

ANNUAL REPORT
2023



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Company Information

Board of Directors

Mr. Khalid Bashir (Chairman)
Mr. Adil Bashir
Mr. Ahsan Bashir
Mr. Humayun Maqbool
Ms. Maheen Hisham Adamjee
Mr. Mohammad Iqbal
Mr. Shams Rafi

Chief Executive Officer

Mr. Nadeem Maqbool

Chief Financial Officer

Mr. Naeem Sheikh

Audit Committee

Mr. Shams Rafi (Chairman)
Mr. Humayun Maqbool
Mr. Ahsan Bashir

HR & R Committee

Ms. Maheen Hisham Adamjee (Chairman)
Mr. Nadeem Maqbool
Mr. Ahsan Bashir
Mr. Adil Bashir

Risk Management Committee

Mr. Humayun Maqbool (Chairman)
Mr. Nadeem Maqbool
Mr. Ahsan Bashir

Share Registrar

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

Auditors

Riaz Ahmad & Co.
Chartered Accountants

Company Secretary

Mr. Shahzad Nazir

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
MCB Islamic Bank Limited
United Bank Limited
Habib Metropolitan Bank Limited
Samba Bank Limited
FINCA Microfinance Bank Limited
Meezan Bank Limited
Bank Alfalah 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

Established on December 18, 1984, Suraj Cotton Mills Limited stands as a prominent public limited company listed on the Pakistan Stock Exchange. With a steadfast commitment to manufacturing and trading top-notch yarn and woven fabrics, our legacy speaks volumes of dedication, growth, and quality. Our journey began in 1985 when we launched our spinning project at Nooriabad, which commenced commercial production in 1986. Today, this unit boasts 24,576 spindles, producing yarns ranging from 10/1 cd to 30/1 cd, high-end combed yarns, and spandex yarns for weaving.

In 1990, we expanded our footprint by establishing our second spinning unit at Shahkot. Undergoing continuous modernization and expansion, its current capacity stands impressively at 43,000 spindles specializing in fine count yarns ranging from 40 combed to 130 combed. Our growth continued as we introduced a weaving unit in Shahkot in 1994. Equipped with advanced machinery and wider width Air Jet looms, this unit produces over 12 million meters of grey cloth annually. By 2003, with the addition of another 120 Air Jet looms, we increased our capacity to 28 million meters.

2006 marked another milestone as we acquired a spinning unit in Raiwind, Punjab, further enhancing our production capabilities. This unit underwent expansion in 2017, increasing its capacity to 55,000 spindles. Our commitment to excellence was once again reaffirmed in 2022 when we inaugurated our fifth production facility in Shahkot, a weaving unit equipped with 154 wider width Air Jet Looms.

With a robust presence in both domestic and international markets, Suraj Cotton Mills Limited has fostered enduring relationships with customers and suppliers alike. As we forge ahead, our focus remains unwavering on enriching investor values and cementing our industry footprint.

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.

Chairmans' Review

I am pleased to present the Chairman's Review Report of the company for the year ending 30 June 2023.

The Economy

During the period under review, the economic situation in Pakistan remained difficult with high inflationary pressures and a depreciating currency. This led the State Bank of Pakistan to tighten its monetary policy and the policy rate has witnessed a very large increase. Industrial growth remained adversely affected and exports continued to decline month on month. The contribution of home remittances has also declined leading to further pressure on the currency.

Energy prices and availability continued to be a challenge which affected the export industries negatively. During the year, Pakistan's cotton output turned out to be close to 5 million bales, in a large part, the effect of the devastating rains and flooding. The country's foreign exchange reserves continued to decline and the trade deficit remained high. Going forward, imports, inflation and currency devaluation will remain key challenges. Due to these factors, investor confidence remained weak and this was reflected in a lackluster performance by PSX throughout the year.

Corporate 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.

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

- **Diversity and Mix:** The Board members effectively bring the diversity to the Board and constitute a mix of executive, non-executive and independent directors. All BOD members were 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 joins me in thanking all members of the SCML team for their unwavering support and dedication to the Company. We remain confident to weather these difficult times and are confident that with our emphasis on effective management we will be able to maximize shareholder value.

Khalid Bashir
Chairman

چیئر مین کا جائزہ

30 جون 2023ء کو ختم ہونے والے سال کے لئے کمپنی کی جائزہ رپورٹ پیش کرنا میرے لئے باعث مسرت ہے۔

اقتصادی جائزہ

زیر جائزہ مدت کے دوران، پاکستان کی اقتصادی صورتحال بلند افراط زر کے دباؤ اور کرنسی کی قدر میں کمی کے باعث مشکل رہی۔ کیونکہ اسٹیٹ بینک آف پاکستان نے اپنی مانیٹری پالیسی کو سخت کر دیا اور پالیسی ریٹ میں بہت زیادہ اضافہ دیکھنے میں آیا۔ صنعتی نموبری طرح متاثر رہی اور برآمدات میں ماہ بہ ماہ کمی ہوتی گئی۔ ہوم ٹریسیلٹ زر میں بھی کمی آئی جس کی وجہ سے کرنسی پر مزید دباؤ پڑا ہے۔

توانائی کی قیمتیں اور دستیابی ایک چیلنج رہا جس نے برآمدی صنعتوں پر منفی اثر ڈالا۔ سال کے دوران پاکستان میں کپاس کی پیداوار 50 ملین گانٹھوں کے قریب رہی، جس کا ایک بڑا حصہ تباہ کن بارشوں اور سیلاب کی نظر ہو گیا۔ ملکی زر مبادلہ کے ذخائر میں مسلسل کمی اور تجارتی خسارہ زیادہ رہا۔ مستقبل میں، درآمدات، افراط زر اور کرنسی کی قدر میں کمی اہم مشکلات رہیں گی۔ ان عوامل کی وجہ سے سرمایہ کاروں کا اعتماد کمزور رہا اور اس کی عکاسی PSX کی سال بھر کی ناقص کارکردگی سے ہوتی ہے۔

کارپوریٹ گورننس

سورج کاٹن بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے سلسلے میں کمپنیز ایکٹ، 2017 اور سیکریٹریٹ (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 گئی 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 ہے ان پر مناسب غور و خوض اور ایکشن پلان تیار کیا گیا ہے۔

سال کے لیے منظور شدہ معیار کی بنیاد پر پیمائش کی گئی بورڈ کی مجموعی کارکردگی تسلی بخش تھی۔

توسیع اور کس: بورڈ کے اراکین مؤثر طریقے سے بورڈ میں توسیع لاتے ہیں اور ایکریٹو، غیر ایگریٹو اور آزاد ڈائریکٹرز کا مرکب تشکیل دیتے ہیں۔ تمام BOD ممبران بورڈ کے تمام اہم معاملات اور فیصلوں میں شامل تھے۔

اسٹریٹجک منصوبہ بندی میں مشغولیت: بورڈ کو اسٹیک ہولڈرز (شیئر ہولڈرز، صارفین، ملازمین، ویڈرز، بڑے پیمانے پر سوسائٹی) کی واضح تفہیم ہے جن کی کمپنی پیروی کرتی ہے۔ بورڈ اسٹریٹجک وزن رکھتا ہے کہ اگلے تین سے پانچ سالوں میں تنظیم کو کس طرح تیار ہونا چاہئے۔ مزید برآں، بورڈ نے حکمت عملی کی تشکیل پر کافی وقت صرف کیا اور اس نے کارکردگی والے تمام اہم شعبوں میں انتظامیہ کے لیے سالانہ مقاصد اور اہداف مقرر کیے ہیں۔

مستعدی: بورڈ کے اراکین نے تبدیلی کے ساتھ اپنے فرائض سرانجام دیئے اور کاروباری حکمت عملیوں، کارپوریٹ مقاصد، منصوبوں، بجٹ، مالیاتی گوشواروں اور دیگر رپورٹس کا اچھی طرح سے جائزہ، تبادلہء خیال کیا اور منظور دی۔ اسے بورڈ اور کمیٹی کے اجلاسوں سے کافی وقت پہلے واضح اور جامع ایجنڈا اور معاون تحریری مواد ملا۔ بورڈ نے اپنی ذمہ داریوں کو مناسب طریقے سے ادا کرنے کے لیے اکثر اجلاس کئے۔

تنظیم کی کاروباری سرگرمیوں کی نگرانی: بورڈ انتظامیہ، اندرونی اور بیرونی آڈیٹرز اور دیگر آزاد مشیران کی طرف سے باقاعدہ پیشکشوں کے ذریعے کمپنی کے مقاصد، اہداف، حکمت عملیوں اور مالیاتی کارکردگی کے حصول کے حوالے سے اپ ڈیٹ رہا۔ بورڈ نے بروقت مناسب ہدایات اور نگرانی فراہم کی۔

گورننس اینڈ کنٹرول ماحول: بورڈ نے شفاف اور مضبوط گورننس کا نظام قائم کر کے مؤثر طریقے سے ٹون ایٹ دی ناپ طے کیا ہے۔ یہ ایک مؤثر کنٹرول ماحول قائم کرنے، کارپوریٹ گورننس کے بہترین طریقوں کی تعمیل اور پوری کمپنی میں اخلاقی اور منصفانہ رویہ کو فروغ دینے سے ظاہر ہوتا ہے۔

آخر پر، میں تمام شیئر ہولڈرز کا کمپنی پر مسلسل اعتماد اور یقین کے لیے شکریہ ادا کرتا ہوں۔ بورڈ SCML ٹیم کے ہر رکن کا کمپنی کی مسلسل مدد و دلگن کا بھی شکر گزار ہے۔ ہم معیاری مصنوعات پیدا کر کے اور اپنے حصص یافتگان کو قابل ذکر منافع دے کر انڈسٹری میں قیادت حاصل کرنے کے لیے پُر عزم ہیں اور اللہ تعالیٰ سے دعا گو ہیں کہ وہ ہماری آئندہ کی کوششوں میں برکت ڈالے۔

خالد بشیر

(چیئر مین)

Directors' Profile

Mr. Khalid Bashir

Chairman

Director (Non-Executive)

Joined Board: 1998

Chief Executive: Shams Textile Mills Limited

Director: The Crescent Textile Mills Limited
Premier Insurance Limited

Mr. Nadeem Maqbool

Chief Executive Officer

Joined Board: 1984

Director: Premier Insurance Limited
Crescent Fibres Limited
Premier Financial Services (Pvt) Limited

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
Service Industries Limited

Mr. Humayun Maqbool

Director (Non-Executive)

Joined Board: 1996

Director: Crescent Fibres Limited

Ms. Maheen Hisham Adamjee

Independent Director

Joined Board: 2022

Mr. Mohammad Iqbal

Director (Non-Executive)

Joined Board: 2010

Chairman & Director: Acme Mills (Pvt.) Limited

Director: ICon Global (Pvt) Limited

Mr. Shams Rafi

Independent Director

Joined Board: 2022

Director: Jubilee Spinning & Weaving Mills 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 2023.

Overview

During the year under review, your company faced many challenges which resulted in a reversal of the positivity of the previous year. The declining demand for textiles coupled along with a manifold rise in operating costs due to higher financial charges, rapid depreciation of the Pakistan rupee and other inflationary pressures led to a negative bottom line. This trend had been visible towards the end of the corresponding period and became exacerbated during the current year. Part of the problem lay with a recession in the world but primarily it was the domestic factors which influenced our performance. The company posted a net loss of Rs. 412,278 million, with a (Rs. 9.3) per share earning. These results are a reflection of the factors outlined above.

Business Performance

In the year under review the company achieved revenue of Rs. 18.86 billion, a decrease of 20 % over the corresponding period. The main factors influencing this decline were lower demand and lower prices for our products.

Financial Performance at a glance

The financial performance of your company for the fiscal year ended June 30, 2023 as compared to last year is presented below:

| Brief Income Statement | 2023 | 2022 | % Change |
|---------------------------------|------------------|--------|-----------|
| | (PKR in Million) | | |
| Sales | 18,860 | 23,500 | (19.75%) |
| Gross profit | 457 | 4,684 | (90.22%) |
| Operating profit | 205 | 3,932 | (94.80%) |
| Financial cost | (320) | (213) | 49.54% |
| (Loss) / Profit before taxation | (115) | 3,718 | (103.10%) |
| Taxation | (297) | (928) | (68.01%) |
| Net (Loss) / Profit | (412) | 2,790 | (114.77%) |
| Earnings per Share (EPS) | (9.29) | 62.89 | |

Gross Profit

In the year under review the company's revenue has decreased from Rs. 23.5 billion to Rs.18.86 billion, a decrease of 20% over the corresponding period

Your company has achieved gross profit margin of 2.43% for the fiscal year under review as compared to 19.93% last year and this decrease is mainly attributable to curtailed operations along with low demand

Operating Expenses

For the year under review, Distribution costs decreased by 13% due to lower commission expenses on decrease sales volume as compared with previous year. Pattern of Administrative expenses was largely even during the year except for general inflation. Decrease in Other Expenses is on account of non-provisioning of WWF and WPPF due to loss sustained during the year.

Directors' Report

Finance Cost

For the year under review, the financial charges increased by almost 50%. This increase occurred due to an increase in the policy rate and additional borrowing to finance higher inventories of raw materials and finished goods increasing short term borrowing.

Net Loss

Your company earned Loss Before Tax of Rs. (115) Million during the current fiscal year, as compared to a profit of Rs. 3,718 Million reported last year. Similarly, company posted an after-tax loss of PKR (412) Million.

Earnings Per Share (EPS)

Earnings per share (EPS) of your company for the fiscal year ended June 30, 2023 stood at (9.29) as compared to 62.89 (restated) in the corresponding period.

The Breakup value per share for the year ended June 30, 2023 is Rs. 243.3 (2022: Rs. 257.90).

Dividend & Appropriation

Considering current capital and equity investment plans; the Board has proposed a final cash dividend of Rs. 1 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 27 2023. This approach remains in line with your company's commitment to consistently provide sustainable returns to the shareholders.

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 donated Rs. 11.56 Million for various charitable purposes and community development

Environmental Footprint

Suraj Cotton Mills has always adhered to its principals towards the conservation of the environment in every sphere of its operations. With an effort to further highlight the importance of environment preservation and being a responsible corporate citizen, the company continued with its tree plantation drive in and around its manufacturing sites and has a considerable attention towards environment protection.

We believe in responsible consumption of the valuable water resources and make a concerted efforts to reduce its usage. Through 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.

Risk Management

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

Directors' Report

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.

Code of Corporate Governance

The Directors of your company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations 2019. Your Company has undertaken all necessary steps to ensure Good Corporate Governance and compliance of the Code and we confirm the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- The System of Internal Control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.

Directors' Report

- Statement of pattern of Shareholding has been included as part of this Annual Report.
- There has been no material departure from the best practices of corporate governance.
- All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.

Meetings of the Board of Directors

Board of SCML comprise of 7 (Male) and 1 Female Directors. The composition of Board is provided below along with number of meetings attended by each director during the year:

| Sr. No. | Category | Name | Meetings Attended |
|---------|-------------------------|--|-------------------|
| 1. | Independent Directors | Mr. Shams Rafi | 04 |
| | | Ms. Maheen Hisham Adamjee | 04 |
| 2. | Non-Executive Directors | Mr. Khalid Bashir (Chairman) | 04 |
| | | Mr. Humayun Maqbool | 04 |
| | | Mr. Mohammad Iqbal | 04 |
| 3. | Executive Directors | Mr. Nadeem Maqbool (Chief Executive Officer) | 04 |
| | | Mr. Ahsan Bashir | 03 |
| | | Mr. Adil Bashir | 04 |

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 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.

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. Three audit committee meetings were held:

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

Directors' Report

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

Human Resource, Nomination & Remuneration Committee

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

| Sr.No | Name of Members | No. of Meetings Attended |
|-------|---|--------------------------|
| 1. | Ms. Maheen Hisham Adamjee (Chairperson) | 01 |
| 2. | Mr. Nadeem Maqbool | 01 |
| 3. | Mr. Ahsan Bashir | 01 |
| 4. | Mr. Adil Bashir | 01 |

Adequacy of Internal & Financial Controls

The Board of Directors have fulfilled their responsibility of adequacy of internal controls and has established an effective system of Internal & Financial Controls that ensure:

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

The independent Internal Audit Function of Suraj Cotton Mills Limited is outsourced to M/s KPMG Taseer Hadi & Co. Chartered Accountants that regularly appraises and monitors the implementation of Standard Operating Procedures and respective financial controls.

Internal Audit reports are presented to the Audit Committee quarterly, as per approved Annual Internal Audit Plan. Accordingly, the Audit Committee reviews the effectiveness of the internal control framework and financial statements in its meetings.

Auditors

The financial statements of the company for the current financial year 2022-23 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 & 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, 2023 is annexed with this report.

Directors' Report

Future Outlook

The year under review has been a difficult one for the company, a time of cost-push inflation due to a rapidly depreciating currency and high interest rates. Most of the world remained under stress at this time as well and demand was slack at best. Exports throughout the year declined on a monthly basis and local sales were also slow in quantity and prices also declined steadily. The cotton crop output was at a historic low primarily due to adverse weather. As a consequence of this, mills were forced to cover their requirements through import. However, due to low foreign exchange reserves, letter of credit was delayed by which time the prices came down and the currency depreciated leading to large inventory losses. Raw material and finished goods inventories were also at their highest point and as the policy rate kept rising, the losses were compounded. In Pakistan the policy rate has been enhanced to exorbitant levels which has led to high costs and a negative bottom line.

The current year's cotton crop is expected to be much better than last year and early arrivals look promising. The quality parameters are also good and we hope that Pakistan's reliance on imported cotton could reduce resulting in foreign exchange savings. Although the price points of the new arrivals as well as finished goods are better, higher cost structures are proving to be an impediment. High interest rates impede industrialization and growth is essential for our economy. Job creation and foreign exchange comes from industry and for that competitive energy is a must. Recently, due to IMF strictures, the government has decided to discontinue the regionally competitive electricity tariff which has led to a very high cost of power to industry. Shortages of gas and electricity to the industry has been devastating. Whatever utilities are available are uncompetitively priced and affecting the profitability. We do not plead for subsidies but we not be subsidizing other sectors.

