

2020 | Annual Report

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COMPANY PROFILE

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

Muhammad Naeem Sheikh

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

Company Secretary

Haseeb Ahmad

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
MCB Islamic Bank Limited
United Bank Limited
Dubai Islamic Bank Limited
Habib Metropolitan Bank Limited
Samba Bank Limited
FINCA Microfinance 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.

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.

About Us

PROFILE

Suraj Cotton Mills Limited is a Public Limited Company incorporated on December 18, 1984 and is listed on Pakistan Stock Exchange 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 grey cloth 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 28 million meters of Grey cloth 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.

Business Philosophy

Our Business

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

Vision of Future Business

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

Our Strengths

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

Our Strategy

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

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

Our Values

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



CORPORATE GOVERNANCE

Chairmans' Review

I am pleased to present the Chairman's Review Report of the company for the year ending 30 June 2020.

The Economy

The COVID-19 pandemic has surfaced as a major event forcing the world into a lockdown and restricting economic activity across the board. Countries around the globe are setting up relief programs in a bid to contain the social and economic fallout of the pandemic. For Pakistan, this has come at a time when the country was heading towards some economic stability. Emergence of the pandemic has dampened the country's economic growth. This has led to downside risks posed to consumer demand amidst temporary business shutdowns and delayed harvest of crops. As a result, the economy is expected to now contract by 1.5% in FY20 instead of previous growth target of 3%. The recently announced financial stimulus package of Rs 1,200 billion by the Government is likely to mitigate the impact of the outbreak on the most vulnerable social segments while also extending much needed support to the affected businesses. Consequently, on account of shortfall in tax revenues and additional expenditures, fiscal deficit is expected to be over 9% of GDP.

The external sector improved significantly. The current account deficit contracted by 73% to USD 2.8 billion during FY20. This was driven by a significant reduction in imports and continuous growth in workers' remittances. Monetary assistance from IMF and support from other multilateral partners in the shape of USD 1.4 billion emergency loan & debt rescheduling, have provided much needed support. As a result, the State Bank of Pakistan's (SBP) reserves are now relatively more secure and have recovered to a level of USD 12.3 billion. The downward trend in inflationary pressures is expected to persist with full year inflation rate expected to be in single digit. This is due to easing of core and food inflation as well as lower fuel prices. Since the beginning of crisis, SBP has reduced the policy rate by a cumulative 625 basis points to 7%. This was done with an aim to dilute the impact of the COVID-19 shock to the economy and to maintain financial stability. After having suffered heavily in the month of March 2020, PSX regained its lost momentum and surpassed 42,000 points benchmark by early September 2020.

Agriculture

Pakistan's agriculture sector is considered the cornerstone of the national economy. The performance of this sector, however, remained mixed. A substantial decline was observed in the production of major Kharif crops particularly cotton. Costlier inputs led to the decline in area under cultivation, while untimely rains and pest attacks held back the output. Early estimates of Rabi crops point to some improvement on the back of favorable weather conditions and urea off take. Overall, the recently announced agriculture package and improved support prices are expected to provide relief to this sector.

Large Scale Manufacturing (LSM)

Intensified macroeconomic stabilization measures has resulted in economic slowdown and industrial sector has witnessed the brunt due to scanty public and private consumption. The overall confidence among businesses and consumers remained bleak, as the latter struggled to preserve their purchasing power. On the whole, a number of industries within the LSM struggled with inventory build-ups amid rising input costs. With margins squeezed and rising financing cost, firms scaled back their operations. As a result, a massive contraction of 10.2% was observed in the FY 20 due to ongoing shutdowns on account of COVID-19.

Company Performance

The current financial year was challenging for the Company due to turbulent economic landscape, escalating costs and contracting demand coupled with lockdown. Sales revenue dipped by 7.81% to Rs 12.88 billion in the year under review as compared to Rs 13.97 billion in the previous year. Apart from currency depreciation, underutilization of plant capacities due to lockdown, raised fixed cost per unit that dragged the gross margins to Rs 1.32 billion, a drop of 17.19% from the last year. For further details, refer to Vertical Analysis, Horizontal Analysis and Financial Statements; as available in Annual Report.

Corporate Governance

In order to respond to the mandate of the shareholders to achieve sustainable growth and impactful

Chairmans' Review

governance, Suraj Cotton complies with all material requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 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, 2020 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 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.

Finally, I would like to express my gratitude to all the shareholders for their continued trust and confidence in the Company. The Board is united in extending our thanks to each member of the SCML team as we acknowledge their unwavering support and dedication to the Company. We are committed to attain leadership in the industry by producing quality products and handsome returns for our shareholders and pray to Almighty Allah to bless us in our future endeavors.

Khalid Bashir
Chairman
Board of Directors

September 15, 2020
Lahore

چیرمین کا جائزہ

کارپوریٹ گورننس

پائیدار نمو اور مؤثر گورننس کے حصول کے لئے حصص یافتگان کے مینڈیٹ کے جواب میں، سورج کاٹن بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے سلسلے میں کمیٹیز ایکٹ، 2017 اور فہرست کمیٹی (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں طے شدہ تمام مادی تقاضوں پر عمل کرتی ہے۔ کوڈ آف کارپوریٹ گورننس کے مطابق، سورج کاٹن ملز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز ("بورڈ") کی سالانہ تشخیص کی جاتی ہے۔ اس تشخیص کا مقصد بورڈ کی مجموعی کارکردگی اور کامیابی کی پیمائش 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 اور 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، 2020 کو ختم ہونے والے سال کیلئے اپنی سالانہ خود تشخیص مکمل کی 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 تشخیص 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:

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

اسٹریٹجک پلاننگ میں مشغولیت: بورڈ اسٹریٹجک ہولڈرز (شیئر 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۔

تبدیلی (گن): بورڈ کے ممبران نے اپنے فرائض پوری تبدیلی کے ساتھ انجام دیئے اور کاروباری حکمت عملیوں، کارپوریٹ مقاصد، منصوبوں، بجٹ، مالی حسابات اور دیگر پورٹس 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 بار جمع ہوا ہے۔

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 اپ ڈیٹ رہا۔ بورڈ نے بروقت بنیاد پر مناسب سمت کا تعین اور نگرانی کی ہے۔

گورننس اور کنٹرول کا ماحول: بورڈ نے شفاف اور مضبوط نظام حکمرانی قائم کر کے مؤثر انداز کو سر فہرست رکھا ہے۔ اس کی عکاسی مؤثر کنٹرول کا ماحول، 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)

15 اکتوبر 2020ء
لاہور

چیز مین کا جائزہ

میں 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کے چیز مین کی جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔

اقتصادی جائزہ

کوویڈ 19 وبائی بیماری ایک اہم واقعہ کے طور پر سامنے آئی ہے جس نے دنیا کو لاک ڈاؤن اور بورڈ کو معاشی سرگرمیاں محدود کرنے پر مجبور کر دیا ہے۔ دنیا بھر کے ممالک وبائی بیماری کے معاشرتی اور اقتصادی نقصان کو کم کرنے کے لئے امدادی پروگرام ترتیب دے رہے ہیں۔ پاکستان میں، یہ بیماری ایک ایسے وقت آئی ہے جب ملک معاشی استحکام کی طرف گامزن تھا۔ وبائی بیماری کے اچانک پھیلنے سے ملک کی معاشی موسم ہو گئی ہے۔ اس سے صارفین کی طلب میں کمی کا اندیشہ ہے چونکہ کاروبار کی عارضی بندش اور فصلوں کی کٹائی میں تاخیر واقع ہوئی ہے۔ اس کے نتیجے کے طور پر، توقع کی جارہی ہے کہ مالی سال 2020 میں معیشت گزشتہ نمودف 3% کی بجائے اب منفی 1.5 فیصد رہے گی۔ حکومت کی جانب سے حال ہی میں اعلان کردہ 1,200 ارب روپے کے مالی پیکج سے ممکنہ خطرے سے دوچار معاشرتی طبقات پر اس وباء کے اثرات کم ہونے کا امکان ہے جبکہ متاثرہ کاروباروں کو بھی ضروری مدد مل سکتی ہے۔ اس کے نتیجے میں، بیکس محصولات اور اضافی اخراجات میں کمی کی وجہ سے، مالی خسارہ جی ڈی پی کے 9 فیصد سے زیادہ ہونے کی توقع ہے۔

بیرونی شعبے میں نمایاں بہتری آئی۔ مالی سال 20 کے دوران کرنٹ اکاؤنٹ خسارہ 73 فیصد کم ہو کر 2.8 بلین ڈالر رہ گیا۔ یہ درآمدات میں نمایاں کمی اور بیرون ملک پاکستانیوں سے ترسیلات زر میں مسلسل اضافے کے باعث ممکن ہوا ہے۔ آئی ایم ایف کی طرف سے مالی مدد اور دیگر کثیرالچختی شراکت داروں کی جانب سے ہنگامی قرضہ جات کی فراہمی اور موجودہ قرض کی بحالی کی شکل میں 1.4 بلین امریکی ڈالر نے کافی مدد فراہم کی ہے۔ اس کے نتیجے میں، اسٹیٹ بینک آف پاکستان (SBP) کے ذخائر اب نسبتاً زیادہ محفوظ ہیں اور 12.3 ارب ڈالر کی سطح پر آچکے ہیں۔ سالانہ افراط زر کی شرح واحد ہندسہ میں رہنے کی امید سے مہنگائی کے دباؤ میں کمی کا رجحان برقرار رہنے کی توقع ہے۔ یہ بنیادی اور غذائی افراط زر میں کمی اور ایندھن کی ارزاق قیمتوں کے باعث ممکن ہوا ہے۔ بحران کے آغاز سے، اسٹیٹ بینک پاکستان نے پالیسی کی شرح کو مجموعی طور پر 625 بنیادی پوائنٹس کم کر کے 7 فیصد کر دی ہے۔ ایسا COVID-19 کے معیشت پر پڑنے والے اثرات کم کرنے اور مالی استحکام کو برقرار رکھنے کے مقصد کے ساتھ کیا گیا تھا۔ مارچ 2020 کے مہینے میں بھاری نقصان اٹھانے کے بعد، PSX نے اپنی کھوئی ہوئی رفتار دوبارہ حاصل کر لی اور ستمبر 2020 کے آغاز تک 42,000 پوائنٹس کا معیار عبور کر لیا۔

زراعت

پاکستان کا زرعی شعبہ قومی معیشت کی ریڑھ کی ہڈی خیال کیا جاتا ہے۔ تاہم، اس شعبے کی کارکردگی مخلوط رہی۔ اہم خریف فصلوں خاص طور پر کپاس کی پیداوار میں خاطر خواہ کمی دیکھی گئی۔ مہنگے بیج اور بجلی کی وجہ سے زراعت رقبے میں کمی واقع ہوئی، جبکہ غیر وقتی بارشوں اور کیڑوں کے حملوں نے پیداوار کو کم کر دیا۔ موسم کی مناسب صورتحال اور یوریا کی خریداری میں اضافہ کو مد نظر رکھتے ہوئے رینج کی فصلوں کے ابتدائی نتیجے بہتری کی طرف نشان دہی کرتے ہیں۔ مجموعی طور پر، حال ہی میں اعلان کردہ زرعی پیکج اور عاقبتی بہتر قیمتوں سے اس شعبے کو ریلیف ملنے کی توقع کی جارہی ہے۔

بڑی پیمانے پر مینوفیکچرنگ (ایل ایس ایم)

بڑے پیمانے پر معاشی استحکام کے اقدامات کے نتیجے میں معاشی سست روی کا سامنا کرنا پڑا ہے اور صنعتی شعبے کو عوامی اور نجی کھیت میں کمی کی وجہ سے مشکلات پیش آئی ہیں۔ مجموعی طور پر کاروباروں اور صارفین میں اعتماد کم رہا، جو اپنی قوت خرید کو برقرار رکھنے کے لئے جدوجہد کرتے رہے۔ مجموعی طور پر بڑے پیمانے کی صنعتوں نے بڑھتی ہوئی لاگت اور انوینٹری کو برداشت کیا۔ کمزور مارجن اور بڑھتی ہوئی فنانسنگ لاگت کے ساتھ، فرموں نے اپنے کاموں کو روک دیا۔ نتیجتاً، COVID-19 کے باعث جاری بندش کی وجہ سے مالی سال 20 میں 10.2 فیصد کی زبردست کمی دیکھی گئی۔

کمپنی کی کارکردگی

لاک ڈاؤن کے ساتھ ہنگامہ خیز معاشی منظر نامے، اخراجات میں اضافے اور منفی طلب کے باعث کمپنی کا موجودہ مالی سال مشکل تھا۔ زیر جائزہ سال میں فروخت آمدنی 7.81 فیصد کم ہو کر 12.88 بلین روپے ہو گئی جو پچھلے سال میں 13.97 بلین روپے تھی۔ کرنسی کی قدر میں کمی کے علاوہ، لاک ڈاؤن کی وجہ سے پیداواری صلاحیتوں کے استعمال میں کمی اور فی نیٹ زیادہ مقررہ لاگت کی وجہ سے مجموعی مارجن کو 1.32 بلین روپے تک پہنچا دیا، جو گزشتہ سال سے 17.19 فیصد کمی ہے۔ مزید تفصیلات کے لئے عموماً تجزیہ، افقی تجزیہ اور مالی حسابات ملاحظہ کریں، جو سالانہ رپورٹ میں دستیاب ہے۔



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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
Crescent Power Tech 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
Crescent Steel and Allied Products Limited



Mr. Adil Bashir

Director (Executive)

Joined Board: 2015

Director: Shams Textile Mills Limited
Crescent Powertec Limited



Mr. Ahsan Bashir

Director (Executive)

Joined Board: 1994

Chief Executive & Director: Crescent Powertec Limited

Director: Premier Insurance Limited



Directors' Profile

Mr. Amjad Mahmood

Director (Non-Executive)

Joined Board: 1988
Director: The Crescent Textile Mills 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: Premier Insurance Limited



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 2020.

Overview

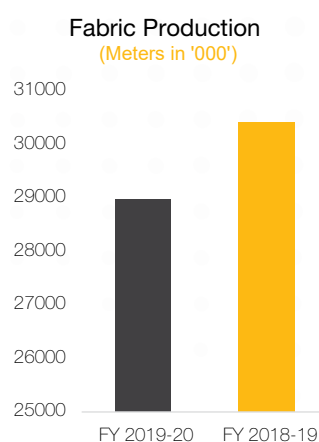
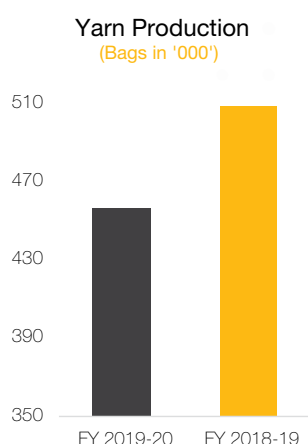
The business environment has been quite challenging throughout the year. At the start of the year under review the economy headed towards growth and business activities paced up leading to recovery; however, the outbreak of pandemic COVID-19, in second half of the financial year, brought the economy to a virtual halt, due to extensive lockdowns and shattered demand; resulting in nullifying the growth achieved in first half of the financial year. Impact of COVID-19 was compounded due to sharp devaluation of our currency, which exerted additional pressure on businesses by raising manufacturing costs; and exchange losses on account of imports and foreign currency loans. Considering overall economic recession and declining large scale manufacturing, prudent planning and focused management led your company to post an operating profit of PKR 1,042 million which is merely 16.93% down from last year. During prevalent turbulent times, these results are an excellent manifestation of sagacious operational management and effective utilization of resources. Availability of tax credits from prior periods, managed to offset increase in finance cost and forex losses incurred during current year; resulting in Profit After Tax of PKR 719.55 million i.e. a decline of 16.21%, as compared to previous year.

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, 2020 compared to last year are as follow:

Production Summary:

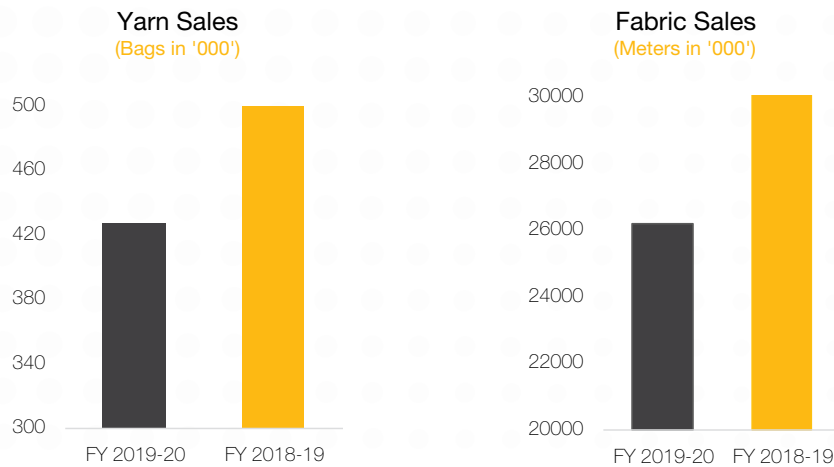
Particulars	UOM	FY 2019-20	FY 2018-19	Growth/ (Decline)
		Quantities in '000'		
Yarn Production	Bags	456.58	508.87	(10.28%)
Fabric Production	Meters	28,938	30,405	(4.82%)



Directors' Report

Sales Summary:

Particulars	UOM	FY 2019-20	FY 2018-19	Growth/ (Decline)
		Quantities in '000'		
Yarn Sales	Bags	426	499	-14.62%
Fabric Sales	Meters	26,172	30,601	-14.47%



Decline in production and sales numbers are attributable to halted operations / No Production Days (NPDs) due to lockdown; however, optimized business performance, continued BMR activities, effective planning, learning curve and implementation of rigorous controls reduced the adverse impacts of pandemic substantially.

Financial Performance

The financial performance of your company for the fiscal year ended June 30, 2020 as compared to last year is presented below:

Income Statement	2020	2019	% Change
(PKR in Million)			
Sales	12,883	13,974	-7.81%
Gross profit	1,321	1,595	-17.19%
Operating profit	1,042	1,254	-16.93%
Financial cost	(190)	(184)	2.82%
Profit before taxation	851	1,070	-20.46%
Taxation	(132)	(211)	-37.58%
Net Profit	720	859	-16.21%
Earnings per Share (EPS)	19.62	23.42	

Revenue

During the year under review, our net sales declined by 7.81% to Rs. 12,883 million, over the corresponding period. This was mainly attributable to halted operations due to extensive lockdown. Export Sales declined during the period under review as compared to the previous period owing to competitive pricing of our product in domestic market and brisk debtor recovery cycle.

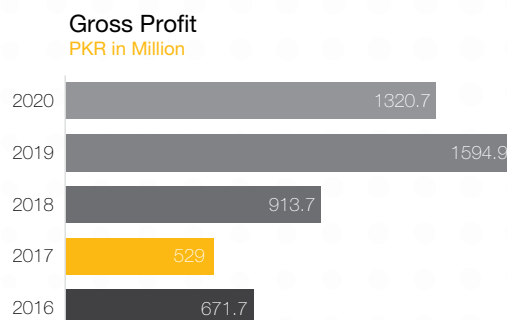
Directors' Report

Cost of Sales

During the fiscal year 2019-20 under review, cost of sales increased by 6.71% for per bag of yarn and 0.07% per meter of fabric produced, as compared to last year. This increase was mainly on account of expensive raw materials due to adverse exchange rate parity and fixed cost incurred throughout No Production Days (NPDs) during lockdown.

Gross Profit

Your Company has achieved gross profit margin of 10.25% for the fiscal year under review as compared to 11.41% last year, decline is mainly attributable to under absorption of fixed cost due to NPDs and lockdown however effective planning & management of resources hampered further decline in profitability.



