



SHAMS TEXTILE MILLS LIMITED

ANNUAL REPORT 2016



CONTENTS

	Pages
1. Company Information	2
2. Profile	3
3. Mission / Vision Statement	4
4. Statement of Compliance with Code of Corporate Governance	5-6
5. Directors' Report	7-13
6. Financial Summary	14
7. Notice of Annual General Meeting	15
8. Auditors' Review Report on statement of Compliance	16
9. Auditors' Report to the Members	17
10. Balance Sheet	18-19
11. Profit and Loss Account	20
12. Statement of Comprehensive Income	21
13. Cash Flow Statement	22
14. Statement of Changes in Equity	23
15. Notes to the Accounts	24-49
16. Pattern of Share Holding	50
17. Information required as per Code of Corporate Governance	51
18. Form of Proxy	53

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

Corptec Associates (Pvt) Ltd.
503-E, Johar Town, 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 Pakistan Stock Exchange Limited 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. Since there was no contestant for independent director so shareholders did not elect. At present the Board included:

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

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 broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No Causal Vacancy occurred on the Board during the year 2015-2016.
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/Shareholders.
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. Five Directors out of seven are exempt from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining directors will undergo Directors' Training Programme within the time allowed by CCG.
10. The Board has approved appointment of CFO, Company Secretary, and Head of Internal Audit 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 CCG 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 and one member is an executive director.
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 outsourced the internal audit function to M/s Tahir Consulting (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The day to day operations of this function are being performed and supervised by the Head of Internal Audit, who is conversant with the policies and procedures of the Company.
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.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

KHALID BASHIR
Chief Executive

October 04, 2016

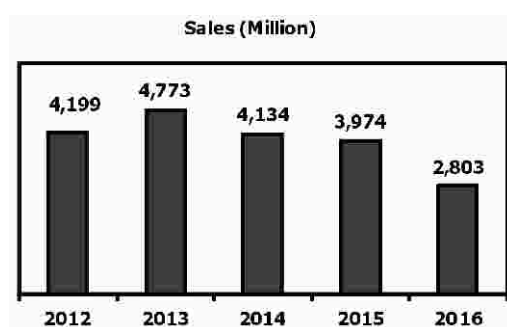
DIRECTORS' REPORT

On behalf of the Board of Directors, I present the operating and financial performance of the company for the year ended 30 June 2016. The recessionary phase continued to exacerbate during the year and the industry was faced with a rising cost of doing business.

During the year the Company suffered a loss for the period was Rs. 111.098 million, loss per share of Rs. 12.86.

Operating Results

The Sales of your Company decreased by 29.47% to Rs. 2.80 billion (2015: 3.97 billion).



The distribution cost decreased by 7.5% i.e. Rs. 58.22 million (2015: Rs. 62.94 million) and also decreased in financial cost by 42.13% to Rs 40.24 million (2015: Rs 69.53 million).

Operating Results:

(Rs. In Million)

	2016	2015
Sales	2,803	3,974
Gross profit	53	143
Operating expenses	114.56	114.21
Other income	17.95	22.97
Profit from operation	(43.99)	51.40
Finance cost	4024	69.53
(Loss) before taxation	(84.23)	(18.14)
Provision for taxation	26.87	34.99
(Loss) after taxation	(111.10)	(53.13)
(Loss) per share (Rs.)	(12.86)	(6.15)

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. 135.41 Million (2015:Rs. 127.22 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 2015-16. 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)	3
5	Mr. Khurram Mazhar Karim	4
6	Mr. Shahid Arshad	3
7	Mr. Sharik Bashir	2

(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 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

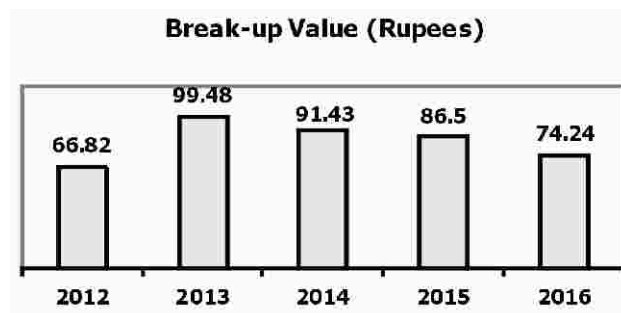
Directors' Training Programme:

Five Directors out of seven are exempt from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining directors will undergo Directors' Training Programme within the time allowed by CCG.

Investor Value

During the year under review the Company suffered a loss therefore the Board of Directors has not recommended any dividend (2015: Nil).

The Break-up value per share for the year is Rs. 74.24/- (2015: Rs. 86.50/-)



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.

In view of lower demand from our traditional markets and regional competition, it is necessary that our input costs need to be aligned with other countries, especially energy and related costs. In Pakistan, our costs have increased with the burden of Gas Infrastructure Development Cess, increase in natural gas prices and imposition of electricity surcharges. The Government should move to bring our input costs in line with the region so that the industry is able to compete.

It is forecast that the current cotton crop is expected to be higher than last year but still will not be able to meet the local industry's requirements. Pakistan will have to import its balance requirements which will further increase its productions costs due to imposition of 4% import duty.

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 government needs to take immediate and decisive action if it is to save the textile industry, which is contributing significantly to the national exchequer. There is a need to reduce the cost of doing business and special emphasis needs to be laid on the provision of uninterrupted and fairly priced utilities. The advantage of lower oil prices should be passed on to the industry so that it can become competitive and move to regain its share.

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 04, 2016
Lahore

کارپوریٹ گورننس :

آپ کی کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قوانین کی تعمیل کر رہی ہے اور موثر چیک اینڈ بیلنس کیساتھ بہتر انٹرنل کنٹرول پالیسیوں پر عمل کیا ہے۔

فیوچر آؤٹ لک:

فیوچر آؤٹ لک ہماری مصنوعات کی کم قیمت ہونے کی وجہ سے غیر یقینی ہے۔ ہماری مصنوعات کی قیمت کم ہونے کے باوجود ہمارے مین کسٹمر چائنہ میں ہماری مصنوعات کی طلب کم ہوئی ہے۔ ہماری کمپنی خوش اسلوبی سے کام کر رہی ہے لیکن کاروباری خرچے پاکستان میں دن بہ دن بڑھتے ہیں۔

ہماری روایتی مارکیٹ کی طرف سے کم مانگ اور علاقائی سطح پر مقابلہ کی وجہ سے ضروری ہے کہ ہماری پیداواری لاگت دیگر ممالک کی لاگت کے موافق ہو۔ پاکستان میں بجلی اور گیس کی بڑھتی ہوئی قیمتوں کی وجہ سے نتیجتاً مصنوعات کی قیمت میں بھی اضافہ ہوتا ہے۔ حکومت کو چاہئے کہ وہ ہماری پیداواری لاگت کو کم کرنے کیلئے فوری اقدامات اٹھائے تاکہ ہماری صنعت کو فروغ مل سکے۔

پچھلے سال کی نسبت اس سال کپاس کی زیادہ پیداوار متوقع ہے لیکن اس کے باوجود ہم مقامی صنعت کی ضروریات کو پورا نہیں کر پارہے ہیں۔ پاکستان کو اپنے ضروریات کو پورا کرنے کیلئے امپورٹ کرنی پڑے گی جس سے پیداواری لاگت میں 4 فیصد امپورٹ ڈیوٹی کی وجہ سے اضافہ ہوگا۔

