

2019 Annual Report

Content

BUSINESS REVIEW

- 02 Company Information
- 03 Company Profile
- 04 Vision & Mission Statement
- 05 Core Values
- 06 Business Philosophy
- 07 Key Performance Indicators

GOVERNANCE

- 12 Directors' Profile
- 14 Chairman's Review
- 15 Chairman's Review (Urdu)
- 16 Directors' Report
- 27 Directors' Report (Urdu)
- 28 Statement of Compliance with Code of Corporate Governance
- 30 Pattern of Shareholding

FINANCIALS STATEMENTS

- 33 Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance
- 34 Auditors' Report to the Members
- 38 Statement of Financial Position
- 40 Statement of Profit or Loss
- 41 Statement of Comprehensive Income
- 42 Statement of Cash Flows
- 43 Statement of Changes in Equity
- 44 Notes to the Financial Statements
- 105 Notice of Annual General Meeting
- 109 Bank Mandate Letter u/s 242
- 111 Notice to Shareholders u/s 244
- 113 Form of Proxy
- 114 Form of Proxy (Urdu)

Company Information

Board of Directors

Khalid Bashir	(Chairman)
Adil Bashir	
Ahsan Bashir	
Amjad Mahmood	
Humayun Maqbool	
Mohammad Iqbal	
Sharik Bashir	

Chief Executive Officer

Nadeem Maqbool

Chief Financial Officer

Farooq Ahmad

Audit Committee

Humayun Maqbool	(Chairman)
Adil Bashir	(Member)
Ahsan Bashir	(Member)

HR & Remuneration Committee

Ahsan Bashir	(Chairman)
Adil Bashir	(Member)
Humayun Maqbool	(Member)

Share Registrar

Corptec Associates (Pvt.) Ltd.
503-E, Johar Town, Lahore

Auditors

EY Ford Rhodes
Chartered Accountants

Company Secretary

Haseeb Ahmad

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
MCB Islamic Bank Limited
United Bank Limited
Dubai Islamic Bank Limited
Habib Metropolitan Bank Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore
Ph: +92-423-5760379, 35760382
Fax: +92-423-5760376
Email: info@suraj.com
Web: www.suraj.com

Project Locations

Nooriabad, District Dadu, Sindh.
Kotla Kahloon, District Nankana Sahib, Punjab.
Bhaikot, Rawind, District Lahore, Punjab.

Company Profile

Suraj Cotton Mills Limited is a Public Limited Company incorporated on December 18, 1984 and is listed on Karachi and Lahore Stock Exchanges of Pakistan. The Company is engaged in the manufacturing and trading of high quality Yarn and Woven Fabrics.

The Company has four operating units located at Nooriabad (Sindh), Shahkot and Raiwind (Punjab). The Company initially set up its spinning project with the capacity of 16,320 spindles at Nooriabad in 1985, which came into commercial production in 1986. After additions this unit now comprises of 24,576 spindles producing yarn counts from 10/1 cd to 30/1 cd, high end combed yarns and spandex yarns for weaving.

Spinning unit No. 2 was set up at Shahkot in 1990 and this unit has witnessed a continuous process of modernization and expansion. Currently its spinning capacity is 43,000 spindles all of which specialize in the production of fine count yarns in range 40 combed to 130 combed.

The third production facility set up in 1994 in the same location. The weaving unit is equipped with most modern, sophisticated, state-of-the-art machinery and has a collective capacity exceeding 12 Million meters of greige fabric annually. In order for the company to be able to absorb the increasing competitiveness, and to be able to produce a variety of fabrics, the management has expanded its weaving facilities by addition of 120 state of art, wider width Air Jet looms in 2003 which has further enhanced the collective capacity to 32 million meters of greige fabric annually.

In 2006 Suraj Cotton Mills completed the acquisition of a spinning unit comprising of 25,000 spindles located in Raiwind, Punjab. This unit has added to the company's production capability for fine count yarns in range 40/1 to 130/1.

Suraj Cotton Mills Limited enjoys a sound market reputation in both the domestic as well as international markets. The company has developed long term relationships with its customers and suppliers and is maintaining focus on increasing and enhancing investor values.

Vision & Mission Statement

Vision

To be a leading textile enterprise with global aspirations, effectively pursuing multiple growth opportunities, maximizing return to the stakeholders, remaining socially and ethically responsible.

Mission

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

Core Values

We take pride in adhering to ethical business practices and in being an upstanding corporate citizen. We respect our people and endeavour to provide them ceaseless opportunities to realize their full potential. We recognize our responsibility to our stakeholders, communities and nation. At Suraj we never forget what we stand for.

At Suraj we seek uncompromising integrity through each individual's effort towards quality products for our customers, maximizing returns to the shareholders and sizable contribution to the national exchequer. Our business success is dependent on trusting relationships. Our reputation is founded on the integrity of the Company's personnel and our commitment to the principles of:

PASSION FOR CUSTOMER

Build positive relationships through outstanding service with each interaction.

INTEGRITY

Uphold the highest ethical standards and promote trust and respect

EXCELLENCE

Exceed expectations and take intense pride in everything you do everyday.

LEADERSHIP

Have the courage to rise above challenges, to work through adversity, and inspire others.

INNOVATION

Imagine what is possible. Foster creativity that challenges constraints and drives progress.

TEAMWORK

Consistently demonstrate an unselfish commitment to working with others to create a collaborative culture.

Business Philosophy

Our Business

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

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.

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.

KEY
PERFORMAMNCE
INDICATORS

Performance Indicators

For the current and past five financial years

Profitability Ratios		2019	2018	2017	2016	2015	2014
Gross profit ratio	(%)	11.4	8.2	6.4	8.7	10.5	11.2
Operating profit margin to sales	(%)	9.0	5.2	6.7	7.2	9.0	8.6
Net profit margin to sales (net)	(%)	6.1	5.1	6.1	5.5	6.9	6.6
Return on average equity	(%)	14.7	10.4	10.0	9.1	14.0	24.4
Return on capital employed	(%)	14.7	6.8	7.4	10.8	16.8	20.3
Return on average assets	(%)	7.5	5.4	6.2	6.6	10.2	17.1

Liquidity Ratios							
Current ratio	(times)	1.8	2.1	2.5	2.9	3.3	3.0
Quick ratio	(times)	0.8	1.0	1.7	2.2	2.1	1.5

Activity / Turnover Ratios							
Debtors turnover ratio	(times)	17.0	20.1	20.7	17.3	19.8	25.9
No. of days in receivables / Average collection period	(days)	21	18	18	21	18	14
Inventory turnover ratio	(times)	4.3	4.9	6.5	6.0	5.0	6.4
No. of days in inventory	(days)	86	74	56	61	74	57
Creditors turnover ratio	(times)	5.5	6.0	5.1	4.9	5.6	9.6
No. of days in creditors / Average payment period	(days)	66	61	71	75	65	38
Total assets turnover	(times)	1.2	1.1	1.0	1.2	1.5	2.6

Investment / Market Ratios							
Earnings per share	(Rs.)	23.4	17.7	19.2	16.1	24.7	30.0
Price earnings ratio	(times)	5.3	8.0	8.2	8.1	4.1	2.8
Cash dividend per share	(Rs.)	5.0	4.0	5.0	5.0	5.0	5.0
Stock dividend / Bonus shares	(%)	–	15.0	10.0	10.0	10.0	10.0
Break-up value per share	(Rs.)	165.4	176.2	182.1	167.5	188.0	181.2

Market value per share							
Closing	(Rs.)	124.8	142.7	157.0	130.0	102.0	85.3
High	(Rs.)	157.0	169.7	163.0	176.2	147.9	158.8
Low	(Rs.)	113.0	118.6	116.1	101.3	93.0	73.0

Capital Structure Ratios							
Debt equity ratio		29:71	34:67	30:70	06:94	02:98	06:94
Total liabilities to total assets	(%)	48.53	49.78	44.81	28.65	25.10	28.84

Vertical Analysis

For the current and past five financial years

Rupees in thousand

Statement of Financial Position	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%
Property, plant and equipment	5,349,114	45.4	5,483,352	49.00	4,952,530	51.76	2,417,324	35.53	1,970,611	32.78	1,982,781	35.74
Investment property	100,000	0.8	100,000	0.89	100,000	1.05	100,000	1.47	100,000	1.66	100,000	1.80
Investment in joint venture	50,000	0.4	50,000	0.45	50,000	0.52	50,000	0.73	-	-	-	-
Long term loans and deposits	19,879	0.2	19,879	0.18	19,879	0.21	19,879	0.29	19,531	0.32	19,531	0.35
Long term investments	771,719	6.5	14,722	0.13	-	-	-	-	-	-	-	-
Stores, spares and loose tools	202,325	1.7	182,562	1.63	149,265	1.56	88,839	1.31	83,027	1.38	89,846	1.62
Stock-in-trade	3,087,533	26.2	2,714,766	24.26	1,407,007	14.71	988,336	14.53	933,159	15.52	1,372,741	24.75
Trade debts	913,047	7.7	732,216	6.54	371,238	3.88	433,422	6.37	230,127	3.83	459,258	8.28
Loan and advances	32,827	0.3	88,552	0.79	116,749	1.22	136,659	2.01	43,482	0.72	56,046	1.01
Trade deposits and short term prepayments	52,366	0.4	18,692	0.17	17,540	0.18	13,406	0.20	4,105	0.07	4,618	0.08
Balances with statutory authorities	-	-	6,554	0.06	2,239	0.02	2,239	0.03	57,710	0.96	70,306	1.27
Tax Refunds Due from the Government	615,090	5.2	565,662	5.05	375,157	3.92	180,029	2.65	12,131	0.20	3,024	0.05
Other receivables	16,248	0.1	31,511	0.28	10,414	0.11	3,993	0.06	2,916	0.05	817	0.01
Short term investments	-	-	1,052,384	9.40	1,909,120	19.95	2,136,361	31.40	2,448,452	40.72	1,185,844	21.38
Securities held at fair value through profit or loss	134,341	1.1	-	-	-	-	-	-	-	-	-	-
Cash and bank balances	433,938	3.7	64,827	0.58	41,676	0.44	222,084	3.26	95,556	1.59	190,673	3.44
Assets held for sale	10,077	0.1	65,064	0.58	44,881	0.47	11,391	0.17	11,583	0.19	11,583.00	0.21
Total Assets	11,788,504	100.0	11,190,743	100.0	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0	5,547,068	100.0
Issued, subscribed and paid up share capital	366,713	3.1	318,881	2.8	289,892	3.0	263,538	3.9	239,580	4.0	217,800	3.9
Share premium	29,000	0.2	29,000	0.3	29,000	0.3	29,000	0.4	29,000	0.5	29,000	0.5
Revenue reserves	5,629,805	47.8	5,230,342	46.7	4,780,838	50.0	4,433,155	65.2	4,151,685	69.1	3,690,874	66.5
Available for sale reserve	42,460	0.4	41,976	0.4	180,506	1.9	129,129	1.9	82,785	1.4	9,667	0.2
Shareholders' Equity	6,067,978	51.5	5,620,199	50.2	5,280,236	55.2	4,854,822	71.4	4,503,050	74.9	3,947,341	71.2
Long term loan	2,474,995	21.0	2,885,828	25.8	2,307,475	24.1	287,773	4.2	90,263	1.5	251,537	4.5
Liabilities against assets subject to finance lease	-	-	-	0.0	1,198	0.0	2,586	0.0	399	0.0	635	0.0
Deferred taxation	277,828	2.4	66,511	0.6	195,817	2.0	197,795	2.9	213,970	3.6	215,535	3.9
Trade and other payables	1,917,774	16.3	1,547,631	13.8	1,304,379	13.6	1,041,073	15.3	987,599	16.4	791,840	14.3
Mark-up accrued	-	-	36,750	0.3	35,084	0.4	17,576	0.3	12,425	0.2	19,213	0.3
Unclaimed dividends	3,359	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Short term borrowings	698,968	5.9	993,116	8.9	379,394	4.0	357,536	5.3	149,857	2.5	205,276	3.7
Current portion of long term liabilities	347,602	2.9	40,708	0.4	64,112	0.7	44,801	0.7	54,827	0.9	115,691	2.1
Total Equity and Liabilities	11,788,504	100.0	11,190,743	100.0	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0	5,547,068	100.0

Statement of Profit or Loss	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%
Sales - net	13,973,634	100.0	11,095,688	100.0	8,313,438	100.0	7,712,885	100.0	8,562,185	100.0	9,924,609	100.0
Cost of sales	12,378,649	88.6	10,181,955	91.8	7,784,454	93.6	7,041,161	91.3	7,664,263	89.5	8,808,650	88.8
Gross profit	1,594,985	11.4	913,733	8.2	528,984	6.4	671,724	8.7	897,922	10.5	1,115,959	11.2
Distribution and selling expenses	125,353	0.9	141,279	1.3	125,660	1.5	134,646	1.7	160,620	1.9	233,778	2.4
Administrative expenses	165,718	1.2	147,379	1.3	140,691	1.7	143,753	1.9	116,095	1.4	115,279	1.2
Other operating expenses	157,119	1.1	145,039	1.3	86,214	1.0	72,614	0.9	57,396	0.7	94,838	1.0
Other operating income	107,647	0.8	96,596	0.9	382,832	4.6	233,894	3.0	206,282	2.4	180,342	1.8
Operating profit / (loss) before finance costs	1,254,442	9.0	576,632	5.2	559,251	6.7	554,605	7.2	770,093	9.0	852,406	8.6
Finance costs	184,370	1.3	150,626	1.4	76,043	0.9	62,090	0.8	64,518	0.8	83,924	0.8
Profit / (loss) before taxation	1,070,072	7.7	426,006	3.8	483,208	5.8	492,515	6.4	705,575	8.2	768,482	7.7
Taxation - net	(211,317)	-1.5	139,455	1.3	22,598	0.3	67,297	0.9	114,084	1.3	116,020	1.2
Profit / (loss) after taxation	858,755	6.1	565,461	5.1	505,806	5.5	425,218	5.5	591,491	6.9	652,462	6.6

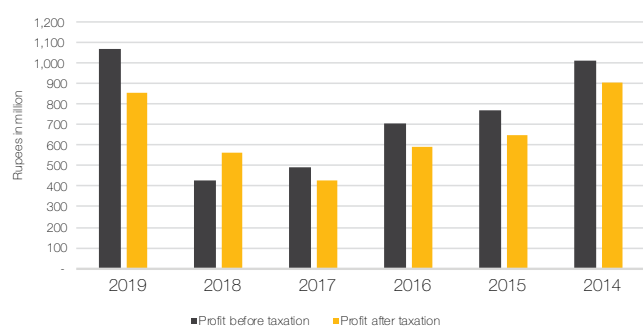
Key Operating and Financial Data

For the current and past five financial years

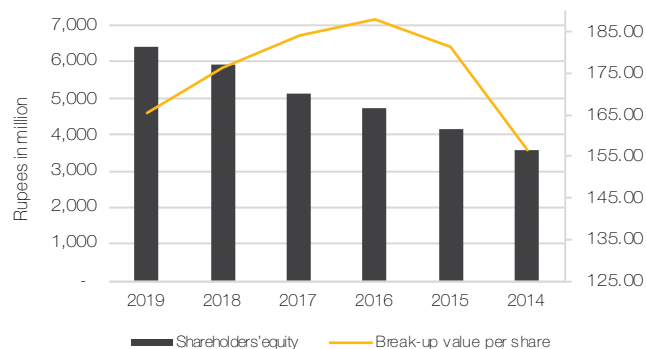
Rupees in thousand

SUMMARIZED FINANCIAL DATA	2019	2018	2017	2016	2015	2014
Summary of Profit and Loss Account						
Sales - net	13,973,634	11,095,688	8,313,438	7,712,885	8,562,185	9,924,609
Cost of sales	12,378,649	10,181,955	7,784,454	7,041,161	7,664,263	8,808,650
Gross profit	1,594,985	913,733	528,984	671,724	897,922	1,115,959
Distribution and selling expenses	125,353	141,279	125,660	134,646	160,620	233,778
Administrative expenses	165,718	147,379	140,691	143,753	116,095	115,279
Other operating expenses	157,119	145,039	86,214	72,614	57,396	94,838
Other operating income	107,647	96,596	382,832	233,894	206,282	180,342
Operating profit before finance costs	1,254,442	576,632	559,251	554,605	770,093	852,406
Finance costs	184,370	150,626	76,043	62,090	64,518	83,924
Profit before taxation	1,070,072	426,006	483,208	492,515	705,575	768,482
Taxation - net	211,317	139,455	22,598	67,297	114,084	116,020
Net income	858,755	565,461	505,806	425,218	591,491	652,462
Summary of Balance Sheet						
Property, plant and equipment	5,349,114	5,483,352	4,952,530	2,417,324	1,982,781	1,990,050
Stock-in-trade	3,087,533	2,714,766	1,407,007	988,336	1,372,741	1,716,673
Trade debts	913,047	732,216	371,238	433,422	459,258	406,138
Trade and other payables	1,917,774	1,581,088	1,304,379	1,041,073	791,840	770,582
Current assets	5,487,715	5,457,726	4,445,286	4,216,759	3,922,248	3,444,756
Total assets	11,788,504	11,190,743	9,567,695	6,803,962	6,012,390	5,547,068
Reserves	5,658,805	5,259,342	4,990,344	4,591,284	4,263,470	3,729,541
Shareholders' equity	6,067,978	5,620,199	5,280,236	4,854,822	4,503,050	3,947,341
Long term financing	2,474,995	2,885,828	2,307,475	287,773	90,263	251,537
Deferred liabilities	277,828	66,511	195,817	197,795	213,970	215,535
Short term financing	698,968	993,116	379,394	357,536	149,857	205,276
Current liabilities	2,967,703	2,618,205	1,782,969	1,460,986	1,204,708	1,132,020
Summary of Cash Flow Statement						
Cash and cash equivalents at the beginning of the year	64,827	41,676	222,084	95,556	190,673	95,510
Net cash (used in) / generated from operating activities	1,185,907	(788,753)	(89,486)	(124,368)	1,374,302	914,367
Net cash used in investing activities	(418,710)	(355,569)	(2,150,405)	(142,926)	(1,191,626)	(746,406)
Net cash (used in) / generated from financing activities	(398,087)	1,167,473	2,059,483	393,822	(277,793)	(72,798)
Net increase / (decrease) in cash and cash equivalents	369,110	23,151	(180,408)	126,528	(95,117)	95,163
Cash and cash equivalents at the end of the year	433,937	64,827	41,676	222,084	95,556	190,673
Other data						
Depreciation and amortization	500,542	406,544	199,078	205,474	201,959	202,598
Capital expenditure	392,528	1,018,986	2,777,253	662,814	194,633	210,988
No. of ordinary shares (no. of shares in millions)	36,671	31,888	28,989	26,354	23,958	21,780

Profit before & after taxation



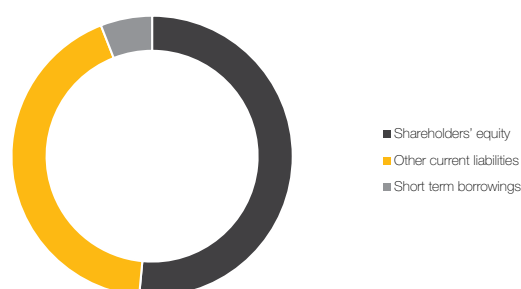
Shareholders' equity and break up value per share



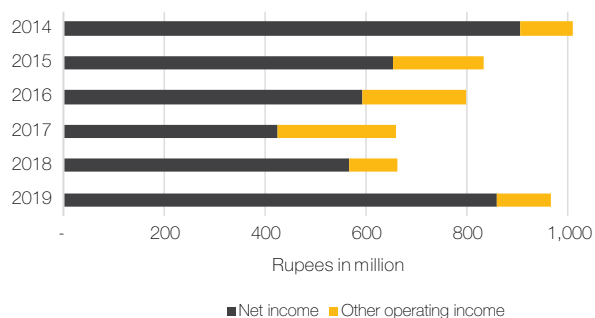
Total assets as of 30 June 2019



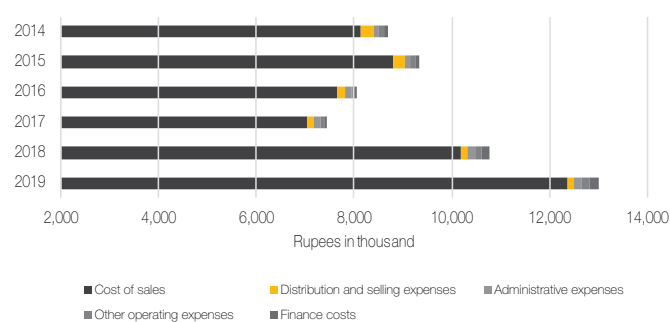
Total liabilities as of 30 June 2019



Profit and loss analysis (Income)



Profit and loss analysis (Expenses)



Directors' Profile

Mr. Khalid Bashir

Chairman

Director (Non-Executive)

Joined Board: 1998

Chief Executive: Shams Textile Mills Limited

Director: Shakarganj Limited
The Crescent Textile Mills Limited
Premier Insurance Limited



Mr. Nadeem Maqbool

Chief Executive Officer

Joined Board: 1984

Director: Premier Insurance Limited
Crescent Fibres Limited
Premier Financial Services (Pvt) Limited
Mohd Amin Mohd Bashir International (Pvt) Limited



Mr. Ahsan Bashir

Director (Executive)

Joined Board: 1994

Chief Executive Crescent Powertec Limited



Mr. Amjad Mahmood

Director (Non-Executive)

Joined Board: 1988

Director: The Crescent Textile Mills Limited



Directors' Profile

Mr. Adil Bashir

Director (Executive)

Joined Board: 2016

Director: Shams Textile Mills Limited
Crescent Powertec Limited



Mr. Humayun Maqbool

Director (Non-Executive)

Joined Board: 1996

Director: Crescent Fibres Limited
Crescent Powertec Limited



Mr. Mohammad Iqbal

Director (Non-Executive)

Joined Board: 2010

Chairman & Director: Al Abbas Sugar Mills Limited
Acme Mills (Pvt.) Limited

Director: BMA Assets Management Company Limited
Icon Global (Pvt) Limited



Mr. Sharik Bashir

Director (Non-Executive)

Joined Board: 2016

Director: Shams Textile Mills Limited



Chairmans' Review

Suraj Cotton complies with all material requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the "Board") of Suraj Cotton Mills Limited (the "Company") is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed.