Operating Expenses

For the year under review, sizeable increase of 22.63% was observed in Operating Expenses. Pattern of Administration and Distribution cost was largely even as compared with previous year and in line with the business trends of current year. Apart from donation, increase in these segments was in line with inflation. However, increase in Other Operating Expenses is directly attributable to substantial exchange losses incurred on foreign currency loans, due to sharp depreciation in local currency and provision for Expected Credit Loss as required by IFRS-9 due to delayed payments from debtors.

As per IFRS-9: "Expected Credit Losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due."

Other Income

Healthy growth in Other Income was observed during the year under review. Core determinant of this escalation was dividend income, that derived from investment of surplus working capital, generated during the year; in Asset Management Companies. Further, it includes unrealized gains on short term investments through profit or loss.

This unrealized gain is mainly attributable to initiation of recovery cycle in Pakistan Stock Exchange during the last couple of months, where the index recovered 7,154 Points till June 30, 2020 from lowest mark in March 2020; and Market gained 26.23% of capitalization.

Finance Cost

For the year under review, finance cost marginally increased by 2.82%. Prudent financial management coupled with easing of monetary policy due to pandemic kept this increase within control.

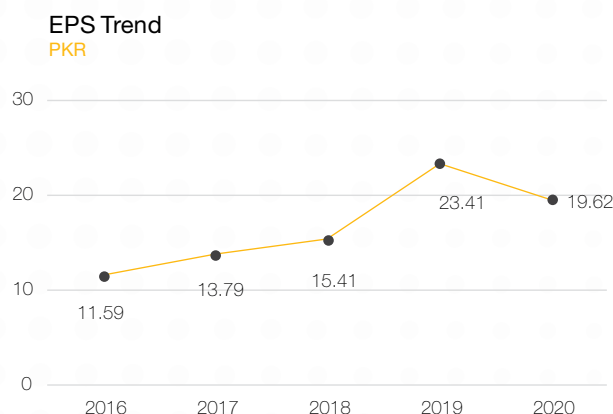
Directors' Report

Net Profit

Your company earned Profit Before Tax of 851.2 Million during the current fiscal year, as compared to 1,070 Million reported last year. Similarly, company posted an after tax profit of 719.5 Million as compared to 858.8 Million reported last year. Decline in profit is directly related to NPDs and lockdown during last quarter.

Earnings Per Share (EPS)

The earnings Per Share (EPS) of your company for the fiscal year ended June 30, 2020 stood at 19.62 as compared to 23.42 reported last year.



Dividend & Appropriation

Considering current capital and equity investment plans; the Board has proposed a final cash dividend of PKR 04 per share and stock dividend of 10 shares for every 100 shares, subject to approval of shareholders in upcoming Annual General Meeting scheduled to be held on October 28, 2020.

This approach remains in line with your company's commitment to consistently provide sustainable returns to the shareholders despite economic crunch. The Breakup value per share for the year is PKR 180.47 (2019: PKR 165.47).

Sad Demise of Mr. Farooq Ahmad (CFO)

The Board of Directors would like to acknowledge deep appreciation for the services rendered by Mr. Farooq Ahmad (Late), Chief Financial Officer; and place on record its deep sorrow and grief over his untimely passing on 19 July 2020. Mr. Farooq Ahmad had a decades long association with the Company, commencing from early 90s, as its CFO which led the Company towards growth and made it financially stout with the patronage of BOD. In addition to his financial expertise, he was known for his philanthropic contributions in healthcare and social services. We are sure that the legacy he created will continue to grow further. He is missed tremendously by his family, friends, business colleagues and especially the people whose lives he touched through his services.

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 10.86 Million for various charitable purposes and community development.

Directors' Report

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, 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 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.

Directors' Report

- 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 Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- 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 8 (Male) Directors. The composition of Board is provided below along with number of meetings attended by each director during the year:

Category	Name	Meetings Attended
Independent Director	None	-
Non-Executive Directors	Mr. Khalid Bashir (Chairman)	04
	Mr. Amjad Mahmood	03
	Mr. Humayun Maqbool	03
	Mr. Mohammad Iqbal	04
	Mr. Sharik Bashir	03
Executive Directors	Mr. Nadeem Maqbool (CEO)	04
	Mr. Ahsan Bashir	04
	Mr. Adil Bashir	03

Four meetings of the Board of Directors were held during the year 2019-20. However, leave of absence was granted to the Directors who could not attend the Board Meetings due to preoccupations.

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.
- The remuneration of directors & meeting fee for attending meeting of the Board of Directors or its Committees shall

Directors' Report

from time to time be determined and approved by the Board of Directors.

- The remuneration of Directors is paid as approved by the Board of Directors. The remuneration package is designed to attract suitable candidate and talent on the Board.
- A Director is 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.

Details of remuneration paid to executive directors of the company for the FY 2020, as required under regulation 34 (3) of the Code of Corporate Governance Regulations, 2019; is provided at page number 100 of this report.

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:

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

However, leave of absence was granted to the members who could not attend the meeting(s) due to preoccupations.

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 2019-20. 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.

Directors' Report

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 2019-20 were Audited by M/s Riaz Ahmad & Co. Chartered Accountants. The Auditors will retire at the end of Annual General Meeting. Being eligible, they have offered for re-appointment. The Board has recommended the appointment of M/s Riaz Ahmad and Co. Chartered Accountants as Auditors for the ensuing year, as recommended by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

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 June 30, 2020 is provided at page number 36 of this report.

Statement of Compliance with COCG

The Company has complied with requirements of the Listed Companies (Code of Corporate Governance) Regulations 2019. Statement to this effect is annexed with this Report on page numbers 33 to 35.

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 and Pakistan has made major inroads in being able to get orders for finished products. However, there is a capacity limitation and new investment in the downstream industry is required. For this to happen, the government must ensure stability in exchange rates, easing of interest rates and a regionally competitive energy policy. A majority of these issues have been addressed in the new Textile Policy which is awaiting approval.

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 and reliance on imports will continue. Presently the price of raw cotton in the domestic as well as the international markets remains depressed. This is because many economies of the world are in recession. Pakistan is fortunate to be performing well in the short term but eventually the effects will be felt here as well. We are quite optimistic that the first half will bode well for the textile industry. Yarn and fabric prices remain firm with good demand. Most of the lockdown period inventories have been delivered to our buyers and we expect low finished goods inventories for time being. Yarn exports continue to decline as our major buyer China struggles to buy the surplus.

Directors' Report

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.



Chief Executive



Director

September 15th, 2020

Lahore

مجلس نظماء کی رپورٹ

کی قدر میں کمی نے ہماری مصنوعات کو کافی مسابقتی بنادیا ہے اور پاکستان نے تیار مصنوعات کے آرڈر حاصل کرنے کے قابل ہونے کے لئے کئی راستے تلاش کئے ہیں۔ تاہم، ڈاؤن سٹریم انڈسٹری میں صلاحیت کی حد اور نئی سرمایہ کاری کی ضرورت ہے۔ جس کے لئے، حکومت کو زرمبادلہ کی شرحوں میں استحکام، شرح سود میں نرمی اور علاقائی طور پر مسابقتی توانائی پالیسی کو یقینی بنانا ہوگا۔ نئی ٹیکسٹائل پالیسی میں اکثر مسائل پر توجہ دی گئی ہے جو منظوری کے مراحل میں ہیں۔

ان غیر یقینی صورتحال کے مابوجود، 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 متاثر ہوگی۔ معیشت کو مستاد برزاتی بنانے 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 اہم عنصر ہے جو مینوفیکچرنگ کی قیمتوں میں اضافے کا باعث بن سکتا ہے 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 کیوں کہ کئی بار ہماری طرف سے نمایاں کردہ موروٹی مسائل حل نہیں ہوئے ہیں۔ کپاس صنعت کی ضروریات سے کم رہی ہے اور برآمدات پر انحصار جاری رہے گا۔ فی الحال خام کپاس کی قیمتیں مقامی اور بین الاقوامی مارکیٹوں میں کم رہی ہیں۔ کیونکہ دنیا کی اکثر معیشتیں سست روی کا شکار ہیں۔ خوش قسمتی سے پاکستان اگرچہ مختصر مدت میں اچھی کارکردگی کا مظاہرہ کر رہا ہے لیکن اس کے اثرات پھر بھی محسوس ہونگے۔ ہم بڑی امید ہیں کہ پہلی ششماہی ٹیکسٹائل انڈسٹری کے لئے بہتر ثابت ہوگی۔ یارن اور فبرک کی قیمتیں اچھی طلب کی وجہ سے مستحکم رہیں۔ لاک ڈاؤن کے زیادہ تر عرصے میں تیار کردہ انوینٹریز ہمارے خریداروں کو ڈیلیور کر دی گئی ہیں اور ہم وقتی طور پر کم تیار اشیاء کی انوینٹریز کی توقع کرتے ہیں۔ یارن کی برآمدات میں کمی جاری رہی کیونکہ ہمارا اہم خریدار چین سرپلس خریداری کی کوشش کرتا ہے۔

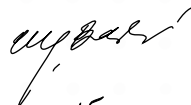
پاکستان کو اس وقت اندرونی اور بیرونی طور پر زبردست معاشی دباؤ کا سامنا ہے۔ مینوفیکچرنگ کا شعبہ معاشی کمی کی وجہ سے بڑے چیلنجوں کا مقابلہ کر رہا ہے۔ ملک کو برآمدی شعبوں کے لئے وٹنری پالیسیوں کی ضرورت ہے کیونکہ یہ صرف برآمدی قیادت میں نموی ہے جو معاشی بحالی کا باعث بنے گی۔


کمپنی منفی اثرات کو محدود کرنے کے لئے اپنی بنیادی صلاحیتوں اور انتظامی مہارت پر توجہ مرکوز کئے ہوئے ہے اور اپنے اسٹیک ہولڈرز کی توقعات کے مطابق کام سرانجام دینے کے لئے کوشاں ہیں۔ 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 شرکاء اور ملازمین کی مسلسل حمایت شکر یہ ادا کرتا ہوں۔ ہم بورڈ آف ڈائریکٹرز کی قابل قدر بصیرت اور رہنمائی کے بھی شکرگزار ہیں۔

منجانب بورڈ آف ڈائریکٹرز


ڈائریکٹر


(چیف ایگزیکٹو)

لاہور

15 ستمبر 2020ء

مجلس نظام کی رپورٹ

ہیومن ریسورس اینڈ ریمیزیشن کمیٹی

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں ایک ہیومن ریسورس اینڈ ریمیزیشن کمیٹی قائم کی ہے، مالیاتی سال 2019-20 کے دوران صرف ایک اجلاس منعقد ہوا۔ ہیومن ریسورس اینڈ ریمیزیشن کمیٹی کی تشکیل مندرجہ ذیل ہے:

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

موزوں داخلی اور مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز نے داخلی اور مالیاتی کنٹرول کا ایک موثر نظام قائم کیا ہے جو یقینی بناتا ہے کہ:

✓ آپریشنوں کا کارگر اور موثر انعقاد۔

✓ کمپنی کے اثاثوں کی حفاظت کرنا۔

✓ قابل اطلاق قوانین و ضوابط کی تعمیل۔

✓ قابل اعتماد مالیاتی رپورٹنگ۔

سورج کاشن ملز لمیٹڈ کا آزاد داخلی آڈٹ عمل میسرز KPMG تاخیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس آڈٹ سورس ہے جو SOPs اور متعلقہ مالی کنٹرول کے نفاذ کی باقاعدگی سے جانچ اور نگرانی کرتا ہے۔ داخلی آڈٹ رپورٹس سہ ماہی بنیاد پر منظور شدہ سالانہ داخلی آڈٹ پلان کے مطابق آڈٹ کمیٹی کے روبرو پیش کی جاتی ہیں۔ اس کے مطابق، آڈٹ کمیٹی اپنے اجلاسوں میں داخلی کنٹرول فریم ورک کی موثرگی اور مالیاتی گوشواروں کا جائزہ لیتی ہے۔

آڈیٹرز

موجودہ مالی سال 2019-20ء کے لئے کمپنی کے مالیاتی گوشواروں کا میسرز ریاض احمد 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۔ بورڈ نے آئندہ سالانہ عام اجلاس میں ممبروں کی منظوری سے مشروط، آڈٹ کمیٹی کی تجویز پر آئندہ سال کے لئے میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو آڈیٹر کی حیثیت سے تقرری کی سفارش کی ہے۔

بعد کے واقعات

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

حصص داری کا نمونہ

30 جون 2020ء تک کمپنی کے ایکٹ، 2017 کے سیکشن (f)(2)227 کے تحت مطلوبہ کمپنی کے شیئر ہولڈنگ کا نمونہ، رپورٹ کے ساتھ صفحہ نمبر 36 پر لف ہے۔

COCG کی تعمیل کا بیان

کمپنی نے لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کے تقاضوں کی تعمیل کی ہے۔ اس اثا کا بیان رپورٹ ہذا کے صفحہ نمبر 35 تا 33 پر منسلک ہے۔

مستقبل کا نقطہ نظر

ہم فی الحال دنیا میں معاشی سست روی کا مشاہدہ کر رہے ہیں جسے امریکہ اور 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

مجلس نظام کی رپورٹ

ڈائریکٹر اور بورڈ کے اجلاس

SCML کا بورڈ 8 (مرد) ڈائریکٹر پر مشتمل ہے۔ بورڈ کی تشکیل مندرجہ ذیل ہے:

کیٹگری	نام	تعداد حاضری
نان ایگزیکٹو ڈائریکٹر	جناب خالد بشیر (چیئرمین)	04
نان ایگزیکٹو ڈائریکٹر	جناب امجد محمود	03
نان ایگزیکٹو ڈائریکٹر	جناب ہمایوں مقبول	03
نان ایگزیکٹو ڈائریکٹر	جناب محمد اقبال	04
نان ایگزیکٹو ڈائریکٹر	جناب شارق بشیر	03
ایگزیکٹو ڈائریکٹر	جناب ندیم مقبول (سی ای او)	04
ایگزیکٹو ڈائریکٹر	احسن بشیر	04
ایگزیکٹو ڈائریکٹر	عادل بشیر	03

زیر جائزہ سال 2019-20 کے دوران بورڈ آف ڈائریکٹر کے چار (4) اجلاس منعقد ہوئے۔ تاہم، جو ڈائریکٹر مصروفیت کے باعث بورڈ کے اجلاسوں میں شرکت نہیں کر سکتے تھے کو غیر حاضری کی رخصت عطا کی گئی۔

ڈائریکٹر کا معاوضہ

بورڈ آف ڈائریکٹر نے معاوضہ کے تعین کے لئے ایک ہدایت نامہ تیار کیا 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 یا اس 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 سفری، بورڈنگ، رہائش اور دیگر اخراجات مہیا یا معاوضہ دیا جائے گا۔
- مالی سال 2020 میں کمپنی کے ایگزیکٹو ڈائریکٹر کو ادا کی گئی اجرت کی تفصیل اس رپورٹ کے صفحہ نمبر 100 پر دی گئی ہے

بورڈ کی کمیٹیاں اور اجلاس

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

آڈٹ کمیٹی

کوڈ آف کارپوریٹ 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 (چیئرمین)	02
2	جناب احسن بشیر	04
3	جناب عادل بشیر	04

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

مجلس نظام کی رپورٹ

آپریٹنگ ریسک

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 سوریسنگ، فرائض کی مناسب تفریق، ہمارے پلانٹوں میں بجلی کی پیداوار میں خود کفالت، موثر سپلائی چین اور لاجسٹک آپریشنوں نے ہمیں قابل قبول سطح پر آپریٹنگ ریسک کو کم کرنے میں مدد فراہم کی ہے۔

مالی خطرات

ایک بہت اہم مالی خطرہ زرمبادلہ کی شرح میں اتار چڑھاؤ ہے اور منحنی 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، کیش فلو مینجمنٹ 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 ریسک مینجمنٹ 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 لاء فرموں کے ذریعہ ہینڈل کیا جاتا ہے۔

ماحولیاتی اثرات

آپ کی کمپنی اپنے برعبرہ میں ماحولیات کے تحفظ کے لئے ہمیشہ بخیرگی سے ذمہ داری لیتی 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 اپنے ارد گرد درختوں کی شجر کاری ہم جاری رکھی ہوئی ہے اور ماحولیاتی تحفظ کی طرف خاطر خواہ توجہ دی ہے۔ آپ کی کمپنی مانی 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 آراو پلانٹس کی تنصیب سے ہم مانی کے تحفظ کو یقینی بناتے ہیں اور ساتھ ہی ساتھ اپنے ملازمین کو جوہیں گھنے 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، کمیونٹیز کو 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 اور خدمت کرنے کے لئے کوشاں ہیں۔

کوڈ آف کارپوریٹ گورننس

کمپنی کے ڈائریکٹرز (سیکنڈ لیکچر) (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پاکستان شاک ایجنسی 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۔

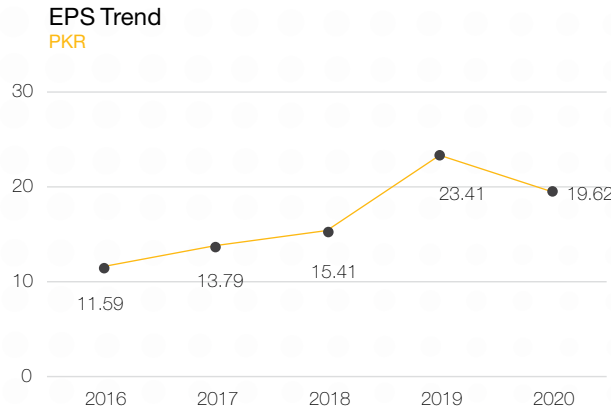
اور ڈائریکٹرز توثیق کرتے ہیں کہ:

- ﴿ 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 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 نظام مستحکم ہے اور موثر طور پر نافذ العمل اور زیر نگرانی ہے۔
- ﴿ کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- ﴿ لسٹنگ ریگولیشن اور کارپوریٹ گورننس میں بیان کردہ بہترین اصولوں سے قابل ذکر انحراف نہیں کیا گیا۔
- ﴿ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں تمام قانونی ادائیگیاں، اگر کوئی ہوں، جو بقایا ہوں، مالی حسابات میں واضح انکشاف کیا گیا ہے؛
- ﴿ شیئر ہولڈنگ کے نمونہ کا بیان اس سالانہ رپورٹ کے ایک حصہ کے طور پر شامل کیا گیا ہے۔
- ﴿ گزشتہ چھ سالوں کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا مختصر اُنسلک ہے۔

مجلس نظام کی رپورٹ

فی شیئر آمدنی (EPS)

30 جون 2020 ختمہ مالیاتی سال کے لئے آپ کی کمپنی کی فی شیئر آمدنی (EPS) 19.62 رہی جو کہ گزشتہ سال 23.42 درج کی گئی تھی۔



ڈیویڈنڈ اور مصروفیات

موجودہ اور مجوزہ سرمایہ کاری کی منصوبہ بندی کو مد نظر رکھتے ہوئے، بورڈ نے 28 اکتوبر 2020 کو منعقد ہونے والے آئندہ سالانہ اجلاس عام میں حصص داران کی منظوری کے حوالہ سے 04 روپے فی شیئر حتمی نقد منافع منقسمہ اور ہر ایک 100 شیئرز کے لئے 10 شیئرز کا اسٹاک ڈیویڈنڈ تجویز کیا ہے۔

یہ نقطہ نظر کمپنی کے حصص یافتگان کو مستقل مستحکم منافع فراہم کرنے کے عزم کے مطابق ہے۔ سال کے لئے فی حصص کی بریک اپ ویلیو 180.47 روپے (2019: 165.47 روپے) ہے۔