We urge the government to provide the industry with an enabling environment to perform effectively and in a competitive environment.

We continue our focus on improving efficiencies and productivity within the existing plants. Pakistan's equity markets continue to perform badly and unless there is an improvement on the political and economic front, we don't expect any major improvement in our investment portfolio.

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 26, 2023

Lahore

مجلس نظماء کی رپورٹ

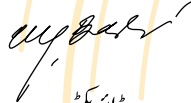
ہم حکومت سے پر زور اپیل کرتے ہیں کہ وہ صنعت کو موثر اور مسابقتی ماحول میں کارکردگی کا مظاہرہ کرنے کے لیے سازگار ماحول فراہم کرے۔


ہم موجودہ پلانٹس کے اندر افادیت اور پیداواری صلاحیت کو بہتر بنانے پر اپنی توجہ جاری رکھے ہوئے ہیں۔ پاکستان کی ایکویٹی مارکیٹیں بدستور خراب کارکردگی کا مظاہرہ کر رہی ہیں اور جب تک سیاسی اور اقتصادی محاذ پر بہتری نہیں آتی، ہمیں اپنے سرمایہ کاری کے پورٹ فولیو میں کسی بڑی بہتری کی توقع نہیں ہے۔

اظہار تشکر

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

منجانب بورڈ آف ڈائریکٹرز


ڈائریکٹر


(چیف ایگزیکٹو)

لاہور

26 ستمبر 2023ء

مجلس نظام کی رپورٹ

موزوں داخلی اور مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز نے موزوں داخلی اور مالیاتی کنٹرولز کی اپنی ذمہ داری پوری کی ہے اور داخلی اور مالیاتی کنٹرولز 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 کا ٹولڈ لیمٹڈ کا آزاد داخلی آڈٹ عمل میسرز KPMG تاخیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس آؤٹ سورس ہے جو اسٹینڈرڈ آپریٹنگ پروسیجرز 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 2022-23ء 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 آڈیٹ 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، 2023ء تک 2017ء کے سیکشن (f) 227(2) کے تحت مطلوبہ کمپنی کے شیئر ہولڈنگ کا نمونہ، رپورٹ ہذا کے ہمراہ لف ہے۔

مستقبل کا نقطہ نظر

زیر جائزہ سال کمپنی کے لیے، کرنسی کی تیزی سے گرتی ہوئی قدر اور بلند شرح سود کی وجہ سے مہنگائی کی لاگت کا وقت مشکل ترین رہا۔ اس وقت بھی دنیا کا بیشتر حصہ تناؤ کا شکار رہا اور طلب بہت زیادہ کم تھی۔ سال بھر کی برآمدات ماہانہ بنیادوں پر کم ہوئیں اور مقامی فروخت بھی مقدار میں سست رہی اور قیمتوں میں بھی مسلسل کمی واقع ہوئی۔ بنیادی طور پر خراب موسم کی وجہ سے کپاس کی فصل کی پیداوار تاریخی طور پر کم رہی۔ اس کے نتیجے میں ملیں درآمد کے ذریعے اپنی ضروریات پوری کرنے پر مجبور ہو گئیں۔ تاہم، جس وقت قیمتیں نیچے آئیں اور کرنسی کی قدر میں کمی ہوئی اس وقت زرمبادلہ کم ذخائر کے باعث، لیٹر آف کریڈٹ میں تاخیر ہوئی جس کی وجہ سے انویسٹری کا بڑا نقصان ہوا۔ خام مال اور تیار سامان کی انویسٹری بھی اپنے بلند ترین مقام پر تھی اور جیسے جیسے پالیسی ریٹ بڑھتا رہا، نقصانات بھی بڑھتے گئے۔ پاکستان میں پالیسی ریٹ کو انتہائی حد تک بڑھا دیا گیا ہے جس کی وجہ سے لاگتیں زیادہ اور منفی زیریں لائن پر ہیں۔

رواں سال کپاس کی فصل گزشتہ سال کے مقابلے بہت بہتر ہونے کی توقع ہے اور جلد آمد امید افزا نظر آتی ہے۔ معیار کے پیرامیٹرز بھی اچھے ہیں اور ہمیں امید ہے کہ پاکستان کا درآمدی کپاس پر انحصار کم ہو جائے گا جس کے نتیجے میں زرمبادلہ کی بچت ہوگی۔ اگرچہ نئی پینچ کے ساتھ ساتھ تیار سامان کی قیمتیں بھی بہتر ہیں، لیکن زیادہ لاگت والے ڈھانچے اس میں رکاوٹ ثابت ہو رہے ہیں۔ بلند شرح سود صنعت کاری میں رکاوٹ ہے اور ہماری معیشت کے لیے مضر دوری ہے۔ صنعت سے روزگار کی تخلیق اور زرمبادلہ حاصل ہوتا ہے اور اس کے لیے مسابقتی توانائی ضروری ہے۔ حال ہی میں، IMF کی سختیوں کی وجہ سے، حکومت نے علاقائی طور پر مسابقتی بجلی کے نرخوں کو ختم کرنے کا فیصلہ کیا ہے جس کی وجہ سے صنعت کے لئے بجلی کی قیمت بہت زیادہ ہو گئی ہے۔ صنعت کے لیے گیس اور بجلی کی قلت تباہ کن ہے۔ جو بھی یوٹیلٹیز دستیاب ہیں ان کی قیمت غیر مسابقتی اور منافع کو متاثر کرتی ہے۔ ہم سبسڈی کی درخواست

مجلس نظماء کی رپورٹ

بورڈ آف ڈائریکٹرز کے اجلاس

SCML کا بورڈ 7 (سب) اور 1 خاتون ڈائریکٹرز پر مشتمل ہے۔ بورڈ کی ترتیب اور سال کے دوران ہر ایک ڈائریکٹر کی طرف سے اجلاسوں میں حاضری کی تعداد مندرجہ ذیل ہے:

| کیٹگری | نام ڈائریکٹر | تعداد حاضری |
|-----------------------|--------------------------------------|-------------|
| آزاد ڈائریکٹر | جناب شمس رفیع | 04 |
| نان ایگزیکٹو ڈائریکٹر | جناب خالد بشیر (چیئر مین) | 04 |
| | جناب ہمایوں مقبول | 04 |
| | جناب محمد اقبال | 04 |
| ایگزیکٹو ڈائریکٹر | جناب ندیم مقبول (چیف ایگزیکٹو آفیسر) | 04 |
| | جناب احسن بشیر | 03 |
| | جناب عادل بشیر | 04 |

ڈائریکٹرز کا معاوضہ

بورڈ آف ڈائریکٹرز نے معاوضہ کے تعین کے لئے ایک ہدایت نامہ تیار کیا ہے۔ اس کی نمایاں خصوصیات مندرجہ ذیل ہیں:

- کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹی کے اجلاسوں میں شرکت کے لئے مینٹنگ فیس کے علاوہ کسی بھی معاوضے کی ادائیگی نہیں کرے گی۔
- بورڈ آف ڈائریکٹرز یا اس کی کمیٹیوں کے اجلاس میں شرکت کے لئے ڈائریکٹرز کا معاوضہ اور مینٹنگ فیس کا وقتاً فوقتاً تعین کیا جائے گا اور بورڈ آف ڈائریکٹرز اس کی منظوری دیں گے۔
- بورڈ کے اجلاسوں، اس کی کمیٹیوں اور کمیٹی کے عمومی اجلاسوں میں شرکت کے لئے تمام سفری، بورڈنگ، رہائش اور دیگر اخراجات مہیا یا معاوضہ دیا جائے گا۔

آڈٹ کمیٹی

کوڈ آف کارپوریشن گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمیٹی قائم کی ہے اور مندرجہ ذیل ڈائریکٹرز اس کے رکن ہیں۔ آڈٹ کمیٹی کے تین اجلاس منعقد ہوئے:

| نمبر شمار | نام ڈائریکٹر | اجلاس میں حاضری |
|-----------|--------------------------|-----------------|
| 1 | جناب شمس رفیع (چیئر مین) | 04 |
| 2 | جناب ہمایوں مقبول | 04 |
| 3 | جناب احسن بشیر | 04 |

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

ہیومن ریسورس اینڈ ریمیزیشن کمیٹی

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریشن گورننس کی تعمیل میں ایک ہیومن ریسورس اینڈ ریمیزیشن کمیٹی قائم کی ہے، نومینیشن اینڈ ریمیزیشن کمیٹی اور مندرجہ ذیل ڈائریکٹرز اس کے ارکان ہیں:

| نمبر شمار | ارکان کے نام | اجلاس میں حاضری |
|-----------|-------------------------------------|-----------------|
| 1 | محترمہ ماہین ہشام آدم جی (چیئر مین) | 01 |
| 2 | جناب ندیم مقبول | 01 |
| 3 | جناب احسن بشیر | 01 |
| 4 | جناب عادل بشیر | 01 |

مجلس نظام کی رپورٹ

صورت حال کے ساتھ کمپنی کے توسیعی منصوبوں اور نمو 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۔

آپریٹل رسک

کاروباری تسلسل اور تباہی کی بحالی کے منصوبے زیر عمل ہیں تاکہ پیداوار اور فروخت کے کاموں میں تسلسل کو یقینی بنایا جاسکے، اہم ناکامیوں اور بندش کی صورت میں تسلسل، استحکام اور کاروبار میں کسی قسم کی رکاوٹ سے بچنے کو یقینی بنانا۔ خام مال کی 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 آپریٹل رسک کو کم کرنے میں مدد فراہم کی ہے۔

مالی خطرات

ایک بہت اہم مالی خطرہ زرمبادلہ کی شرح میں اتار چڑھاؤ ہے اور منفی محرکات براہ راست ہمارے خام مال کے اخراجات کو متاثر کر سکتی ہیں اور مینوفیکچرنگ لاگت میں اضافے کا باعث بھی بن سکتی ہیں۔ کمپنی اس صورت حال سے واقف ہے اور کم از کم شاخس یقینی بنانے کے لئے اس طرح کی محرکات پر نظر رکھتی ہے۔ سخت مالی نظم و ضبط، کیش فلوی 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 گیا ہے۔ بورڈ کمپنی میں رسک 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۔

کوڈ آف کارپوریٹ گورننس

کمپنی کے ڈائریکٹرز لیکوڈیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پاکستان سٹاک ایکسچینج 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، ڈیویڈنڈ، لیویز اور چارجز کی مد میں تمام قانونی ادائیگیاں، اگر کوئی ہوں، جو بقایا ہوں، کا مالی حسابات میں واضح انکشاف کیا گیا ہے؛

مجلس نظماء کی رپورٹ

پیٹرن بھی سال کے دوران زیادہ تھا۔ دیگر اخراجات میں کمی سال کے دوران مسلسل نقصان کی وجہ سے WWF اور WPPF کی عدم فراہمی کے باعث ہوئی۔

مالیاتی لاگت

زیر جائزہ سال کے لئے، مالی چارج تقریباً 50 فیصد تک زیادہ ہوئے۔ یہ اضافہ پالیسی ریٹ میں اضافے اور مختصر مدتی زیادہ قرضوں کے باعث خام مال اور تیار اشیاء کی زیادہ انونٹریز کی فنانسنگ کے لئے اضافی قرضوں کی وجہ سے واقع ہوا ہے۔

خالص نقصان

آپ کی کمپنی کو رواں مالی سال کے دوران ٹیکس سے پہلے (115) ملین روپے کا نقصان ہوا، جبکہ گزشتہ سال ٹیکس سے پہلے 3,718 ملین روپے منافع ہوا تھا۔ اسی طرح کمپنی نے بعد از ٹیکس (412) ملین روپے کا نقصان درج کیا۔

نی شیئر آمدنی (EPS)

30 جون 2023 مختتمہ مالیاتی سال کے لئے آپ کی کمپنی کی نی شیئر آمدنی (EPS) (9.29) رہی جو کہ گزشتہ سال 62.89 (اعادہ) درج کی گئی تھی۔
30 جون 2023 مختتمہ مالیاتی سال کے لئے نی شیئر بریک اپ ویلیو 243.3 (2022) 257.9 روپے تھی۔

ڈیویڈنڈ اور مصروفیات

موجودہ کپٹل اور ایکویٹی سرمایہ کاری کی منصوبہ بندی کو مد نظر رکھتے ہوئے، بورڈ نے 127 اکتوبر 2023 کو منعقد ہونے والے آئندہ سالانہ اجلاس عام میں حصص داران کی منظوری کے حوالہ سے 1 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۔

کارپوریٹ سماجی ذمہ داری (CSR)

ایک ذمہ دار کارپوریٹ کی حیثیت سے کمپنی سوسائٹی اور کمیونٹی میں وہ کام کرتی ہے کی بہتری کے ساتھ اپنی گہری وابستگی رکھتی ہے۔ آپ کی کمپنی کی بنیادی توجہ شعبہ تعلیم، صحت، کمیونٹی کی بہتری، خواتین کو بااختیار بنانے اور ماحولیاتی تحفظ پر مرکوز رہی ہے۔ موجودہ مالی سال میں کمپنی نے مختلف خیراتی مقاصد اور کمیونٹی کی بہتری کے لئے 11.56 ملین روپے خرچ کیے ہیں۔

ماحولیاتی اثرات

آپ کی کمپنی اپنے ہر شعبہ میں ماحولیات کے تحفظ کے لئے ہمیشہ سنجیدگی سے ذمہ داری لیتی ہے۔ ماحولیاتی تحفظ کی اہمیت کو مزید اجاگر کرنے اور ایک ذمہ دار کارپوریٹ شہری ہونے کی کوشش کے ساتھ، کمپنی نے اپنی مینوفیکچرنگ سائٹس میں اور اپنے ارد گرد درختوں کی شجر کاری ہم جاری رکھی ہوئی ہے اور ماحولیاتی تحفظ کی طرف خاطر خواہ توجہ دی ہے۔ ہم قیمتی پانی کے وسائل کے ذمہ دارانہ استعمال پر یقین رکھتے ہیں اور اس کے استعمال کو کم کرنے کے لئے ٹھوس کوشش کرتے ہیں۔ اپنی پیداواری سہولیات پر آراؤ پلانٹس کی تنصیب سے ہم پانی کے تحفظ کو یقینی بناتے ہیں اور ساتھ ہی ساتھ اپنے ملازمین کو چوبیس گھنٹے صاف پانی کی فراہمی کو یقینی بناتے ہیں۔ اپنی مہارت کو بروئے کار لاتے ہوئے، ہم سورج کاٹن میں اپنے پانی کے استعمال کو موثر اور پائیدار انداز میں منظم کرنے کے لئے پُر عزم ہیں تاکہ جہاں بھی ممکن ہو، کمیونٹی 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 کمیونٹی کو فائدہ پہنچانے اور خدمت کرنے کے لئے کوشاں ہیں۔

خطرے کی تخفیف

کمپنی کو مختلف قسم کے خطرات لاحق ہیں اور تنفیفی 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

مجلس نظاماء کی رپورٹ

" مجلس نظاماء کی جانب سے، میں 30 جون 2023ء کو ختم ہونے والے سال کے لئے کمپنی کی کاروباری اور مالیاتی کارکردگی پیش کرتے ہوئے خوشی محسوس کر رہا ہوں "

جائزہ

زیر جائزہ سال کے دوران، آپ کی کمپنی کو بہت سی مشکلات کا سامنا کرنا پڑا جس کے نتیجے میں پچھلے سال کی مثبتیت تبدیل ہو گئی۔ ٹیکسٹائل کی گرتی ہوئی طلب کے ساتھ ساتھ آپریٹنگ لاگت میں کئی گنا اضافہ مالیاتی چارجز، پاکستانی روپے کی تیزی سے گراوٹ اور دیگر افراط زر کے دباؤ کی وجہ سے منفی نچلی سطح پر آ گئی۔ سیرجان گزشتہ اسی مدت کے اختتام تک نظر آ رہا تھا اور موجودہ سال کے دوران اس میں مزید اضافہ ہو گیا۔ اس مسئلہ کا ایک حصہ دنیا میں کساد بازاری کا تھا لیکن بنیادی طور پر یہ مقامی عوامل تھے جنہوں نے ہماری کارکردگی کو متاثر کیا۔ کمپنی کو 412.278 ملین روپے کا خالص نقصان، فی حصص آمدنی (9.3 روپے) ہوئی۔ یہ نتائج اوپر بیان کیے گئے عوامل کے عکاس ہیں۔

کاروباری کارکردگی

زیر جائزہ سال کے دوران کمپنی نے 18.86 بلین روپے کی آمدنی حاصل کی، جو کہ گزشتہ اسی مدت سے 20% کی کمی ہے۔ اس کمی پر اثر انداز ہونے والے اہم عناصر ہماری مصنوعات کی طلب اور کم قیمتیں تھیں۔

مالیاتی کارکردگی ایک نظر میں

30 جون 2023ء کو ختم ہونے والے مالیاتی سال کے لئے کمپنی کی مالیاتی کارکردگی کا گزشتہ سال سے موازنہ مندرجہ ذیل ہے:-

| آمدنی کی تفصیل | 2022 | 2023 | فیصد تبدیلی |
|---------------------------|--------|--------|-------------|
| پاکستانی روپے بلین میں | | | |
| فروخت | 23,500 | 18,860 | (19.75%) |
| مجموعی منافع | 4,684 | 457 | (90.22%) |
| آپریٹنگ منافع | 3,932 | 205 | (94.80%) |
| مالی لاگت | (213) | (320) | 49.54% |
| ٹیکس سے قبل (نقصان)/منافع | 3,086 | (115) | (103.10%) |
| ٹیکسیشن | (928) | (297) | (68.01%) |
| خالص (نقصان)/منافع | 2,790 | (412) | (114.77%) |
| فی شیئر آمدنی (EPS) | 62.89 | (9.29) | |

