

2019

September 30,
Quarterly Report
Un-Audited

Content

BUSINESS REVIEW

02 Company Information

GOVERNANCE

03 Directors' Report

04 Directors' Report (Urdu)

FINANCIALS STATEMENTS

- 06 Condensed Interim Balance Sheet (Un-Audited)
- 08 Condensed Interim Profit And Loss Account (Un-Audited)
- 09 Condensed Interim Statement of Comprehensive Income (Un-Audited)
- 10 Condensed Interim Cash Flow Statement (Un-Audited)
- 11 Condensed Interim Statement of Changes in Equity (Un-Audited)
- 12 Selected Notes To The Interim Financial Information (Un-Audited)

Company Information

Board of Directors

Khalid Bashir (Chairman)

Ahsan Bashir

Amjad Mahmood

Adil Bashir

Humayun Maqbool

Mohammad Iqbal

Sharik Bashir

Chief Executive Officer

Nadeem Maqbool

Chief Financial Officer

Farooq Ahmad

Audit Committee

Humayun Maqbool (Chairman)

Ahsan Bashir (Member)

Adil Bashir (Member)

HR & R Committee

Ahsan Bashir (Chairman)

Adil Bashir (Member)

Humayun Maqbool (Member)

Share Registrar

Corptec Associates (Pvt.) Ltd.

503-E, Johar Town, Lahore

Auditors

Riaz Ahmad & Co

Chartered Accountants

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.

Directors' Report

On behalf of the Board of Directors, I present the financial statements for the first quarter ended 30 September 2019. The company's performance resulted in a net profit of Rs. 260.190 million with earnings per share of Rs. 7.10.

Sales for the period were approximately 10% higher than the corresponding period. Administrative expenses were higher by approximately 30% and operating expenses were higher than the corresponding period. Financial charges were higher due to charges incurred for the new spinning unit. The equities market continued to decline due to uncertainty and as a result your company had to provide for impairment losses of almost Rs.14 million.

Future Prospects

The demand for textiles started to show signs of improvement during the first quarter and this is reflected in the results. However, the raw cotton prices continue rising sharply as despite earlier optimism, the crop arrival figures show that the crop will be much below the estimates. The world prices of cotton also depict an underlying firmness despite the expectations of large crops in almost all the cotton growing countries. We expect that our product prices will also be higher, and the margins are expected to remain positive. The Government is very eager to boost exports and reduce the cost of doing business. For this reason, the government has also decided to maintain regionally competitive energy prices for which necessary legislative measures are required to be put into place. The imposition of general sales tax has resulted in serious liquidity problems and it is essential that refunds are made on a fast track basis so that business can run smoothly. Imposition of import duty on raw cotton is a step in the wrong direction as we need competitive pricing in raw materials and also the ability to source special cottons to meet our customers demands. This cannot happen if a consistent policy is not followed in imported raw materials such as cotton and polyester.

We expect that the current year will be challenging, but we expect the company to perform well. With the SBP discount rate at 13.25% and a sharp loss in the value of the rupee, it has become difficult to control our costs.

Costs of all inputs continue to rise unabated. We hope that necessary measures are initiated to control this trend and we on our part continue to maintain our focus on cost control.

The management is working towards improvement in efficiencies and productivity as well as enhanced cost controls.

Acknowledgements

We would like to thank the Board of Directors for their guidance at all times and to our employees for their dedication. We would also like to thank our shareholders and all our business partners for their cooperation.



Nadeem Maqbool
Chief Executive

October 28, 2019
Lahore

Financial Statements

For the Quarter ended September 30, 2019

Condensed Interim Balance Sheet (Un-Audited)**As At September 30, 2019**

		Un-Audited	Audited
		Sep 30, 2019	June 30, 2019
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (30 June 2019: 50,000,000) ordinary			
shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	5	366,713	366,713
Share premium		29,000	29,000
Available for sale reserve		42,460	42,460
		71,460	71,460
Revenue reserves			
General reserve		3,714,000	3,714,000
Unappropriated profit		2,161,062	1,915,805
		5,875,062	5,629,805
Non-current liabilities		6,313,235	6,067,978
Long term financing	6	2,385,357	2,474,995
Deferred tax		277,828	277,828
		2,663,185	2,752,823
Current liabilities			
Trade and other payables	7	1,990,991	1,917,775
Short term borrowings		610,102	698,968
Unclaimed dividends		3,359	3,359
Current portion of non current liabilities		373,660	347,602
		2,978,112	2,967,704
		5,641,297	5,720,527
TOTAL EQUITY AND LIABILITIES		11,954,532	11,788,505

