



SHAMS TEXTILE MILLS LIMITED

ANNUAL REPORT 2015



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COMPANY INFORMATION

COMPANY INFORMATION**Board of Directors**

Muhammad Anwar	(Chairman)
Khalid Bashir	(Chief Executive)
Asif Bashir	
Khurram Mazhar Karim	
Muhammad Asif	(Nominee: NIT)
Shahid Arshad	
Sharik Bashir	

Chief Financial Officer

Farooq Ahmad

Company Secretary

Hashim Tariq

Audit Committee

Khurram Mazhar Karim	(Chairman)
Muhammad Anwar	(Member)
Asif Bashir	(Member)

Human Resource & Remuneration Committee

Khalid Bashir	(Chairman)
Muhammad Anwar	(Member)
Khurram Mazhar Karim	(Member)

Share Registrar

Crescent Group (Pvt.) Ltd.
10th Floor, BOP Tower, 10-B,
Block E-2, Gulberg III, Lahore

Auditors

Riaz Ahmad & Company
Chartered Accountants

Bankers

Allied Bank Limited
MCB Bank Limited
National Bank of Pakistan
The Bank of Punjab
Bank Islami Limited
United Bank Limited
Habib Metropolitan Bank Limited

Registered Office

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

Project Locations

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

PROFILE

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

The Company initially setup up its composite project consisting of spinning, weaving, dyeing and finishing at Chiniot in 1968. The plant today comprises of 24,960 spindles having capacity of producing 400,000 Kg/month (approx.) of yarn. During the initial years of operations the management successfully marketed the cotton yarn, grey and finished fabrics produced from these facilities, generating substantial export business. These operations resulted in the manufacturing of premium quality products leading to higher profitability for the company.

The company successfully built enough reserves over time inducing the management to think about the expansion of its existing facilities. The Management therefore decided to increase its spindle age capacity to 46,320 by installing another spinning unit at Shekhupura Road near Shahkot. The facility started its commercial production in August 01, 1994 and ever since has contributed positively to the results of the company.

Our 22,176 spindle-spinning unit located at Shahkot has the capacity of producing 500,000 Kg (approx.) of the finest Knitting and weaving yarns monthly. Our strength is our commitment to customer satisfaction. Every product passes stringent quality control tests conducted on highly sophisticated machinery before it is dispatched to a customer.

The Company has grown steadily and has distinction of being associated with several prestigious local and foreign firms. The modern yet conservative policies of the company helped in attracting investment in the form of equity participation and loans. The weaving, dyeing and finishing facilities have been shut down with the passage of time due to lower profitability and the management's decision to primarily focus on the spinning business which has always been the company's strength.

The specialized yarn based new spinning unit of 12,096 spindles has been added to existing facilities of the Company at Shahkot to cater the demand of coarse count Slub, Multi and Lycra yarns. The plant started its commercial production in January 2006.

Shams Textile Mills Limited is managed by people who have had vast experiences in the textile sector. The management is constantly looking to avail opportunities in the field of textiles and to grow on its strengths. It has a low cost and growth driven approach to its businesses and is looking to grow further on the same policies.

MISSION / VISION STATEMENT

Our Business

We are a manufacturing organization operating integrated spinning and weaving facilities in textile industry and our end products are sold to international and national customers.

Vision of Future Business

We are committed to becoming the premier manufacturing organization in the textile industry maintaining market leadership in the present business and diversifying into value added projects with the object of maximizing returns for all the stakeholders.

Our Strengths

We have made pioneering efforts in development of new products, which has enabled us to emerge as a market leader. This together with an innovative and professional management style has helped us to build a strong and financially sound base.

Our Strategy

We are determined to convert our vision into reality by using innovation to create a market niche for our products and by investing in facilities, people, systems and new technology, diversification into value addition and improvements in productivity and service to customers.

We shall aggressively exploit new markets by drawing strength from our corporate image and by promoting a culture that encourages initiatives at all levels of decision-making.

Our Values

- We take pride in adhering to ethical business practices and in being a good corporate citizen.
- We respect our people and endeavor to provide them opportunities to realize their full potential.
- We recognize our responsibility to our stakeholders and society.

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the best practices of the Code of Corporate Governance as contained in the Listing Regulation of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board included:

S. No.	Category	Names
1	Independent Director	Mr. Mohammad Asif
2	Executive Directors	Mr. Khalid Bashir Mr. Asif Bashir
3	Non-Executive Directors	Mr. Muhammad Anwar Mr. Khurram Mazhar Karim Mr. Shahid Arshad Mr. Sharik Bashir

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No Causal Vacancy occurred during the year 2014-2015.
5. 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 supporting policies & procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board.
8. 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The present Board elected on May 30, 2014, and five Directors out of seven have been exempted from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining directors will be done Directors' Training Programme as per application of CCG.

10. The Board has approved appointment of CFO and Company Secretary, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises of 3 (three) members, of whom two are non executive Directors including the Chairman of the Committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed and HR and Remuneration Committee. It comprises three members, of whom two are non-executive and the chairman of the committee is an executive director.
18. The Board has set-up effective internal audit function.
19. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied.

KHALID BASHIR
Chief Executive

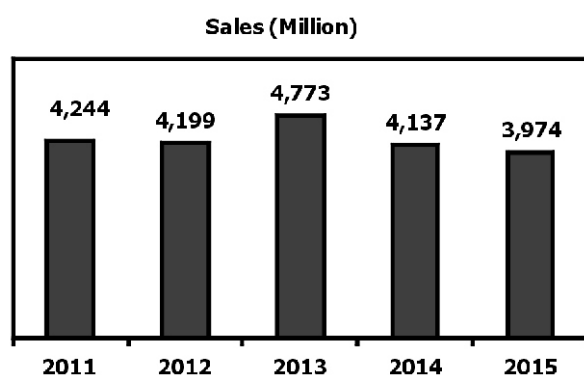
October 03, 2015

DIRECTORS' REPORT

The Directors are pleased to present the annual report for the year ending 30th June 2015 along with Audited Financial Statements.

During the year under review, your Company suffered a loss Rs. 53.13 Million (2014: Rs. 55.64 million) translating into negative earning per share of (Rs. 6.15) (2014: Rs. 6.44). The current ratio decreased to 0.80 (2014:0.89).

The Sales of your Company decreased by 3.87% to Rs. 3,974 million (2014: 4,134 million).



The distribution cost decreased by 11.58% i.e. Rs. 62.94 million (2014: Rs. 71.19 million) and also decreased in financial cost by 3.56% to Rs 69.531 million (2014: Rs 72.098 million).