جناب فاروق احمد (سی ایف او) کا انتقال پر ملال

بورڈ آف ڈائریکٹرز جناب فاروق احمد (مرحوم) چیف فنانشل آفیسر کی خدمات کو بھرپور سراہتے ہیں، اور 19 جولائی 2020 کو ان کے غیر معمولی انتقال پر گہرے رنج و غم کا اظہار کرتے ہیں۔ جناب فاروق احمد نے 90 کی دہائی کے اوائل سے اس کمپنی کے ساتھ کئی دہائیوں تک طویل رفاقت قائم رکھی، بطور سی ایف او ان کی وجہ سے یہ ادارہ ترقی کی طرف گامزن ہوا اور BOD کی سرپرستی کے ساتھ اسے معاشی طور پر مستحکم بنادیا تھا۔ اپنی مالی مہارت کے علاوہ، وہ طبی اور سماجی خدمات میں اپنی انسان دوستی کے لئے مشہور تھے۔ ہمیں یقین ہے کہ ان کی پیدا کردہ میراث میں مزید اضافہ ہوتا رہے گا۔ اپنے خاندان، دوستوں، کاروباری ساتھیوں اور خاص کر ان لوگوں کو جن کی زندگیوں میں ان کی خدمات کی شراکت رہی وہ ان کی بہت زیادہ کی محسوس کرتے ہیں۔

کارپوریٹ سماجی ذمہ داری (CSR)

آپ کی کمپنی سوسائٹی اور کمیونٹیز جس میں وہ کام کرتی ہے کی 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 رفاہی مقاصد اور معاشرتی ترقی کے لئے 10.86 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 نمونہ کے اہداف پر دوبارہ نظر ثانی کی گئی ہے۔ میکرو معاشی اشاروں میں بدلاؤ، حکومتی پالیسیوں میں متضاد/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۔

مجلس نظماء کی رپورٹ

آمدنی

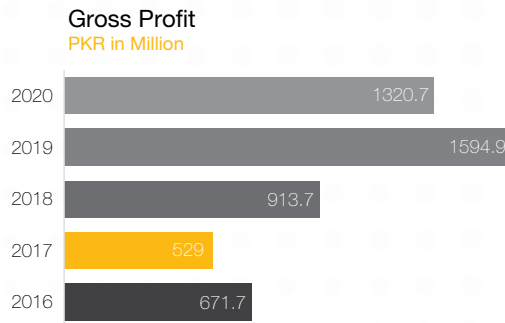
زیر جائزہ سال میں، ہماری فروخت گزشتہ سال سے 7.81 فیصد کم ہو کر 12,883 ملین روپے ہو گئی۔ یہ کمی بنیادی طور پر طویل لاک ڈاؤن کی وجہ سے آپریشنز کی بندش کے باعث وقوع پذیر ہوئی۔ زیر جائزہ مدت کے دوران برآمد فروخت مقامی مارکیٹ میں ہماری پراڈکٹ کی مسابقتی قیمت اور قرض کی تیز ترین ریکوری سائیکل کی وجہ سے گزشتہ سال کی اسی مدت کے مقابلے کم ہوئی۔

فروخت کی لاگت

زیر جائزہ مالیاتی سال 2019-20 کے دوران، فروخت کی لاگت گزشتہ سال کے مقابلے تیار کردہ یارن کی 6.71 فیصدنی بیگ اور فہرک کی 0.07 فیصد تک بڑھ گئی۔ یہ اضافہ بنیادی طور پر لاک ڈاؤن کے دوران نوپروڈکشن دنوں (NPDs) میں ہونے والے مقررہ اخراجات اور مضمفی شرح بتاؤ لے کی برابری کی وجہ سے مہنگے خام مال کے باعث ہوا۔

مجموعی منافع

آپ کی کمپنی نے گزشتہ سال 11.41 فیصد کے مقابلے زیر جائزہ مالیاتی سال کے لئے 10.25 فیصد مجموعی منافع مارجن حاصل کیا، کمی بنیادی طور پر NPDs اور لاک ڈاؤن کی وجہ سے مقررہ لاگت کے باعث ہوا تاہم مؤثر منصوبہ بندی اور وسائل کے مؤثر استعمال سے منافع میں مزید کمی پر قابو پایا گیا۔



آپریٹنگ اخراجات

زیر جائزہ سال کے لئے، آپریٹنگ اخراجات میں 22.63 فیصد کے نمایاں اضافہ کا مشاہدہ کیا گیا۔ ایڈمنسٹریشن اور ڈسٹری بیوٹن لاگت کا منظر نامہ گزشتہ سال کے مقابلے اور رواں سال کے کاروباری رجحانات کے عین مطابق رہا۔ عطیات کے علاوہ، ان شعبوں میں اضافہ افراط زر کے مطابق تھا۔ تاہم، دیگر آپریٹنگ اخراجات میں اضافے کی براہ راست وجہ غیر ملکی کرنسی قرضوں پر ہونے والے خاطر خواہ تبادلہ کا خسارہ ہے، جس کے باعث مقامی کرنسی کی قدر میں تیزی سے کمی اور قرض دہندگان سے تاخیر سے وصولیوں کی وجہ سے IFRS-9 کے تقاضہ کے مطابق متوقع کریڈٹ نقصان کی فراہمی ہے۔ IFRS-9 کے مطابق: "متوقع کریڈٹ نقصانات وصولیوں کی مقدار اور وقت پر مرکوز ہیں، کریڈٹ نقصان اس وقت بھی پیدا ہوتا ہے یہاں تک کہ ادارہ کو مکمل وصولیوں کی توقع ہو لیکن مقررہ کے مدت بعد۔"

دیگر آمدنی

زیر جائزہ سال کے دوران دیگر آمدنی میں صحت مند نمودیکھی گئی۔ اس اضافے کی بنیادی وجہ ڈیویڈنڈ آمدنی تھی جو سال کے دوران پیدا ہونے والے سرپلس ورکنگ کیپٹل کی سرمایہ کاری سے حاصل ہوئی ہے۔ مزید یہ کہ اس میں نفع نقصان کے ذریعہ قلیل مدتی سرمایہ کاری پر غیر وصول شدہ منافع بھی شامل ہے۔ یہ غیر وصول شدہ منافع گزشتہ چند ماہ کے دوران پاکستان اسٹاک ایکسچینج کے بہتری کی طرف گامزن ہونے سے منسوب ہے، جہاں انڈیکس نے 30 جون 2020 تک 7,154 پوائنٹس کی بحالی ہوئی جو مارچ 2020 میں سب سے کم نشان پر پہنچ گئی تھی نتیجتاً مارکیٹ کیپٹل ازییشن میں 26.23 فیصد اضافہ دیکھنے میں آیا۔

مالی لاگت

زیر جائزہ سال میں کمپنی کی مالی لاگت میں 2.81 فیصد اضافہ ہوا۔ محتاط مالیاتی انتظام کے ساتھ ساتھ وبائی بیماری کی وجہ سے ہونے والی مانیٹری پالیسی کی نرمی نے اس اضافہ کو کنٹرول میں رکھا۔

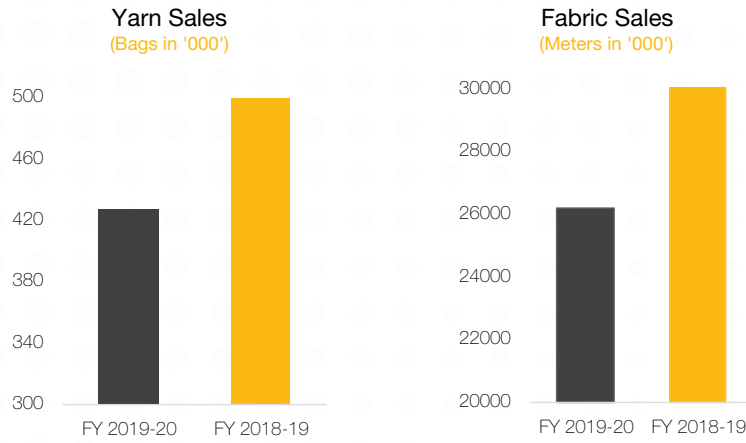
خالص منافع

آپ کی کمپنی نے گزشتہ سال 1,070 ملین روپے کے مقابلے موجودہ مالیاتی سال کے دوران ٹیکس سے قبل منافع 851.2 ملین روپے کمایا۔ اسی طرح کمپنی نے ٹیکس کے بعد منافع 719.5 ملین روپے درج کیا جو کہ گزشتہ سال 858.7 ملین روپے تھا۔ منافع میں کمی براہ راست آخری سہ ماہی کے دوران NPDs اور لاک ڈاؤن سے منسلک ہے۔

مجلس نظاماء کی رپورٹ

سیلز کا خلاصہ

اشیاء	اکائی	FY 2019-20 مقدار '000 میں	FY 2018-19 مقدار '000 میں	نمو/ (کی)
یارن کی پیداوار	بیگز	426	499	(-14.62 فیصد)
فیبرک کی پیداوار	میٹر	26,172	30,601	(-14.47 فیصد)



پیداوار اور فروخت کی تعداد میں کمی لاک ڈاؤن کی وجہ سے آپریشنز کی بندش / نو پروڈکشن دنوں (NPDs) کے باعث ہوئی۔ تاہم، تسلی بخش کاروباری کارکردگی، مسلسل بی ایم آر سرگرمیوں، موثر منصوبہ بندی، سیکھنے کی طلب اور سخت کنٹرول کے نفاذ نے وہائی بیماری کے مضر اثرات کو کافی حد تک کم کر دیا۔

مالیاتی نتائج

30 جون 2020 کو ختم ہونے والے مالیاتی سال کے لئے کمپنی کی مالیاتی کارکردگی کا کرشمہ سال سے موازنہ مندرجہ ذیل ہے:-

آمدنی کی تفصیل	2020	2019	فیصد تبدیلی
پاکستانی روپے ملین میں			
فروخت	12,883	13,974	-7.81 فیصد
مجموعی منافع	1,321	1,595	-17.19 فیصد
آپریٹنگ منافع	1,042	1,254	-16.93 فیصد
مالی لاگت	(190)	(184)	2.82 فیصد
ٹیکس سے قبل منافع	851	1,070	-20.46 فیصد
ٹیکسیشن	(132)	(211)	-37.58 فیصد
خالص منافع	720	859	-16.21 فیصد
فی شیئر آمدنی (EPS)	19.62	23.42	

مجلس نظماء کی رپورٹ

"مجلس نظماء کی جانب سے، میں 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کی کاروباری اور مالیاتی کارکردگی پیش کرتے ہوئے خوشی محسوس کر رہا ہوں"

جائزہ

کاروباری ماحول سال بھر چیلنجز سے بھرپور رہا۔ زیر جائزہ سال کے آغاز میں معیشت ترقی کی طرف گامزن ہوئی اور کاروباری سرگرمیاں تیزی سے بحالی کا باعث بنی۔ تاہم، COVID-19 وباء کا پھیلاؤ سال کے دوسرے نصف حصے میں معیشت کو مجازی قفل کی طرف لے گیا۔ وسیع لاک ڈاؤن اور طلب میں نمایاں کمی کے باعث مالیاتی سال کی پہلی ششماہی میں حاصل کی گئی نمو کا عدم قرار پائی۔ ہماری کرنسی میں شدید کراؤٹ COVID-19 کے مضرت اثرات میں اضافہ کا باعث بنی جس کا کاروباری سرگرمیوں پر مزید دباؤ پڑا اور اشیاء کی لاگت میں اضافہ واقع ہوا۔ مجموعی کساد بازاری اور LSM میں کمی کو مد نظر رکھتے ہوئے محتاط مالیاتی منصوبہ بندی اور انتظامیہ کی مرکزیت نے آپ کی کمپنی کو آپریشنل منافع 1,042 ملین روپے پوسٹ کرنے پر مجبور کیا، جو محض 16.93 فیصد پچھلے سال کی نسبت کم ہے۔ ان ہنگامہ خیز حالات کے دوران، یہ نتائج عقلمندانہ آپریشنل انتظام اور وسائل کے مؤثر استعمال کا ایک بہترین مظہر ہیں۔ گزشتہ سال کے ٹیکس کریڈٹس مالیاتی اخراجات میں اضافہ اور زر مبادلہ کے نقصان کو منسوخ کرنے میں مددگار ثابت ہوا۔ گزشتہ سال کے ٹیکس کریڈٹس کی دستیابی، موجودہ مالی سال کے دوران فنانس لاگت میں اضافے کو کم کرنے اور غیر ملکی کرنسی کے نقصانات کو پورا کرنے میں کامیاب رہی۔ جس کے نتیجے میں ٹیکس کے بعد منافع 719.55 ملین روپے رہا یعنی پچھلے سال کے مقابلے میں 16.21 فیصد کی کمی ہوئی۔

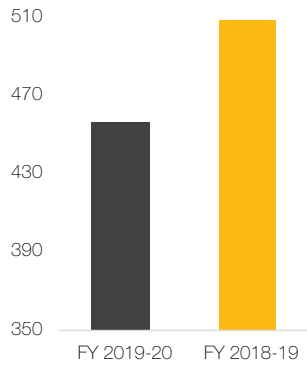
کاروباری کارکردگی

ٹیکسٹائل صنعت میں ہونے کے باعث آپ کی کمپنی بنیادی طور پر یارن اور گرے فیکرک بنانے کے کاروبار میں مصروف ہے۔ 30 جون 2020 کو ختم ہونے والے موجودہ مالیاتی سال کے لئے آپ کی کمپنی کے پیداواری اور فروخت کے اعداد و شمار کا گزشتہ سال سے موازنہ مندرجہ ذیل ہے:

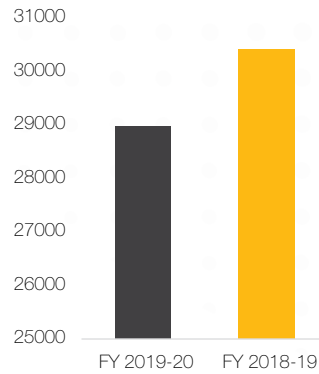
پیداوار کا خلاصہ

اشیاء	اکائی	مقدار FY 2019-20 '000 میں	مقدار FY 2018-19 '000 میں	نمو/ (کمی)
یارن کی پیداوار	بیگز	456.58	508.87	(10.28 فیصد)
فیکرک کی پیداوار	میٹر	28,938	28,938	(4.82 فیصد)

Yarn Production
(Bags in '000')



Fabric Production
(Meters in '000')



Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

SURAJ COTTON MILLS LIMITED For the Financial Year 2019-20

This statement is being presented to comply with the best practices of the Listed Companies Corporate Governance Regulations 2019 as contained in regulation no 36 of the listing regulation of Pakistan Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- The total number of directors are 8 as per following:

a Male:	Eight
b Female:	None

- The composition of Board Of Directors (BOD) is as follows

1 Independent Directors	None
2 Non-Executive Director	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

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- 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.
- 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.
- 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.

- 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.
- The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The present BOD elected on April 2, 2019 and seven Directors out of eight 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.
- The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- CFO and CEO duly endorsed the financial statements before approval of the board.
- The board has formed committees comprising of members given below:

a) Audit Committee

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

b) HR and Remuneration Committee

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

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

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

14. The frequency of meetings of the committee were as per following:
- | | |
|----------------------------------|---|
| a) Audit Committee | 4 |
| b) HR and Remuneration Committee | 1 |
15. 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.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 have been complied with.
19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

S. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	Directors' Orientation Program Acquainting the directors with these Regulations, applicable laws, their duties and responsibilities	All the directors are suitably qualified and experienced and most of them are exempt from Directors' training program due to 14 years of education and 15 years of experience on the Boards of listed companies.	18
2	Human Resource and Remuneration Committee There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director. And the chairman of the committee shall be an independent director and the chief executive officer may be included as a member of the committee.	Currently, the Board has appointed two executive directors on this committee and the chairman of this committee is also an executive director. The directors believe that existing composition of the committee is in the best interest of company.	28
3	Nomination Committee The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a separate nomination committee and the functions are being performed by the human resource and remuneration committee. The Board shall consider to constitute nomination committee after next election of directors.	29

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

S. No.	Requirement	Explanation of Non-Compliance	Meetings Attended
4	Risk Management Committee The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.	Currently, the Board has not constituted a risk management committee and senior officers of the Company perform the requisite functions and apprise the Board accordingly. The Board shall consider to constitute risk management committee after next election of directors.	30
5	Responsibilities of the Board and its Members The Board is responsible for adoption of corporate governance practices by the company.	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.	10(1)

20. Executive directors, including the chief executive officer on the Board are three out of total eight directors. One third of the Board i.e. 2.67 has been rounded up as 3 directors as the manufacturing units of the Company are geographically spread and the Company needs executive directors for effective management of operations.

(KHALID BASHIR)

Chairman

Pattern of Shareholding

As at June 30, 2020

No. of Shareholders	Shareholding		Total Shares held
	From	To	
204	1	100	7,254
181	101	500	49,534
80	501	1,000	56,196
139	1,001	5,000	269,339
34	5,001	10,000	244,540
15	10,001	15,000	180,487
6	15,001	20,000	103,022
7	20,001	25,000	157,484
6	25,001	30,000	166,531
7	30,001	35,000	225,929
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	335,001	340,000	335,146
1	360,001	365,000	362,980
1	425,001	430,000	428,428
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	1,265,001	1,270,000	1,268,033
1	1,685,001	1,690,000	1,686,900
1	2,150,001	2,155,000	2,151,208
1	2,570,001	2,575,000	2,574,021
1	2,725,001	2,730,000	2,726,833
1	15,045,001	15,050,000	15,045,422
711			36,671,312

Information Required As Per Code Of Corporate Governance

As At June 30, 2020

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. Muhammad Iqbal	183,637	0.50%
Mr. Humayun Maqbool	28,770	0.08%
Mr. Khalid Bashir	1,686,900	4.60%
Mr. Adil Bashir	2,579,821	7.03%
Mr. Ahsan Bashir	2,151,208	5.87%
Mr. Sharik Bashir	3,478	0.01%
Mr. Amjad Mahmood	16,105	0.04%
Director's Spouses and Their Minor Children		
Begum Tanveer Khalid Bashir	1,107,861	3.02%
Mrs. Humera Iqbal	2,726,833	7.44%
Mrs. Nazia Maqbool	21,591	0.06%
Mrs. Naheed Amjad	37,883	0.10%
	10,682,455	29.13%
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%
National Bank of Pakistan - Trustee Department	503	0.00%
	791,182	2.16%
Banks, NBFCs, DFIs, Takaful, Pension Funds	245,518	0.67%
Modarabas	-	0.00%
Insurance Companies	14	0.00%
Other Companies, Corporate Bodies, Trust etc.	2,414,761	6.58%
General Public	5,108,341	13.93%
Total	36,671,312	100%
Shareholders More Than 5.00%		
M/s. Crescent Powertec Limited	16,206,871	44.19%
Mrs. Humera Iqbal	2,726,833	7.44%
Mr. Adil Bashir	2,579,821	7.03%
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 FY 2020

18,200 shares purchased by Mr. Adil Bashir.

