000	100,000,000	100,000,000	100,000,000
	1,400,000,000	1,400,000,000	1,400,000,000	1,400,000,000
Contingencies and Commitments				
	1,299,714,790	1,299,714,790	1,299,714,790	1,299,714,790
	1,299,714,790	1,299,714,790	1,299,714,790	1,299,714,790

The approved items from 1 to 18 are an integral part of these financial statements.

[Signature]
 CHIEF EXECUTIVE OFFICER

[Signature]
 CHIEF FINANCIAL OFFICER

[Signature]
 CHIEF FINANCIAL OFFICER

SHAHZAD TEXTILE MILLS LIMITED

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
Sales	26	8,398,630,158	9,382,650,241
Cost of sales	27	(8,154,266,071)	(8,308,466,766)
Gross Profit		234,364,087	1,074,183,475
Operating Expenses			
Selling and distribution costs	28	(147,292,473)	(260,587,744)
Administrative expenses	29	(254,814,766)	(208,394,621)
		(402,107,239)	(468,982,365)
Operating (Loss) / Profit		(167,743,152)	605,201,110
Finance cost	30	(135,900,125)	(900,079,288)
Other operating expenses	31	(67,283,477)	(52,754,839)
Other income	32	136,756,936	62,231,029
Share of net profit of associate	17	44,293,650	74,387,551
		(20,133,016)	(15,214,647)
(Loss) / Profit before Taxation		(187,675,160)	509,787,163
Taxation	35	(81,364,764)	(201,322,842)
Net (Loss) / Profit for the Year		(269,039,924)	308,464,321
(Loss) / Earnings per Share - Basic and Diluted	34	(14.90)	31.00

The annexed notes from 1 to 46 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

SHAHZAD TEXTILE MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
Net (Loss) / Profit for the Year	(260,209,532)	317,444,721
Other Comprehensive Income for the Year		
<i>Items that will not be reclassified to profit or loss</i>		
Experience adjustment on remeasurement of staff retirement benefits: related tax impact	-	(8,772,413)
	-	1,578,777
	-	(4,793,636)
Share in other comprehensive income of associate: related tax impact	161,343,542	(5,388,316)
	(24,201,521)	531,732
	137,142,021	(5,276,584)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Other comprehensive income / (loss) for the year	137,142,021	(10,076,620)
Total Comprehensive (Loss) / Income for the Year	<u>(123,067,511)</u>	<u>307,368,101</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

SHAHZAD TEXTILE MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2023

Particulars	Share Capital	Reserves			Surplus on Revaluation of Property, Plant and Equipment	Total
		Capital Reserves	Revenue Reserves	Other Reserves		
	Share Premium	Share Premium	Unappropriated Profits	Other		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at June 30, 2022						
Net profit for the year	-	177,664,107	177,664,107	-	177,664,107	355,328,214
Other comprehensive income for the year	-	172,079,648	172,079,648	-	172,079,648	344,157,862
Total comprehensive income for the year	-	349,743,755	349,743,755	-	349,743,755	700,486,076
Impairment provisions charged on financial assets, plant and equipment transferred to retained earnings - net of deferred tax	-	(1,722,185)	(1,722,185)	-	(1,722,185)	(1,722,185)
Dividends declared on retained earnings - net of deferred tax	-	(1,722,185)	(1,722,185)	-	(1,722,185)	(1,722,185)
Share in associate's change in ownership in equity	-	-	-	-	-	-
Balance as at June 30, 2023	-	348,021,570	348,021,570	-	348,021,570	696,043,140
Net loss for the year	-	(1,242,218)	(1,242,218)	-	(1,242,218)	(1,242,218)
Other comprehensive income for the year	-	1,242,218	1,242,218	-	1,242,218	1,242,218
Total comprehensive income for the year	-	-	-	-	-	-
Reversal of provisions charged on financial assets, plant and equipment transferred to retained earnings - net of deferred tax	-	286,731,170	286,731,170	-	286,731,170	573,462,340
Impact of dividend tax on current year adjustment	-	127,447,211	127,447,211	-	127,447,211	254,894,421
Share in associate's change in ownership in equity	-	(122,997,800)	(122,997,800)	-	(122,997,800)	(122,997,800)
Balance as at June 30, 2023	-	15,480,781	15,480,781	-	15,480,781	31,961,562
Net profit for the year	-	15,923,882	15,923,882	-	15,923,882	31,907,674
Other comprehensive income for the year	-	(4,443,664)	(4,443,664)	-	(4,443,664)	(4,443,664)
Total comprehensive income for the year	-	11,480,218	11,480,218	-	11,480,218	23,464,010
Balance as at June 30, 2023	-	11,480,218	11,480,218	-	11,480,218	23,464,010
Net profit for the year	-	(1,107,200)	(1,107,200)	-	(1,107,200)	(1,107,200)
Other comprehensive income for the year	-	1,107,200	1,107,200	-	1,107,200	1,107,200
Total comprehensive income for the year	-	-	-	-	-	-
Balance as at June 30, 2023	-	-	-	-	-	-

The approved report from 1 to 19 has an integral part of being financial statements.

Chief Executive Officer

Director

Chief Financial Officer

SHAHZAD TEXTILE MILLS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 Rupees	2022 Rupees
CASH GENERATED FROM OPERATIONS	35	281,915,882	469,666,354
Income tax paid		(124,999,850)	(122,809,314)
Gratuity paid		(58,979,495)	(43,000,611)
Repayment of gas infrastructure development cost		(4,377,810)	(26,266,861)
Finance cost paid		(128,947,481)	(76,164,574)
Workers' welfare fund paid		(13,975,743)	(8,776,154)
Workers' (profit) participation fund paid		(34,214,197)	(25,776,422)
		<u>(353,494,618)</u>	<u>(304,029,939)</u>
Net Cash Generated from Operating Activities		28,421,264	164,736,415
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(52,199,035)	(278,339,932)
Short term investments		(5,000,000)	(6,900,000)
Proceeds from disposal of property, plant and equipment		8,500,000	8,900,000
Receipt of profit on saving account and TDAs - Reclassified		6,588,463	4,417,615
Net Cash Used in Investing Activities		(42,010,572)	(271,417,307)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term financing obtained		26,827,500	145,303,900
Long term financing repaid		(71,479,621)	(100,290,528)
Short term borrowings - net		(16,537,147)	53,145,307
Net Cash (Used in) / Generated from Financing Activities	30	(61,189,268)	102,158,779
Net Decrease Cash and Cash Equivalents		(74,778,576)	(4,524,111)
Cash and cash equivalents at the beginning of the year		143,225,205	147,749,318
Cash and Cash Equivalents at the End of the Year		68,446,629	143,225,205

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

SHARZAD TEXTILE MILLS LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Note 1 The Company and its Operations

Sharzad Textile Mills Limited (the Company) was incorporated in Pakistan on October 24, 1978 as a Public Limited Company under the Companies Act, 1913 (now the Companies Act, 2017). The shares of the Company are quoted on Pakistan Stock Exchange. The Company is domiciled in Pakistan and its principal business is its manufacture and sale in all forms of yarn and goods. The Company holds 24.04% ordinary shares of Mills Saragodha Lute Mills Limited (PSM, Off Dafeer Ali Road, Gujberg - V, Lahore), an Associated Company that is engaged in manufacturing, selling and dealing in jute products (refer to note 17).

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

- The Company's registered office is situated at 17-A, Off Dafeer Ali Road, Gujberg - V, Lahore
- 2 manufacturing facilities are situated at 24 KM, Lahore-Sheikhupura Road, Sheikhupura
- 1 manufacturing facility is situated at 7 KM, Sheikhupura-Faisalabad Road, Khanewal

Note 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;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of any statutes issued under the Companies Act, 2017.

Where provisions of any statutes issued under the Companies Act, 2017 differ from the IFRS or the IFAS, the provisions of any statutes issued under the Companies Act, 2017 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of following:

Staff retirement benefits	Note 8	Stated at present value
Certain property, plant and equipment	Note 15	Stated at revalued
Investment property	Note 16	Stated at fair value
Investment in associates	Note 17	Stated at double equity
Certain investments	Note 22	Stated at fair value

2.3 Functional and presentational currency

These financial statements are prepared and presented in Pak Rupee which is the functional and presentational currency of the Company. All the figures have been rounded off to the nearest rupee, unless otherwise stated.

2.4 Key judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including consideration of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgements which are significant to the financial statements:

- Estimation of provision - Note 7
- Provision for employees' retirement benefits (Note 8 and 9)
- Current income tax expense, provision for current tax and recognition of deferred tax asset (for carried forward tax losses) - Note 14, 9, 15 & 20
- Estimation of contingent liabilities - Note 14 & 19
- Useful lives, residual values and depreciation method of property, plant and equipment - Note 15 & 17
- Impairment loss of non-financial assets other than investments - Note 18
- Fair value of investment property - Note 16 & 18
- Net realizable values of stock-in-trade & store and spares (Notes 13, 15, 19 and 20)
- Provision for expected credit losses - Note 15 & 21
- Impairment loss of financial assets - Note 14, 21, 22, 23 & 25

Cont.

Note 2. Basis of Preparation - Contd.

2.3 Changes in accounting standards, interpretations and pronouncements

2.3.1 Standards, interpretations and amendments to approved accounting standards that are effective in the current year

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.

Standard or Interpretation	Effective Date - Annual Periods beginning on or after
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 1, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before installed cost	January 1, 2023
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - cost of fulfilling a contract	January 1, 2023
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 1, 2023

2.3.2 Standards, interpretation and amendments to approved accounting standards 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.

Standard or Interpretation	Effective Date - Annual Periods beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 1, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimate	January 1, 2023
Amendments to IAS 12 'Income Taxes' - Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IAS 12 'Income Taxes' - International Tax Reform - Pillar Two Model Rules	January 1, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 1, 2023
Amendments to IFRS 16 'Leases' - Clarification on how lease liability subsequently measure sale and leaseback transactions	January 1, 2023
Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial instruments disclosure' - Supplier Finance Arrangements	January 1, 2023
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 disclosed 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

The Company is in process of assessing the impact of these amendments on the financial statements.

**Note 3
 Summary of Significant Accounting Policies**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented except otherwise stated.

3.1 Provisions

A provision is recognized in the assessment of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of 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.

Contd.

Ann. 3 Summary of Significant Accounting Policies - Contd.

3.2 Staff retirement benefits

3.2.1 Defined benefits plan

The Company operates an unfunded gratuity scheme covering its permanent employees. Employees are eligible for benefits under the gratuity scheme after completion of six months of continuous service. These benefits are calculated on the basis of the number of completed years of service and last drawn gross salary.

Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefits plan are charged or credited to other comprehensive income in the period in which these arise. Past service costs are recognized immediately in profit or loss.

Provisions are made in the financial statements to cover obligations on the basis of actuarial valuation carried out at each reporting date. During the year, the Company has discontinued this scheme and recognized liability as on March 31, 2023, according to policy and recognized difference in profit or loss.

3.2.2 Defined contribution plan

The Company has defined contributory provident fund for all its eligible employees starting from April 21, 2021. Equal contributions are made monthly, both by the Company and the employees, in accordance with the rules of the scheme at the rate of 5.1% of gross salary.