Operating Results:

(Rs. In Million)

	2015	2014
Sales	3,974	4,134
Gross profit	143	135
Operating expenses	114.21	125.07
Other income	22.97	24.60
Profit from operation	51.40	34.41
Finance cost	69.53	72.10
(Loss) before taxation	(18.14)	(37.69)
Provision for taxation	34.99	17.952
(Loss) after taxation	(53.13)	(55.64)
(Loss) / Earnings per share (Rs.)	(6.15)	(6.44)

Statements on Corporate and Financial Reporting Frame Work

a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash

flows and changes in equity;

- b) Proper books of account of the Company have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- e) The System of Internal Control is sound in design and has been effectively implemented and monitored;
- f) There are no significant doubts upon the listed company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- h) Key operating and financial data of last six years in a summarized form is annexed.
- i) The following is the value of investment in respect of retirement benefit funds: Provident Fund: Rs. 127.22 Million (2014:Rs. 113.00 Million)
- j) All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.
- k) Four meetings of the Board of Directors were held during the year 2014-15. Attendance by each director was as under:

Sr. No.	Name of Director	No. Of Meetings Attended
1	Mr. Asif Bashir	4
2	Mr. Khalid Bashir	4
3	Mr. Muhammad Anwar	4
4	Mr. Muhammad Asif (NIT)	4
5	Mr. Khurram Mazhar Karim	4
6	Mr. Shahid Arshad	3
7	Mr. Sharik Bashir	0

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

Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members. Five Audit Committee meetings were held:

Sr. No.	Name of Members	No. Of Meetings Attended
1	Mr. Muhammad Anwar	05
2	Mr. Asif Bashir	04
3	Mr. Khurram Mazhar Karim	04

Human Resource & Remuneration Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Human Resource & Remuneration Committee and the following directors are its members:

Sr. No.	Name of Members	
1.	Mr. Khalid Bashir	Chairman
2.	Mr. Muhammad Anwar	Member
3.	Mr. Khurram Mazhar Karim	Member

Directors' Training Programme:

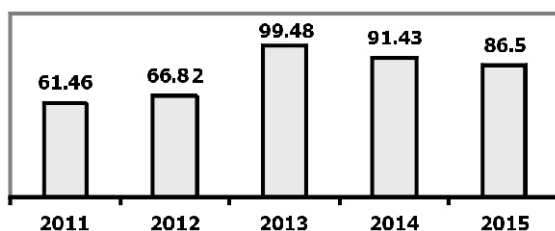
The present Board elected on May 30, 2014, and six Directors out of seven have been exempted from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining directors will be done Directors' Training Programme as per application of CCG.

Investor Value

During the year under review the Company suffered a loss therefore the Board of Directors has not recommended any dividend (2014: Nil).

The Break-up value per share for the year is Rs. 86.50/- (2014: Rs. 91.43/-)

Break-up Value (Rupees)



Auditors

As recommended by the Audit Committee, the present auditors M/s Riaz Ahmad & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholding, as required by section 236 of the Companies Ordinance 1984 and Code of Corporate Governance, is enclosed.

Key Operating and Financial Data

The key operating and financial data for the last six years is annexed.

Corporate Governance

Your Company has been complying with the rules of Securities and Exchange Commission of Pakistan and has implemented better internal control policies with more rigorous checks and balances.

Future Outlook

The future outlook is most uncertain in view of the low prices of our end product. The demand from our key customer country has slackened considerably and it is not possible to off load our production unless prices are reduced drastically resulting huge losses. Our Company has been running efficiently, but the cost of doing business in Pakistan has been increased on regular basis.

Our competitors have been subsidizing their textile business making them more competitors resulting in unfair competition for our product and rendering our products out of the market. As you are aware there is a Global economic slump and new markets at this stage are difficult to find.

The raw material (cotton) scenario is also very confusing. Although the local crop got off to a good start with higher projected production, abnormal weather conditions prevailed at the time of, flowering and maturing of the crop so that the quality and quantity is expect to be much lower than envisaged. If as a result of this there is a squeeze on the prices it will create more problems.

The Government seems to be oblivious of the problems of the industry in general and the pleas of the industry seem to fall on deaf ears. It is rumored, that some relief package is now under consideration and hopeful it may mitigate the hardship of the industry if and when it materialized.

The energy crises has eased come what in the past year but with the winter approaching we are apprehensive that this may again take a serious turn. The Government is reportedly making efforts to improve energy production but so far nothing positive has come of these efforts.

Your Company is consistently working on improving efficiencies and quality so as to reduce costs and maintain our share in the global market place, so as to reduce our losses as much as possible. We cannot promise anything positive for the current year and unless the market place changes remarkably we cannot offer much.

Acknowledgements

On behalf of the Board of Directors, I would take this opportunity to thank all our partners and employees for their continued support. I would also take this opportunity to express my gratitude to the Board for their valuable insights and guidance.

For & On behalf of Board of Directors

Khalid Bashir
Chief Executive

October 03, 2015
Lahore

FINANCIAL SUMMARY

For the year ended June 30, 2015

rupees in '000's	2015	2014	2013	2012	2011	2010
Net Sales	3,973,517	4,133,696	4,773,213	4,198,758	4,244,030	3,351,493
Cost of sales	3,830,891	3,998,814	4,169,070	3,859,588	3,967,651	2,942,753
Gross Profit	142,626	134,882	604,143	339,170	276,379	408,740
Distribution cost	62,943	71,188	166,241	88,905	62,166	68,192
Administrative expenses	50,970	48,877	46,644	44,559	41,260	36,674
Other operating expenses	294	5,000	40,904	6,167	7,747	29,816
	114,207	125,065	253,789	139,631	111,173	134,682
Operating Profit	28,419	9,817	350,354	199,539	165,206	274,058
Other income	22,974	24,595	16,941	8,230	5,368	5,947
Profit from operations	51,393	34,412	367,295	207,769	170,574	280,005
Finance cost	69,531	72,098	54,481	123,019	130,404	114,709
(Loss) / Profit before taxation	(18,138)	(37,686)	312,814	84,750	40,170	165,296
Taxation	34,988	17,952	28,690	42,402	36,703	34,519
(Loss) / Profit after taxation	(53,126)	(55,638)	284,124	42,348	3,467	130,777
Performance Ratio						
Gross Profit Margin (%)	3.59	3.26	12.66	8.08	6.51	12.20
Fixed Assets Turnover	4.18	4.32	5.68	5.12	5.07	3.79
Return on capital employed (%)	(5.98)	(5.54)	29.18	6.35	0.64	20.78
Return on equity (%)	(7.21)	(7.15)	33.40	7.39	0.65	24.70
Operating Profit Margin (%)	0.72	0.24	7.34	4.75	3.89	8.18
Net Profit Margin (%)	(1.34)	(1.35)	5.95	1.01	0.08	3.90
(Loss) / Earning per share (Rupees)	(6.15)	(6.44)	32.88	4.90	0.40	15.14
Working Capital Ratios						
Debtors Turn Over Ratio	25.91	23.10	28.16	34.76	28.51	13.93
Debtors in no of Days	14.09	15.80	12.96	10.50	12.80	26.20
Stock Turn Over Ratio	10.13	8.65	10.69	6.69	7.52	9.98
Stock in no of Days	36.04	42.21	34.13	54.59	48.53	36.57
Liquidity Ratio						
Current Ratio	0.80	0.89	1.20	0.86	0.78	0.77
Quick Ratio	0.43	0.32	0.48	0.29	0.15	0.35
Interest Cover Ratio	(3.83)	(1.91)	0.17	1.45	3.25	0.69
Financial Performance Ratio						
Gearing Ratio	15:85	21:79	11:89	13:87	02:98	13:87
Break-up value per share (Rupees)	86.50	91.43	99.48	66.82	61.46	63.05
Dividend per share	-	-	3.00	1.25	-	2.00
Price to Book Value	0.36	0.50	0.60	0.15	0.12	0.19
Total Assets	1,632,013	2,080,193	1,624,731	1,482,013	1,819,199	1,529,557
Current Assets	586,535	954,306	769,866	692,192	994,748	679,471
Current Liabilities	737,537	1,066,314	641,698	808,671	1,269,476	886,559
Operating Fixed Assets	1,045,478	1,125,887	854,865	789,821	824,451	850,086
Long Term Debts	141,409	214,537	114,271	89,109	11,565	84,633
Share holders' Equity	747,361	789,928	859,524	577,346	530,976	544,734

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 48th Annual General Meeting of the shareholders of Shams Textile Mills Limited will be held on **Friday, October 30, 2015 at 10:00 a.m.** at the Registered Office, 7-B III, Aziz Avenue, Gulberg V, Lahore to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' reports thereon for the year ended June 30, 2015.
2. To appoint auditors of the Company and fix their remuneration. The present auditor M/s Riaz Ahmad & Company, Chartered Accountants retires and offers themselves for re-appointment.
3. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
October 09, 2015

Hashim Tariq
Company Secretary

BOOK CLOSURE:

The Members' Register will remain closed from October 24, 2015 to October 30, 2015 (both day inclusive).