CONTINGENCIES AND COMMITMENTS

8

The annexed notes form an integral part of this interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

		Un-Audited Sep 30, 2019	Audited June 30, 2019
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	5,204,204	5,327,574
Capital work in progress		33,053	21,540
		5,237,257	5,349,114
Investment properties		100,000	100,000
Investment in joint venture		50,000	50,000
Long term deposits		19,879	19,879
Long term investments		756,786	771,719
		6,163,922	6,290,712
Current assets			
Stores, spares and loose tools	11	183,714	202,325
Stock in trade	12	2,378,619	3,087,533
Trade debts	13	1,092,007	913,047
Loans and advances	14	54,729	32,827
Trade deposits and short term prepayments		73,632	52,366
Tax refunds due from the government		515,496	615,090
Other receivables		12,402	16,248
Short term investment	15	1,298,824	134,342
Cash and bank balances		171,110	433,938
		5,780,533	5,487,716
Assets held for sale		10,077	10,077
		5,790,610	5,497,793
TOTAL ASSETS		11,954,532	11,788,505


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Profit and Loss Account (Un-Audited)

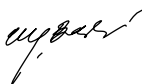
For The Period Ended September 30, 2019

		Sep 30, 2019	Sep 30, 2018
	Note	(Rupees in thousand)	
Sales	16	3,424,938	3,091,611
Cost of sales	17	2,973,618	2,767,450
Gross profit		451,320	324,161
Distribution cost	18	32,138	30,381
Administrative expenses	19	52,406	39,526
Other operating expenses	20	39,988	79,776
		124,532	149,683
		326,788	174,478
Other operating income	21	40,247	6,889
		367,035	181,367
Finance cost	22	46,870	38,055
Profit before taxation		320,165	143,312
Taxation	23	59,975	-
Profit after taxation		260,190	143,312
Earnings per share - Basic and diluted (Rupees)		7.10	3.91

The annexed notes form an integral part of this interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER


Condensed Interim Statement of Comprehensive Income (Un-Audited)
For The Period Ended September 30, 2019

	Sep 30, 2019	Sep 30, 2018
	(Rupees in thousand)	
Profit for the period	260,190	143,312
Other comprehensive income:		
Other comprehensive income to be reclassified to profit and loss in subsequent periods :		
Net realized (loss) / gain on available for sale investment	(14,933)	29,544
items not to be reclassified to profit and loss in subsequent periods :		
Total comprehensive income for the period	245,257	172,856

The annexed notes form an integral part of this interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-Audited)

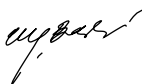
For The Period Ended September 30, 2019

	Sep 30, 2019	Sep 30, 2018
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	320,165	143,312
Adjustment for non-cash and other items:		
Depreciation	123,370	123,610
Gain on disposal of property, plant and equipment	-	(1,156)
Net (gain) on short term investment	(19,610)	(968)
Dividend income	(13,242)	(2,202)
Exchange (gain) / loss	-	(1,222)
Finance cost	46,870	38,055
Cash flows from operating activities before working capital changes	457,553	299,429
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	18,611	20,532
Stock in trade	708,914	262,347
Trade debts	(178,960)	(86,537)
Loans and advances	(21,902)	(3,435)
Trade deposits and short term prepayments	(21,266)	(18,284)
Other receivables	3,846	19,971
Increase in current liabilities:		
Trade and other payables	66,567	219,224
Net cash from /(used in) working capital	575,810	413,818
CASH GENERATED FROM /(USED IN) OPERATIONS	1,033,363	713,247
Finance cost paid	(40,221)	(39,560)
Income tax paid	39,619	(50,277)
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	1,032,761	623,410
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(11,513)	(62,136)
Proceeds from disposal of property, plant and equipment	-	2,100
Investments - net	(1,144,872)	69,861
Dividend received	13,242	2,202
NET CASH USED IN INVESTING ACTIVITIES	(1,143,143)	12,027
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	(63,580)	(13,739)
Finance lease liabilities repaid	-	(281)
(Decrease)/ increase in short term borrowings - net	(88,866)	(492,968)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(152,446)	(506,988)
NET CASH (USED IN) / FROM FINANCING ACTIVITIES	(262,828)	128,449
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	433,938	64,827
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	171,110	193,276