KEY PERFORMANCE INDICATORS

Performance Indicators

For the current and past five financial years

Profitability Ratios		2020	2019	2018	2017	2016	2015
Gross profit ratio	(%)	10.3	11.4	11.4	8.2	6.4	8.7
Operating profit margin to sales	(%)	8.1	9.0	9.0	5.2	6.7	7.2
Net profit margin to sales (net)	(%)	5.6	6.1	6.1	5.1	6.1	5.5
Return on average equity	(%)	11.3	14.2	14.7	10.4	10.0	9.1
Return on capital employed	(%)	11.4	14.7	14.7	6.8	7.4	10.8
Return on average assets	(%)	5.8	7.3	7.5	5.4	6.2	6.6

Liquidity Ratios							
Current ratio	(times)	1.9	1.8	1.8	2.1	2.5	2.9
Quick ratio	(times)	0.9	0.8	0.8	1.0	1.7	2.2

Activity / Turnover Ratios							
Debtors turnover ratio	(times)	13.7	15.3	17.0	20.1	20.7	17.3
No. of days in receivables / Average collection period	(days)	27	24	21	18	18	21
Inventory turnover ratio	(times)	3.4	4.0	4.3	4.9	6.5	6.0
No. of days in inventory	(days)	107	91	86	74	56	61
Creditors turnover ratio	(times)	4.3	5.6	4.9	4.2	4.2	4.9
No. of days in creditors / Average payment period	(days)	85	73	74	87	87	74
Total assets turnover	(times)	1.0	1.2	1.2	1.1	1.0	1.2

Investment / Market Ratios							
Earnings per share	(Rs.)	19.6	23.4	15.42	19.3	17.4	16.1
Price earnings ratio	(times)	8.4	5.3	6.1	8.1	7.5	6.3
Cash dividend per share	(Rs.)	4.0	5.0	4.0	5.0	5.0	5.0
Stock dividend / Bonus shares	(%)	10.0	-	15.0	10.0	10.0	10.0
Break-up value per share	(Rs.)	180.4	165.5	176.2	182.1	165.6	184.2

Market value per share							
Closing	(Rs.)	165.0	124.8	142.7	157.0	130.0	102.0
High	(Rs.)	185.0	157.0	169.7	163.0	176.2	147.9
Low	(Rs.)	108.0	113.0	118.6	116.1	101.3	93.0

Capital Structure Ratios							
Debt equity ratio		27:73	29:71	34:67	30:70	06:94	02:98
Total liabilities to total assets	(%)	49.15	48.53	48.53	49.78	44.81	28.65

Key Operating and Financial Data

For the current and past five financial years

Rupees in thousand

A Summary of Profit and Loss Account	2020	2019	2018	2017	2016	2015
Sales - net	12,882,572	13,973,634	11,095,688	8,313,438	7,712,885	8,562,185
Cost of sales	11,561,798	12,378,649	10,181,955	7,784,454	7,041,161	7,664,263
Gross profit	1,320,774	1,594,985	913,733	528,984	671,724	897,922
Distribution and selling expenses	119,088	125,353	141,279	125,660	134,646	160,620
Administrative expenses	204,325	165,718	147,379	140,691	143,753	116,095
Other operating expenses	226,241	157,119	145,039	86,214	72,614	57,396
Other operating income	271,003	107,647	96,596	382,832	233,894	206,282
Operating profit before finance costs	1,042,123	1,254,442	576,632	559,251	554,605	770,093
Share of loss from joint ventures	(1,359)	-	-	-	-	-
Finance costs	189,563	184,370	150,626	76,043	62,090	64,518
Profit before taxation	851,201	1,070,072	426,006	483,208	492,515	705,575
Taxation - net	131,652	211,317	139,455	22,598	67,297	114,084
Net income	719,549	858,755	565,461	505,806	425,218	591,491

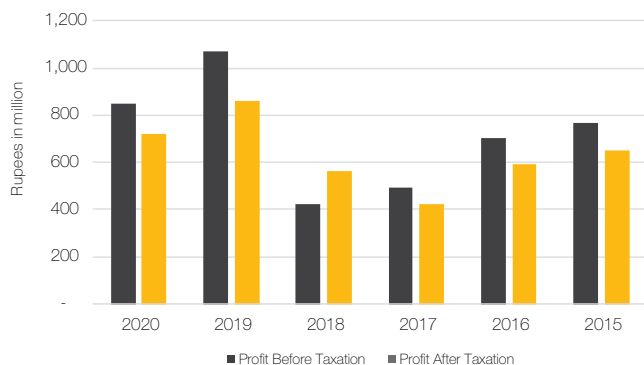
B Summary of Balance Sheet						
Property, plant and equipment	5,011,641	5,349,114	5,483,352	4,952,530	2,417,324	1,982,781
Stock-in-trade	3,718,268	3,087,533	2,714,766	1,407,007	988,336	1,372,741
Trade debts	974,012	913,047	732,216	371,238	433,422	459,258
Trade and other payables	2,270,877	1,870,028	1,581,088	1,304,379	1,041,073	791,840
Current assets	7,117,734	5,483,953	5,457,726	4,445,286	4,216,759	3,922,248
Total assets	13,011,465	11,788,505	11,190,743	9,567,695	6,803,962	6,012,390
Reserves	6,249,900	5,701,265	5,259,342	4,990,344	4,591,284	4,263,470
Shareholders' equity	6,616,613	6,067,978	5,620,199	5,280,236	4,854,822	4,503,050
Long term financing	2,533,850	2,474,995	2,885,828	2,307,475	287,773	90,263
Deferred liabilities	209,633	277,828	66,511	195,817	197,795	213,970
Short term financing	1,278,365	698,968	993,116	379,394	357,536	149,857
Current liabilities	3,651,369	2,967,704	2,618,205	1,782,969	1,460,986	1,204,708

C Summary of Cash Flow Statement						
Cash and cash equivalents at the beginning of the year	433,938	64,827	41,676	222,084	95,556	190,673
Net cash (used in) / generated from operating activities	618,688	1,313,394	(788,753)	(89,486)	(124,368)	1,374,302
Net cash used in investing activities	(1,012,956)	(418,710)	(355,569)	(2,150,405)	(142,926)	(1,191,626)
Net cash (used in) / generated from financing activities	167,469	(525,573)	1,167,473	2,059,483	393,822	(277,793)
Net increase / (decrease) in cash and cash equivalents	(226,799)	369,111	23,151	(180,408)	126,528	(95,117)
Cash and cash equivalents at the end of the year	207,139	433,938	64,827	41,676	222,084	95,556

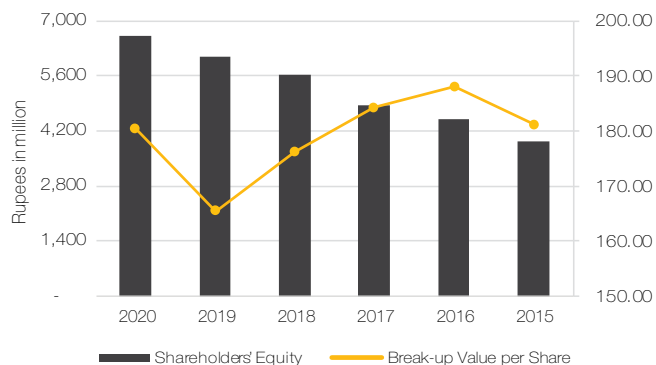
D Other data						
Depreciation and amortization	499,630	500,542	406,544	199,078	205,474	201,959
Capital expenditure	183,214	392,528	1,018,986	2,777,253	662,814	194,633
No. of ordinary shares (no. of shares in millions)	36,671	36,671	31,888	28,989	26,354	23,958

Graphical Representation

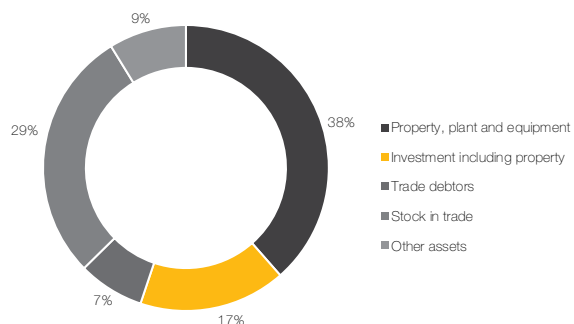
Profit Before & After Taxation



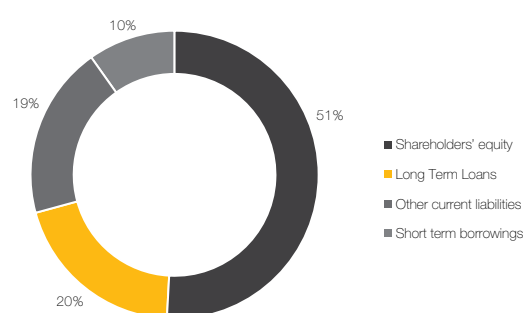
Shareholders' Equity & Break-Up Value per Share



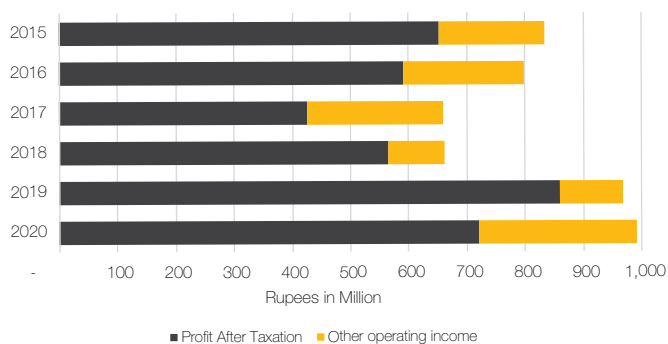
Total Assets as at 30 June 2020



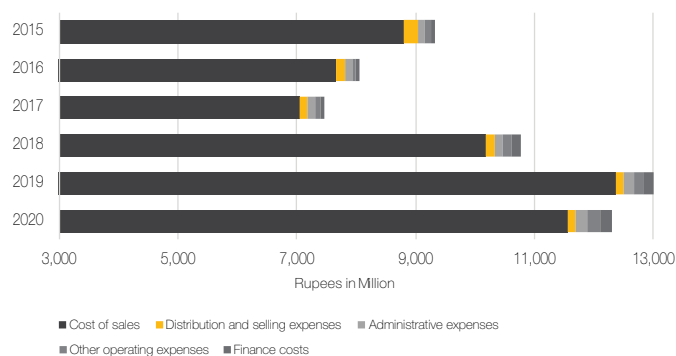
Total Liabilities as at 30 June 2020



Profit and Loss Analysis (Income)



Profit and Loss Analysis (Expenses)



Vertical Analysis

For the current and past five financial years

Rupees in thousand

Balance Sheet	2020	%	2019	%	2018	%	2017	%	2016	%	2015	%
Property, plant and equipment	5,011,641	38.5	5,349,114	45.38	5,483,352	49.00	4,952,530	51.76	2,417,324	35.53	1,970,611	32.78
Investment property	100,000	0.8	100,000	0.85	100,000	0.89	100,000	1.05	100,000	1.47	100,000	1.66
Investment in joint venture	-	-	-	-	50,000	0.45	50,000	0.52	50,000	0.73	-	-
Long term loans and deposits	21,871	0.2	19,879	0.17	19,879	0.18	19,879	0.21	19,879	0.29	19,531	0.32
Long term investments	746,027	5.7	825,482	7.00	14,722	0.13	-	-	-	-	-	-
Stores, spares and loose tools	203,642	1.6	202,325	1.72	182,562	1.63	149,265	1.56	88,839	1.31	83,027	1.38
Stock-in-trade	3,718,268	28.6	3,087,533	26.19	2,714,766	24.26	1,407,007	14.71	988,336	14.53	933,159	15.52
Trade debts	974,012	7.5	913,047	7.75	732,216	6.54	371,238	3.88	433,422	6.37	230,127	3.83
Loan and advances	55,137	0.4	29,064	0.25	88,552	0.79	116,749	1.22	136,659	2.01	43,482	0.72
Short term deposits and prepayments	74,125	0.6	52,366	0.44	18,692	0.17	17,540	0.18	13,406	0.20	4,105	0.07
Tax refunds due from the government	537,190	4.1	615,090	5.22	572,216	5.11	377,396	3.94	182,268	2.68	69,841	1.16
Other receivables	29,624	0.2	16,248	0.14	31,511	0.28	10,414	0.11	3,993	0.06	2,916	0.05
Short term investments	1,318,597	10.1	134,342	1.14	1,052,384	9.40	1,909,120	19.95	2,136,361	31.40	2,448,452	40.72
Cash and bank balances	207,139	1.6	433,938	3.68	64,827	0.58	41,676	0.44	222,084	3.26	95,556	1.59
Assets held for sale	14,192	0.1	10,077	0.09	65,064	0.58	44,881	0.47	11,391	0.17	11,583.00	0.19
Total assets	13,011,465	100.0	11,788,505	100.0	11,190,743	100.0	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0
Issued, subscribed and paid up share capital	366,713	2.8	366,713	3.1	318,881	2.8	289,892	3.0	263,538	3.9	239,580	4.0
Share premium	-	-	-	0.0	29,000	0.3	29,000	0.3	29,000	0.4	29,000	0.5
Revenue reserves	6,249,900	48.0	5,701,265	48.4	5,230,342	46.7	4,780,838	50.0	4,433,155	65.2	4,151,685	69.1
Available for sale reserve	-	-	-	0.0	41,976	0.4	180,506	1.9	129,129	1.9	82,785	1.4
Shareholders' equity	6,616,613	50.9	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
Long term loan	2,533,850	19.5	2,474,995	21.0	2,885,828	25.8	2,307,475	24.1	287,773	4.2	90,263	1.5
Liabilities against assets subject to finance lease	-	-	-	0.0	-	0.0	1,198	0.0	2,586	0.0	399	0.0
Deferred taxation	209,633	1.6	277,828	2.4	66,511	0.6	195,817	2.0	197,795	2.9	213,970	3.6
Trade and other payables	2,270,877	17.5	1,870,028	15.9	1,547,631	13.8	1,304,379	13.6	1,041,073	15.3	987,599	16.4
Mark-up accrued	38,592	0.3	47,747	0.4	36,750	0.3	35,084	0.4	17,576	0.3	12,425	0.2
Unclaimed dividends	6,731	0.1	3,559	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Short term borrowings	1,278,365	9.8	698,968	5.9	993,116	8.9	379,394	4.0	357,536	5.3	149,857	2.5
Current portion of long term liabilities	56,804	0.4	347,602	2.9	40,708	0.4	64,112	0.7	44,801	0.7	54,827	0.9
Total equity and liabilities	13,011,465	100.0	11,788,705	100.0	11,190,743	100.0	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0

Profit and Loss Account												
Sales - net	12,882,572	100.0	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
Cost of sales	11,561,798	89.7	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
Gross profit	1,320,774	10.3	1,594,985	11.4	913,733	8.2	528,984	6.4	671,724	8.7	897,922	10.5
Distribution and selling expenses	119,088	0.9	125,353	0.9	141,279	1.3	125,660	1.5	134,646	1.7	160,620	1.9
Administrative expenses	204,325	1.6	165,718	1.2	147,379	1.3	140,691	1.7	143,753	1.9	116,095	1.4
Other operating expenses	226,241	1.8	157,119	1.1	145,039	1.3	86,214	1.0	72,614	0.9	57,396	0.7
Other operating income	271,003	2.1	107,647	0.8	96,596	0.9	382,832	4.6	233,894	3.0	206,282	2.4
Operating profit / (loss) before finance costs	1,042,123	8.1	1,254,442	9.0	576,632	5.2	559,251	6.7	554,605	7.2	770,093	9.0
Share of loss from joint ventures	(1,359)											
Finance costs	189,563	1.5	184,370	1.3	150,626	1.4	76,043	0.9	62,090	0.8	64,518	0.8
Profit / (loss) before taxation	851,201	6.6	1,070,072	7.7	426,006	3.8	483,208	5.8	492,515	6.4	705,575	8.2
Taxation - net	131,652	1.0	(211,317)	-1.5	139,455	1.3	22,598	0.3	67,297	0.9	114,084	1.3
Profit / (loss) after taxation	719,549	7.6	858,755	6.1	565,461	2.6	505,806	5.5	425,218	5.5	591,491	6.9



FINANCIAL STATEMENTS

For the year ended 30 June 2020

Independent Auditor's Review Report

To the members of Suraj Cotton Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Suraj Cotton Mills Limited (the Company) for the year ended 30 June 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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

- (i) There is no independent director on the Board of Directors of the Company. We have been explained that the Board is deliberating on the matter.
- (ii) Composition of the audit committee is not as per the requirements of the regulation 27(1) of the Regulations as two of the members of the audit committee are executive directors. Further, the audit committee does not include an independent director, hence chairman of the audit committee is not an independent director. We have been explained that the Board is deliberating on the matter.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2020. Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Sr. No.	Paragraph Reference	Description
(i)	19	Composition of the human resource and remuneration committee is not as per the requirements of the regulation 28 of the Regulations as human resource and remuneration committee does not include an independent director, hence chairman of the human resource and remuneration committee is not an independent director. Further, majority of the members of the human resource and remuneration committee are executive directors instead of non-executive directors.
(ii)	19	Regulation 18 of the Regulations requires the Company to make appropriate arrangements to carry out orientation for its directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities. However, no such arrangements were made.
(iii)	19	As per regulation 29 of the Regulations, the Board may constitute a separate committee, designated as the nomination committee. No such committee has been constituted by the Board.
(iv)	19	As per regulation 30 of the Regulations, the Board may constitute the risk management committee. No such committee has been constituted by the Board.
(v)	19	As per regulation 10(1) of the Regulations, the Board is responsible for adoption of corporate governance practices by the Company. However, non-mandatory provisions of the Regulations are partially complied.



RIAZ AHMAD & COMPANY
Chartered Accountants

Lahore: September 15, 2020

Independent Auditors' Report

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 2020, 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, 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 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 2020 and of the profit, 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit
1. Impairment assessment of short term investments:	
As at 30 June 2020, inventory is stated at Rupees 3,921.910 million, breakup of which is as follows:	Our procedures over existence and valuation of inventory included, but were not limited to:
<ul style="list-style-type: none"> Stores, spare parts and loose tools -Rupees 203.642 million. Stock-in-trade - Rupees 3,718.268 million. 	<ul style="list-style-type: none"> To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management;
Inventory is measured at the lower of cost and net realizable value.	

Independent Auditors' Report

<p>We identified existence and valuation of inventory as a key audit matter due to its size, representing 30.14% of the total assets of the Company as at 30 June 2020, and the judgment involved in valuation.</p> <p>For further information on inventory, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Inventories note 2.18 to the financial statements. - Stores, spares parts and loose tools note 17 and Stock-intrade note 18 to the financial statements. 	<ul style="list-style-type: none"> • For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets; • We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded invoice; On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any; • We assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory; • In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs; and • We also made enquires of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.
2. Investments in securities	
<p><i>Quoted investments</i></p> <p>As at 30 June 2020, the Company carried its portfolio of quoted investments as follows:</p> <ul style="list-style-type: none"> - Fair value through other comprehensive income investments amounted to Rupees 674.944 million. - Fair value through profit or loss investments amounted to Rupees 1,318.597 million. <p>Due to materiality of quoted investments in the context of the financial statements as a whole and the requirements of applicable accounting and reporting standards relating to classification, measurement and disclosures of investments, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, investments note 2.11 to the financial statements. - Long term investments note 15 to the financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We documented and assessed the processes and controls in place to record investment transactions and to value the portfolio; • We agreed the valuation of all of quoted investments from prices quoted on Pakistan Stock Exchange Limited and redemption price in case of open-end mutual funds; • We agreed the holding of all quoted investments from the Account Balance Report of Central Depository Company of Pakistan Limited, Statement of Account, in case of open-end mutual fund and holding summary of sub account maintained with brokers; and • We verified the accuracy of management's judgement used in classification of quoted investments.

Independent Auditors' Report

<p>- Short term investments note 24 to the financial statements.</p>	
<p>Expected credit loss (ECL) for trade debts</p>	
<p>Trade debts are significant to the financial statements.</p> <p>The Company has applied the simplified approach in IFRS 9 'Financial Instruments' to measure ECL for trade debts, which allows for lifetime expected credit losses to be recognized from initial recognition of the receivables. The Company determined the expected credit loss on trade debts by using a provision matrix that is based on historical credit loss experience, adjusted for forwardlooking factors specific to the debtors and the economic environment. Trade debts have been grouped based on shared credit risk characteristics and days past due.</p> <p>Due to the significance of trade debts and the complex nature of ECL calculation, this was considered as a key audit matter.</p>	<p>Our audit procedures in the area included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process relating to the allowance for credit loss of trade debts; • Evaluated the reasonableness of the key judgments and estimates relating to calculation of probability of default and forwardlooking factor made in the expected credit loss model; • Evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematical accuracy of the calculations; • Obtained an ageing report of trade debts and tested the accuracy by checking the ageing of select invoices on a sample basis; and • Assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.
<p>Revenue recognition</p> <p>The Company recognized net revenue of Rupees 12,882.572 million for the year ended 30 June 2020.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, Revenue recognition note 2.22 to the financial statements. - Revenue note 27 to the financial statements. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue; • We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents; • We compared a sample of revenue transactions recorded around the year- end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period; • We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'; • We compared the details of a sample of journal entries posted to revenue accounts during the year, which met • certain specific risk-based criteria, with the relevant underlying documentation; and • We also considered the appropriateness of disclosures in the financial statements.