For the Purpose of Board evaluation, a comprehensive criteria has been developed. The Board has recently completed its annual self-evaluation for the year ended June 30, 2019 and I report that:

The overall performance of the Board measured on the basis of approved criteria for the year was satisfactory.

The overall assessment as Satisfactory is based on an evaluation of the following integral components, which have a direct bearing on Board's role in achievement of Company's objectives:

- **Diversity and Mix:** The Board members effectively bring the diversity to the Board and constitute a mix of executive and non-executive directors. The executive and non-executive and directors were equally involved in all key matters and decisions of the Board.
- **Engagement in Strategic Planning:** Board has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, Society at large) whom the Company serves. The Board has a strategic vision of how the organization should be evolving over the next three to five years. Further, the Board has spent sufficient time on Strategy formulation and it has set annual goals and targets for the management in all major performance areas.

- **Diligence:** The Board members diligently performed their duties and thoroughly reviewed, discussed and approved Business Strategies, Corporate Objectives, plans, budgets, financial statements and other reports. It received clear and succinct agendas and supporting written material in sufficient time prior to board and committee meetings. The board met frequently enough to adequately discharge its responsibilities.
- **Monitoring of organization's business activities:** The Board remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate direction and oversight on a timely basis.
- **Governance and Control Environment:** The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of corporate governance and by promoting ethical and fair behavior across the company.

Khalid Bashir
Chairman

October 02, 2019
Lahore

چیرمین رپورٹ

تنظیم کی کاروباری سرگرمیوں کی نگرانی: انتظامیہ، داخلی اور خارجی آڈیٹرز اور دیگر آزاد مشیروں کی باقاعدہ پریزنٹیشن کے ذریعے کمپنی کے مقاصد، اہداف، حکمت عملی اور مالی کارکردگی حاصل کرنے کے سلسلے میں بورڈ مطلع رہا۔ بورڈ نے بروقت بنیاد پر مناسب سہولتیں اور نگرانی کی ہے۔

گورننس اینڈ ماحولیات کا کنٹرول: بورڈ نے شفاف اور مضبوط نظام حکمرانی قائم کر کے مؤثر انداز کو سر فہرست رکھا ہے۔ اس کی عکاسی ماحول کا مؤثر کنٹرول، کارپوریٹ گورننس کے بہترین طریق کار کی تعمیل اور پوری کمپنی میں اخلاقی اور منصفانہ طرز عمل کو فروغ دینے سے ہوتی ہے۔

خالد بشیر
(چیرمین)

102 اکتوبر، 2019
لاہور

سورج کاٹن بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل کے طریقہ کار اور اجلاسوں کے سلسلے میں کمیٹیز ایکٹ، 2017 اور سلیڈ کمیٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017 میں طے شدہ تمام ضوابط پر عمل کرتی ہے۔ کوڈ آف کارپوریٹ گورننس کے مطابق، سورج کاٹن ملز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز ("بورڈ") کا سالانہ جائزہ لیا جاتا ہے۔ اس جائزہ کا مقصد بورڈ کی مجموعی کارکردگی کو جانچنا اور کمپنی کے لئے طے شدہ مقاصد کے تناظر میں توقعات کے مطابق معیار پر پورا اترنے کو یقینی بنانا ہے۔ جن شعبوں میں بہتری کی ضرورت ہو ان پر باقاعدہ غور و عملی منصوبے تیار کیے جاتے ہیں۔

بورڈ کی تشخیص کے مقصد کے لئے، ایک جامع معیار تیار کیا گیا ہے۔ بورڈ نے حال ہی میں 30 جون، 2019 کو ختم ہونے والے سال کیلئے اپنا سالانہ جائزہ مرتب کیا ہے اور میں بیان کرتا ہوں کہ: سال کے لئے منظور شدہ معیار کی بنیاد پر بورڈ کی مجموعی کارکردگی تسلی بخش رہی۔ تسلی بخش مجموعی کارکردگی مندرجہ ذیل لازمی اجزاء کی تشخیص پر مبنی ہے، جس کا براہ راست اثر کمپنی کے مقاصد کے حصول میں بورڈ کے کردار پر ہوتا ہے:

متنوع مجموعہ: بورڈ کے ممبران مؤثر طریقے سے بورڈ میں تنوع لاتے ہیں اور ایگزیکٹو اور غیر ایگزیکٹو ڈائریکٹرز کا مجموعہ تشکیل دیتے ہیں۔ بورڈ کے تمام اہم معاملات اور فیصلوں میں ایگزیکٹو اور غیر ایگزیکٹو اور ڈائریکٹرز برابر کے شریک رہے۔

اسٹریٹجک پائمنٹ میں مشغولیت: بورڈ اسٹیک ہولڈرز (شیر ہولڈرز، صارفین، ملازمین، وینڈرز، سوسائٹی) جس کی کمپنی خدمت کرتی ہے کے بارے میں واضح فہم رکھتی ہے۔ بورڈ کا اسٹریٹجک ویژن ہے کہ اگلے تین سے پانچ سالوں میں تنظیم کو کس طرح تیار کیا جانا چاہئے۔ مزید یہ کہ بورڈ نے حکمت عملی کی تشکیل پر کافی وقت صرف کیا ہے اور اس نے کارکردگی کے تمام بڑے شعبوں میں انتظامیہ کے لئے سالانہ اہداف اور مقاصد طے کیے ہیں۔

تندہی (گن): بورڈ کے ممبران نے اپنے فرائض پوری تندہی کے ساتھ انجام دیئے اور کاروباری حکمت عملیوں، کارپوریٹ مقاصد، منصوبوں، بجٹ، مالی حسابات اور دیگر رپورٹس کا پوری طرح جائزہ، تبادلہ خیال اور منظوری دی ہے۔ بورڈ اور کمیٹی اجلاسوں سے قبل کافی وقت میں اس کو واضح اور یکساں ایجنڈے اور معاون تحریری مواد موصول ہوا۔ بورڈ اپنی ذمہ داریوں کو مناسب طریقے سے پورا کرنے کے لئے کئی باارجع ہوا ہے۔

Directors' Report

On behalf of the Board of Directors, I am pleased to present the operating and financial performance of the company for the year ended 30 June 2019.

Overview

The textile industry continued to face challenges with rising cost of doing business and declining exports; however, during the period under review our competitiveness enhanced and became at par with regional players owing to depreciation of our currency. On the other hand, the currency depreciation exerted additional pressure on our manufacturing costs and led to lower margin. Considering overall economic compression and shrinking margins, effective planning and exceptional management led your company to post an operating profit of PKR 1,254 million which is an increase of 117.7%. These results are also a reflection of increase in price of our products, better utilization of resources, economies of scale and reclassification of impairment due to implementation of IFRS-9. Despite, non-availability of tax credits and increase in financial costs current year; reclassification of impairment resulted one time healthy bottom line growth of 52.04% by posting Profit after Tax of PKR 858.7 Million, as compared to previous year. Earnings per share for the period stood at PKR 23.42 (2018: PKR 15.42).

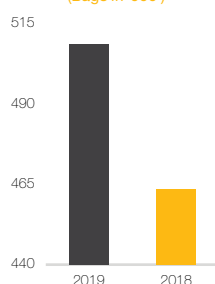
Business Performance

Being in textile business your company is principally engaged in the business of manufacturing Yarn and Greige Fabric. The production and sales statistics of your company for the current fiscal year ended June 30, 2019 compared to last year are as follow:

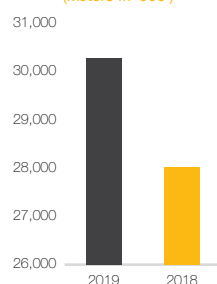
Production Summary

Particulars	UOM	2019	2018	Growth / (Decline)
		Quantities in '000'		
Yarn Production	Bags	509	463	9.82%
Fabric Production	Meters	30,276	28,011	8.09%

Yarn Production
(Bags in '000')



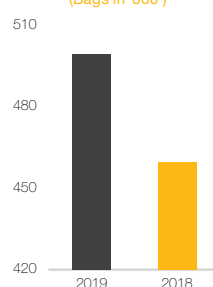
Fabric Production
(Meters in '000')



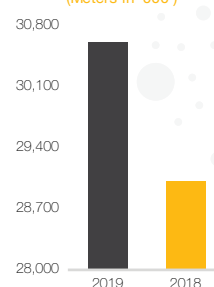
Sales Summary

Particulars	UOM	2019	2018	Growth / (Decline)
		Quantities in '000'		
Yarn Production	Bags	509	463	9.82%
Fabric Production	Meters	30,276	28,011	8.09%

Yarn Sales
(Bags in '000')



Fabric Sales
(Meters in '000')



Growth in production and sales numbers are attributable to optimized business performance, continued BMR activities, effective planning, learning curve and implementation of rigorous controls.

Financial Performance

The financial performance of your company for the fiscal year ended June 30, 2019 as compared to last year is presented below:

Income Statement	2019	2018	% Change
(PKR in Million)			
Sales	13,974	11,096	25.93%
Gross profit	1,595	914	74.56%
Operating profit	1,254	577	117.55%
Financial cost	(184)	(151)	22.40%
Profit before taxation	1,070	426	151.19%
Taxation	(211)	139	-251.53%
Net Profit	859	565	51.87%
Earnings per Share (EPS)	23.42	15.42	

Revenue

In the year under review, our net sales increased by 25.93% to Rs. 13,974 million over the corresponding period. This was mainly attributable to higher prices of our product due to Rupee depreciation. Export Sales declined during the period under review as compared to

Directors' Report

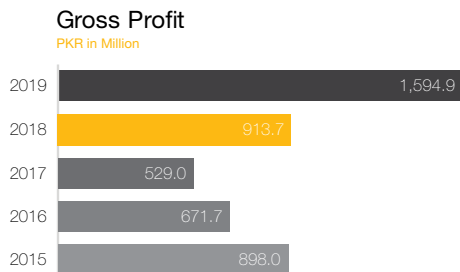
the previous period owing to competitive pricing of our product in domestic market and brisk debtor recovery cycle.

Cost of Sales

During the fiscal year 2018-19 under review, cost of sales increased by 22.71% for per bag of yarn and 8.05 % per meter of fabric produced, as compared to last year. This increase was mainly on account of adverse exchange rate parity and market driven increase in commodity price of cotton and fuel; resulting in expensive raw materials and higher power costs.

Gross Profit

Your Company has achieved gross profit margin of 11.41% for the fiscal year under review as compared to 8.23% last year, increase is mainly attributable to economies of scale and effective planning & management of resources.



Operating Expenses

For the year under review, negligible increase of 0.83% was observed in Operating Expenses. Pattern of Administration, Distribution cost was largely even as compared with previous year and in line with the business trends of current year. However, due to implementation of IFRS-9 various equity investments have been classified as not held for trading; resultantly, routing a sizeable amount of impairment via Other Comprehensive Income; aiding us maintain our operating expenses at parity with last year and healthy bottom line growth.

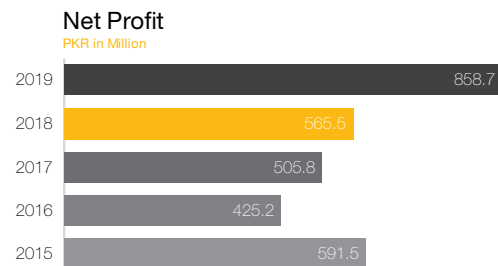
Had the previous practice been adopted, it would have resulted 63.19% increase in Operating Expenses owing to impairment on quoted equity investments. Significant impairment is mainly attributable to lackluster performance of Pakistan Stock Exchange over the last one year, where the index shed 8,137 Points and Market lost 19.41% of capitalization.

Finance Cost

For the year under review company incurred an increase of 22.4% in finance cost. Despite this increase, we believe the company managed its finances quite well, considering an even increase of 610 bps (81% Upside) in policy rate during the same period.

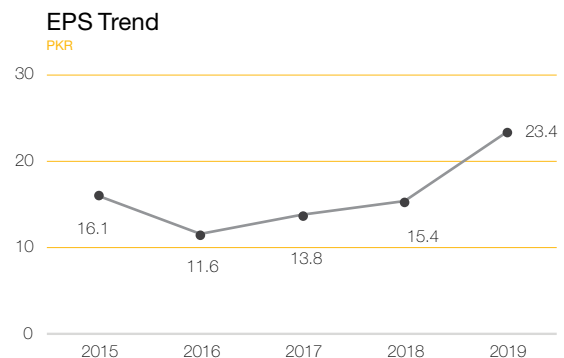
Net Profit

Your company earned Profit Before Tax of 1,070 Million during the current fiscal year, as compared to 426.0 Million reported last year. Similarly, company posted an after tax profit of 858.7 Million as compared to 565.4 Million reported last year. Setting aside accounting treatment of impairment on equity investments; lack of tax credits (availed last year, under section 65/B of Income Tax Ordinance 2001) in current fiscal year resulted in scanty bottom line growth.



Earnings Per Share (EPS)

The earnings Per Share (EPS) of your company for the fiscal year ended June 30, 2019 stood at 23.42 as compared to 15.42 reported last year.



Directors' Report

Dividend & Appropriation

Considering current capital and equity investment plans; the Board has proposed a final cash dividend of PKR 5/- per share subject to approval of shareholders in upcoming Annual General Meeting scheduled to be held on October 28, 2019.

This approach remain in line with your company's commitment to consistently provide sustainable returns to the shareholders. The Breakup value per share for the year is PKR 165.47 (2018: PKR 176.25).

Corporate Social Responsibility (CSR)

Your Company has a proven history and track record of its strong commitment for the improvement of society and communities in which it operates. The primary focus of your company remains in the education sector, health, community development, women empowerment and environment conservation. In current fiscal year your company has spent PKR 3.26 Million for various charitable purposes and community development.

Risk Management

Various risks are being faced by the company and summarized as follow along with mitigating strategies.

Strategic Risks

The strategic risks such as critical availability of gas, electricity and alternate fuels for power generation, and changes in domestic competitive scenario are being continuously monitored. The Company's expansion plans and growth targets are revisited with changing market situation. Changes in macro-economic indicators, inconsistent / arbitrary changes in Government Policies and significant increase in natural gas, electricity and other fuel prices making cost of production substantially higher are also being closely monitored & duly considered. Appropriate mitigation strategies are formulated to reduce the impact of these risks to an acceptable level.

Operational Risks

Business continuity and disaster recovery plans are

in place to ensure that continuity in production and sales operations; in case of major failures and outages to ensure continuity, sustainability and avoid any disruption to the business. Raw material sourcing, adequate segregation of duties, self- sufficiency in power generation at our plants, efficient supply chain and logistic operations have enabled us to mitigate operational risk to an acceptable level.

Financial Risks

One of the major financial risks is the fluctuation of the exchange rate and adverse movements can directly affect our raw material costs and also lead to a rise in manufacturing costs. The Company is aware of this situation and monitors such movements carefully to ensure minimum shocks. Strict financial discipline, cash flow management and investment of available funds in best possible avenues aid us in minimizing Financial Risks.

Compliance Risks

Due to effective compliance with laws and regulations and transparent financial reporting framework, compliance risk posed to the Company remains low. The Board promotes risk management and compliance culture in the Company. Litigation risks involving significant cases against the Company are handled through reputable Law firms with specialized expertise wherever required.

Environmental Footprint

Your Company always takes serious responsibility towards the conservation of Environment in every sphere of its operations. With an effort to further highlight the importance of environment preservation and being a responsible corporate citizen, your Company continued with its tree plantation drive in and around its manufacturing sites and has a considerable attention towards environment protection.

Your Company believes in responsible consumption of valuable resource of water and makes every effort to reduce its usage. By installation of RO plants at our production facilities we ensure conservation of water and simultaneously provision of clean water to our employees round the clock. By using our expertise,

Directors' Report

we at Suraj Cotton remain committed to manage our water usage in an efficient and sustainable manner to support in improvement of access to clean water for communities, wherever possible. We make efforts to restore natural water cycles, benefiting multiple aspects of our value chain and the people and communities we serve.

Code of Corporate Governance

The Directors of your company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations 2017 and the Rule Book of Pakistan Stock Exchange. Your Company has undertaken all necessary steps to ensure Good Corporate Governance and compliance of the Code and we confirm the following:

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.

Proper books of account of the Company have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

The System of Internal Control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.

Statement of pattern of Shareholding has been included as part of this Annual Report.

Key operating and financial data of the last six years in summarized form is annexed.

Directors and Board Meetings

Board of SCML comprise of 7 (Male) Directors. The composition of Board is provided below:

Meetings of the Board of Directors

Sr. No.	Category	Name
1.	Independent Directors	None
2.	Non-Executive Directors	Mr. Khalid Bashir (Chairman) Mr. Amjad Mahmood Mr. Humayun Maqbool Mr. Mohammad Iqbal Mr. Sharik Bashir
3.	Executive Directors	Mr. Nadeem Maqbool (CEO) Mr. Ahsan Bashir Mr. Adil Bashir

Four meetings of the Board of Directors were held during the year 2018-19. Attendance of directors in meetings of BOD is provided as under: However, leave of absence was granted to the Directors who could not attend the Board Meetings due to preoccupations.

Sr. No.	Name of Director	No. of Meetings Attended
1.	Mr. Ahsan Bashir	04
2.	Mr. Amjad Mahmood	04
3.	Mr. Ahsan Bashir	04
4.	Mr. Adil Bashir	04
5.	Mr. Humayun Maqbool	04
6.	Mr. Mohammad Iqbal	04
7.	Mr. Sharik Bashir	02

Directors' Remuneration

The Board of Directors has devised a directive for determination of remuneration. Its salient features are stated as follow:

The company will not pay any remuneration to its Non-Executive Directors except as meeting fee for attending the Board and its Committee Meetings.

Directors' Report

The remuneration of directors & meeting fee for attending meeting of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.

A Director shall be provided or reimbursed for all travelling, boarding, lodging and other expenses incurred by him for attending meetings of the Board, its committees and General Meetings of the company.

Directors' Training Programme

The present BOD elected on April 2, 2019 and six 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 director(s) have duly undergone Directors' Training Programme as specified by CCG.

Board Committees & Meetings

Following are the details of Committees of the Board of SCML and their Meetings.

Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following directors are its members. Four audit committee meetings were held: However, leave of absence was granted to the members who could not attend the meeting(s) due to preoccupations.

Sr. No.	Name of Director	No. Of Meetings Attended
1.	Mr. Humayun Maqbool (Chairman)	03
2.	Mr. Ahsan Bashir	04
3.	Mr. Adil Bashir	04

Human Resource & Remuneration Committee

The Board of Directors in compliance to the Code of Corporate Governance has established a Human Resource & Remuneration Committee, only one meeting was held during the financial year 2018-19. Following is the composition of Human Resource & Remuneration Committee:

Sr. No.	Name of Members	No. of Meetings Attended
1.	Mr. Ahsan Bashir (Chairman)	01
2.	Mr. Humayun Maqbool	01
3.	Mr. Adil Bashir	01

Adequacy of Internal & Financial Controls

The Board of Directors has established an effective system of Internal & Financial Controls that ensure:

Effective and efficient conduct of operations
Safeguarding company assets
Compliance with applicable Laws and Regulations
Reliable Financial Reporting

The independent Internal Audit Function of Suraj Cotton Mills Limited is outsourced to M/s KPMG Taseer Hadi & Co. Chartered Accountants that regularly appraises and monitors the implementation of Standard Operating Procedures and respective financial controls. Internal Audit reports are presented to the Audit Committee quarterly, as per approved Annual Internal Audit Plan. Accordingly, the Audit Committee reviews the effectiveness of the internal control framework and financial statements in its meetings.

Auditors

The financial statements of the company for the current financial year 2018-19 were Audited by M/s E&Y Ford Rhodes & Co. Chartered Accountants. The Auditors will retire at the end of Annual General Meeting. Being eligible, they have offered for re-appointment. Recommendation of BOD will be considered by the members of the company in AGM, for appointment of External Auditors for ensuing year.