3.3 Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except in the extent that it results in losses recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

3.3.1 Current

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax. Super tax applicable on the Company is also as per the applicable rules as per the Income Tax Ordinance, 2001. However, in case of loss for the year, income tax expense is recognized as minimum tax liability in turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, in provision for tax made in previous years arising from assessments framed during the year for such years. However, in case of loss for the year, income tax expense is recognized as minimum tax liability in turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the relevant adjustments.

Income tax for current and prior periods, to the extent unpaid, is recognized as a liability. If the amount unpaid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized as an asset.

The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.3.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of transaction, neither affects accounting tax taxable profit or loss.

Deferred tax liabilities are recognized for all except taxable temporary differences.

Appendix J: Summary of Significant Accounting Policies - (Contd.)

Deferred tax assets are recognized for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reviewed at each reporting date and are recognized in the event of positive future taxable profit evidence that will allow deferred tax asset to be recognized.

Deferred tax is calculated at rates that are expected to apply to the period when the differences reverse, based on tax rates and tax laws that have been enacted or have been notified for subsequent enactment by the reporting date.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using average rates that are expected to apply to the taxable profit (tax loss) of the periods in which temporary differences are expected to reverse.

3.3.3 Off-setting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

3.5 Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Company.

A contingent liability is also disclosed when there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation in the amount of the obligation cannot be measured with sufficient reliability.

3.6 Property, plant and equipment

Owned

Items of property, plant and equipment other than land, buildings on freehold land, plant and machinery and power house are stated at cost less accumulated depreciation and identified impairment losses, if any. Land, buildings on freehold land, plant and machinery and power house are stated at historical amount being the fair value at the date of evaluation less subsequent impairment losses, if any. Evaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value. Additions subsequent to evaluation, are stated at cost less any identified impairment loss. Surplus on revaluation of land, building on freehold land, plant and machinery and power house is recognized in equity. On disposal of particular revalued asset the related revaluation surplus is transferred to unrecognized profits.

Cost comprise purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and includes other costs directly attributable to acquisition or construction including expenditure on material, labour and overheads directly relating to construction, erection and installation of items of property, plant and equipment. Cost in relation to certain assets may also include cost of borrowing during construction period in respect of those taken for stocks, projects.

Depreciation on property, plant and equipment, except freehold land, has been provided for using the reducing balance method at the rates specified in Note 15 and is charged to profit or loss. Depreciation on additions is charged from the month in which the asset is available for use up to the month in which the asset is disposed off. Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

Repairance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of property, plant and equipment, if any, is shown in profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

Notes 3. Summary of Significant Accounting Policies - (Contd.)

3.7 Impairment of non financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on fixed assets that offset exercise resolution surplus are charged against this surplus, all other impairment losses are charged to statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). For impairment of non-financial assets are reviewed for possible reversal at each reporting date. Where impairment loss is recognised, the depreciation / amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value, over its remaining useful life. Any reversal of impairment loss of a reversed asset shall be treated as a revaluation increase.

3.8 Investment property

Investment property, which is property held to earn rental and /or for capital appreciation is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. The change in fair value is recognised in profit or loss. The fair value of investment property is determined at each reporting date using the current market prices for comparable real estate, adjusted for any differences in factors, location and condition. The key assumptions used to determine the fair value of investment properties are provided in Note 12.

3.9 Investment in associate

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of voting rights. Investments in associates are accounted for using the equity method of accounting, after initial recognition at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee company.

Unrealised gains or transactions between the Company and its associates are eliminated to the extent of the Company's interest in the entity. Unrealised losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred.

3.10 Stores and spares

These are valued at lower of moving average cost and net realisable value, whilst items considered obsolete are written off. Cost of items in transit comprises invoice value plus incidental charges paid thereon.

3.11 Stock in trade

These are valued at lower of cost and net realisable value. Cost is determined as follows:

Raw materials	- Monthly average cost
Materials in transit	- Cost comprising invoice value plus incidental charges paid thereon
Work in process	- Estimated average manufacturing cost
Finished goods	- Average manufacturing cost
Wares	- Net realisable value

Manufacturing cost in respect to work in process and finished goods comprises cost of material, labor and approximately allocated manufacturing overheads. Net realisable value signifies estimated selling price in the ordinary course of business less necessary costs to incur the sale.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, these comprise cash in hand and cash at bank.

Notes 1. Summary of Significant Accounting Policies - Contd.

3.12 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another instrument of another entity.

3.12.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

a) Classification

Financial assets are classified in either of the three categories at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition. The Company has current financial assets that are measured at amortized cost and fair value through profit or loss.

b) Initial recognition and measurement

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition, except for trade receivables. Trade receivables are initially measured at the transaction price.

c) Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate (EIR) method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value prevailing at the reporting date. The difference arising is charged to profit or loss.

d) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from assets have expired. The difference between the carrying amount and the consideration received is recognized in profit or loss.

e) Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.12.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the EIR method. Anyfees received are calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in profit or loss. Differences between stamping amounts and consideration paid is recognized in profit or loss when the liabilities are derecognized.

3.12.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(contd.)

Ann 1 Summary of Significant Accounting Policy - Contd.

3.14 Foreign currency transactions

Transactions in foreign currencies are translated into Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into Pak Rupees at the exchange rate prevailing at that date. Monetary translation differences are recognised in profit or loss.

3.15 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length basis determined using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

3.16 Revenue recognition - Sale of goods

Revenue is recognized when performance obligation is satisfied by applying the following five steps of revenue recognition:

- (i) Identify the contract with a customer
- (ii) Identify the performance obligation in the contract
- (iii) Determine the transaction price of the contract
- (iv) Allocate the variable price to each of the separate performance obligations in the contract
- (v) Recognize the revenue when (or as) the entity satisfies a performance obligation

Revenue is recognized at amounts that reflect the consideration that the Company expects to be entitled to in exchange for transferring goods to a customer. Revenue is recognized at the fair value of the consideration received or receivable, and is recognized when goods are dispatched from the mill to customer whereas revenue of export sales is recognized on date of issue of bill of lading.

3.17 Borrowing costs

Borrowing costs are charged to profit or loss as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

3.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Company). Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

3.19 Dividend distribution

Dividend distribution to Company's shareholders is recognized as a liability in the period in which the dividends are approved.

3.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Company has access at that time.

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company determines transaction price by applying valuation techniques. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is typically the transaction price (i.e. the fair value of the consideration given or received).

If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to profit or loss on an accrual basis over the life of the instrument but no later than when the instrument is accounted directly to observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

Item 3. Summary of Significant Accounting Policy - Contd.

3.21. Earnings per share - basic and diluted

The Company presents basic and diluted earnings per share (EPS) 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 of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22. Balances from contract with customers

Contract assets

A contract asset is the right to receive in exchange for goods transferred to the customer against which no invoice has been raised.

Trade receivables

Trade receivables represent the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on review of all outstanding accounts at the reporting date. Bad debts are written off when identified.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods to the customer.

Right of return asset

Right of return assets represent the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decrease in the value of the returned goods. The Company updates the measurement of the asset recorded for any returns to its expected level of returns, as well as any additional decrease in the value of its returned products.

Refund liability

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimate of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

3.23. Government grants

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

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

**Note 4 -
Issued, Subscribed and Paid Up Capital**

2023	2022		2023	2022
Number of Shares			Rupees	Rupees
12,240,349	12,240,349	Ordinary shares of Rs. 10 each fully paid in cash	122,403,490	122,403,490
4,418,800	4,418,800	Ordinary shares of Rs. 10 each issued for consideration otherwise than in cash - shares issued as an acquisition	44,188,000	44,188,000
1,112,000	1,112,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	11,120,000	11,120,000
<u>17,771,149</u>	<u>17,771,149</u>		<u>177,711,490</u>	<u>177,711,490</u>

4.1 Reconciliation of number of shares outstanding

	2023	2022
	Number of Shares	
Number of shares outstanding as at the beginning of the year	17,071,374	14,507,870
Number of shares issued - cancelled		
Number of shares outstanding as at the end of the year	<u>17,771,149</u>	<u>17,071,374</u>

4.2 Shares held by related parties are as follows:

	2023	2022	2023	2022
	Percentage		Number of Shares	
Directors	73.87%	73.87%	13,208,831	13,208,831
Executives	0.0028%	0.0028%	500	500
Sayotha Jute Mills Limited	0.12%	0.12%	21,799	21,799
			<u>13,231,130</u>	<u>13,231,130</u>

4.3 There are no agreements with shareholders for any special voting rights, board selection, rights of first refusal and anti-take over etc.

4.4 All ordinary shares rank equally with regards to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

**Note 5 -
Reserves**

	2023	2022
	Rupees	
Capital		
Share premium reserve	5,796,000	5,796,000
Revenue		
Share premium reserve	3,987,457,457	2,120,828,640
	<u>1,293,253,457</u>	<u>2,118,634,640</u>

**Note 6 -
Surplus on Revaluation of Property, Plant and Equipment**

	2023	2022
	Rupees	
Land - freehold	796,000,070	796,000,070
Buildings on freehold land	145,889,230	158,275,948
Furniture and machinery	74,996,882	83,861,853
Power house	52,112,199	42,303,249
	<u>1,069,008,381</u>	<u>1,080,441,120</u>
Deferred tax arising on rate change		
Deferred tax arising on export sales	6.3	4,693,669
Income tax recognition charges on revalued property, plant and equipment transferred to retained earnings - net of deferred tax	(15,930,930)	(17,727,110)
Surplus realized on disposal of revalued property, plant and equipment transferred to retained earnings - net of deferred tax		21,295,000
Total	<u>1,053,077,451</u>	<u>1,067,692,509</u>

Note 6: Surplus on Revaluation of Property, Plant and Equipment - Continued

- 6.1 Revaluation of land, building and plant and machinery was initially carried out by an independent valuer in September 2019 that resulted in revaluation surplus of Rs. 428,412 million.
- 6.2 Latest revaluation of property, plant and equipment was carried out on June 30, 2021 by an independent valuer that resulted in revaluation surplus of Rs. 140,267 million. The following basis were used for revaluation of property, plant and equipment:

Land	Market Value
Buildings	Market Value / Depreciated Value
Plant and machinery	Market Value / Depreciated Value
Power house	Market Value / Depreciated Value

- 6.3 The surplus amount transferred from deferred tax liability due to change in proportion of land and equipment resulting in change in estimate of deferred tax on surplus on revaluation of property, plant and equipment.
- 6.4 The surplus on revaluation of property, plant and equipment is not available for distribution to shareholders in accordance with Section 240 of the Companies Act, 2017.

Note 7:

Long Term Financing - Secured

		2021	2020
	Rs.	Rs.	Rs.
Habib Bank Limited - SFP LTFP	7.1	317,791,000	302,840,000
Habib Bank Limited - Depositing Guarantee	7.2	56,125,500	29,360,000
CB Bank Limited - Loan as per SFP reference scheme	7.3	-	23,175,200
		373,916,500	455,375,200
Less: Current portion of long term financing (shown under current liabilities)	11	(73,403,450)	(67,294,574)
		299,513,050	388,080,626

7.1 This long term finance facility was utilized to retire documents of import LC that were collateralized for import of machinery for goods unit of the Company. The sanctioned limit amounted to Rs. 345 million (2020: Rs. 377 million) and was secured by way of creating charge of Rs. 300 million (2020: Rs. 340 million) registered with SCBP on complete goods unit installed with 35% margin and personal guarantee of sponsoring directors. This facility is repayable in 24 equal quarterly installments commencing from January 2021 and carries markup at SFP rate plus 300 bps (2020: SFP rate plus 300 bps) per annum, payable on quarterly basis.