مجموعی منافع

زیر جائزہ سال میں کمپنی کی آمدنی 23.5 بلین روپے سے کم ہو کر 18.86 بلین روپے ہو گئی، جو کہ اسی مدت کے مقابلے میں 20 فیصد کم رہی۔ آپ کی کمپنی نے زیر جائزہ مالی سال کے لیے 2.43% کا مجموعی منافع مارجن حاصل کیا ہے جبکہ گزشتہ سال 19.93% حاصل کیا تھا، یہ کمی بنیادی طور پر کم طلب کے ساتھ کم آپریٹنگ منسوب ہے۔

آپریٹنگ اخراجات

زیر جائزہ سال کے لیے، پچھلے سال کے مقابلے کم فروخت حجم پر کمیشن کے کم اخراجات کی وجہ سے تقسیم کے اخراجات میں 13 فیصد کمی ہوئی۔ عام افراط زر کے علاوہ انتظامی اخراجات کا

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

Name of Company: Suraj Cotton Mills Limited
Year ended: June 30, 2023

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

1. The total number of directors are 8 as per following:

| | | |
|---|---------|----|
| a | Male: | 07 |
| b | Female: | 01 |

2. The composition of the Board is as follows:

| | | |
|---|------------------------|---|
| 1 | Independent Directors | Mr. Shams Rafi Ms. Maheen Hisham Adamjee |
| 2 | Non-Executive Director | Mr. Khalid Bashir (Chairman) Mr. Humayun Maqbool Mr. Mohammad Iqbal |
| 3 | Executive Directors | Mr. Nadeem Maqbool (Chief Executive Officer) Mr. Ahsan Bashir Mr. Adil Bashir |

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;
9. Following Directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' training program:

Names of Directors

Mr. Khalid Bashir
Mr. Humayun Maqbool
Mr. Mohammad Iqbal
Mr. Nadeem Maqbool
Mr. Ahsan Bashir
Mr. Adil Bashir
Mr. Shams Rafi

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

a) Audit Committee

| | |
|---------------------|----------|
| Mr. Shams Rafi | Chairman |
| Mr. Ahsan Bashir | Member |
| Mr. Humayun Maqbool | Member |

b) HR Nomination and Remuneration Committee

| | |
|---------------------------|-------------|
| Ms. Maheen Hisham Adamjee | Chairperson |
| Mr. Adil Bashir | Member |
| Mr. Ahsan Bashir | Member |
| Mr. Nadeem Maqbool | Member |

c) Risk Management Committee

| | |
|---------------------|----------|
| Mr. Humayun Maqbool | Chairman |
| Mr. Nadeem Maqbool | Member |
| Mr. Ahsan Bashir | Member |

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

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:
- a) Audit Committee**
- Four meetings were held during the financial year ended 30 June 2023.
- b) HR and Remuneration Committee**
- One meeting of HR and Remuneration Committee was held during the financial year ended 30 June 2023.
- c) Risk Management Committee**
- No meeting of Risk Management Committee was held during the financial year ended 30 June 2023.
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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the 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 regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations 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 the 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. | Currently, the Board has appointed all three executive directors on this committee, hence non-executive directors are not in majority. The directors believe that existing composition of the committee is in the best interest of all. | 28 |

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

| S. No. | Requirement | Explanation of Non-Compliance | Regulation Number |
|--------|--|---|-------------------|
| 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 separate nomination committee after next election of directors. | 29 |
| 4 | Directors' Training Companies are encouraged to arrange training for at least one female executive every year under the Directors' Training Program from year July 2020. | The Company has planned to arrange Directors' Training Program certification for female executives over the next few years. | 19(3) |
| 5 | Directors' Training Companies are encouraged to arrange training for at least one head of department every year under the Directors' Training Program from July 2022. | The Company has planned to arrange Directors' Training Program certification for head of department in next few years. | 19(3) |
| 6 | Directors' Training It is encouraged that by 30 June 2022, all directors on the Board have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it. | Seven directors of the Company are exempt from Directors' training program. The Company has planned to arrange Directors' Training Program certification for remaining one director before 30 June 2024. | 19(1) |
| 7 | 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.

21. The two elected independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently, as per applicable laws and regulations. As they fulfill the necessary requirements as per applicable laws and regulations, hence, appointment of a third independent director is not warranted.

(KHALID BASHIR)

Chairman

September 26, 2023

Lahore

Pattern of Shareholding

Pattern of Holding of the Shares held by the Shareholders as at June 30, 2023

| No. of Shareholders | Shareholding | | Total Shares held |
|---------------------|--------------|------------|-------------------|
| | From | To | |
| 201 | 1 | 100 | 5,615 |
| 206 | 101 | 500 | 54,970 |
| 98 | 501 | 1,000 | 70,354 |
| 131 | 1,001 | 5,000 | 271,957 |
| 33 | 5,001 | 10,000 | 250,607 |
| 14 | 10,001 | 15,000 | 179,634 |
| 6 | 15,001 | 20,000 | 107,619 |
| 3 | 20,001 | 25,000 | 72,272 |
| 7 | 25,001 | 30,000 | 195,518 |
| 4 | 30,001 | 35,000 | 131,138 |
| 4 | 35,001 | 40,000 | 149,799 |
| 3 | 40,001 | 45,000 | 122,847 |
| 1 | 50,001 | 55,000 | 55,000 |
| 1 | 55,001 | 60,000 | 55,460 |
| 1 | 60,001 | 65,000 | 63,114 |
| 1 | 80,001 | 85,000 | 80,040 |
| 1 | 85,001 | 90,000 | 87,789 |
| 1 | 100,001 | 105,000 | 100,843 |
| 2 | 115,001 | 120,000 | 235,588 |
| 1 | 140,001 | 145,000 | 144,099 |
| 1 | 160,001 | 165,000 | 164,772 |
| 1 | 175,001 | 180,000 | 175,077 |
| 1 | 180,001 | 185,000 | 184,823 |
| 1 | 220,001 | 225,000 | 222,200 |
| 1 | 260,001 | 265,000 | 262,829 |
| 1 | 290,001 | 295,000 | 292,672 |
| 1 | 360,001 | 365,000 | 360,643 |
| 1 | 415,001 | 420,000 | 417,901 |
| 1 | 440,001 | 445,000 | 441,988 |
| 1 | 530,001 | 535,000 | 530,332 |
| 1 | 560,001 | 565,000 | 560,255 |
| 1 | 885,001 | 890,000 | 889,838 |
| 1 | 950,001 | 955,000 | 953,127 |
| 1 | 1,240,001 | 1,245,000 | 1,243,652 |
| 1 | 1,340,001 | 1,345,000 | 1,340,511 |
| 1 | 1,405,001 | 1,410,000 | 1,405,352 |
| 1 | 1,475,001 | 1,480,000 | 1,478,825 |
| 1 | 1,655,001 | 1,660,000 | 1,657,689 |
| 1 | 2,055,001 | 2,060,000 | 2,059,528 |
| 1 | 2,615,001 | 2,620,000 | 2,617,150 |
| 1 | 3,170,001 | 3,175,000 | 3,174,433 |
| 1 | 3,295,001 | 3,300,000 | 3,299,467 |
| 1 | 18,200,001 | 18,205,000 | 18,204,960 |
| 742 | | | 44,372,287 |

Information Required As Per Code Of Corporate Governance

As At June 30, 2023

| Categories of Shareholders | Total | Percentage |
|---|-------------------|----------------|
| Directors, Chief Executive Officer, Their Spouses and Minor Children | | |
| Chief Executive | | |
| Mr. Nadeem Maqbool | 169,105 | 0.38% |
| Directors | | |
| Mr. Khalid Bashir | 2,059,528 | 4.64% |
| Mr. Ahsan Bashir | 2,617,150 | 5.90% |
| Mr. Adil Bashir | 3,177,033 | 7.16% |
| Mr. Muhammad Iqbal | 222,200 | 0.50% |
| Mr. Humayun Maqbool | 34,811 | 0.08% |
| Mr. Shams Rafi | 36,973 | 0.08% |
| Mrs. Maheen Hisham Adamjee | 4,139 | 0.01% |
| Director's Spouses and Their Minor Children | | |
| Begum Tanveer Khalid Bashir | 1,340,511 | 3.02% |
| Mrs. Humera Iqbal | 3,299,467 | 7.44% |
| Mrs. Nazia Maqbool | 27,242 | 0.06% |
| | 12,988,159 | 29.27% |
| Associated Companies, Undertakings & Related Parties | | |
| Crescent Powertec Limited | 19,610,312 | 44.19% |
| Premier Insurance Limited | 1,478,825 | 3.33% |
| | 21,089,137 | 47.53% |
| NIT & ICP (Name Wise Detail) | | |
| National Bank of Pakistan - Trustee Department | 608 | 0.00% |
| CDC - Trustee National Investment (Unit) Trust | 3,593 | 0.01% |
| CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST | 953,127 | 2.15% |
| | 957,328 | 2.16% |
| Banks, NBFCs, DFIs, Takaful, Pension Funds | | |
| | 297,073 | 0.67% |
| Modarabas | 244 | 0.00% |
| Insurance Companies | 16 | 0.00% |
| Other Companies, Corporate Bodies, Trust etc. | 3,019,164 | 6.80% |
| General Public | 6,021,166 | 13.57% |
| Total | 44,372,287 | 100.00% |
| Shareholders More Than 5.00% | | |
| Crescent Powertec Limited | 19,610,312 | 44.19% |
| Mrs. Humera Iqbal | 3,299,467 | 7.44% |
| Mr. Adil Bashir | 3,177,033 | 7.16% |
| Mr. Ahsan Bashir | 2,617,150 | 5.90% |

Detail of Purchase/sale of Shares by Directors/CEO/Company Secretary/CFO and their Spouses/Minor Children during FY 2023

| Name | No. of Shares | Nature of Transaction |
|--------------------------------------|---------------|-----------------------|
| Mr. Khalid Bashir (Chairman) | 30,420 | Inheritance |
| Mr. Nadeem Maqbool (Chief Executive) | 1,117 | Gift Out |
| Mrs. Nazia Maqbool (Spouse) | 1,117 | Gift In |
| Mr. Adil Bashir (Executive Director) | 7,600 | Purchased |
| Mrs. Maheen Hisham Adamjee | 4,039 | Inheritance |

Performance Indicators

For the current and past five financial years

| A. Profitability Ratios | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|----------------------------------|-----|------|------|------|------|------|------|
| Gross profit ratio | (%) | 2.4 | 19.9 | 19.8 | 10.3 | 11.4 | 8.2 |
| Operating profit margin to sales | (%) | 1.1 | 16.7 | 18.7 | 8.1 | 9.0 | 5.2 |
| Net profit margin to sales (net) | (%) | -2.2 | 11.9 | 14.7 | 5.6 | 6.1 | 5.1 |
| Return on average equity | (%) | -3.7 | 26.9 | 32.2 | 11.3 | 14.7 | 10.8 |
| Return on capital employed | (%) | 1.4 | 26.4 | 27.4 | 11.4 | 14.7 | 6.8 |
| Return on average assets | (%) | -2.0 | 15.3 | 17.8 | 5.8 | 7.5 | 6.3 |

| B. Liquidity Ratios | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------------|---------|------|------|------|------|------|------|
| Current ratio | (times) | 2.5 | 2.9 | 2.8 | 1.9 | 1.8 | 2.1 |
| Quick ratio | (times) | 1.1 | 1.4 | 1.8 | 0.9 | 0.8 | 1.0 |

| C. Activity / Turnover Ratios | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------|-------|------|------|-------|------|------|
| Debtors turnover ratio | (times) | 6.7 | 11.6 | 14.4 | 13.7 | 17.0 | 19.0 |
| No. of days in receivables / Average collection period | (days) | 54.7 | 31.4 | 25.4 | 26.7 | 21.5 | 19.2 |
| Inventory turnover ratio | (times) | 3.1 | 4.0 | 4.0 | 3.4 | 4.3 | 5.5 |
| No. of days in inventory | (days) | 118.8 | 90.9 | 90.7 | 107.4 | 85.5 | 66.4 |
| Creditors turnover ratio | (times) | 4.3 | 5.8 | 4.4 | 4.3 | 5.5 | 6.0 |
| No. of days in creditors / Average payment period | (days) | 85.0 | 63.0 | 82.3 | 85.0 | 66.4 | 60.8 |
| Total assets turnover | (times) | 0.9 | 1.3 | 1.2 | 1.0 | 1.2 | 1.2 |

| D. Investment / Market Ratios | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------------------------|---------|-------|-------|-------|-------|-------|-------|
| Earnings per share | (Rs.) | -9.3 | 62.9 | 63.4 | 19.6 | 23.4 | 17.7 |
| Price earnings ratio | (times) | -11.8 | 3.4 | 3.8 | 8.4 | 5.3 | 8.0 |
| Cash dividend per share | (Rs.) | 1.0 | 4.0 | 10.0 | 4.0 | 5.0 | 4.0 |
| Stock dividend / Bonus shares | (%) | 10.0 | - | 10.0 | 10.0 | - | 15.0 |
| Break-up value per share | (Rs.) | 243.3 | 257.9 | 229.8 | 180.4 | 165.5 | 176.2 |

| E. Market value per share | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|
| Closing | (Rs.) | 110.1 | 215.0 | 239.9 | 165.0 | 124.8 | 142.7 |
| High | (Rs.) | 215.0 | 268.0 | 254.0 | 185.0 | 157.0 | 169.7 |
| Low | (Rs.) | 84.8 | 201.2 | 143.0 | 108.0 | 113.0 | 118.6 |

| F. Capital Structure Ratios | | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|-----------------------------------|-----|-------|-------|-------|-------|-------|-------|
| Debt equity ratio | | 25:75 | 23:77 | 22:78 | 27:73 | 29:71 | 34:67 |
| Total liabilities to total assets | (%) | 49.01 | 44.58 | 41.08 | 49.15 | 48.53 | 49.78 |

Key Operating and Financial Data

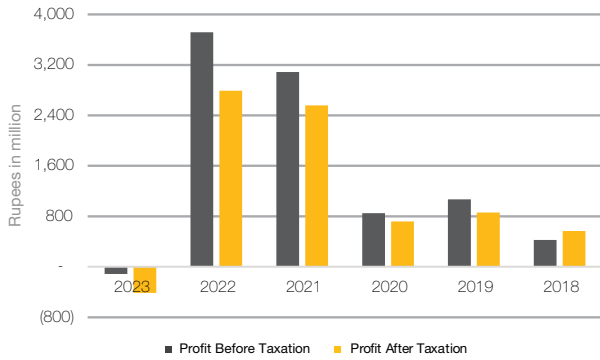
For the current and past five financial years

Rupees in thousand

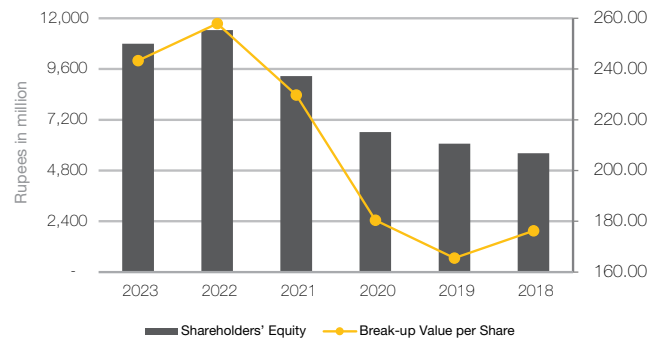
| A Summary of Profit and Loss Account | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------|-------------|-------------|-------------|------------|------------|
| Sales - net | 18,860,335 | 23,500,659 | 17,374,800 | 12,882,572 | 13,973,634 | 11,095,688 |
| Cost of sales | 18,402,367 | 18,816,100 | 13,927,861 | 11,561,798 | 12,378,649 | 10,181,955 |
| Gross profit | 457,968 | 4,684,559 | 3,446,939 | 1,320,774 | 1,594,985 | 913,733 |
| Distribution and selling expenses | 209,728 | 240,476 | 155,936 | 119,088 | 125,353 | 141,279 |
| Administrative expenses | 260,627 | 311,233 | 331,791 | 204,325 | 165,718 | 147,379 |
| Other operating expenses | 115,083 | 601,664 | 261,179 | 226,241 | 157,119 | 145,039 |
| Other operating income | 332,030 | 401,703 | 553,232 | 271,003 | 107,647 | 96,596 |
| Operating profit before finance costs | 204,560 | 3,932,889 | 3,251,265 | 1,042,123 | 1,254,442 | 576,632 |
| Share of loss from joint ventures | - | - | - | (1,359) | - | - |
| Finance costs | 319,866 | 213,906 | 165,182 | 189,563 | 184,370 | 150,626 |
| Profit before taxation | (115,306) | 3,718,983 | 3,086,083 | 851,201 | 1,070,072 | 426,006 |
| Taxation - net | 296,972 | 928,452 | 527,562 | 131,652 | 211,317 | (139,455) |
| Net income | (412,278) | 2,790,531 | 2,558,521 | 719,549 | 858,755 | 565,461 |
| B Summary of Balance Sheet | | | | | | |
| Property, plant and equipment | 9,119,661 | 7,832,040 | 5,572,818 | 5,011,641 | 5,349,114 | 5,483,352 |
| Stock-in-trade | 5,819,052 | 6,164,550 | 3,203,682 | 3,718,268 | 3,087,533 | 2,714,766 |
| Trade debts | 3,046,691 | 2,604,817 | 1,439,847 | 974,012 | 913,047 | 732,216 |
| Trade and other payables | 3,279,900 | 3,013,743 | 2,206,833 | 2,270,877 | 1,870,028 | 1,581,088 |
| Current assets | 10,911,939 | 11,535,417 | 8,662,469 | 7,117,734 | 5,483,953 | 5,457,726 |
| Total assets | 21,177,055 | 20,665,526 | 15,730,546 | 13,011,465 | 11,788,505 | 11,190,743 |
| Reserves | 10,353,692 | 10,999,558 | 8,864,618 | 6,249,900 | 5,701,265 | 5,230,342 |
| Shareholders' equity | 10,797,414 | 11,443,280 | 9,268,002 | 6,616,613 | 6,067,978 | 5,620,199 |
| Long term financing | 3,545,300 | 3,455,552 | 2,596,566 | 2,533,850 | 2,474,995 | 2,885,828 |
| Deferred liabilities | 727,530 | 727,530 | 396,510 | 209,633 | 277,828 | 66,511 |
| Short term financing | 1,226,258 | 726,496 | 429,454 | 1,278,365 | 698,968 | 993,116 |
| Current liabilities | 4,447,557 | 3,972,681 | 3,040,014 | 3,651,369 | 2,967,704 | 2,618,205 |
| C Summary of Cash Flow Statement | | | | | | |
| Cash and cash equivalents at the beginning of the year | 420,735 | 282,975 | 207,139 | 433,938 | 64,827 | 41,676 |
| Net cash (used in) / generated from operating activities | (439,637) | 28,925 | 3,419,448 | 618,688 | 1,313,394 | (788,753) |
| Net cash used in investing activities | (678,966) | (1,052,560) | (2,883,184) | (1,012,956) | (418,710) | (355,569) |
| Net cash (used in) / generated from financing activities | 840,435 | 1,161,395 | (460,428) | 167,469 | (525,573) | 1,167,473 |
| Net increase / (decrease) in cash and cash equivalents | (278,168) | 137,760 | 75,836 | (226,799) | 369,111 | 23,151 |
| Cash and cash equivalents at the end of the year | 420,735 | 420,735 | 282,975 | 207,139 | 433,938 | 64,827 |
| D Other data | | | | | | |
| Depreciation and amortization | 667,282 | 587,082 | 464,109 | 499,630 | 500,542 | 406,544 |
| Capital expenditure | 1,986,020 | 2,889,142 | 1,044,886 | 183,214 | 392,528 | 1,018,986 |
| No. of ordinary shares (no. of shares in millions) | 44,372 | 44,372 | 40,338 | 36,671 | 36,671 | 31,888 |