Independent Auditors' Report

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report

Independent Auditors' Report

to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements
Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

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

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) 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.

Other Matter

The financial statements for the year ended 30 June 2019 were audited by another firm of Chartered Accountants whose auditor's report dated 07 October 2019 expressed unmodified opinion.

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



RIAZ AHMAD & COMPANY
Chartered Accountants

September 15, 2020
Lahore

Statement of Financial Position

as at 30 June 2020

	Note	2020 (Rupees in thousand)	2019
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (2019: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	3	366,713	366,713
Reserves	4	6,249,900	5,701,265
Total equity		6,616,613	6,067,978
LIABILITIES			
Non-current liabilities			
Long term financing	5	2,533,850	2,474,995
Deferred taxation	6	209,633	277,828
		2,743,483	2,752,823
Current liabilities			
Trade and other payables	7	2,270,877	1,870,028
Accrued mark-up	8	38,592	47,747
Short term borrowings	9	1,278,365	698,968
Current portion of non-current liabilities	10	56,804	347,602
Unclaimed dividend	11	6,731	3,359
		3,651,369	2,967,704
		6,394,852	5,720,527
CONTINGENCIES AND COMMITMENTS			
	12		
TOTAL EQUITY AND LIABILITIES		13,011,465	11,788,505

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Statement of Financial Position

as at 30 June 2020

	Note	2020 (Rupees in thousand)	2019
ASSETS			
Non-current assets			
Property, plant and equipment			
Investment properties	13	5,011,641	5,349,114
Long term investments	14	100,000	100,000
Long term deposits	15	746,027	825,482
	16	21,871	19,879
		5,879,539	6,294,475
Current assets			
Stores, spare parts and loose tools	17	203,642	202,325
Stock-in-trade	18	3,718,268	3,087,533
Trade debts	19	974,012	913,047
Loans and advances	20	55,137	29,064
Short term deposits and prepayments	21	74,125	52,366
Tax refunds due from the government	22	537,190	615,090
Other receivables	23	29,624	16,248
Short term investments	24	1,318,597	134,342
Cash and bank balances	25	207,139	433,938
		7,117,734	5,483,953
Non current assets held for sale	26	14,192	10,077
		7,131,926	5,494,030
TOTAL ASSETS		13,011,465	11,788,505


 CHIEF EXECUTIVE OFFICER


 DIRECTOR


 CHIEF FINANCIAL OFFICER

Statement of Profit or Loss

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
Revenue	27	12,882,572	13,973,634
Cost of Sales	28	(11,561,798)	(12,378,649)
Gross Profit		1,320,774	1,594,985
Distribution Cost	29	(119,088)	(125,353)
Administrative Expenses	30	(204,325)	(165,718)
Other Expenses	31	(226,241)	(157,119)
		(549,654)	(448,190)
		771,120	1,146,795
Other income	32	271,003	107,647
Profit from Operations		1,042,123	1,254,442
Finance cost	33	(189,563)	(184,370)
		852,560	1,070,072
Share of Loss From Joint Ventures	15.2.1	(1,359)	-
Profit before taxation		851,201	1,070,072
Taxation	34	(131,652)	(211,317)
Profit after taxation		719,549	858,755
Earnings per share - basic and diluted (Rupees)	35	19.62	23.42

The annexed notes 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 2020

	2020	2019
	(Rupees in thousand)	
Profit After Taxation	719,549	858,755
Other Comprehensive Income / (Loss)		
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus / (deficit) arising on remeasurement of investments at fair value through other comprehensive income	12,443	(283,424)
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income / (loss) for the year - net of tax	12,443	(283,424)
Total comprehensive income for the year	731,992	575,331

The annexed notes 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 2020

	Reserves								
	Share Capital	Capital reserves			Revenue Reserves			Total	Total Equity
		Share premium	Fair Value Reserve on FVTOCI Investments	Sub total	General Reserve	Un-appropriated profit	Sub total		
------(Rupees in thousand)-----									
Balance as at 01 July 2018	318,881	29,000	42,460	71,460	3,714,000	1,515,858	5,229,858	5,301,318	5,620,199
Transactions with owners:									
Bonus shares issued for the year ended 30 June 2018 @ 15%	47,832	-	-	-	-	(47,832)	(47,832)	(47,832)	-
Final dividend for the year ended 30 June 2018 @ Rupees 4.00 per share	-	-	-	-	-	(127,552)	(127,552)	(127,552)	(127,552)
Profit for the year	-	-	-	-	-	858,755	858,755	858,755	858,755
Other comprehensive loss for the year	-	-	(283,424)	(283,424)	-	-	-	(283,424)	(283,424)
Total comprehensive income for the year	-	-	(283,424)	(283,424)	-	858,755	858,755	575,331	575,331
Balance as at 30 June 2019	366,713	29,000	(240,964)	(211,964)	3,714,000	2,199,229	5,913,229	5,701,265	6,067,978
Transaction with owners - final dividend for the year ended 30 June 2019 @ Rupees 5.00 per share	-	-	-	-	-	(183,357)	(183,357)	(183,357)	(183,357)
Transfer of gain on disposal of FVTOCI investments to retained earnings	-	-	(1,047)	(1,047)	-	1,047	1,047	-	-
Profit for the year	-	-	-	-	-	719,549	719,549	719,549	719,549
Other comprehensive income for the year	-	-	12,443	12,443	-	-	-	12,443	12,443
Total comprehensive income for the year	-	-	12,443	12,443	-	719,549	719,549	731,992	731,992
Balance as at 30 June 2020	366,713	29,000	(229,568)	(200,568)	3,714,000	2,736,468	6,450,468	6,249,900	6,616,613

The annexed notes 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 2020

	Note	2020 (Rupees in thousand)	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	36	1,044,928	1,657,622
Finance cost paid		(198,718)	(184,370)
Workers' profit participation fund paid		(60,792)	(19,098)
Income tax paid		(180,727)	(150,448)
Profit on bank deposits received		15,989	9,688
Increase in long term deposits		(1,992)	-
Net cash generated from / (used in) operating activities		618,688	1,313,394
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(183,214)	(392,528)
Proceeds from disposal of property, plant and equipment		27,740	38,430
Investments made		(2,558,364)	(187,423)
Investments disposed off		1,508,795	-
Dividends received		188,087	61,210
Proceeds from disposal of non-current asset classified as held for sale		4,000	61,601
Net cash used in investing activities		(1,012,956)	(418,710)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing obtained		202,000	238,772
Repayment of long term financing		(433,943)	(342,711)
Short term borrowings - net		579,397	(294,148)
Dividend paid		(179,985)	(127,486)
Net cash from / (used in) financing activities		167,469	(525,573)
Net (decrease) / increase in cash and cash equivalents		(226,799)	369,111
Cash and cash equivalents at the beginning of year		433,938	64,827
Cash and cash equivalents at the end of year		207,139	433,938

The annexed notes 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 2020

1. THE COMPANY AND ITS OPERATIONS

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

1.2 Geographical location and addresses of all business units are as follows:

Sr. No.	Manufacturing units and offices	Address
1	Spinning unit - Karachi	Karachi - Hyderabad Motorway, Nooriabad, Jamshoro, Sindh.
2	Spinning unit and weaving unit - Shahkot	Kotla Kahloon, Shahkot, District Nankana Sahib, Punjab.
3	Spinning unit - Raiwind	4 K.M. Raiwind Manga Road, Raiwind, Punjab.
4	Registered office and head office	7-B-III, Aziz Avenue, Gulberg-V, Lahore, Punjab.
5	Branch office	3rd floor, Cotton Exchange Building, I. I. Chundrigar Road, Karachi, Sindh.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

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

- International Financial Reporting Standards (IFRSs) 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 IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

Notes to the Financial Statements

For the year ended 30 June 2020

b) Accounting convention

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

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

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

Inventories

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

Income tax

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

Provision for slow moving / obsolete items

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

Notes to the Financial Statements

For the year ended 30 June 2020

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Impairment of investments in associates and joint ventures

In making the estimates of recoverable amount of the Company's investments in associates and joint venture, the management considers future cash flows.

d) **Standard, interpretation and amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

Following standard, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

- IFRS 16 'Leases'
- IFRS 9 (Amendments) 'Financial Instruments'
- IAS 28 (Amendments) 'Investments in Associates and Joint Ventures'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IASB's Annual Improvements to IFRSs: 2015 – 2017 Cycle

The above mentioned accounting standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

e) **Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are other standard and amendments to published standards that are mandatory for accounting period beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2020

f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing general purpose financial statements in accordance with IFRS.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures are rounded off to the nearest thousand of Pak Rupees.

Notes to the Financial Statements

For the year ended 30 June 2020

2.3 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

2.4 Employee benefit

The Company operates an employee's funded provident fund scheme covering all its permanent employees. Equal monthly contributions are made both by the Company and employees at the rate of 6 percent of the basic salary to the fund. The Company's contributions to the fund are charged to statement of profit or loss.

2.5 Taxation

Current

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

Deferred

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

2.6 Borrowing

Financing and borrowings are initially recognized at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method.

2.7 Borrowing cost

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

2.8 Property, plant, equipment and depreciation

Owned

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land and capital work-in-progress are stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

Depreciation

Depreciation on property, plant and equipment is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives except for leasehold land, which is depreciated over the lease period using straight-line method, rates given in note 13. Depreciations on additions is charged from the month in which the assets are available for use up to the month prior to disposal. The residual values and useful lives are reviewed by the management, at each financial period-end and adjusted if impact on depreciation is significant.

Notes to the Financial Statements

For the year ended 30 June 2020

De-recognition

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

2.9 Investment properties

Land and building held for capital appreciation or to earn rental income are classified as investment properties. Investment properties except land, are stated at cost less accumulated depreciation and any recognized impairment loss. Land is stated at cost less any recognized impairment loss.

2.10 IFRS 16 “Leases”

The Company has adopted IFRS 16 from 01 July 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the statement of profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The adoption of IFRS 16 has no financial impact on the financial statements of the Company.

Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

Notes to the Financial Statements

For the year ended 30 June 2020

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.11 Investments and other financial assets

a) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Notes to the Financial Statements

For the year ended 30 June 2020

b) Measurement

At initial recognition, the Company measures 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Notes to the Financial Statements

For the year ended 30 June 2020

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

2.12 Financial liabilities – classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

2.13 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Financial Statements

For the year ended 30 June 2020

2.14 De-recognition of financial assets and financial liabilities

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

b) Financial liabilities

The Company shall derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

2.15 Offsetting of financial instruments

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

2.16 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.17 Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence. A joint venture is a joint arrangement whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the arrangement.

Notes to the Financial Statements

For the year ended 30 June 2020

Investments in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognized at cost.

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

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

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.

2.18 Inventories

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

Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at cost using moving average cost formula less provision for slow moving, while items considered obsolete are carried at nil value. Items-in-transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

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

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

2.19 Trade and other payables

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

2.20 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

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 receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.21 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.22 Revenue from contracts with customers

i) Revenue recognition

(a) Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Notes to the Financial Statements

For the year ended 30 June 2020

(b) Interest

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

(d) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

ii) Contract assets

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

iii) Customer acquisition costs

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

iv) Customer fulfilment costs

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Notes to the Financial Statements

For the year ended 30 June 2020

v) Right of return assets

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

vi) Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

vii) Refund liabilities

Refund liabilities are recognised where the Company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

2.23 Cash and cash equivalents

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

2.24 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.25 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Notes to the Financial Statements

For the year ended 30 June 2020

2.26 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.27 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

2.28 Segment reporting

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 the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer 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 Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has following reportable business segments:

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

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

Transactions among the business segments are recorded on arm's length basis in a manner similar to transactions with third parties. Inter segment sales and purchases are eliminated from the total.

2.29 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

Notes to the Financial Statements

For the year ended 30 June 2020

2.30 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

2.31 Dividend and other appropriations

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

2.32 Derivative financial instruments

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the statement of profit or loss as incurred. They are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2020 (No. of Shares)		2019		2020 (Rupees in thousand)		2019	
			Ordinary shares of Rupees 10 each				
17,400,000	17,400,000		fully paid up in cash	174,000		174,000	
			Ordinary shares of Rupees 10 each				
19,271,312	19,271,312		issued as fully paid bonus shares	192,713		192,713	
36,671,312	36,671,312			366,713		366,713	

Notes to the Financial Statements

For the year ended 30 June 2020

3.1 Reconciliation of ordinary shares

2020 (No. of Shares)	2019		2020 (Rupees in thousand)	2019
36,671,312	31,888,097	At 01 July	366,713	318,881
-	4,783,215	Ordinary shares of Rupees 10 each issued during the year as fully paid bonus shares	-	47,832
36,671,312	36,671,312	At 30 June	366,713	366,713

3.2 Ordinary shares of the Company held by the associated companies:

	2020 (No. of Shares)	2019
Crescent Powertec Limited	16,207,871	16,207,871
Premier Insurance Limited	1,222,170	1,222,170
	17,430,041	17,430,041

	Note	2020 (Rupees in thousand)	2019
4. RESERVES			
Composition of reserves is as follows:			
Capital reserves			
Share premium reserve (Note 4.1)		29,000	29,000
Fair value reserve on FVTOCI investments - net of deferred income tax (Note 4.2)		(229,568)	(240,964)
		(200,568)	(211,964)
Revenue reserves			
General reserve		3,714,000	3,714,000
Un-appropriated profit		2,736,468	2,199,229
		6,450,468	5,913,229
		6,249,900	5,701,265

4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

4.2 This represents the unrealized gain on re-measurement of investments at fair value through other comprehensive income and is not available for distribution. Reconciliation of fair value reserve - net of deferred income tax is as under:

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
Balance as on 01 July		(240,964)	42,460
Add / (less): Fair value adjustment during the year		12,443	(283,424)
Less: Transfer of gain on disposal of FVTOCI investments to retained earnings		(1,047)	-
Balance as on 30 June		(229,568)	(240,964)
5. LONG TERM FINANCING - SECURED			
From banking companies			
Long term loans (Note 5.1)		2,590,654	2,822,597
Less: Current portion shown under current liabilities (Note 10)		(56,804)	(347,602)
		2,533,850	2,474,995

LENDER	2020	2019	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALLMENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(Rupees in Thousand)							
5.1 Long term loans							
United Bank Limited	-	7,201	6 months KIBOR + 1.25%	Ten equal semi annual installments commenced on 01 April 2015 and ended on 24 June 2020.	Semi annually	Quarterly	First pari passu charge by way of equitable mortgage charge of land, building and hypothecation of machinery aggregating to Rupees 334 million.
MCB Bank Limited	68,695	96,174	SBP rate for LTFF + 0.5%	Eleven equal semi annual installments commenced on 10 September 2017 and ending on 10 September 2023 (Note 5.2).	-	Quarterly	First pari passu charge over present and future fixed assets of the Company aggregating to Rupees 2,300 million.
MCB Bank Limited	31,408	168,311	3 months KIBOR + 0.5%	Thirty seven un-equal installments commenced on 28 October 2019 and ending on 24 April 2029 (Note 5.2).	Quarterly	Quarterly	
MCB Bank Limited	201,519	-	SBP rate for LTFF + 0.60%	Seventeen equal semi annual installments commencing on 11 December 2021 and ending on 11 December 2029.	-	Quarterly	
MCB Bank Limited	726,250	812,139	SBP rate for LTFF + 0.50%	One hundred and twenty two un-equal installments commenced on 12 April 2019 and ending on 06 March 2029 (Note 5.2).	-	Quarterly	
Allied Bank Limited	1,343,908	1,500,000	SBP rate for LTFF + 0.5%	One hundred and twenty eight un-equal installments commenced on 11 July 2019 and ending on 08 August 2028 (Note 5.2).	-	Quarterly	First pari passu charge over all fixed assets of the Company aggregating to Rupees 2,000 million.
United Bank Limited	218,874	238,772	SBP rate for LTFF + 1%	Thirty six quarterly installments commenced on 31 October 2019 and ending on 31 July 2028.	-	Quarterly	First pari passu charge of Rupees 320 million over present and future fixed assets of the Company inclusive of 25 % margin.
	2,590,654	2,822,597					

Notes to the Financial Statements

For the year ended 30 June 2020

- 5.2 Repayment period includes deferment of repayment of principal loan amount by one year in accordance with State Bank of Pakistan BPRD Circular Letter No. 13 of 2020 dated 26 March 2020.

	Note	2020 (Rupees in thousand)	2019
6. DEFERRED INCOME TAX LIABILITY			
Deferred income tax liability comprises of temporary differences arising dues to:			
Accelerated tax depreciation		342,010	283,724
Others		-	203
Tax credit		-	(6,099)
Un-realized gain on FVTPL investments		(18,079)	-
Minimum tax carry forward		(114,298)	-
		209,633	277,828
Opening deferred income tax liability		277,828	66,511
Charged to statement of profit or loss		(68,195)	211,317
Closing deferred income tax liability		209,633	277,828
7. TRADE AND OTHER PAYABLES			
Creditors	7.1	497,864	462,209
Advances from customers		41,902	12,084
Accrued liabilities		1,633,950	1,307,586
Payable to employees' provident fund trust		12	39
Income tax deducted at source		2,573	5,480
Fair value of forward exchange contracts		9,550	-
Workers' profit participation fund	7.2	45,788	60,792
Workers' welfare fund	7.3	39,238	21,838
		2,270,877	1,870,028
7.1 This includes amounts due to related parties as follows:			
Creditors			
Crescent Textiles Mills Limited - associated company		-	4
Premier Insurance Limited - associated company		9,171	5,652
Crescent Powertec Limited - associated company		-	305
Crescent Fibres Limited - associated company		5,788	-
		14,959	5,961

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
7.2 Workers' profit participation fund			
Opening balance		60,792	22,421
Add: Provision for the year (Note 31)		45,788	57,469
		106,580	79,890
Less: Payments during the year		(60,792)	(19,098)
Balance as on 30 June		45,788	60,792
7.3 Workers' welfare fund			
Opening balance		21,838	-
Add: Provision for the year (Note 31)		17,400	21,838
		39,238	21,838
8. ACCRUED MARKUP			
Long term financing		16,904	22,159
Short term borrowings		21,688	25,588
		38,592	47,747
9. SHORT TERM BORROWINGS			
From banking companies - secured			
Running finance (Note 9.1 and 9.2)		313,258	451,601
Cash finance (Note 9.1 and 9.3)		77,230	247,367
Import loans (Note 9.1 and 9.4)		887,877	-
		1,278,365	698,968

9.1 These finances are obtained from banking companies under mark-up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, other instruments and ranking hypothecation charge on plant and machinery of the Company. These form part of total credit facility of Rupees 3,515 million (2019: Rupees 3,515 million).

9.2 The rates of mark-up range from 9.45% to 15.83% (2019: 7.63% to 15.81%) per annum during the year on the balance outstanding.

9.3 The rates of mark-up range from 9.97% to 15.55% (2019: 7.93% to 15.56%) per annum during the year on the balance outstanding.

Notes to the Financial Statements

For the year ended 30 June 2020

- 9.4 The rates of mark-up range from 2.30% to 16.31% (2019: Nil) per annum during the year on the balance outstanding.

	Note	2020 (Rupees in thousand)	2019
10. CURRENT PORTION OF LONG TERM LIABILITIES			
Current portion of long term financing (Note 5)		56,804	347,602

11. UNCLAIMED DIVIDEND

As at the reporting date, the Company is in the process of complying with the provisions of section 244 of the Companies Act, 2017.

12. CONTINGENCIES AND COMMITMENTS

a) Contingencies

i) Guarantees of Rupees 47.277 million (2019: Rupees 32.277 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Director Excise and Taxation, Karachi against infrastructure cess and others.

b) Commitments

i) Contracts for capital expenditure are approximately of Rupees 20.000 million (2019: Nil).

ii) Letters of credit other than for capital expenditure are of Rupees 163.723 million (2019: Rupees 9.800 million).

iii) Outstanding foreign currency forward contracts are of Rupees 158.550 million (2019: Nil).

13. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets (Note 13.1)	4,940,565	5,327,574
Capital work-in-progress (Note 13.2)	71,076	21,540
	5,011,641	5,349,114

Notes to the Financial Statements

For the year ended 30 June 2020

13.1 OPERATING FIXED ASSETS

	Leasehold land	Buildings on leasehold land	Freehold land	Buildings on freehold land	Office premises	Plant and machinery	Electric installations	Furniture and fixtures	Office equipment	Vehicles	Total
At 30 June 2018											
Cost	2,108	49,580	452,300	872,242	-	6,669,016	158,089	3,549	61,527	118,084	8,386,495
Accumulated depreciation	(700)	(40,713)	-	(320,033)	-	(2,546,132)	(70,020)	(2,867)	(33,117)	(54,913)	(3,068,495)
Net book value	1,408	8,867	452,300	552,209	-	4,122,884	88,069	682	28,410	63,171	5,318,000
Year ended 30 June 2019											
Opening net book value	1,408	8,867	452,300	552,209	-	4,122,884	88,069	682	28,410	63,171	5,318,000
Additions	-	-	-	46,965	121,912	354,335	-	-	-	10,971	534,183
Transferred from leased assets to owned assets:											
Cost	-	-	-	-	-	-	-	-	-	3,528	3,528
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(1,371)	(1,371)
Disposals:										2,157	2,157
Cost	-	-	-	-	-	(39,177)	-	-	-	(6,926)	(46,103)
Accumulated depreciation	-	-	-	-	-	14,366	-	-	-	5,513	19,879
Depreciation charge	(21)	(887)	-	(55,612)	(1,016)	(24,811)	(8,821)	(70)	(2,834)	(1,413)	(26,224)
Closing net book value	1,387	7,980	452,300	543,562	120,896	4,035,196	79,248	612	25,576	60,817	5,327,574
At 30 June 2019											
Cost	2,108	49,580	452,300	919,207	121,912	6,984,174	158,089	3,549	61,527	125,657	8,878,103
Accumulated depreciation	(721)	(41,600)	-	(375,645)	(1,016)	(2,948,976)	(78,841)	(2,937)	(35,951)	(64,840)	(3,550,529)
Net book value	1,387	7,980	452,300	543,562	120,896	4,035,196	79,248	612	25,576	60,817	5,327,574
Year ended 30 June 2020											
Opening net book value	1,387	7,980	452,300	543,562	120,896	4,035,196	79,248	612	25,576	60,817	5,327,574
Additions	-	-	-	-	-	77,441	17,642	-	-	38,595	133,678
Disposals:											
Cost	-	-	-	-	-	(39,424)	-	-	-	(23,602)	(63,026)
Accumulated depreciation	-	-	-	-	-	33,295	-	-	-	15,500	48,795
Assets transferred to held for sale:						(6,129)	-	-	-	(8,102)	(14,231)
Cost	-	-	-	-	-	(40,711)	-	-	-	-	(40,711)
Accumulated depreciation	-	-	-	-	-	33,885	-	-	-	-	33,885
Depreciation charge	(21)	(798)	-	(54,356)	(12,120)	(406,420)	(8,891)	(63)	(2,450)	(14,511)	(499,630)
Closing net book value	1,366	7,182	452,300	489,206	108,776	3,693,262	87,999	549	23,126	76,799	4,940,565
At 30 June 2020											
Cost	2,108	49,580	452,300	919,207	121,912	6,981,480	175,731	3,549	61,527	140,650	8,908,044
Accumulated depreciation	(742)	(42,398)	-	(430,001)	(13,136)	(3,288,218)	(87,732)	(3,000)	(38,401)	(63,851)	(3,967,479)
Net book value	1,366	7,182	452,300	489,206	108,776	3,693,262	87,999	549	23,126	76,799	4,940,565
Annual rate of depreciation (%)	1	10	-	10	10	10	10	10	10	20	

Notes to the Financial Statements

For the year ended 30 June 2020

13.1.1 Disposal of operating fixed assets

Detail of operating fixed assets exceeding the book value of Rs. 500,000/- disposed during the year is as follow:

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
----- (Rupees thousand) -----								
Plant and machinery								
Jenbacher Generator - 2767	2	39,424	33,295	6,129	5,600	(529)	Negotiation	Multitech Lubricants (Private) Limited, Karachi
Vehicles								
Porche Panamera LE-15-900	1	23,048	15,260	7,788	20,500	12,712	Negotiation	Mrs. Razia Arif, Karachi
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 500,000		554	240	314	1,640	1,326	Negotiation	
		63,026	48,795	14,231	27,740	13,509		

2020 2019
(Rupees in thousand)

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

	Note	2020	2019
Cost of sales	28	470,315	482,631
Administrative expenses	30	29,315	17,911
		499,630	500,542

13.1.3 Particulars of immovable properties (i.e. lands and buildings) are as follows:

Manufacturing units and office	Address	Area of land	

Manufacturing units		Kanals	
Spinning unit	Karachi - Hyderabad Motorway, Nooriabad, Jamshoro, Sindh.	120.00	
Spinning unit and weaving unit	Kotla Kahloon, Shahkot, District Nankana Sahib, Punjab.	347.50	
Spinning unit	4 K.M. Raiwind Manga Road, Raiwind, Punjab.	627.00	
		1,094.50	

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
13.2 Capital Work in Progress			
Buildings on freehold land		29,425	2,216
Plant and machinery		31,109	19,324
Electric installations		10,542	-
		71,076	21,540
14. INVESTMENT PROPERTIES			
Land	14.1	100,000	100,000

14.1 These represent residential plots stated at cost. The market value of plots is estimated at Rupees 285.500 million (2019: Rupees 246.000 million). Forced sale value of investment properties as on the reporting date is Rupees 242.675 million. The valuation has been carried out by an independent valuer.

14.2 Particulars of investment properties are as follows:

Description	Address	Area of land (Kanals)
Residential Plots	Lake City, 13 K.M. Raiwind Road, Lahore.	20

	Note	2020 (Rupees in thousand)	2019
15. LONG TERM INVESTMENTS			
Debt instruments	15.1	-	86,000
Investments in joint ventures - under equity method	15.2	70,883	72,235
Equity instruments - at FVTOCI	15.3	675,144	667,247
		746,027	825,482

15.1 These represented investment in sales tax refund bonds having maturity period of 3 years issued by FBR Refund Settlement Company Limited under Section 67A of the Sales Tax Act, 1990 against sales tax refund payment orders issued in favour of the Company. These bonds carried simple interest rate of 10% per annum.

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
15.2 Investments in joint ventures - under equity method			
Knightbridge Residential Real Estate Partners (Partnership Firm) Share in profit 11.30% (2019: 11.30%)	15.2.1	49,820	50,000
S2 Hydro Limited (Note 15.2.1) 24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each. Equity held 48%		18,118	18,472
S2 Power Limited (Note 15.2.1) 24,000 (2019: 24,000) fully paid ordinary shares of Rupees 10 each. Equity held 48%		-	766
S2 Solar Limited (Note 15.2.1) 25,000 (2019: 25,000) fully paid ordinary shares of Rupees 10 each. Equity held 50%		2,945	2,997
		70,883	72,235

Notes to the Financial Statements

For the year ended 30 June 2020

15.2.1 Reconciliation of investments in joint ventures under equity method:

	Knightbridge Residential Real Estate Partners		S2 Hydro Limited		S2 Power Limited		S2 Solar Limited		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(RUPEES IN THOUSANDS)									
Cost	50,000	50,000	240	240	240	240	250	250	50,730	50,730
Add: Advance for purchase of shares	-	-	18,232	18,232	533	526	2,747	2,747	21,512	21,505
Share of post acquisition reserves:										
As at 01 July	(145)	-	(354)	-	(773)	-	(52)	-	(1,324)	-
Share of loss	(35)	-	-	-	-	-	-	-	(35)	-
As at 30 June	(180)	-	(354)	-	(773)	-	(52)	-	(1,359)	-
	49,820	50,000	18,118	18,472	-	766	2,945	2,997	70,883	72,235
15.2.2 Summarized statement of financial position										
Current assets	437,776		160		2		511			
Non-current assets	4,850		31,264		-		2,633			
Current liabilities	(1,551)		(1,954)		(2,833)		-			
Non-current liabilities	-		-		-		-			
Share deposit money	-		(29,707)		-		(2,747)			
Net assets	441,075		(237)		(2,831)		397			
15.2.3 Reconciliation to carrying amounts:										
As at 01 July	441,268		(237)		(2,687)		397			
Contributions from partners	110		-		-		-			
Loss after taxation	(303)		-		(144)		-			
As at 30 June	441,075		(237)		(2,831)		397			
Company's share	11.30%		48.00%		48.00%		50.00%			
Company's share	49,820		(114)		(533)		198			
Company's advance for purchase of shares	-		18,232		533		2,747			
	49,820		18,118		-		2,945			
15.2.4 Summarized statement of comprehensive income										
Revenue	-		-		-		-			
Loss for the period	(303)		-		(144)		-			
Other comprehensive income	-		-		-		-			
Total comprehensive loss	(303)		-		(144)		-			

Notes to the Financial Statements

For the year ended 30 June 2020

15.2.5 Interests in associates

Name of associated company	Note	Country of incorporation	% of ownership interest	Measurement method
Knightbridge Residential Real Estate Partners - Partnership firm	15.2.6	Pakistan	11.30%	Equity method
S2 Hydro Limited	15.2.7	Pakistan	48.00%	Equity method
S2 Power Limited	15.2.8	Pakistan	48.00%	Equity method
S2 Solar Limited	15.2.9	Pakistan	50.00%	Equity method

15.2.6 Knightbridge Residential Real Estate Partners ("the partnership") is engaged in providing assistance in development and marketing of a housing society. Its registered office is situated at FIFA building, opposite Punjab Stadium, Ferozepur Road, Lahore.

15.2.7 S2 Hydro Limited is in process of getting approvals from relevant authorities for setting up hydel power generation facilities. Its registered office is situated at 7 - B - III, Aziz Avenue, Gulberg V, Lahore.

15.2.8 S2 Power Limited has been established to set up undertakings for electricity / power generation plants and to generate, accumulate, distribute and sell electricity. Its registered office is situated at 7 - B - III, Aziz Avenue, Gulberg V, Lahore.

15.2.9 S2 Solar Limited has been established to set up undertakings for electricity / power generation plants and to generate, accumulate, distribute and sell electricity. Its registered office is situated at 7 - B - III, Aziz Avenue, Gulberg V, Lahore.

15.2.10 In prior years, investments in ordinary shares of S2 Solar Limited, advance for purchase of shares of S2 Solar Limited, investment in ordinary shares of S2 Power Limited and advance for purchase of shares of S2 Power Limited amounting to Rupees 0.250 million, Rupees 2.747 million, Rupees 0.240 million and Rupees 0.526 million respectively was inadvertently classified as due from related parties under loans and advances. This has now been adjusted retrospectively in accordance with International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. This adjustment has no impact on profit or loss of the prior periods. Further, investments of the Company in Knightbridge Residential Real Estate Partners (joint venture), S2 Solar Limited (joint venture), S2 Power Limited (joint venture) and S2 Hydro Limited (joint venture) were carried at cost till the year ended 30 June 2019 in view of insignificant amounts and / or pre-commercial operations phase. Now, the Company has accounted for these investments in joint ventures using the equity method of accounting and the Company has recognised its share of the post-acquisition profits or losses of the joint ventures in profit or loss for the year.

Notes to the Financial Statements

For the year ended 30 June 2020

	2020			2019		
	Cost	Fair value adjustment	Fair value	Cost	Fair value adjustment	Fair value
----- (Rupees in thousand) -----						
15.3 Equity instruments - at FVTOCI						
Quoted						
Investments in related party						
Premier Insurance Limited						
952,471 (2019: 820,471) fully paid ordinary shares of Rupees 10 each.	7,233	(2,471)	4,762	6,358	(1,411)	4,947
Crescent Textile Mills Limited						
1,648,500 (2019: 1,648,500) fully paid ordinary shares of Rupees 10 each.	37,613	(3,291)	34,322	37,613	(1,741)	35,872
	44,846	(5,762)	39,084	43,971	(3,152)	40,819
Quoted - Others						
Kot Adu Power Company Limited						
525,000 (2019: 525,000) fully paid ordinary shares of Rupees 10 each.	28,303	(17,724)	10,579	28,303	(9,203)	19,100
Nishat Mills Limited						
1,125,000 (2019: 1,125,000) fully paid ordinary shares of Rupees 10 each.	130,996	(43,235)	87,761	130,996	(25,989)	105,007
Pakistan State Oil Company Limited						
198,360 (2019: 165,300) fully paid ordinary shares of Rupees 10 each.	40,362	(8,989)	31,373	40,362	(12,322)	28,040
Oil & Gas Development Company Limited						
400,000 (2019: 400,000) fully paid ordinary shares of Rupees 10 each.	62,964	(19,364)	43,600	62,964	(10,368)	52,596
The Searle Company Limited						
134,158 (2019: 134,158) fully paid ordinary shares of Rupees 10 each.	40,280	(13,552)	26,728	40,280	(20,617)	19,663
DG Khan Cement Company Limited						
1,112,400 (2019: 1,112,400) fully paid ordinary shares of Rupees 10 each.	127,359	(32,438)	94,921	127,359	(64,464)	62,895
Fauji Fertilizer Company Limited						
325,000 (2019: 325,000) fully paid ordinary shares of Rupees 10 each.	28,259	7,488	35,747	28,259	81	28,340

Notes to the Financial Statements

For the year ended 30 June 2020

	2020			2019		
	Cost	Fair value adjustment	Fair value	Cost	Fair value adjustment	Fair value
----- (Rupees in thousand) -----						
Fatima Fertilizer Company Limited						
979,000 (2019: 979,000) fully paid ordinary shares of Rupees 10 each.	34,896	(8,727)	26,169	34,896	(5,673)	29,223
Engro Corporation Limited						
69,700 (2019: 84,700) fully paid ordinary shares of Rupees 10 each.	20,328	89	20,417	24,703	(2,207)	22,496
Engro Fertilizers Limited						
1,900,000 (2019: 1,900,000) fully paid ordinary shares of Rupees 10 each.	111,449	3,083	114,532	111,448	10,095	121,543
Crescent Steel and Allied Products Limited						
1,222,000 (2019: 1,222,000) fully paid ordinary shares of Rupees 10 each.	81,193	(25,592)	55,601	81,193	(35,026)	46,167
United Bank Limited						
195,700 (2019: 195,700) fully paid ordinary shares of Rupees 10 each.	42,828	(22,600)	20,228	42,828	(13,986)	28,842
Kohinoor Textile Mills Limited						
799,900 (2019: 799,900) fully paid ordinary shares of Rupees 10 each.	39,149	(10,745)	28,404	39,149	(19,112)	20,037
Attock Refinery Limited						
125,000 (2019: 125,000) fully paid ordinary shares of Rupees 10 each.	21,531	(10,366)	11,165	21,531	(11,872)	9,659
MCB Bank Limited						
57,140 (2019: 57,140) fully paid ordinary shares of Rupees 10 each.	14,639	(5,378)	9,261	14,639	(4,671)	9,968
Habib Bank Limited						
200,000 (2019: 200,000) fully paid ordinary shares of Rupees 10 each.	35,130	(15,756)	19,374	35,130	(12,478)	22,652
	859,666	(223,806)	635,860	864,040	(237,812)	626,228
Unquoted - Others						
TCC Management Services (Private) Limited (Note 15.3.1)						
20,000 (2019: 20,000) fully paid ordinary shares of Rupees 10 each.	200	-	200	200	-	200
	904,712	(229,568)	675,144	908,211	(240,964)	667,247

15.3.1 Investment in ordinary shares of TCC Management Services (Private) Limited has not been measured at fair value as required by IFRS 9 'Financial Instruments' as it will have immaterial impact and thus carried at cost.

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
16. LONG TERM DEPOSIT	16.1	21,871	19,879
<p>16.1 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.</p>			
17. STORES, SPARE PARTS AND LOOSE TOOLS			
Stores		217,644	223,575
Spare parts		11,205	9,155
Loose tools		250	221
Stores in transit		14,849	3,310
		243,948	236,261
Less: Provision for slow moving, obsolete and damaged store items	17.1	(40,306)	(33,936)
		203,642	202,325
17.1 Provision for slow moving, obsolete and damaged store items			
Balance as on 01 July		33,936	30,491
Less: Provision made during the year	31	6,370	3,445
Balance as on 30 June		40,306	33,936
18. STOCK-IN-TRADE			
Raw materials	18.1	2,182,402	2,236,861
Work-in-process		167,564	159,344
Finished goods	18.2 & 18.3	1,346,739	684,544
Waste		21,563	6,784
		3,718,268	3,087,533

18.1 Raw material include stock in transit of Rupees 159.612 million (2019: Nil).

18.2 Finished goods include stock in transit of Rupees 11.016 million (2019: Nil).

18.3 Stock in trade of Rupees 27.680 million (2019: Nil) is being carried at net realizable value.

Notes to the Financial Statements

For the year ended 30 June 2020

18.4 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 207.723 million (2019: Nil).