ہمارے مقابل ملک اپنی صنعت کو بہت زیادہ مراعات دے رہے ہیں جس سے ان کی لاگت کم آتی ہے اور عالمی منڈی میں ان کی قیمت ہماری مصنوعات کے مقابل میں کم ہیں اس لیے ہماری مصنوعات کی طلب انٹرنیشنل مارکیٹ میں کم ہوگئی ہیں۔

حکومت کو چاہئے کہ وہ ٹیکسٹائل انڈسٹری کی بقاء کیلئے فوری اور فیصلہ کن اقدامات اٹھائے تاکہ ملکی خزانہ میں اپنا بھرپور حصہ ڈالنے والی اس صنعت کو بچایا جاسکے۔ ضرورت اس امر کی ہے کہ کاروباری لاگت کو کم کیا جائے اور صنعت کو چلانے کیلئے مناسب قیمتوں پر سہولیات میسر کی جائیں۔ تیل کی قیمتوں میں کمی کا اطلاق صنعت پر بھی ہونا چاہئے تاکہ کاشن انڈسٹری کے شیئرز کو دوبارہ حاصل کیا جاسکے۔

آپ کی کمپنی اپنی کارکردگی اور کوالٹی کو مزید بہتر بنا رہی ہے تاکہ لاگت کو کم کیا جاسکے اور انٹرنیشنل مارکیٹ میں اپنی جگہ برقرار رکھ سکیں۔ ہم وعدہ نہیں کرتے کہ آئندہ سال کچھ بہتری ہوگی جب تک کوئی بڑی تبدیلی نہ آجائے۔

اظہار تشکر :

تمام بورڈ آف ڈائریکٹرز کی جانب سے میں تمام پارٹنرز اور ایمپلائز کا شکریہ ادا کرتا ہوں۔ میں بورڈ کی جانب سے مسلسل راہنمائی پر تہ دل سے مشکور ہوں

خالد بشیر

چیف ایگزیکٹو

104 اکتوبر 2016ء، لاہور

ہیومن ریسورس اینڈ ریویژن کمیٹی

کارپوریٹ گورننس کے کوڈ کی تعمیل میں بورڈ آف ڈائریکٹرز نے ہیومن ریسورس اینڈ ریویژن کمیٹی قائم کی ہے۔ جس کے ممبران درج ذیل ڈائریکٹرز ہیں۔

1	جناب آصف بشیر صاحب	چیئر مین
2	جناب محمد انور صاحب	ممبر
3	جناب خرم مظہر کریم صاحب	ممبر

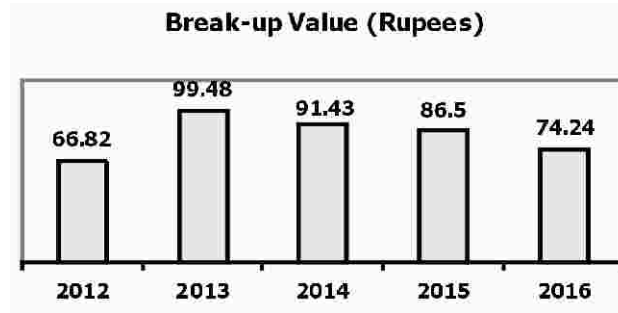
ڈائریکٹرز اینڈ پروگرام

کمپنی کے سات میں سے پانچ ڈائریکٹرز کو 14 سالہ تعلیمی اور 15 سالہ تجربہ لسطہ کمپنیوں کے بورڈ پر کی بنیاد پر استثنیٰ حاصل ہوگئی ہے۔ باقی ڈائریکٹرز ڈی۔ ٹی۔ پی پروگرام مقررہ وقت کے اندر کر لیں گے۔

انویسٹریو

موجودہ سال کے دوران کمپنی نے نقصان برداشت کیا ہے جس کی وجہ سے ڈائریکٹرز کیش ڈیوڈنٹ کی سفارش نہیں کرتے۔

اس سال کیلئے فی شیئر بریک اپ ویلیو 74.24 روپے رہی (86.50:2015)۔



آڈیٹرز:

آڈٹ کمیٹی کی تجویز کے مطابق موجودہ آڈیٹرز میسرز ریاض احمد اینڈ کمپنی، ریٹائرڈ چارٹرڈ اکاؤنٹنٹس دوبارہ بھرتی کیلئے اپلائی کرنے کے اہل ہیں۔

شیئر ہولڈنگ کا پٹرن:

کمپنی آرڈیننس 1984ء اور کوڈ آف کارپوریٹ گورننس کے سیکشن 236 کے تحت مطلوبہ شیئر ہولڈنگ کا پٹرن منسلک ہے۔

کی آپریٹنگ اینڈ فنانشل ڈیٹا:

گزشتہ چھ سال کا آپریٹنگ اور فنانشل ڈیٹا منسلک کیا گیا ہے

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پر بیانات

- (a) کمپنی کی انتظامیہ کی جانب سے فنانشل سٹیٹمنٹ، تمام معاملات کو واضح کرتے ہیں جیسے سرگرمیوں کے نتائج، رقم کی آمد و رفت اور کاروباری کاروباری سرمایہ میں ہونے والی تبدیلیاں۔
- (b) کمپنی کی باقاعدہ بکس آف اکاؤنٹس برقرار رکھی گئی ہیں۔
- (c) فنانشل سٹیٹمنٹ کی تیاری کیلئے مسلسل مناسب اکاؤنٹس پالیسیاں اختیار کی گئی ہیں اور گوشوارے ہمیشہ انتہائی منطقی اور محتاط اندوزوں پر مشتمل ہوتے ہیں۔
- (d) فنانشل سٹیٹمنٹ بنانے کیلئے پاکستان میں رائج بین الاقوامی اکاؤنٹنگ معیارات کو ملحوظ خاطر رکھا گیا ہے اور کسی بھی قسم کے انحراف کی وضاحت کی گئی ہے۔
- (e) اندرونی نظام فعال ہے جس پر منوٹر طریقہ کار کے مطابق نگرانی اور عمل درآمد کیا جاتا ہے
- (f) کمپنی کی اہلیت کے معیار پر کوئی شک نہیں کیا جاسکتا
- (g) کمپنی میں ضابطہ برائے کاروباری نظم و نسق میں بیان کردہ ضابطوں کی کوئی واضح خلاف ورزی کی اطلاع سامنے نہیں آئی ہے
- (h) پچھلے چھ سالوں کے آپریٹنگ اور فنانشل ڈیٹا کا خلاصہ منسلک ہے
- (i) ریٹائرمنٹ بینیفٹ فنڈ کے ذمے میں سرمایہ کاری درج ذیل ہے پروڈنٹ فنڈ: 135.41 ملین روپے (2015: 127.22 ملین روپے)
- (j) ٹیکس ڈیوٹیوں، لیویز، اور چارجز کے سبب تمام تر قانونی ادائیگیاں کی جا چکی ہیں ماسوائے جو فنانشل سٹیٹمنٹ میں دیئے گئے ہیں۔
- سال 2015 تا 2016 کے دوران بورڈ آف ڈائریکٹرز کی چار میٹنگ ہوئیں۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