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on October 23, 2015 will be treated in time.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxy in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:
 - i. In case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participant ID numbers and account numbers in CDS.
 - ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
4. Shareholders are requested to immediately notify the change in their address, if any and send us the attested copy of Computerized National Identity Card.

For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement
- ii. Attested copies of valid CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his/her original valid CNIC or original passport at the time of the meeting.
In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be produced (unless it has been provided earlier) at the time of meeting.

5. SECP has directed vide SRO No. 779(1)/2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card (CNIC) of the registered members. Members who have not yet submitted photocopy of their valid CNIC are requested to send the same to the Company's Registrar.

6. As directed by SECP vide Circular NO. 18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in your bank account with cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly credited into your bank account, instead of issuing a dividend warrants, please provide the following details:

Folio No. _____
 Name _____
 Title of Bank Account _____
 Bank Account Number _____
 Bank's Name _____
 Branch Name & Address _____
 Cell Number of Transferee _____
 Landline Number of Transferee, if any _____

Deduction of Tax on Dividend Income – Finance Act, 2015

It is hereby informed that pursuant to the Finance Act, 2015, effective from July 1, 2015, the rate of withholding tax under Section 150 of the Income Tax Ordinance, 2001 on dividend income has been segregated as follows:

- i) Rate of tax deduction on dividend income for filer of income tax return 12.5%
- ii) Rate of tax deduction of dividend income for non filer of income tax return 17.5%

Further you are therefore requested to please provide us the following details:

Name	Folio No./ CDC Account No.	National Tax No.	CNIC No. (for individual only) enclose a copy of valid CNIC, if not already provided

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **SHAMS TEXTILE MILLS LIMITED** ("the Company") for the year ended 30 June 2015, to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- (i) The board of directors has not made arrangements for directors' training program for one of the non-exempted directors of the Company as required by clause (xi) of the Code.
- (ii) Members of Audit Committee do not include an independent director as required by clause (xxiv) of the Code.
- (iii) The Company does not have a Head of Internal Audit since resignation of previous Head of Internal Audit during the year.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

RIAZ AHMAD & COMPANY **Chartered Accountants**

Name of engagement partner:
Sarfraz Mahmood

Date: October 03, 2015

LAHORE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SHAMS TEXTILE MILLS LIMITED** as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2015 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Sarfraz Mahmood

Date: October 03, 2015

LAHORE

BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015 (Rupees in thousands)	2014
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
25,000,000 (2014: 25,000,000) ordinary shares of Rupees 10 each			
		250,000	250,000
Issued, subscribed and paid-up share capital	3	86,400	86,400
Reserves	4	724,015	713,456
Accumulated loss		(63,054)	(9,928)
Total equity		747,361	789,928
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	141,409	214,537
Deferred income tax liability	6	5,706	9,414
		147,115	223,951
CURRENT LIABILITIES			
Trade and other payables	7	542,864	503,964
Accrued mark-up	8	5,601	13,997
Short term borrowings	9	115,945	448,619
Current portion of long term financing	5	73,127	99,734
		737,537	1,066,314
Total liabilities		884,652	1,290,265
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		1,632,013	2,080,193

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

Chief Executive

	Note	2015 (Rupees in thousands)	2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,043,902	1,124,311
Long term security deposits	12	1,576	1,576
		1,045,478	1,125,887
CURRENT ASSETS			
Stores, spare parts and loose tools	13	54,785	70,907
Stock-in-trade	14	211,549	544,923
Trade debts	15	140,088	166,652
Advances	16	33,137	32,919
Other receivables	17	110	20
Short term investments	18	59,138	48,579
Sales tax refundable		20,818	19,542
Taxation - net	19	62,492	66,254
Cash and bank balances	20	4,418	4,510
		586,535	954,306
TOTAL ASSETS		1,632,013	2,080,193

Director

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in thousands)	2014
SALES	21	3,973,517	4,133,696
COST OF SALES	22	(3,830,891)	(3,998,814)
GROSS PROFIT		142,626	134,882
DISTRIBUTION COST	23	(62,943)	(71,188)
ADMINISTRATIVE EXPENSES	24	(50,970)	(48,877)
OTHER EXPENSES	25	(294)	(5,000)
		(114,207)	(125,065)
		28,419	9,817
OTHER INCOME	26	22,974	24,595
PROFIT FROM OPERATIONS		51,393	34,412
FINANCE COST	27	(69,531)	(72,098)
LOSS BEFORE TAXATION		(18,138)	(37,686)
TAXATION	28	(34,988)	(17,952)
LOSS AFTER TAXATION		(53,126)	(55,638)
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	29	(6.15)	(6.44)

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended JUNE 30, 2015

	2015 (Rupees in thousands)	2014
LOSS AFTER TAXATION	(53,126)	(55,638)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss:		
Surplus arising on remeasurement of available for sale investments	10,559	11,962
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(42,567)	(43,676)

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

Chief Executive

Director

CASH FLOW STATEMENT
For The Year Ended JUNE 30, 2015

	Note	2015 (Rupees in thousands)	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	30	541,615	53,329
Finance cost paid		(77,927)	(66,125)
Income tax paid		(34,934)	(50,467)
Net cash generated from / (used in) operating activities		428,754	(63,263)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(17,083)	(359,687)
Proceeds from sale of property, plant and equipment		18,999	22,273
Dividends received		1,648	1,575
Net cash from / (used in) investing activities		3,564	(335,839)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(99,735)	(29,845)
Proceeds from long term financing		-	200,000
Short term borrowings - net		(332,674)	250,861
Dividend paid		(1)	(24,967)
Net cash (used in) / from financing activities		(432,410)	396,049
Net (decrease) / increase in cash and cash equivalents		(92)	(3,053)
Cash and cash equivalents at the beginning of the year		4,510	7,563
Cash and cash equivalents at the end of the year	20	4,418	4,510

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

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	RESERVES							Accumulated Loss	Total equity
	CAPITAL		REVENUE		Sub Total	Total reserves			
	Premium on issue of right shares	Fair value reserve	General reserve						
Balance as at 30 June 2013	86,400	15,094	101,494	345,000	446,494	326,630	859,524		
Transaction with owners - Final dividend for the year ended 30 June 2013 @ Rupees 3 per share	-	-	-	-	-	(25,920)	(25,920)		
Transferred to general reserve				255,000	255,000	(255,000)	-		
Loss for the year	-	-	-	-	-	(55,638)	(55,638)		
Other comprehensive income for the year	-	11,962	11,962	-	11,962	-	11,962		
Total comprehensive loss for the year	-	11,962	11,962	-	11,962	(55,638)	(43,676)		
Balance as at 30 June 2014	86,400	27,056	113,456	600,000	713,456	(9,928)	789,928		
Loss for the year	-	-	-	-	-	(53,126)	(53,126)		
Other comprehensive income for the year	-	10,559	10,559	-	10,559	-	10,559		
Total comprehensive loss for the year	-	10,559	10,559	-	10,559	(53,126)	(42,567)		
Balance as at 30 June 2015	86,400	37,615	124,015	600,000	724,015	(63,054)	747,361		

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

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

1. THE COMPANY AND ITS OPERATIONS

Shams Textile Mills Limited ("the Company") is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984) and is listed on Karachi and Lahore Stock Exchanges in Pakistan. Its registered office is situated at 7-B-III, Aziz Avenue, Gulberg V, Lahore. The Company is engaged in the business of manufacturing, sale and trading of yarn and trading of cloth.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

c) Critical accounting estimates and judgements

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

Useful lives, patterns of economic benefits and impairments

Estimates with respect to useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Future estimation of export sales

Deferred income tax calculation has been based on estimate of future ratio of export and local sales.