Graphical Representation

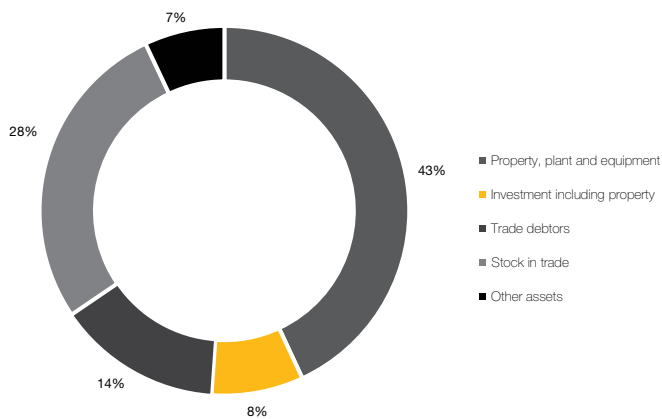
Profit Before & After Taxation



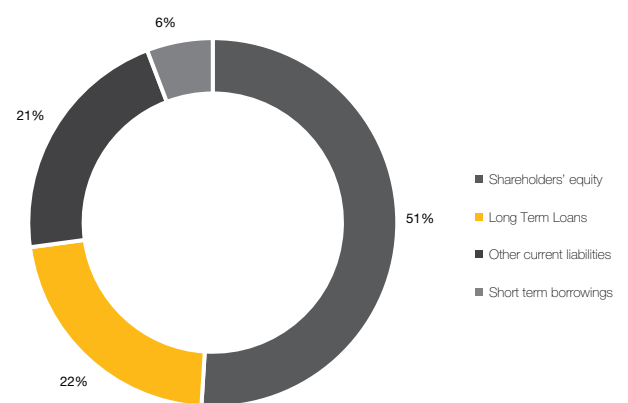
Shareholders' Equity & Break-Up Value per Share



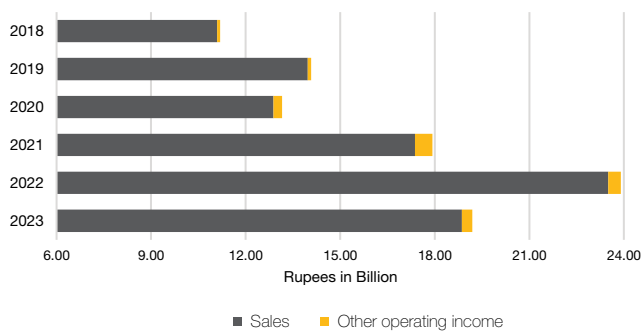
Total Assets as at 30 June 2023



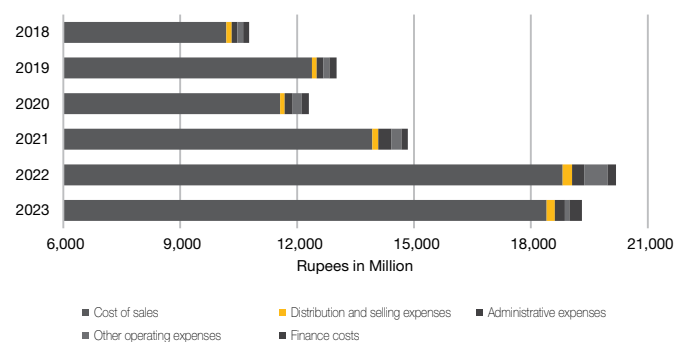
Total Liabilities as at 30 June 2023



Profit and Loss Analysis (Income)



Profit and Loss Analysis (Expenses)



Vertical Analysis

For the current and past five financial years

Rupees in thousand

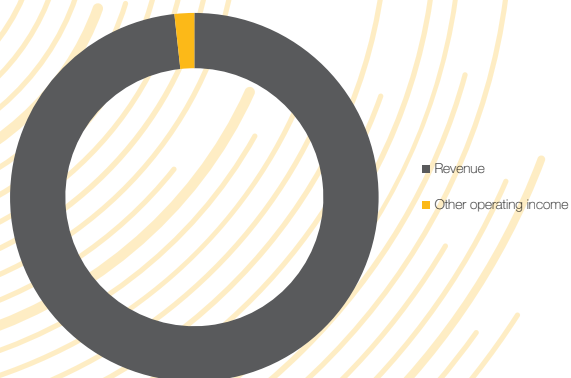
| Statement of Financial Position | 2023 | % | 2022 | % | 2021 | % | 2020 | % | 2019 | % | 2018 | % |
|---|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| Property, plant and equipment | 9,119,661 | 43.1 | 7,832,040 | 37.9 | 5,572,818 | 35.4 | 5,011,641 | 38.5 | 5,349,114 | 45.4 | 5,483,352 | 49.0 |
| Investment property | 477,690 | 2.3 | 477,690 | 2.3 | 477,690 | 3.0 | 100,000 | 0.8 | 100,000 | 0.8 | 100,000 | 0.9 |
| Investment in joint venture | - | - | - | - | - | - | - | - | - | - | 50,000 | 0.4 |
| Long term deposits | 19,737 | 0.1 | 22,076 | 0.1 | 22,076 | 0.1 | 21,871 | 0.2 | 19,879 | 0.2 | 19,879 | 0.2 |
| Long term investments | 625,563 | 3.0 | 772,151 | 3.7 | 971,627 | 6.2 | 746,027 | 5.7 | 825,482 | 7.0 | 14,722 | 0.1 |
| Stores, spares and loose tools | 469,843 | 2.2 | 257,298 | 1.2 | 218,925 | 1.4 | 203,642 | 1.6 | 202,325 | 1.7 | 182,562 | 1.6 |
| Stock-in-trade | 5,819,052 | 27.5 | 6,164,550 | 29.8 | 3,203,682 | 20.4 | 3,718,268 | 28.6 | 3,087,533 | 26.2 | 2,714,766 | 24.3 |
| Trade debts | 3,046,691 | 14.4 | 2,604,817 | 12.6 | 1,439,847 | 9.2 | 974,012 | 7.5 | 913,047 | 7.7 | 732,216 | 6.5 |
| Loan and advances | 108,240 | 0.5 | 76,638 | 0.4 | 39,972 | 0.3 | 55,137 | 0.4 | 29,064 | 0.2 | 88,552 | 0.8 |
| Short term deposits and prepayments | 238,478 | 1.1 | 171,760 | 0.8 | 105,614 | 0.7 | 74,125 | 0.6 | 52,366 | 0.4 | 18,692 | 0.2 |
| Tax refunds due from the government | - | - | - | - | 137,167 | 0.9 | 537,190 | 4.1 | 615,090 | 5.2 | 572,216 | 5.1 |
| Other receivables | 485,557 | 2.3 | 216,571 | 1.0 | 23,018 | 0.1 | 29,624 | 0.2 | 16,248 | 0.1 | 31,511 | 0.3 |
| Short term investments | 601,511 | 2.8 | 1,623,048 | 7.9 | 3,211,269 | 20.4 | 1,318,597 | 10.1 | 134,342 | 1.1 | 1,052,384 | 9.4 |
| Cash and bank balances | 142,567 | 0.7 | 420,735 | 2.0 | 282,975 | 1.8 | 207,139 | 1.6 | 433,938 | 3.7 | 64,827 | 0.6 |
| Assets held for sale | 22,465 | 0.1 | 26,152 | 0.1 | 23,866 | 0.2 | 14,192 | 0.1 | 10,077 | 0.1 | 65,064 | 0.6 |
| Total assets | 21,177,055 | 100.0 | 20,665,526 | 100.0 | 15,730,546 | 100.0 | 13,011,465 | 100.0 | 11,788,505 | 100.0 | 11,190,743 | 100.0 |
| Issued, subscribed and paid up share capital | 443,722 | 2.1 | 443,722 | 2.1 | 403,384 | 2.6 | 366,713 | 2.8 | 366,713 | 3.1 | 318,881 | 2.8 |
| Share premium | - | - | - | - | - | - | - | - | - | - | 29,000 | 0.3 |
| Revenue reserves | 10,353,692 | 48.9 | 11,016,711 | 53.4 | 8,864,618 | 56.4 | 6,249,900 | 48.0 | 5,701,265 | 48.4 | 5,230,342 | 46.7 |
| Available for sale reserve | - | - | - | - | - | - | - | - | - | - | 41,976 | 0.4 |
| Shareholders' equity | 10,797,414 | 51.0 | 11,443,280 | 55.5 | 9,268,002 | 58.9 | 6,616,613 | 50.9 | 6,067,978 | 51.5 | 5,620,199 | 50.2 |
| Long term loan | 3,545,300 | 16.7 | 3,455,003 | 16.7 | 2,595,380 | 16.5 | 2,533,850 | 19.5 | 2,474,995 | 21.0 | 2,885,828 | 25.8 |
| Liabilities against assets subject to finance lease | - | - | 549 | 0.0 | 1,186 | 0.0 | - | - | - | - | - | - |
| Deferred liabilities | 918,687 | 4.3 | 710,377 | 3.4 | 396,510 | 2.5 | 209,633 | 1.6 | 277,828 | 2.4 | 66,511 | 0.6 |
| Trade and other payables | 3,279,900 | 15.5 | 3,013,743 | 14.6 | 2,206,833 | 14.0 | 2,270,877 | 17.5 | 1,870,028 | 15.9 | 1,547,631 | 13.8 |
| Mark-up accrued | 71,949 | 0.3 | 31,378 | 0.2 | 26,293 | 0.2 | 38,592 | 0.3 | 47,747 | 0.4 | 36,750 | 0.3 |
| Unclaimed dividends | 7,313 | 0.0 | 7,313 | 0.0 | 6,387 | 0.0 | 6,731 | 0.1 | 3,559 | 0.0 | - | - |
| Short term borrowings | 1,226,258 | 5.8 | 726,496 | 3.5 | 429,454 | 2.7 | 1,278,365 | 9.8 | 698,968 | 5.9 | 993,116 | 8.9 |
| Current portion of long term liabilities | 1,088,395 | 5.1 | 920,247 | 4.5 | 800,501 | 5.1 | 56,804 | 0.4 | 347,602 | 2.9 | 40,708 | 0.4 |
| Provision for taxation - net | 241,839 | 1.1 | 339,987 | 1.6 | - | - | - | - | - | - | - | - |
| Total equity and liabilities | 21,177,055 | 100.0 | 20,648,373 | 100.1 | 15,730,546 | 100.0 | 13,011,465 | 100.0 | 11,788,705 | 100.0 | 11,190,743 | 100.0 |
| Statement of Profit or Loss | | | | | | | | | | | | |
| Sales - net | 18,860,335 | 100.0 | 23,500,659 | 100.0 | 17,374,800 | 100.0 | 12,882,572 | 100.0 | 13,973,634 | 100.0 | 11,096,688 | 100.0 |
| Cost of sales | 18,402,367 | 97.6 | 18,816,100 | 80.1 | 13,927,861 | 80.2 | 11,561,798 | 89.7 | 12,378,649 | 88.6 | 10,181,955 | 91.8 |
| Gross profit | 457,968 | 2.4 | 4,684,559 | 19.9 | 3,446,939 | 19.8 | 1,320,774 | 10.3 | 1,594,985 | 11.4 | 913,733 | 8.2 |
| Distribution and selling expenses | 209,728 | 1.1 | 240,476 | 1.0 | 155,936 | 0.9 | 119,088 | 0.9 | 125,353 | 0.9 | 141,279 | 1.3 |
| Administrative expenses | 260,627 | 1.4 | 311,233 | 1.3 | 331,791 | 1.9 | 204,325 | 1.6 | 165,718 | 1.2 | 147,379 | 1.3 |
| Other operating expenses | 115,083 | 0.6 | 601,664 | 2.6 | 261,179 | 1.5 | 226,241 | 1.8 | 157,119 | 1.1 | 145,039 | 1.3 |
| Other operating income | 332,030 | 1.8 | 401,703 | 1.7 | 553,232 | 3.2 | 271,003 | 2.1 | 107,647 | 0.8 | 96,596 | 0.9 |
| Operating profit / (loss) before finance costs | 204,560 | 1.1 | 3,932,889 | 16.7 | 3,251,265 | 18.7 | 1,042,123 | 8.1 | 1,254,442 | 9.0 | 576,632 | 5.2 |
| Share of loss from joint ventures | - | - | - | 0.0 | - | - | (1,359) | - | - | - | - | - |
| Finance costs | 319,866 | 1.7 | 213,906 | 0.9 | 165,182 | 1.0 | 189,563 | 1.5 | 184,370 | 1.3 | 150,626 | 1.4 |
| Profit / (loss) before taxation | (115,306) | (0.6) | 3,718,983 | 15.8 | 3,086,083 | 17.8 | 851,201 | 6.6 | 1,070,072 | 7.7 | 426,006 | 3.8 |
| Taxation - net | 296,972 | 1.6 | 928,452 | 4.0 | 527,562 | 3.0 | 131,652 | 1.0 | 211,317 | 1.5 | (139,455) | -1.3 |
| Profit / (loss) after taxation | (412,278) | (2.2) | 2,790,531 | 11.9 | 2,558,521 | 14.7 | 719,549 | 5.6 | 858,755 | 6.1 | 565,461 | 5.1 |

Statement of Wealth Generation & Distribution

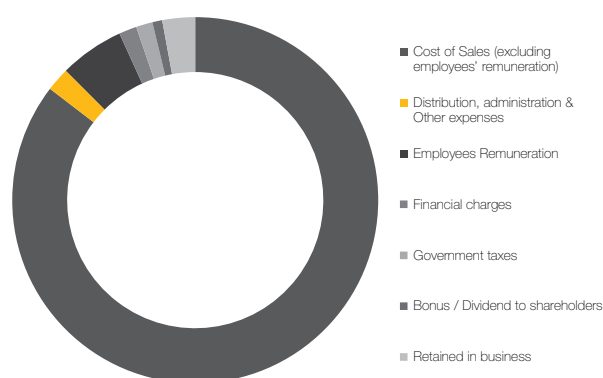
For the year ended 30 June, 2023

| Wealth Generation & Distribution | 2023 | | 2022 | | 2021 | | 2020 | | 2019 | | 2018 | |
|---|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | Rs "000" | % | Rs "000" | % | Rs "000" | % | Rs "000" | % | Rs "000" | % | Rs "000" | % |
| Wealth Generated | | | | | | | | | | | | |
| Revenue | 18,860,335 | 98.3 | 23,500,659 | 98.3 | 17,374,800 | 96.9 | 12,882,572 | 97.9 | 13,973,634 | 99.2 | 11,095,688 | 99.1 |
| Other operating income | 332,030 | 1.7 | 401,703 | 1.7 | 553,232 | 3.1 | 271,003 | 2.1 | 107,647 | 0.8 | 96,596 | 0.9 |
| Total Wealth Generated | 19,192,365 | 100.00 | 23,902,362 | 100.00 | 17,928,032 | 100.00 | 13,153,575 | 100.00 | 14,081,281 | 100.00 | 11,192,284 | 100.00 |
| Distribution of wealth | | | | | | | | | | | | |
| Cost of Sales (excluding employees' remuneration) | 17,399,281 | 90.7 | 17,626,406 | 73.7 | 12,962,980 | 72.3 | 10,648,714 | 81.0 | 11,572,319 | 82.2 | 9,397,660 | 84.0 |
| Distribution, administration & Other expenses | 427,376 | 2.2 | 1,006,669 | 4.2 | 622,427 | 3.5 | 428,655 | 3.3 | 343,809 | 2.4 | 339,455 | 3.0 |
| Employees Remuneration | 1,161,148 | 6.1 | 1,336,398 | 5.6 | 1,091,360 | 6.1 | 1,034,083 | 7.9 | 910,711 | 6.5 | 878,537 | 7.8 |
| Financial charges | 319,866 | 1.7 | 213,906 | 0.9 | 165,182 | 0.9 | 189,563 | 1.4 | 184,370 | 1.3 | 150,626 | 1.3 |
| Government taxes | 296,972 | 1.5 | 928,452 | 3.9 | 527,562 | 2.9 | 131,652 | 1.0 | 211,317 | 1.5 | (139,455) | (1.2) |
| Bonus / Dividend to shareholders | 177,489 | 0.9 | 443,722 | 1.9 | 183,356 | 1.0 | 183,357 | 1.4 | 175,384 | 1.2 | 115,957 | 1.0 |
| Retained in business | (589,767) | (3.1) | 2,346,809 | 9.8 | 2,375,165 | 13.2 | 537,551 | 4.1 | 683,371 | 4.9 | 449,504 | 4.0 |
| Total Wealth Distributed | 19,192,365 | 100.00 | 23,902,362 | 100.00 | 17,928,032 | 100.00 | 13,153,575 | 100.00 | 14,081,281 | 100.00 | 11,192,284 | 100.00 |