The annexed notes form an integral part of this interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Changes in Equity (Un-Audited)

For The Period Ended September 30, 2019

	Share capital	Capital reserves			Revenue Reserves			Total
		Share premium	General	Sub total	General	Unappropriated profit	Sub total	
------(Rupees in thousand)-----								
Balance as on 01 July 2018	318,881	29,000	42,460	42,460	3,714,000	1,515,858	5,229,858	5,620,199
Net profit for the period from 01 July 2018 to 30 September 2018	-	-	-	-	-	143,312	143,312	143,312
Other comprehensive income	-	-	29,544	29,544	-	-	-	29,544
Total comprehensive income for the period	-	-	29,544	29,544	-	143,312	143,312	172,856
Balance as on 30 September 2018	318,881	29,000	72,004	72,004	3,714,000	1,659,170	5,373,170	5,793,055
Balance as on 01 July 2019	366,713	29,000	42,460	71,460	3,714,000	1,915,805	5,629,805	6,067,978
Net profit for the period from 01 July 2019 to 30 September 2019	-	-	-	-	-	260,190	260,190	260,190
Other comprehensive (loss)	-	-	-	-	-	(14,933)	(14,933)	(14,933)
Total comprehensive (loss) for the period	-	-	-	-	-	245,257	245,257	245,257
Balance as on 30 September 2019	366,713	29,000	42,460	71,460	3,714,000	2,161,062	5,875,062	6,313,235

The annexed notes form an integral part of this interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Selected Notes to the Interim Financial Information (Un-Audited) For The Period Ended September 30, 2019

1. THE COMPANY AND ITS ACTIVITIES

Suraj Cotton Mills Limited (the Company) was incorporated in Pakistan as a public limited company under the Companies Act 1913 (now 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. Registered Head Office of the Company is situated at 7-B-3, Aziz Avenue, Gulberg-5, 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; and

Provisions of and directives issued under the Companies Act, 2017,

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF PREPARATION

- 3.1 These interim condensed financial statements have been prepared under the historical cost convention except for short term investments which are carried at their fair values.
- 3.2 The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 30 June 2019.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of the estimation are the same as those that applied to the financial statements for the year ended 30 June 2019.

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Un-Audited SEP 30, 2019 (No. of Shares in thousand)	Audited JUN 30, 2019		Un-Audited Sep 30, 2019 (Rupees in thousand)	Audited June 30, 2019
17,400	17,400	Ordinary shares of Rupees 10 each fully paid up in cash	174,000	174,000
19,271	19,271	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	192,713	192,713
36,671	36,671		366,713	366,713

6. LONG TERM FINANCING - secured

Opening balance	2,822,597	2,925,708
Acquired/(repaid) during the period / year	(63,580)	(103,111)
	2,759,017	2,822,597
Less: Current portion	373,660	347,602
	2,385,357	2,474,995

7. TRADE AND OTHER PAYABLES

Creditors	511,086	474,293
Accrued liabilities	1,389,734	1,310,946
Payable to employees' provident fund trust	17	39
Workers' welfare fund	28,372	21,838
Workers' profit participation fund	17,195	60,792
Income tax deducted at source	3,489	2,120
Accrued markup	41,098	47,747
	1,990,991	1,917,775

8. CONTINGENCIES AND COMMITMENTS

Contingencies

- There has been no significant change in the contingencies since the date of preceding published annual financial statements.

Commitments

- There has been no significant change in the commitments since the date of preceding published annual financial statements.

9. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	(9.1)	5,204,204	5,327,574
		5,204,204	5,327,574

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

		Un-Audited	Audited
		Sep 30, 2019	June 30, 2019
Note		(Rupees in thousand)	
9.1	Operating fixed assets - tangible		
	Opening book value	5,327,574	5,318,000
	Add: Additions during the period / year -cost	(9.1.1) -	534,183
		5,327,574	5,852,183
	Less: Deletions during the period / year	-	24,067
		5,327,574	5,828,116
	Less: depreciation during the period / year	123,370	500,542
	Book value at the end of the period / year	5,204,204	5,327,574
9.1.1	Additions during the period / year - cost		
	Factory building	-	25,258
	Residential building	-	21,707
	Office premises	-	121,912
	Plant and machinery	-	354,335
	Vehicles	-	10,971
		-	534,183
10	LONG TERM INVESTMENT		
	Refund Payment Orders	86,000	86,000
	Securities held at fair value through other comprehensive income	652,114	667,047
	Investment in related party	18,472	18,472
	Other investments	200	200
		756,786	771,719
11.	STORE , SPARE PARTS AND LOOSE TOOLS		
	Stores in transit	11,632	3,310
	Stores	199,849	223,575
	Spares parts	6,024	9,155
	Loose tools	145	221
		217,650	236,261
	Less : Provision for slow moving / obsolete items	33,936	33,936
		183,714	202,325

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

		Un-Audited	Audited
		Sep 30,	June 30,
		2019	2019
Note		(Rupees in thousand)	
12.	STOCK IN TRADE		
	Raw material	1,098,573	2,236,861
	Work in process	176,346	159,344
	Finished goods	1,081,552	684,544
	Waste	22,148	6,784
		2,378,619	3,087,533
13.	TRADE DEBTS		
	Considered good:		
	Secured against letters of credit	18,489	20,291
	Unsecured	1,105,999	925,237
		1,124,488	945,528
	Less: Provision for doubtful debts	(32,481)	(32,481)
		1,092,007	913,047
14.	LOANS AND ADVANCES		
	Considered good:		
	Loans to employees	7,367	5,728
	Advances to suppliers	36,836	15,039
	Advance against letter of credit	6,531	8,297
	Due from related parties - unsecured	3,995	3,763
		54,729	32,827
15.	SHORT TERM INVESTMENT		
	Securities held at fair value through profit or loss	15.1 119,926	134,342
	Short term investment	15.2 1,178,898	-
		1,298,824	134,342
15.1	Securities held at fair value through profit or loss		
	Opening balance	200,938	-
	Reclassified to FVPL under IFRS 9	-	180,821
	Purchases	-	24,820
	Redemptions	-	(4,703)
		200,938	200,938
	Fair value adjustment	(81,012)	(66,596)
		119,926	134,342

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

	Un-Audited Sep 30, 2019	Audited June 30, 2019
	(Rupees in thousand)	
15.2 Short term investment		
HBL Cash Fund	255,811	-
Alfalsh GHP Money Market Fund	280,365	-
MCB Cash Management Optimizer	210,719	-
NBP Money Market Fund	204,666	-
ABL Cash Fund	227,337	-
	1,178,898	-

UN-AUDITED						
	Period ended SEP 30, 2019			Period ended SEP 30, 2018		
	Spinning	Weaving	Total	Spinning	Weaving	Total
	-----Rupees in Thousand-----					
16 SALES						
Local	2,742,058	1,248,632	3,990,690	2,470,674	1,070,036	3,540,710
Export	25,548	18,599	44,147	15,604	49,099	64,703
Inter Segments	(609,899)	-	(609,899)	(513,802)	-	(513,802)
	2,157,707	1,267,231	3,424,938	1,972,476	1,119,135	3,091,611

16.1 Disaggregation of the Company's revenue from contracts with customer is as follows.

Segments						
Sale of yarn	2,574,611	-	2,574,611	2,316,279	-	2,316,279
Sale of fabric	-	1,260,265	1,260,265	-	1,112,239	1,112,239
Sale of waste	192,995	6,966	199,961	169,999	6,896	176,895
Inter-segment eliminations	(609,899)	-	(609,899)	(513,802)	-	(513,802)
Total revenue from contracts with customers	2,157,707	1,267,231	3,424,938	1,972,476	1,119,135	3,091,611
Geographic markets						
Pakistan	2,742,058	1,248,632	3,990,690	2,470,674	1,070,036	3,540,710
China	-	115	115	-	-	-
Hong Kong	-	-	-	-	19,161	19,161
Italy	-	18,484	18,484	-	15,005	15,005
Sri Lanka	1,649	-	1,649	1,103	-	1,103
South Korea	-	-	-	-	14,933	14,933
UAE	23,899	-	23,899	14,501	-	14,501
Inter-segment eliminations	(609,899)	-	(609,899)	(513,802)	-	(513,802)
Total revenue from contracts with customers	2,157,707	1,267,231	3,424,938	1,972,476	1,119,135	3,091,611
Timing of revenue recognition						
Goods transferred at a point in time	2,157,707	1,267,231	3,424,938	1,972,476	1,119,135	3,091,611
Total revenue from contracts with customers	2,157,707	1,267,231	3,424,938	1,972,476	1,119,135	3,091,611