Provision for doubtful debts

The Company reviews its receivables against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Amendments to published approved standards and interpretation that are effective in current year and are relevant to the Company

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 July 2014:

IAS 32 (Amendments) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements

IAS 36 (Amendments) 'Impairment of Assets' (effective for annual periods beginning on or after 01 January 2014). Amendments have been made in IAS 36 to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

IFRIC 21 'Levies' (effective for annual periods beginning on or after 01 January 2014). The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

The application of the above amendments and interpretation does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- e) **Amendments to published standards that are effective in current year but not relevant to the Company**
There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2014 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.
- f) **Standards and amendments to published standards that are not yet effective but relevant to the Company**
Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2015 or later periods:
IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.
IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.
IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.
IAS 1 (Amendments) 'Presentation of Financial Statements' (**effective for annual periods beginning on or after 01 January 2016**). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1. **However, the amendments are not expected to have a material impact on the Company's financial statements.**
IAS 16 (Amendments) 'Property, Plant and Equipment' (**effective for annual periods beginning on or after 01 January 2016**). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. **However, the amendments are not expected to have a material impact on the Company's financial statements.**
- g) **Standard and amendments to published standards that are not yet effective and not considered relevant to the Company**
There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Property, plant and equipment

Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land and capital work-in-progress are stated at cost less any identified impairment loss. Cost of operating fixed assets comprises historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the assets to working condition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the reducing balance method so as to write off the cost of the assets over their estimated useful life at the rates given in note 11.1 to the financial statements. Depreciation on additions is charged from the month in which the asset is put to use, while for disposals depreciation is charged upto the month of disposal.

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

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

Leased

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost, is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to profit and loss account over the lease term.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation on the leased assets is charged to profit and loss account.

2.3 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.4 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on regular basis.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Investment at fair value through profit or loss" which is measured initially at fair value.

The Company assesses at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in associates (with significant influence), which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

Investments in associates - (with significant influence)

Investments in associates over which the Company has significant influence are accounted for using the equity method. In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established until the date when that significant influence ceases.

Available for sale

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity, or changes to interest rates or equity prices are classified as available-for-sale. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. These are sub-categorized as under:

Quoted

For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

quoted market bids at the close of business on the balance sheet date.

Un-quoted

Investments in unquoted equity instruments are stated at cost less any identified impairment loss.

2.5 Inventories

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

Stores, spare parts and loose tools

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

Stock-in-trade

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

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

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

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

2.6 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount being the fair value. Provision is made against debts considered doubtful on a review of all outstanding amounts at the year end. Bad debts are written off when considered irrecoverable.

2.7 Taxation

Current

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

Deferred

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

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

2.8 Cash and cash equivalents

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

2.9 Borrowing cost

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

2.10 Share capital

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

2.11 Trade and other payables

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

2.12 Provisions

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

2.13 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long term financing, short term borrowings, accrued mark-up and trade and other payables, etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item and in the accounting policy of investments.

2.14 Offsetting of financial assets and financial liabilities

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

2.15 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of the derivative financial instruments is taken to the profit and loss account.

2.16 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are included in the profit and loss account currently.

2.17 Employee benefits

Defined contribution plan

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

Compensated absences

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

2.18 Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

2.19 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Dividend on equity investments is recognized when right to receive dividend is established.
- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.20 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2015 (NUMBER OF SHARES)	2014		2015 (RUPEES IN THOUSAND)	2014
7,510,000	7,510,000	Ordinary shares of Rupees 10 each fully paid in cash	75,100	75,100
1,130,000	1,130,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	11,300	11,300
8,640,000	8,640,000		86,400	86,400
			2015	2014
			(NUMBER OF SHARES)	
3.1 Ordinary shares of the Company held by associated companies:				
Premier Insurance Limited			399,000	399,000
The Crescent Textile Mills Limited			812,160	812,160
			1,211,160	1,211,160

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
4. RESERVES		
Composition of reserves is as follows:		
Capital		
Premium on issue of right shares (Note 4.1)	86,400	86,400
Fair value reserve (Note 4.2)	37,615	27,056
	124,015	113,456
Revenue		
General reserve	600,000	600,000
	724,015	713,456

4.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

4.2 This represents unrealized gain on remeasurement of available for sale investments at fair value and is not available for distribution. This will be transferred to profit and loss account on realization.

	2015 (Rupees in thousand)	2014
5. LONG TERM FINANCING		
Secured		
Financing from banking companies (Note 5.1)	214,536	314,271
Less: Current portion shown under current liabilities	73,127	99,734
	141,409	214,537

5.1 Financing from banking companies

LENDER	2015	2014	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(Rupees in thousands)							
Allied Bank Limited	162,500	200,000	3 month KIBOR + 2%	Sixteen equal quarterly installments commencing on 06 November 2014 and ending on 05 August 2018.	Quarterly	Quarterly	First pari passu charge over fixed assets of the company amounting to Rupees 533.340 million and first joint pari passu Charge over all current assets of The Company amounting to Rupees 275 million alongwith personal guarantees of two directors and a family member of sponsor directors.
The Bank of Punjab	-	39,107	3 month KIBOR + 2%	Fifteen quarterly instalments commenced on 09 September 2011 and ended on 16 April 2015.	Quarterly	Quarterly	Joint pari passu charge of Rupees 435 million on current assets of the Company and first pari passu charge on present and future fixed assets of the company amounting to Rs. 72 million.
MCB Bank Limited	52,036	75,164	3 month KIBOR + 2.5%	Sixteen equal quarterly installments commenced on 20 December 2013 and ending on 20 September 2017.	Quarterly	Quarterly	Ranking charge of Rupees 134 million over present and future current assets of the Company and personal guarantees of two directors of the Company, a family member of sponsor Directors and director of an associated company.
	214,536	314,271					

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
6. DEFERRED INCOME TAX LIABILITY		
The liability for deferred income tax originated due to timing differences relating to:		
Taxable temporary difference		
Accelerated tax depreciation	123,722	92,110
Deductible temporary differences		
Available tax losses	(55,421)	(21,697)
Turnover tax carried forward	(55,045)	(55,045)
Provision for doubtful debts	(2,330)	(2,076)
Provision for slow moving and obsolete stores and spares	(5,220)	(3,878)
	(118,016)	(82,696)
	5,706	9,414

7. TRADE AND OTHER PAYABLES

Creditors (Note 7.1)	235,336	292,468
Advances from customers	3,507	8,960
Accrued liabilities	241,905	132,734
Due to related party - unsecured, interest free and repayable on demand	40,682	47,932
Retention money payable - interest free	4,590	4,246
Excise duty payable (Note 7.2)	5,184	5,184
Income tax deducted at source	482	1,700
Payable to employees' provident fund trust	1,681	504
Workers' profit participation fund payable (Note 7.3)	-	738
Workers' welfare fund payable	5,557	5,557
Unclaimed dividend	3,940	3,941
	542,864	503,964

7.1 These include Rupees 0.129 million (2014: Rupees 2.799 million) due to associated companies.

7.2 This represents provision made on account of central excise duty on loans in respect of which decision of the case is pending before the Honourable Supreme Court of Pakistan.