Modes of Wealth Generation in FY 2022-23



Modes of Wealth Distribution in FY 2022-23



Six Years at a Glance

As at 30 June 2023

| Vertical Analysis | 2023 | | 2022 | | 2021 | | 2020 | | 2019 | | 2018 | |
|--|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| | Rs "000" | % | Rs "000" | % | Rs "000" | % | Rs "000" | % | Rs "000" | % | Rs "000" | % |
| Property, plant and equipment | 9,119,661 | 43.1 | 7,832,040 | 37.9 | 5,572,818 | 35.4 | 5,011,641 | 38.5 | 5,349,114 | 45.4 | 5,483,352 | 49.0 |
| Investments including investment property | 1,103,253 | 5.2 | 1,249,841 | 6.0 | 1,449,317 | 9.2 | 846,027 | 6.5 | 921,719 | 7.8 | 150,000 | 1.3 |
| Other non current assets | 19,737 | 0.1 | 22,076 | 0.1 | 22,076 | 0.1 | 21,871 | 0.2 | 19,879 | 0.2 | 19,879 | 0.2 |
| Current assets | 10,934,404 | 51.6 | 11,561,569 | 55.9 | 8,686,335 | 55.2 | 7,131,926 | 54.8 | 5,497,793 | 46.6 | 5,537,512 | 49.5 |
| Total Assets | 21,177,055 | 100.00 | 20,665,526 | 100.00 | 15,730,546 | 100.00 | 13,011,465 | 100.00 | 11,788,505 | 100.00 | 11,190,743 | 100.00 |
| Shareholders' equity | 10,797,414 | 51.0 | 11,460,433 | 55.5 | 9,268,002 | 58.9 | 6,616,613 | 50.9 | 6,067,978 | 51.5 | 5,620,199 | 50.2 |
| Long-term debt (excluding current maturity) | 3,545,300 | 16.7 | 3,455,552 | 16.7 | 2,596,566 | 16.5 | 2,533,850 | 19.5 | 2,474,995 | 21.0 | 2,885,828 | 25.8 |
| Deferred taxation and income | 918,687 | 4.3 | 710,377 | 3.4 | 396,510 | 2.5 | 209,633 | 1.6 | 277,828 | 2.4 | 66,511 | 0.6 |
| Short-term debt (including current maturity of long-term debt) | 2,314,653 | 10.9 | 1,646,743 | 8.0 | 1,229,955 | 7.8 | 1,335,169 | 10.3 | 1,046,570 | 8.9 | 1,033,824 | 9.2 |
| Other current liabilities | 3,601,001 | 17.0 | 3,392,421 | 16.4 | 2,239,513 | 14.2 | 2,316,200 | 17.8 | 1,921,134 | 16.3 | 1,584,381 | 14.2 |
| Total Equity and Liabilities | 21,177,055 | 100.00 | 20,665,526 | 100.00 | 15,730,546 | 100.00 | 13,011,465 | 100.00 | 11,788,505 | 100.00 | 11,190,743 | 100.00 |
| Horizontal Analysis | | | | | | | | | | | | |
| Property, plant and equipment | 9,119,661 | 16.4 | 7,832,040 | 40.5 | 5,572,818 | 11.2 | 5,011,641 | (6.3) | 5,349,114 | (2.4) | 5,483,352 | 10.7 |
| Investments including investment property | 1,103,253 | (11.7) | 1,249,841 | (13.8) | 1,449,317 | 71.3 | 846,027 | (8.2) | 921,719 | 514.5 | 150,000 | - |
| Other non current assets | 19,737 | (10.6) | 22,076 | - | 22,076 | 0.9 | 21,871 | 10.0 | 19,879 | - | 19,879 | - |
| Current assets | 10,934,404 | (5.4) | 11,561,569 | 33.1 | 8,686,335 | 21.8 | 7,131,926 | 29.7 | 5,497,793 | (0.7) | 5,537,512 | 24.6 |
| Total Assets | 21,177,055 | 2.48 | 20,665,526 | 31.37 | 15,730,546 | 20.90 | 13,011,465 | 10.37 | 11,788,505 | 5.34 | 11,190,743 | 16.96 |
| Shareholders' equity | 10,797,414 | (5.6) | 11,443,280 | 23.5 | 9,268,002 | 40.1 | 6,616,613 | 9.0 | 6,067,978 | 8.0 | 5,620,199 | 6.4 |
| Long-term debt (excluding current maturity) | 3,545,300 | 2.6 | 3,455,552 | 33.1 | 2,596,566 | 2.5 | 2,533,850 | 2.4 | 2,474,995 | (14.2) | 2,885,828 | 25.0 |
| Deferred taxation and income | 918,687 | 26.3 | 727,530 | 83.5 | 396,510 | 89.1 | 209,633 | (24.5) | 277,828 | 317.7 | 66,511 | (66.0) |
| Short-term debt (including current maturity of long-term debt) | 2,314,653 | 40.6 | 1,646,743 | 33.9 | 1,229,955 | (7.9) | 1,335,169 | 27.6 | 1,046,570 | 1.2 | 1,033,824 | 133.1 |
| Other current liabilities | 3,601,001 | 6.1 | 3,392,421 | 51.5 | 2,239,513 | (3.3) | 2,316,200 | 20.6 | 1,921,134 | 21.3 | 1,584,381 | 18.3 |
| Total Equity and Liabilities | 21,177,055 | 2.48 | 20,665,526 | 31.37 | 15,730,546 | 20.90 | 13,011,465 | 10.37 | 11,788,505 | 5.34 | 11,190,743 | 16.96 |

Key Points:

Decrease in shareholder's equity is primarily because of loss incurred during the year. Increase in non-current liabilities is due to financing obtained for the expansion of weaving unit at Shahkot unit and modernization of production facilities at Raiwind unit.

Increase in short term debts is due increase in borrowing to meet the working capital requirement.

Increase in Property, plant and equipment is due the BMR spinning unit at Shahkot unit.

Decrease in Investments including investment property is mainly due to fair market value adjustment in equity investment.

Decrease in current assets is due to decrease in short term investment due to utilization of AMC investment to meet the working capital requirements.

The background of the page is filled with a series of thin, curved, orange lines that create a sense of motion and depth, resembling a stylized fingerprint or a series of concentric arcs. These lines are most prominent on the left side and curve towards the right.

FINANCIAL STATEMENTS

For the year ended 30 June 2023

Independent Auditor's Modified 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 2023 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 instance of non-compliance with the requirement of the Regulations was observed which is not stated in the Statement of Compliance:

- (i) Composition of the audit committee is not as per the requirements of the regulation 27(1) of the Regulations as one of the members of the audit committee is executive director and except for him other members of the audit committee do not fall under the definition of "financially literate".

Based on our review, except for the above instance 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 2023.



RIAZ AHMAD & COMPANY
Chartered Accountants

September 26, 2023
Lahore

UDIN: CR202310132U8YfsCt0m

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 2023, 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 2023 and of the loss, other comprehensive loss, 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 |
|--|--|
| <p>1. Inventory existence and valuation</p> <p>As at 30 June 2023, inventory is stated at Rupees 6,288.895 million, breakup of which is as follows:</p> <ul style="list-style-type: none"> - Stores, spare parts and loose tools Rupees 469.843 million. - Stock-in-trade Rupees 5,819.052 million. <p>Inventory is measured at the lower of cost and net realizable value.</p> | <p>Our procedures over existence and valuation of inventory included, but were not limited to:</p> <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. • For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets. |

Independent Auditors' Report

| Key audit matters | How the matter was addressed in our audit |
|---|--|
| <p>We identified existence and valuation of inventory as a key audit matter due to its size, representing 29.70% of total assets of the Company as at 30 June 2023, 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 2.19 to the financial statements. - Stores, spare parts and loose tools note 19 and Stock-in-trade note 20 to the financial statements. | <ul style="list-style-type: none"> • 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. • 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. |
| <p>2. Revenue recognition</p> | |
| <p>The Company recognized net revenue of Rupees 18,860.335 million for the year ended 30 June 2023.</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 2.23 to the financial statements. - Revenue from contracts with customers note 28 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 also considered the appropriateness of disclosures in the financial statements. |

Independent Auditors' Report

| Key audit matters | How the matter was addressed in our audit |
|--|---|
| <p>3. Capital expenditures</p> <p>The Company is investing significant amounts in its operations and there are a number of areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profile. These include among other the decision to capitalize or expense costs; and review of useful life of the assets including the impact of changes in the Company's strategy.</p> <p>We focused on this area since the amounts have a significant impact on the financial position of the Company and there is significant management judgment required that has significant impact on the reporting of the financial position for the Company. Therefore, considered as one of the key audit matters.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> - Summary of significant accounting policies, property, plant, equipment and depreciation note 2.8 to the financial statements. - Property, plant and equipment note 14 to the financial statements. | <p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • We tested operating effectiveness of controls in place over the property, plant and equipment cycle including the controls over whether costs incurred on activities is capital or operating in nature. • We evaluated the appropriateness of capitalization policies and depreciation rates. • We performed tests of details on costs capitalized. • We verified the accuracy of management's calculation used for the impairment testing. |

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.

Independent Auditors' Report

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 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

Independent Auditors' Report

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

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

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance

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



RIAZ AHMAD & COMPANY
Chartered Accountants

September 26, 2023
Lahore

UDIN: AR202310132k4f3RKz5W

Statement of Financial Position

as at 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|-------------------|
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized share capital 50,000,000 (2022: 50,000,000) ordinary shares of Rupees 10/- each | | 500,000 | 500,000 |
| Issued, subscribed and paid up share capital | 3 | 443,722 | 443,722 |
| Reserves | 4 | 10,353,692 | 11,016,711 |
| Total equity | | 10,797,414 | 11,460,433 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long term financing - secured | 5 | 3,545,300 | 3,455,003 |
| Lease liability | 6 | - | 549 |
| Deferred liabilities | 7 | 918,687 | 710,377 |
| | | 4,463,987 | 4,165,929 |
| Current liabilities | | | |
| Trade and other payables | 8 | 3,279,900 | 3,013,743 |
| Accrued mark-up | 9 | 71,949 | 31,378 |
| Short term borrowings | 10 | 1,226,258 | 726,496 |
| Current portion of non-current liabilities | 11 | 1,088,395 | 920,247 |
| Provision for taxation - net | 12 | 241,839 | 339,987 |
| Unclaimed dividend | | 7,313 | 7,313 |
| | | 5,915,654 | 5,039,164 |
| TOTAL LIABILITIES | | 10,379,641 | 9,205,093 |
| CONTINGENCIES AND COMMITMENTS | 13 | | |
| TOTAL EQUITY AND LIABILITIES | | 21,177,055 | 20,665,526 |

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 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|-------------------------------------|------|------------------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | | |
| Right-of-use asset | 14 | 9,118,461 | 7,830,376 |
| Investment properties | 15 | 1,200 | 1,664 |
| Long term investments | 16 | 477,690 | 477,690 |
| Long term deposits | 17 | 625,563 | 772,151 |
| | 18 | 19,737 | 22,076 |
| | | 10,242,651 | 9,103,957 |
| Current assets | | | |
| Stores, spare parts and loose tools | 19 | 469,843 | 257,298 |
| Stock-in-trade | 20 | 5,819,052 | 6,164,550 |
| Trade debts | 21 | 3,046,691 | 2,604,817 |
| Loans and advances | 22 | 108,240 | 76,638 |
| Short term deposits and prepayments | 23 | 238,478 | 171,760 |
| Other receivables | 24 | 485,557 | 216,571 |
| Short term investments | 25 | 601,511 | 1,623,048 |
| Cash and bank balances | 26 | 142,567 | 420,735 |
| | | 10,911,939 | 11,535,417 |
| Non current assets held for sale | 27 | 22,465 | 26,152 |
| | | 10,934,404 | 11,561,569 |
| TOTAL ASSETS | | 21,177,055 | 20,665,526 |


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Statement of Profit or Loss

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|--------------|
| Revenue from Contracts with Customers | 28 | 18,860,335 | 23,500,659 |
| Cost of Sales | 29 | (18,402,367) | (18,816,100) |
| Gross Profit | | 457,968 | 4,684,559 |
| Distribution Cost | 30 | (209,728) | (240,476) |
| Administrative Expenses | 31 | (260,627) | (311,233) |
| Other Expenses | 32 | (115,083) | (601,664) |
| | | (585,438) | (1,153,373) |
| | | (127,470) | 3,531,186 |
| Other Income | 33 | 332,030 | 401,703 |
| Profit from Operations | | 204,560 | 3,932,889 |
| Finance Cost | 34 | (319,866) | (213,906) |
| Loss / Profit Before Taxation | | (115,306) | 3,718,983 |
| Taxation | 35 | (296,972) | (928,452) |
| Loss / Profit after taxation | | (412,278) | 2,790,531 |
| Earnings per share - basic and diluted (Rupees) | 36 | (9.29) | 62.89 |

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 2023

| | 2023 | 2022 |
|--|----------------------|------------------|
| | (Rupees in thousand) | |
| Loss / Profit After Taxation | (412,278) | 2,790,531 |
| Other Comprehensive Loss | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | |
| Loss arising on remeasurement of investments at fair value through other comprehensive income - net of tax | (73,252) | (194,716) |
| Items that may be reclassified subsequently to profit or loss | - | - |
| Other comprehensive loss for the year - net of tax | (73,252) | (194,716) |
| Total comprehensive loss for the year | (485,530) | 2,595,815 |

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 2023

| | Reserves | | | | | | | | |
|--|------------------|-----------------------|--|-----------|------------------|------------------------|------------|------------|--------------|
| | Capital reserves | | | | Revenue Reserves | | | Total | Total Equity |
| | Share Capital | Share premium reserve | Fair value reserve on FVTOCI investments | Sub Total | General Reserve | Un-appropriated Profit | Sub Total | | |
| ------(Rupees in thousand)----- | | | | | | | | | |
| Balance as at 30 June 2021 | 403,384 | 29,000 | 9,985 | 38,985 | 3,714,000 | 5,111,633 | 8,825,633 | 8,864,618 | 9,268,002 |
| Transactions with owners: | | | | | | | | | |
| Bonus shares issued for the year ended 30 June 2021 @ 10% | 40,338 | - | - | - | - | (40,338) | (40,338) | (40,338) | - |
| Final dividend for the year ended 30 June 2021 @ Rupees 10 per share | - | - | - | - | - | (403,384) | (403,384) | (403,384) | (403,384) |
| Profit for the year | - | - | - | - | - | 2,790,531 | 2,790,531 | 2,790,531 | 2,790,531 |
| Other comprehensive income for the year | - | - | (194,716) | (194,716) | - | - | - | (194,716) | (194,716) |
| Total comprehensive income for the year | - | - | (194,716) | (194,716) | - | 2,790,531 | 2,790,531 | 2,595,815 | 2,595,815 |
| Balance as at 30 June 2022 | 443,722 | 29,000 | (184,731) | (155,731) | 3,714,000 | 7,458,442 | 11,172,442 | 11,016,711 | 11,460,433 |
| Transactions with owners: | | | | | | | | | |
| Final dividend for the year ended 30 June 2022 @ Rupees 4 per share | - | - | - | - | - | (177,489) | (177,489) | (177,489) | (177,489) |
| Transfer of gain on disposal of FVTOCI investment to retained earnings | - | - | (169) | (169) | - | 169 | 169 | - | - |
| Loss for the year | - | - | - | - | - | (412,278) | (412,278) | (412,278) | (412,278) |
| Other comprehensive income for the year | - | - | (73,252) | (73,252) | - | - | - | (73,252) | (73,252) |
| Total comprehensive income for the year | - | - | (73,252) | (73,252) | - | (412,278) | (412,278) | (485,530) | (485,530) |
| Balance as at 30 June 2023 | 443,722 | 29,000 | (258,152) | (229,152) | 3,714,000 | 6,868,844 | 10,582,844 | 10,353,692 | 10,797,414 |

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 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 38 | 409,037 | 797,681 |
| Finance cost paid | | (279,007) | (184,435) |
| Workers' profit participation fund paid | | (199,731) | (165,741) |
| Workers' welfare fund paid | | (11,524) | - |
| Income tax paid | | (392,332) | (384,885) |
| Profit on bank deposits received | | 40,249 | 18,314 |
| Gas infrastructure development cess paid | | (8,668) | (52,009) |
| Decrease in long term deposits | | 2,339 | - |
| Net cash (used in) / generated from operating activities | | (439,637) | 28,925 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure on property, plant and equipment | | (1,986,020) | (2,889,142) |
| Proceeds from disposal of property, plant and equipment | | 45,880 | 52,210 |
| Investments made | | (3,530,927) | (3,379,967) |
| Investments disposed of | | 4,544,049 | 4,835,917 |
| Dividends received | | 244,352 | 307,222 |
| Proceeds from disposal of non-current asset classified as held for sale | | 3,700 | 21,200 |
| Net cash used in investing activities | | (678,966) | (1,052,560) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Long term financing obtained | | 899,014 | 1,756,984 |
| Repayment of long term financing | | (380,228) | (489,590) |
| Repayment of lease liability | | (624) | (583) |
| Short term borrowings - net | | 499,762 | 297,042 |
| Dividend paid | | (177,489) | (402,458) |
| Net cash from financing activities | | 840,435 | 1,161,395 |
| Net (decrease) / increase in cash and cash equivalents | | (278,168) | 137,760 |
| Cash and cash equivalents at the beginning of the year | | 420,735 | 282,975 |
| Cash and cash equivalents at the end of the year | | 142,567 | 420,735 |

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 2023

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, Noori Abad, 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 | Office | Office No. 802 and 804, Tricon Corporate Centre, 73, Jail Road, Lahore. |
| 6 | Branch office | 3rd floor, Cotton Exchange Building, I. I. Chundrigar Road, Karachi, Sindh. |
| 7 | Site for office | 30-Q, Gulberg-II, Lahore. |

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.