Subsequent Events

Material changes or commitments affecting the financial position of the company have not occurred between the end of the financial year and the date of this report.

Pattern of Shareholding

Pattern of shareholding of the Company, as required by section 227 (2)(f) of the Companies Act, 2017 as at

Directors' Report

June 30, 2019 is provided at page no 27 of this report.

Future Outlook

We are presently witnessing an economic slowdown in the world which is being further exacerbated by the America-China trade war. On an almost daily basis we witness changing market scenarios and it has become very difficult to prepare long term projections. China is presently not making significant purchases of our products with the result that there is over supply in the domestic market. However, the depreciation of the Pak rupee has made our downstream products quite competitive so some of this over supply is being absorbed. Pakistan needs to make new investments in the manufacture of finished products but due to imposition of general sales tax, high finance costs and an unpredictable exchange rate, investors are reluctant.

In spite of these uncertainties, your Company has performed well but the cost of doing business is increasing and our liquidity will be further strained due to a high incidence of taxation measures implemented by the government. The need for documentation of the economy should not come at the cost of over burdening those who pay their taxes. With the imposition of general sales tax, an effective and smooth system of refunds should be implemented. Energy costs are another factor which could lead to higher manufacturing costs as utility prices continue to rise.

The new cotton season has started but we do not expect that there will be any significant increase in the size of the crop as the inherent issues highlighted many times by us have not been corrected. Cotton remains short of the industry requirements but import duty has been re-imposed. This will impede our ability to remain competitive as the industry will be forced to pay a higher price for raw materials. We would once again reiterate our demand for a free import-export regime in raw materials as Pakistan does not produce higher staple, contamination free and organic cottons. If we are to continue to develop our product base and be able to supply specialized yarns in the export and domestic markets, we need raw materials at competitive prices. The agricultural sector needs support but this support should come in the form of direct subsidies. The textile industry cannot pay this support and it should be

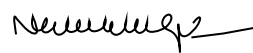
allowed to freely source its raw materials.

Pakistan is currently faced with tremendous economic pressures internally and externally. The manufacturing sector is confronting major challenges due to the economic contraction. The country needs visionary policies for the export sectors as it is only export led growth which will lead to economic revival.

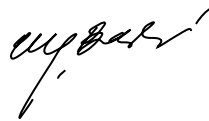
Your company will continue to focus on its core competencies and its managerial expertise to limit the negative effects and continue to try and perform as per the expectations of its stakeholders. We are always looking for new opportunities to diversify and shall keep you apprised of our efforts.

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.



Nadeem Maqbool
Chief Executive



Ahsan Bashir
Director

October 02, 2019
Lahore

ڈائریکٹر رپورٹ

سورج کاٹن لمیٹڈ کا آزاد داخلی آڈٹ عمل میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس سے آڈٹ سروس ہے جو معیاری آپریٹنگ کے طریقہ کار اور متعلقہ مالی کنٹرول کے نفاذ کی باقاعدگی سے جانچ اور نگرانی کرتا ہے۔

داخلی آڈٹ رپورٹس سے ماہی بنیاد پر منظور شدہ سالانہ داخلی آڈٹ پلان کے مطابق آڈٹ کمپنی کے روبرو پیش کی جاتی ہیں۔ اس کے مطابق، آڈٹ کمپنی اپنے اجلاسوں میں داخلی کنٹرول فریم ورک کی موثرگی اور مالیاتی گوشواروں کا جائزہ لیتی ہے۔

آڈیٹرز

موجودہ مالی سال 2018-19ء کے لئے کمپنی کے مالیاتی گوشواروں کا میسرز ای اینڈ وائی فورڈر ہوڈس اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے آڈٹ کیا۔ آڈیٹرز سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ اہل ہونے کی بناء پر، انہوں نے دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ ممبران اپنے آئندہ سالانہ عام اجلاس میں، بورڈ آف ڈائریکٹرز کی سفارشات کو مد نظر رکھتے ہوئے، آئندہ مالی سال کے لئے آڈیٹرز کا انتخاب کریں گے۔

بعد کے واقعات

مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے مابین کمپنی کی مالی حیثیت کو متاثر کرنے والی مادی تبدیلیاں یا وعدے وقوع پذیر نہیں ہوئے ہیں۔

حصص داری کا نمونہ

30 جون 2019ء تک کمپنی کے ایکٹ، 2017ء کے سیکشن (f) 227 کے تحت مطلوبہ کمپنی کے شیئر ہولڈنگ کا نمونہ، رپورٹ کے ساتھ لف ہے۔

مستقبل کا نقطہ نظر

ہم فی الحال دنیا میں معاشی سست روی کا مشاہدہ کر رہے ہیں جسے امریکہ چین کی تجارتی جنگ نے مزید بڑھا دیا ہے۔ تقریباً روزانہ کی بنیاد پر ہم بدلتے ہوئے مارکیٹ کے منظر ناموں کا مشاہدہ کرتے ہیں اور طویل مدتی منصوبوں کو تیار کرنا بہت مشکل ہو گیا ہے۔ چین اس وقت ہماری مصنوعات کی خاطر خواہ خریداری نہیں کر رہا ہے جس کے نتیجے میں مقامی مارکیٹ میں رسد زیادہ ہے۔ تاہم، پاکستانی روپیہ کی قدر میں کمی نے ہماری مصنوعات کو کافی مسابقتی بنا دیا ہے لہذا اس سے کچھ وافر پلائی جذب ہو رہی ہے۔ پاکستان کو تیار مصنوعات کے مینوفیکچر میں نئی سرمایہ کاری کرنے کی ضرورت ہے لیکن جزل سٹریٹجکس کے نفاذ، مالی اخراجات میں اضافہ اور غیر متوقع شرح تبادلہ کی وجہ سے سرمایہ کار پچھلے ہیں۔

ان غیر یقینی صورتحال کے باوجود، آپ کی کمپنی نے عمدہ کارکردگی کا مظاہرہ کیا ہے لیکن ملک میں کاروبار کرنے کے اخراجات میں اضافہ ہو رہا ہے اور حکومت کی طرف سے ٹیکس عائد کرنے کے اقدامات کی وجہ سے ہماری لیکویڈیٹی مزید کم ہو گئی۔ معیشت کی دستاویزات کی ضرورت کا بوجھ ان لوگوں پر نہیں ڈالنا چاہئے جو ٹیکس ادا کرتے ہیں۔ عام سٹریٹجکس کے نفاذ کے ساتھ، رقم کی واپسی کا ایک مؤثر اور ہموار نظام نافذ کیا جانا چاہئے۔ توانائی کے اخراجات ایک اور عنصر ہے جو مینوفیکچرنگ کی قیمتوں میں اضافے کا باعث بن سکتے ہیں کیونکہ بلوں کی قیمتوں میں اضافہ جاری ہے۔

کپاس کا نیا سیزن شروع ہو چکا ہے لیکن ہمیں توقع نہیں ہے کہ فصل کے سائز میں کوئی خاص اضافہ ہوگا کیونکہ ہمارے ذریعہ کی بارنمایاں کردہ موثری امور درست نہیں ہوئے ہیں۔ کپاس صنعت کی ضروریات سے کم رہی ہے لیکن درآمدی ڈیوٹی دوبارہ نافذ کر دی گئی ہے۔ اس سے ہماری مسابقتی رہنے کی صلاحیت میں رکاوٹ پیدا ہوگی کیونکہ صنعت خام مال کی زیادہ قیمت ادا کرنے پر مجبور ہوگی۔ ہم ایک بار پھر خام مال میں آزاد درآمدی برآمدی نظام کے مطالبے کا اعادہ کریں گے کیونکہ پاکستان اعلیٰ سٹیپل، آلودگی سے پاک اور نامیاتی کاٹن پیدا نہیں کرتا ہے۔ اگر ہم اپنی پروڈکٹ میں کو جاری رکھنا چاہتے ہیں اور برآمدی اور مقامی مارکیٹوں میں خصوصی یارن کی فراہمی کے قابل ہونا چاہتے ہیں تو ہمیں مسابقتی قیمتوں پر خام مال کی ضرورت ہوگی۔ زرعی شعبے کو تعاون کی ضرورت ہے لیکن یہ تعاون براہ راست سبسڈی کی شکل میں آنا چاہئے۔ ٹیکسٹائل کی صنعت یہ معاونت نہیں کر سکتی ہے اور اسے اپنے خام مال کو آزادانہ طور پر حاصل کرنے کی اجازت ہونی چاہئے۔

پاکستان کو اس وقت اندرونی اور بیرونی طور پر زبردست معاشی دباؤ کا سامنا ہے۔ مینوفیکچرنگ کا شعبہ معاشی کمی کی وجہ سے بڑے چیلنجوں کا مقابلہ کر رہا ہے۔ ملک کو برآمدی شعبوں کے لئے وڈزری پالیسیوں کی ضرورت ہے کیونکہ یہ صرف برآمدی قیادت میں نموبی ہے جو معاشی بحالی کا باعث بنے گی۔

کمپنی مفتی اثرات کو محدود کرنے کے لئے اپنی بنیادی صلاحیتوں اور انتظامی مہارت پر توجہ مرکوز جاری رکھے گا اور اپنے اسٹیک ہولڈرز کی توقعات کے مطابق کام سرانجام دینے کی کوشش کرتی رہے گی۔ ہم ہمیشہ تنوع کے نئے مواقع تلاش کرتے ہیں اور آپ کو اپنی کوششوں سے آگاہ کرتے رہیں گے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز کی جانب سے، میں اپنے تمام شراکت داروں اور ملازمین کی مسلسل حمایت شکر یہ ادا کرتا ہوں۔ ہم بورڈ آف ڈائریکٹرز کی قابل قدر بصیرت اور رہنمائی کے بھی شکر گزار ہیں۔

ڈائریکٹر

چیف ایگزیکٹو

لاہور

10 اکتوبر 2019ء

ڈائریکٹر رپورٹ

نمبر شمار	نام ڈائریکٹر	اجلاس میں حاضری
1	جناب خالد بشیر	04
2	جناب امجد محمود	04
3	جناب احسن بشیر	04
4	جناب عادل بشیر	04
5	جناب ہمایوں مقبول	04
6	جناب محمد اقبال	04
7	جناب شارق بشیر	02

تاہم، ڈائریکٹر جو مشغولیت کے باعث بورڈ کے اجلاسوں میں شرکت نہیں کر سکے کو عدم شرکت کی چھٹی دی گئی۔

ڈائریکٹر کا معاوضہ

بورڈ آف ڈائریکٹر نے معاوضہ کے تعین کے لئے ایک ہدایت تیار کی ہے۔ اس کی نمایاں خصوصیات مندرجہ ذیل ہیں:
کمپنی اپنے نان ایگزیکٹو ڈائریکٹر کو بورڈ اور اس کی کمیٹی کے اجلاسوں میں شرکت کے لئے میٹنگ فیس کے علاوہ کسی بھی معاوضے کی ادائیگی نہیں کرے گی۔
بورڈ آف ڈائریکٹر مالیا کی کمیٹیوں کے اجلاس میں شرکت کے لئے ڈائریکٹر کا معاوضہ اور میٹنگ فیس کا وقتاً فوقتاً تعین کیا جائے گا اور بورڈ آف ڈائریکٹر اس کی منظوری دیں گے۔
بورڈ کے اجلاسوں، اس کی کمیٹیوں اور کمپنی کے عمومی اجلاسوں میں شرکت کے لئے تمام سفر، بورڈنگ، رہائش اور دیگر اخراجات مہیا یا معاوضہ دیا جائے گا۔

ڈائریکٹر کا تربیتی پروگرام

12 اپریل 2019 کو منتخب ہونے والے موجودہ BOD اور سات میں سے چھ ڈائریکٹر 14 سالہ تعلیم اور درج کمپنیوں کے بورڈ میں 15 سالہ تجربہ کی بدولت ڈائریکٹر کے ٹریننگ پروگرام سے مستثنیٰ ہیں۔
بقیہ ڈائریکٹر نے CCG کی مخصوص کردہ ڈائریکٹر کی باقاعدہ تربیت حاصل کی ہے۔

بورڈ کی کمیٹیاں اور اجلاس

SCML کے بورڈ کی کمیٹیوں اور ان کے اجلاسوں کی تفصیلات مندرجہ ذیل ہیں۔

آڈٹ کمیٹی

کوڈ کارپورٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹر نے ایک آڈٹ کمیٹی قائم کی ہے اور مندرجہ ذیل ڈائریکٹر اس کے رکن ہیں۔ آڈٹ کمیٹی کے چار اجلاس ہوئے:

نمبر شمار	نام ڈائریکٹر	اجلاس میں حاضری
1	جناب ہمایوں مقبول (چیئر مین)	03
2	جناب احسن بشیر	04
3	جناب عادل بشیر	04

تاہم، ڈائریکٹر جو مشغولیت کے باعث بورڈ کے اجلاسوں میں شرکت نہیں کر سکے کو عدم شرکت کی چھٹی دی گئی۔

ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی

بورڈ آف ڈائریکٹر نے کوڈ آف کارپورٹ گورننس کی تعمیل میں ایک ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی قائم کی ہے، مالیاتی سال 2018-19 کے دوران صرف ایک اجلاس منعقد ہوا۔ ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی کی تشکیل مندرجہ ذیل ہے:

نمبر شمار	نام ارکان	اجلاس میں حاضری
1	جناب احسن بشیر (چیئر مین)	01
2	جناب ہمایوں مقبول	01
3	جناب عادل بشیر	01

داخلی اور مالیاتی کنٹرول

بورڈ آف ڈائریکٹر نے داخلی اور مالیاتی کنٹرولز کا ایک مؤثر نظام قائم کیا ہے جو یقینی بناتا ہے کہ:

- آپریشنوں کا کارگراؤ مؤثر انعقاد۔
- کمپنی کے اثاثوں کی حفاظت کرنا۔
- قابل اطلاق قوانین و ضوابط کی تعمیل۔
- قابل اعتماد مالیاتی رپورٹنگ۔

ڈائریکٹر رپورٹ

ماحولیاتی اثرات

آپ کی کمپنی اپنے ہر شعبہ میں ماحولیات کے تحفظ کے لئے ہمیشہ سنجیدہ ذمہ دار ہے۔ ماحولیاتی تحفظ کی اہمیت کو مزید اجاگر کرنے اور ایک ذمہ دار کارپوریٹ شہری ہونے کی کوشش کے ساتھ، آپ کی کمپنی نے اپنی مینوفیکچرنگ سائنس میں اور اس کے ارد گرد درختوں کی شجرکاری ہم جاری رکھی ہوئی ہے اور ماحولیاتی تحفظ کی طرف خاطر خواہ توجہ دی ہے۔

آپ کی کمپنی پانی کے قیمتی وسائل کے ذمہ دارانہ استعمال پر یقین رکھتی ہے اور اس کے استعمال کو کم کرنے کے لئے ہر ممکن کوشش کرتی ہے۔ اپنی پیداواری سہولیات پر آرو پلائس کی تنصیب سے ہم پانی کے تحفظ کو یقینی بناتے ہیں اور ساتھ ہی ساتھ اپنے ملازمین کو چوبیس گھنٹے صاف پانی کی فراہمی کو یقینی بناتے ہیں۔ اپنی مہارت کو بروئے کار لاتے ہوئے، ہم سورج کاٹن میں اپنے پانی کے استعمال کو موثر اور پائیدار انداز میں منظم کرنے کے لئے پُر عزم ہیں تاکہ جہاں بھی ممکن ہو، کیونٹیز کی صاف پانی تک رسائی کی بہتری میں معاون ہوں۔ ہم قدرتی آبی چکر کی بحالی، اپنی ویلیو چین کے متعدد پہلوؤں اور لوگوں اور کمیونٹیز کو فائدہ پہنچانے کے لئے کوشاں ہیں ہم خدمت کرتے ہیں۔

کوڈ آف کارپوریٹ گورننس

کمپنی کے ڈائریکٹر لڈیکمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 اور پاکستان سٹاک ایکسچینج کمیشن پاکستان کی رول بک کے تحت اپنی ذمہ داریوں سے آگاہ ہیں کمپنی نے اچھے کارپوریٹ گورننس اور کوڈ کی تعمیل کو یقینی بنانے کے لئے تمام ضروری اقدامات اٹھائے ہیں۔

ڈائریکٹر نوٹیفکیشن کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر کمپنیز ایکٹ 2017 کے مطابق ظاہر کیا گیا ہے۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- داخلی کنٹرول کا اندرونی آڈٹ اور اس طرح کے دیگر طریقہ کار کے ذریعے مسلسل جائزہ لیا جا رہا ہے۔ جائزہ کا عمل جاری رہے گا اور کنٹرول میں کسی کمزوری کو ختم کیا جائے گا۔
- کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- فہرست قوانین میں تفصیلی، کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- ٹیکس، ڈیوٹیز، لیويز اور چارجز کی مد میں کوئی قانونی ادائیگیاں، اگر کوئی ہوں، جو بقایا ہوں، کامیابی حسابات میں واضح انکشاف کیا گیا ہے؛
- شیئرز ہولڈنگ کے نمونہ کا بیان اس سالانہ رپورٹ کے ایک حصہ کے طور پر شامل کیا گیا ہے۔
- گزشتہ چھ سالوں کا کلیدی آرٹیکلنگ اوصاف مالیاتی ڈیٹا مختصر منسلک ہے۔

ڈائریکٹر اور بورڈ کے اجلاس

SCML کا بورڈ 7 (مرد) ڈائریکٹر پر مشتمل ہے۔ بورڈ کی تفصیل مندرجہ ذیل ہے:

نمبر شمار	کلیئر	نام
1	آزاد ڈائریکٹر	کوئی نہیں
2	نان ایگزیکٹو ڈائریکٹر	جناب خالد بشیر (چیئر مین)
3	نان ایگزیکٹو ڈائریکٹر	جناب امجد محمود
4	نان ایگزیکٹو ڈائریکٹر	جناب ہمایوں مقبول
5	نان ایگزیکٹو ڈائریکٹر	جناب محمد اقبال
6	نان ایگزیکٹو ڈائریکٹر	جناب شارق بشیر
7	ایگزیکٹو ڈائریکٹر	جناب ندیم مقبول (سی ای اے)
8	ایگزیکٹو ڈائریکٹر	احسن بشیر
9	ایگزیکٹو ڈائریکٹر	عادل بشیر

بورڈ آف ڈائریکٹر کے اجلاس اور انتخاب

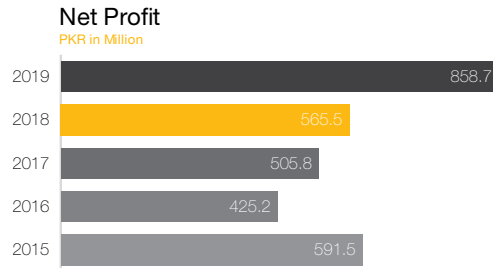
زیر جائزہ سال 2018-19 کے دوران بورڈ آف ڈائریکٹر کے چار (4) اجلاس منعقد ہوئے۔

بورڈ کے ارکان کی حاضری مندرجہ ذیل ہے:

ڈائریکٹر رپورٹ

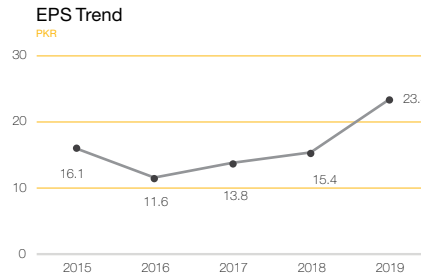
خالص منافع

آپ کی کمپنی نے گزشتہ سال 426.0 ملین روپے کے مقابلے موجودہ مالیاتی سال کے دوران ٹیکس سے قبل منافع 1,070 ملین روپے کمایا۔ اسی طرح کمپنی نے ٹیکس کے بعد منافع 858.7 ملین روپے درج کیا جو کہ گزشتہ سال 565.4 ملین روپے تھا۔ ایکویٹی سرمایہ کاری پر ایمپیز منٹ کے حساب کو ایک طرف رکھتے ہوئے، موجودہ سال میں ٹیکس کریڈٹ (انکم ٹیکس آرڈیننس 2001 کی دفعہ 65/B کے تحت گزشتہ سال دستیاب) کے فقدان کے نتیجے میں منافع کی بہت کم نمو ہوئی۔



فی شیئر آمدنی (EPS)

30 جون 2019 مختتمہ مالیاتی سال کے لئے آپ کی کمپنی کی فی شیئر (EPS) آمدنی 23.42 روپیہ جو کہ گزشتہ سال 15.42 روپیہ کی گئی تھی۔



تقسیم منافع اور مصروفیات

موجودہ سرمایہ اور ایکویٹی منصوبہ بندی کے مد نظر، بورڈ نے 28 اکتوبر 2019 کو منعقد ہونے والے آئندہ سالانہ اجلاس عام میں حصص داران کی منظوری کے حوالہ سے 5 روپے فی شیئر حتمی نقد منافع منقسمہ تجویز کیا ہے۔ یہ نقد منافع کمپنی کے حصص یافتگان کو مستقل مستحکم منافع فراہم کرنے کے عزم کے مطابق ہے۔ سال کے لئے فی حصص کی بریک اپ ویلیو 165.47 روپے (2018: 176.25 روپے) ہے۔