	2015 (Rupees in thousand)	2014
7.3 Workers' profit participation fund payable		
Balance as on 01 July	738	16,653
Add: Interest for the year (Note 27)	-	738
	738	17,391
Less: Payments made during the year	(738)	(16,653)
Balance as on 30 June	-	738

7.3.1 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
8. ACCRUED MARK-UP		
Long term financing	3,801	7,860
Short term borrowings	1,800	6,137
	5,601	13,997
9. SHORT TERM BORROWINGS		
From banking companies - Secured		
Running finances (Note 9.1 and 9.2)	93,526	133,809
Cash finances (Note 9.1 and 9.3)	-	118,239
Other short term borrowings (Note 9.1 and 9.4)	22,419	196,571
	115,945	448,619

9.1 These finances are obtained from banking companies under mark up arrangements and are secured against first joint pari passu hypothecation charge on all current assets of the Company and pledge of stocks. These form part of total credit facilities of Rupees 924.56 million (2014: Rupees 1,075 million).

9.2 The rate of mark-up ranges from 8.08% to 11.62% (2014: 10.44% to 11.93%) per annum on the balance outstanding.

9.3 The rate of mark-up ranges from 8.08% to 11.93% (2014: 10.69% to 11.88%) per annum on the balance outstanding.

9.4 The rate of mark-up ranges from 3.227% to 11.03% (2014: 3.573% to 11.15%) per annum on the balance outstanding.

10. CONTINGENCIES AND COMMITMENTS**a) Contingencies**

Bank guarantees of Rupees 64.715 million (2014: Rupees 47.537 million) are given by the banks of the Company in favour of Sui Northern Gas Pipelines Limited against gas connections and Lahore Electric Supply Company Limited (LESCO) and Faisalabad Electric Supply Company Limited (FESCO) against electricity connections.

b) Commitments

i) Contracts for capital expenditures amounted to Rupees Nil (2014: Rupees 24.673 million).

ii) Letters of credit for other than capital expenditures amounted to Rupees 14.791 million (2014: Rupees 96.262 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousands)	2014 (Rupees in thousands)
11. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets Owned (Note 11.1)	999,647	931,271
Capital work-in-progress (Note 11.2)	44,255	193,040
	1,043,902	1,124,311

11.1 Reconciliation of carrying amounts of operating fixed assets at the beginning and at the end of the year is as follows:

	Freehold land	Factory building on freehold Land	Residential and other building on freehold land	Plant and machinery	Electric & sui gas Installations	Factory equipment	Furniture, fixtures and fittings	Vehicles	Total
(Rupees in thousands)									
At 30 June 2013									
Cost	3,192	148,778	43,478	1,383,458	47,199	2,608	900	35,276	1,664,889
Accumulated depreciation	-	(63,876)	(17,949)	(793,635)	(21,405)	(1,864)	(470)	(18,323)	(917,522)
Net book value	3,192	84,902	25,529	589,823	25,794	744	430	16,953	747,367
Year ended 30 June 2014									
Opening net book value	3,192	84,902	25,529	589,823	25,794	744	430	16,953	747,367
Additions	-	-	17,921	254,648	-	-	-	-	272,569
Disposals	-	-	-	(34,320)	-	-	-	(1,679)	(35,999)
Cost	-	-	-	27,891	-	-	-	1,013	28,904
Accumulated depreciation	-	-	-	(6,429)	-	-	-	(666)	(7,095)
Depreciation charge	-	(4,245)	(1,351)	(69,977)	(2,579)	(74)	(43)	(3,301)	(81,570)
Closing net book value	3,192	80,657	42,099	768,065	23,215	670	387	12,986	931,271
At 30 June 2014									
Cost	3,192	148,778	61,399	1,603,786	47,199	2,608	900	33,597	1,901,459
Accumulated depreciation	-	(68,121)	(19,300)	(835,721)	(23,984)	(1,938)	(513)	(20,611)	(970,188)
Net book value	3,192	80,657	42,099	768,065	23,215	670	387	12,986	931,271
Year ended 30 June 2015									
Opening net book value	3,192	80,657	42,099	768,065	23,215	670	387	12,986	931,271
Additions	-	149,681	11,182	-	-	-	-	5,005	165,868
Disposals:									
Cost	-	-	-	(22,034)	-	-	-	(6,045)	(28,079)
Accumulated depreciation	-	-	-	19,724	-	-	-	3,914	23,638
Depreciation charge	-	(8,491)	(2,431)	(76,666)	(2,321)	(67)	(39)	(2,131)	(84,441)
Closing net book value	3,192	221,847	50,850	689,089	20,894	603	348	12,824	999,647
At 30 June 2015									
Cost	3,192	298,459	72,581	1,581,752	47,199	2,608	900	32,557	2,039,248
Accumulated depreciation	-	(76,612)	(21,731)	(892,663)	(26,305)	(2,005)	(552)	(19,733)	(1,039,601)
Net book value	3,192	221,847	50,850	689,089	20,894	603	348	12,824	999,647
Annual rate of depreciation (%)	-	5	5	10	10	10	10	10	20

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

Description	Qty	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
(Rupees in thousand)								
Plant and machinery								
Ring Spinning Frames	3	22,034	19,724	2,310	14,400	12,090	Negotiation	MKB Spinning Mills (Private) Limited
		22,034	19,724	2,310	14,400	12,090		
Vehicles								
Yamaha-100 Motorcycle FS-7995	1	53	50	3	20	17	Negotiation	Mr. Irshad, Faisalabad
Honda Civic LEE-6709	1	1,811	1,407	404	1,210	806	Negotiation	Mr. Muhammad Taha Mumtaz, Lahore
Mazda Coach FDH-4706	1	138	138	-	320	320	Negotiation	Sheikh Brothers, Chiniot
Suzuki Baleno LRE-2450	1	774	727	47	284	237	Negotiation	Mr. Muhammad Lateef, Faisalabad
Toyota Corolla LEC-9228	1	1,496	1,028	468	1,300	832	Negotiation	Mr. Ali Zahid, Lahore
Toyota Corolla LEC-8086	1	1,773	564	1,209	1,465	256	Negotiation	Range Belting, Lahore
		6,045	3,914	2,131	4,599	2,468		
		28,079	23,638	4,441	18,999	14,558		

	2015 (Rupees in thousand)	2014
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11.1.2 Depreciation charge for the year has been allocated as follows:

Cost of sales (Note 22)	89,976	78,226
Administrative expenses (Note 24)	3,075	3,344
	93,051	81,570

11.2 Capital work-in-progress

Building	44,255	193,040
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12. LONG TERM SECURITY DEPOSITS

These represents security deposits with utility companies against utility connections.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
13. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	8,975	25,358
Spare parts	68,710	68,121
Loose tools	140	468
	77,825	93,947
Less: Provision for slow moving and obsolete items (Note 13.1)	(23,040)	(23,040)
	54,785	70,907
13.1 Provision for slow moving and obsolete items		
Balance as on 01 July	23,040	18,040
Add: Provision made during the year (Note 25)	-	5,000
Balance as on 30 June	23,040	23,040

14. STOCK-IN-TRADE

Raw materials	33,705	71,073
Work-in-process	26,581	28,858
Finished goods (Note 14.2)	146,299	437,469
Waste stock	5,034	7,523
	211,549	544,923