Notes to the Financial Statements

For the year ended 30 June 2023

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.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies.

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

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realizable value and an allowance is recorded against the inventory balances for any such declines.

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.

Notes to the Financial Statements

For the year ended 30 June 2023

Allowance for expected credit losses

The allowance for Expected Credit Losses (ECLs) 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.

Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit or loss unless the provision was originally recognized as part of cost of an asset.

Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

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 joint ventures, the management considers future cash flows.

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

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2022:

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before Intended Use'.

Notes to the Financial Statements

For the year ended 30 June 2023

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts – Cost of Fulfilling a Contract which amended IAS 1 'Presentation of Financial Statements'
- Annual improvements to IFRS standards 2018-2020 which amended IFRS 9 'Financial Instruments' and IFRS 16 'Leases'.
- 'Reference to the Conceptual Framework (Amendments to IFRS 3)' published by the International Accounting Standards Board (IASB) with amendments to IFRS 3 'Business Combinations'.

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

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) 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 2023 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Notes to the Financial Statements

For the year ended 30 June 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 1 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

On 31 October 2022, the IASB issued 'Non-current Liabilities with Covenants (Amendments to IAS 1)' to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments are effective for reporting periods beginning on or after 1 January 2024.

On 22 September 2022, the IASB issued 'Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)' with amendments that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments are effective for annual periods beginning on or after 1 January 2024.

On 25 May 2023, the IASB issued 'Suppliers Finance Arrangements (Amendments to IAS 7 and IFRS 7)' to add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangement. The amendments are effective for the reporting period beginning on or after 1 January 2024.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The above amendments and improvements are likely to have no significant impact on the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2023

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 2023 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.

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.

Notes to the Financial Statements

For the year ended 30 June 2023

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.

2.6 Borrowing

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings 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

Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of operating fixed assets 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 is stated at cost less any recognized impairment loss.

Notes to the Financial Statements

For the year ended 30 June 2023

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 operating fixed assets 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, at the rates given in note 14.1. 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.

De-recognition

An item of operating fixed assets 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.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

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 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 less accumulated depreciation and accumulated impairment losses (if any). Cost comprises of 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.

Notes to the Financial Statements

For the year ended 30 June 2023

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.

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.

2.11 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 amortized 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.

2.12 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.

Notes to the Financial Statements

For the year ended 30 June 2023

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.

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 amortized 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 recognized 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 recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized 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.

Notes to the Financial Statements

For the year ended 30 June 2023

Fair value through profit or loss (FVTPL)

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

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 recognized in other income / (other expenses) in the statement of profit or loss as applicable.

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

2.13 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.

2.14 Impairment of financial assets

The Company recognizes loss allowances for ECLs on:

Notes to the Financial Statements

For the year ended 30 June 2023

- Financial assets measured at amortized cost;
- Debt investments measured at FVTOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Notes to the Financial Statements

For the year ended 30 June 2023

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2.15 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 derecognize 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.

2.16 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.

Notes to the Financial Statements

For the year ended 30 June 2023

2.17 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.

2.18 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.

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 recognized at cost and adjusted thereafter to recognize 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 recognized 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized 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. Unrealized 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.

Notes to the Financial Statements

For the year ended 30 June 2023

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.

2.19 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 |

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.

2.20 Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost and subsequently measured at amortized cost using the effective interest method.

2.21 Trade and other receivables

Trade debts are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses.

Notes to the Financial Statements

For the year ended 30 June 2023

Other receivables are recognized at amortized cost, less any allowance for expected credit losses.

2.22 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 recognized at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(b) Interest

Interest income is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized 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 investments is recognized when right to receive the dividend is established.

2.24 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.

2.25 Customer acquisition costs

Customer acquisition costs are capitalized 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 amortized on a straight-line basis over the term of the contract.

Notes to the Financial Statements

For the year ended 30 June 2023

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.

2.26 Customer fulfilment costs

Customer fulfilment costs are capitalized 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 amortized on a straight-line basis over the term of the contract.

2.27 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.

2.28 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.

2.29 Refund liabilities

Refund liabilities are recognized 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.

2.30 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.

Notes to the Financial Statements

For the year ended 30 June 2023

2.31 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.

2.32 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.

2.33 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.

2.34 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.

2.35 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:

Notes to the Financial Statements

For the year ended 30 June 2023

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.

2.36 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.

2.37 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

2.38 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.

2.39 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.

Notes to the Financial Statements

For the year ended 30 June 2023

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2023 (No. of Shares) | | 2022 | | 2023 (Rupees in thousand) | | 2022 (Rupees in thousand) | |
|-------------------------|------------|---|--|------------------------------|--|------------------------------|--|
| 17,400,000 | 17,400,000 | Ordinary shares of Rupees 10 each fully paid up in cash | | 174,000 | | 174,000 | |
| 26,972,287 | 26,972,287 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | | 269,722 | | 269,722 | |
| 44,372,287 | 44,372,287 | | | 443,722 | | 443,722 | |

3.1 Movement during the year

| 2023 (No. of Shares) | | 2022 | | 2023 (Rupees in thousand) | | 2022 (Rupees in thousand) | |
|-------------------------|------------|---|--|------------------------------|--|------------------------------|--|
| 44,372,287 | 40,338,443 | At 01 July | | 443,722 | | 403,384 | |
| - | 4,033,844 | Ordinary shares of Rupees 10 each issued during the year as fully paid bonus shares | | - | | 40,338 | |
| 44,372,287 | 44,372,287 | At 30 June | | 443,722 | | 443,722 | |

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

| | 2023 (No. of Shares) | 2022 (No. of Shares) |
|----------------------------|-------------------------|-------------------------|
| Crescent Powertech Limited | 19,610,312 | 19,610,312 |
| Premier Insurance Limited | 1,478,825 | 1,478,825 |
| | 21,089,137 | 21,089,137 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-------------------|
| 4. RESERVES | | | |
| Composition of reserves is as follows: | | | |
| Capital reserves | | | |
| Share premium reserve | 4.1 | 29,000 | 29,000 |
| Fair value reserve on FVTOCI investments - net of deferred income tax | 4.2 | (258,152) | (184,731) |
| | | (229,152) | (155,731) |
| Revenue reserves | | | |
| General reserve | | 3,714,000 | 3,714,000 |
| Un-appropriated profit | | 6,868,844 | 7,458,442 |
| | | 10,582,844 | 11,172,442 |
| | | 10,353,692 | 11,016,711 |

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 unrealized loss 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:

| | 2023 (Rupees in thousand) | 2022 |
|--|------------------------------|------------------|
| Balance as on 01 July | (221,235) | (13,517) |
| Less: Fair value adjustment during the year | (119,616) | (207,718) |
| Less: Transfer of loss on disposal of FVTOCI investment to retained earnings | (169) | - |
| | (341,020) | (221,235) |
| Deferred income tax on equity investments | 82,868 | 36,504 |
| Balance as on 30 June | (258,152) | (184,731) |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|------------------|
| 5. LONG TERM FINANCING - SECURED | | | |
| From banking companies | | | |
| Long term loans | 5.1 | 4,053,946 | 3,849,419 |
| Less: Current portion shown under current liabilities | 11 | (508,646) | (394,416) |
| | | 3,545,300 | 3,455,003 |

| LENDER | 2023 | 2022 | RATE OF INTEREST PER ANNUM | NUMBER OF INSTALLMENTS | INTEREST REPRICING | INTEREST PAYABLE | SECURITY |
|---------------------------------|----------------------|------------------|----------------------------|--|--------------------|------------------|---|
| | (Rupees in Thousand) | | | | | | |
| 5.1 Long term loans | | | | | | | |
| MCB Bank Limited | 13,739 | 41,217 | SBP rate for LTFF + 0.5% | Eleven equal semi annual instalments commenced on 10 September 2017 and ending on 10 September 2023 (Note 5.2). | - | Quarterly | |
| MCB Bank Limited | 21,974 | 25,748 | 3 months KIBOR + 0.5% | Thirty four un-equal instalments commenced on 27 November 2019 and ending on 24 April 2029 (Note 5.2). | Quarterly | Quarterly | |
| MCB Bank Limited | 154,103 | 177,811 | SBP rate for LTFF + 0.60% | Seventeen equal semi annual instalments commenced on 11 December 2021 and ending on 11 December 2029. | - | Quarterly | Joint pari passu charge over fixed assets of the Company aggregating to Rupees 3,434 million inclusive of 25% margin. |
| MCB Bank Limited | 527,312 | 625,656 | SBP rate for LTFF + 0.50% | One hundred and twenty two un-equal instalments commenced on 12 April 2019 and ending on 06 March 2029 (Note 5.2). | - | Quarterly | |
| MCB Bank Limited (Note 5.3) | 676,911 | 402,183 | SBP rate for TERF + 1% | One hundred and sixty un-equal instalments commencing on 23 September 2023 and ending on 21 October 2032. | - | Quarterly | |
| Allied Bank Limited | 952,022 | 1,130,270 | SBP rate for LTFF + 0.5% | One hundred and twenty eight un-equal instalments commenced on 11 July 2019 and ending on 08 August 2028 (Note 5.2). | - | Quarterly | |
| Allied Bank Limited (Note 5.3) | 761,411 | 704,524 | SBP rate for TERF + 1% | One hundred and thirty six un-equal instalments commenced on 04 May 2023 and ending on 15 September 2032. | - | Quarterly | |
| United Bank Limited | 165,814 | 192,344 | SBP rate for LTFF + 1% | Thirty six quarterly instalments commenced on 31 October 2019 and ending on 31 July 2029. (Note 5.2) | - | Quarterly | Joint pari passu charge of Rupees 854 million over fixed assets of the Company inclusive of 25 % margin. |
| Bank Alfalah Limited (Note 5.3) | 717,915 | 549,666 | SBP rate for TERF + 1% | Three hundred and eighty seven un-equal instalments commencing on 27 July 2023 and ending on 25 November 2032. | - | Quarterly | Joint pari passu charge over fixed assets of the Company aggregating to Rupees 1,334 million inclusive of 25% margin. |
| Samba Bank Limited (Note 5.3) | 62,745 | - | SBP rate for TERF + 2% | Twenty equal instalments commencing on 03 February 2025 and ending 03 November 2029. | - | Quarterly | Joint pari passu charge of Rupees 134 million over fixed assets of the Company inclusive of 25 % margin. |
| | 4,053,946 | 3,849,419 | | | | | |

Notes to the Financial Statements

For the year ended 30 June 2023

- 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.
- 5.3 These loans are obtained by the Company under SBP Temporary Economic Refinance Facility (TERF). These are recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rate ranging from 7.88% to 17.77% per annum (2022: 7.88% to 11.26% per annum).

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|------|------------------------------|---------|
| 6. LEASE LIABILITY | | | |
| Total lease liability | | 566 | 1,190 |
| Less: Current portion shown under current liabilities | 11 | (566) | (641) |
| | | - | 549 |
| 6.1 Reconciliation of lease liability | | | |
| Balance as on 01 July | | 1,190 | 1,773 |
| Add: Interest accrued on lease liability | 34 | 143 | 126 |
| Less: Payments made during the year | | (767) | (709) |
| Balance as on 30 June | | 566 | 1,190 |
| 6.2 Maturity analysis of lease liability is as follows: | | | |
| Up to 06 months | | 355 | 355 |
| 06 to 12 months | | 246 | 355 |
| 01 to 02 years | | - | 559 |
| | | 601 | 1,269 |
| Less: Future finance cost | | (35) | (79) |
| Present value of lease liability | | 566 | 1,190 |
| 6.3 | | | |
| The implicit rate against lease liability ranges from 16.90% to 24.23% (2022: 9.85% to 9.97% per annum). | | | |
| 6.4 | | | |
| Lease from First Habib Modaraba is secured against title of leased asset, post dated cheques and security deposit of Rupees 0.205 million. | | | |
| 7. DEFERRED LIABILITIES | | | |
| Deferred income - Government grant | 7.1 | 710,899 | 459,013 |
| Gas Infrastructure Development Cess (GIDC) payable | 7.2 | - | - |
| Deferred income tax liability - net | 7.3 | 207,788 | 251,364 |
| | | 918,687 | 710,377 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|---|------------------------------|----------|
| 7.1 | Deferred income - Government grant | | |
| Balance as on 01 July | | 555,574 | 163,925 |
| Add: Recognized during the year | | 451,877 | 465,417 |
| Less: Amortized during the year | | (137,618) | (73,768) |
| | | 869,833 | 555,574 |
| Less: Current portion shown under current liabilities | 11 | (158,934) | (96,561) |
| | | 710,899 | 459,013 |

7.1.1 The State Bank of Pakistan (SBP), through its Circular No. 01 and 02 of 2020 dated 17 March 2020 introduced a Temporary Economic Refinance Facility (TERF) for setting of new industrial units. One of the key feature of the refinance facility was that borrowers could obtain loans at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance', the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Company has obtained these loans as disclosed in note 5 to the financial statements. In accordance with IFRS 9 'Financial Instruments' loans obtained under the refinance facilities have been initially recognized at fair value which is the present value of loans proceeds received, discounted using prevailing market rates of interest for a similar instruments. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating. There are no unfulfilled conditions or contingencies attached to this grant.

| | | | |
|---|---|----------------|-----------|
| 7.2 | Gas Infrastructure Development Cess (GIDC) Payable | | |
| Gas Infrastructure Development Cess payable | | 428,629 | 467,212 |
| Add: Adjustment due to impact of IFRS 9 | 34 | 288 | 13,426 |
| Less: Payments made during the year | | (8,668) | (52,009) |
| Balance as on 30 June | | 420,249 | 428,629 |
| Less: Current portion shown under current liabilities | 11 | (420,249) | (428,629) |
| | | - | - |

7.2.1 This represents Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. Honourable Supreme Court of Pakistan upheld the GIDC Act, 2015 to be constitutional and intra vires. With respect to GIDC payable to Sui Southern Gas Pipeline Limited, the Company has filed a review petition in Honourable Sindh High Court, Karachi which is pending for adjudication. GIDC payable is recognized at amortized cost in accordance with IFRS 9.

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|------------------|
| 7.3 Deferred income tax liability - net | | | |
| The deferred income tax liability / (asset) originated due to timing differences relating to: | | | |
| Deferred tax liabilities | | | |
| Accelerated tax depreciation | | 509,809 | 374,888 |
| Right-of-use asset | | 332 | 329 |
| | | 510,141 | 375,217 |
| Deferred tax assets | | | |
| Un-realized loss on FVTPL investments | | (59,981) | (33,890) |
| Un-realized loss on FVTOCI investments | | (82,868) | (36,504) |
| Allowance for expected credit loss | | (65,132) | (43,755) |
| Provision for slow moving, obsolete and damaged store items | | (15,324) | (9,468) |
| Lease liability | | (157) | (236) |
| Available unused tax loss - unabsorbed tax depreciation | | (78,891) | - |
| | | (302,353) | (123,853) |
| | | 207,788 | 251,364 |

7.3.1 Movement in deferred tax balances during the year is as follows:

| | 2023 | | | Closing balance |
|---|-----------------|---|--|-----------------|
| | Opening balance | Recognized in statement of profit or loss | Recognized in other comprehensive income | |
| -----Rupees in thousand----- | | | | |
| Accelerated tax depreciation | 374,888 | 134,921 | - | 509,809 |
| Right-of-use asset | 329 | 3 | - | 332 |
| Un-realized loss on FVTPL investments | (33,890) | (26,091) | - | (59,981) |
| Un-realized loss on FVTOCI investments | (36,504) | - | (46,364) | (82,868) |
| Allowance for expected credit loss | (43,755) | (21,377) | - | (65,132) |
| Provision for slow moving, obsolete and damaged store items | (9,468) | (5,856) | - | (15,324) |
| Lease liability | (236) | 79 | - | (157) |
| Available unused tax loss - unabsorbed tax depreciation | - | (78,891) | - | (78,891) |
| Minimum tax carry forward: | | | | |
| Available | - | (230,484) | - | (230,484) |
| Movement in deferred income tax not recognized | - | (230,484) | - | (230,484) |
| Deferred income tax recognized | - | - | - | - |
| | 251,364 | 2,788 | (46,364) | 207,788 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | 2022 | | | Closing balance |
|---|-----------------|---|--|-----------------|
| | Opening balance | Recognized in statement of profit or loss | Recognized in other comprehensive income | |
| -----Rupees in thousand----- | | | | |
| Accelerated tax depreciation | 230,521 | 144,367 | - | 374,888 |
| Right-of-use asset | 395 | (66) | - | 329 |
| Un-realized loss on FVTPL investments | (9,131) | (24,759) | - | (33,890) |
| Un-realized loss on FVTOCI investments | (23,502) | - | (13,002) | (36,504) |
| Allowance for expected credit loss | - | (43,755) | - | (43,755) |
| Provision for slow moving, obsolete and damaged store items | - | (9,468) | - | (9,468) |
| Lease liability | (330) | 94 | - | (236) |
| | 197,953 | 66,413 | (13,002) | 251,364 |

7.3.2 *Deferred income tax asset has been recognised to the extent that the realization of related tax benefits is probable from future taxable profits. It is probable that sufficient taxable profits will be available for utilization of recognized deferred income tax asset. Detail of available unused tax loss and minimum tax carried forward is given as follows:

Available unused tax loss - unabsorbed tax depreciation

| Accounting year to which tax loss relates | Amount | Accounting year in which tax loss will expire |
|---|---------|---|
| Rupees in thousand | | |
| 2023 | 272,038 | Unlimited |

Minimum tax carry forward

| Accounting year to which minimum tax carry forward relates | Amount | Accounting year in which minimum tax carry forward will expire |
|--|---------|--|
| Rupees in thousand | | |
| 2023 | 230,484 | 2026 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|---|------------------------------|------------------|
| 8. TRADE AND OTHER PAYABLES | | | |
| Creditors | 8.1 | 1,336,910 | 1,014,758 |
| Contract liabilities - unsecured | | 73,938 | 78,430 |
| Accrued liabilities | | 1,410,642 | 1,357,271 |
| Infrastructure cess payable | 8.2 | 283,955 | 181,799 |
| Payable to employees' provident fund trust | | 1,228 | - |
| Income tax deducted at source | | 6,634 | 3,637 |
| Workers' profit participation fund | 8.3 | - | 199,731 |
| Workers' welfare fund | 8.4 | 166,593 | 178,117 |
| | | 3,279,900 | 3,013,743 |
| 8.1 | These include amounts due to following related parties: | | |
| The Crescent Textiles Mills Limited - associated company | | 28,058 | 4 |
| Shams Textile Mills Limited - associated company | | - | 5,249 |
| Premier Insurance Limited - associated company | | 1,959 | 5,251 |
| Crescent Fibers Limited - associated company | | 27,854 | 9,925 |
| Crescent Powertech Limited - associated company | | - | 23,838 |
| Mohammad Amin Mohammad Bashir Limited - associated company | | 462 | 462 |
| | | 58,333 | 44,729 |

8.2 This represents provision for infrastructure cess imposed by the Province of Sindh through Sindh Finance Act, 1994 and its subsequent versions including the final version i.e. Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Company filed writ petition in Honourable Sindh High Court, Karachi whereby stay was granted and directions were given to provide bank guarantees in favour of Director Excise and Taxation, Karachi. The Honourable Sindh High Court, Karachi passed order dated 04 June 2021 against the Company and directed that bank guarantees should be encashed. Being aggrieved by the order, the Company along with others filed petitions for leave to appeal before Honourable Supreme Court of Pakistan against the Sindh High Court's judgment in relation to Sindh infrastructure development cess. On 01 September 2021, after hearing the petitioners, the Honourable Supreme Court dictated the order in open court granting leave to appeal to the petitioners and restraining the Sindh Government from encashing the bank guarantees furnished in pursuance of the interim orders passed by the Sindh High Court. The Honourable Supreme Court also directed to release the future consignments subject to furnishing of bank guarantees for the disputed amount. The detail of provision is as follows:

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------------|------------------------------|-----------|
| Balance as on 01 July | | 181,799 | 116,243 |
| Add: Provision made during the year | | 102,156 | 65,556 |
| Balance as on 30 June | | 283,955 | 181,799 |
| 8.3 Workers' profit participation fund | | | |
| Balance as on 01 July | | 199,731 | 165,741 |
| Add: Provision for the year | 32 | - | 199,731 |
| Less: Payments made during the year | | (199,731) | (165,741) |
| Balance as on 30 June | | - | 199,731 |
| 8.4 Workers' welfare fund | | | |
| Balance as on 01 July | | 178,117 | 102,219 |
| Add: Provision for the year | 32 | - | 75,898 |
| | | 178,117 | 178,117 |
| Less: Payments made during the year | | (11,524) | - |
| Balance as on 30 June | | 166,593 | 178,117 |
| 9. ACCRUED MARKUP | | | |
| Long term financing | | 13,029 | 14,906 |
| Short term borrowings | | 58,920 | 16,472 |
| | | 71,949 | 31,378 |
| 10. SHORT TERM BORROWINGS | | | |
| From banking companies - secured | | | |
| Running finance | 10.1 & 10.2 | 706,243 | 226,605 |
| Import loans | 10.1 & 10.3 | 520,015 | 499,891 |
| | | 1,226,258 | 726,496 |

10.1 These finances are obtained from banking companies under mark-up arrangements and are secured against joint pari passu hypothecation charge over current assets and pledge of stocks of the Company.

Notes to the Financial Statements

For the year ended 30 June 2023

10.2 The rates of mark-up range from 14.55% to 23.05% (2022: 7.95% to 15.66%) per annum during the year on the balance outstanding.

10.3 The rates of mark-up range from 5.25% to 22.95% (2022: 6.05% to 15.56%) per annum during the year on the balance outstanding.

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|----------------|
| 11. CURRENT PORTION OF LONG TERM LIABILITIES | | | |
| Current portion of long term financing | 5 | 508,646 | 394,416 |
| Current portion of lease liability | 6 | 566 | 641 |
| Current portion of deferred income - Government grant | 7.1 | 158,934 | 96,561 |
| Current portion of GIDC | 7.2 | 420,249 | 428,629 |
| | | 1,088,395 | 920,247 |
| 12. PROVISION FOR TAXATION - NET | | | |
| Provision for taxation | | 857,647 | 1,116,234 |
| Less: Income tax refundable | | (615,808) | (776,247) |
| | | 241,839 | 339,987 |

13. CONTINGENCIES AND COMMITMENTS

iii) Outstanding foreign currency forward contracts are of Rupees Nil (2022: 439.899 Rupees million).

Notes to the Financial Statements

For the year ended 30 June 2023

a) Contingencies

i) The Company filed a complaint dated 20 April 2022 against Chief Commissioner Inland Revenue in terms of section 10(1) of the Federal Tax Ombudsman (FTO) Ordinance, 2000 for delay in processing / sanctioning of sales tax refund of Rupees 69.657 million for the tax periods from December 2013 to October 2017. As per the tax department, the Company used to fall under zero-rated regime. Two electricity connections of the Company were included in Sales Tax General Order dated 13 September 2007 for the purpose of zero-rating. No zero-rated facility was however available on another electricity connection till 21 November 2017. On 21 November 2017, this electricity connection was included in Sales Tax General Order for zero-rating. The Company filed writ petition before Honourable Lahore High Court, Lahore (LHC) against recovery notices issued by Lahore Electric Supply Company Limited for recovery of sales tax for above-mentioned periods. Petition was disposed by LHC on 21 September 2017 with direction that only tax department or competent authority, under law, shall be entitled to recover arrears of sales tax. LESCO vide letter dated 21 May 2021 directed the Company to deposit sales tax in its account since tax department has already recovered sales tax of Rupees 69.657 million which was deposited by the Company. Later, the Company requested for issuance of refund under section 66 of the Sales Tax Act, 1990. FTO vide order dated 01 June 2022 recommended the tax department to direct Commissioner Inland Revenue to process / sanction Company's refund claims for for the tax periods from December 2013 to October 2017 on provision of requisite documents by the Company. The Company is confident of favourable outcome of the matter, hence no provision thereagainst has been made in these financial statements.

ii) Guarantees of Rupees 463.976 million (2022: Rupees 323.049 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections and Director Excise and Taxation, Karachi against infrastructure cess and others.

b) Commitments

i) Contracts for capital expenditure are approximately of Rupees 753.275 million (2022: Rupees 1,753.577 million).

ii) Letters of credit other than for capital expenditure are of Rupees 1,383.491 million (2022: Rupees 1,645.484 million).

iii) Outstanding foreign currency forward contracts are of Rupees Nil (2022: 439.899 Rupees million).

| | Note | 2023 (Rupees in thousand) | 2022 |
|-----------|--------------------------------------|------------------------------|------------------|
| 14 | PROPERTY, PLANT AND EQUIPMENT | | |
| | Operating fixed assets | 14.1 7,051,705 | 7,735,315 |
| | Capital work-in-progress | 14.2 2,066,756 | 95,061 |
| | | 9,118,461 | 7,830,376 |

Notes to the Financial Statements

For the year ended 30 June 2023

14.1 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 2021 | | | | | | | | | | | |
| Cost | 2,108 | 49,580 | 452,300 | 940,527 | 121,912 | 7,067,942 | 175,731 | 3,549 | 61,527 | 152,824 | 9,028,000 |
| Accumulated depreciation | (763) | (43,116) | - | (479,100) | (24,014) | (3,598,436) | (96,532) | (3,055) | (40,714) | (73,057) | (4,358,787) |
| Net book value | 1,345 | 6,464 | 452,300 | 461,427 | 97,898 | 3,469,506 | 79,199 | 494 | 20,813 | 79,767 | 4,669,213 |
| Year ended 30 June 2022 | | | | | | | | | | | |
| Opening net book value | 1,345 | 6,464 | 452,300 | 461,427 | 97,898 | 3,469,506 | 79,199 | 494 | 20,813 | 79,767 | 4,669,213 |
| Additions | - | - | 723,630 | 343,803 | - | 2,451,190 | 57,406 | - | 63,772 | 55,757 | 3,695,558 |
| Disposals: | | | | | | | | | | | |
| Cost | - | - | - | - | - | (131,749) | - | - | - | (14,593) | (146,342) |
| Accumulated depreciation | - | - | - | - | - | 107,078 | - | - | - | 10,372 | 117,450 |
| Assets transferred to held for sale: | | | | | | (24,671) | - | - | - | (4,221) | (28,892) |
| Cost | - | - | - | - | - | (87,844) | - | - | - | - | (87,844) |
| Accumulated depreciation | - | - | - | - | - | 73,898 | - | - | - | - | 73,898 |
| Depreciation charge | (21) | (646) | - | (54,738) | (9,790) | (482,933) | (10,661) | (49) | (5,147) | (22,633) | (586,618) |
| Closing net book value | 1,324 | 5,818 | 1,175,930 | 750,492 | 88,108 | 5,399,146 | 125,944 | 445 | 79,438 | 108,670 | 7,735,315 |
| At 30 June 2022 | | | | | | | | | | | |
| Cost | 2,108 | 49,580 | 1,175,930 | 1,284,330 | 121,912 | 9,299,539 | 233,137 | 3,549 | 125,299 | 193,988 | 12,489,372 |
| Accumulated depreciation | (784) | (43,762) | - | (533,838) | (33,804) | (3,900,393) | (107,193) | (3,104) | (45,861) | (85,318) | (4,754,057) |
| Net book value | 1,324 | 5,818 | 1,175,930 | 750,492 | 88,108 | 5,399,146 | 125,944 | 445 | 79,438 | 108,670 | 7,735,315 |
| Year ended 30 June 2023 | | | | | | | | | | | |
| Opening net book value | 1,324 | 5,818 | 1,175,930 | 750,492 | 88,108 | 5,399,146 | 125,944 | 445 | 79,438 | 108,670 | 7,735,315 |
| Additions | - | - | - | - | - | - | - | - | - | 14,328 | 14,328 |
| Disposals: | | | | | | | | | | | |
| Cost | - | - | - | - | - | 138,718 | - | - | - | 7,741 | 146,459 |
| Accumulated depreciation | - | - | - | - | - | (28,304) | - | - | - | (2,816) | (31,120) |
| Depreciation charge | (21) | (582) | - | (75,049) | (8,811) | (538,892) | (12,594) | (45) | (7,944) | (22,880) | (666,818) |
| Closing net book value | 1,303 | 5,236 | 1,175,930 | 675,443 | 79,297 | 4,831,950 | 113,350 | 400 | 71,494 | 97,302 | 7,051,705 |
| At 30 June 2023 | | | | | | | | | | | |
| Cost | 2,108 | 49,580 | 1,175,930 | 1,284,330 | 121,912 | 9,132,517 | 233,137 | 3,549 | 125,299 | 197,759 | 12,326,121 |
| Accumulated depreciation | (805) | (44,344) | - | (608,887) | (42,615) | (4,300,567) | (119,787) | (3,149) | (53,805) | (100,457) | (5,274,416) |
| Net book value | 1,303 | 5,236 | 1,175,930 | 675,443 | 79,297 | 4,831,950 | 113,350 | 400 | 71,494 | 97,302 | 7,051,705 |
| Annual rate of depreciation (%) | 1 | 10 | - | 10 | 10 | 10 | 10 | 10 | 10 | 20 | |

Notes to the Financial Statements

For the year ended 30 June 2023

13.1.1 Detail of operating fixed 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 / (loss) | Mode of disposal | Particulars of purchasers |
|--|----------|---------|--------------------------|----------------|---------------|---------------|------------------|---------------------------------------|
| ----- (Rupees thousand) ----- | | | | | | | | |
| Plant and machinery | | | | | | | | |
| Cone Winding Schlatthorst 338 | 1 | 13,449 | 11,153 | 2,296 | 2,500 | 204 | Negotiation | A.H Textiles Limited, Jhang |
| Ring Spinning Frame RY 5 | 10 | 54,430 | 46,957 | 7,473 | 10,000 | 2,527 | Negotiation | Ayasha Spinning Mills Limited, Lahore |
| Ring Spinning Frame RY 5 | 6 | 29,318 | 22,515 | 6,803 | 6,600 | (203) | Negotiation | Shams Textile Mills Limited, Lahore |
| Ring Spinning Frame RY 5 | 5 | 25,729 | 20,506 | 5,223 | 5,000 | (223) | Negotiation | Best Traders, Faisalabad |
| Ring Spinning Frame RY 5 | 4 | 24,436 | 21,814 | 2,622 | 4,000 | 1,378 | Negotiation | Mubashar Brothers, Faisalabad |
| Ring Spinning Frame RY 5 | 5 | 19,660 | 15,773 | 3,887 | 5,000 | 1,113 | Negotiation | Mubashar Brothers, Faisalabad |
| Vehicles | | | | | | | | |
| Honda City LE-18A-5861 | 1 | 1,748 | 1,041 | 707 | 2,400 | 1,693 | Negotiation | Muhammad Ahmad, Nankana |
| Suzuki Swift LEC-18A-9029 | 1 | 1,555 | 887 | 668 | 1,725 | 1,057 | Negotiation | Basit Ali, Sialkot |
| Toyota Altis LFF-17-7354 | 1 | 2,090 | 1,518 | 572 | 3,400 | 2,828 | Negotiation | Innan Butt, Lahore |
| Aggregate of other items of operating fixed assets with individual book values not exceeding Rupees 500,000 | | | | | | | | |
| | | 177,579 | 146,459 | 31,120 | 45,880 | 14,760 | | |

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

| | 2023 (Rupees in thousand) | 2022 (Rupees in thousand) |
|-------------------------|------------------------------|------------------------------|
| Cost of sales | 634,743 | 553,346 |
| Administrative expenses | 32,075 | 33,272 |
| | 666,818 | 586,618 |

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

| Particulars of immovable properties | Address | Area of land Kanals |
|---------------------------------------|---|------------------------|
| Manufacturing units and office | | |
| Office | Office No. 802 and 804, Tricon Corporate Centre, 73, Jail Road, Lahore. | 11,040 square feet |
| Site for office | 30-Q, Gulberg-II, Lahore. | 4.7 Kanals |
| Manufacturing units | | |
| Spinning unit | Karachi - Hyderabad Motorway, Nooriabad, Jamshoro, Sindh. | 120 Kanals |
| Spinning unit and weaving units | Kotla Kahloon, Shahkot, District Nankana Sahib, Punjab. | 347.5 Kanals |
| Spinning unit | 4 K.M. Rawind Manga Road, Rawind, Punjab. | 627 Kanals |

Notes to the Financial Statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|--------------------------------------|----------------------|---------------|
| | (Rupees in thousand) | |
| 14.2 Capital Work in Progress | | |
| Buildings on freehold land | 190,251 | 20,833 |
| Plant and machinery | 1,806,394 | 4,117 |
| Electric installations | 70,111 | 70,111 |
| | 2,066,756 | 95,061 |

| | Buildings on freehold land | Plant and machinery | Electric installations | Total |
|--|----------------------------------|------------------------|---------------------------|----------|
| | ----- (Rupees in thousand) ----- | | | |
| 14.2.1 Movement in capital work in progress | | | | |
| At 30 June 2021 | 233,247 | 653,126 | 15,104 | - |
| Add: Additions during the year | 131,389 | 1,802,181 | 112,413 | 63,772 |
| Less: Capitalized during the year | (343,803) | (2,451,190) | (57,406) | (63,772) |
| At 30 June 2022 | 20,833 | 4,117 | 70,111 | - |
| Add: Additions during the year | 169,418 | 1,802,277 | - | - |
| At 30 June 2023 | 190,251 | 1,806,394 | 70,111 | - |

| | Note | 2023 | 2022 |
|--|------|----------------------|--------------|
| | | (Rupees in thousand) | |
| 15. RIGHT-OF-USE ASSET | | | |
| Reconciliation of net carrying amount of right-of-use asset: | | | |
| Balance as on 01 July | | 1,664 | 2,128 |
| Less: Depreciation expense for the year | 31 | (464) | (464) |
| Balance as on 30 June | | 1,200 | 1,664 |

15.1 The Company obtained vehicle on lease from First Habib Modaraba. Lease term is three years.

| | | | |
|-----------------------------------|--|----------------|----------------|
| 16. INVESTMENT PROPERTIES | | | |
| Balance as on 01 July | | 477,690 | 477,690 |
| Add: Additions during the year | | - | - |
| Less: Disposed of during the year | | - | - |
| Balance as on 30 June | | 477,690 | 477,690 |

Notes to the Financial Statements

For the year ended 30 June 2023

16.1 These represent plots stated at cost. Market value of plots is estimated at Rupees 958.150 million (2022: Rupees 1,124.150 million). Forced sale value of investment properties as on the reporting date is Rupees 812.525 million (2022: Rupees 669.425 million). The valuation has been carried out by an independent valuer.