Selected Notes To The Interim Financial Information (Un-Audited)
For The Period Ended September 30, 2019

		Un-Audited	
		Sep 30, 2019	Sep 30, 2018
		(Rupees in thousand)	
17. COST OF SALES			
Raw material consumed	2,521,289	2,382,205	
Sizing expenses	18,324	15,744	
Stores, spares and loose tools consumed	69,955	44,872	
Packing materials	35,631	32,788	
Salaries, wages and other benefits	237,019	221,654	
Fuel and power	377,775	400,533	
Repairs and maintenance	13,434	7,053	
Insurance	7,461	7,177	
Depreciation	116,676	119,611	
Other factory overheads	5,428	4,834	
	3,402,992	3,236,471	
Work-in-process:			
Opening stock	159,344	148,646	
Closing stock	(176,345)	(162,354)	
	(17,001)	(13,708)	
Cost of goods manufactured	3,385,991	3,222,763	
Finished goods:			
Opening stock	691,328	714,347	
Closing stock	(1,103,701)	(1,169,660)	
	(412,373)	(455,313)	
	2,973,618	2,767,450	
18. DISTRIBUTUION COST			
Salaries, wages and other benefits	1,134	912	
Commission on sales	22,716	18,750	
Freight and shipment	6,486	5,919	
Clearing and forwarding	1,273	4,637	
Export development surcharge	109	163	
	31,718	30,381	

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

	Un-Audited	
	Sep 30, 2019	Sep 30, 2018
	(Rupees in thousand)	
19. ADMINISTRATIVE EXPENSES		
Salaries, wages and other benefits	27,674	23,415
Rent, rates and taxes	1,748	1,766
Electricity and gas	2,202	1,651
Traveling and conveyance	2,785	1,881
Repair and maintenance	1,226	1,388
Vehicle running and maintenance	1,884	1,420
Printing and stationery	1,642	2,193
Communication	479	331
Fee and subscription	883	663
Advertisement	-	249
Insurance	581	546
Depreciation	6,695	4,000
Entertainment	27	23
Donation	5,000	-
	52,826	39,526
20. OTHER OPERATING EXPENSES		
Workers profit participation fund	17,195	7,543
Workers welfare fund	6,534	-
Impairment loss on short term investment	14,416	70,914
Others	1,843	1,319
	39,988	79,776
21. OTHER OPERATING INCOME		
Exchange gain / (loss)	-	1,222
Profit on bank deposits	5,095	361
Dividend income	13,242	2,202
Net gain on short term investment	19,610	968
Sale of empties and scrap	2,300	980
Gain on disposal of operating fixed assets	-	1,156
	40,247	6,889

		Un-Audited	
		Sep 30, 2019	Sep 30, 2018
		(Rupees in thousand)	
22.	FINANCE COST		
	Interest / mark-up on:		
	Long term financing	23,470	25,674
	Short term borrowings	21,919	10,670
	Liabilities against assets subject to finance lease	-	17
		45,389	36,361
	Bank charges and commission	1,481	1,694
		46,870	38,055
23.	TAXATION		
	Charge for the period:		
	Current	59,975	-
		59,975	-

24. 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 fiber(s). This sector also includes power generation facilities which provide electricity for internal consumption purposes.

24.1 Business Segments

For management purposes, Suraj Cotton Mills Limited 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 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 consolidated financial statements.