سیریل نمبر	ڈائریکٹر کا نام	میٹنگ میں حاضری کی تعداد
1	جناب آصف بشیر صاحب	04
2	جناب خالد بشیر صاحب	04
3	جناب محمد انور صاحب	04
4	جناب محمد آصف صاحب (این۔آئی۔ٹی)	03
5	جناب خرم مظہر کریم صاحب	04
6	جناب شاہد ارشد صاحب	03
7	جناب شارق بشیر صاحب	02

تاہم غیر حاضری کی رخصت ان ڈائریکٹروں کو دی گئی جو کسی وجہ سے میٹنگ میں حاضر نہیں ہو سکتے تھے

آڈٹ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل کیلئے بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کا قیام کیا ہے اور درج ذیل ڈائریکٹر اسکے ممبر ہیں۔ اب تک پانچ آڈٹ کمیٹی میٹنگ ہوئی ہیں۔

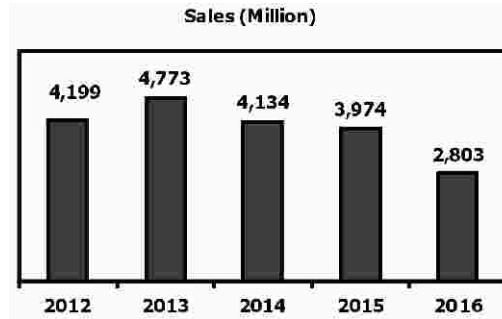
سیریل نمبر	ممبر کا نام	میٹنگ میں حاضری کی تعداد
1	جناب خرم مظہر کریم صاحب	04
2	جناب محمد انور صاحب	05
3	جناب آصف بشیر صاحب	05

ڈائریکٹر رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2016ء کے اختتام پر کمپنی کی فنانشل اور آپریٹنگ پرفارمنس پیش کرتا ہوں۔ سال بھر سرد بازاری کی وجہ سے انڈسٹری کو حالیہ کاروبار میں مہنگائی کا سامنا کرنا پڑا ہے۔ اس سال کمپنی کو مجموعی طور پر 111.098 ملین روپے نقصان برداشت کرنا پڑا اور فی شیئر نقصان 12.86 روپے ہوا۔

مالیاتی نتائج:

دوران سال کمپنی کی سیل 29.47 فیصد کم ہو کر 2.80 بلین روپے رہی (2015: 3.97 بلین روپے)۔



ڈسٹری بیوٹن کا سٹ 7.5 فیصد کم ہو کر 58.22 ملین روپے رہی۔ (2015: 69.94 ملین روپے) اور فنانشل چارجز 42.13 فیصد کم ہو کر 40.24 ملین روپے رہے (2015: 69.53 ملین روپے)۔

(مبلغ: ملین میں)

2016	2015	
2,803	3,974	سیلز
53	143	خام منافع
114.56	114.21	آپریٹنگ خرچہ
17.95	22.97	دیگر آمدنی
(43.99)	51.40	آپریٹنگ (نقصان)/منافع
40.24	69.53	فنانشل خرچہ
(84.23)	(18.14)	ٹیکسیشن
26.87	34.99	ٹیکسیشن کے لیے پروویژن
(111.10)	(53.13)	ٹیکسیشن کے بعد (نقصان)
(12.86)	(6.15)	فی شیئر (نقصان) روپے

FINANCIAL SUMMARY

For the year ended June 30, 2016

rupees in '000's	2016	2015	2014	2013	2012	2011
Net Sales	2,802,613	3,973,517	4,133,696	4,773,213	4,198,758	4,244,030
Cost of sales	2,749,993	3,830,891	3,998,814	4,169,070	3,859,588	3,967,651
Gross Profit	52,620	142,626	134,882	604,143	339,170	276,379
Distribution cost	58,220	62,943	71,188	166,241	88,905	62,166
Administrative expenses	53,713	50,970	48,877	46,644	44,559	41,260
Other expenses	2,627	294	5,000	40,904	6,167	7,747
	114,560	114,207	125,065	253,789	139,631	111,173
	(61,940)	28,419	9,817	350,354	199,539	165,206
Other income	17,951	22,974	24,595	16,941	8,230	5,368
Operating (Loss) / Profit	(43,989)	51,393	34,412	367,295	207,769	170,574
Finance cost	40,240	69,531	72,098	54,481	123,019	130,404
(Loss) / Profit before taxation	(84,229)	(18,138)	(37,686)	312,814	84,750	40,170
Taxation	26,869	34,988	17,952	28,690	42,402	36,703
(Loss) / Profit after taxation	(111,098)	(53,126)	(55,638)	284,124	42,348	3,467
Performance Ratio						
Gross Profit Margin (%)	1.88	3.59	3.26	12.66	8.08	6.51
Fixed Assets Turnover	2.64	4.18	4.32	5.68	5.12	5.07
Return on capital employed (%)	(14.90)	(5.98)	(5.54)	29.18	6.35	0.64
Return on equity (%)	(17.46)	(7.21)	(7.15)	33.40	7.39	0.65
Operating Profit Margin (%)	(2.21)	0.72	0.24	7.34	4.75	3.89
Net Profit Margin (%)	(3.96)	(1.34)	(1.35)	5.95	1.01	0.08
(Loss) / Earning per share (Rupees)	(12.86)	(6.15)	(6.44)	32.88	4.90	0.40
Working Capital Ratios						
Debtors Turn Over Ratio	24.89	25.91	23.10	28.16	34.76	28.51
Debtors in no of Days	14.66	14.09	15.80	12.96	10.50	12.80
Stock Turn Over Ratio	6.55	10.13	8.65	10.69	6.69	7.52
Stock in no of Days	55.76	36.04	42.21	34.13	54.59	48.53
Liquidity Ratio						
Current Ratio	0.81	0.80	0.89	1.20	0.86	0.78
Quick Ratio	0.27	0.43	0.32	0.48	0.29	0.15
Interest Cover Ratio	(0.48)	(3.83)	(1.91)	0.17	1.45	3.25
Financial Performance Ratio						
Gearing Ratio	13:87	15:85	21:79	11:89	13:87	02:98
Break-up value per share (Rupees)	74.24	86.50	91.43	99.48	66.82	61.46
Dividend per share	-	-	-	3.00	1.25	-
Price to Book Value	0.30	0.36	0.50	0.60	0.15	0.12
Total Assets	2,013,577	1,632,013	2,080,193	1,624,731	1,482,013	1,819,199
Current Assets	1,016,169	586,535	954,306	769,866	692,192	994,748
Current Liabilities	1,261,469	737,537	1,066,314	641,698	808,671	1,269,476
Operating Fixed Assets	997,408	1,045,478	1,125,887	854,865	789,821	824,451
Long Term Debts	104,234	141,409	214,537	114,271	89,109	11,565
Share holders' Equity	641,448	747,361	789,928	859,524	577,346	530,976

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 49th Annual General Meeting of the shareholders of **Shams Textile Mills Limited** will be held on **Saturday, October 29, 2016 at 9:00 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, 2016.
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 05, 2016

Hashim Tariq
Company Secretary

BOOK CLOSURE:

The Members' Register will remain closed from October 23, 2016 to October 29, 2016 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on Saturday, October 22, 2016 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, 2016

It is hereby informed that pursuant to the Finance Act, 2016, effective from July 1, 2016, 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 20.0%

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 STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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 2016 to comply with the Code contained in the Regulations of Pakistan Stock Exchange Limited, 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 personnel and reviews 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) Composition of Audit Committee is not as per the requirements of clause 5.19.16(a) of the Code as one of the members of the audit committee is an executive director. Further, Audit Committee does not include an independent director.
- (ii) During the year, Chief Executive of the Company remained as Chairman of Human Resource and Remuneration (HR&R) Committee contrary to the provisions of clause 5.19.16(b) of the Code. However, he resigned as Chairman and member of the HR&R Committee subsequent to the year end.