7.2 This depositing machinery facility is utilized to purchase machinery. The sanctioned limit amounts to Rs. 100 million (2020: Rs. 100 million) and is secured by way of creating charge over imported machinery with 15% margin and personal guarantee of sponsoring directors. This facility is repayable in 18 equal quarterly installments, latest by July 2021, and carries markup at 3 month KIBOR plus 125 bps (2020: 3 month KIBOR plus 125 bps) per annum, payable on quarterly basis.

7.3 The Company obtained total borrowing of Rs. 93,726 million from CB Bank Limited under the Cash Bank of Pakistan reference scheme for payment of salaries and wages at subsidized rate of borrowing. This financing was secured against existing charge over fixed assets of the Company and was repayable in 8 quarterly installments starting from July 2020. Markup on this financing was changed at 3% (2020: 3%) per annum. The Company recognized its liability under SFP reference scheme at its fair value and recorded Rs. 3,731 million as deferred grant. This grant has been issued during the year. The movement in loan is as under:

Opening balance	23,175,200	66,706,667
Winding up of loan	(25,891)	(1,331,826)
Repayments	(23,431,621)	(19,662,238)
		23,175,200

Note 8:

Staff Retirement Benefits

		2021	2020
	Rs.	Rs.	Rs.
Present value of defined benefit liabilities	8.1	-	(41,091,881)

8.1 The Company has discontinued its unsecured gratuity scheme during the year. Under that scheme, permanent employees of the Company were entitled for gratuity subject to completion of minimum prescribed period of service. Actuarial valuation of the scheme was carried out by an independent actuary as at June 30, 2021. Following key information was included in that actuarial report:

8.4 Staff Retirement Benefits – Continued

8.3 Actuarial assumptions

	2022
Discount rate	13.25%
Expected rate of salary increase in future years	12.25%
Average expected remaining working life of employees	9.00 Years
Expected mortality rate for active members	As per SACT (2001-2005) Mortality Table with one year setback
Actuarial valuation method	Projected Unit Credit Method

8.3 Company's liability

	2022		2021	
	RMB	RMB	RMB	RMB
Opening balance	-	141,063,801	-	124,179,479
Charge for the year	8.3	73,663,179	-	65,215,231
Remeasurement chargeable to other comprehensive income – experience adjustment	-	-	-	6,772,413
	-	73,663,179	-	136,167,123
Benefits paid to outgoing employees	8.4	(58,979,465)	-	(47,295,611)
Less: Classified and transfer to bank and other payable	-	(155,749,485)	-	(141,063,801)
	-	-	-	-

8.4 Movement in present value of defined benefit obligation

Opening balance	141,063,801	124,179,479
Current service cost	62,215,231	45,046,793
Interest cost on defined benefit obligation	11,449,948	16,152,337
Benefits paid to outgoing employees	(58,979,465)	(47,295,611)
Remeasurement chargeable to other comprehensive income – experience adjustment	-	6,772,413
	155,749,485	141,063,801

8.5 Charge for the year

Current service cost	62,215,231	45,046,793
Interest cost	11,449,948	16,152,337
	73,663,179	65,215,231

8.6 Charge for the year has been allocated as under

Cost of sales	27	59,151,894	42,771,634
Administrative expenses	28	9,511,285	15,443,780
	-	14,999,999	15,211,307

8.7 The Company does not have any plan assets covering its staff-employment benefits payable. The cooperative statement of present value of defined benefit obligations is as under:

	2022	2022	2021	2020	2019
	RMB	RMB	RMB	RMB	RMB
Present value of defined benefit obligation	(155,749,485)	(141,063,801)	(124,172,679)	(176,666,668)	(194,977,661)
Fair value of plan assets	-	-	-	-	-
Net liability	(155,749,485)	(141,063,801)	(124,172,679)	(176,666,668)	(194,977,661)

8.8
Deferred liabilities

		2022	2021
	RMB	RMB	RMB
Deferred tax liability / net	1.1	289,760,005	362,454,276
Gas infrastructure development cost (GIDC)	1.2	-	-
Deferred grant	1.3	-	-
Other	-	-	-
	-	289,760,005	362,454,276

9.1 Deferred Taxation - Contd.

9.1 Deferred tax liability - net

- taxable temporary differences:
 - Share of net assets in associate
 - Accumulated tax depreciation
 - Investment property
 - Surplus on revaluation of property, plant and equipment

- deductible temporary differences:
 - Staff retirement benefits
 - Allowance for doubtful debts and advances
 - Unused tax credits available
 - Others

	2023	2022
	Rs.	Rs.
	118,963,535	89,896,729
	236,931,973	342,674,366
	22,644,676	22,682,711
	93,738,681	104,559,078
	472,280,565	459,778,912
	(41,482,141)	(71,216,303)
	(2,609,943)	(1,701,899)
	(32,856,439)	(37,733,106)
	(2,424,788)	(15,672,499)
	362,954,279	308,001,768
	362,954,279	308,001,768

9.1.1 Reconciliation of deferred tax liability

- Opening balance
 Tax effect recognised in profit or loss
 Recognised in other comprehensive income / (cost)
 Rise/adjustment on revaluation surplus taken directly to equity - net
 Tax credits utilised
 Closing balance

	362,954,279	308,001,768
	2,824,363	41,433,205
	(4,281,331)	(2,910,099)
	(4,649,664)	(2,881,600)
	4,876,667	21,263,777
	362,954,279	308,001,768

9.1.2 Deferred tax assets / liabilities on temporary differences are measured at effective rate of 32% (2022 - 33%).

9.1.3 Analysis of deferred tax

	Statement of Financial Position		Statement of Profit or Loss	
	2023	2022	2023	2022
	Rs.		Rs.	
Share of net assets in associate	118,963,535	89,896,729	9,865,900	10,896,571
Accumulated tax depreciation	236,931,973	342,674,366	19,700,871	46,135,366
Investment property	22,644,676	22,682,711	(47,695)	2,251,366
Surplus on revaluation of property, plant and equipment	93,738,681	104,559,078	(6,171,633)	(7,881,472)
Staff retirement benefits	(41,482,141)	(71,216,303)	(2,268,858)	(5,872,366)
Allowance for doubtful debts and advances	(2,609,943)	(1,701,899)	(1,968,544)	(1,381,300)
Unused tax credits available	(32,856,439)	(37,733,106)		
Others	(2,424,788)	(15,672,499)	13,647,688	(9,779,607)
	362,954,279	308,001,768	7,824,367	41,479,201

9.1.4 Deductible temporary difference are disclosed to the extent that the realization of the related tax benefit is probable from reversal of existing taxable temporary difference and future taxable profits.

Accounting year to which the minimum tax carried forward relates	Amount of minimum tax carried forward	Accounting year in which the minimum tax carried forward will expire
--	---------------------------------------	--

Minimum tax carried forward

2021	12,945,777	2025
2022	19,935,662	2025
	32,881,439	

9.2 Gas Infrastructure Development Cost

- Opening balance
 Payments made during the year
 Interest expense

Less: current portion

9.2.1

	2023	2022
	Rs.	Rs.
	16,662,611	150,407,240
	(4,577,810)	(79,266,861)
	46,386	4,911,632
	16,131,187	150,632,611
	(16,276,887)	(1,16,662,021)

Note 8: Deferred Liabilities - Contd.

8.2.1 The approved Gas Infrastructure Development Cost (GIDC) payable by the Company to Sri Northern Gas Pipeline Limited (SNGPL) in 24 monthly instalments in accordance with the Supreme Court of Pakistan's Decision dated August 15, 2021. The Company calculated its present value at its borrowing cost and resultant difference was charged to profit or loss.

8.2 Deferred grant	2023	2022
	Rs,000	Rs,000
Opening balance	255,902	1,087,838
Amortisation of grant	(255,902)	(3,331,890)
Deferred grant outstanding	-	255,902
Less: Current portion	-	(255,902)

Note 10:

Trade and Other Payables

		2023	2022
	Note	Rs,000	Rs,000
Creditors for:			
- Goods supplied		101,116,998	75,983,838
- Services		28,992,354	13,859,416
Accrued liabilities		308,464,210	311,388,464
Gratuity payable	8	355,740,485	-
Contract liabilities		30,943,784	34,418,033
Provident fund payable	10.1	16,725,536	-
Workers' (profit) participation fund	10.2	-	32,281,351
Workers' welfare fund		8,401,600	21,377,813
Sales tax payable	10.3	62,733,930	32,903,320
Unclaimed wages		6,713,596	6,199,378
		<u>790,214,502</u>	<u>579,944,310</u>

10.1 The Company has commercial provident fund from April 01, 2023. The Company is in process of opening account to recognise a separate fund. Therefore, the Company has retained this amount and has not transferred to that fund.

10.2 Workers' (profit) participation fund

Opening balance	30,761,931	25,462,389
Markup on workers' (profit) participation fund	1,952,246	2,254,158
Provision for the year	-	32,281,351
	<u>32,714,177</u>	<u>58,008,108</u>
Payments made during the year	(24,214,197)	(35,719,425)
Closing balance		<u>12,301,951</u>

10.3 This includes Rs. 46,007 million (2022: Rs. 46,067 million) in account of provision for further sales tax.

Note 11:

Current Portion of Non-Current Liabilities

		2023	2022
	Note	Rs,000	Rs,000
Long term financing	7	71,402,658	87,264,894
Deferred liability - GIDC	8.2	206,278,367	119,402,311
Deferred grant	8.2	-	255,902
		<u>197,679,025</u>	<u>196,923,107</u>

Note 12:

Short Term Borrowings

		2023	2022
	Note	Rs,000	Rs,000
From banking companies - Secured			
Over / running / packing finance	12.1	<u>327,079,718</u>	<u>404,911,810</u>

Note 12: Short Term Borrowings - Secured

12.1 The Company obtained various funded and unfunded financial facilities from different banks for a total contracted limit of Rs. 2,464 million (2022: Rs. 2,477 million) including working capital requirements, reinvestment of local and foreign LCs and discounting of local bills - receivables. These facilities shall mature on various dates upto to December 31, 2023. Mark up on these facilities is charged from 1 to 6 months LIBOR plus a spread of 1% to 1.25% (2022: 1 to 6 months LIBOR plus a spread of 1% to 1.25%) payable quarterly. These facilities are secured by ranking and hypothecation charge on property, plant and equipment, stocks and inventories of the Company, lien over export and import documents and personal guarantee of sponsoring directors of the Company. The above balance represents the utilized portion of the funded facilities. The Company has also utilized foreign bill discounting facility and un-funded facilities amounting to Rs. nil (2022: Rs. 186.12 million) and Rs. 443.875 million (2022: Rs. 285.744 million) respectively. Unutilized amount of funded and unfunded facilities are Rs. 1,832.65 million (2022: Rs. 1,867.04 million).

Note 13
Provision for Taxation - Net

	2023 Rupees	2022 Rupees
Opening balance		
Charge for the year - Current	178,894,945	89,870,181
Prior year adjustment	105,800,864	185,124,220
Tax credit utilized	233,240,162	270,083
	14,876,607	21,268,273
Reveries / Adjustments against advance tax, tax credits and refunds	73,645,831	138,478,542
	11,307,225,112	195,368,560
	181,805,954	158,896,947

13.1 The provision for current year is based on turnover tax @ 1.25% (2022: turnover tax @ 1.0%) on local sales, 1% (2022: 1%) on export sales and water tax @ 10%.