کارپوریٹ سماجی ذمہ داری (CSR)

آپ کی کمپنی سوسائٹی اور کمیونٹی میں وہ کام کرتی ہے کہ بہتری کے ساتھ اپنی گہری وابستگی کی ایک ثابت شدہ تاریخ اور ٹریک ریکارڈ رکھتی ہے۔ آپ کی کمپنی کی بنیادی توجہ شعبہ تعلیم، صحت، معاشرتی ترقی، خواتین کو بااختیار بنانے اور ماحولیاتی تحفظ میں مرکوز رہتی ہے۔ موجودہ مالی سال میں کمپنی نے مختلف رفاهی مقاصد اور معاشرتی ترقی کے لئے 3.26 ملین روپے خرچ کیے ہیں۔

خطرے کی تخفیف

کمپنی کو مختلف قسم کے خطرات لاحق ہیں اور تخفیفی حکمت عملیوں کے ساتھ خلاصہ مندرجہ ذیل ہے:

اسٹریٹجک خطرات

اسٹریٹجک خطرات جیسے کہ بجلی پیدا کرنے کے لئے گیس، بجلی اور متبادل ایندھن کی فراہمی، اور مقامی مسابقتی منظر نامے میں تبدیلیوں کی مستقل نگرانی کی جارہی ہے۔ مارکیٹ کی بدلتی صورتحال کے ساتھ کمپنی کے توسیعی منصوبوں اور نمو کے اہداف پر دوبارہ غور کرنا کی گئی ہے۔ سیکر و معاشی اشاروں میں بدلاؤ، حکومتی پالیسیوں میں متغیر صوابدیدی تبدیلیاں اور قدرتی گیس، بجلی اور دیگر فیول کی قیمتوں میں نمایاں اضافے سے پیداوار کی لاگت میں خاطر خواہ اضافہ ہوا ہے اور اس کی گہری نگرانی اور باقاعدہ غور بھی کیا جا رہا ہے۔ ان خطرات کے اثرات کو قابل قبول سطح تک کم کرنے کے لئے مناسب تخفیف کی حکمت عملی مرتب کی گئی ہے۔

آپریشنل رسک

کاروباری تسلسل اور تباہی کی بحالی کے منصوبے زیر عمل ہیں تاکہ پیداوار اور فروخت کے کاموں میں تسلسل کو یقینی بنایا جاسکے۔ اہم ناکامیوں اور بندش کی صورت میں تسلسل، استحکام اور کاروبار میں کسی قسم کی رکاوٹ سے بچنے کو یقینی بنانا۔ خام مال کی سوریسگ، فراہمی کی مناسب تفریق، ہمارے پلائنٹوں میں بجلی کی پیداوار میں خود کفالت، موثر سپلائی چین اور لاجسٹک آپریشنوں نے ہمیں قابل قبول سطح پر آپریشنل رسک کو کم کرنے میں مدد فراہم کی ہے۔

مالی خطرات

ایک بہت اہم مالی خطرہ زرمبادلہ کی شرح میں اتار چڑھاؤ ہے اور منفی محرکات براہ راست ہمارے خام مال کے اخراجات کو متاثر کر سکتی ہیں اور مینوفیکچرنگ لاگت میں اضافے کا باعث بھی بن سکتی ہیں۔ کمپنی اس صورتحال سے واقف ہے اور کم از کم شاکس یقینی بنانے کے لئے اس طرح کی محرکات پر نظر رکھتی ہے۔ سخت مالی نظم و ضبط، پیش فلو منجسٹ اور دستیاب فنڈز کی بہترین سرمایہ کاری سے ہمیں مالی خطرات کو کم سے کم کرنے میں مدد ملی ہے۔

تعمیل کے خطرات

قوانین اور ضوابط کی موثر تعمیل اور شفاف مالیاتی رپورٹنگ فریم ورک کی وجہ سے، کمپنی کو درپیش تعمیل کے خطرہ کو کم کیا ہے۔ بورڈ کمپنی میں رسک منجسٹ اور تعمیل کے کلچر کو فروغ دیتا ہے۔ کمپنی کے خلاف اہم مقدمات میں ملوث قانونی چارہ جوئی کے خطرات کو جہاں بھی ضرورت ہو خصوصی ماہر معروف لاہرموں کے ذریعہ ہینڈل کیا جاتا ہے۔

ڈائریکٹر رپورٹ

مالیاتی نتائج

30 جون 2019 کو ختم ہونے والے مالیاتی سال کے لئے کمپنی کی مالیاتی کارکردگی کا گزشتہ سال سے موازنہ مندرجہ ذیل ہے:-

آمدنی کی تفصیل	2019	2018	فیصد تبدیلی
	پاکستانی روپے ملین میں		
فروخت	13,974	11,096	25.93 فیصد
مجموعی منافع	1,595	914	74.56 فیصد
آپریٹنگ منافع	1,254	577	117.55 فیصد
مالی لاگت	(184)	(151)	22.40 فیصد
ٹیکس سے قبل منافع	1,070	426	151.19 فیصد
ٹیکسیشن	(211)	139	(251.53) فیصد
خالص منافع	859	565	51.87 فیصد
فی شیئر آمدنی (EPS)	23.42	15.42	

آمدنی

زیر جائزہ سال میں، ہماری خالص فروخت گزشتہ سال سے 25.93 فیصد بڑھ کر 13,974 ملین روپے ہو گئی۔ یہ بنیادی طور پر روپیہ کی قدر میں کمی کی وجہ سے پیداوار کی زیادہ قیمتوں سے منسوب ہے۔

فروخت کی لاگت

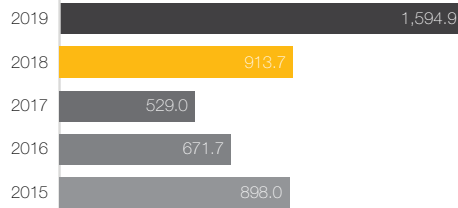
زیر جائزہ مالیاتی سال 2018-19 کے دوران، فروخت کی لاگت گزشتہ سال کے مقابلے میں تیار کردہ ایران کی 22.71 فیصد فی بیگ اور فیبرک کی 8.05 فیصد تک بڑھ گئی۔ یہ اضافہ بنیادی طور پر کپاس کی اجناس اور ایندھن کی قیمت میں متغی شرح تبادلے کی برابری اور مارکیٹ پر مبنی اضافے کی وجہ سے تھا، جس کے نتیجے میں خام مال مہنگا اور بجلی کے اخراجات زیادہ ہوئے ہیں۔

مجموعی منافع

آپ کی کمپنی نے گزشتہ سال 8.23 فیصد کے مقابلے میں زیر جائزہ مالیاتی سال کے لئے 11.41 فیصد مجموعی منافع مارجن حاصل کیا، اضافہ بنیادی طور پر اسکیل کی معیشتوں اور موثر منصوبہ بندی اور ذرائع کے انتظامات سے منسوب ہے۔

Gross Profit

PKR in Million



آپریٹنگ اخراجات

زیر جائزہ سال کے لئے، آپریٹنگ اخراجات میں 0.83 فیصد کا معمولی اضافہ ہوا۔ ایڈمنسٹریشن اور ڈسٹری بیوٹن لاگت کا رجحان پچھلے سال کے اخراجات اور اس سال کے کاروباری رجحانات سے ہم آہنگ رہا۔

تاہم، IFRS-9 کے نافذ العمل ہونے سے مختلف حصص میں سرمایہ کاری کی درجہ بندی تبدیل کی گئی۔ نتیجتاً امپئیر منٹ کی ایک بڑی مقدار کو دیگر جامع آمدنی کے ذریعے چارج کر دیا گیا، جس کی وجہ سے ہمیں

آپریٹنگ اخراجات کو گزشتہ سال کی سطح پر برقرار رکھنے اور صحتمند زیر سال کی شرح نمونہ میں مدد ملی۔

اگرچہ پچھلے سال کی مشق کوڈ ہرایا جاتا تھا، تو اس کے نتیجے میں محولہ ایکوٹی سرمایہ کاری پر امپئیر منٹ کی وجہ سے آپریٹنگ اخراجات میں 63.19 فیصد اضافہ ہو جاتا تھا۔ نمایاں امپئیر منٹ بنیادی طور پر گزشتہ ایک سال کے دوران پاکستان اسٹاک ایکسچینج کی ناقص کارکردگی سے منسوب ہے، جہاں انڈیکس میں 137.8 پوائنٹس کی کمی واقع ہوئی ہے اور مارکیٹ میں 19.41 فیصد سرمائے کی کمی ہوئی ہے۔

مالی لاگت

پیداوار میں اضافہ اور فروخت کی تعداد بہتر کاروباری کارکردگی، مسلسل BMR سرگرمیاں، موثر منصوبہ بندی، مارٹنگ کروڈ اور سخت کنٹرولز کے نفاذ سے منسوب ہیں۔

زیر جائزہ سال میں کمپنی کی مالی لاگت میں 22.4 فیصد اضافہ ہوا۔ اس اضافہ کے باوجود، ہم تسلیم کرتے ہیں کہ کمپنی اسی مدت کے دوران پالیسی شرح میں 610 bps (81 فیصد اوپر کی طرف) اضافہ کو مد نظر رکھتے ہوئے، اپنے مالی معاملات کو اچھی طرح سے سنبھالا۔

ڈائریکٹر رپورٹ

"ڈائریکٹر کی جانب سے، میں 30 جون 2019ء کو ختم ہونے والے سال کے لئے کمپنی کی کاروباری اور مالیاتی کارکردگی پیش کرتے ہوئے خوشی محسوس کر رہا ہوں"

چائزہ

ٹیکسٹائل کی صنعت کو کاروبار کرنے کے چار اخراجات میں اضافہ اور آمدات میں کمی کی کے باعث چیلنجوں کا سامنا کرنا پڑا۔ تاہم، زیر جائزہ مدت کے دوران ہماری مسابقت میں اضافہ ہوا اور ہماری کرنسی کی قدر میں کمی کی وجہ سے علاقائی حریفوں کے مساوی بن گئی۔ دوسری طرف، کرنسی کی گراوٹ نے ہمارے مینوفیکچرنگ اخراجات پر اضافی دباؤ ڈالا اور کم مارجن کا باعث بنی۔ مجموعی معاشی دباؤ اور مارجن کی کمی پر غور کرتے ہوئے، موثر منصوبہ بندی اور غیر معمولی انتظامات نے آپ کی کمپنی کو 1,254 ملین روپے کا آپریٹنگ منافع درج کرنے کے قابل کر دیا جو گزشتہ سال سے 117.7 فیصد زیادہ ہے۔ یہ نتائج ہماری مصنوعات کی قیمتوں میں اضافے، وسائل کے بہتر استعمال، سکیل کی معیشتوں اور IFRS-9 کے نفاذ کی وجہ سے خرابی کی بحالی کے عکاس بھی ہیں۔ اس کے باوجود، رواں سال ٹیکس کریڈٹ کی عدم دستیابی اور مالی اخراجات میں اضافہ خرابی کی بحالی کے نتیجے پچھلے سال کے مقابلے میں ٹیکس کے بعد منافع 858.7 ملین روپے درج کر کے ایک مرتبہ چھتند زبریں لائن کی نمونہ 52.04 فیصد ہوئی ہے۔ اس مدت کے لئے فی شخص آمدنی 23.42 روپے (2018: 15.42 روپے) رہی۔

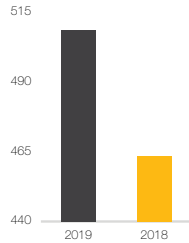
کاروباری کارکردگی

ٹیکسٹائل کاروبار میں ہونے کی وجہ سے آپ کی کمپنی بنیادی طور پر یارن اور گرے فبیرک بنانے کے کاروبار میں مصروف ہے۔ 30 جون 2019ء کو ختم ہونے والے موجودہ مالیاتی سال کے لئے آپ کی کمپنی کے پیداواری اور فروخت کے اعداد و شمار گزشتہ سال سے موازنہ مندرجہ ذیل ہے:

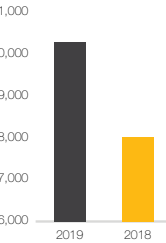
پیداوار کا خلاصہ

اشیاء	اکائی	2019	2018	نمو/ (کمی)
		مقدار '000' میں	مقدار '000' میں	
یارن کی پیداوار	بیگز	509	463	9.82 فیصد
فبیرک کی پیداوار	میٹر	30,276	28,011	8.09 فیصد

Yarn Production
(Bags in '000')



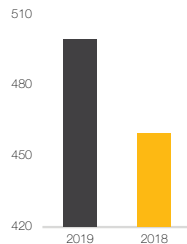
Fabric Production
(Meters in '000')



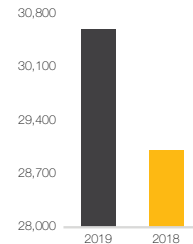
سیلز کا خلاصہ

اشیاء	اکائی	2019	2018	نمو/ (کمی)
		مقدار '000' میں	مقدار '000' میں	
یارن کی پیداوار	بیگز	499	459	8.70 فیصد
فبیرک کی پیداوار	میٹر	30,601	29,010	5.49 فیصد

Yarn Sales
(Bags in '000')



Fabric Sales
(Meters in '000')



پیداوار میں اضافہ اور فروخت کی تعداد بہتر کاروباری کارکردگی، مسلسل BMR سرگرمیاں، موثر منصوبہ بندی، لانگ کرڈ اور سخت کنٹرولز کے نفاذ سے منسوب ہیں۔

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2018

SURAJ COTTON MILLS LIMITED

Year ended June 30, 2019

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

1. The total number of directors are seven as per the following:

a	Male:	Seven
b	Female:	None

2. The composition of board is as follows:

a)	Independent Directors	None
b)	Non-Executive Director	Mr. Khalid Bashir Mr. Amjad Mahmood Mr. Humayun Maqbool Mr. Mohammad Iqbal Mr. Sharik Bashir
c)	Executive Directors	Mr. Ahsan Bashir Mr. Adil Bashir Mr. Nadeem Maqbool

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

10. CFO and CEO duly endorsed the financial statements before approval of the board.

11. The board has formed committees comprising of members given below:

- a) Audit Committee (Name of members and Chairman)

Mr. Humayun Maqbool	Chairman
Mr. Ahsan Bashir	Member
Mr. Adil Bashir	Member

- b) HR and Remuneration Committee (Name of members and Chairman)

Mr. Ahsan Bashir	Chairman
Mr. Adil Bashir	Member
Mr. Humayun Maqbool	Member

12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

13. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee	04
b) HR & Remuneration Committee	01

14. The board has set up an effective internal audit function by appointing Head of Internal Audit and has outsourced the internal audit function to KPMG Taseer Hadi & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

Statement of Compliance with the Best Practices of Corporate Governance

15. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.
16. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
17. We confirm that all other requirements of the Regulations have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by next accounting year:
 - a. There is no Independent Director as required by Clause 6 (1) of the Code of Corporate Governance.
 - b. The majority of the members of Audit Committee are not Non-Executive Directors as required by Clause 28 (a) of the Code of Corporate Governance.
 - c. The majority of the members of Human Resource and Remuneration (HR&R) Committee are not Non-Executive Directors as required by Clause 29 (1) of the Code of Corporate Governance.

KHALID BASHIR

(Chairman)

Pattern of Shareholding

As at June 30, 2019

No. of Shareholders	Shareholding		Total Shares held
	From	To	
206	1	100	7,423
180	101	500	47,886
82	501	1,000	57,488
144	1,001	5,000	273,783
32	5,001	10,000	226,865
16	10,001	15,000	192,309
6	15,001	20,000	101,822
7	20,001	25,000	156,208
7	25,001	30,000	191,778
8	30,001	35,000	257,554
1	45,001	50,000	45,836
1	50,001	55,000	52,161
1	60,001	65,000	61,117
1	65,001	70,000	67,229
2	70,001	75,000	143,857
1	80,001	85,000	83,342
1	90,001	95,000	90,909
1	120,001	125,000	123,505
1	125,001	130,000	127,328
1	145,001	150,000	147,701
1	180,001	185,000	183,637
1	215,001	220,000	217,215
2	240,001	245,000	485,332
1	295,001	300,000	298,053
1	325,001	330,000	327,146
1	360,001	365,000	362,980
1	420,001	425,000	420,928
1	460,001	465,000	463,021
1	735,001	740,000	735,404
1	785,001	790,000	787,086
1	1,025,001	1,030,000	1,027,812
1	1,105,001	1,110,000	1,107,861
1	1,160,001	1,165,000	1,161,449
1	1,220,001	1,225,000	1,222,170
1	1,255,001	1,260,000	1,255,333
1	1,685,001	1,690,000	1,686,900
1	2,150,001	2,155,000	2,151,208
1	2,545,001	2,550,000	2,549,421
1	2,725,001	2,730,000	2,726,833
1	15,045,001	15,050,000	15,045,422
720			36,671,312

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE

As at June 30, 2019

Categories of Shareholders	Total	Percentage
Directors, Chief Executive Officer, Their Spouses and Minor Children		
Chief Executive		
Mr. Nadeem Maqbool	138,368	0.38
Directors		
Mr. Adil Bashir	2,561,621	6.99
Mr. Ahsan Bashir	2,151,208	5.87
Mr. Amjad Mahmood	16,105	0.04
Mr. Humayun Maqbool	28,770	0.08
Mr. Khalid Bashir	1,686,900	4.60
Mr. Muhammad Iqbal	183,637	0.50
Mr. Sharik Bashir	3,478	0.01
Director's Spouses and Their Minor Children		
Mrs. Tanveer Khalid Bashir (W/o Khalid Bashir)	1,107,861	3.02
Mrs. Humera Iqbal (W/o Mr. Muhammad Iqbal)	2,726,833	7.44
Mrs. Naheed Amjad (W/o Mr. Amjad Mahmood)	37,883	0.10
Mrs. Naziz Maqbool (W/o Mr. Nadeem Maqbool)	21,591	0.06
	10,664,255	29.08
Associated Companies, Undertakings & Related Parties		
Crescent Powertec Limited	16,206,871	44.19
Premier Insurance Limited	1,222,170	3.33
	17,429,041	47.53
NIT & ICP (Name Wise Detail)		
CDC - Trustee National Investment (Unit) Trust	790,679	2.16
	790,679	2.16
Banks, NBFCs, DFIs, Takaful, Pension Funds	246,021	0.67
Insurance Companies	14	0.00
Other Companies, Corporate Bodies, Trust etc.	2,404,151	6.56
General Public	5,137,151	14.01
	36,671,312	100.00
Shareholders More Than 5.00%		
Crescent Powertec Limited	16,206,871	44.19
Mr. Adil Bashir	2,726,833	7.44
Mrs. Humera Iqbal (W/o Mr. Muhammad Iqbal)	2,561,621	6.99
Mr. Ahsan Bashir	2,151,208	5.87

Detail of Purchase /Sale of shares by Directors/CEO/Company Secretary/CFO and their Spouses / Minor Children during 2019

380441 shares purchased by Mrs. Humera Iqbal
31335 shares purchased by Mr. Ahsan Bashir
12200 shares purchased by Mr. Adil Bashir
11499 shares purchased by Mr. Nadeem Maqbool



Financial Statements

For the year ended 30 June 2019

Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

To the members of Suraj Cotton Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Suraj Cotton Mills Limited** (the Company) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As part of our audit of 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 Director's statement on internal control covers all the risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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 procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

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

Paragraph Reference	Description
1	The Company has no female director on its board as required by regulation (7) of the Regulations.
2	There is no independent director as required by the regulation 6((1) of the Regulations.
12	Only one member of the Audit Committee is non-executive director which is non-compliance of the regulation 28 (a) of the Regulations.
12	The majority of the members of Human Resource and Remuneration (HR&R) Committee are not non-executive director as required by regulation 29 (1) of the Regulations.



Chartered Accountants

Engagement Partner: Sajjad Hussain Gill
EY Ford Rhodes

Lahore: 07 October 2019

Independent Auditors' Report to The Members

TO THE MEMBERS OF SURAJ COTTON MILLS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of Suraj Cotton Mills Limited ("the Company") which comprise the statement of financial position as at 30 June 2019 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
1. Valuation of stock in trade:	
As disclosed in Note 21 to the accompanying financial statements, stock in trade balance constitutes 26% of total assets of the Company as at 30 June 2019.	We performed a range of audit procedures with respect to inventory items which included, amongst others obtaining understanding of Company's valuation process including internal controls in place at transaction level.
The cost of work in process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads.	We tested valuation methods and their appropriateness in accordance with the applicable accounting standards.