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 2016.

Further, as stated in paragraph no. 1 of the Statement of Compliance, there is no independent director on the Board of Directors of the Company which is required by clause 5.19.1(b) of the Code.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Sarfraz Mahmood

Date: October 04, 2016

LAHORE

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of SHAMS TEXTILE MILLS LIMITED as at 30 June 2016 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 2016 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 04, 2016

LAHORE

BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016 (Rupees in thousands)	2015
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
25,000,000 (2015: 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	729,200	724,015
Accumulated loss		(174,152)	(63,054)
Total equity		641,448	747,361
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term financing	5	104,234	141,409
Deferred income tax liability	6	6,426	5,706
		110,660	147,115
CURRENT LIABILITIES			
Trade and other payables	7	600,039	542,864
Accrued mark-up	8	6,243	5,601
Short term borrowings	9	582,060	115,945
Current portion of long term financing	5	73,127	73,127
		1,261,469	737,537
Total liabilities		1,372,129	884,652
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		2,013,577	1,632,013

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

Chief Executive

	Note	2016 (Rupees in thousands)	2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	995,832	1,043,902
Long term security deposits	12	1,576	1,576
		997,408	1,045,478
CURRENT ASSETS			
Stores, spare parts and loose tools	13	42,428	54,785
Stock-in-trade	14	628,707	211,549
Trade debts	15	85,118	140,088
Advances	16	47,859	33,137
Short term prepayments		5,026	-
Other receivables	17	1,663	110
Short term investments	18	64,323	59,138
Sales tax refundable		53,381	20,818
Taxation - net	19	78,847	62,492
Cash and bank balances	20	8,817	4,418
		1,016,169	586,535
TOTAL ASSETS		2,013,577	1,632,013

Director

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in thousands)	2015
SALES	21	2,802,613	3,973,517
COST OF SALES	22	(2,749,993)	(3,830,891)
GROSS PROFIT		52,620	142,626
DISTRIBUTION COST	23	(58,220)	(62,943)
ADMINISTRATIVE EXPENSES	24	(53,713)	(50,970)
OTHER EXPENSES	25	(2,627)	(294)
		(114,560)	(114,207)
		(61,940)	28,419
OTHER INCOME	26	17,951	22,974
(LOSS) / PROFIT FROM OPERATIONS		(43,989)	51,393
FINANCE COST	27	(40,240)	(69,531)
LOSS BEFORE TAXATION		(84,229)	(18,138)
TAXATION	28	(26,869)	(34,988)
LOSS AFTER TAXATION		(111,098)	(53,126)
LOSS PER SHARE - BASIC AND DILUTED (RUPEES)	29	(12.86)	(6.15)

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

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended JUNE 30, 2016

	2016 (Rupees in thousands)	2015
LOSS AFTER TAXATION	(111,098)	(53,126)
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	5,185	10,559
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(105,913)	(42,567)

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

Chief Executive

Director

CASH FLOW STATEMENT
For The Year Ended JUNE 30, 2016

	Note	2016 (Rupees in thousands)	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilized in) / generated from operations	30	(306,485)	541,615
Finance cost paid		(39,598)	(77,927)
Income tax paid		(42,504)	(34,934)
Net cash (used in) / generated from operating activities		(388,587)	428,754
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(41,582)	(17,083)
Proceeds from sale of property, plant and equipment		4,106	18,999
Dividends received		1,545	1,648
Net cash (used in) / from investing activities		(35,931)	3,564
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(73,127)	(99,735)
Proceeds from long term financing		35,952	-
Short term borrowings - net		466,115	(332,674)
Dividend paid		(23)	(1)
Net cash from / (used in) financing activities		428,917	(432,410)
Net increase / (decrease) in cash and cash equivalents		4,399	(92)
Cash and cash equivalents at the beginning of the year		4,418	4,510
Cash and cash equivalents at the end of the year	20	8,817	4,418

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, 2016

	RESERVES							Accumulated Loss	TOTAL EQUITY
	CAPITAL		REVENUE		TOTAL RESERVES				
	Premium on issue of right shares	Fair value reserve	Sub Total	General reserve					
	(Rupees in thousands)								
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		
Loss for the year	-	-	-	-	-	(111,098)	(111,098)		
Other comprehensive income for the year	-	5,185	5,185	-	5,185	-	5,185		
Total comprehensive loss for the year	-	5,185	5,185	-	5,185	(111,098)	(105,913)		
Balance as at 30 June 2016	86,400	42,800	129,200	600,000	729,200	(174,152)	641,448		

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, 2016

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 Pakistan Stock Exchange Limited. 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) Standard that is effective in current year and is relevant to the Company

The following standard is mandatory for the Company's accounting periods beginning on or after 01 July 2015:

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 does not have significant impact on these financial statements, except for certain additional disclosures.

e) Standards and amendments to published standards that are effective in current year but not relevant to the Company

There are 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.

f) Standards and amendments to published approved accounting 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 2016 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). 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 recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in 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 which is based on revenue, generated by an activity by using 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.

On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012-2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 34 'Interim Financial Reporting', which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2016. The amendment is unlikely to have a significant impact on the Company's financial statements and has therefore not been analyzed in detail.

g) Standard and amendments to published standards that are not yet and not considered relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

2016 (NUMBER OF SHARES)	2015		2016 (RUPEES IN THOUSAND)	2015
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
			2016 (NUMBER OF SHARES)	2015
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, 2016

	2016 (Rupees in thousand)	2015
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)	42,800	37,615
	129,200	124,015
Revenue		
General reserve	600,000	600,000
	729,200	724,015

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.

	2016 (Rupees in thousand)	2015
5. LONG TERM FINANCING		
Secured		
Financing from banking companies (Note 5.1)	177,361	214,536
Less: Current portion shown under current liabilities	73,127	73,127
	104,234	141,409

5.1 Financing from banking companies

LENDER	2016	2015	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(Rupees in thousands)							
Allied Bank Limited	112,500	162,500	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.
MCB Bank Limited	28,909	52,036	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.
MCB Bank Limited	35,952	-	3 month KIBOR + 1.5%	Sixteen equal quarterly installments commencing on 12 September 2017 and ending on 12 June 2021.	Quarterly	Quarterly	First pari passu charge over all present and future plant and machinery of the company amounting to Rupees 133.340 million and personal guarantees of two directors of the company.
	177,361	214,536					

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
6. DEFERRED INCOME TAX LIABILITY		
The liability for deferred income tax originated due to timing differences relating to:		
Taxable temporary difference		
Accelerated tax depreciation	90,603	123,722
Deductible temporary differences		
Available tax losses	(65,973)	(55,421)
Turnover tax carried forward	(12,611)	(55,045)
Provision for doubtful debts	(1,759)	(2,330)
Provision for slow moving and obsolete items	(3,834)	(5,220)
	(84,177)	(118,016)
	6,426	5,706