13.2 Income tax assessments are deemed finalized by the management up to the Tax Year 2022 as tax returns were filed under the self assessment system.

Note 14
Contingencies and Commitments

14.1 Contingencies

	2023 Rupees	2022 Rupees
14.1.1 The Company has provided bank guarantees in favor of the following:		
• Sri Northern Gas Pipeline Limited (SNGPL)	79,748,042	80,048,042
• Lahore Electric Supply Company (LESCO)	10,430,000	10,430,000
• Finance and Taxation Office	34,480,000	27,100,000
• SBF-Banking Services Corporation	17,529,120	17,529,120
	142,207,162	135,107,162

14.1.2 The Company is contingently liable for Rs. 27,505 million (2022: Rs. 26,329 million) on account of electricity duty on self-generation. The Company has obtained stay order by filing petition on August 10, 2019 in Lahore High Court, Lahore against LESCO and was not admitted the said duty. The case is pending hearing before the Lahore High Court, Lahore.

14.1.3 The Deputy Commissioner Inland Revenue (DCIR) issued an assessment order dated August 08, 2020 for the tax period from July 2014 to Oct-2018 with 11(2) creating a demand of sales tax of Rs. 17,557,358. Being aggrieved, the Company filed an appeal before CIR Appeals-V which was decided in favor of the Company. The Tax Authorities have filed an appeal before ATR which is pending adjudication. The Company on the basis of copies of the tax order is hopeful of favorable outcome of the case, accordingly no provision has been recorded in these financial statements.

14.1.3 The Deputy Commissioner Inland Revenue (DCIR) issued an assessment order dated March 08, 2022 for the tax period from July-21 to Nov-21 with 11(7) creating a demand of sales tax of Rs. 1,822,144. Being aggrieved, the Company filed an appeal before CIR Appeals-V, which was partially decided in favour of the Company vide order dated July 25, 2022. Being aggrieved, the Company has filed second appeal in the ATR which is pending adjudication. The Company on the basis of copies of the tax order is hopeful of favorable outcome of the case, accordingly no provision has been recorded in these financial statements.

14.2 Commitments

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

Letters of credit
647

111,395,225 150,237,000

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Sheet 12
 Property, Plant and Equipment

(Including Asset revaluations
 resulting from a program)

Year Ended June 30, 2022

	2021	2022
Assets	1,855,464,479	1,855,464,479
Liabilities	2,000,000,000	2,000,000,000

Description	Cost / Depreciated Assets				Depreciation				Total June 30, 2022
	Year Ended June 30, 2021	Acquired	Disposals / Scraps	Net June 30, 2021	Year Ended June 30, 2022	Net June 30, 2022	Net June 30, 2022	Net June 30, 2022	
Land	993,137,962	-	-	993,137,962	-	993,137,962	-	993,137,962	
Buildings	808,094,779	-	-	808,094,779	-	808,094,779	-	808,094,779	
Equipment	142,489,731	4,938,817	-	147,428,548	(2,364,485)	145,064,063	(2,364,485)	142,700,578	
Other	26,000,000	-	-	26,000,000	-	26,000,000	-	26,000,000	
Construction in progress	10,000,000	-	-	10,000,000	-	10,000,000	-	10,000,000	
Other	99,200,000	(3,000,000)	(1,000,000)	95,200,000	-	95,200,000	-	95,200,000	
Construction in progress	13,811,000	(4,000,000)	-	9,811,000	-	9,811,000	-	9,811,000	
Other	88,389,000	-	-	88,389,000	-	88,389,000	-	88,389,000	
Total as of June 30, 2022	2,038,711,471	(1,061,183)	(1,000,000)	2,036,650,288	(2,364,485)	2,034,285,803	(2,364,485)	2,031,921,318	

(A.) Operating Fund assets
 Total Available June 30, 2022

Description	Cost / Depreciated Assets				Depreciation				Total June 30, 2022
	Year Ended June 30, 2021	Acquired	Disposals / Scraps	Net June 30, 2021	Year Ended June 30, 2022	Net June 30, 2022	Net June 30, 2022	Net June 30, 2022	
Land	993,137,962	-	-	993,137,962	-	993,137,962	-	993,137,962	
Buildings	808,094,779	-	-	808,094,779	-	808,094,779	-	808,094,779	
Equipment	142,489,731	4,938,817	-	147,428,548	(2,364,485)	145,064,063	(2,364,485)	142,700,578	
Other	26,000,000	-	-	26,000,000	-	26,000,000	-	26,000,000	
Construction in progress	10,000,000	-	-	10,000,000	-	10,000,000	-	10,000,000	
Other	99,200,000	(3,000,000)	(1,000,000)	95,200,000	-	95,200,000	-	95,200,000	
Construction in progress	13,811,000	(4,000,000)	-	9,811,000	-	9,811,000	-	9,811,000	
Other	88,389,000	-	-	88,389,000	-	88,389,000	-	88,389,000	
Total as of June 30, 2022	2,038,711,471	(1,061,183)	(1,000,000)	2,036,650,288	(2,364,485)	2,034,285,803	(2,364,485)	2,031,921,318	

Statement of Financial Position
 (in thousands of U.S. dollars)

15.1 Property, plant and equipment - Total

15.2 The items below are reclassified, with values of original units used, from prior periods as follows:

- Land
- Buildings (original cost)
- Other real estate
- Other assets

15.3 Depreciation charge for the year has been recorded as under:

Cost of assets
 accumulated depreciation

15.4 Percentage of immovable property (i.e. land and buildings) in the name of the Company are as follows:

Location / Address

- 1501, Liberty Station Road, Bangalore
- 2-nd, Technopolis Road, Bangalore

15.5 Period value ratio of immovable assets, as determined by the independent valuer, were as follows:

Percentage of Immovable Property

- Residential Building
- Manufacturing Building

15.7 Fair value hierarchy:

The Company measured its land, buildings for financial reporting and machinery and general business vehicles at fair value hierarchy - Level 1 of the value hierarchy. Details of such recorded amounts at the reporting date are as follows:

Level 1

For the year ending June 30, 2023

For the year ending June 30, 2022

Company's assets are valued according to the fair value hierarchy. For other assets are reclassified from Level 1 and Level 2 of the fair value hierarchy:

Book Value As on June 30, 2023 Book Value As on June 30, 2022

Category	2023	2022
Land	760,130	1,111,110
Buildings	1,240,000	1,072,000
Other real estate	1,240,000	1,250,000
Other assets	40,000	50,000
Total	3,280,130	3,583,110

Year	2023	2022
Land	27	117,000
Buildings	17,000	10,000
Other real estate	17,000	10,000
Other assets	17,000	10,000

Total land

100% of the total land is owned by the Company and 0% is leased.

Value As on June 30, 2023

- Land
- Buildings
- Other real estate
- Other assets

Level	Category	2023	2022
Level 1	Land	760,130	1,111,110
Level 1	Buildings	1,240,000	1,072,000
Level 1	Other real estate	1,240,000	1,250,000
Level 1	Other assets	40,000	50,000

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Item 24 Report: Plant and Equipment - (Cont)

14.14 Security

The property, plant and equipment of PTB (Pty) Ltd are subject to full and joint and several liability in respect of security by way of being bonded by banks (see 1 and 10.1.1).

14.15 Detail of disposals of property, plant and equipment

The details of property, plant and equipment disposed of during the year, stated without cost value (including the 2022 year end) is shown

Particulars of Assets	2022		2021		Particulars of the Buyer	Sale of Disposed	Relationship with the Buyer
	Quantity	Value	Quantity	Value			
2022							
Vehicle							
Controlled	1	1,840,000	2	2,000,000	1,000,000	100%	None
Controlled	1	1,000,000	1	1,000,000	1,000,000	100%	None
Controlled	1	1,000,000	1	1,000,000	1,000,000	100%	None
2021							
Plant and machinery							
Motor Vehicle	1	8,231,594	1	8,194,000	4,000,000	48.58%	None
Vehicle	1	1,000,000	1	1,000,000	1,000,000	100%	None
Land (Build)	1	1,000,000	1	1,000,000	1,000,000	100%	None
		10,231,594		10,194,000			
		10,231,594		10,194,000			

14.16 Capital work in progress

Plant and machinery

Quantity: 1
 Location: Along the road
 Disposed to: plant and machinery
 Date: 2022

2022	2021
Quantity	Value
1	1,000,000
	1,000,000

Note 16

Investment Property

		2023	2022
	TON	Rupees	Rupees
Investment property - at fair value	16.1	83,731,000	79,827,000

16.1 The fair value of the investment property is determined as at the reporting date by an independent valuer. This investment property is located at 7th Floor of Tower Corporate Centre, 73-B Jai Singh, Lahore.

The fair value of the investment property was determined based on the market comparable approach that reflects current transaction prices for similar properties, where the market values of all visible units of the properties are assessed by reference to the rentals achieved in similar areas. The fair value hierarchy as at the end of reporting date is Level 2.

The recent fair value of the investment property is assessed at Rs. 79,827,000 (2022: Rs. 77,919,000) by the independent valuer.

Note 17

Investment in Associate

		2023	2022
		Rupees	Rupees
Associate - Unquoted			
Sargodha Jute Mills Limited			
8,130,000 (2022: 8,130,000) fully paid ordinary shares of Rs. 10 each			
Equity held 24.99% (2022: 24.99%)			
Cost of investment Rs. 65,600,000 (2022: Rs. 65,600,000)			
Carrying amount of investment		658,091,134	658,240,192

17.1 Reconciliation of the above information to the carrying amount of interest in M/s Sargodha Jute Mills Limited is as under:

Net assets of the Associate	1,443,021,787	1,419,799,644
Percentage of ownership in Associate	24.99%	24.99%
Carrying amount of investment	658,091,134	658,240,192

17.2 The Company accounts for its investment in Sargodha Jute Mills Limited (its Associate) under equity method as presented in SAS 78 (Investments in Associates) information extracted from the audited financial statements of the Associate is as follows:

Current assets	1,263,487,717	1,437,824,256
Non-current assets	3,293,056,327	1,429,746,629
Current liabilities	1,799,601,941	2,086,676,200
Non-current liabilities	414,478,258	941,651,041
Equity	1,462,021,787	1,439,295,685
Total assets	5,046,974,034	4,887,522,514
Revenue	8,117,880,899	8,514,120,094
Net profit for the year	177,500,841	238,266,041
Other comprehensive income / (loss)	646,826,791	(21,822,628)
Total comprehensive income for the year	824,327,632	216,443,413

Note 18

Long Term Deposits

		2023	2022
		Rupees	Rupees
Lahore Electric Supply Company		1,397,430	1,397,430
Sas Northern Gas Pipelines Limited		1,928,612	1,928,612
Others		72,406	72,406
		3,398,448	3,398,448

Note 19

Shares and Spares

		2023	2022
	TON	Rupees	Rupees
Shares and spares	13.1	175,445,621	140,174,910

19.1 The unquoted shares in spare amounting to Rs. 14,136 million (2022: Rs. 18,492 million) as at the reporting date.

Note 20
Stock in Trade

	Note	2023 RMB	2022 RMB
Raw materials	20.1 & 20.2	287,133,927	227,347,324
WIP in process		109,993,269	81,722,452
Finished goods	20.3	181,502,697	142,807,333
		<u>578,629,893</u>	<u>451,877,109</u>

20.1 Stock amounting to RMB 710,000 million (2022: RMB 201,000 million), approximately 98% prepaid against short term borrowings.