	Note	2020 (Rupees in thousand)	2019
19. TRADE DEBTS			
Considered good:			
Secured (against letters of credit)		43,788	20,291
Unsecured:			
- Related party	19.1, 19.2 & 19.3	16,071	816
- Others	19.4	1,000,160	924,421
		1,060,019	945,528
Less: Allowance for expected credit loss	19.5	(86,007)	(32,481)
		974,012	913,047
19.1 This represents amount due from following related party:			
The Crescent Textile Mills Limited - associated company		16,071	816
19.2 The maximum aggregate amount receivable from related party at the end of any month during the year was as follows:			
The Crescent Textile Mills Limited - associated company		29,165	24,018
19.3 As at 30 June 2020, trade debts due from related party amounting to Rupees 15.194 million (2019: Rupees 0.816 million) is past due but not impaired. The ageing analysis of this trade debts is as follows:			
Upto 1 month		15,192	-
1 to 3 months		-	27
More than 3 months		2	789
		15,194	816

Notes to the Financial Statements

For the year ended 30 June 2020

- 19.4** As at 30 June 2020, trade debts due from other than related party of Rupees 398.495 million (2019: Rupees 196.176 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	Note	2020 (Rupees in thousand)	2019
Upto 1 month		226,892	25,169
1 to 3 months		106,789	125,842
More than 3 months		64,814	45,165
		398,495	196,176

19.5 Allowance for expected credit loss

Opening balance		32,481	29,599
Add: Recognized during the year	31	53,526	2,882
More than 3 months		86,007	32,481

20. LOANS AND ADVANCES

Considered good:			
Employees		6,511	5,728
Advances to suppliers		41,555	15,039
Letters of credit		7,009	8,297
Due from related parties	20.1	62	-
		55,137	29,064

20.1 These include amounts due from following related parties:

Crescent Powertech Limited - associated company		52	-
Shams Textile Mills Limited - associated company		10	-
		62	-

20.2 The maximum aggregate amount receivable from related parties at the end of any month during the year was as follows:

Crescent Powertech Limited - associated company	5,912	-
Shams Textile Mills Limited - associated company	646	-

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
21. SHORT TERM DEPOSITS AND PREPAYMENTS			
Security deposits		68,097	47,176
Short term prepayments		6,028	5,190
		74,125	52,366
22. TAX REFUNDS DUE FROM THE GOVERNMENT			
Considered good:			
Sales tax refundable		67,861	126,642
Income tax refundable - net		469,329	488,448
		537,190	615,090
23. OTHER RECEIVABLES			
Claim receivables		28,114	15,469
Other receivables		1,510	779
		29,624	16,248
24. SHORT TERM INVESTMENTS			
At fair value through profit or loss:			
Equity instruments	24.1	150,502	134,342
Mutual funds	24.2	1,168,095	-
		1,318,597	134,342

Notes to the Financial Statements

For the year ended 30 June 2020

Note	2020			2019		
	Carrying value	Unrealised gain / (loss)	Fair value	Carrying value	Unrealised gain / (loss)	Fair value
----- (Rupees in thousand) -----						
24.1 Equity instruments						
Unquoted - Investments in related parties						
Premier Financial Services (Private) Limited						
2,200 (2019: 2,200) fully paid ordinary shares of Rupees 1,000 each.	-	-	-	-	-	-
Crescent Spinning Mills Limited						
208,800 (2019: 208,800) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	-	-
24.1.1	-	-	-	-	-	-
Quoted - Others						
Samba Bank Limited						
1,652,306 (2019: 1,652,306) fully paid ordinary shares of Rupees 10 each.	9,071	3,834	12,905	12,640	(3,569)	9,071
Fauji Cement Company Limited						
1,500,000 (2019: 1,500,000) fully paid ordinary shares of Rupees 10 each.	23,595	1,725	25,320	34,275	(10,680)	23,595
GlaxoSmithKline Pakistan Limited						
79,700 (2019: 79,700) fully paid ordinary shares of Rupees 10 each.	7,598	6,276	13,874	13,230	(5,632)	7,598
Pakistan Telecommunication Limited						
700,000 (2019: 700,000) fully paid ordinary shares of Rupees 10 each.	5,789	427	6,216	8,008	(2,219)	5,789
TPL Trakker Limited						
332,000 (2019: 332,000) fully paid ordinary shares of Rupees 10 each.	1,620	96	1,716	2,264	(644)	1,620
First Equity Modaraba						
1,571,500 (2019: 815,000) fully paid certificates of Rupees 10 each.	4,074	625	4,699	3,015	(1,255)	1,760
Nishat Chunian Power Limited						
800,000 (2019: 800,000) fully paid ordinary shares of Rupees 10 each.	13,928	(1,832)	12,096	22,512	(8,584)	13,928
TRG Pakistan Limited						
891,500 (2019: 891,500) fully paid ordinary shares of Rupees 10 each.	14,585	10,591	25,176	25,533	(10,948)	14,585

Notes to the Financial Statements

For the year ended 30 June 2020

Note	2020			2019		
	Carrying value	Unrealised gain / (loss)	Fair value	Carrying value	Unrealised gain / (loss)	Fair value
----- (Rupees in thousand) -----						
Ghani Global Glass Limited 200,000 (2019: 200,000) fully paid ordinary shares of Rupees 10 each.	1,198	1,194	2,392	2,466	(1,268)	1,198
Aisha Steel Mills Limited 554,500 (2019: 554,500) fully paid ordinary shares of Rupees 10 each.	5,102	5	5,107	8,745	(3,643)	5,102
ICI Pakistan Limited 10,000 (2019: 10,000) fully paid ordinary shares of Rupees 10 each.	5,325	1,622	6,947	8,015	(2,690)	5,325
Service Industries Limited Nil (2019: 13,850) fully paid ordinary shares of Rupees 10 each.	-	-	-	8,555	(1,722)	6,833
Arif Habib Corporation Limited 100,000 (2019: 100,000) fully paid ordinary shares of Rupees 10 each.	2,471	529	3,000	3,464	(993)	2,471
Power Cement Limited 2,000,000 (2019: 2,000,000) fully paid ordinary shares of Rupees 10 each.	12,860	(460)	12,400	16,700	(3,840)	12,860
Sui Northern Gas Pipelines Limited 100,000 (2019: 100,000) fully paid ordinary shares of Rupees 10 each.	6,949	(1,489)	5,460	10,022	(3,073)	6,949
Colony Textile Mills Limited 357,000 (2019: 357,000) fully paid ordinary shares of Rupees 10 each.	1,004	424	1,428	1,289	(285)	1,004
Pakistan Electron Limited 275,000 (2019: 275,000) fully paid ordinary shares of Rupees 10 each.	5,504	802	6,306	7,702	(2,198)	5,504
Bank of Punjab 650,000 (2019: 1,000,000) fully paid ordinary shares of Rupees 10 each.	5,948	(488)	5,460	11,860	(2,710)	9,150
	126,621	23,881	150,502	200,295	(65,953)	134,342
	126,621	23,881	150,502	200,295	(65,953)	134,342

24.1.1 The official liquidator had submitted the statement in Lahore High Court for final liquidation of the Company and final decision is still awaited.

Notes to the Financial Statements

For the year ended 30 June 2020

24.2 Mutual funds

2020		2019	2020			2019		
Number of units		Name of fund	Carrying value	Unrealised gain/(loss)	Fair value	Carrying value	Unrealised gain/(loss)	Fair value
----- (Rupees In Thousand) -----								
2,084,420	-	Alfalsh GHP Money Market Fund B Growth	204,531	30	204,561	-	-	
25,427	-	NBP Savings Fund (Formerly NAFA Income Fund)	249	-	249	-	-	
18,750,213	-	NBP Money Market Fund (Formerly NAFA Money Market Fund)	185,110	189	185,299	-	-	
343,250	-	Atlas Money Market Fund	172,931	498	173,429	-	-	
17,471,638	-	ABL Cash Fund	177,688	154	177,842	-	-	
1,796,526	-	HBL Cash Fund	181,391	290	181,681	-	-	
2,255	-	MCB DCF Income Fund	240	1	241	-	-	
2,427,782	-	MCB Cash Optimizer	244,449	344	244,793	-	-	
42,901,511	-		1,166,589	1,506	1,168,095	-	-	

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
25. CASH AND BANK BALANCES			
With banks:			
On current accounts		13,611	40,240
On PLS saving accounts	25.1	192,471	392,108
		206,082	432,348
Cash in hand		1,057	1,590
		207,139	433,938

25.1 Rate of profit on bank deposits ranges from 6.50% to 11.40% (2019: 10.25% to 11.00%) per annum.

26. NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Opening balance		10,077	65,064
Add: Addition during the year	13.1	6,826	-
		16,903	65,064
Less: Disposed of during the year	26.2	(2,711)	(54,987)
Closing balance		14,192	10,077

26.1 These represent items of plant and machinery. Carrying amounts of these assets will be recovered principally through sale transaction rather than through continuing use. The Company intends to dispose of plant and machinery items and anticipates that the disposal will be completed subsequent to the reporting period. 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.

26.2 Detail of assets, exceeding the book value of Rupees 500,000, disposed of during the year is as follows:

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
----- (Rupees in Thousand) -----								
Plant and machinery								
Comber E60 - H	2	6,885	4,174	2,711	4,000	1,289	Negotiation	Zaitoon Textile Mills Limited, Faisalabad

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
27. REVENUE			
Export sales	27.1	225,448	371,683
Local sales	27.2	12,657,124	13,598,803
Export rebate		-	3,148
		12,882,572	13,973,634

27.1 These include waste sales of Rupees 28.710 million (2019: Nil).

27.2 Local sales			
Sales	27.2.1	15,065,030	13,613,472
Less: Sales tax		(2,407,906)	(14,669)
		12,657,124	13,598,803

27.2.1 Local sales include waste sales of Rs. 692.266 million (2019: 748.131) million.

28. COST OF SALES			
Raw materials consumed	28.1	8,943,975	9,196,667
Sizing expenses		61,780	63,076
Salaries, wages and other benefits	28.2	913,084	806,330
Stores, spare parts and loose tools consumed		227,424	234,767
Packing materials consumed		126,661	142,123
Repair and maintenance		64,900	25,720
Fuel and power		1,389,645	1,363,654
Insurance		30,475	29,648
Other factory overheads		18,733	21,712
Depreciation	13.1.2	470,315	482,631
Work-in-process			
Opening stock		159,344	148,646
Closing stock		(167,564)	(159,344)
		(8,220)	(10,698)
Cost of goods manufactured			
Finished goods			
Openings stock		691,328	714,347
Closing stock		(1,368,302)	(691,328)
		(676,974)	23,019
		11,561,798	12,378,649

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
28.1 Raw materials consumed			
Opening stock		2,236,861	1,818,001
Add: Purchased during the year		8,889,516	9,615,527
		11,126,377	11,433,528
Less: Closing stock		(2,182,402)	(2,236,861)
		8,943,975	9,196,667

28.2 Salaries, wages and other benefits include provident fund contribution of Rupees 20.270 million (2019: Rupees 17.610 million) by the Company.

29. DISTRIBUTION COST

Salaries and other benefits	29.1	5,352	5,153
Outward freight and shipment		30,352	31,545
Commission to selling agents		79,289	78,242
Clearing and forwarding		3,485	9,480
Export development surcharge		610	933
		119,088	125,353

29.1 Salaries and other benefits include provident fund contribution of Rupees 0.169 million (2019: Rupees 0.177 million) by the Company.

30. ADMINISTRATIVE EXPENSES

Salaries and other benefits	30.1	115,647	99,228
Vehicles' running and maintenance		6,061	6,534
Travelling and conveyance		5,224	4,131
Rent, rates and taxes		7,445	6,377
Insurance		2,529	2,171
Entertainment		138	148
Advertisement		129	595
Communication		2,189	2,073
Electricity and gas		7,783	6,150
Printing and stationery		3,697	5,659
Repair and maintenance		9,209	7,276
Fee and subscription		4,099	4,205
Depreciation	13.1.2	29,315	17,911
Donations	30.2 & 30.3	10,860	3,260
		204,325	165,718

Notes to the Financial Statements

For the year ended 30 June 2020

30.1 Salaries and other benefits include provident fund contribution of Rupees 3.645 million (2019: Rupees 3.124 million) by the Company.

30.2 The name of donees to whom donation amount exceeded Rupees 1.086 million (2019: Rupees 0.500 million) are as follows:

	Note	2020 (Rupees in thousand)	2019
The Citizen Foundation		-	1,000
Patient's Aid Foundation		-	1,000
The Lahore Business Association for Rehabilitation of the Disabled		500	500
Lahore Institute of Health Sciences		2,500	-
Chiniot Blood Bank & Dialysis Centre		1,500	-
Saleem Memorial Trust Hospital		5,000	-
		9,500	2,500

30.3 There is no interest of any director or his spouse in donees' fund.

31. OTHER EXPENSES

Legal and professional		5,445	3,388
Auditor's remuneration	31.1	1,590	1,500
Workers' profit participation fund	7.2	45,788	57,469
Workers' welfare fund	7.3	17,400	21,838
Provision for slow moving, obsolete and damaged store items	17.1	6,370	3,445
Allowance for expected credit loss	19.5	53,526	2,882
Unrealised loss on re-measurement of investments at fair value through profit or loss		-	66,597
Sales tax refundable written off		16,946	-
Net exchange loss		79,176	-
		226,241	157,119

31.1 Auditor's remuneration

Audit fee		1,365	1,300
Half yearly review and other certifications		175	150
Out of pocket expenses		50	50
		1,590	1,500

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
32. OTHER INCOME			
Income from financial assets			
Dividend income		188,087	61,210
Profit on deposits with banks		15,989	9,688
Gain on sale of investments at fair value through profit or loss		18,760	1,551
Unrealised gain on re-measurement of investments at fair value through profit or loss		25,387	-
Net exchange gain		-	8,708
		248,223	81,157
Income from non-financial assets			
Gain on sale of property, plant and equipment	13.1.1	13,509	12,206
Gain on disposal of non-current assets classified as held for sale	26.2	1,289	6,614
Scrap sales		7,982	7,670
		22,780	26,490
		271,003	107,647
33. FINANCE COST			
Mark-up on:			
Long term financing		89,204	100,349
Short term borrowings		92,861	74,717
Liabilities against assets subject to finance lease		-	31
Bank charges and commission		7,498	9,273
		189,563	184,370
34. TAXATION			
Current	34.1	194,833	-
Prior year		5,014	-
Deferred		(68,195)	211,317
		131,652	211,317

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

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
35. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit attributable to ordinary shareholders		719,549	858,755
		(Number of shares)	
Weighted average number of ordinary shares		36,671,312	36,671,312
		Rupees	
Earnings per share		19.62	23.42
36. CASH GENERATED FROM OPERATIONS			
Profit before taxation		851,201	1,070,072
Adjustments for non-cash charges and other items:			
Depreciation		499,630	500,542
Gain on sale of investments at fair value through profit or loss	32	(18,760)	(1,551)
Gain on disposal of property, plant and equipment		(13,509)	(12,206)
Gain on disposal of assets classified as held for sale		(1,289)	(6,614)
Dividend income		(188,087)	(61,210)
Allowance for expected credit loss		53,526	2,882
Provision for slow moving, obsolete and damaged store items		6,370	3,445
Provision for Workers' Profit Participation Fund		45,788	57,469
Provision for Workers' Welfare Fund		17,400	21,838
Sales tax refundable written off		16,946	-
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss		(25,387)	66,597
Finance cost		189,563	184,370
Profit on bank deposits		(15,989)	(9,688)
Share of loss from joint ventures		1,359	-
Working capital changes	36.1	(373,834)	(158,324)
		1,044,928	1,657,622

Notes to the Financial Statements

For the year ended 30 June 2020

	Note	2020 (Rupees in thousand)	2019
36.1 Working capital changes			
(Increase) / decrease in current assets:			
- Stores, spare parts and loose tools		(7,687)	(23,208)
- Stock in trade		(630,735)	(372,767)
- Trade debts		(114,491)	(183,713)
- Loans and advances		(26,073)	55,725
- Trade deposits and short term prepayments		(21,759)	(33,674)
- Tax refunds due from the government		41,835	107,574
- Other receivables		(13,376)	15,263
		(772,286)	(434,800)
Increase in trade and other payables		398,452	276,476
		(373,834)	(158,324)

36.2 Reconciliation of movement of liabilities to cash flows arising from financing activities.

	2020			
	Liabilities from financing activities			Total
	Long term financing	Short term borrowings	Unclaimed dividend	
	------(Rupees in thousand)-----			
Balance as at 01 July 2019	2,822,597	698,968	3,359	3,524,924
Financing obtained	202,000	-	-	202,000
Repayment of financing	(433,943)	-	-	(433,943)
Short term borrowings - net	-	579,397	-	579,397
Dividend declared	-	-	183,357	183,357
Dividend paid	-	-	(179,985)	(179,985)
Balance as at 30 June 2020	2,590,654	1,278,365	6,731	3,875,750

	2019			
	Liabilities from financing activities			Total
	Long term financing	Short term borrowings	Unclaimed dividend	
	------(Rupees in thousand)-----			
Balance as at 01 July 2018	2,926,536	993,116	3,293	3,922,945
Financing obtained	238,772	-	-	238,772
Repayment of financing	(342,711)	-	-	(342,711)
Short term borrowings - net	-	(294,148)	-	(294,148)
Dividend declared	-	-	127,552	127,552
Dividend paid	-	-	(127,486)	(127,486)
Balance as at 30 June 2019	2,822,597	698,968	3,359	3,524,924

Notes to the Financial Statements

For the year ended 30 June 2020

37. EVENTS AFTER THE REPORTING PERIOD

37.1 The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2020 of Rupees 4.00 per share (2019: Rupees 5.00 per share) along with issuance of bonus shares @ 10% (2019: Nil), i.e. 10 shares for every 100 shares; at their meeting held on September 15, 2020. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.

38. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

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

	Chief Executive Officer		Director		Executives	
	2020	2019	2020	2019	2020	2019
	------(Rupees in thousand)-----					
Managerial remuneration	11,070	10,323	17,835	15,240	23,500	21,007
Allowances						
House rent	3,875	3,613	6,242	5,334	10,407	8,719
Reimbursement of expenses	295	493	1,608	1,344	-	-
Other allowance	1,107	1,032	1,784	1,665	5,020	5,155
Contribution to provident fund trust	664	616	1,070	914	1,325	1,176
	17,011	16,077	28,539	24,497	40,252	36,057
No. of persons	1	1	2	2	11	9

38.1 Chief Executive Officer, directors and certain executives of the Company are provided with Company maintained vehicles.

38.2 Aggregate amount charged in the financial statements for meeting fee to five directors (2019: four directors) was Rupees 0.500 million (2019: Rupees 0.350 million).

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

Notes to the Financial Statements

For the year ended 30 June 2020

39. RELATED PARTY DISCLOSURES

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

	2020	2019
	(Rupees in thousand)	
Associated companies		
Purchase of electricity	1,029	12,424
Sale of goods	92,118	118,267
Purchase of goods	213,434	191,664
Insurance expense	46,671	41,618
Insurance claim received	-	10,039
Dividend paid	87,150	60,623
Advance given	-	3,755
Other related parties		
Company's contribution to provident fund trust	24,084	20,911

39.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in note 38.

39.2 Following are the related parties with whom the company had entered into transactions or have arrangements / agreements in place:

Name of the related party	Basis of relationship	Transactions entered or agreements and / or arrangements in place during the financial year ended		Percentage of shareholding
		2020	2019	
Crescent Powetech Limited	Common directorship	Yes	Yes	None
Premier Insurance Limited	Common directorship	Yes	Yes	None
S2 Hydro Limited	Joint Venture	No	Yes	48%
S2 Power Limited	Joint Venture	Yes	Yes	48%
Shams Textile Mills Limited	Common directorship	Yes	Yes	None
The Crescent Textile Mills Limited	Common directorship	Yes	Yes	None
S2 Solar Limited	Joint Venture	No	No	50%
Crescent Fibres Limited	Common directorship	Yes	Yes	None
ACME Mills (Private) Limited	Common directorship	Yes	Yes	None
Shakarganj Limited	Common directorship	No	No	None
Premier Financial Services (Private) Limited	Common directorship and shareholding	No	No	9.77%
BMA Assets Management Company Limited	Common directorship	No	No	None
ICON Global (Private) Limited	Common directorship	No	No	None
Al-Abbas Sugar Mills Limited	Common directorship	No	No	None
Knightbridge Residential Real Estate Partners (Partnership Firm)	Joint Venture	Yes	Yes	11.30%
Provident Fund Trust	Post-employment benefit plan	Yes	Yes	None

Notes to the Financial Statements

For the year ended 30 June 2020

40. PROVIDENT FUND

As at the reporting date, the Suraj Cotton Mills Employees Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan which allows transition period of three years for bringing the Employees Provident Fund Trust in conformity with the requirements of the regulations.

	2020	2019
	(Rupees in thousand)	
41. NUMBER OF EMPLOYEES		
Number of employees as on 30 June	2,066	2,848
Average number of employees during the year	2,077	2,807

42. SEGMENT INFORMATION

42.1 The Company has two reportable segments. The following summary describes the operation in each of the Company's reportable segments:

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

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

Transactions between operating segments are recorded on arm's length basis in a manner similar to transactions with third parties. Inter segment sales and purchases have been eliminated from the total.