7. TRADE AND OTHER PAYABLES

Creditors (Note 7.1)	320,180	235,336
Advances from customers	40,039	3,507
Accrued liabilities	173,143	241,905
Due to related party - unsecured, interest free and repayable on demand	48,355	40,682
Retention money payable - interest free	1,590	4,590
Excise duty payable (Note 7.2)	5,184	5,184
Income tax deducted at source	1,739	482
Payable to employees' provident fund trust	335	1,681
Workers' profit participation fund payable (Note 7.3)	-	-
Workers' welfare fund payable	5,557	5,557
Unclaimed dividend	3,917	3,940
	600,039	542,864

7.1 These include Rupees 12.270 million (2015: Rupees 0.129 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.

	2016 (Rupees in thousand)	2015
7.3 Workers' profit participation fund payable		
Balance as on 01 July	-	738
Add: Interest for the year	-	-
	-	738
Less: Payments made during the year	-	(738)
Balance as on 30 June	-	-

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, 2016

	2016 (Rupees in thousand)	2015
8. ACCRUED MARK-UP		
Long term financing	2,325	3,801
Short term borrowings	3,918	1,800
	6,243	5,601
9. SHORT TERM BORROWINGS		
From banking companies - Secured		
Running finances (Note 9.1 and 9.2)	76,474	93,526
Cash finances (Note 9.1 and 9.3)	115,805	-
Other short term borrowings (Note 9.1 and 9.4)	389,781	22,419
	582,060	115,945

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 (2015: Rupees 924.56 million).

9.2 The rate of mark-up ranges from 7.35% to 8.23% (2015: 8.08% to 11.62%) per annum on the balance outstanding.

9.3 The rate of mark-up ranges from 7.25% to 8.82% (2015: 8.08% to 11.93%) per annum on the balance outstanding.

9.4 The rate of mark-up ranges from 1.50% to 6.73% (2015: 3.227% to 11.03%) per annum on the balance outstanding.

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

Bank guarantees of Rupees 69.596 million (2015: Rupees 65.590 million) are given by the banks of the Company in favour of Sui Northern Gas Pipelines Limited against gas connections, Lahore Electric Supply Company Limited (LESCO) and Faisalabad Electric Supply Company Limited (FESCO) against electricity connections and Director Excise and Taxation, Karachi against infrastructure cess.

b) Commitments

i) Contracts for capital expenditures amounted to Rupees 17.908 (2015: Rupees Nil).

ii) Letters of credit for other than capital expenditures amounted to Rupees 91.171 million (2015: Rupees 14.791 million).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousands)	2015 (Rupees in thousands)
11. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets Owned (Note 11.1)	946,403	999,647
Capital work-in-progress (Note 11.2)	49,429	44,255
	995,832	1,043,902

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 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)	(4,441)
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
Year ended 30 June 2016									
Opening net book value	3,192	221,847	50,850	689,089	20,894	603	348	12,824	999,647
Additions	-	-	-	29,749	-	-	-	6,659	36,408
Disposals:									
Cost	-	-	-	-	-	-	-	(5,490)	(5,490)
Accumulated depreciation	-	-	-	-	-	-	-	4,150	4,150
Depreciation charge	-	(11,092)	(2,542)	(69,190)	(2,089)	(60)	(35)	(1,340)	(1,340)
Closing net book value	3,192	210,755	48,308	649,648	18,805	543	313	14,839	946,403
At 30 June 2016									
Cost	3,192	298,459	72,581	1,611,501	47,199	2,608	900	33,726	2,070,166
Accumulated depreciation	-	(87,704)	(24,273)	(961,853)	(28,394)	(2,065)	(587)	(18,887)	(1,123,763)
Net book value	3,192	210,755	48,308	649,648	18,805	543	313	14,839	946,403
Annual rate of depreciation (%)	-	5	5	10	10	10	10	20	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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)									
Vehicles									
Motorcycle FDX-1883	1	45	44	1	15	14	Negotiation	Mr. Waheed, Faisalabad	
Suzuki APV LZZ-477	1	1,191	1,068	123	800	677	Negotiation	Mr. Abdul Rauf, Lahore	
Honda City LE-8556	1	1,296	890	406	1,135	729	Negotiation	Mr. Mushtaq Gondal, Sialkot	
Suzuki Swift FD-11-791	1	1,041	710	331	820	489	Negotiation	Mr. Muhammad Waheed, Faisalabad	
Honda Civic LEB-1607	1	1,917	1,438	479	1,336	857	Negotiation	Mr. Hassan Ahmad Mughal Lahore	
		5,490	4,150	1,340	4,106	2,766			
						2016	2015		
						(Rupees in thousand)			

11.1.2 Depreciation charge for the year has been allocated as follows:

Cost of sales (Note 22)	84,974	89,976
Administrative expenses (Note 24)	3,338	3,075
	88,312	93,051

11.2 Capital work-in-progress

Building	47,135	44,255
Advance against purchase of vehicle	2,250	-
Letter of credit	44	-
	49,429	44,255

12. LONG TERM SECURITY DEPOSITS

These represents security deposits with utility companies against utility connections.

13. STORES, SPARE PARTS AND LOOSE TOOLS

Stores	7,382	8,975
Spare parts	57,453	68,710
Loose tools	-	140
	64,835	77,825
Less: Provision for slow moving and obsolete items (Note 13.1)	(22,407)	(23,040)
	42,428	54,785

13.1 Provision for slow moving and obsolete items

Balance as on 01 July	23,040	23,040
Add: Provision made during the year (Note 25)	(633)	-
Balance as on 30 June	22,407	23,040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
14. STOCK-IN-TRADE		
Raw materials	106,320	33,705
Work-in-process	27,855	26,581
Finished goods	486,405	146,299
Waste stock	8,127	5,034
	628,707	211,549

- 14.1** Stock-in-trade of Rupees 213.047 million (2015: Rupees 78.967 million) is being valued at net realizable value.
- 14.2** Stock in trade include stock in transit of Rupees 154.804 million (2015: Rupees 31.248 million).
- 14.3** The carrying value of stock in trade pledged with banking companies against short term borrowings is Rupees 155.906 million (2015: Rupees Nil). Detail of the corresponding borrowings are disclosed in note 9 to the financial statements.
- 14.4** The aggregate amount of write-down of inventories to net realizable value recognized during the year was Rupees 14.461 million (2015: Rupees 12.696 million)

	2016 (Rupees in thousand)	2015
15. TRADE DEBTS		
Considered good:		
Secured (against letters of credit)	-	49,459
Unsecured:		
- Suraj Cotton Mills Limited - associated company (Note 15.1)	-	15,858
- Others (Note 15.2)	85,118	74,771
	85,118	140,088
Considered doubtful:		
Others - Unsecured	10,282	10,282
Less: Provision for doubtful debts		
As at 01 July	10,282	12,333
Less: Provision reversed during the year (Note 26)	-	(2,051)
As at 30 June	10,282	10,282
	-	-