- 14.1** Stock-in-trade of Rupees 78.967 million (2014: Rupees 500.041 million) is being valued at net realizable value.
- 14.2** Finished goods include stock held with third party of Rupees Nil (2014: Rupees 11.227 million) in the ordinary course of business.
- 14.3** Stock in trade include stock in transit of Rupees 31.248 million (2014: Rupees Nil).
- 14.4** The carrying value of stock in trade pledged with banking companies against short term borrowings is Rupees Nil (2014: Rupees 288.483 million). Detail of the corresponding borrowings are disclosed in note 9 to the financial statements.
- 14.5** The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 12.696 million (2014: Rupees 48.141 million)

	2015 (Rupees in thousand)	2014
15. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	49,459	40,761
Unsecured:		
- Suraj Cotton Mills Limited - associated company (Note 15.1)	15,858	756
- Others (Note 15.2)	74,771	125,135
	140,088	166,652
Considered doubtful:		
Others - Unsecured	10,282	12,333
Less: Provision for doubtful debts		
As at 01 July	12,333	12,333
Less: Provision reversed during the year (Note 26)	(2,051)	-
As at 30 June	10,282	12,333
	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	2015 (Rupees in thousand)	2014
Available for sale		
Others - quoted		
Jubilee Spinning and Weaving Mills Limited 7,788 (2014: 7,788) fully paid ordinary shares of Rupees 10 each.	32	32
Crescent Fibres Limited 31,920 (2014: 31,920) fully paid ordinary shares of Rupees 10 each.	316	316
Crescent Spinning Mills Limited (Note 18.3 and 18.4) 208,800 (2014: 208,800) fully paid ordinary shares of Rupees 10 each.	2,088	2,088
Samba Bank Limited 2,764,113 (2014: 2,764,113) fully paid ordinary shares of Rupees 10 each.	44,017	44,017
EFU Life Assurance Limited 98,800 (2014: 98,800) fully paid ordinary shares of Rupees 10 each.	32,493	32,493
Other - unquoted		
Crescent Modaraba Management Company (Private) Limited (Note 18.4) 193,000 (2014: 193,000) fully paid ordinary shares of Rupees 10 each.	1,930	1,930
	90,277	90,277
Less: Accumulated impairment loss	(68,754)	(68,754)
Add: Fair value adjustment	37,615	27,056
	59,138	48,579

18.1 These companies are associated due to common directorship.

18.2 Securities and Exchange Commission of Pakistan (SECP) has granted approval for increase in the face value of an ordinary share of Premiere Insurance Limited from Rupees 5 to Rupees 10 by reducing the number of ordinary shares to half with no change in paid up capital of Premiere Insurance Limited.

18.3 The official liquidator has submitted the statement in the Lahore High Court for final liquidation of the company and the final decision is still awaited.

18.4 Full amount of impairment has been provided against investment in Crescent Spinning Mills Limited and Crescent Modaraba Management Company (Private) Limited.

	2015 (Rupees in thousand)	2014
19. TAXATION - NET		
Advance income tax	101,188	84,030
Less: Provision for taxation (Note 28)	(38,696)	(17,776)
	62,492	66,254
20. CASH AND BANK BALANCES		
Cash with banks:		
On deposit accounts (Note 20.1 and 20.2)	898	911
On current accounts	3,123	3,306
	4,201	4,217
Cash in hand	397	293
	4,418	4,510

20.1 Rate of profit on bank deposits ranges from 4% to 5% (2014: 6.4% to 10.09%) per annum.

20.2 These include Rupees 0.769 million (2014: Rupees 0.769 million) deposited with IGI Investment Bank Limited on account of central excise duty. The Company cannot encash the amount deposited till the decision of the Court.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
21. SALES		
Export	1,185,135	921,326
Local (Note 21.1)	2,788,382	3,212,370
	3,973,517	4,133,696
21.1 Local sales		
Sales	2,846,265	3,276,645
Less: Sales tax	57,883	64,275
	2,788,382	3,212,370
22. COST OF SALES		
Raw materials consumed (Note 22.1)	2,570,237	3,263,309
Salaries, wages and other benefits (Note 22.2)	242,265	243,269
Stores, spare parts and loose tools consumed	87,866	82,161
Packing materials consumed	67,010	67,308
Repair and maintenance	27,844	30,801
Fuel and power	429,660	482,998
Insurance	5,383	5,924
Other factory overheads	4,832	7,345
Depreciation (Note 11.1.2)	89,976	78,226
	3,525,073	4,261,341
Work-in-process		
Opening stock	28,858	29,461
Less: Closing stock	(26,581)	(28,858)
	2,277	603
Cost of goods manufactured	3,527,350	4,261,944
Finished goods		
Opening stock	444,992	142,562
Less: Closing stock	(151,263)	(444,992)
	293,729	(302,430)
Cost of sales - own manufactured goods	3,821,079	3,959,514
Opening stock of purchased finished goods and waste	-	-
Finished goods and waste purchased	9,812	39,300
Closing stock of purchased finished goods and waste	-	-
Cost of sales - purchased finished goods and waste	9,812	39,300
Cost of sales	3,830,891	3,998,814
22.1 Raw materials consumed		
Opening stock	71,073	207,839
Add: Purchased during the year	2,532,869	3,126,543
	2,603,942	3,334,382
Less: Closing stock	(33,705)	(71,073)
	2,570,237	3,263,309

22.2 Salaries, wages and other benefits include provident fund contribution of Rupees 3.709 million (2014: Rupees 3.497 million) by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
23. DISTRIBUTION COST		
Salaries and other benefits (Note 23.1)	1,983	1,488
Freight and forwarding - Export	28,718	28,961
Freight - Local	1,579	1,305
Commission to selling agents	30,663	39,434
	62,943	71,188
23.1 Salaries and other benefits include provident fund contribution of Rupees 0.065 million (2014: Rupees 0.051 million) by the Company.		
24. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 24.1)	30,379	28,138
Directors' meeting fee	480	490
Rent, rates and taxes	2,577	2,577
Insurance	591	595
Travelling and conveyance	2,839	1,714
Vehicles' running	2,290	2,947
Entertainment	659	791
Legal and professional	1,579	1,305
Auditors' remuneration (Note 24.2)	850	850
Advertisement	49	77
Postage and telephone	2,055	2,110
Electricity and gas	892	1,623
Printing and stationery	451	477
Repair and maintenance	1,234	822
Fee and subscription	956	1,006
Depreciation (Note 11.1.2)	3,075	3,344
Miscellaneous	14	11
	50,970	48,877
24.1 Salaries and other benefits include provident fund contribution of Rupees 0.975 million (2014: Rupees 0.901 million) by the Company.		
24.2 Auditors' remuneration		
Audit fee	665	665
Half yearly review	115	115
Other certifications	50	50
Out-of-pocket expenses	20	20
	850	850
25. OTHER EXPENSES		
Exchange loss - net	294	-
Provision for slow moving and obsolete items (Note 13.1)	-	5,000
	294	5,000
26. OTHER INCOME		
Income from financial assets		
Dividend income (Note 26.1)	1,648	1,575
Gain on sale of right letters	-	311
Profit on deposits with banks	67	562
Exchange gain - net	-	2,044
	1,715	4,492

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
Income from assets other than financial assets		
Gain on sale of property, plant and equipment	14,558	15,178
Reversal of provision for doubtful debts (Note 15)	2,051	-
Scrap sales	4,624	4,890
Others	26	35
	21,259	20,103
	22,974	24,595
26.1 Dividend income		
Premier Insurance Limited - associated company	442	885
EFU Life Assurance Limited	840	642
Crescent Fibers Limited	32	48
Crescent Cotton Mills Limited - associated company	334	-
	1,648	1,575
27. FINANCE COST		
Mark-up on:		
Long term financing	31,401	33,903
Short term borrowings	34,410	30,823
Interest on workers' profit participation fund (Note 7.3)	-	738
Interest on employees' provident fund	21	1
Bank charges and commission	3,699	6,633
	69,531	72,098
28. TAXATION		
For the year		
Current tax (Note 28.1)	39,886	16,376
Deferred tax	(3,708)	176
Prior year		
Current tax	(1,190)	1,400
	34,988	17,952

28.1 The provision for current tax represents minimum tax on local sales, final tax on export sales and tax on income from other sources. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate has not been presented, being impracticable.