20.2 This includes material in transit amounting to RMB 23,410 million (2022: RMB 95,425 million).

20.3 This includes stock in transit amounting to RMB 5,405 million (2022: RMB 12,300 million).

Note 21
Trade Debt

	Note	2023 RMB	2022 RMB
Total debtors	21.1		
- Considered good		188,383,725	211,544,588
- Considered doubtful		3,997,578	4,307,357
		<u>192,381,303</u>	<u>215,851,945</u>
Foreign debtors			
- Considered good		66,857,947	223,877,943
- Considered doubtful		24,853,273	
		<u>91,711,220</u>	<u>223,877,943</u>
Local debtors for expected credit losses (ECL)	21.2	174,942,809	452,280,787
		<u>192,381,303</u>	<u>198,592,432</u>

21.1 RMB 188,383 (2022: RMB 21,225) is receivable from H/o Singapore Text Mills Limited, an Associated Company, as at the reporting date. The maximum aggregated amount due from the Associate at the end of any month during the year was RMB 188,383 (2022: RMB 21,225).

21.2 Aging analysis of amounts due from related party is as follows:

	Within 1 Year RMB	1 to 2 Years RMB	2 to 5 Years RMB	2 to 5 Years RMB
Singapore Text Mills Limited	<u>188,383</u>			

21.3 Allowance for expected credit losses (ECL)

Opening balance		4,307,357	1,483,325
Add: Allowance for the impairment for the year		<u>24,543,837</u>	<u>2,488,023</u>
Less: Reversal of credit loss allowance		<u>28,853,614</u>	<u>4,307,357</u>
Closing balance		<u>3,997,578</u>	<u>5,663,991</u>

21.4 Detail of trade receivables from export sales

Jurisdiction	Export sales during the year RMB	Gross receivables at year end RMB	Default amount RMB	Names of defaulting parties	Legal action taken
Europe	1,178,127,000	46,476,007	12,853,128	H/O France International	NA
United States of America	146,758,800	11,271,225		No default	NA
	<u>1,324,885,800</u>	<u>57,747,232</u>	<u>12,853,128</u>		

Note 22

Advances, Deposits, Prepayments and Other Receivables

		2022	2021
	RMB	Rupees	Rupees
Advances (Unsettled - commercial profit)			
Exporters	22.1	2,875,359	1,698,445
Letter of credit		429,175	198,655
Suppliers and others	22.1		
Considered good		11,356,634	100,509,737
Considered doubtful		6,532,542	1,527,475
		19,293,676	101,837,122
Secord tax deducted at source / advance tax		115,827,575	122,279,669
Margin with banks against letters of guarantee		74,703,125	39,749,926
Prepayments		3,380,129	475,876
Duty draw back on export		7,348,123	13,648,926
Government claim receivable		21,691,430	2,702,548
Due from associated company	22.1		602,000
Profit receivable on TDR		1,985,303	1,561,247
		196,832,466	277,860,781
Less: Provision for doubtful advances and other receivables		(18,912,542)	(1,517,432)
		177,919,924	276,343,349

22.1 The amount was due from chief executive, directors and executives as at the reporting time (2022: nil).

22.2 Provision for doubtful advances and other receivables

Opening balance	1,317,432	
Provision charged during the year	5,415,110	1,317,432
Closing balance	6,732,542	1,317,432

22.3 This represents amount receivable from PLS Deposits Text Mills Limited, an Associated Company, as at the reporting time. The maximum amount outstanding during the year was RMB 102,000 (2022: 200,000).

Note 23

Short Term Investments

		2022	2021
	RMB	Rupees	Rupees
At fair value through profit or loss			
Investment in unquoted shares		653,000	692,000
Less: Provision for impairment against investment		(653,000)	(692,000)
At amortized cost			
Investment in term deposit receipts (TDR)	21.1	35,563,313	35,261,313
		35,563,313	35,573,313

21.1 This investment is not insured by JS Bank Limited against guarantees issued by it to USPOC and Exoco and Tanshan Offshore Kanachi on behalf of the Companies. These TDRs yield profit at rates ranging from 5.8% to 12% (2022: 6.8% to 12%) per annum.

Note 24

Tax Refunds Due from the Government

		2022	2021
		Rupees	Rupees
Stamp tax		266,347,058	113,600,817
Income tax		22,784,476	32,135,536
		289,131,534	145,736,353

Note 25

Cash and Bank Balances

		2022	2021
	RMB	Rupees	Rupees
Cash in hand		6,209,263	771,352
Cash at banks - Current accounts		43,984,548	87,977,431
Cash at banks - Saving account	25.1	251,028	34,477,819
		48,444,839	172,226,602

25.1 This represents amounts in saving accounts yielding profits at rates ranging from 3.97% to 23.94% (2022: 4.54% to 3.46%) per annum, approximately.

Note 26
Sales - Net

	2023	2022
	Rs.000	Rs.000
Factory sales		
Local	8,404,953,181	8,829,716,139
Export	413,940,111	1,156,762,073
Store sales		
Local	1,091,503	
Export		
Waste sales year	858,843,191	887,565,073
Waste sales store	47,982,294	45,077,674
	14,815,179	15,321,271
	9,736,577,883	10,746,114,939
Discount	(1,337,897,720)	(1,361,264,657)
	8,398,680,163	9,384,850,282

26.1 All the revenue is recognized at cost of sales.

26.2 The Company's revenue based on geographical location is given as under

	2023	2022
	Rs.000 in thousands	
France	7,325,795	7,604,498
Burma	1,228,127	1,291,076
United State of America	144,758	474,466
	8,758,680	9,370,040

Note 27
Cost of Sales

		2023	2022
	Note	Rs.000	Rs.000
Raw material consumed		8,914,654,073	8,208,453,816
Stores and spares consumed		156,771,928	185,137,750
Packaging materials consumed		888,792,022	206,177,990
Salaries, wages and other benefits	22.1	759,831,153	778,378,969
Fuel and power		1,044,170,386	814,244,487
Freights		84,848,612	11,277,740
Repairs and maintenance		11,080,879	14,815,960
Tool manufacturing charges		1,476,460	8,760,881
Other manufacturing expenses		17,773,153	17,632,671
Depreciation	25.1	117,270,833	117,601,132
		8,229,363,148	8,355,617,468
Opening work in progress		84,773,412	82,344,070
Closing work in progress		(198,953,286)	(88,773,452)
		(114,179,874)	(6,429,382)
Cost of goods manufactured		8,209,463,444	8,353,521,117
Opening finished goods		152,967,323	109,505,067
Closing finished goods		(191,502,597)	(114,967,333)
Change finished good insured		(1,892,329)	
		80,422,177	194,437,271
		8,189,283,071	8,358,497,768

27.1 This includes Rs. 84.153 million (2022: Rs. 43.77 million) in respect of staff retirement benefits.

Note 28
Selling and Distribution Costs

	2023	2022
	Rs.000	Rs.000
Commission to selling agents	82,947,661	70,403,628
Freight and other	75,662,447	100,933,939
Export sale expenses	28,772,365	13,826,452
Other	147,262,073	153,487,674

Note 29

Administrative Expenses

		2023	2022
	Note	Rupees	Rupees
Salaries and benefits	29.1	142,299,418	131,517,614
Printing and stationery		757,908	733,227
IT and Communication		7,803,627	5,455,499
Traveling and Conveyance		2,710,303	2,700,300
Repairs and maintenance		8,208,719	1,515,073
Vehicle running and maintenance		25,857,922	17,258,220
Rent, rates and taxes	29.2	10,759,503	8,403,438
Insurance		3,188,247	2,984,389
Legal and professional charges		3,722,149	3,057,626
Fees and subscription		5,802,478	4,178,257
Utilities		20,304,600	12,782,331
Entertainment		5,204,283	4,377,299
Advertisement		555,314	642,311
Donation	29.3	2,065,000	-
Miscellaneous		525,180	599,839
Depreciation	19.4	13,424,350	15,726,720
		<u>264,814,768</u>	<u>228,954,027</u>

29.1 This includes Rs. 8,700 million (2022: Rs. 11.44 million) in respect of staff retirement benefits.

29.2 This represents lease rentals recognized on leases classified as short term.

29.3 No director of the Company has any interest in donor.

Note 30

Financing Cost

	2023	2022
	Rupees	Rupees
Interest / Mark up on		
- Short term borrowings	98,979,100	84,828,075
- Long term financing	25,271,739	18,898,349
	<u>124,250,839</u>	<u>103,726,424</u>
Reversing of long term financing	753,861	3,371,826
Reversing of deferred liability	48,185	4,943,843
Bank charges	6,733,425	4,374,000
Commission on bank guarantees	1,502,368	1,591,989
Interest on workers' (profit) participation fund	1,852,245	7,714,176
	<u>139,360,123</u>	<u>136,875,388</u>

Note 31

Other Operating Expenses

	2023	2022
	Rupees	Rupees
Auditors' remuneration		
- Statutory audit	1,400,000	1,400,000
- Limited scope review and other advisory services	190,000	190,000
- Out of pocket expenses	50,000	50,000
	<u>1,640,000</u>	<u>1,640,000</u>
Loss on disposal of property, plant and equipment - Net	-	1,983,878
Provision to workers' (profit) participation fund	-	70,201,851
Provision for workers' welfare fund	-	11,878,748
Allowance for doubtful debts	24,343,857	2,806,033
Allowance for advances and other receivables	1,413,307	1,317,433
Incident against short term investment	-	623,000
Bad debts written off	45,300,000	-
Debt discounts	10,418,420	-
Net	<u>87,763,477</u>	<u>97,968,810</u>

Note 27
Other Income

		2023	2022
	Notes	Rupees	Rupees
Profit on sale of raw materials		64,071,300	804,678
Gain on disposal of property, plant and equipment - Net		6,170,238	-
Net manufacturing income		12,783,787	(4,182,699)
Profit on saving account and term deposit interests		6,092,619	4,929,170
Amortisation of deferred grant		235,992	3,331,926
Fair value gain on investment property		1,960,000	1,943,000
Exchange gain		34,804,674	35,782,809
Rental income	32.1	14,518,341	1,533,461
		<u>138,756,936</u>	<u>62,211,925</u>

32.1 This includes Rs. 18 (2022: Rs. 6,489 million) on account of rental income from related party.

Note 28
Taxation

		2023	2022
		Rupees	Rupees
Current tax:			
- For current year		131,880,584	130,507,778
- Super tax			48,185,441
- For prior years		(23,260,582)	(228,382)
		<u>108,619,999</u>	<u>172,404,837</u>
Deferred tax		7,624,367	41,425,200
		<u>116,244,366</u>	<u>213,830,037</u>

33.1 The current tax expense for the year is calculated using turnover tax @ 1.25% (2022: normal tax @ 27%) on total sales, 1% on export sales (2022: 1%) and super tax @ (2022: 4%). Therefore, no tax reconciliation has been given.