- 15.1** As at 30 June 2016, trade debts due from an associated company amounting to Rupees Nil (2015: Rupees 5.696 million) were past due but not impaired. The ageing of these trade debts was upto 1 month.
- 15.2** As at 30 June 2016, trade debts due from other than related parties of Rupees 34.263 million (2015: Rupees 31.731 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The age analysis of these trade debts is as follows:

	2016 (Rupees in thousand)	2015
Upto 1 month	29,900	30,380
1 to 6 months	3,282	1,151
More than 6 months	1,081	200
	34,263	31,731

- 15.3** As at 30 June 2016, trade debts of Rupees 10.282 million (2015: Rupees 10.282 million) were impaired and provided for. The ageing of these trade debts was more than 3 years. These trade debts do not include amounts due from related parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2015 (Rupees in thousand)	2014
16. ADVANCES		
Considered good:		
Advances to employees - interest free	701	504
Advances to suppliers (Note 16.1)	40,085	28,037
Letters of credit	7,073	4,596
	47,859	33,137
16.1 These include advance amounting to Rupees Nil (2015: Rupees 7.469 million) due to a related party in the ordinary course of business.		
17. OTHER RECEIVABLES		
Considered good:		
Claims receivable	218	90
Others	1,445	20
	1,663	110
18. SHORT TERM INVESTMENTS		
Available for sale		
Associated companies - quoted (Note 18.1)		
Crescent Cotton Mills Limited		
166,784 (2015: 166,784) fully paid ordinary shares of Rupees 10 each. Equity held 0.78% (2015: 0.78%)	1,105	1,105
Crescent Jute Products Limited		
12,476 (2015: 12,476) fully paid ordinary shares of Rupees 10 each. Equity held 0.053% (2015: 0.053 %)	117	117
Premier Insurance Limited		
610,802 (2015: 509,002) fully paid ordinary shares of Rupees 10 each. Equity held 1.46% (2015: 1.46%)	8,179	8,179
Others - quoted		
Jubilee Spinning and Weaving Mills Limited		
7,788 (2015: 7,788) fully paid ordinary shares of Rupees 10 each.	32	32
Crescent Fibres Limited		
31,920 (2015: 31,920) fully paid ordinary shares of Rupees 10 each.	316	316
Crescent Spinning Mills Limited (Note 18.2 and 18.3)		
208,800 (2015: 208,800) fully paid ordinary shares of Rupees 10 each.	2,088	2,088
Samba Bank Limited		
2,764,113 (2015: 2,764,113) fully paid ordinary shares of Rupees 10 each.	44,017	44,017
EFU Life Assurance Limited		
98,800 (2015: 98,800) fully paid ordinary shares of Rupees 10 each.	32,493	32,493

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
Other - unquoted		
Crescent Modaraba Management Company (Private) Limited (Note 18.3)		
193,000 (2015: 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	42,800	37,615
	64,323	59,138

18.1 These companies are associated due to common directorship.

18.2 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.

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

	2016 (Rupees in thousand)	2015
19. TAXATION - NET		
Advance income tax	104,996	101,188
Less: Provision for taxation (Note 28)	(26,149)	(38,696)
	78,847	62,492
20. CASH AND BANK BALANCES		
Cash with banks:		
On deposit accounts (Note 20.1 and 20.2)	905	898
On current accounts	5,747	3,123
	6,652	4,201
Cash in hand	2,165	397
	8,817	4,418

20.1 Rate of profit on bank deposits ranges from 3.44% to 4.08% (2015: 4% to 5%) per annum.

20.2 These include Rupees 0.769 million (2015: 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.

	2016 (Rupees in thousand)	2015
21. SALES		
Export	1,055,784	1,185,135
Local (Note 21.1)	1,746,829	2,788,382
	2,802,613	3,973,517
21.1 Local sales		
Sales	1,798,481	2,846,265
Less: Sales tax	51,652	57,883
	1,746,829	2,788,382

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
22. COST OF SALES		
Raw materials consumed (Note 22.1)	2,265,190	2,570,237
Salaries, wages and other benefits (Note 22.2)	225,856	242,265
Stores, spare parts and loose tools consumed	82,351	87,866
Packing materials consumed	64,394	67,010
Repair and maintenance	26,004	27,844
Fuel and power	335,887	429,660
Insurance	4,863	5,383
Other factory overheads	5,017	4,832
Depreciation (Note 11.1.2)	84,974	89,976
	3,094,536	3,525,073
Work-in-process		
Opening stock	26,581	28,858
Less: Closing stock	(27,855)	(26,581)
	(1,274)	2,277
Cost of goods manufactured	3,093,262	3,527,350
Finished goods and waste		
Opening stock	151,263	444,992
Less: Closing stock	(494,532)	(151,263)
	(343,269)	293,729
Cost of sales - own manufactured goods	2,749,993	3,821,079
Opening stock of purchased finished goods and waste	-	-
Finished goods and waste purchased	-	9,812
Closing stock of purchased finished goods and waste	-	-
Cost of sales - purchased finished goods and waste	-	9,812
Cost of sales	2,749,993	3,830,891
22.1 Raw materials consumed		
Opening stock	33,705	71,073
Add: Purchased during the year	2,337,805	2,532,869
	2,371,510	2,603,942
Less: Closing stock	(106,320)	(33,705)
	2,265,190	2,570,237
22.2 Salaries, wages and other benefits include provident fund contribution of Rupees 4.039 million (2015: Rupees 3.709 million) by the Company.		
	2016 (Rupees in thousand)	2015
23. DISTRIBUTION COST		
Salaries and other benefits (Note 23.1)	2,148	1,983
Freight and forwarding - Export	34,095	28,718
Freight - Local	1,285	1,579
Commission to selling agents	20,692	30,663
	58,220	62,943
23.1 Salaries and other benefits include provident fund contribution of Rupees 0.075 million (2015: Rupees 0.065 million) by the Company.		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
24. ADMINISTRATIVE EXPENSES		
Salaries and other benefits (Note 24.1)	31,857	30,379
Directors' meeting fee	560	480
Rent, rates and taxes	2,578	2,577
Insurance	542	591
Travelling and conveyance	2,162	2,839
Vehicles' running	2,208	2,290
Entertainment	897	659
Legal and professional	2,420	1,579
Auditors' remuneration (Note 24.2)	850	850
Advertisement	34	49
Postage and telephone	1,694	2,055
Electricity and gas	938	892
Printing and stationery	1,035	451
Repair and maintenance	1,338	1,234
Fee and subscription	1,242	956
Depreciation (Note 11.1.2)	3,338	3,075
Miscellaneous	20	14
	53,713	50,970
24.1 Salaries and other benefits include provident fund contribution of Rupees 1.018 million (2015: Rupees 0.975 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	2,627	294
26. OTHER INCOME		
Income from financial assets		
Dividend income (Note 26.1)	1,545	1,648
Profit on deposits with banks	66	67
	1,611	1,715
Income from assets other than financial assets		
Gain on sale of property, plant and equipment	2,766	14,558
Reversal of provision for doubtful debts (Note 15)	-	2,051
Reversal of provision for slow moving and obsolete items (Note 13.1)	633	-
Scrap sales	12,913	4,624
Rental income	28	26
	16,340	21,259
	17,951	22,974

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
26.1 Dividend income		
Premier Insurance Limited - associated company	509	442
EFU Life Assurance Limited	988	840
Crescent Fibers Limited	48	32
Crescent Cotton Mills Limited - associated company	-	334
	1,545	1,648
27. FINANCE COST		
Mark-up on:		
Long term financing	15,854	31,401
Short term borrowings	19,264	34,410
Interest on employees' provident fund	34	21
Bank charges and commission	5,088	3,699
	40,240	69,531
28. TAXATION		
For the year		
Current tax (Note 28.1)	25,863	39,886
Deferred tax	720	(3,708)
Prior year		
Current tax	286	(1,190)
	26,869	34,988

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 212.816 million (2015: Rupees 173.191 million).