Independent Auditors' Report to The Members

Key Audit Matter	How the matter was addressed in our audit
We focused on stock in trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.	<p>We tested the calculation of per unit cost of finished goods and WIP and assessed the appropriateness of management basis for the allocation of cost and production overheads.</p> <p>We performed physical verification of inventory at year end.</p> <p>We also assessed the adequacy of the disclosures made in respect of the accounting policies and details of inventory balances held by the Company at the year end.</p>
2. First time adoption of IFRS 9 - Financial Instruments	
<p>As referred to in Note 22 to the accompanying financial statements, the Company has adopted IFRS 9 with effect from 01 July 2018. The new standard requires the Company to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company.</p> <p>Determination of ECL provision for trade debts requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.</p> <p>We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.</p>	<p>Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates.</p> <p>Further, we assessed the integrity and quality of the data used for ECL computation based on the accounting records and information system of the Company.</p> <p>We tested the mathematical accuracy of the ECL model by performing recalculation on test basis.</p> <p>In addition to above, we assessed the adequacy of disclosures in the financial statements of the Company regarding application of IFRS 9 as per the requirements of the above standard</p>

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Upon reading the other information, if we conclude that

there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable,

Independent Auditors' Report to The Members

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

estimates and related disclosures made by management.

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

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

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

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

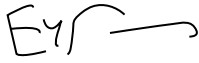
Report on Other Legal and Regulatory Requirements

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

Independent Auditors' Report to The Members

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Sajjad Hussain Gill.



Chartered Accountants

Engagement Partner: Sajjad Hussain Gill
EY Ford Rhodes

Lahore: 07 October 2019

Statement of Financial Position

as at 30 June 2019

	Note	2019 (Rupees in thousand)	2018
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (2018: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	5	366,713	318,881
Capital reserves			
Share premium		29,000	29,000
Available for sale reserve		42,460	41,976
		71,460	70,976
Revenue reserves			
General reserves		3,714,000	3,714,000
Unappropriated profit		1,915,805	1,516,342
		5,629,805	5,230,342
		6,067,978	5,620,199
Non-current liabilities			
Long term financing	6	2,474,995	2,885,828
Liabilities against assets subject to finance lease	7	-	-
Deferred taxation	8	277,828	66,511
		2,752,823	2,952,339
Current liabilities			
Trade and other payables	9	1,917,775	1,581,088
Short term borrowings	10	698,968	993,116
Unclaimed dividends		3,359	3,293
Current portion of long term liabilities	11	347,602	40,708
		2,967,704	2,618,205
		5,720,527	5,570,544
TOTAL EQUITY AND LIABILITIES		11,788,505	11,190,743

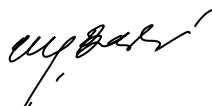
CONTINGENCIES AND COMMITMENTS

12

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Financial Position

as at 30 June 2019

	Note	2019 (Rupees in thousand)	2018
ASSETS			
Non-current assets			
Property, plant and equipment:			
Operating fixed assets	13	5,327,574	5,318,000
Assets subject to finance lease	14	-	2,157
Capital work in progress	15	21,540	163,195
		5,349,114	5,483,352
Investment properties	16	100,000	100,000
Investment in joint venture	17	50,000	50,000
Long term deposits	18	19,879	19,879
Long term investments	19	771,719	14,722
		6,290,712	5,667,953
Current assets			
Stores, spare parts and loose tools	20	202,325	182,562
Stock-in-trade	21	3,087,533	2,714,766
Trade debts	22	913,047	732,216
Loans and advances	23	32,827	88,552
Trade deposits and short term prepayments	24	52,366	18,692
Tax refunds due from the government	25	615,090	572,216
Other receivables		16,248	31,511
Short term investments	26	-	1,052,384
Securities held at fair value through profit or loss	26	134,342	-
Cash and bank balances	27	433,938	64,827
		5,487,716	5,457,726
Non current assets held for sale	28	10,077	65,064
		5,497,793	5,522,790
TOTAL ASSETS		11,788,505	11,190,743


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

Statement of Profit or Loss

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
Revenue from contracts with customers	29	13,973,634	11,095,688
Cost of revenue	30	(12,378,649)	(10,181,955)
Gross profit		1,594,985	913,733
Distribution expenses	31	(125,353)	(141,279)
Administrative expenses	32	(165,718)	(147,379)
Other operating expenses	33	(157,119)	(145,039)
		1,146,795	480,036
Other income	34	107,647	96,596
Operating profit		1,254,442	576,632
Finance cost	35	(184,370)	(150,626)
Profit before taxation		1,070,072	426,006
Taxation	36	(211,317)	139,455
Profit for the year		858,755	565,461
Earnings per share - basic and diluted (Rupees)	37	23.42	Restated 15.42

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Statement of Comprehensive Income

For the year ended 30 June 2019

	2019	2018
	(Rupees in thousand)	
Profit for the year	858,755	565,461
Other comprehensive income:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net unrealized loss on available for sale investments	-	(138,530)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>	-	-
Fair value adjustment on securities held at fair value through other comprehensive income	(283,424)	
Total other comprehensive loss-net of tax	(283,424)	(138,530)
Total comprehensive income for the year	575,331	426,931

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Statement of Cash Flows

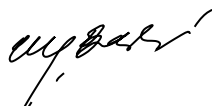
For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	38	1,657,622	(346,170)
Finance costs paid		(184,370)	(150,626)
Workers' Profit Participation Fund paid	9	(19,098)	(25,951)
Taxes paid		(150,448)	(180,356)
Dividend paid		(127,486)	(86,968)
Return on bank deposit received		9,688	1,318
		(471,714)	(442,583)
Net cash generated from / (used in) operating activities		1,185,908	(788,753)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(392,528)	(1,018,986)
Proceeds from disposal of operating fixed assets	13	38,430	9,909
Proceeds from disposal of assets subject to finance lease		-	554
Increase in long term investments	(19)	(168,858)	-
(Purchase of) / proceeds from short term investments - net	(26)	(18,565)	548,502
Dividend received	(34)	61,210	59,730
Proceeds from disposal of non-current asset classified as held for sale		61,601	44,722
Net cash used in investing activities		(418,710)	(355,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of) / proceeds from long term financing - net		(103,939)	554,949
(Repayment of) / proceeds from short term borrowing - net		(294,148)	613,722
Finance lease liabilities repaid		-	(1,198)
Net cash (used in) / generated from financing activities		(398,087)	1,167,473
Net increase in cash and cash equivalents		369,111	23,151
Cash and cash equivalents at the beginning of year		64,827	41,676
Cash and cash equivalents at the end of year	27	433,938	64,827

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Statement of Changes in Equity

For the year ended 30 June 2019

	Issued, subscribed and paid up share capital	Capital reserves			Revenue Reserves			Total
		Share premium	Available for sale reserve	Sub total	General	Unappropriated profit	Sub total	
	----- (Rupees in thousand) -----							
Balance as at 01 July 2016	289,892	29,000	180,506	209,506	3,714,000	1,066,838	4,780,838	5,280,236
Profit for the year ended 30 June 2018	-	-	-	-	-	565,461	565,461	565,461
Other comprehensive income	-	-	(138,530)	(138,530)	-	-	-	(138,530)
Total comprehensive income for the year	-	-	(138,530)	(138,530)	-	565,461	565,461	426,931
Bonus shares issued for the year ended 30 June 2016 at the rate of 10%	28,989	-	-	-	-	(28,989)	(28,989)	-
Final dividend for the year ended 30 June 2017 at the rate of Rs. 3 per share	-	-	-	-	-	(86,968)	(86,968)	(86,968)
Balance as at 30 June 2018	318,881	29,000	41,976	70,976	3,714,000	1,516,342	5,230,342	5,620,199
Adjustment for IFRS 9	-	-	484	484	-	(484)	(484)	-
Adjusted balance as at 1st July 2018	318,881	29,000	42,460	71,460	3,714,000	1,515,858	5,229,858	5,620,199
Profit for the year ended 30 June 2019	-	-	-	-	-	858,755	858,755	858,755
Other comprehensive loss	-	-	-	-	-	(283,424)	(283,424)	(283,424)
Total comprehensive income for the year	-	-	-	-	-	575,331	575,331	575,331
Bonus shares issued for the year ended 30 June 2018 at the rate of 15%	47,832	-	-	-	-	(47,832)	-	-
Final dividend for the year ended 30 June 2018 at the rate of Rs. 4 per share	-	-	-	-	-	(127,552)	(127,552)	(127,552)
Balance as at 30 June 2019	366,713	29,000	42,460	71,460	3,714,000	1,915,805	5,677,637	6,067,978

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Notes to the Financial Statements

For the year ended 30 June 2019

1. THE COMPANY AND ITS OPERATIONS

Suraj Cotton Mills Limited (the Company) was incorporated in Pakistan as a public limited company under the Companies Act 1913 (now the Companies Act 2017) and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth. The registered office of the Company is situated at 7-B-III, Aziz Avenue, Gulberg-V, Lahore.

The Company is currently operating the following four business units:

- One spinning unit located at Karachi - Hyderabad Motorway, Noori Abad, Jamshoro, Sindh.
- One spinning unit located at 4-KM. Raiwind Manga Road, Raiwind, Punjab.
- One spinning unit & one weaving unit, both located at Shahkot, Punjab.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act); and
- Provisions of and directives issued under the Act

Where provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention except for short term investments which are carried at their fair values.

3.2 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

Notes to the Financial Statements

For the year ended 30 June 2019

a) Provision for taxation (Note 4.3)

The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes.

b) Useful lives, patterns of economic benefits, residual values and impairment (Note 4.6)

Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment loss.

c) Provision for slow moving /obsolete items (Note 4.10)

Provision is made for slow moving and obsolete items. Provisions are made against those having no activity during the current and last three years and are considered obsolete by the management.

d) Provision for doubtful debts (note 4.11)

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of financial statements of the Company are consistent with previous year except as discussed in Note 4.1 to these financial statements as follows:

4.1 Standard, interpretations and amendments to approved published accounting standards that became effective in 2019

The Company has adopted the following accounting standards, the amendments and interpretation of IFRSs which became effective for the current year:

Notes to the Financial Statements

For the year ended 30 June 2019

IFRS 2 - Classification and Measurement of Share Based Payment Transactions

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IAS 40 - Transfers of Investment Property (Amendments)

IFRS 15 - Revenue from Contracts with Customers

IFRS 9 - Financial Instruments

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material impact on the financial statements.

4.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 01 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below.

4.2.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Company.

The Company is in the business to manufacture and sale yarn and fabric locally and also in the international markets. Yarn and fabric are sold both on their own in separately identifiable contracts.

Changes in accounting policies resulting from application of IFRS 15

i) Revenue Recognition

Revenue from contracts with customers for sale of yarn and fabric:

Notes to the Financial Statements

For the year ended 30 June 2019

The Company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step-1** Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step-2** Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step-3** Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step-4** Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step-5** Recognise revenue when (or as) the Company satisfies a performance obligation.

Mentioned below are different revenue streams of the Company and their terms of recognition of revenue after satisfying all the five steps of revenue recognition in accordance with IFRS 15.

a) Sale of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation and recognized at a point of time. Revenue is recognized when goods are dispatched to customers and bill of lading is prepared for local sales and exports sales respectively. It is the time when control (significant risk and rewards) relating to ownership of goods and control over these goods is transferred to the buyer.

b) Dividend

Dividend income is recognized when the Company's right to receive payment is established.

c) Interest income

Interest income is recognized using effective interest rate method.

Notes to the Financial Statements

For the year ended 30 June 2019

Impact of adoption of IFRS 15 on the financial statements

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition of the Company because there is mostly one performance obligation and revenue is recognized at a point in time except for the terminologies that are to be used in accordance with IFRS 15 as mentioned below and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

ii) Trade debts

Trade debts are initially measured at their transaction price under IFRS 15 and subsequently measured at amortised cost, less any allowance for expected credit losses.

4.2.2 IFRS 9 Financial Instruments

Changes in accounting policies resulting from application of IFRS 9

Financial instruments: assets

The Company applied IFRS 9 effective from 01 July 2018. All comparative numbers for financial year 2017/18 were prepared under IAS 39. This is the first year of IFRS 9 adoption and comparatives have not been restated.

i) Classification and measurement

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities and replaces IAS 39.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects; the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the solely payments of principal and interest ('SPPI') test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The Company determines the classification at initial recognition.

Notes to the Financial Statements

For the year ended 30 June 2019

Financial assets at amortised cost

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

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

Financial assets at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

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

Financial assets at fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test. Derivatives are classified as FVTPL as they do not meet the SPPI criteria.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair value basis.

The Company defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Notes to the Financial Statements

For the year ended 30 June 2019

The Company has designated some of its quoted equity investments and all unquoted equity investments at fair value through profit or loss (Note 26).

ii) Initial recognition

At initial recognition, an entity shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

iii) Subsequent valuation

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of debt instruments classified as fair value through other comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the statement of profit or loss. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the statement of profit or loss using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Company establishes fair value by using appropriate valuation techniques.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has either transferred substantially all of the risks and rewards of ownership or the Company deems that it no longer retains control of the risks and rewards of ownership.

The Company has no modified financial instruments.

iv) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments measured at amortised cost or FVTOCI
- lease receivables; and
- loan commitments and financial guarantee contracts issued.

Notes to the Financial Statements

For the year ended 30 June 2019

Under IFRS 9, no impairment loss is recognised on equity investments. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month Expected Credit Loss (ECL) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade debts have been grouped based on days overdue.

Financial instruments: liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

ii) Subsequent measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2019

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impacts of adoption of IFRS 9 on the financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018). The management has reviewed and assessed the Company's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and has incorporated the same in the financial statements of the Company. The management has also concluded that the impact of impairment of these financial assets under IFRS 9 is insignificant for the Company's financial statements of prior year and accordingly no adjustment has been made to the figures reported in previous year. In addition to this, in the current year, ECL working has been performed and its impact is insignificant for the Company's financial statements.

4.3 Taxation

Current

Provision for taxation on income from local sales and other income is based on taxable income at current rates after taking into account tax rebates and credits available, if any. The Company falls in the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001 to the extent of its export sales. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year.

Deferred

Deferred taxation is accounted for using the balance sheet method providing for temporary 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 timing differences and deferred tax assets are recognized 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 based on the rates that have been enacted or substantively enacted up to the statement of financial position date and are expected to apply to the period when the difference will be reversed.

Notes to the Financial Statements

For the year ended 30 June 2019

4.4 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4.5 Provisions

A provision is recognized in statement of financial position when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of obligation.

4.6 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except freehold land which is stated at cost. Cost of operating fixed assets comprises historical cost, borrowing cost and other expenditure pertaining to the acquisition, construction, erection and installation of these assets.

Depreciation is charged to statement of profit or loss using the reducing balance method to write off the cost over the expected useful life of assets at rates, which are disclosed in Note 13 to these financial statements except for leasehold land, which is depreciated over the lease period using straight-line method. Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired / available for use as intended by the management or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Residual value and the useful lives 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.

Normal repairs and maintenance costs are charged to statement of profit or loss as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of property, plant and equipment are taken to statement of profit or loss.

Leased

Leased assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Leased assets are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of lease, less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. Financial charges element of the rental is charged to statement of profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2019

Depreciation on assets subject to finance lease is recognized in the same manner as for owned assets.

Capital work in progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

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

Impairment

The Company assesses at each statement of financial position date whether there is any indication that assets excluding inventory 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 statement of profit or loss.

4.7 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets classified as held for sale are presented separately as current assets in the statement of financial position.

4.8 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, these are measured under the cost model in accordance with IAS 40, Investment Properties.

4.9 Investments

Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investments in associates other than those described as above are classified as "investment at fair value through statement of profit or loss".

In case of investments accounted for under the equity method, the method is applied from the date when significant influence is established till the date when that significant influence ceases.

Notes to the Financial Statements

For the year ended 30 June 2019

Investment in joint venture

The Company has interest in a joint venture, which is jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Company recognizes its interest in the joint venture at cost.

The financial statements of the joint venture are prepared for the same financial year as that of the Company. Adjustments are made where necessary to bring accounting policies of the joint venture in line with the Company.

Impairment

At each statement of financial position date, the Company reviews the carrying amounts of these investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the statement of profit or loss.

4.10 Stores, spare parts and loose tools

These are valued at the lower of cost, which is carried at moving average, and net realizable value less provision for slow moving and obsolete items except for items in transit, which are valued at cost comprising invoice value, plus other charges paid thereon. Provision is made for slow moving and obsolete items.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as operating fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

4.10 Stock in trade

These are valued at the lower of cost and net realizable value except waste, which is valued at net realizable value determined on the basis of contract price. Cost is determined as under:

Raw materials	- Weighted average cost
Materials in transit	- At invoice value plus other charges incurred thereon
Work-in-progress and finished goods	- At average manufacturing cost including a proportion of production overheads

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

Notes to the Financial Statements

For the year ended 30 June 2019

4.12 Trade debts

Trade debts are carried at the amounts billed / charged which is fair value of consideration to be received in the future less any allowance for expected credit losses (ECL). An estimate is made for doubtful receivables based on review of outstanding amounts at the year end, if any.

4.13 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in the future.

4.14 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at statement of financial position date while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date. Exchange gains and losses are charged to statement of profit or loss.

4.15 Employees' benefits

Defined contribution plan

The Company operates a funded employee's 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.

4.16 Related party transactions and transfer pricing

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at mutually agreed terms.

4.17 Operating segments

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditures. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

Notes to the Financial Statements

For the year ended 30 June 2019

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Following business segments are reported:

Spinning: Production of different quality of yarn using natural and artificial fibers.

Weaving: Production of different quality of fabric using yarn.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

4.17.1 Segment assets and liabilities

The assets of a segment include all operating assets used by a segment and consists principally of property, plant and equipment, long and short term investments, inventories, trade debts, receivables and cash and bank balances, net of allowances and provisions, if any.

Segment liabilities include all operating liabilities consisting principally of long term and short term financing, deferred liabilities and trade and other payables.

4.17.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

4.18 Cash and cash equivalents

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

4.19 Dividends

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

Notes to the Financial Statements

For the year ended 30 June 2019

4.20 Standards, Interpretations and Amendments to Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 3 – Definition of a Business (Amendments)	01 January 2020
IFRS 3 – Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 July 2019
IFRS 9 – Prepayment Features with Negative Compensation (Amendments)	01 July 2019
Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 – Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 16 – Leases	01 January 2019
IAS 1 & IAS 8 – Definition of Material (Amendments)	01 January 2020
IAS 12 – Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 – Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards do not have any impact on the Company's financial statements in the period of initial application except for IFRS 16. The management of the Company is in the process of assessing the impact of changes laid down by the IFRS 16 on its financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019

The International Accounting Standards Board (IASB) has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan:

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 1 – First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

The Company expects that adoption of above new standards will not have any material impact on the Company's financial statements in the period of initial application.

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2019 (No. of Shares in thousand)	2018		2019 (Rupees in thousand)	2018
17,400	17,400	Ordinary shares of Rupees 10 each fully paid up in cash	174,000	174,000
19,271	14,488	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	192,713	144,881
36,671	31,888		366,713	318,881

Notes to the Financial Statements

For the year ended 30 June 2019

5.1 Reconciliation of ordinary shares

2019 (No. of Shares in thousand)	2018	Note	2019 (Rupees in thousand)	2018
31,888	28,989	Balance at the beginning	318,881	289,892
4,783	2,899	Bonus shares issued during the year	47,832	28,989
36,671	31,888	Balance at the closing	366,713	318,881

5.2 Ordinary shares Ordinary shares of the Company held by related parties as at year end were as follows: of the Company held by related parties as at year end are as follows:

	(No. of Shares in thousand)	
Crescent Powertec Limited	16,207	14,093
Premier Insurance Limited	1,222	1,063
	17,429	15,156

6. LONG TERM FINANCING

From banking companies - secured

Finance 1	(6.1)	7,201	19,602
Finance 2	(6.2)	178,108	123,652
Finance 3	(6.3)	168,311	461,043
Finance 4	(6.4)	1,500,000	1,500,000
Finance 5	(6.5)	730,205	582,639
Finance 6	(6.6)	238,772	238,772
		2,822,597	2,925,708
Less: Current portion taken as current liability	(11)	347,602	39,880
		2,474,995	2,885,828

6.1 This finance has been obtained from United Bank Limited to retire letter of credit for import of new machinery. It carries markup at 6 month KIBOR plus 1.25% (2018: 6 months KIBOR plus 1.25%) per annum to be serviced quarterly. This finance is secured against first pari passu charge by way of equitable mortgage charge of land, building and hypothecation of machinery aggregating to Rs. 334,000 thousands (2018: Rs. 334,000 thousands). The principal portion is to be repaid in seven years through ten equal semi annual installments starting from April 2015 after grace period of two years.