Note 29
(Loss) / Earnings per Share - Basic and Diluted

		2023	2022
(Loss) / profit for the year attributable to ordinary shareholders	Rupees	<u>(269,239,932)</u>	<u>777,464,331</u>
Weighted average number of ordinary shares outstanding during the year	Number	<u>17,317,332</u>	<u>37,271,811</u>
(Loss) / earnings per share - Basic	Rupees	<u>(15.55)</u>	<u>21.13</u>

34.1 Diluted Earnings per Share

There is no dilutive effect on the basic earnings per share of the Company as the Company has no such commitments that could result in dilution of earnings of the Company.
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Note 21

Cash Generated from Operations

	2022	2021
	RMB	RMB
Cash flows from Operating Activities		
Loss / Profit before taxation	(187,835,148)	598,787,283
Adjustments for:		
- Depreciation	626,704,689	128,127,898
- Share of net profit of associate	(94,261,650)	(74,387,353)
- (Gain) / loss on disposal of property, plant and equipment - Net	95,370,218	1,963,670
- Bad debt written off	(15,220,084)	-
- Provision for staff retirement benefits	73,985,179	75,211,320
- Impairment against short term investments	-	(591,000)
- Profit on selling amount and term deposit received	(5,097,619)	(1,925,170)
- Exchange gain	(31,804,674)	(28,788,899)
- Allowance for doubtful debts	34,343,857	2,496,832
- Provision for doubtful accounts and other receivables	3,415,207	1,217,405
- Cash discounts to trade sales	(10,824,429)	-
- Provision for workers' (profit) participation fund	-	32,281,701
- Provision for workers' welfare fund	-	11,975,743
- Amortisation of deferred grant	(255,002)	(5,231,906)
- Unwinding of long term financing	295,841	3,531,306
- Unwinding of deferred liability	95,188	4,641,632
- Interest on workers' (profit) participation fund	1,952,246	2,214,258
- Fair value gain on investment property	(2,860,000)	(3,545,068)
- Finance cost	(25,250,819)	83,525,584
	254,771,188	771,746,889
Operating profit before working capital changes	66,936,040	133,220,017
(Increase) / (decrease) in current assets:		
- Stocks and stores	(26,924,703)	(7,724,707)
- Stock in trade	26,420,519	(24,324,024)
- Trade debts	231,826,066	(151,357,899)
- Advances, deposits, prepayments and other receivables	74,180,757	(28,127,772)
- Tax refunds due from the Government - value tax	(152,701,241)	(75,788,863)
(Increase) / (decrease) in current liabilities:		
- Trade and other payables	89,477,835	57,372,554
	312,668,862	(142,862,879)
Cash Generated from Operations	381,971,387	602,556,115

Note 22

Reconciliation of Liabilities arising from Financing Activities

	As at June 30, 2022	Non-cash changes	Cash flows - net	As at June 30, 2023
	RMB	RMB	RMB	RMB
Long term financing	418,317,760	255,862	(44,652,171)	373,921,351
Short term borrowings	401,007,862	-	106,537,147	487,470,717
Unclaimed dividends	146,294	-	-	146,294
Unpaid dividends	199,248	-	-	199,248
Total liabilities from financing activities	820,671,264	255,862	(38,115,024)	782,812,302
	As at June 30, 2021	Non-cash changes	Cash flows - net	As at June 30, 2022
	RMB	RMB	RMB	RMB
Long term financing	363,344,064	1,331,820	46,811,472	411,317,760
Short term borrowings	595,862,000	-	63,145,307	404,007,862
Unclaimed dividends	146,294	-	-	146,294
Unpaid dividends	199,248	-	-	199,248
Total liabilities from financing activities	915,551,616	1,331,820	110,156,779	1,027,040,215

Note 17

Balances and Transactions with Related Parties

Related parties comprise associated company, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Significant balances and transactions with related parties are as follows:

Transactions during the year

Related party	Basis of Relationship	Aggregate Shareholding	Nature of Transaction	2023	2022
				Rupee	Rupee
Sangzhen Textile Mills Limited	Associate	24.34%	Rental income from Associate Amount received - net	-	480,000 528,646
			Purchase of materials, goods and services from Associate Amount paid	303,604 (373,814)	838,400 (252,387)
			Sales of materials, goods and services to Associate Amount received	850,556 486,318	882,879 812,610
Directors			Loan received from Director	-	40,000,000
			Loan repaid to Director	-	(50,000,000)
Balances receivable as at June 30,					
Sangzhen Textile Mills Limited (note 17.21 & 22)			Long term investment - Carrying value	388,000,114	396,210,103
			Trade debts	186,083	21,228
			Other receivables	-	380,000

17.1 There were no transactions with key management personnel other than those disclosed as per terms of their employment that have been disclosed in Note 28.

17.2 Sales and purchase transactions have been carried out on commercial terms and conditions under comparable arm's length price method.

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Note 28
Chief Executive's Office, Directors' and Executives' Remuneration

Aggregate amounts charged in the financial statements for the year in remuneration and benefits to the Chief Executive Officer, Directors and Executives of the Company are as follows:

	2023			2022		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Remuneration	13,080,800	1,701,310	36,845,410	12,190,900	1,081,810	31,170,800
Retiree	1,035,910	200,000	2,870,540	1,308,090	188,160	1,557,000
Bonus	1,200,000	300,000	1,181,400	1,200,000	300,000	1,080,000
Office	6,481,954	900,000	-	2,056,300	500,000	-
Transport	-	340,250	-	-	-	-
Staff retirement benefits	600,000	150,000	1,127,200	1,200,000	300,000	1,080,000
Provision fund	180,000	-	104,310	-	-	-
Others	222,646	200,000	-	300,000	60,000	-
	<u>22,803,310</u>	<u>3,001,510</u>	<u>41,000,000</u>	<u>18,155,290</u>	<u>1,700,000</u>	<u>33,247,800</u>
Number of persons	1	1	12	1	1	11

28.1 In addition to above, the Chief Executive Officer, Directors, and Executives are provided with facilities of the Company's maintained vehicles in accordance with the Company's policy.

28.2 An Executive is defined as an individual other than the Chief Executive Officer and Directors, whose term may extend till 1.1 either in a financial year.

Note 29
Segment Information

For management purposes, the activities of the Company are organized into two operating segments, i.e. sales of yarn and sock. The Company operates in the yarn segment applying separate systems based on the nature of the product, risk and return, organizational and management structure and related financial reporting systems. Accordingly, the figures reported in these financial statements relate to the Company's reportable segments of yarn and socks. Disclosure regarding reportable segments are as follows:

	Yarn	Socks	Total
	Rupees in Thousand		
29.1 Segment Results for the period ended June 30, 2023			
Segment results	<u>1,162,120</u>	<u>87,570</u>	<u>1,249,690</u>
Operating profit	<u>1,084,770</u>	<u>87,570</u>	<u>1,172,340</u>
Finance cost	<u>(1,18,270)</u>	<u>(12,180)</u>	<u>(1,30,450)</u>
Other income	-	<u>21,800</u>	<u>21,800</u>
Finance cost - unallocated			<u>(840)</u>
Other operating expense			<u>67,280</u>
Other expense			<u>9,000</u>
Share of net profit from associate			<u>41,224</u>
Profit before taxation			<u>1,042,104</u>
Segment Results for the period ended June 30, 2022			
Revenue	<u>9,081,004</u>	<u>761,540</u>	<u>9,842,544</u>
Segment results	<u>808,177</u>	<u>20,000</u>	<u>828,177</u>
Finance cost	<u>(78,000)</u>	<u>(20,000)</u>	<u>(98,000)</u>
Other income		<u>20,100</u>	<u>20,100</u>
Finance cost - unallocated			<u>(1,000)</u>
Other operating expense			<u>(51,700)</u>
Other expense			<u>11,000</u>
Share of net profit from associate			<u>78,000</u>
Profit before taxation			<u>790,577</u>

Note 28. Segment information, continued

28.2 Segment financial position for the year ended June 30, 2012

Assets

Property, plant and equipment
Storv and spare
Stock in trade
Trade debt
Advances to suppliers

Yarn	Socks	Total
Amount in Thousand		
1,493,189	1,273,317	2,766,506
318,036	61,430	379,466
1,84,023	134,497	318,520
188,268	48,808	237,076
11,868	7,428	19,296
<u>2,279,432</u>	<u>1,915,511</u>	<u>4,194,943</u>

Unallocated Assets

Investment property
Long term investments
Long term deposits
Advances, deposits, prepayments and other receivables
Short term investments
Tax refunds due from the Government
Cash and bank balances

Total assets

		63,733
		838,600
		3,847
		179,439
		26,344
		818,291
		<u>66,647</u>
		<u>4,261,590</u>

Liabilities

Long term financing
Trade creditors
Short term borrowings
Accrued mark up

86,626	81,770	168,396
73,704	48,835	122,539
387,470	-	387,470
<u>547,800</u>	<u>130,605</u>	<u>678,405</u>

Unallocated liabilities

Deferred tax liability - net
Deferred grant
Staff retirement benefit
Construction development cost
Other provision
Undeclared dividends
Unpaid dividends
Provision for taxation - net

		285,700
		-
		628,270
		852,668
		148
		888
		<u>171,811</u>
		<u>1,497,852</u>

Segment financial position for the year ended June 30, 2011

Assets

Property, plant and equipment
Storv and spare
Stock in trade
Trade debt
Advances to suppliers

1,418,443	1,118,960	2,537,403
104,417	30,159	134,576
844,381	248,800	1,093,181
846,779	47,703	894,482
85,158	5,438	90,596
<u>2,679,078</u>	<u>1,451,060</u>	<u>4,130,138</u>

Unallocated Assets

Investment property
Long term investments
Long term deposits
Advances, deposits, prepayments and other receivables
Short term investments
Tax refunds due from the Government
Cash and bank balances

Total assets

		81,870
		254,280
		3,847
		176,017
		26,344
		785,841
		<u>145,225</u>
		<u>4,275,363</u>

Liabilities

Long term financing
Trade creditors
Short term borrowings
Accrued mark up

182,476	171,248	353,724
34,898	54,881	89,779
414,017	-	414,017
<u>631,391</u>	<u>136,129</u>	<u>767,520</u>

(cont.)

Note 21.2 Segment Financial (continuation for the year ended June 30, 2022, continued)

	Yarn	Socks	Total
	Rupees in Thousand		
Liabilities			
Long term financing	142,479	375,849	518,328
Trade creditors	34,896	54,947	89,843
Short term borrowings	404,003	-	404,003
Accrued interest	11,433	17,969	29,402
	<u>592,809</u>	<u>448,725</u>	<u>1,041,534</u>
Unallocated Liabilities			
Deferred tax liability - net			88,458
Deferred grant			792
Gas infrastructure development cost			111,814
Other payables			90,000
Unearned dividend			148
Unpaid dividends			199
Provision for taxation - net			208,840
Total liabilities			<u>1,521,796</u>

26.3 Information about products:

	2021	2022
	Percentage	Percentage
Yarn	89.57%	91.52%
Socks	10.38%	7.48%

26.4 Major customers:

There is no individual customer to which sales are more than 10% of total income.

26.5 Geographical information:

The Company's revenue from external customers and geographical location is given as under:

	2021	2022
	Rupees in thousand	
Pakistan	2,126,245	2,578,468
Europe	1,138,327	1,401,609
United State of America	146,758	414,846
Other	-	-
	<u>3,411,330</u>	<u>4,394,923</u>

26.6 All non-current assets of the Company are located and operated in Pakistan as at the reporting date.

Note 10

Plant Capacity and Production

		2021	2022
Yarn			
Plant capacity converted into 20/5 count	Capacity	41,732,689	41,732,689
Actual production converted into 20/5 count	Capacity	31,005,325	40,158,311
Socks			
Plant capacity dozen pairs / per annum	Dozen pairs	2,116,351	2,388,448
Actual production dozen pairs	Dozen pairs	141,818	1,132,750

40.1 Reasons attributable to under utilization of optimal production capacity are mainly due to various factors such as machine spares, fuel, maintenance of machinery, power shutdown, demand etc.