28.2 The Company has carry forwardable tax losses of Rupees 173.191 million (2014: Rupees 65.748 million).

	2015	2014
29. LOSS PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on the basic loss per share which is based on:		
Loss attributable to ordinary shares	(Rupees in thousand) (53,126)	(55,638)
Weighted average number of ordinary shares	(Numbers) 8,640,000	8,640,000
Loss per share	(Rupees) (6.15)	(6.44)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
30. CASH GENERATED FROM OPERATIONS		
Loss before taxation	(18,138)	(37,686)
Adjustments for non-cash charges and other items:		
Depreciation	93,051	81,570
Gain on sale of property, plant and equipment	(14,558)	(15,178)
Dividend income	(1,648)	(1,575)
Reversal of provision for doubtful debts	(2,051)	-
Provision for slow moving and obsolete items	-	5,000
Finance cost	69,531	72,098
Working capital changes (Note 30.1)	415,428	(50,900)
	541,615	53,329

30.1 Working capital changes

Decrease / (increase) in current assets:		
- Stores, spare parts and loose tools	16,122	4,404
- Stock-in-trade	333,374	(165,061)
- Trade debts	28,615	24,554
- Advances	(218)	(26,020)
- Other receivables	(90)	943
- Sales tax refundable	(1,276)	13,340
	376,527	(147,840)
Increase in trade and other payables	38,901	96,940
	415,428	(50,900)

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in these financial statements for remuneration including all benefits to Chief Executive, Director and Executives of the Company is as follow:

	Chief Executive		Director		Executives	
	2015	2014	2015	2014	2015	2014
	(Rupees in thousand)					
Managerial remuneration	7,260	6,650	4,235	4,010	3,641	2,570
Allowances						
House rent	3,267	2,993	1,906	1,804	1,638	1,156
Conveyance	-	-	-	-	221	81
Medical	-	665	-	401	239	163
Utilities	726	-	424	-	322	246
Other	-	-	-	-	369	223
Contribution to provident fund	436	399	254	240	218	154
	11,689	10,707	6,819	6,455	6,648	4,593
Number of persons	1	1	1	1	4	3

31.1 Chief executive, director and an executive of the Company are provided with fully maintained vehicles.

31.2 Non-executive directors of the Company were paid Rupees 0.480 million (2014: Rupees 0.490 million) as meeting fee.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2015 (Rupees in thousand)	2014
Associated companies		
Sale of goods and services	377,907	272,960
Insurance claim received	2,734	5,663
Purchase of goods and services	-	3,615
Purchase of operating fixed assets	-	3,000
Dividend paid	-	8,720
Insurance premium	9,401	8,263
Rent expense	240	240
Dividend received	776	885
Other related parties		
Electricity purchased	56,988	47,808
Rent expense	1,800	1,800
Company's contribution to employees' provident fund trust	4,750	4,449

33. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund for the year ended 30 June 2015 and 2014:

	2015 (Rupees in thousand)	2014
Size of the fund - Total assets	127,220	113,000
Fair value of investments	125,312	111,781
Percentage of investments made	98.50%	98.92%

33.1 The cost of above investments amounted to Rupees 85.400 million (2014: Rupees 63.457 million).

33.2 The break-up of fair value of investments is as follows:

	2015 Percentage	2014	2015 (Rupees in thousand)	2014
Mutual funds	94%	95%	117,242	105,788
Listed securities	6%	5%	8,070	5,993
	100%	100%	125,312	111,781

33.3 The investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose except the investments in unit trust schemes which exceed the limits prescribed in SRO 261(I)/2002 regarding the investment in unit trust schemes.

	2015 (Rupees in thousand)	2014
34. NUMBERS OF EMPLOYEES		
Number of employees as on 30 June	1,298	1,181
Average number of employees during the year	1,240	1,381

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from the foreign entities. The Company's exposure to currency risk was as follows:

	2015	2014
Trade debts - USD	488,000	414,450
Short term borrowings - USD	220,157	66,667
Accrued mark-up - USD	3,215	353
Net exposure - USD	264,628	347,430

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	101.23	102.5
Reporting date rate	101.35	98.35

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year, would have been Rupees 1.316 million (2014: Rupees 1.688 million) respectively lower / higher mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's loss after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Index	Impact on profit after Taxation		Statement of comprehensive income (fair value reserve)	
	2015	2014	2015	2014

(RUPEES IN THOUSAND)

KSE 100 (5% increase)	-	-	2,957	2,429
KSE 100 (5% decrease)	-	-	(2,957)	(2,429)

Equity (fair value reserve) would increase / decrease as a result of gains / losses on equity investments classified as available for sale.

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2015	2014
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	769	769
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	129	142
Financial liabilities		
Long term financing	214,536	314,271
Short term borrowings	115,945	448,619

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year, would have been Rupees 3.304 million (2014: Rupees 7.627 million) respectively higher / lower mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
Long term security deposits	1,576	1,576
Trade debts	140,088	166,652
Advances	504	1,313
Other receivables	110	20
Short term investments	59,138	48,579
Bank balances	4,021	4,217
	205,437	222,357

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

	Rating			2015	2014
	Short Term	Long Term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	60	505
MCB Bank Limited	A1+	AAA	PACRA	2,320	2,051
Faysal Bank Limited	A-1+	AA	JCR-VIS	826	839
Allied Bank Limited	A1+	AA+	PACRA	19	44
United Bank Limited	A-1+	AA+	JCR-VIS	5	5
The Bank of Punjab	A1+	AA-	PACRA	22	4
IGI Investment Bank Limited	A-2	A-	PACRA	769	769
				4,021	4,217
Investments					
Premier Insurance Limited		A	JCR-VIS	14,216	9,737
Samba Bank Limited	A-1	AA-	JCR-VIS	14,788	18,409
EFU Life Assurance Limited		AA	JCR-VIS	19,513	10,044
Crescent Cotton Mills Limited		Not available		9,165	9,365
Crescent Fibres Limited		Not available		1,389	951
Crescent Jute Products Limited		Not available		34	34
Jubilee Spinning and Weaving Mills Limited		Not available		33	39
				59,138	48,579
				63,159	52,796

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 15.

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

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2015, the Company had Rupees 808.615 million (2014: Rupees 626.381 million) available borrowing limits from financial institutions and Rupees 4.418 million (2014: Rupees 4.510 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

Contractual maturities of financial liabilities as at 30 June 2015

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
(Rupees in thousand)						
Non-derivative financial liabilities:						
Long term financing	214,536	243,679	43,560	44,170	83,340	72,609
Trade and other payables	526,453	526,453	526,453	-	-	-
Accrued mark-up	5,601	5,601	5,601	-	-	-
Short term borrowings	115,945	120,012	120,012	-	-	-
	862,535	895,745	695,626	44,170	83,340	72,609

Contractual maturities of financial liabilities as at 30 June 2014

	Carrying Amount	Contractual cash flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
(Rupees in thousand)						
Non-derivative financial liabilities:						
Long term financing	314,271	387,135	64,447	65,692	95,921	161,075
Trade and other payables	481,321	481,321	481,321	-	-	-
Accrued mark-up	13,997	13,997	13,997	-	-	-
Short term borrowings	448,619	462,873	410,831	52,042	-	-
	1,258,208	1,345,326	970,596	117,734	95,921	161,075

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 5 and note 9 to these financial statements.