Notes to the Financial Statements

For the year ended 30 June 2019

- 6.2** This finance has been obtained from MCB Bank Limited for import of machinery. It carries mark up at SBP refinance rate plus 0.5% (2018: SBP refinance rate plus 0.5%) per annum payable quarterly. This finance is secured against first pari passu charge over all fixed assets (including land and building) of the Company aggregating to Rs. 2,300,000 thousands (2018: 897,000 thousands). The principal portion of loan is to be repaid in seven years through eleven equal semi-annual installments starting from September 2017 after grace period of one and a half year.
- 6.3** This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at 3 month KIBOR plus 0.5% (2018: 3 month KIBOR plus 0.5%) per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 2,300,000 thousands (2018: 897,000 thousands). The principal portion of loan is to be repaid in ten years through eleven to seventeen equal semi-annual installments starting from July 2019, November 2019 and April 2020 after grace period of one and a half year.
- 6.4** This finance has been obtained from Allied Bank Limited for import of machinery. It carries markup at SBP rate plus 0.5% (2018: SBP rate plus 0.5%) per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 2,000,000 thousands (2018: 2,000,000 thousands). The principal portion of loan is to be repaid in ten years through thirty two equal quarterly installments starting from July 2019 after grace period of two years.
- 6.5** This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at SBP rate plus 0.5% per annum (2018: SBP rate plus 0.5% per annum) to be serviced semi annually. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 2,300,000 thousands (2018: 897,000 thousands). The principal portion of loan is to be repaid in ten years through seventeen equal semi-annual installments starting from April 2019 and September 2019 after grace period of one and a half year.
- 6.6** This finance has been obtained from United Bank Limited for import of machinery. It carries markup at SBP rate plus 1% per annum to be serviced quarterly (2018: 1% per annum to be serviced quarterly). This finance is secured against first pari passu charge of 320,000 thousands (2018: 320,000 thousands) over present and fixes assets of the Company inclusive of 25 % margin. The principal portion is to be repaid in ten years through thirty six quarterly installments starting form October 2019 after grace period of one year.

		2019	2018
	Note	(Rupees in thousand)	
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		-	859
Later than one year but not later than five years		-	-
		-	859
Less : future financial charges		-	31
Present value of minimum lease payments	(7.1)	-	828
Less : current portion taken as current liability	(11)	-	828
		-	-

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
7.1 Present value of minimum lease payments			
Within one year		-	828
Within two to five years		-	-
		-	828
8. DEFERRED TAXATION			
Deferred tax is calculated in full on temporary differences under the statement of financial position liability method:			
Opening deferred tax liability		66,511	195,817
Charged to profit and loss account		211,317	(129,306)
Closing deferred tax liability		277,828	66,511
The deferred tax liability comprises of temporary differences arising due to:			
Accelerated tax depreciation		283,724	195,817
Tax credit		(6,099)	(130,311)
Rate difference		-	(6,317)
Others		203	7,322
		277,828	66,511
9. TRADE AND OTHER PAYABLES			
Creditors	(9.1)	474,293	451,170
Accrued liabilities		1,307,586	1,064,281
Payable to employees' provident fund trust		39	164
Workers welfare fund	(9.2)	21,838	-
Workers' profit participation fund	(9.3)	60,792	22,421
Income tax deducted at source		5,480	6,303
Accrued markup	(9.4)	47,747	36,749
		1,917,775	1,581,088

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
9.1	This includes amounts due to related parties as follows:		
Crescent Textiles Mills Limited		4	4
Premier Insurance Limited		5,652	4,270
Crescent Powertec Limited		305	2,151
		5,961	6,425
9.2	Workers wefare fund		
Opening balance		-	72,272
Provision for the year		21,838	-
		21,838	72,272
Reversal made during the year		-	(72,272)
Closing balance		21,838	-
9.3	Workers' profit participation fund		
Opening balance		22,421	25,951
Provision for the year	(33)	57,469	22,421
		79,890	48,372
Payments made during the year		(19,098)	(25,951)
Closing balance		60,792	22,421
9.4	Accrued markup		
Long term financing		22,159	26,467
Short term borrowings		25,588	9,185
Liabilities against assets subject to finance lease		-	1,097
		47,747	36,749
10.	SHORT TERM BORROWINGS		
From banking companies - secured:			
Cash finance	(10.1)	247,367	342,573
Running finance	(10.1)	451,601	650,543
		698,968	993,116

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
10.1 Finance facilities aggregating to Rs. 3,515,000 thousand (2018: Rs. 2,425,000 thousand) have been obtained under mark-up agreements and carry mark up ranging from KIBOR plus 0.70 % to 2 % (2018: KIBOR plus 0.30 % to 1.25 %) per annum. The aggregate short term finances are secured by way of charge on all present and future current assets of the Company and lien on export letters of credit and firm contracts.			
11. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	(6)	347,602	39,880
Liabilities against assets subject to finance lease	(7)	-	828
		347,602	40,708

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

There are no contingencies to report at year end (2018: Nil).

12.2 Commitments

As on statement of financial position date the commitments in respect of letters of credit for capital expenditure were Rs. Nil (2018: Rs. Nil) and other commitments amounted to Rs. 9,800 thousand (2018: Rs. 31,183 thousand).

Notes to the Financial Statements

For the year ended 30 June 2019

13. OPERATING FIXED ASSETS

DESCRIPTION	BALANCE AS AT 01 JULY 2018					FOR THE YEAR				BALANCE AS AT 30 JUNE 2019			RATES %
	Cost	Accumulated depreciation	Net Book Value	Additions / transfers from capital work in progress	Transfer		Disposal	Depreciation charge	Cost	Accumulated depreciation	Net Book Value		
					Cost / (accumulated depreciation)	Cost / (accumulated depreciation)							
----- (Rupees in thousand) -----													
Leasehold:													
Land	2,108	700	1,408	-	-	-	-	21	2,108	721	1,387	1	
Building on leasehold land	758,094	277,537	480,557	25,258	-	-	-	46,631	783,352	324,168	459,184	10	
Owned:													
Land	452,300	-	452,300	-	-	-	-	-	452,300	-	452,300	-	
Building on owned land	163,728	83,209	80,519	21,707	-	-	-	9,868	185,435	93,077	92,358	10	
Office premises	-	-	-	121,912	-	-	-	1,016	121,912	1,016	120,896	10	
Plant and machinery	6,669,016	2,546,132	4,122,884	354,335	-	-	39,177	417,212	6,984,174	2,948,978	4,035,196	10	
							(14,366)						
Electric installations	158,089	70,020	88,069	-	-	-	-	8,821	158,089	78,841	79,248	10	
Furniture and fixtures	3,549	2,867	682	-	-	-	-	70	3,549	2,937	612	10	
Office equipment	61,527	33,117	28,410	-	-	-	-	2,834	61,527	35,951	25,576	10	
Vehicles	118,084	54,913	63,171	10,971	3,528	6,926		14,069	125,657	64,840	60,817	20	
					(1,371)	(5,513)							
	8,386,495	3,068,495	5,318,000	534,183	3,528	46,103		500,542	8,878,103	3,550,529	5,327,574		
					(1,371)	(19,879)							

DESCRIPTION	BALANCE AS AT 01 JULY 2017					BALANCE AS AT 30 JUNE 2018					
	Cost	Accumulated depreciation	Net Book Value	Additions	FOR THE YEAR		Depreciation charge	Cost	Accumulated depreciation	Net Book Value	RATES %
					Transfer	Disposal					
	Cost / (accumulated depreciation)	Cost / (accumulated depreciation)									
----- (Rupees in thousand) -----											
Leasehold:											
Land	2,108	679	1,429	-	-	-	21	2,108	700	1,408	1
Building on leasehold land	332,574	240,414	92,160	425,520	-	-	37,123	758,094	277,537	480,557	10
Owned:											
Land	452,300	-	452,300	-	-	-	-	452,300	-	452,300	-
Building on owned land	82,310	75,948	6,362	81,418	-	-	7,261	163,728	83,209	80,519	10
Plant and machinery	4,237,943	2,459,403	1,778,540	2,759,465	328,392	-	337,351	6,669,016	2,546,132	4,122,884	10
					(250,622)	-					
Electric installations	85,087	62,708	22,379	73,002	-	-	7,312	158,089	70,020	88,069	10
Furniture and fixtures	3,549	2,789	760	-	-	-	78	3,549	2,867	682	10
Office equipment	59,336	30,029	29,307	2,191	-	-	3,088	61,527	33,117	28,410	10
Vehicles	110,570	52,715	57,855	22,343	-	14,829	13,731	118,084	54,913	63,171	20
						(11,533)					
	5,385,777	2,924,685	2,441,092	3,363,939	328,392	14,829	405,965	8,386,495	3,068,495	5,318,000	
					(250,622)	(11,533)					

13.1 The leasehold land is situated at Noorabad, District Dadu having total area of 120 Kanal and owned land is situated at Rawind having total area of 627 Kanal whereas 347.5 kanal is situated at Shahkot.

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

	2019	2018
	Rupees in thousand	
Cost of sales	482,631	388,575
Administrative expenses	17,911	17,390
	500,542	405,965

Notes to the Financial Statements

For the year ended 30 June 2019

13.3 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Gain / (loss) on disposal	Mode of Disposal	Sold to	
							Party	Relationship
----- (Rupees thousand) -----								
Machinery:								
Bale Breaker								
Auto Plucker With Condensor	817	789	28	540	512	Negotiation	Mr. Muhammad Rais Khan	Third party
Diesel Generator Set Model	549	426	123	300	177	Negotiation	Mr. Muhammad Rais Khan	Third party
C2250 D5- Cummins	37,811	13,153	24,658	33,000	8,342	Negotiation	Sukkur Beverages (Private) Limited	Third party
Vehicles:								
Toyota Hilux	1,159	1,138	21	1,500	1,479	Negotiation	Mr. Muhammad Qasim	Third party
Suzuki Liana	1,352	1,049	303	600	297	Negotiation	Mr. Syed Ahmed Bilal	Third party
Honda Vii Reborn	2,343	1,701	642	1,120	478	Negotiation	Mr. Mehmood Mustafa	Third party
Suzuki Swift	1,032	850	182	785	603	Negotiation	Mr. Rizwan Hassan	Third party
Suzuki Cultus	1,040	773	267	585	318	Negotiation	Ms. Safia Bibi	Third party
	46,103	19,879	26,224	38,430	12,206			

14. ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION	2019				2018			
	BALANCE AS AT 01 JULY 2018		FOR THE YEAR		BALANCE AS AT 30 JUNE 2019		RATES %	
	Cost	Accumulated Depreciation	Net Book Value	Additions Disposal Cost / (accumulated depreciation)	Cost	Accumulated Depreciation	Net Book Value	
Vehicles	3,528	1,371	2,157	- 3,528 (1,371)	-	-	-	20

DESCRIPTION	2018				2017			
	BALANCE AS AT 01 JULY 2017		FOR THE YEAR		BALANCE AS AT 30 JUNE 2018		RATES %	
	Cost	Accumulated Depreciation	Net Book Value	Additions Transfer Cost / (accumulated depreciation)	Cost	Accumulated Depreciation	Net Book Value	
Vehicles	5,201	1,911	3,290	- 1,673 (1,119)	579	3,528	1,371	20

14.1 Depreciation charge for the year has been allocated to administrative expenses.

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
15. CAPITAL WORK IN PROGRESS			
Opening balance		163,195	2,508,148
Additions during the year		294,518	309,143
Transfers during the year		(436,173)	(2,654,096)
Closing balance	(15.1)	21,540	163,195
15.1 Breakup of capital work in progress			
Factory building		2,216	18,590
Office building		-	117,661
Plant and machinery		19,324	26,944
		21,540	163,195

16. INVESTMENT PROPERTIES

Land	(16.1)	100,000	100,000
------	--------	---------	---------

16.1 This represents residential plots stated at cost. As at 30 June 2019 the fair values of these properties were Rs. 246,000 thousand (2018: Rs. 210,000 thousand). The valuation has been performed by an independent accredited valuer, Jasper & Jasper, who has recognized professional qualification and recent experience in the location and category of the properties being valued. The valuation is based on comparable market transactions that consider sales of similar properties that have been transacted in open market.

16.2 The Company has no restriction on the realisability of its investment property and no contractual obligation to purchase or develop the investment properties.

17. INVESTMENT IN JOINT VENTURE

Long term investment	(17.1)	50,000	50,000
----------------------	--------	--------	--------

17.1 The Company has a 11% partnership interest in Knightbridge Residential Real Estate Partners, a joint venture involved in the development and marketing of residential society in Lahore. Currently, the management of the joint venture has started work on the access road to the land, the boundary wall and commercial and development activities after post approval of the scheme.

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
18. LONG TERM DEPOSIT		19,879	19,879

These mainly includes interest free deposits made to utility companies for the provision of utility connection. These are not being carried at amortized cost, as required by IFRS 9 as it will have immaterial impact and thus carried at historical cost.

19. LONG TERM INVESTMENTS			
Refund Payment Orders	(19.1)	86,000	-
Securities held at fair value through other comprehensive income	(19.2)	667,047	-
Investment in related party	(19.3)	18,472	14,722
Other investments		200	-
		771,719	14,722

19.1 This represents three year Government bonds issued by the Government of Pakistan at 10% simple interest rate, payable at the end of tenure, in the name of the Company.

19.2 Reconciliation of statement of financial position balances from			
IAS 39 to IFRS 9 at 1 July 2019:			
Reclassified to fair value through OCI under IFRS 9	(26)	871,563	-
Purchases		88,692	-
Redemptions		(9,784)	-
Change in fair value		(283,424)	-
Closing balance	(19.3)	667,047	-

The Company applied IFRS 9 effective from 01 July 2018. The classification, measurement and impairment requirements were applied through modified retrospective approach by adjusting the opening statement of financial position at the date of initial application. Investments in equity instruments were previously classified as available for sale under IAS 39, and have been reclassified to fair value through OCI and fair value through profit or loss (Note 19 and Note 26, respectively) under IFRS 9.

19.3 This represents investment made in S2 Hydro Limited, a related party, which is in process of getting approvals from relevant authorities for setting up hydal power generation facilities.

Notes to the Financial Statements

For the year ended 30 June 2019

	2019				2018			
	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Fair value adjustment	Unreal-ized gain/(loss)	Market value
----- (Rupees in thousand) -----								
19.4 LONG TERM INVESTMENTS								
Securities at fair value through Other Comprehensive Income under IFRS 9								
Quoted								
Investments in related party								
Premier Insurance Limited								
820,471 (2018: 745,883) fully paid ordinary shares of Rupees 10 each.	12,386	(7,439)	-	4,947	-	-	-	-
Crescent Textile Mills Limited								
1,648,500 (2018: 1,335,000) fully paid ordinary shares of Rupees 10 each.	37,613	(1,741)	-	35,872	-	-	-	-
Others								
Kot Adu Power Company Limited								
525,000 (2018: 525,000) fully paid ordinary shares of Rupees 10 each.	40,768	(21,668)	-	19,100	-	-	-	-
Nishat Mills Limited								
1,125,000 (2018: 1,100,000) fully paid ordinary shares of Rupees 10 each.	130,996	(25,989)	-	105,007	-	-	-	-
Pakistan State Oil Limited								
165,300 (2018: 144,000) fully paid ordinary shares of Rupees 10 each.	40,362	(12,322)	-	28,040	-	-	-	-
Oil & Gas Development Company Limited								
400,000 (2018: 400,000) fully paid ordinary shares of Rupees 10 each.	62,964	(10,368)	-	52,596	-	-	-	-
The Searle Company Limited								
134,158 (2018: 94,920) fully paid ordinary shares of Rupees 10 each.	40,280	(20,617)	-	19,663	-	-	-	-
DG Khan Cement Company Limited								
1,112,400 (2018: 1,212,400) fully paid ordinary shares of Rupees 10 each.	187,727	(124,832)	-	62,895	-	-	-	-
Fauji Fertilizer Company Limited								
325,000 (2018: 325,000) fully paid ordinary shares of Rupees 10 each.	38,887	(10,547)	-	28,340	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2019

	2019				2018			
	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Fair value adjustment	Unreal-ized gain/(loss)	Market value
	----- (Rupees in thousand) -----							
Fatima Fertilizer Company Limited								
979,000 (2018: 979,000) fully paid ordinary shares of Rupees 10 each.	34,896	(5,673)	-	29,223	-	-	-	-
Engro Corporation Limited								
84,700 (2018: 100,000) fully paid ordinary shares of Rupees 10 each.	24,703	(2,206)	-	22,497	-	-	-	-
Engro Fertilizers Limited								
1,900,000 (2018: 1,700,000) fully paid ordinary shares of Rupees 10 each.	135,336	(13,793)	-	121,543	-	-	-	-
Crescent Steel and Allied Products Limited								
1,222,000 (2018: 588,000) fully paid ordinary shares of Rupees 10 each.	104,512	(58,345)	-	46,167	-	-	-	-
United Bank Limited								
175,700 (2018: 175,000) fully paid ordinary shares of Rupees 10 each.	42,828	(13,986)	-	28,842	-	-	-	-
Kohinoor Textile Mills Limited								
799,900 (2018: 253,400) fully paid ordinary shares of Rupees 10 each.	39,149	(19,112)	-	20,037	-	-	-	-
Attock Refinery Limited								
125,000 (2018: 100,000) fully paid ordinary shares of Rupees 10 each.	29,964	(20,305)	-	9,659	-	-	-	-
MCB Bank Limited								
57,140 (2018: 57,140) fully paid ordinary shares of Rupees 10 each.	14,639	(4,671)	-	9,968	-	-	-	-
Habib Bank Limited								
200,000 (2018: 50,000) fully paid ordinary shares of Rupees 10 each.	35,130	(12,478)	-	22,651	-	-	-	-
	1,053,140	(386,092)	-	667,047	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
20. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores in transit		3,310	7,747
Stores		223,575	194,748
Spare parts		9,155	10,309
Loose tools		221	249
		236,261	213,053
Less : provision for slow moving / obsolete items		33,936	30,491
		202,325	182,562
21. STOCK-IN-TRADE			
Raw material			
In hand		2,236,861	1,818,001
In transit		-	33,772
		2,236,861	1,851,773
Work in process		159,344	148,646
Finished goods		684,544	682,551
Waste		6,784	31,796
		3,087,533	2,714,766
22. TRADE DEBTS			
Secured against letters of credit	(22.1)	20,291	10,977
Unsecured	(22.2)	925,237	750,838
		945,528	761,815
Less: Allowance for expected credit losses	(22.4)	(32,481)	(29,599)
		913,047	732,216
22.1 Foreign Jurisdiction			
Hong Kong		-	5,498
Spain		11,462	-
Italy		8,829	5,479
Total		20,291	10,977

Notes to the Financial Statements

For the year ended 30 June 2019

22.2 This includes Rs. 816 thousand (2018: Rs 15,865 thousand) receivable from Crescent Textile Mills Limited, a related party by way of significant influence against local sales made by the Company. The maximum aggregate amount receivable from Crescent Textile Mills Limited calculated with reference to month end balance during the year was Rs. 24,018 thousand (2018: Rs 15,865 thousand).

22.3 There were neither past due (more than 30 days) nor impaired receivables from related parties as on 30 June 2019 (2018: Rs. Nil).

	Note	2019 (Rupees in thousand)	2018
22.4	The aging of trade debts at statement of financial position date was:		
	Age analysis of trade debts		
	Not past due	749,352	348,208
	Past due 0 - 180 days	151,011	373,076
	Past due 180 - 365 days	5,177	1,098
	365 days and more	39,988	39,433
		945,528	761,815
23.	LOANS AND ADVANCES		
	Loans to employees - considered good - unsecured (23.1)	5,728	5,026
	Advances to suppliers - unsecured	15,039	67,414
	Advances against letters of credit - secured	8,297	12,354
	Due from related parties - unsecured (23.2)	3,763	3,758
		32,827	88,552
23.1	These represent short term loans provided to employees, secured against provident fund contribution, at the rate of 6% (2018: 6%).		
23.2	Due from related parties (by way of common directorship) - unsecured and considered good:		
	S2 Solar Limited	2,997	2,997
	S2 Power Limited	766	761
	(22.2.2)	3,763	3,758

Notes to the Financial Statements

For the year ended 30 June 2019

	within 1 year	more than 1 but less than 2 year	more than 2 years
	(Rupees in thousand)		
S2 Solar Limited	1,625	165	1,207
S2 Power Limited	5	-	761
	1,630	165	1,968

23.2.1 The maximum aggregate amount due from these related parties calculated with reference to month end balances during the year are as follows:

	Note	2019 (Rupees in thousand)	2018
S2 Solar Limited		2,997	2,997
S2 Power Limited		766	761

23.2.2 These are in the normal course of business and are interest free.

24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits	(24.1)	47,176	6,555
Short term prepayments		5,190	12,137
		52,366	18,692

24.1 These include interest free guarantees given to Sui Northern Gas Pipelines Limited (SNGPL), excise and taxation office Sindh (ETO Sindh) on account of infrastructure cess and others.

25. TAX REFUNDS DUE FROM THE GOVERNMENT

Sales tax refundable	126,642	227,662
Income tax refundable	488,448	338,000
Export rebate	-	6,554
	615,090	572,216

2019 2018
(Rupees in thousand)

26. SHORT TERM INVESTMENTS

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at 01 July 2018

Available for sale securities:		
Opening balance	1,052,385	1,326,457
Reclassified to fair value through profit or loss under IFRS 9	(180,822)	-
Reclassified to fair value through OCI under IFRS 9	(871,563)	-
Purchases	-	123,609
Redemptions	-	(75,780)
Change in fair value	-	(321,901)
Closing balance	-	1,052,385
Investments at FV through profit or loss:		
Opening balance	-	-
Reclassified to FVPL under IFRS 9	180,821	-
Purchases	24,820	-
Redemptions	(4,703)	-
Fair value adjustment	(66,596)	-
Closing balance	134,342	-

The Company applied IFRS 9 effective from 01 July 2018. The classification, measurement and impairment requirements were applied through modified retrospective approach by adjusting the opening statement of financial position at the date of initial application. Investments in equity instruments were previously classified as available for sale under IAS 39, and have been reclassified to fair value through OCI and fair value through profit or loss (Note 19 and Note 26, respectively) under IFRS 9.