	2016	2015
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) (111,098)	(53,126)
Weighted average number of ordinary shares	(Numbers) 8,640,000	8,640,000
Loss per share	(Rupees) (12.86)	(6.15)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in thousand)	2015
30. CASH (UTILIZED IN) / GENERATED FROM OPERATIONS		
Loss before taxation	(84,229)	(18,138)
Adjustments for non-cash charges and other items:		
Depreciation	88,312	93,051
Gain on sale of property, plant and equipment	(2,766)	(14,558)
Dividend income	(1,545)	(1,648)
Reversal of provision for doubtful debts	-	(2,051)
Reversal of provision for slow moving and obsolete items	(633)	-
Finance cost	40,240	69,531
Working capital changes (Note 30.1)	(345,864)	415,428
	(306,485)	541,615
30.1 Working capital changes		
Decrease / (increase) in current assets:		
- Stores, spare parts and loose tools	12,990	16,122
- Stock-in-trade	(417,158)	333,374
- Trade debts	54,970	28,615
- Advances	(14,722)	(218)
- Short term prepayments	(5,026)	-
- Other receivables	(1,553)	(90)
- Sales tax refundable	(32,563)	(1,276)
	(403,062)	376,527
Increase in trade and other payables	57,198	38,901
	(345,864)	415,428

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	
	2016	2015	2016	2015	2016	2015
	(Rupees in thousand)					
Managerial remuneration	7,986	7,260	4,659	4,235	4,592	3,641
Allowances						
House rent	3,594	3,267	2,096	1,906	2,066	1,638
Conveyance	-	-	-	-	316	221
Medical	-	-	-	-	306	239
Utilities	798	726	466	424	448	322
Other	-	-	-	-	112	369
Contribution to provident fund	479	436	279	254	275	218
	12,857	11,689	7,500	6,819	8,115	6,648
Number of persons	1	1	1	1	4	4

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

31.2 Non-executive directors of the Company were paid Rupees 0.560 million (2015: Rupees 0.480 million) as meeting fee.

31.3 No remuneration was paid to non-executive directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, other related parties, staff retirement benefit fund 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:

	2016 (Rupees in thousand)	2015
Associated companies		
Sale of goods and services	111,240	377,907
Insurance claim received	3,844	2,734
Purchase of goods and services	6,236	-
Purchase of operating fixed assets	500	-
Insurance premium	7,622	9,401
Rent expense	240	240
Dividend received	509	776
Other related parties		
Electricity purchased	201,488	56,538
Purchase of services	255	450
Rent expense	1,800	1,800
Company's contribution to employees' provident fund trust	5,132	4,750

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 2016 and 2015:

	2016 (Rupees in thousand)	2015
Size of the fund - Total assets	135,411	127,220
Fair value of investments	134,128	125,312
Percentage of investments made	99.05%	98.50%

33.1 The cost of above investments amounted to Rupees 92.882 million (2015: Rupees 85.400 million).

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

	2016 Percentage	2015	2016 (Rupees in thousand)	2015
Mutual funds	93%	94%	124,755	117,242
Listed securities	7%	6%	9,373	8,070
	100%	100%	134,128	125,312

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.

	2016 (Rupees in thousand)	2015
34. NUMBERS OF EMPLOYEES		
Number of employees as on 30 June	954	1,298
Average number of employees during the year	1,126	1,240

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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:

	2016	2015
Trade debts - USD	-	488,000
Short term borrowings - USD	2,001,170	220,157
Accrued mark-up - USD	9,398	3,215
Net exposure - USD	(2,010,568)	264,628

The following significant exchange rates were applied during the year:

Rupees per US Dollar

Average rate	101.23	101.23
Reporting date rate	104.70	101.35

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 10.525 million respectively higher / lower (2015: Rupees 1.316 million respectively lower / higher) mainly as a result of exchange losses / gains 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 Pakistan Stock Exchange (PSX) 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, 2016

Index	Impact on loss after Taxation		Statement of comprehensive income (fair value reserve)	
	2016	2015	2016	2015

(RUPEES IN THOUSAND)

PSX 100 (5% increase)	-	-	3,216	2,957
PSX 100 (5% decrease)	-	-	(3,216)	(2,957)

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:

	2016	2015
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Bank balances - deposit accounts	769	769
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	136	129
Financial liabilities		
Long term financing	177,361	214,536
Short term borrowings	582,060	115,945

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 7.593 million (2015: Rupees 3.304 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, 2016

	2016 (Rupees in thousand)	2015
Long term security deposits	1,576	1,576
Trade debts	85,118	140,088
Advances	701	504
Other receivables	1,663	110
Short term investments	64,323	59,138
Bank balances	6,652	4,021
	160,033	205,437

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			2016	2015
	Short Term	Long Term	Agency	(Rupees in thousand)	
Banks					
National Bank of Pakistan	A1+	AAA	PACRA	27	60
MCB Bank Limited	A1+	AAA	PACRA	4,933	2,320
Faysal Bank Limited	A1+	AA	PACRA	833	826
Allied Bank Limited	A1+	AA+	PACRA	60	19
United Bank Limited	A1+	AA+	JCR-VIS	5	5
The Bank of Punjab	A1+	AA-	PACRA	22	22
Bank Islami Pakistan Limited	A1	A+	PACRA	3	-
IGI Investment Bank Limited	A-2	A-	PACRA	769	769
				6,652	4,021
Investments					
Premier Insurance Limited		A	JCR-VIS	14,965	14,216
Samba Bank Limited	A1	AA	JCR-VIS	21,145	14,788
EFU Life Assurance Limited		AA	JCR-VIS	19,365	19,513
Crescent Cotton Mills Limited		Not available		7,505	9,165
Crescent Fibres Limited		Not available		1,274	1,389
Crescent Jute Products Limited		Not available		35	34
Jubilee Spinning and Weaving Mills Limited		Not available		33	33
				64,322	59,138
				70,974	63,159

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 2016, the Company had Rupees 342.500 million (2015: Rupees 808.615 million) available borrowing limits from financial institutions and Rupees 8.817 million (2015: Rupees 4.418 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, 2016

Contractual maturities of financial liabilities as at 30 June 2016

	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	177,361	271,099	58,322	56,220	102,279	54,278
Trade and other payables	547,185	547,185	547,185	-	-	-
Accrued mark-up	6,243	6,243	6,243	-	-	-
Short term borrowings	582,060	592,916	592,916	-	-	-
	1,312,849	1,417,443	1,204,666	56,220	102,279	54,278

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

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 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	(Rupees in thousand)		
Assets as per balance sheet			
As at 30 June 2016			
Long term security deposits	1,576	-	1,576
Trade debts	85,118	-	85,118
Loans and advances	701	-	701
Other receivables	1,663	-	1,663
Short term investments	-	64,323	64,323
Cash and bank balances	8,817	-	8,817
	97,875	64,323	162,198
As at 30 June 2015			
Long term security deposits	1,576	-	1,576
Trade debts	140,088	-	140,088
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

	Financial liabilities at amortized cost	
	2016	2015
(Rupees in thousand)		
Liabilities as per balance sheet		
Long term financing	177,361	214,536
Trade and other payables	547,185	526,453
Accrued mark-up	6,243	5,601
Short term borrowings	582,060	115,945
	1,312,849	862,535

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'.