Notes to the Financial Statements

For the year ended 30 June 2020

	Spinning		Weaving		Elimination of Inter-segment transactions		Total - Company	
	2020	2019	2020	2019	2020	2019	2020	2019
------(Rupees in thousand)-----								
Revenue								
External	8,127,707	9,014,340	4,754,865	4,959,294	-	-	12,882,572	13,973,634
Inter-segment	2,328,778	2,125,362	-	-	(2,328,778)	(2,125,362)	-	-
	10,456,485	11,139,702	4,754,865	4,959,294	(2,328,778)	(2,125,362)	12,882,572	13,973,634
Cost of sales								
External	(7,200,723)	(7,799,896)	(4,361,075)	(4,578,753)	-	-	(11,561,798)	(12,378,649)
Inter-segment	(2,328,778)	(2,125,362)	-	-	2,328,778	2,125,362	-	-
	(9,529,501)	(9,925,258)	(4,361,075)	(4,578,753)	2,328,778	2,125,362	(11,561,798)	(12,378,649)
Gross profit	926,984	1,214,444	393,790	380,541	-	-	1,320,774	1,594,985
Distribution cost	(73,504)	(75,521)	(45,584)	(49,832)	-	-	(119,088)	(125,353)
Administrative expenses	(152,013)	(127,575)	(52,312)	(38,143)	-	-	(204,325)	(165,718)
	(225,517)	(203,096)	(97,896)	(87,975)	-	-	(323,413)	(291,071)
Profit before taxation and unallocated income and expenses	701,467	1,011,348	295,894	292,566	-	-	997,361	1,303,914
Unallocated income and expenses:								
Other expenses							(226,241)	(157,119)
Other income							271,003	107,647
Finance cost							(189,563)	(184,370)
Share of loss from joint ventures							(1,359)	-
Taxation							(131,652)	(211,317)
Profit after taxation							719,549	858,755

Notes to the Financial Statements

For the year ended 30 June 2020

42.2 Reconciliation of reportable segment assets and liabilities

	Spinning		Weaving		Total - Company	
	2020	2019	2020	2019	2020	2019
----- (Rupees in thousand) -----						
Total assets for reportable segment	8,505,226	8,728,697	1,790,233	1,374,817	10,295,459	10,103,514
Unallocated assets:						
Investment properties					100,000	100,000
Long term investments					746,027	825,482
Tax refunds due from the government					537,190	615,090
Short term investments					1,318,597	134,342
Non-current assets classified as held for sale					14,192	10,077
Total assets as per statement of financial position					13,011,465	11,788,505
Total liabilities for reportable segments	5,425,214	4,767,483	753,274	671,857	6,178,488	5,439,340
Unallocated liabilities:						
Unallocated:						
Deferred income tax liability					209,633	277,828
Unclaimed dividend					6,731	3,359
Total liabilities as per statement of financial position					6,394,852	5,720,527
42.3 Geographical information						
The company's revenue from external customers by geographical locations is detailed below:						
Pakistan					12,657,124	13,598,803
Hong Kong					-	149,854
Italy					8,994	60,559
Korea					100,960	25,972
Portugal					2,086	10,090
Turkey					8,301	17,711
United Arab Emirates					70,749	59,731
China					-	38,358
Sri Lanka					5,647	3,727
Spain					-	8,829
Taiwan					9,292	-
Vietnam					19,419	-
					12,882,572	13,973,634

42.4 All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

42.5 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

Notes to the Financial Statements

For the year ended 30 June 2020

		2020	2019
		(Figures in thousand)	
43. PLANT CAPACITY AND ACTUAL PRODUCTION			
Spinning			
100 % plant capacity converted to 20s count based on 3 shifts per day.	Kgs.	48,824	53,183
Actual production converted to 20s count based on 3 shifts per day.	Kgs.	47,051	51,486
Weaving			
100 % plant capacity at 50 picks based on 3 shifts per day.	Sq.Mtr.	92,390	100,639
Actual production converted to 50 picks based on 3 shifts per day.	Sq.Mtr.	86,614	85,555

43.1 Reason for low production

In the note of plant capacity and actual production, plant capacity of each segment has been adjusted to incorporate the impact of temporary suspension due to lock down announced by the Government of the Punjab from 24 March 2020. However, the Company resumed its operations from 23 April 2020 after implementing necessary standard operating procedures.

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

Notes to the Financial Statements

For the year ended 30 June 2020

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

	2020	2019
Trade debts - USD	375,108	191,993
The following significant exchange rates were applied during the year:		
Rupees per US Dollar		
Average rate	158.82	137.29
Reporting date rate	168.25	164.00

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 2.905 million (2019: Rupees 1.449 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

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

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's equity investments. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Notes to the Financial Statements

For the year ended 30 June 2020

	Impact on profit after taxation		Impact on statement of other comprehensive income (fair value reserve on FVTOCI investments)	
	2020	2019	2020	2019
	----- (Rupees in thousand) -----			
PSX 100 (5% increase)	52,118	5,310	33,747	33,352
PSX 100 (5% decrease)	(52,118)	(5,310)	(33,747)	(33,352)

(iii) Interest rate risk

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

The Company's interest rate risk arises from long term financing, short term borrowings, bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

	2020	2019
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	2,559,246	2,647,085
Short term borrowings	60,639	-
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	192,471	392,108
Financial liabilities		
Long term financing	31,408	175,512
Short term borrowings	1,217,726	698,968

Fair value sensitivity analysis for fixed rate instruments

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

Notes to the Financial Statements

For the year ended 30 June 2020

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 14.585 million (2019: Rupees 6.658 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting dates were outstanding for the whole year.

(b) Credit risk

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

	2020	2019
	(Rupees in thousand)	
Long term investments	675,144	667,247
Long term deposits	21,871	19,879
Trade debts	974,012	913,047
Loans and advances	6,573	5,728
Trade deposits	68,097	47,176
Other receivables	29,624	16,248
Short term investments	1,318,597	134,342
Bank balances	206,082	432,348
	3,300,000	2,236,015

Notes to the Financial Statements

For the year ended 30 June 2020

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

	Rating			2020	2019
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	193,514	419,852
National Bank of Pakistan	A1+	AAA	PACRA	1,864	4,097
United Bank Limited	A1+	AAA	PACRA	63	323
Allied Bank Limited	A1+	AAA	PACRA	519	316
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,887	485
Habib Bank Limited	A-1+	AAA	JCR-VIS	111	494
Bank Al-Habib Limited	A1+	AA+	PACRA	5,359	5,570
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	108	128
Finca Microfinance bank Limited	A1	A	PACRA	32	1,066
MCB Islamic Bank Limited	A1	A	PACRA	625	17
				206,082	432,348
Investments					
Premier Insurance Limited	Unknown	A	PACRA	4,762	4,947
The Crescent Textile Mills Limited		Unknown		34,322	35,872
Kot Addu Power Company Limited	A-1+	AA+	JCR-VIS	10,579	19,100
Nishat Mills Limited	A1+	AA	PACRA	87,761	105,007
Pakistan State Oil Company Limited	A-1+	AA+	JCR-VIS	31,373	28,040
Oil & Gas Development Company Limited	A-1+	AAA	JCR-VIS	43,600	52,596
The Searle Company Limited	A-1	AA-	JCR-VIS	26,728	19,663
D.G. Khan Cement Company Limited	A1+	AA-	PACRA	94,921	62,895
Fauji Fertilizer Company Limited	A1+	AA+	PACRA	35,747	28,340
Fatima Fertilizer Company Limited	A1+	AA-	PACRA	26,169	29,223
Engro Corporation Limited	A1+	AA+	PACRA	20,417	22,496
Engro Fertilizers Limited	A1+	AA	PACRA	114,532	121,543
Crescent Steel and Allied Products Limited	A-2	A-	JCR-VIS	55,601	46,167
United Bank Limited	A-1+	AAA	JCR-VIS	20,228	28,842
Kohinoor Textile Mills Limited	A-1	A+	JCR-VIS	28,404	20,037
Attock Refinery Limited	A1+	AA	PACRA	11,165	9,659
MCB Bank Limited	A1+	AAA	PACRA	9,261	9,968
Habib Bank Limited	A-1+	AAA	JCR-VIS	19,374	22,652
TCC Management Services (Private) Limited		Unknown		200	200
Samba Bank Limited	A-1	AA	JCR-VIS	12,905	9,071
Fauji Cement Company Limited		Unknown		25,320	23,595

Notes to the Financial Statements

For the year ended 30 June 2020

	Rating		Agency	2020	2019
	Short Term	Long term		(Rupees in thousand)	
GlaxoSmithKline Pakistan Limited		Unknown		13,874	7,598
Pakistan Telecommunication Company Limited		Unknown		6,216	5,789
TPL Trakker Limited	A2	A-	PACRA	1,716	1,620
First Equity Modaraba		Unknown		4,699	1,760
Nishat Chunian Power Limited	A-2	A+	JCR-VIS	12,096	13,928
TRG Pakistan Limited		Unknown		25,176	14,585
Ghani Global Glass Limited		Unknown		2,392	1,198
Aisha Steel Mills Limited	A-2	A-	JCR-VIS	5,107	5,102
ICI Pakistan Limited		Unknown		6,947	5,325
Service Industries Limited		Unknown		-	6,833
Arif Habib Corporation Limited	A-1	AA-	JCR-VIS	3,000	2,471
Power Cement Limited	A-2	A-	JCR-VIS	12,400	12,860
Sui Northern Gas Pipelines Limited	A1	AA-	PACRA	5,460	6,949
Colony Textile Mills Limited		Unknown		1,428	1,004
Pak Elektron Limited		Unknown		6,306	5,504
The Bank of Punjab	AA	A1+	PACRA	5,460	9,150
Alfalah GHP Money Market Fund B Growth	Unknown	AA+	PACRA	204,561	-
NBP Savings Fund (Formerly NAFA Income Fund)	Unknown	A	PACRA	249	-
NBP Money Market Fund (Formerly NAFA Money Market Fund)	Unknown	AA	PACRA	185,299	-
Atlas Money Market Fund	Unknown	AA+	PACRA	173,429	-
ABL Cash Fund	Unknown	AA+	JCR-VIS	177,842	-
HBL Cash Fund	Unknown	AA	JCR-VIS	181,681	-
MCB DCF Income Fund	Unknown	AA-	PACRA	241	-
MCB Cash Optimizer	Unknown	AA+	PACRA	244,793	-
				1,993,741	801,589
				2,199,823	1,233,937

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 19.

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 counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

Notes to the Financial Statements

For the year ended 30 June 2020

(c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2020, the Company had Rupees 2,236.635 million (2019: Rupees 2,816.032 million) available borrowing limits from financial institutions and Rupees 203.248 million (2019: Rupees 433.838 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2020

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
----- (Rupees in thousand) -----						
Non-derivative financial liabilities:						
Long term financing	2,590,654	2,909,196	50,306	111,321	371,965	2,375,604
Trade and other payables	2,131,814	2,131,814	2,131,814	-	-	-
Accrued mark-up	38,592	38,592	38,592	-	-	-
Short term borrowings	1,278,365	1,301,385	1,301,385	-	-	-
Unclaimed dividend	6,731	6,731	6,731	-	-	-
Derivative financial liabilities	9,550	9,550	9,550	-	-	-
	6,055,706	6,397,268	3,538,378	111,321	371,965	2,375,604

Contractual maturities of financial liabilities as at 30 June 2019

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
----- (Rupees in thousand) -----						
Non-derivative financial liabilities:						
Long term financing	2,822,597	3,169,658	54,810	121,288	405,267	2,588,293
Trade and other payables	1,769,795	1,769,795	1,769,795	-	-	-
Accrued mark-up	47,747	47,747	47,747	-	-	-
Short term borrowings	698,968	711,555	711,555	-	-	-
Unclaimed dividend	3,359	3,359	3,359	-	-	-
	5,342,466	5,702,114	2,587,266	121,288	405,267	2,588,293

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

Notes to the Financial Statements

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	FVTPL	Amortised cost	FVTOCI	Total
	------(Rupees in thousand)-----			
44.2 Financial instruments by categories				
As at 30 June 2020				
Assets as per statement of financial position				
Investments	1,318,597	-	675,144	1,993,741
Long term deposits	-	21,871	-	21,871
Trade debts	-	974,012	-	974,012
Loans and advances	-	6,573	-	6,573
Trade deposits	-	68,097	-	68,097
Other receivables	-	29,624	-	29,624
Cash and bank balances	-	207,139	-	207,139
	1,318,597	1,307,316	675,144	3,301,057
		Financial liabilities at amortized cost	FVTPL	Total
		------(Rupees in thousand)-----		
Liabilities as per statement of financial position				
Long term financing		2,590,654	-	2,590,654
Trade and other payables		2,131,814	9,550	2,141,364
Accrued mark-up		38,592	-	38,592
Short term borrowings		1,278,365	-	1,278,365
Unclaimed dividend		6,731	-	6,731
		6,046,156	9,550	6,055,706
	FVTPL	Amortised cost	FVTOCI	Total
	------(Rupees in thousand)-----			
As at 30 June 2019				
Assets as per statement of financial position				
Investments	134,342	-	667,247	801,589
Long term deposits	-	19,879	-	19,879
Trade debts	-	913,047	-	913,047
Loans and advances	-	5,728	-	5,728
Trade deposits	-	47,176	-	47,176
Other receivables	-	16,248	-	16,248
Cash and bank balances	-	433,938	-	433,938
	134,342	1,436,016	667,247	2,237,605
		Financial liabilities at amortized cost		
		(Rupees in thousand)		
Liabilities as per statement of financial position				
Long term financing				2,822,597
Trade and other payables				1,769,795
Accrued mark-up				47,747
Short term borrowings				698,968
Unclaimed dividend				3,359
				5,342,466

Notes to the Financial Statements

For the year ended 30 June 2020

44.3 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

44.4 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 returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, and short term borrowings obtained by the Company as referred to in note 5 and note 9 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'. The Company's strategy, remained unchanged from last year. In accordance with the terms of agreement with the lenders of long term finances in connection with deferment of principal amount for twelve months, there is restriction on distribution of dividends by the Company during the relief period.

		2020	2019
		(Rupees in thousand)	
Borrowings	Rupees in thousand	3,869,019	3,521,565
Total equity	Rupees in thousand	6,616,613	6,067,978
Total capital employed	Rupees in thousand	10,485,632	9,589,543
Gearing ratio	Percentage	36.90	36.72

The increase in the gearing ratio resulted primarily from increase in borrowings of the Company.

45. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value hierarchy

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

Notes to the Financial Statements

For the year ended 30 June 2020

Recurring fair value measurements At 30 June 2020				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Financial assets				
Fair value through other comprehensive income	674,944	-	-	674,944
Fair value through profit or loss	1,318,597	-	-	1,318,597
Total financial assets	1,993,541	-	-	1,993,541
Financial liabilities				
Derivative financial liabilities	-	9,550	-	9,550
Total financial liabilities	-	9,550	-	9,550

Recurring fair value measurements At 30 June 2019				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Financial assets				
Fair value through other comprehensive income	667,047	-	-	667,047
Fair value through profit or loss	134,342	-	-	134,342
Total financial assets	801,389	-	-	801,389

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2020

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments.

46. FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

i) Fair value hierarchy

Judgements and estimates are made for non-financial assets not measured at fair value in these financial statements but for which the fair value is described in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 June 2020	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Investment properties	-	285,500	-	285,500
Total non-financial assets	-	285,500	-	285,500

At 30 June 2019	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Financial assets				
Investment properties	-	246,000	-	246,000
Total non-financial assets	-	246,000	-	246,000

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

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

iii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the management updates the assessment of the fair value of each property, taking into account the most recent independent valuations. The management determines a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties.

Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's investment properties at the end of every financial year. The fair values of the investment properties have been determined by Jasper & Jasper (an approved valuer).

Changes in fair values are analyzed at the end of each year during the valuation discussion between the Chief Financial Officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

Notes to the Financial Statements

For the year ended 30 June 2020

47. IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On 23 March 2020, the Government of the Punjab and the Government of Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from 24 March 2020. In the Company's case, the lockdown was relaxed from 23 April 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company resumed its operations from 23 April 2020 and took all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowdown in economic activity. The lockdown caused disruptions in supply chain including supply of goods to the customers resulting in a decline in sales. Subsequent to the year ended 30 June 2020, due to significant reduction in outbreak, demand for the Company's goods is fast reverting back to normal levels. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9 'Financial Instruments';
- the impairment of tangible assets under IAS 36 'Impairment of Assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- provisions and contingent liabilities under IAS 37 Provisions, Contingent Liabilities and Contingent Assets'; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

48. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 15, 2020 by the Board of Directors of the Company.

49. CORRESPONDING FIGURES

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

50. GENERAL

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 36th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on October 28, 2020 at 10:30 A.M. at the Registered Office, 7-B 3, Aziz Avenue, Gulberg 5, 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, 2020.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 40% i.e. Rs. 4/- per share for the year ended June 30, 2020.
3. To appoint auditors of the Company and fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing below as ordinary resolutions for the capitalization of free reserves to issue bonus shares as recommended by the Directors.

"RESOLVED THAT a sum of Rs. 36,671,320 be capitalized out of the free reserves of the Company and applied towards issue of 3,667,132 ordinary shares of Rs. 10 each, as 10% fully paid bonus shares i.e. in the proportion of one (01) ordinary share for every ten (10) ordinary shares held by the members of the Company whose names appear in the Members' Register as at the close of the business on October 20, 2020".

"FURTHER RESOLVED THAT the bonus shares shall rank pari passu in all respects with the existing shares of the Company as regards the future entitlements, however, these shares shall not be eligible for final dividend declared by the Company for the year ended June 30, 2020".

"FURTHER RESOLVED THAT member's fractional entitlement, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings shall be deposited into a charity account to be proposed and approved by the Shareholders in the Annual General Meeting on October 28, 2020".

"FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby jointly and / or severally authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares and the deposit of sale proceeds of the fractions into aforementioned account".

5. To transact any other business with the permission of the Chair.

BOOK CLOSURE

The Members' Register will remain closed from October 21, 2020 to October 28, 2020 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on October 20, 2020 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

Notice of Annual General Meeting

notarial 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.

Deduction of Tax on Dividend Income – Finance Act, 2020

It is hereby informed that pursuant to the Finance Act, 2020, 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% |
| i. Rate of tax deduction on dividend income for non-filer of income tax return | 30% |

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

Notice of Annual General Meeting

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 herein above 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 Financial Statements for the year ended 30 June 2020 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 06, 2020

Company Secretary

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement set out all the material facts concerning Special Business under Agenda Item No.4 be transacted at the 36th Annual General Meeting.

AGENDA ITEM NO. 4

ISSUE OF BONUS SHARES BY CAPITALISATION OF FREE RESERVES

The Board of Directors in their meeting held on September 15, 2020, have recommended capitalization of a sum of Rs. 36,671,320 out of free reserves of the Company for issue of 3,667,132 ordinary shares of Rs. 10 each, as 10% fully paid bonus shares. The directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves.

The Directors of the Company have not, direct or indirect interest in this special business, except to the extent of their entitlements of bonus shares and their relatives who are also shareholders of the Company.

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Suraj Cotton Mills Limited

Mandatory Requirement of Bank Account Details for Electronic Credit of Cash Dividend Payment as Per the Companies Act, 2017

Date: October 03, 2020

Dear Shareholder,

This is to inform you that in accordance with the section 242 of the Companies Act, 2017 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.	
<hr/> 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 2017, 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, 2017 (the Act) promulgated on May 30, 2017, 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.

First Fold

Third Fold and Tuck In

Form of Proxy

Thirty Third 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 36th Annual General Meeting of the company to be held on Wednesday, October 28, 2020. 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 _____, 2020.

Witness 1:

Signature: _____

Name: _____

Address: _____

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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 (پراکسی فارم)
پینتیسواں سالانہ اجلاس عام

میں / ہم -----
 ساکن ----- بحیثیت سورج کاٹن ملز لمیٹڈ رکن (ممبر) اور حامل ہیں۔-----
 عام حصص کے مطابق درج شدہ فولیو نمبر ----- اور یا سی ڈی سی کے شراکتی آئی ڈی نمبر -----
 اور فلی کھاتہ نمبر ----- محترم محترمہ -----
 ساکن ----- یا بصورت دیگر محترم محترمہ -----
 ساکن ----- کو اپنی جگہ بروز بدھ 28 اکتوبر 2020 دن 10:30 بجے صبح بمقام کمپنی کے رجسٹرڈ آفس (7 بی تھری، عزیز یونیو، گلبرگ 5، لاہور) میں منعقد ہو رہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں رائے دہندگی کے لیے اپنا نمائدہ مقرر کرتا کرتی ہوں۔
 مؤرخہ ----- دن ----- 2020

ریونیو چسپاں کریں

گواہ

(دستخط کمپنی میں پہلے سے موجود نمونہ کہ مطابق ہونے چاہیے)

.....(1)، نسخہ

نام

~~~~~

سی این آپی سی-----

(2) دستخط \_\_\_\_\_

نام \_\_\_\_\_

~~~~~

سی این آئی سی-----

ہدایات

نیابت داروں (پراسی) کو مؤثر 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۔



SURAJ COTTON MILLS LIMITED

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

T: 92 42 3576 0381
F: 92 42 3576 0376



www.suraj.com