	2019				2018			
	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
26.1 Investment at fair value through profit or loss								
Others								
Samba Bank Limited								
1,652,306 (2018: 1,652,306) fully paid ordinary shares of Rupees 10 each.	15,875	(6,804)	-	9,071	-	-	-	-
Fauji Cement Company Limited								
1,500,000 (2018: 1,500,000) fully paid ordinary shares of Rupees 10 each.	56,866	(33,271)	-	23,595	-	-	-	-
GlaxoSmithKline Pakistan Limited								
79,700 (2018: 79,700) fully paid ordinary shares of Rupees 10 each.	17,828	(10,230)	-	7,598	-	-	-	-
Pakistan Telecommunication Limited								
700,000 (2018: 700,000) fully paid ordinary shares of Rupees 10 each.	12,721	(6,932)	-	5,789	-	-	-	-
TPL Trakker Limited								
332,000 (2018: 332,000) fully paid ordinary shares of Rupees 10 each.	5,014	(3,394)	-	1,620	-	-	-	-
First Equity Modaraba								
815,000 (2018: 815,000) fully paid ordinary shares of Rupees 10 each.	3,867	(2,107)	-	1,760	-	-	-	-
Nishat Chunian Power Limited								
800,000 (2018: 800,000) fully paid ordinary shares of Rupees 10 each.	42,557	(28,629)	-	13,928	-	-	-	-
TRG Pakistan Limited								
891,500 (2018: 891,500) fully paid ordinary shares of Rupees 10 each.	39,189	(24,604)	-	14,585	-	-	-	-
Ghani Global Glass Limited								
200,000 (2018: 200,000) fully paid ordinary shares of Rupees 10 each.	5,312	(4,114)	-	1,198	-	-	-	-
Aisha Steel Mills Limited								
554,500 (2018: 554,500) fully paid ordinary shares of Rupees 10 each.	12,501	(7,399)	-	5,102	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2019

	2019				2018			
	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
ICI Pakistan Limited								
10,000 (2018: 10,000) fully paid ordinary shares of Rupees 10 each.	11,195	(5,870)	-	5,325	-	-	-	-
Service Industries Limited								
13,850 (2018: 7,680) fully paid ordinary shares of Rupees 10 each.	11,520	(4,687)	-	6,833	-	-	-	-
Arif Habib Corporation Limited								
100,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	4,007	(1,536)	-	2,471	-	-	-	-
Power Cement Limited								
2,000,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	23,275	(10,415)	-	12,860	-	-	-	-
Sui Northern Gas Pipelines Limited								
100,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	9,877	(2,928)	-	6,949	-	-	-	-
Colony Textile Mills Limited								
357,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	1,489	(485)	-	1,004	-	-	-	-
Pakistan Electron Limited								
275,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	7,702	(2,198)	-	5,504	-	-	-	-
Bank of Punjab								
1000,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	11,860	(2,710)	-	9,150	-	-	-	-
Unquoted								
Investments in related party								
Premier Financial Services (Private) Limited								
2,200 (2018: 2,200) fully paid ordinary shares of Rupees 10 each.	2,200	(2,200)	-	-	-	-	-	-
Crescent Spinning Mills Limited								
208,800 (2018: 208,800) fully paid ordinary shares of Rupees 10 each.	(26.1.1) 2,088	(2,088)	-	-	-	-	-	-
	296,943	(162,601)	-	134,342	-	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2019

	2019				2018				
	Note	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
	----- (Rupees in thousand) -----								
26.1.1	The official liquidator had submitted the statement in Lahore High Court for final liquidation of the Company and final decision is still awaited.								
Available for sale reserve under IAS 39:									
Quoted									
Investments in related party									
Premier Insurance Limited									

Notes to the Financial Statements

For the year ended 30 June 2019

	2019				2018			
	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
	----- (Rupees in thousand) -----							
First Equity Modaraba								
815,000 (2018: 815,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	3,867	-	(851)	3,016
Nishat Chunian Power Limited								
800,000 (2018: 800,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	42,557	(20,045)	-	22,512
TRG Pakistan Limited								
891,500 (2018: 891,500) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	39,189	(13,657)	-	25,533
Ghani Global Glass Limited								
200,000 (2018: 200,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	5,312	(2,845)	-	2,467
Aisha Steel Mills Limited								
554,500 (2018: 554,500) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	12,501	(3,756)	-	8,745
ICI Pakistan Limited								
10,000 (2018: 10,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	11,195	(3,180)	-	8,015
Service Industries Limited								
13,850 (2018: 7,680) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	8,994	(2,966)	-	6,028
Arif Habib Corporation Limited								
100,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	4,007	-	(543)	3,464
Power Cement Limited								
2,000,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	23,275	-	(6,575)	16,700
Sui Northern Gas Pipelines Limited								
100,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	9,877	-	144	10,021
Colony Textile Mills Limited								
357,000 (2018: Nil) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	1,489	-	(200)	1,289

Notes to the Financial Statements

For the year ended 30 June 2019

	2019				2018			
	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
Kot Adu Power Company Limited								
525,000 (2018: 525,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	40,768	(12,465)	-	28,303
Nishat Mills Limited								
1,125,000 (2018: 1,100,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	127,229	-	27,783	155,012
Pakistan State Oil Limited								
165,300 (2018: 144,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	43,046	-	2,791	45,837
Oil & Gas Development Company Limited								
400,000 (2018: 400,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	62,964	-	(716)	62,248
The Searle Company Limited								
134,158 (2018: 94,920) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	34,403	-	(2,178)	32,225
DG Khan Cement Company Limited								
1,112,400 (2018: 1,212,400) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	187,727	(60,368)	-	127,359
Fauji Fertilizer Company Limited								
325,000 (2018: 325,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	38,887	(10,628)	3,879	32,139
Fatima Fertilizer Company Limited								
979,000 (2018: 979,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	34,896	-	(3,177)	31,720
Engro Corporation Limited								
84,700 (2018: 100,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	31,802	-	(416)	31,386
Engro Fertilizers Limited								
1,900,000 (2018: 1,700,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	120,938	(23,887)	30,296	127,347
Crescent Steel and Allied Products Limited								
1,222,000 (2018: 588,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	76,927	(23,319)	-	53,608

	2019				2018			
	Cost	Fair value adjustment	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
	----- (Rupees in thousand) -----							
United Bank Limited								
175,700 (2018: 175,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	42,828	-	(9,759)	33,069
Kohinoor Textile Mills Limited								
799,900 (2018: 253,400) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	15,551	-	(1,618)	13,933
Attock Refinery Limited								
125,000 (2018: 100,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	29,964	(8,433)	-	21,531
MCB Bank Limited								
57,140 (2018: 57,140) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	14,639	-	(3,338)	11,301
Habib Bank Limited								
200,000 (2018: 50,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	21,663	-	(5,019)	16,644
Unquoted								
Investments in related party								
Premier Financial Services (Private) Limited								
2,200 (2018: 2,200) fully paid ordinary shares of Rupees 1,000 each.	-	-	-	-	2,200	(2,200)	-	-
Crescent Spinning Mills Limited								
208,800 (2018: 208,800) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	2,088	(2,088)	-	-
	-	-	-	-	1,251,056	(240,648)	41,976	1,052,384

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
27. CASH AND BANK BALANCES			
Cash in hand		1,590	1,342
Balances with banks in:			
Current accounts		40,240	7,662
Deposit accounts	(27.1)	392,108	55,823
		432,348	63,485
		433,938	64,827

27.1 The rate of return on deposit accounts ranges from 10.25% to 11% (2018: 3% to 4%) per annum.

28. NON CURRENT ASSET HELD FOR SALE			
Opening balance		65,064	44,881
Addition during the year		-	77,770
		65,064	122,651
Impairment charged during the year		-	(16,800)
Disposal during the year		(54,987)	(40,787)
Closing balance	(28.1)	10,077	65,064

28.1 These represent items of plant and machinery. The carrying amounts of these assets will be recovered principally through a sale transaction rather than through continuing use. The Company intends to dispose off this plant and machinery and anticipates that the disposal will be completed subsequent to the statement of financial position date. The Company is currently in negotiation with some potential buyers. The Directors of the Company expect that the fair value less cost to sell of these assets will be higher than the aggregate carrying amount of the related assets.

29. REVENUE FROM CONTRACTS WITH CUSTOMERS			
Local		12,865,341	10,158,241
Export		371,683	440,147
Waste		748,131	493,717
Export rebate		3,148	8,219
		13,988,303	11,100,324
Less: Sales tax		14,669	4,636
		13,973,634	11,095,688

29.1 Set out below the disaggregation of the Company's revenue from contracts with customer.

Notes to the Financial Statements

For the year ended 30 June 2019

Segments	For the year ended 30 June 2019		
	Spinning	Weaving	Total
	Unit 1,2 & 4	Unit 3	
	(Rupees in thousand)		
Sale of yarn	8,297,518	-	8,297,518
Sale of fabric	-	4,927,985	4,927,985
Sale of waste	716,822	31,309	748,131
Total revenue from contracts with customers	9,014,340	4,959,294	13,973,634
Geographic markets			
Pakistan	8,912,209	4,686,594	13,598,803
Hong Kong	-	149,539	149,539
Italy	-	60,559	60,559
Korea	-	25,972	25,972
Portugal	-	10,090	10,090
Turkey	-	17,711	17,711
United Arab Emirates	60,046	-	60,046
China	38,358	-	38,358
Sri Lanka	3,727	-	3,727
Spain	-	8,829	8,829
Total revenue from contracts with customers	9,014,340	4,959,294	13,973,634
Timing of revenue recognition			
Goods transferred at a point in time	9,014,340	4,959,294	13,973,634

Segments	For the year ended 30 June 2018		
	Spinning	Weaving	Total
	Unit 1,2 & 4	Unit 3	
	(Rupees in thousand)		
Sale of yarn	6,597,835	-	6,597,835
Sale of fabric		4,004,136	4,004,136
Sale of waste	464,772	28,945	493,717
	7,062,607	4,033,081	11,095,688
Geographic markets			
Pakistan	6,974,289	3,681,252	10,655,541
Bangladesh	-	27,048	27,048
Germany	-	2,630	2,630
Hong Kong	3,627	152,100	155,727
Italy	-	67,767	67,767
Portugal	-	7,884	7,884
South Korea	21,317	3,490	24,807
Spain	-	58,390	58,390
Switzerland	-	2,455	2,455
Turkey	-	5,208	5,208
United Kingdom	-	6,483	6,483
United Arab Emirates	15,013	-	15,013
China	40,766	-	40,766
Sri Lanka	498	-	498
Taiwan	7,098	9,464	16,562
Spain	-	8,910	8,910
	7,062,609	4,033,081	11,095,688
Timing of revenue recognition			
Goods transferred at a point in time	7,062,609	4,033,081	11,095,688

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
30. COST OF REVENUE			
Raw materials:			
Opening stock		1,818,001	586,763
Purchases		9,615,527	8,518,146
		11,433,528	9,104,909
Closing stock	(21)	(2,236,861)	(1,818,001)
Raw material consumed		9,196,667	7,286,908
Sizing expenses		63,076	56,227
Stores, spare parts and loose tools consumed		234,767	204,109
Packing material consumed		142,123	115,335
Salaries, wages and other benefits	(30.1)	806,330	784,295
Fuel and power		1,363,654	1,316,304
Repairs and maintenance		25,720	18,089
Insurance		29,648	30,417
Depreciation	(13.2)	482,631	388,575
Other overheads		21,712	24,446
		3,169,661	2,937,797
Total factory cost		12,366,328	10,224,705
Work-in-process:			
Opening stock		148,646	104,445
Closing stock	(21)	(159,344)	(148,646)
		(10,698)	(44,201)
Cost of goods manufactured		12,355,630	10,180,504
Finished goods including waste:			
Opening stock		714,347	715,798
Closing stock	(21)	(691,328)	(714,347)
		23,019	1,451
Cost of revenue		12,378,649	10,181,955

30.1 This includes contribution made to provident fund by the Company amounting to Rs. 17,610 thousand (2018: Rs. 15,467 thousand).

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
31. DISTRIBUTION COST			
Salaries, wages and other benefits	(31.1)	5,153	3,539
Commission on sales		78,242	83,187
Freight and shipment		31,545	32,011
Clearing and forwarding		9,480	21,365
Export development surcharge		933	1,177
		125,353	141,279

31.1 This includes contribution made to provident fund by the Company amounting to Rs. 177 thousand (2018: Rs. 105 thousand).

32. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	(32.1)	99,228	90,703
Rent, rates and taxes		6,377	6,451
Electricity and gas		6,150	4,541
Traveling and conveyance		4,131	6,752
Repair and maintenance		7,276	3,084
Vehicle running and maintenance		6,534	5,253
Printing and stationery		5,659	2,953
Communication		2,073	1,979
Fee and subscription		4,205	2,936
Advertisement		595	80
Insurance		2,171	2,635
Depreciation	(13.2)	17,911	17,969
Entertainment		148	159
Research and development		-	384
Donation	(32.2)	3,260	1,500
		165,718	147,379

32.1 This includes contribution made to provident fund by the Company amounting to Rs. 3,124 thousand (2018: Rs. 2,838 thousand).

32.2 This includes amount of Rs.1,000 thousand each donated to The Citizen Foundation and Patient's Aid Foundation, and, Rs. 500 thousand was donated to The Lahore Businessmen Association for Rehabilitation of the Disabled respectively. None of the directors or their spouses have any interest in the donees.

Notes to the Financial Statements

For the year ended 30 June 2019

	Note	2019 (Rupees in thousand)	2018
33. OTHER OPERATING EXPENSES			
Legal and professional		3,388	4,769
Auditors' remuneration:			
Statutory audit		1,300	1,300
Half yearly review and other certifications		150	150
Out of pocket expenses		50	50
		1,500	1,500
Workers' Profit Participation Fund	(9.3)	57,469	22,421
Workers' Welfare Fund	(9.2.1)	21,838	(72,272)
Allowance for expected credit losses	(22.5)	2,882	157
Provision for slow moving stores and spares		3,445	-
Fair value adjustment on short term investments	(26)	66,597	183,371
Impairment loss on asset held for sale		-	16,800
Reversal of Central Excise Duty		-	(11,707)
		157,119	145,039
34. OTHER INCOME			
Income from financial assets	(34.1)	81,157	76,715
Income from assets other than financial assets	(34.2)	26,490	19,881
		107,647	96,596
34.1 Income from financial assets			
Exchange gain - net		8,708	2,000
Profit on bank deposits		9,688	1,318
Dividend income		61,210	59,730
Net gain on disposal of short term investments		1,551	13,667
		81,157	76,715
34.2 Income from assets other than financial assets			
Sale of scrap		7,670	9,333
Gain on disposal of operating fixed assets		12,206	6,613
Gain on disposal of assets classified as held for sale		6,614	3,935
		26,490	19,881

Notes to the Financial Statements

For the year ended 30 June 2019

	2019	2018
	(Rupees in thousand)	
35. FINANCE COST		
Interest / markup on:		
Long term financing	100,349	82,491
Short term borrowings	74,717	59,585
Liabilities against assets subject to finance lease	31	128
	175,097	142,204
Bank charges and commission	9,273	8,422
	184,370	150,626
36. TAXATION		
Current:		
for current year	-	-
for prior years	-	(10,149)
	-	(10,149)
Deferred		
For current year	217,844	(122,989)
Due to reduction in tax rate	(6,527)	(6,317)
	211,317	(129,306)
	211,317	(139,455)
37. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit attributable to ordinary shareholders	858,755	565,461
	(Number of shares in thousands)	
		Restated
Weighted average number of ordinary shares outstanding during the year	36,671	36,671
	Rupees	
		Restated
Earnings per share - basic	23.42	15.42

37.1 No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

Notes to the Financial Statements

For the year ended 30 June 2019

		2019 (Rupees in thousand)	2018
38. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,070,072	426,006
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation on operating fixed assets	(13)	500,542	405,965
Depreciation on assets subject to finance lease	(14)	-	579
Net gain on disposal of short term investments	(34)	(1,551)	(13,667)
Allowance for expected credit losses	(22)	2,882	157
Dividend income	(34)	(61,210)	(59,730)
Gain on disposal of operating fixed assets	(34)	(12,206)	(6,613)
Gain on disposal of assets classified as held for sale	(34)	(6,614)	(3,935)
Provision for Workers' Profit Participation Fund	(9)	57,469	22,421
Provision for Workers' Welfare Fund	(9)	21,838	(72,272)
Finance costs	(35)	184,370	150,626
Fair value adjustment on short term investments	(26)	66,596	183,371
Impairment loss on asset held for sale		-	16,800
Profit on bank deposits	(34)	(9,688)	(1,318)
Reversal of Central Excise Duty	(32)	-	(11,707)
Cash flows from operating activities before working capital changes		1,812,500	1,036,683
Effect on cash flows due to working capital changes :			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(19,763)	(33,297)
Stock-in-trade		(372,767)	(1,307,759)
Trade debts		(183,713)	(361,135)
Loans and advances		55,725	13,475
Trade deposits and short term prepayments		(33,674)	(1,152)
Tax refunds due from the Government		107,574	(4,315)
Other receivables		15,263	(21,097)
Increase in current liabilities:			
Trade and other payables		276,477	332,427
		(154,878)	(1,382,853)
		1,657,622	(346,170)

Notes to the Financial Statements

For the year ended 30 June 2019

39. RELATED PARTY DISCLOSURES

The related parties and associated undertakings comprise associated companies, associates, companies in which Directors are interested, staff retirement funds, Directors and key management personnel. Details of related parties (with whom the Company has transacted) along with basis of relationship and transaction with related parties, other than those which have been disclosed else where in these financial statements are as follows:

Name of related party	Percentage shareholding	Nature of transactions	2019 (Rupees in thousand)	2018
Associated companies due to significant influence				
Crescent Powertech Limited	44%	Purchases of electricity	12,424	74,038
		Sales of goods and services	66	33
		Dividend paid	56,372	38,435
Associated companies due to common directorship				
Premier Insurance Limited	-	Insurance services obtained	41,618	39,353
		Dividend paid	4,251	2,898
		Insurance claim	10,039	16,253
Shams Textile Mills Limited	-	Purchases of goods and services	627	3,292
		Sales of goods and services	-	612
		Sale of fixed asset	-	3,600
Equity Textile Limited		Sales of goods and services	-	39,069
The Crescent Textile Mills Limited		Purchases of goods and services	98,664	27,916
		Sales of goods and services	98,640	61,474
Crescent Bahuman Limited		Sales of goods and services	-	37
S2 Hydro Limited		Advance given	3,750	-
S2 Power Limited		Advance given	5	-
Crescent Fibers Limited		Purchases of goods and services	92,373	88,993
ACME Mills (Pvt) Limited		Sales of goods and services	19,561	41,374
Other related party				
Provident Fund Trust		Amount contributed	13,454	16,226

Key management personnel

Amounts due from and to related parties are shown under respective notes to the financial statements.

Transactions with key management personnel are disclosed in Note 40 to these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019

40. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

The aggregate amounts charged in the financial statements for remuneration, allowances including all benefits to the Chief Executive, Director and other Executives of the Company are as follows:

	2019			2018		
	------(Rupees in thousand)-----					
		Chief			Chief	
Description	Director	Executive	Executives	Director	Executive	Executives
Managerial remuneration	15,240	10,323	31,774	13,530	9,471	24,337
House rent	5,334	3,613	13,496	4,736	3,315	11,255
Provident fund contribution	914	616	1,822	812	568	1,368
Reimbursement expenses	1,344	493	-	1,793	424	-
Other allowances	1,665	1,032	8,097	1,353	947	5,193
	24,497	16,077	55,189	22,224	14,725	42,153
No. of persons	2	1	27	2	1	19

40.1 Directors, Chief Executive and some Executives are provided with Company maintained vehicles.

40.2 The aggregate amount charged in financial statements for the year against fees for attending board meetings and audit committee meetings was Rs. 350 thousand (2018: Rs. 550 thousand).

41. OPERATING SEGMENT INFORMATION

The textile sector comprises of spinning, combing, weaving, dyeing, bleaching, printing, stitching, buying, selling and dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fibers.

41.1 Business segments

For management purposes, the Company is organized into business units based on their products and services and has two reportable operating segments as follows:

Spinning: Production of different quality of yarn using natural and artificial fibers.

Weaving: Production of different quality of greige fabric using yarn.