		2016	2015
Borrowings	Rupees in thousand	759,421	330,481
Total equity	Rupees in thousand	641,448	747,361
Total capital employed	Rupees in thousand	1,400,869	1,077,842
Gearing	Percentage	54.21	30.66

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

		2016	2015
37. PLANT CAPACITY AND ACTUAL PRODUCTION			
Number of spindles installed		59,232	59,232
Number of spindles operated		41,980	48,318
100 % plant capacity converted to 20s count based on 3 shifts per day (Kgs)		20,936,919	20,936,919
Actual production converted to 20s count based on 3 shifts per day (Kgs)		13,203,371	11,330,448

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

38. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL STATEMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements At 30m June 2016	Level 1	Level 2	Level 3	Total
---	---------	---------	---------	-------

(Rupees in thousands)

Financial assets				
Available for sale financial assets	64,323	-	-	64,323
Total financial assets	64,323	-	-	64,323

Recurring fair value measurements At 30m June 2015	Level 1	Level 2	Level 3	Total
---	---------	---------	---------	-------

(Rupees in thousands)

Financial assets				
Available for sale financial assets	59,138	-	-	59,138
Total financial assets	59,138	-	-	59,138

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii). Valuation techniques used to determine fair values

Specific valuation technique used to value financial instruments was use of quoted market prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

39. INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

39.1

Description	Note	2016 Carried under		2015 Carried under	
		Non-Shariah arrangements	Shariah arrangements	Non-Shariah arrangements	Shariah arrangements

(Rupees in thousand)

Assets

Loans and advances

Advances to employees	16	-	701	-	504
Advances to suppliers	16	-	40,085	-	28,037

Deposits

Long term security deposits	12	-	1,576	-	1,576
-----------------------------	----	---	-------	---	-------

Bank balances

	20	6,649	3	-	4,021
--	----	-------	---	---	-------

Liabilities

Loan and advances

Long term financing	5	177,361	-	214,536	-
Short term borrowings	9	559,743	22,317	91,628	24,317

Income

Profit on deposits with banks	26	66	-	67	-
-------------------------------	----	----	---	----	---

Other comprehensive income

Unrealized gain / (loss) on investments	18	5,185	-	10,565	(6)
---	----	-------	---	--------	-----

	Note	2016	2015
--	------	------	------

(Rupees in thousand)

39.2 Dividend income earned from 26.1

Premier Insurance Limited - associated company	509	442
EFU Life Assurance Limited	988	840
Crescent Fibers Limited	48	32
Crescent Cotton Mills Limited - associated company	-	334

1,545 1,648

39.3 Sources of other income 26

Dividend income	1,545	1,648
Profit on deposits with banks	66	67
Gain on sale of property, plant and equipment	2,766	14,558
Reversal of provision for doubtful debts	-	2,051
Reversal of provision for slow moving and obsolete items	633	-
Scrap sales	12,913	4,624
Rental Income	28	26

17,951 22,974

39.4 Exchange gain / (loss) 25

Earned from actual currency	(2,627)	(294)
-----------------------------	---------	-------

39.5 Revenue (external) from different business segments

The company has a single reportable segment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

39.6 Relationship with banks

Name	Relationship	
	Non Islamic window operations	With Islamic windows operations
National Bank of Pakistan	✓	-
MCB Bank Limited	✓	-
Faysal Bank Limited	✓	-
Allied Bank Limited	✓	-
United Bank Limited	✓	-
The Bank of Punjab	✓	-
Bank Islami Pakistan Limited	-	✓
IGI Investment Bank Limited	✓	-

40. OPERATING SEGMENTS

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

Sales of yarn represents 96.60% (2015: 97.21%) of the total sales of the Company.

62.33% (2015: 70.17%) of the sales of the Company relates to customers in Pakistan. Of the remaining sales of the Company relating to customers outside Pakistan, 61.41% (2015: 86.36%) of those sales are made to customers in China.

All non-current assets of the Company at 30 June 2016 are located in Pakistan.

14.68% (2015: 21.21%) of the total sales of the Company are made to a single customer in Pakistan.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 04, 2016 by the Board of Directors of the Company.

42. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

43. 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, 2016

Form - 34

Number of Shareholders	Shareholding		Total Shares held
	From	To	
441	1	100	18,075
287	101	500	72,788
63	501	1,000	48,244
107	1,001	5,000	263,227
47	5,001	10,000	339,998
18	10,001	15,000	234,772
9	15,001	20,000	150,453
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
3	45,001	50,000	148,112
1	50,001	55,000	54,693
2	65,001	70,000	136,034
1	80,001	85,000	83,960
1	110,001	115,000	110,806
1	120,001	125,000	125,000
1	130,001	135,000	131,938
1	220,001	225,000	224,067
1	225,001	230,000	229,994
1	250,001	255,000	250,500
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	1,697,555
1,014			8,640,000

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2016

Categories of Share Holders	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Children		
Directors		
Mr. Asif Bashir	224,567	2.60
Mr. Khalid Bashir	900,748	10.43
Mr. Khurram Mazhar Karim	23,400	0.27
Mr. Muhammad Anwar	26,946	0.31
Mr. Shahid Arshad	8,674	0.10
Mr. Sharik Bashir	32,000	0.37
Mr. Muhammad Asif - (Nominee NIT)	-	-
Mrs. Tanveer Khalid Bashir (W/o Mr. Khalid Bashir)	313,979	3.63
Mrs. Amna Asif Bashir (W/o Mr. Asif Bashir)	83,960	0.97
	1,614,274	18.68
Associated Companies, Undertakings & Related Parties		
Crescent Powertec Limited	1,697,605	19.65
Premier Insurance Limited	399,000	4.62
The Crescent Textile Mills Limited	812,160	9.40
	2,908,765	33.67
NIT & ICP (Name Wise Detail)		
CDC - Trustee National Investment (Unit) Trust	1,211,998	14.03
Investment Corporation of Pakistan	208	0.00
	1,212,206	14.03
Banks, NBFCs, DFIs, Takaful, Pension Funds	139,179	1.61
Modarabas	13,151	0.15
Insurance Companies	5,730	0.07
Other Companies, Corporate Bodies, Trust etc.	60,435	0.70
General Public	2,686,260	31.09
	8,640,000	100.00
Shareholders More Than 5.00%		
Crescent Powertec Limited	1,697,605	19.65
CDC - Trustee National Investment (Unit) Trust	1,211,998	14.03
Khalid Bashir	900,748	10.43
The Crescent Textile Mills Limited	812,160	9.40

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator
(based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

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 49th Annual General Meeting
 of the Company to be held on Saturday, October 29, 2016 at 9:00 a.m. at Registered Office, 7-B III, Aziz
 Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2016. 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

Grace Print N Pack (Pvt) Ltd.
0334-4067024