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

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

	Spinning		Weaving		Un-Audited		Elimination of Inter-segment transactions		Total	
	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018	Sep 30, 2019	Sep 30, 2018
	----- (Rupees in thousand) -----									
Sales										
External	2,157,707	1,972,476								
Inter-segment	609,899	513,802	1,267,231	1,119,135	-	-	609,899	513,802	3,424,938	3,091,611
	2,767,606	2,486,278	1,267,231	1,119,135	-	-	609,899	513,802	3,424,938	3,091,611
Cost of sales										
External	2,412,653	2,196,382	560,965	571,068	-	-	-	-	2,973,618	2,767,450
Inter-segment	-	-	609,899	513,802	609,899	609,899	609,899	513,802	-	-
	2,412,653	2,196,382	1,170,864	1,084,870	609,899	609,899	609,899	513,802	2,973,618	2,767,450
Gross profit	354,953	289,896	96,367	34,265	-	-	-	-	451,320	324,161
Distribution cost	18,525	18,444	13,193	11,937	-	-	-	-	31,718	30,381
Administrative expenses	41,672	29,295	11,154	10,231	-	-	-	-	52,826	39,526
	60,197	47,739	24,347	22,168	-	-	-	-	84,544	69,907
Profit before taxation and unallocated income and expenses	294,756	242,157	72,020	12,097	-	-	-	-	366,776	254,254
Unallocated income and expenses:										
Other operating expenses									(39,988)	(79,776)
Other operating income / (loss)									40,247	6,889
Finance costs									(46,870)	(38,055)
									(46,611)	(110,942)
Profit before taxation									320,165	143,312
Taxation									59,975	-
Profit for the period									260,190	143,312

Inter segment sales and purchases have been eliminated on consolidation.

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

25. TRANSACTIONS WITH RELATED PARTIES

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:

Relationship with the Company	Percentage of shareholding	Nature of transactions	Un-Audited	
			Sep 30,	Sep 30,
			2019	2018
			(Rupees in thousand)	
Associated Companies due to significant influence				
The Crescent Powertec Limited	Share holding in Company 44.20% (2019: 44.20%)	Purchase of electricity	92	1,309
Associated Companies due to common directorship				
ACME Mills (Pvt) Limited		Sale of goods	16,006	-
Premier Insurance Limited		Services received	37,164	30,870
The Crescent Textile Mills Ltd		Sale of goods	-	26,981
		Purchase of goods	-	56,773
Crescent Fibers Limited		Purchase of goods	34,480	30,870
Shams Textile Mills Limited		Sale of goods	55	-
Other related party				
Employees Provident Fund Trust		Amount contributed	5,925	5,040
Key management personnel		Remuneration	11,030	9,730

Transactions entered into with the key management personnel as per their terms of employment are excluded from related party transactions.

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

The outstanding balances of such parties are as under:

Associated Companies due to significant influence

Relationship with the Company	Percentage of shareholding	Nature of transactions	Un-Audited	
			Sep 30, 2019	June 30, 2019
			(Rupees in thousand)	
The Crescent Powertec Limited	Share holding in Company 44.20% (2018: 44.20%)	Trade creditors	233	305
Associated Companies due to common directorship				
Premier Insurance Limited		Payable against services	37,944	5,652
The Crescent Textile Mills Ltd		Trade debtors	-	816
		Trade creditors	4	4
S2 Solar Limited		Advances	2,997	2,997
S2 Power Limited		Advances	766	766
Crescent Fibers Limited		Trade creditors	5,717	11,236
Shams Textile Mills Limited		Trade creditors	5,616	-
Others				
Employees provident fund trust		Provident fund payable	17	39

26 FINANCIAL RISK MANAGEMENT

26.1 Financial risk factors

Financial instruments comprise long term financing, liabilities against assets subject to finance lease, trade and other payables, accrued interest on financing, short term borrowings, investment in joint venture, long term deposits, trade debts, loans to employees, trade deposits, other receivables, available for sale investments, held for trading investments 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.

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.

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

26.2 Fair values of financial assets and liabilities

Fair value of financial assets classified as available for sale investments is derived from quoted market prices in active markets, if available. Fair value of unquoted equity instruments financial assets 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.

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

	SEP 30, 2019	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----			
Assets measured at fair value				
Held for trading				
Securities held at fair value through profit or loss	119,926	119,926		
Available for sale financial assets				
Equity shares	652,114	652,114	-	-

There were no other financial liabilities measured at fair value as at 30 September 2019.