No other operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2019

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
------(Rupees in thousand)-----								
Sales								
External	9,014,340	7,061,707	4,959,294	4,033,081	-	-	13,973,634	11,095,688
Inter-segment	2,125,362	1,436,607	-	-	2,125,362	1,436,607	-	-
	11,139,702	8,498,314	4,959,294	4,033,081	2,125,362	1,436,607	13,973,634	11,095,688
Cost of sales								
External	7,799,896	6,308,722	4,578,753	3,872,912	-	-	12,378,649	10,181,955
Inter-segment	2,125,362	1,436,607	-	-	2,125,362	1,436,607	-	-
	9,925,258	7,745,329	4,578,753	3,872,912	2,125,362	1,436,607	12,378,649	10,181,955
Gross profit	1,214,444	752,985	380,541	160,169	-	-	1,594,985	913,154
Distribution cost	75,521	81,658	49,832	59,621	-	-	125,353	141,279
Administrative expenses	127,575	116,514	38,143	30,286	-	-	165,718	146,800
	203,096	198,172	87,975	89,907	-	-	291,071	288,079
Profit before taxation and unallocated income and expenses	1,011,348	554,813	292,566	70,262	-	-	1,303,914	625,075
Unallocated income and expenses:								
Other operating expenses							157,119	145,039
Other income							107,647	96,596
Finance costs							184,370	150,626
							(233,842)	(199,069)
Profit before taxation							1,070,072	426,006
Taxation							(211,317)	139,455
Profit for the year							858,755	565,461

Notes to the Financial Statements

For the year ended 30 June 2019

Inter segment sales and purchases have been eliminated on consolidation.

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
------(Rupees in thousand)-----								
Segment operating assets	8,746,545	7,868,755	1,443,864	1,319,129	-	-	10,190,409	9,187,884
Unallocated:								
Capital work in progress							21,540	163,195
Investment in joint venture							50,000	50,000
Investment properties							100,000	100,000
Tax refunds due from Government							615,090	572,216
Non current assets held for sale							10,077	65,064
Short term investments							-	1,052,384
Securities held at fair value through profit or loss							134,342	-
Securities held at fair value through other comprehensive income							667,047	-
Total operating assets							11,788,505	11,190,743
Segment operating liabilities	4,707,563	4,730,484	652,506	751,128	-	-	5,360,069	5,481,612
Unallocated:								
Deferred taxation							277,828	66,511
Workers' profit participation fund							60,792	22,421
Workers welfare fund							21,838	-
Total operating liabilities							5,720,527	5,570,544
Other disclosures								
Capital expenditure	166,510	792,968	226,018	226,018	-	-	392,528	1,018,986

41.2 Geographical segments

Secondary information is reported geographically.

The Company has sales in three major geographical segment i.e. Pakistan, Europe and Far East. The cumulative revenue attributable to foreign countries is disclosed in Note 29.

Notes to the Financial Statements

For the year ended 30 June 2019

42. FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

Financial instruments comprise long term financing, trade and other payables, accrued interest on financing, short term borrowings, investment in joint venture, long term investments, long term deposits, trade debts, trade deposits, other receivables, securities at fair value through profit or loss and cash and bank balances.

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

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

(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.

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are periodically restated to Pak Rupee equivalent and the associated gain or loss is taken to the statement of profit or loss.

The following analysis demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Company's profit before tax.

Notes to the Financial Statements

For the year ended 30 June 2019

		2019	2018
Rupees per US Dollar			
Reporting date rate		160.05	121.70
		Changes in US \$ Rate	Effects on Profit Before Tax
			(Rupees in thousand)
	2019	+10%	2,029
		-10%	(2,029)
	2018	+10%	1,098
		-10%	(1,098)

(ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, 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 exposed to equity price risk as the Company holds investments classified as fair value through profit or loss. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

			2019	2018
Reporting date all index points			33,902	41,910
		Changes in PSX all Index	Effects on Profit Before Tax	Effects on Other Comprehensive Income
			(Rupees in thousand)	
Securities at fair value through profit or loss	2019	+10%	-	-
		-10%	-	-
	2018	+10%	-	105,238
		-10%	-	(105,238)

Notes to the Financial Statements

For the year ended 30 June 2019

(iii) Interest rate risk

Interest rate risk 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, short term borrowings and liabilities against assets subject to finance lease. 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. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

At the statement of financial position date the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	2,647,085	2,206,291
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	392,108	55,823
Financial liabilities		
Long term financing	175,512	719,417
Liabilities against assets subject to finance lease	-	828
Short term borrowings	698,968	993,116

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 statement of financial position date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a change in interest rates, with all other variables held constant, of the Company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at statement of financial position dates were outstanding for the whole year.

Notes to the Financial Statements

For the year ended 30 June 2019

		Changes in Interest Rate	Effects on Profit Before Tax (Rupees in thousand)
Bank balances - deposit accounts	2019	+1.00 -1.00	3,921 (3,921)
	2018	+1.00 -1.00	558 (558)
Long term financing	2019	+1.00 -1.00	(1,755) 1,755
	2018	+1.00 -1.00	(7,194) 7,194
Liabilities against assets subject to finance lease	2019	+1.00 -1.00	- -
	2018	+1.00 -1.00	(8) 8
Short term borrowings	2019	+1.00 -1.00	(6,990) 6,990
	2018	+1.00 -1.00	(9,931) 9,931

(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 is as follows:

Notes to the Financial Statements

For the year ended 30 June 2019

	2019	2018
	(Rupees in thousand)	
Long term investments	771,719	-
Long term deposits	19,879	19,879
Trade debts	945,528	732,216
Due from related parties	3,763	3,758
Trade deposits	47,176	6,555
Other receivables	16,248	31,511
Bank balances	432,348	63,485
	2,236,661	857,404

Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

The maximum credit risk exposure at reporting date is carrying value of financial assets stated above.

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. The table below shows the bank balances held with some major counterparties at the statement of financial position date:

	Rating			2019	2018
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	419,750	57,681
National Bank of Pakistan	A-1+	AAA	JCR - VIS	4,097	1,370
United Bank Limited	A-1+	AAA	JCR - VIS	323	299
Allied Bank Limited	A1+	AA+	PACRA	316	575
Habib Metropolitan Bank Ltd	A1+	AA+	PACRA	485	1,220
Habib Bank Limited	A-1+	AAA	JCR - VIS	494	415
Faysal Bank Limited	A-1+	AA	JCR - VIS	-	31
Bank Al-Habib Limited	A1+	AA+	PACRA	5,570	1,791
NIB Bank Limited	A1+	AA-	PACRA	102	102
Dubai Islamic Bank Limited	A-1	A+	JCR - VIS	128	1
Finca Microfinance Bank Ltd	A-1	A	JCR - VIS	1,066	-
MCB Islamic Bank Limited	A-1	A	PACRA	17	-
				432,348	63,485

At 30 June 2019, the Company has 59 customers (2018: 61 customers) that owed the Company more than Rs. 2,500 thousand each and accounted for approximately 94% (2018: 93 %) of all receivables.

There are 32 customers (2018: 33 customers) with balance greater than Rs. 7,000 thousand accounted for over 82% (2018: 79 %) of total amount receivables.

Notes to the Financial Statements

For the year ended 30 June 2019

The Company's exposure to credit risk related to trade debts is disclosed in Note 22.

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

(c) Liquidity risk

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

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying Amount	Less than 1 year	Between 1 and 5 years	Over 5 years
	----- (Rupees in thousand) -----			
30 June 2019				
Long term financing	2,822,597	347,602	2,407,340	67,655
Liabilities against assets subject to finance lease				
Trade and other payables	-	-	-	-
Trade and other payables	1,781,918	1,781,918	-	-
Short term borrowings	698,968	698,968	-	-
	5,303,483	2,828,488	2,407,340	67,655
30 June 2018				
Long term financing	2,925,708	39,880	2,219,182	756,646
Liabilities against assets subject to finance lease	828	828	-	-
Trade and other payables	1,518,908	1,518,908	-	-
Short term borrowings	993,116	993,116	-	-
	5,438,560	2,552,732	2,219,182	756,646

42.2 Fair values of financial assets and liabilities

Fair value of financial assets classified as investment through profit or loss and investments through other comprehensive income is derived from quoted market prices in active markets, if available. Fair value of unquoted financial assets through profit or loss is estimated using appropriate valuation techniques. The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Notes to the Financial Statements

For the year ended 30 June 2019

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable either, directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 30 June 2019, the Company hold the following financial instruments carried at fair value on the statement of financial position:

Financial Assets measured at fair value

	2019	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----			
Held for trading				
Mutual fund units	134,342	134,342	-	-
Available for sale financial assets				
Equity shares	667,047	667,047	-	-

There were no liabilities measured at fair value as at 30 June 2019.

* The Company carries unquoted equity shares in Crescent Spinning Mills Limited and Premier Financial Services (Private) Limited classified as Level 3 within the fair value hierarchy. The investment in Crescent Spinning Mills Limited and Premier Financial Services (Private) Limited have been fully impaired and are carried at nil value. The Company did not incur any gain or loss recorded in the profit or loss account and statement of comprehensive income as the impairment had been recorded prior to 01 July 2011.

As at 30 June 2018, the Company held the following financial instruments measured at fair value:

Financial Assets measured at fair value

	2018	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----			
Available for sale financial assets				
Equity shares	1,052,384	1,052,384	-	105

There were no liabilities measured at fair value as at 30 June 2018.

Notes to the Financial Statements

For the year ended 30 June 2019

42.3 Financial instruments by categories

	2019				
	Cash and cash equivalents	At Amortised cost	At FV through OCI	At FV through profit or loss	Total
	----- (Rupees in thousand) -----				
Financial assets as per statement of financial position					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	945,528	-	-	945,528
Trade deposits	-	47,176	-	-	47,176
Due from related parties	-	3,763	-	-	3,763
Investments at fair value through OCI	-	-	667,047	-	667,047
Investments at fair value through profit or loss	-	-	-	134,342	134,342
Other receivables	-	16,248	-	-	16,248
Cash and bank balances	433,938	-	-	-	433,938
Total	433,938	1,032,594	667,047	134,342	2,267,921
Total current					2,248,042
Total non current					19,879
Total					2,267,921
					2019
					Financial Liabilities at amortized cost (Rupees in thousand)
Financial liabilities as per financial position					
Long term financing					2,822,597
Liabilities against assets subject to finance lease					-
Trade and other payables					1,781,879
Accrued markup					47,747
Short term borrowings					698,968
Total					5,351,191
Total current					2,528,594
Total non current					2,822,597
Total					5,351,191

Notes to the Financial Statements

For the year ended 30 June 2019

	2018				
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
	----- (Rupees in thousand) -----				
Financial assets as per balance sheet					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	732,216	-	-	732,216
Due from related parties	-	5,026	-	-	5,026
Trade deposits	-	6,555	-	-	6,555
Short term investments	-	-	1,052,384	-	1,052,384
Other receivables	-	31,511	-	-	31,511
Cash and bank balances	64,827	-	-	-	64,827
Total	64,827	795,187	1,052,384	-	1,912,398
 Total current					1,892,519
Total non current					19,879
Total					1,912,398
					2018
					Financial Liabilities
					at amortized cost
					(Rupees in thousand)
Financial liabilities as per financial position					
Long term financing					2,925,708
Liabilities against assets subject to finance lease					828
Trade and other payables					1,518,744
Accrued markup					36,750
Short term borrowings					993,116
Total					5,475,146
 Total current					2,549,438
Total non current					2,925,708
Total					5,475,146

Notes to the Financial Statements

For the year ended 30 June 2019

42.4 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 return for shareholders and benefits for other stakeholders and to maintain healthier capital ratio in order to support its business and maximize shareholders value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes from the previous year. The Company monitors capital using gearing ratio, which is debt divided by equity plus net debt. Debt represents long-term financing (including current portion) plus liabilities against assets subject to finance lease and short term borrowings obtained by the Company as referred to in Note 6, Note 7, Note 10 and Note 11, respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus debt. The Company's strategy, which was unchanged from last year, was to maintain optimal capital structure in order to minimize cost of capital.

	Note	2019 (Rupees in thousand)	2018
The gearing ratio as at year ended 30 June 2019 and 30 June 2018 is as follows:			
Debt	(6) & (7) & (10)	3,521,565	3,919,652
Equity		6,067,978	5,620,199
Total capital employed		9,589,543	9,539,851
Gearing ratio		36.72%	41.09%

Notes to the Financial Statements

For the year ended 30 June 2019

	2019	2018
	(Rupees in thousand)	
43. PLANT CAPACITY AND ACTUAL PRODUCTION		
Spindle installed - Numbers		
Spindle operated - Numbers	122,304	122,304
Production at normal capacity in 20s count based on 3 shifts per day - Kgs	121,455	113,661
Actual production converted to 20s count based on 3 shifts per day - Kgs	53,183,369	49,696,674
based on 3 shifts per day - Kgs	51,486,300	46,942,563
Weaving:		
Looms installed - Numbers	204	204
Looms worked - Numbers	204	204
Production at normal capacity in 50 picks based on 3 shifts per day - Square Meters	100,639,852	95,284,972
Actual production at normal capacity converted to 50 picks based on 3 shifts per day - Square Meters	85,554,635	78,462,558

43.1 Reason for low production

Under utilization of available capacity is due to low demand and normal repair and maintenance of plant and machinery.

44. PROVIDENT FUND TRUST

Size of the fund	246,930	263,694
Cost of investment made	190,534	170,534
Percentage of investment made	77.16%	64.67%
Fair value of investment (44.1)	233,221	243,968

	2019		2018	
	(Rupees in thousand)	% of Investment	(Rupees in thousand)	% of Investment
44.1 Breakup of investment				
Investment in listed securities	6,997	3%	7,517	3%
Investment in funds	226,224	97%	236,451	97%
	233,221	100%	243,968	100%

Notes to the Financial Statements

For the year ended 30 June 2019

The investments in collective investment schemes, listed equity and listed debt securities out of aforementioned fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

	2019	2018
45. NUMBER OF EMPLOYEES		
Total number of employees at the end of the year	2,848	2,781
Average number of employees during the year	2,807	2,752

46. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 02 October 2019 has proposed a cash dividend in respect of the year ended 30 June 2019 amounting to Rs. 5 per share and Rs. Nil bonus shares (2018: Cash dividend of Rs. 4 per share and 15% bonus shares). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

47. TAX ON UNDISTRIBUTED RESERVES

By virtue of amendments introduced through Finance Act 2018, the provisions of section 5A of the Income Tax Ordinance, 2001 were amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 20% of its after tax profits within six months of the end of the said tax year through cash, shall be liable to pay tax at the rate of 5% of its accounting profit before tax.

Based on the historical data, the Company will distribute cash dividend equal to at least 20 percent of its after tax profits, within the prescribed time after the end of the relevant tax year. Therefore, the Company believes that it would not be liable to pay tax on its undistributed reserves as of 30 June 2019.

48. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 02 October 2019.

49. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purposes of comparison, however no significant rearrangement / reclassification have been made in these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 35th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Monday October 28, 2019 at 10:30 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 Auditor's reports thereon for the year ended June 30, 2019.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 50% i.e. Rs. 5/- per share for the year ended June 30, 2019.
3. To appoint auditors of the Company and fix their remuneration.
4. To transact any other business with the permission of the chair.

BOOK CLOSURE:

The Members' Register will remain closed from October 22, 2019 to October 28, 2019 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on October 21, 2019 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.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
4. 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:

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.

Notice of Annual General Meeting

CNIC/IBAN for E-Dividend Payment

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

Zakat Declarations:

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

Deduction of Tax on Dividend Income – Finance Act, 2018

It is hereby informed that pursuant to the Finance Act, 2017, 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 15%
- ii) Rate of tax deduction of dividend income for non filer of income tax return 30%

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

Video Conference Facility

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least seven (7) days prior to the date of the meeting on the Standard Form provided in the annual report and also available on the company's website.

Placement of Financial Statements

The Company has placed a copy of the Notice of AGM, Annual Separate and Consolidated Financial Statements for the year ended 30 June 2019 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: www.suraj.com

Shareholders are also requested to notify immediately any change in their E-mail address to the Share Registrar of the Company, M/s. Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore. Ph. 042-35170335- 37

By Order of the Board

Lahore
October 02, 2019

Company Secretary

Notice of Annual General Meeting

STANDARD REQUEST FORM Circulation of Annual Audited Accounts

Chief Executive,
M/s Corptec Associates (Private) Limited
Independent Share Registrar of Suraj Cotton Mills Limited
503-E, Johar Town,
Lahore
Email: info@corptec.com.pk

Dear Sir,
Subject:

Request for Hard Copy of Annual Report of Suraj Cotton Mills Limited.

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on October 24, 2019, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, _____ S/o, D/o, W/o _____ being a registered shareholder of Suraj Cotton Mills Limited with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours Truly,

Shareholder's Signature

Note: This Standard Request Form may be sent at the following addresses of the Independent Share Registrar of the Company:

Chief Executive,
M/s Corptec Associates (Private) Limited
Independent Share Registrar of Suraj Cotton Mills Limited
503-E, Johar Town,
Lahore
Email: info@corptec.com.pk

In case a member prefers to receive hard copies for all the future annual audited accounts, then such preference shall be communicated to the company in writing.



This page is left blank intentionally

Suraj Cotton Mills Limited

Mandatory Requirement of Bank Account Details for Electronic Credit of Cash Dividend Payment as Per the Companies Act, 2019

Dear Shareholder,

This is to inform you that in accordance with the section 242 of the Companies Act, 2019 any dividend payable in cash shall only be paid through electronic mode directly into the bank account designed by the entitled shareholders. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in book Entry Form) OR to our Share Registrar M/s. Corptec Associates (Pvt) Ltd. 503-E Johar Town Lahore. (in case your shareholding is in Physical Form):

Details of Shareholders	
Name of Shareholders	
Folio / CDS Account No.	
CNIC No. (Copy attached)	
Cell number of shareholders	
Landline number of shareholders, if any	
Email	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	PK_____ (24 digit) (Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the Company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and address	
It is stated that the above mentioned information is correct and in case of any change herein, I / We will immediately intimate Participant / Share Registrar accordingly.	
<div style="border-bottom: 1px solid black; height: 1.2em; width: 200px; margin-bottom: 5px;"></div> Signature of Shareholders	

Second Fold

Affix Revenue
Stamp

Corptec Associates (Pvt) Ltd.

Shares Registrar: Suraj Cotton Mills Limited
503-E Johar Town Lahore.

Third Fold and Tuck In

First Fold

Suraj Cotton Mills Limited

Notice to the Shareholders in terms of section 244 of the Companies Act 2019, to files their respective claims in respect of unpaid Dividend that remained unclaimed for a period of three years (or more)

Dear Shareholder,

In terms of section 244 of the Companies Act, 2019 (the Act) promulgated on May 30, 2019, Companies are required to deposit with the Federal Government, all the dividends, which remain unclaimed or unpaid for a period of three years from the date of issue. In view of the forgoing, it is to inform you that if you have any outstanding/unclaimed dividend(s), in respect of your account, you are therefore, advised to contact and lodge your claim to the share Registrar of the Company at following address and arrange to receive your cheque against unclaimed/outstanding dividend after completing necessary formalities.

M/s Corptec Associates (Pvt) Ltd.
503-E Johar Town Lahore
Tel:042-35170335 -7

You are requested to submit your claim along with supporting evidence at your very earliest.

Yours sincerely

Company Secretary

Second Fold

Affix Revenue
Stamp

Corptec Associates (Pvt) Ltd.

Shares Registrar: Suraj Cotton Mills Limited
503-E Johar Town Lahore.

Third Fold and Tuck In

First Fold

Form of Proxy

Thirty fifth Annual General Meeting

I/We _____ of _____
_____ being a member of Suraj Cotton 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 33rd Annual General Meeting of the Company to be held on Monday, October 28, 2019 at 10:30 a.m. at Registered Office, 7-B-III, Aziz Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2019.

Witness 1:

Signature: _____

Name: _____

Address: _____

Affix
Revenue of Stamp
of Rs. 5/-

Witness 2 :

Signature: _____

Name: _____

Address: _____

Signature of Member(s)

Note:

1. 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.
2. 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.

سورج کاٹن ملز لمیٹڈ

تشکیل نیابت دار (پراسی فارم)

پینتھواں سالانہ اجلاس عام

[illegible]

ریونیو چسپاں کریں

گواہ

(دستخط کمپنی میں پہلے سے موجود

----- (1)، نسخہ

نمونہ کہ مطابق ہونے چاہیے)

نام _____

~~~~~

سی این آبی سی

(2) دستخط \_\_\_\_\_

نام

~~~~~

سی این آئی سی

هدایات

نیابت داروں (پراسی) کو موثر بنانے کیلئے اجلاس کے مقرر کردہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ پتہ (7 بی تھری، عزیز ایونیو، گلبرگ 5، لاہور) میں جمع کروانا ضروری ہے۔

مسی سی ڈی سی حصص داران اور ان کے مختار (یرا کسی) دونوں کے ہمراہ کمپیوٹر انڈز قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقل ضروری ہے۔

Second Fold

Affix Revenue
Stamp

The Company Secretary
Suraj Cotton Mills Limited
7-B-III, Aziz Avenue, Gulberg-V, Lahore.

Third Fold and Tuck In

First Fold

www.jamapunji.pk



**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

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



www.suraj.com



SURAJ COTTON MILLS LIMITED

7-B-3, Aziz Avenue,
Gulberg-5, Lahore, PK

T: 92 42 3576 0381

F: 92 42 3576 0376