Note 11

Financial Risk Management

41.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management policies focus on the minimization of financial markets and aim to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

See

2022 (4) Financial Risk Management - (Contd.)

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables denominated in foreign currencies.

The Company is exposed to foreign currency risk on foreign trade receivables, foreign currency bank accounts and outstanding items of credit that are denominated primarily in US Dollar (USD), Euro and Japanese Yen. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities, as at the reporting date, the Company's exposure to currency risk was as follows:

	2022		
	USD	EUR	JPY
On balance sheet:			
Foreign deposits	1,293,304	186,134	-
Foreign currency bank balances	23,572	-	-
	1,316,876	186,134	-
Off balance sheet:			
Outstanding commitments against letters of credit	(518,842)	(28,988)	(8,444,750)
	798,034	157,146	(8,444,750)
	2021		
	USD	EUR	JPY
On balance sheet:			
Foreign deposits	1,181,519	-	-
Foreign currency bank balances	-	-	-
	1,181,519	-	-
Off balance sheet:			
Outstanding commitments against letters of credit	(288,888)	-	-
	892,631	-	-

Exchange rate applied during the year

The following applicable exchange rates have been applied:

	Average rate		Reporting date rate	
	2021	2022	2021	2022
USD to INR	84.42	83.61	84.09	82.80
Euro to INR	85.34	80.25	81.51	77.91
JPY to INR	1.78	1.47	1.88	1.5

Sensitivity analysis

As at the reporting date, if the INR had strengthened or weakened by 1% against the foreign currencies with all other variables held constant, profit before tax for the year would have been higher / (lower) by the amounts shown below, mainly as a result of net foreign exchange loss on translation of foreign debtors and foreign currency bank account.

	2022	2021
	Rs. lakhs	Rs. lakhs
Effect on profit or loss		
US Dollar	540,003	857,508
Euro	(435,888)	-
JPY	(171,134)	-

The strengthening of the INR against foreign currencies would have had an overall net positive impact on profit before tax.

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity and commodity price risk in respect of short term investments acquired at market value. The Company is not exposed to the risk as the Company has fully provided its investments.

Contd.

Note 41. Financial Risk Management – Contd.

(d) Interest rate risk

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

As at the reporting date, the interest rate profile of the Company's interest bearing financial instruments are as follows:

	2022 Rupiah	2021 Rupiah
Fixed rate instruments - Financial liabilities		
Long term financing	117,750	89,588
Floating rate instruments - Financial liabilities		
Long term financing	36,128	35,302
Short term borrowings	887,071	491,628
Fixed rate instruments - Financial assets		
Short term investment	32,343	32,344
Floating rate instruments - Financial assets		
Bank balances in savings account	584	84,479

Sensitivity analysis for fixed rate instruments

The Company has certain financial liabilities and financial assets at fixed rate. Therefore, no impact on profit or loss of the Company is expected.

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to 2% change in interest rates, with all other variables held constant, if the Company's profit or loss. This analysis is prepared assuming the proceeds of floating rate instruments outstanding at reporting date were outstanding for the entire year.

Effect on profit or loss (Rupiah in thousands)	1,431	1,771
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(e) Credit risk

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

	2022 Rupiah in thousands	2021 Rupiah in thousands
Long term investment	808,490	658,288
Trade debts	238,242	440,983
Short term investments	35,563	35,563
Advances, deposits, prepayments and other receivables	47,880	35,328
Bank balances	81,638	142,841

The aging of trade debts as at the reporting date is as follows:

	2022	2021
Not due 1 - 30 days	221,154	173,870
Not due 31 - 60 days	71,522	38,389
Not due 61 - 90 days	34	24,543
More than 91 days	1,988	33,581
	<u>315,698</u>	<u>370,383</u>

The Company's exposure relating to credit risk relating to trade debt is disclosed in "Current assets" in the financial statement. There are no significant trade debts that are past due as at the reporting date.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings of available or to historical information about counterparty default rate.

	Rating		Rating Agency	2022		2021	
	Short term	Long term		Rupiah in thousands		Rupiah in thousands	
Bank Indonesia Bank Limited	AAA	AAA	Moody	1,719		1,586	
Bank Mandiri Limited	AAA	AAA	Moody	1,673		84,733	
Bank Bina Nusantara	B+	AAA	ICRA-IND	8,086		8,086	
Bank CIMB Limited	B+	AAA	Moody	1,221		10,000	
Bank Central Asia Limited	A-	AAA	ICRA-IND	19,621		6,648	
Bank Negara of Pakistan	BB+	AAA	Moody	736		736	
Bank of China Limited	B+	AAA	ICRA-IND	112		112	
Bank of East Asia Limited	B+	AAA	Moody	1,887		0	
Bank of India Limited	B+	AA	Moody	32,818		30	
Bank of Japan	AAA	AA	Moody	4,209		12,408	
Total				<u>87,953</u>		<u>127,471</u>	

Part 41: Financial Risk Management - Contd.

Due to the Company's long standing business relationships with third counter parties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the reporting date, the Company has Rs. 1,222.65 million (2022: Rs. 1,697.06 million) cash and cash equivalents (both funded and unfunded) from financial institutions and Rs. 68,447 million (2022: Rs. 243,228 million) bank and term balances. Following are the contractual maturities of financial liabilities:

Contractual maturities of financial liabilities as at June 30, 2023:

Carrying Amount	Contractual cash flows	Period in Months			
		Within 1 year	1-2 Year	2-5 Years	More than 5 years
Long term financing	178,911	42,065	49,817	54,984	32,045
Trade and other payables	429,094	429,094	-	-	-
Accrued interest	21,575	21,575	-	-	-
Short term borrowings	387,471	387,471	-	-	-
1,222,651	1,222,651	68,015	49,817	54,984	32,045

Contractual maturities of financial liabilities as at June 30, 2022:

Carrying Amount	Contractual cash flows	Period in Months			
		Within 1 year	1-2 Year	2-5 Years	More than 5 years
Long term financing	468,316	85,875	81,341	222,585	11,515
Trade and other payables	403,024	403,024	-	-	-
Accrued interest	27,272	27,272	-	-	-
Short term borrowings	454,058	454,058	-	-	-
1,352,670	1,352,670	63,169	81,341	222,585	11,515

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates in effect as at the reporting date. The value of interest / mark up have been disclosed in separate notes in these financial statements.

(v) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at the reporting date, the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Financial assets which are tradable in an open market are valued at the market price prevailing on the reporting date. The fair value of all other financial assets and liabilities are not considered to be significantly different from their carrying values.

The Company classified the financial instruments measured to its statement of financial position at fair value in accordance with the following fair value measurement hierarchy:

- Level 1: Quoted market prices
- Level 2: Valuation techniques (market observable)
- Level 3: Valuation techniques (not market observable)

The Company is not exposed to this risk as the Company has fully retrograded insurance against fire risk.

2022

Annex 4) Financial Risk Management – Capital

44.2 Financial instruments by categories

	Fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
Rupiah in thousands				
Financial assets as at June 30, 2023				
Long term investments	-	953,403	-	953,403
Short term investments	-	75,518	-	75,518
Trade debt	-	133,242	-	133,242
Deposits and other receivables	-	17,899	-	17,899
Cash and bank balances	-	68,447	-	68,447
		<u>1,238,511</u>		<u>1,238,511</u>

Financial assets as at June 30, 2022				
Long term deposits	-	3,640	-	3,640
Long term investments	-	886,241	-	886,241
Short term investments	-	30,583	-	30,583
Trade debt	-	446,362	-	446,362
Deposits and other receivables	-	28,855	-	28,855
Cash and bank balances	-	112,219	-	112,219
		<u>1,517,840</u>		<u>1,517,840</u>

	2023	2022
	Rupiah in thousand	
Financial liabilities at amortized cost		
Long term financing	373,307	516,216
Trade and other payables	403,094	403,014
Accounts made-up	33,379	23,279
Short term borrowings	882,421	804,586
	<u>1,792,201</u>	<u>1,747,105</u>

44.3 Fair values of financial assets and liabilities

Carrying values of all financial assets and liabilities reflected in these financial statements approximate to their fair values. Fair value is determined on the basis of the fair market value at each reporting date.

Note 5)

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, optimized shareholders' wealth and meets stakeholders' requirements. The Company strives for sustainable growth by maintaining optimal capital structure, keeping its financial risk low, ensuring the safety of issuing rights shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the normal production and operating level and facilitating its dividend payout that maintaining credit, capital management.

In line with effect in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity in share in the statement of financial position plus net debt.

		2023	2022
	Ratio	Rupiah in thousand	
Total borrowings	75.11	781,390	841,046
Cash and bank balances		<u>105,445</u>	<u>1,140,222</u>
Net Debt		<u>675,945</u>	<u>700,824</u>
Equity		3,811,261	3,140,483
Total capital employed		<u>4,487,206</u>	<u>3,841,307</u>
Gearing Ratio		<u>15.07%</u>	<u>18.23%</u>

Note 6)

Shareholders Screening Disclosure

	2023	2022
	Rupiah	Rupiah
Share / securities offered as per share / stock	173,182,204	84,439,332
Share / securities listed / securities / bank balances	<u>18,821,846</u>	<u>11,548,535</u>
Share / securities listed / securities / bank balances / bank balances		
Revenue earned from a share / securities business segment		
Gain / loss on disposal earned from share / securities / securities	1,384,130,136	1,202,026,241
Share / securities listed / securities / bank balances		
Mark up and on share / securities / securities		
Profit / loss on sale / securities / securities	40,776,441	17,079,233
Profit / loss on sale / securities / securities	8,493,818	4,938,430
Profit / loss on sale / securities / securities	<u>84,375,186</u>	<u>66,113,254</u>

Note 81
Number of Employees

	2023 Number	2022 Number
Total number of employees as at June 30	100	100
Average number of employees during the year	100	100

Note 82
Dividend

Comparative figures are reclassified / reclassified, wherever necessary, to facilitate comparison. Following reclassification / reclassification has been made in these financial statements for better presentation that do not have any impact on the profitability of the Company.