During the period ended 30 September 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

- * The Company carries unquoted equity shares in Crescent Spinning Mills Limited, Premier Financial Services (Private) Limited as fair value through OCI financial instruments classified as Level 1 within the fair value hierarchy. The investment in Crescent Spinning Mills Limited, Premier Financial Services (Private) Limited have been fully impaired and are carried at nil value.

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

	JUN 30, 2019	Level 1	Level 2	Level 3
	------(Rupees in thousand)-----			
Assets measured at fair value				
Held for trading				
Securities held at fair value through profit or loss	134,342	134,342	-	-
Available for sale financial assets				
Equity shares	667,047	667,047	-	-
There were no financial liabilities measured at fair value as at 30 June 2019.				

During the reporting year the equity shares Glaxo Smith Kline Consumer Healthcare Pakistan Limited has been listed on Pakistan stock exchange and these are reclassified from level 3 investments to level 1 investments.

- * The Company carries unquoted equity shares in Crescent Spinning Mills Limited and Premier Financial Services (Private). 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 statement of profit or loss and statement of other comprehensive income as the impairment had been recorded prior to 01 July 2011.

26.3 Financial instruments by categories

	SEP 30, 2019				
	Cash and cash equivalents	Loan and advances	Available for sale	At FV through profit or loss	Total
	------(Rupees in thousand)-----				
Financial assets as per balance sheet					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	1,092,007	-	-	1,092,007
Trade deposits	-	73,632	-	-	73,632
Due from related parties	-	3,995	-	-	3,995
Investments at fair value through OCI	-	-	652,114	-	652,114
Investments at fair value through profit or loss	-	-	-	119,926	119,926
Other receivables	-	12,402	-	-	12,402
Cash and bank balances	171,110	-	-	-	171,110
Total	171,110	1,201,915	652,114	119,926	2,145,065
Total current					2,125,186
Total non current					19,879
Total					2,145,065

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

Financial liabilities as per balance sheet

	SEP 30, 2019 Financial Liabilities at amortized cost (Rupees in thousand)
Long term financing	2,759,017
Trade and other payables	1,900,820
Accrued interest on financing	41,098
Short term borrowings	610,102
Total	5,311,037
Total current	2,552,020
Total non current	2,759,017
Total	5,311,037

	JUN 30, 2019				
	Cash and cash equivalents	Loan and advances	Available for sale	At FV through profit or loss	Total
	------(Rupees in thousand)-----				
Financial assets as per balance sheet					
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

Selected Notes To The Interim Financial Information (Un-Audited)

For The Period Ended September 30, 2019

Financial liabilities as per balance sheet

	JUN 30-2019 Financial Liabilities at amortized cost (Rupees in thousand)
Long term financing	2,822,597
Liabilities against assets subject to finance lease	-
Trade and other payables	1,785,239
Accrued interest on financing	47,747
Short term borrowings	698,968
Total	5,354,551
Total current	2,531,954
Total non current	2,822,597
Total	5,354,551

26.4 Fair values

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 30 September 2019 and 30 June 2019.

	SEP 30, 2019 Carrying Amount	SEP 30, 2019 Fair Value	JUN 30, 2019 Carrying Amount	JUN 30, 2019 Fair Value
	------(Rupees in thousand)-----			
Financial Assets				
Long term deposits	19,879	19,879	19,879	19,879
Trade debts	1,092,007	1,092,007	913,047	913,047
Loans to employees	7,367	7,367	5,728	5,728
Trade deposits	73,632	73,632	52,366	52,366
Securities held at fair value through profit or loss	296,943	119,926	296,943	134,342
Other receivables	-	-	16,248	16,248
Cash and bank balances	171,110	171,110	433,938	433,938
Total	1,660,938	1,483,921	1,738,149	1,575,548

27. DATE OF AUTHORIZATION

These condensed interim financial statements was authorized for issue by the Board of Directors of the Company on October 28, 2019.

28. GENERAL

28.1 Provisions in respect of Worker's Welfare Fund, Worker's Profit Participation Fund and taxation are estimated and these are subject to final adjustment in the annual financial statements.

28.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.



CHIEF EXECUTIVE OFFICER



DIRECTOR










CHIEF FINANCIAL OFFICER










**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](https://www.facebook.com/jamapunji.pk)

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