35.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
(Rupees in thousands)				
As at 30 June 2015				
Assets				
Available for sale financial assets	59,138	-	-	59,138
As at 30 June 2014				
Assets				
Available for sale financial assets	48,579	-	-	48,579

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial instruments held by the Company is the current bid price. These financial instruments are classified under level 1 in above referred table.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value a financial instrument are observable, those financial instruments are classified under level 2 in above referred table. The Company has no such type of financial instruments as on 30 June 2015.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3. The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

35.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
(Rupees in thousand)			
Assets as per balance sheet			
As at 30 June 2015			
Long term security deposits	1,576	-	1,576
Trade debts	140,088	-	140,088
Loans and advances	504	-	504
Other receivables	110	-	110
Short term investments	-	59,138	59,138
Cash and bank balances	4,418	-	4,418
	146,696	59,138	205,834
As at 30 June 2014			
Long term security deposits	1,576	-	1,576
Trade debts	166,652	-	166,652
Loans and advances	1,313	-	1,313
Other receivables	20	-	20
Short term investments	-	48,579	48,579
Cash and bank balances	4,510	-	4,510
	174,071	48,579	222,650

	Financial liabilities at amortized cost	
	2015	2014
(Rupees in thousand)		
Liabilities as per balance sheet		
Long term financing	214,536	314,271
Trade and other payables	526,453	481,321
Accrued mark-up	5,601	13,997
Short term borrowings	115,945	448,619
	862,535	1,258,208

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

36 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company as referred to in note 5 and 9 respectively. Total capital employed includes 'total equity' as shown in the balance sheet plus 'borrowings'.

		2015	2014
Borrowings	Rupees in thousand	330,481	762,890
Total equity	Rupees in thousand	747,361	789,928
Total capital employed	Rupees in thousand	1,077,842	1,552,818
Gearing	Percentage	30.66	49.13

The increase in gearing ratio is due to increase in borrowings.

		2015	2014
37. PLANT CAPACITY AND ACTUAL PRODUCTION			
Number of spindles installed		59,232	59,232
Number of spindles operated		48,318	47,840
100 % plant capacity converted to 20s count based on 3 shifts per day (Kgs)		12,144,805	16,671,507
Actual production converted to 20s count based on 3 shifts per day (Kgs)		11,330,448	15,054,247

37.1 Reasons for low production:

Under utilization of available capacity was due to normal maintenance and energy crisis prevailing in the country and closure of Company's spinning unit in Chiniot.

38. OPERATING SEGMENTS

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

Sales of yarn represents 97.21% (2014: 97.73%) of the total sales of the Company.

70.17% (2014: 77.71%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 86.36% (2014: 86.36%) of those sales are made to customers in China.

All non-current assets of the Company at 30 June 2015 are located in Pakistan.

21.21% (2014: 28.93%) of the total sales of the Company are made to a single customer in Pakistan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 03, 2015 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made except those required by revised Fourth Schedule to the Companies Ordinance, 1984.

41. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

Chief Executive

Director

PATTERN OF SHARE HOLDING
AS AT JUNE 30, 2015

Form -34

No. Of Shareholders	From	To	Total
438	1	100	18,231
287	101	500	73,097
62	501	1,000	47,306
111	1,001	5,000	272,325
41	5,001	10,000	295,973
20	10,001	15,000	260,210
9	15,001	20,000	151,853
6	20,001	25,000	130,886
5	25,001	30,000	130,589
8	30,001	35,000	268,875
4	35,001	40,000	151,549
4	45,001	50,000	196,112
1	50,001	55,000	54,693
2	65,001	70,000	136,034
1	80,001	85,000	83,960
1	90,001	95,000	95,000
1	110,001	115,000	110,806
1	120,001	125,000	125,000
1	220,001	225,000	224,067
1	225,001	230,000	229,994
1	245,001	250,000	250,000
1	310,001	315,000	313,979
1	395,001	400,000	399,000
1	810,001	815,000	812,160
1	900,001	905,000	900,748
1	1,210,001	1,215,000	1,211,998
1	1,695,001	1,700,000	1,695,555
1,011			8,640,000

Categories of Shareholders	Number of Shareholders	Number of Shares Held Percentage	%
Financial Institution	77	33,507	0.39
Individuals	910	4,302,082	49.79
Insurance Companies	3	404,730	4.68
Joint Stock Companies	15	2,510,474	29.06
Modaraba	2	13,151	0.15
Mutual Fund	1	1,211,998	14.03
Trust	1	49,364	0.57
Others	2	114,694	1.33
	1,011	8,640,000	100.00

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2015

Categories of Share Holders	Net Holding	Percentage	
Associated Companies, Undertakings & Related Parties			
Crescent Textile Mills Ltd.	812,160	9.40	
Premier Insurance Limited	399,000	4.62	
Crescent Powertec Limited	1,695,605	19.63	
National Investment Trust Limited			
National Bank of Pakistan	1,213,198	14.04	
Directors, CEO & their Spouse and minor children			
Mr. Khalid Bashir	Director/Chief Executive	900,748	10.43
Mr. Muhammad Anwar	Director	26,946	0.31
Mr. Asif Bashir	Director	224,067	2.59
Mr. Khurram Mazhar	Director	23,400	0.27
Mr. Shahid Arshad	Director	8,674	0.10
Mr. Sharik Bashir	Director	32,000	0.37
Mr. Muhammad Asif (Nominee NIT)	Director	-	-
Mrs. Tanveer Khalid (W/o Mr. Khalid Bashir)		313,979	3.63
Mrs. Amna Asif Bashir (W/o Mr. Asif Bashir)		83,960	0.97
Public Sector Companies & Corporations:		4,950	0.06
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds Modarbas & Mutual Funds:		210,296	2.43
Individuals & Joint Stock Companies:		2,691,017	31.15
TOTAL NUMBER OF SHARES	8,640,000	100.00	
Shareholders' Holding Five Percent or More Voting in the Co.:			
Cdc - Trustee National Investment (unit) Trust	1,211,998	14.03	
Crescent Powertec Limited	1,695,605	19.63	
Crescent Textile Mills Limited	812,160	9.40	
Mr. Khalid Bashir	900,748	10.43	

PROXY

I/We _____
 _____ of _____ being a member of Shams Textile
 Mills Limited and holder of _____ shares as per
 Registered Folio No. _____

For Beneficial Owners as per CDC list CDC Participant I. D. No. _____ Sub-Account No. _____ NIC No. _____ or Passport No. _____

hereby appoint _____ of _____ who is also a member of the
 Company, Folio No. _____ or failing him/her _____
 of _____ who is also member of the Company vide Registered Folio No. _____ as
 my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the 48th Annual General Meeting
 of the Company to be held on Friday, October 30, 2015 at 10:00 a.m. at Registered Office, 7-B III, Aziz
 Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2015. Signature of the Shareholder _____

For Beneficial owners as per CDC list

1-Witness:

Signature _____
 Name _____
 Address _____

2-Witness:

Signature _____
 Name _____
 Address _____

Affix Revenue of Stamps of Rs. 5/-
--

 Signature of Member

Note:

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

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

Telephone 92 (42) 3576 0381
Fax: 92 (42) 3576 0376
E-mail: info@shams.com.pk
Web: www.shams.com.pk