Statement of Assets or Liabilities

Nature	From	To	Amount Rupees
Vehicle running and maintenance	Traveling and operations (Note 29)	Vehicle running and maintenance (Note 29)	1,822,714
Export sale expenses	IT and Communication (Note 20)	Export sale expenses (Note 20)	2,296,723
Export sale expenses	Traveling and operations (Note 29)	Export sale expenses (Note 20)	72,260
IT and Communication	Repairs and maintenance (Note 29)	IT and Communication (Note 20)	1,773,476
Legal and professional charges	Repairs and maintenance (Note 29)	Legal and professional charges (Note 20)	802,176
Export sale expenses	Freight and cartage (Note 20)	Export sale expenses (Note 20)	1,194,422

Statement of Cash Flows

Profit on working account and sales Export receipts	Cash flow from operating activities (Note 30)	Cash flow from operating activities	4,91,049
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Note 83
Authorisation of Financial Statements

These financial statements were approved and authorized by the Board of Directors of the Company for issuance on 24th


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

FORM 34

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2023
 GUIN (INCORPORATION NUMBER) 0006512

No. of Shareholders	Share Holding		Total Share Held
	From	To	
481	1	100	11,519
230	101	500	54,165
31	501	1,000	21,781
33	1,001	5,000	60,783
1	5,001	10,000	8,900
2	10,001	15,000	23,780
1	15,001	20,000	15,061
1	20,001	25,000	21,090
2	35,001	100,000	76,303
2	105,001	110,000	214,717
2	295,001	300,000	600,000
1	315,001	320,000	319,570
1	325,001	330,000	326,391
2	495,001	500,000	1,000,000
1	780,001	785,000	780,382
1	1105,001	1,110,000	1,105,907
1	1790,001	1,795,000	1,790,249
1	2605,001	2,610,000	2,608,032
1	4465,001	4,470,000	4,466,371
1	4,485,001	4,490,000	4,486,371
796	Total		17,971,372

Categories of Shareholders	Share Held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children	13,268,631	73.83
5.2 Associated Companies, undertakings and related parties	1,021,090	5.68
5.3 NIT and ICP	9,310	0.05
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions,	2,200	0.01
5.5 Insurance Companies	600	0.00
5.6 Modarabas and Mutual Funds	122	0.00
5.7 Share Holding 10 % or more	14,111,405	78.52
5.8 General Public		
a. Local	3,663,541	20.39
b. Foreign	-	-
5.9 Others (Securities & Joint Stock Companies)	5,178	0.03

CATEGORIES OF SHAREHOLDING

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2023

S.No	Particular	Shares Held	Percentage
1)	Associated Companies, Undertakings and Related Parties		
	i) Sargodha Jute Mills Limited	21,000	0.11
	ii) Mrs. Salma Hassan	500,000	2.78
	iii) Sadaf Parvez	500,000	2.78
		1,021,000	5.67
2)	Mutual Funds		
	i) Golden Arrow Selected Stock Fund Limited	122	0.00
3)	Directors, Chief Executive Officer and their Spouse and Minor Children		
	i) Mian Parvez Aslam -Director	2,608,032	14.51
	ii) Mr. Imran Aslam -Chief Executive Officer	4,488,371	24.98
	iii) Mr. Irfan Aslam -Director	4,488,371	24.85
	iv) Mr. Danish Aslam -Director	1,000	0.01
	v) Syed Raza Ali Bokhari -Director	500	0.01
	vi) Dr. Ali Raza Khan -Director	650	0.01
	vii) Mrs. Naziah Imran -Director	300,000	1.68
	viii) Mrs. Sara Irfan -Spouse	300,000	1.68
	ix) Mrs. Fakhra Parvez -Spouse	1,105,907	6.15
		13,268,821	73.83
4)	Executives	909	0.01
5)	Public Sector Companies and Corporations	9,318	0.05
6)	Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds	2,808	0.03
7)	Individuals and Joint Stock Companies	3,668,719	20.41
	TOTAL NUMBER OF SHARES	17,971,373	100.00
8)	Shareholders Holding Five Percent or More Voting Rights		
	Mian Parvez Aslam	2,608,032	14.51
	Mian Shahzad Aslam	2,650,531	14.78
	Mr. Imran Aslam	4,488,371	24.98
	Mr. Irfan Aslam	4,488,371	24.98
	Mrs. Fakhra Parvez	1,105,907	6.15

Detail of Purchase / Sales / by Directors/CEO/Company Secretary/CFO and Their Spouses /Minor Children during 2023.

No Purchase / Sales of shares were carried out by Directors / CEO/Company Secretary/CFO, Executives, and their spouses and minor children.

FORM OF PROXY

I/We _____ Son / Daughter / Wife of _____ being a member

of SHANZAD TEXTILE MILLS LIMITED and holder of _____ Shares Folio

No. _____ CDC Participant ID # _____ and

Sub Account # _____ do hereby appoint _____ of or failing

him/her _____ of _____ as my/our proxy to

attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of Shanzad Textile Mills Limited scheduled to be held on Saturday October 28, 2023 at 11:30 a.m. at 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore and at any adjournment thereof.

As witness my/our hands this _____ day of _____ 2023.

1. Witnesses:

Name _____

Signature _____

CNIC _____

Address _____

Please affix here Revenue
Stamp of Rs. 50/-

Members' Signature

2. Witnesses:

Name _____

Signature _____

CNIC _____

Address _____

Shareholder's Folio No. _____

CDC A/c No. _____

CNIC _____

Address _____

Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy.
2. Proxies, in order to be effective, must be received at the Company's Registered Office, 19-A, Off. Zafar Ali Road, Gulberg-V, Lahore, not later than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
3. CDC account holders will further have to follow the under-mentioned guidelines as laid down in circular # 1, dated 29th January, 2000 of the Securities and Exchange Commission of Pakistan.
 - (i) In case of individuals, the account holder and/or sub-account holder whose securities and their registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.
 - (ii) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - (iii) In case of corporate entity, the Board's resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

IMPORTANT NOTICE

Dear Valued Shareholder (s)

Section 242 of Companies Act 2017 and Circular No. 18/2017 dated August 01, 2017 issued by Securities & Exchange Commission of Pakistan (SECP) has directed all listed Companies to pay dividend only through electronic mode directly into the Bank Accounts designated by the entitled shareholders with effect from November 01, 2017.

In view of above, you are advised to provide your complete Bank Account / IBAN detail as per format given below to Shahzad Textile Mills Limited 19-A, Of, Zafar Ali Road, Gulberg-V, Lahore (in case of CDC Account Holder / Sub Account Holders please provide said details to respective member Stock Exchange enabling us to comply with above Section / Circular.

SYED IMRAN HAIDER
Company Secretary

DIVIDEND MANDATE DETAIL

Folio Number	
Name of Shareholder	
Title of Bank Account	
Bank Account Number (Complete)	
Bank's Name Branch Name, Code And Address	
Cell Number	
Landline Number, if any	
CNIC Number (also attaché copy)	
It is stated that the above mentioned information is correct, that I/We will intimate the changes in the above mentioned information to the Company.	
<u>Shareholder's Signature</u>	

ANNUAL ACCOUNTS

Annual Report 2023

REQUEST FORM

Consent for Circulation of Annual Audited Financial Statements through e-mail
Company Name: **Shahzeed Textile Mills Limited**

Folio No. / CDC Sub-Account No. _____

e-mail Address: _____

CNIC No. _____

The above e-mail address will be recorded in the members register maintained under Section 120 of the Companies Act, 2017.

I will inform the Company or the Registrar about any change in my e-mail address immediately. Henceforth, I will receive the Audited Financial Statements along with Notice only on the above e-mail address, unless a hard copy has been specifically requested by me.

Name and Signature of Shareholder
(Attachment Copy of CNIC)

The Secretary

SHAHZAD TEXTILE MILLS LIMITED

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

Tel: +92 (42) 35751024-24

CONSENT FOR VIDEO CONFERENCE FACILITY

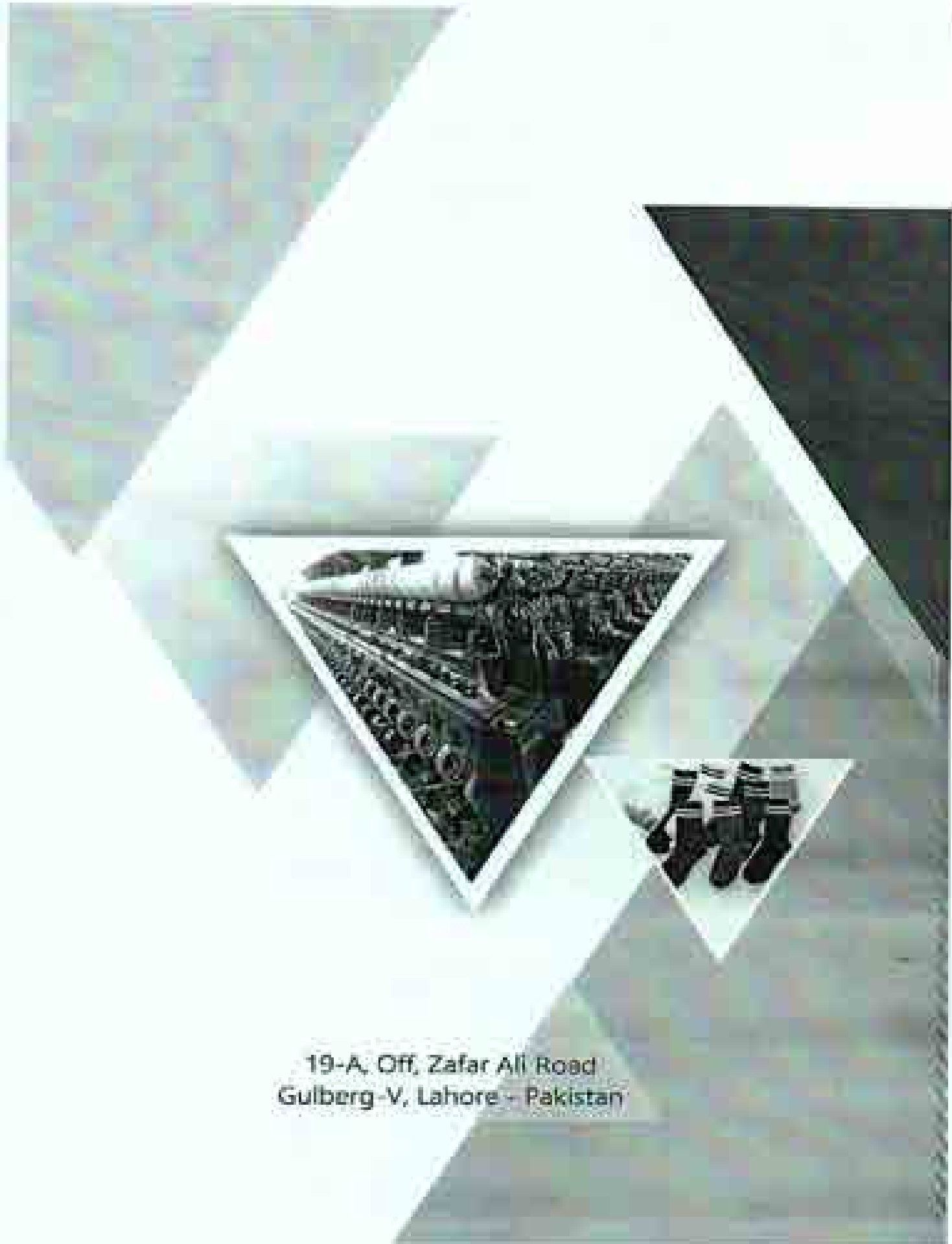
In compliance with Section 134(1)(b) of the Companies Act, 2017 if the Company receive consent from members holding aggregate 10 % or more shareholding residing at geographical location to participate in the meeting through video link facility at least 10 days prior to the date of general meeting. The company will arrange video link facility in that city. To avail this facility please provide following information and submit to registered address of the Company.

The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access the facility.

REQUEST FORM

I/We _____ of _____ being a member of Shahzad Textile Mills Limited, holder of _____ Ordinary Shares as per Register Folio No. / CDC Sub Account No. _____ hereby opt for video conference facility at _____

Signature of Member



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