16.2 Particulars of investment properties are as follows:

| Description | Address | Area of land (Kanals) |
|-------------------|---|--------------------------|
| Residential Plots | Lake City, 13 K.M. Raiwind Road, Lahore. | 39 |
| Residential Plots | Central Boulevard Housing Scheme, Mouza Asal Suleman, Ferozepur Road, Lahore. | 2.25 |
| Commercial plots | Central Boulevard Housing Scheme, Mouza Asal Suleman, Ferozepur Road, Lahore. | 0.2 |

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|--------|------------------------------|----------------|
| 17. LONG TERM INVESTMENTS | | | |
| Investments in joint ventures - under equity method | 17.1 | - | - |
| Equity instruments - at FVTOCI | 17.2 | 619,433 | 766,021 |
| Knightbridge Residential Real Estate Partners (Partnership Firm) | 17.3 | 6,130 | 6,130 |
| | | 625,563 | 772,151 |
| 17.1 Investments in joint ventures - under equity method | | | |
| S2 Hydro Limited 24,000 (2022: 24,000) fully paid ordinary shares of Rupees 10 each. 10 each. Equity held 48% (2022: 48%) | 17.1.1 | - | - |
| S2 Power Limited 24,000 (2022: 24,000) fully paid ordinary shares of Rupees 10 each. Equity held 48% (2022: 48%) | 17.1.1 | - | - |
| S2 Solar Limited 25,000 (2022: 25,000) fully paid ordinary shares of Rupees 10 each. Equity held 50% (2022: 50%) | 17.1.1 | - | - |
| | | - | - |

Notes to the Financial Statements

For the year ended 30 June 2023

17.1.1 Reconciliation of investments in joint ventures under equity method:

| | S2 Hydro Limited | | S2 Power Limited | | S2 Solar Limited | |
|-------------------------------------|-----------------------|----------|------------------|-------|------------------|---------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | (RUPEES IN THOUSANDS) | | | | | |
| Cost | 240 | 240 | 240 | 240 | 250 | 250 |
| Add: Advance for purchase of shares | 18,232 | 18,232 | 533 | 533 | 2,747 | 2,747 |
| Share of post acquisition reserves: | | | | | | |
| As at 01 July | (354) | (354) | (773) | (773) | (52) | (52) |
| Share of profit / (loss) | - | - | - | - | - | - |
| As at 30 June | (354) | (354) | (773) | (773) | (52) | (52) |
| Less: Impairment loss | (18,118) | (18,118) | - | - | (2,945) | (2,945) |
| | - | - | - | - | - | - |

17.1.2 Summarized statement of financial position

| | | | | | | |
|-------------------------|----------|----------|---------|---------|---------|---------|
| Current assets | 160 | 160 | 2 | 2 | 511 | 511 |
| Non-current assets | 31,264 | 31,264 | - | - | 2,633 | 2,633 |
| Current liabilities | (1,954) | (1,954) | - | - | - | - |
| Non-current liabilities | - | - | - | - | - | - |
| Share deposit money | (29,707) | (29,707) | (2,978) | (2,978) | (2,747) | (2,747) |
| Net assets | (237) | (237) | (2,976) | (2,976) | 397 | 397 |

17.1.3 Reconciliation to carrying amounts:

| | | | | | | |
|--|----------|----------|---------|---------|---------|---------|
| Net assets as at 01 July | (237) | (237) | (2,976) | (2,976) | 397 | 397 |
| Loss after taxation | - | - | - | (145) | - | - |
| Net assets as at 30 June | (237) | (237) | (2,976) | (2,976) | 397 | 397 |
| Company's share | 48.00% | 48.00% | 48.00% | 48.00% | 50.00% | 50.00% |
| Company's share | (114) | (114) | (533) | (533) | 198 | 198 |
| Company's advance for purchase of shares | 18,232 | 18,232 | 533 | 533 | 2,747 | 2,747 |
| Impairment loss | (18,118) | (18,118) | - | - | (2,945) | (2,945) |
| | - | - | - | - | - | - |

17.1.4 Summarized statement of comprehensive income

| | | | | | | |
|----------------------------|---|---|---|---|---|---|
| Revenue | - | - | - | - | - | - |
| Loss for the period | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | - | - |
| Total comprehensive loss | - | - | - | - | - | - |

The above amounts of assets and liabilities include the followings:

| | | | | | | |
|---|-----|-----|---|---|-----|-----|
| Cash and cash equivalents | 160 | 160 | 2 | 2 | 511 | 511 |
| Current financial liabilities (excluding trade and other payables and provisions) | - | - | - | - | - | - |
| Non-current financial liabilities (excluding trade and other payables and provisions) | - | - | - | - | - | - |
| Depreciation and amortisation | - | - | - | - | - | - |
| Interest income | - | - | - | - | - | - |
| Interest expense | - | - | - | - | - | - |
| Income tax expense / income | - | - | - | - | - | - |

Notes to the Financial Statements

For the year ended 30 June 2023

17.1.5 Interests in associates

| Name of associated company | Note | Country of incorporation | % of ownership interest | Measurement method |
|----------------------------|--------|--------------------------|-------------------------|--------------------|
| S2 Hydro Limited | 17.1.6 | Pakistan | 48.00% | Equity method |
| S2 Power Limited | 17.1.7 | Pakistan | 48.00% | Equity method |
| S2 Solar Limited | 17.1.8 | Pakistan | 50.00% | Equity method |

17.1.6 S2 Hydro Limited was incorporated for setting up hydel power generation facilities. Its registered office is situated at 7 - B - III, Marina Homes, Aziz Avenue, Gulberg V, Lahore.

17.1.7 S2 Power Limited was incorporated 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, Marina Homes, Aziz Avenue, Gulberg V, Lahore.

17.1.8 S2 Solar Limited was incorporated 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, Marina Homes, Aziz Avenue, Gulberg V, Lahore.

Notes to the Financial Statements

For the year ended 30 June 2023

| | 2023 | | | 2022 | | |
|---|----------------|-----------------------|---------------|----------------|-----------------------|---------------|
| | Cost | Fair value adjustment | Fair value | Cost | Fair value adjustment | Fair value |
| ----- (Rupees in thousand) ----- | | | | | | |
| 17.2 Equity instruments - at FVTOCI | | | | | | |
| Quoted - Investments in related parties | | | | | | |
| Premier Insurance Limited | | | | | | |
| 1,298,971 (2022: 1,298,971) fully paid ordinary shares of Rupees 10 each. | 9,167 | (2,672) | 6,495 | 9,167 | (3,529) | 5,638 |
| The Crescent Textile Mills Limited - associated company | | | | | | |
| 2,060,625 (2022: 1,648,500) fully paid ordinary shares of Rupees 10 each. | 45,855 | (19,273) | 26,582 | 45,855 | (8,784) | 37,071 |
| Crescent Steel and Allied Products Limited - associated company | | | | | | |
| 1,222,000 (2022: 1,222,000) fully paid ordinary shares of Rupees 10 each. | 81,193 | (54,920) | 26,273 | 81,193 | (30,272) | 50,921 |
| | 136,215 | (76,865) | 59,350 | 136,215 | (42,585) | 93,630 |
| Quoted - Others | | | | | | |
| Kot Adu Power Company Limited | | | | | | |
| 525,000 (2022: 525,000) fully paid ordinary shares of Rupees 10 each. | 28,303 | (17,383) | 10,920 | 28,303 | (13,850) | 14,453 |
| Nishat Mills Limited | | | | | | |
| 1,125,000 (2022: 1,125,000) fully paid ordinary shares of Rupees 10 each. | 130,996 | (67,130) | 63,866 | 130,996 | (47,847) | 83,149 |
| Pakistan State Oil Company Limited | | | | | | |
| 198,360 (2022: 198,360) fully paid ordinary shares of Rupees 10 each. | 40,362 | (18,342) | 22,020 | 40,362 | (6,276) | 34,086 |
| Oil & Gas Development Company Limited | | | | | | |
| 550,000 (2022: 550,000) fully paid ordinary shares of Rupees 10 each. | 79,126 | (36,226) | 42,900 | 79,126 | (35,857) | 43,269 |
| The Searle Company Limited | | | | | | |
| 246,346 (2022: 197,077) fully paid ordinary shares of Rupees 10 each. | 43,244 | (33,804) | 9,440 | 43,244 | (21,759) | 21,485 |
| DG Khan Cement Company Limited | | | | | | |
| 1,212,400 (2022: 1,212,400) fully paid ordinary shares of Rupees 10 each. | 137,956 | (75,760) | 62,196 | 137,956 | (62,181) | 75,775 |
| Fauji Fertilizer Company Limited | | | | | | |
| 325,000 (2022: 325,000) fully paid ordinary shares of Rupees 10 each. | 28,259 | 3,734 | 31,993 | 28,259 | 7,563 | 35,822 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | 2023 | | | 2022 | | |
|---|----------------|-----------------------|----------------|----------------|-----------------------|----------------|
| | Cost | Fair value adjustment | Fair value | Cost | Fair value adjustment | Fair value |
| ----- (Rupees in thousand) ----- | | | | | | |
| Fatima Fertilizer Company Limited 979,000 (2022: 979,000) fully paid ordinary shares of of Rupees 10 each. | 34,896 | (5,712) | 29,184 | 34,896 | 2,110 | 37,006 |
| Engro Corporation Limited 4,700 (2022: 94,700) fully paid ordinary shares of of Rupees 10 each. | 1,400 | (179) | 1,221 | 28,203 | (3,857) | 24,346 |
| Engro Fertilizers Limited 1,900,000 (2022: 1,900,000) fully paid ordinary shares of Rupees 10 each. | 111,449 | 45,358 | 156,807 | 111,449 | 56,967 | 168,416 |
| United Bank Limited 220,700 (2022: 220,700) fully paid ordinary shares of Rupees 10 each. | 45,720 | (19,779) | 25,941 | 45,720 | (20,752) | 24,968 |
| Kohinoor Textile Mills Limited 799,900 (2022: 799,900) fully paid ordinary shares of of Rupees 10 each. | 39,149 | 1,574 | 40,723 | 39,149 | 846 | 39,995 |
| Attock Refinery Limited 125,000 (2022: 125,000) fully paid ordinary shares of of Rupees 10 each. | 21,531 | (77) | 21,454 | 21,531 | 442 | 21,973 |
| MCB Bank Limited 200,140 (2022: 200,140) fully paid ordinary shares of Rupees 10 each. | 39,959 | (17,049) | 22,910 | 39,959 | (15,346) | 24,613 |
| Habib Bank Limited 250,000 (2022: 250,000) fully paid ordinary shares of Rupees 10 each. | 41,688 | (23,380) | 18,308 | 41,688 | (18,853) | 22,835 |
| | 824,038 | (264,155) | 559,883 | 850,841 | (178,650) | 672,191 |
| Unquoted - Others | | | | | | |
| TCC Management Services (Private) Limited (Note 17.2.1) 200,000 (2022: 200,000) fully paid ordinary shares of Rupees 10 each. | 200 | - | 200 | 200 | - | 200 |
| | 960,453 | (341,020) | 619,433 | 987,256 | (221,235) | 766,021 |

17.2.1 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.

17.3 Investment in Knightbridge Residential Real Estate Partners (Partnership Firm) is carried at cost being immaterial.

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------------|------------------------------|------------------|
| 18. LONG TERM DEPOSIT | | | |
| Deposit against leased asset | | 205 | 205 |
| Deposits - others | 18.1 | 19,532 | 21,871 |
| | | 19,737 | 22,076 |
| 18.1 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. | | | |
| 19. STORES, SPARE PARTS AND LOOSE TOOLS | | | |
| Stores | | 498,921 | 289,858 |
| Spare parts | | 25,714 | 14,939 |
| Loose tools | | 548 | 318 |
| | | 525,183 | 305,115 |
| Less: Provision for slow moving, obsolete and damaged store items | 19.2 | (55,340) | (47,817) |
| | | 469,843 | 257,298 |
| 19.1 Stores, spares and loose tools include stock-in-transit of Rupees 5.811 million (2022: Rupees 8.052 million). | | | |
| 19.2 Provision for slow moving, obsolete and damaged store items | | | |
| Balance as on 01 July | | 47,817 | 43,639 |
| Less: Provision made during the year | 32 | 7,523 | 4,178 |
| Balance as on 30 June | | 55,340 | 47,817 |
| 20. STOCK-IN-TRADE | | | |
| Raw materials | 20.1 & 20.2 | 2,847,828 | 2,129,234 |
| Work-in-process | | 346,703 | 350,705 |
| Finished goods | 20.3 | 2,601,680 | 3,660,577 |
| Waste | | 22,841 | 24,034 |
| | | 5,819,052 | 6,164,550 |

Notes to the Financial Statements

For the year ended 30 June 2023

- 20.1** Raw materials include stock-in-transit of Rupees 288.483 million (2022: Rupees 303.654 million).
- 20.2** During the previous year, as a result of fire at cotton godown, some cotton bales got burnt. The carrying value of the burnt raw materials was Rupees 91.066 million. The Company claimed such losses from insurance providers as referred to in Note 33.1.
- 20.3** Stock-in-trade of Rupees 194.483 million (2022: Rupees 570.416 million) is being carried at net realizable value.
- 20.4** The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 19.671 million (2022: Rupees 22.083 million).

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|-------------------|------------------------------|-----------|
| 21. TRADE DEBTS | | | |
| Considered good: | | | |
| Secured (against letters of credit) | | - | 34,451 |
| Unsecured: | | | |
| - Related party | 21.1, 21.2 & 21.3 | 375 | 13,447 |
| - Others | 21.4 | 3,281,535 | 2,777,903 |
| | | 3,281,910 | 2,825,801 |
| Less: Allowance for expected credit loss | 21.5 | (235,219) | (220,984) |
| | | 3,046,691 | 2,604,817 |
| 21.1 This represents amount due from following related party: | | | |
| The Crescent Textile Mills Limited - associated company | | 153 | 204 |
| Crescent Powertech Limited - associated company | | - | 68 |
| ICON Global (Private) Limited - associated company | | 8 | 8 |
| ACME Mills (Private) Limited - associated company | | 214 | 13,167 |
| | | 375 | 13,447 |
| 21.2 The maximum aggregate amount receivables from related parties at the end of any month during the year was as follows: | | | |
| The Crescent Textile Mills Limited - associated company | | 15,124 | 20,208 |
| Crescent Powertech Limited - associated company | | - | 68 |
| ICON Global (Private) Limited - associated company | | 8 | 8 |
| ACME Mills (Private) Limited - associated company | | 38,955 | 19,970 |

Notes to the Financial Statements

For the year ended 30 June 2023

21.3 As at 30 June 2023, trade debts due from related parties amounting to Rupees 0.375 million (2022: Rupees 0.643 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

| | Note | 2023 (Rupees in thousand) | 2022 |
|---------------|------|------------------------------|------------|
| Up to 30 days | | 106 | 166 |
| 31 to 60 days | | - | 302 |
| 61 to 90 days | | 108 | 128 |
| Above 90 days | | 161 | 47 |
| | | 375 | 643 |

21.4 As at 30 June 2023, trade debts due from other than related parties of Rupees 674.915 million (2022: Rupees 870.703 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:

| | | | |
|---------------|--|----------------|----------------|
| Up to 30 days | | 394,022 | 537,390 |
| 31 to 60 days | | 15,890 | 115,099 |
| 61 to 90 days | | 67,475 | 170,361 |
| Above 90 days | | 197,528 | 47,853 |
| | | 674,915 | 870,703 |

21.5 Allowance for expected credit loss

| | | | |
|----------------------------------|----|----------------|----------------|
| Opening balance | | 220,984 | 49,190 |
| Add : Recognized during the year | 32 | 14,235 | 171,794 |
| Closing balance | | 235,219 | 220,984 |

21.6 Types of counterparties

| | | | |
|---------------|--|------------------|------------------|
| Export | | | |
| Corporate | | - | 34,451 |
| Local | | | |
| Corporate | | 2,559,506 | 2,525,055 |
| Others | | 722,404 | 266,295 |
| | | 3,281,910 | 2,825,801 |

21.7 Secured trade debts amounting to Rupees Nil (2022: Rupees 34.451 million) represents receivable from parties situated in Karachi Export Processing Zone.

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|-------------------------------|-------------|------------------------------|---------------|
| 22. LOANS AND ADVANCES | | | |
| Considered good: | | | |
| Employees | 22.1 | 6,464 | 4,115 |
| Advances to suppliers | | 16,486 | 46,977 |
| Letters of credit | | 16,948 | 25,546 |
| Due from related parties | 22.2 & 22.3 | 68,342 | - |
| | | 108,240 | 76,638 |

22.1 These represent interest free short term loans and advances given to employees as per Company's policy for general purposes. These are secured against balance to the credit of employees in the provident fund trust and are recoverable in equal monthly instalments.

22.2 These include amounts due from following related parties. These are neither past due nor impaired.

| | | |
|--|---------------|----------|
| Shams Textile Mills Limited - associated company | 7,177 | - |
| Crescent Powertech Limited - associated company | 61,155 | - |
| Premier Insurance Limited - associated company | 10 | - |
| | 68,342 | - |

22.3 As at 30 June 2023, due from related parties amounting to Rupees 68.342 million (2022: Rupees Nil) were past due but not impaired. The ageing analysis of due from related parties is as follows:

| | | |
|---------------|---------------|----------|
| Up to 30 days | - | - |
| 31 to 60 days | - | - |
| 61 to 90 days | 7,177 | - |
| Above 90 days | 61,165 | - |
| | 68,342 | - |

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

| | | |
|--|--------|---|
| Shams Textile Mills Limited - associated company | 7,572 | - |
| Crescent Powertech Limited - associated company | 89,196 | - |
| Premier Insurance Limited - associated company | 10 | - |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|--|------------------------------|------------------|
| 23. SHORT TERM DEPOSITS AND PREPAYMENTS | | | |
| Security deposits | | 225,945 | 161,126 |
| Prepayments | | 12,533 | 10,634 |
| | | 238,478 | 171,760 |
| 24. OTHER RECEIVABLES | | | |
| Claims receivable | 24.1 | 54,677 | 95,351 |
| Sales tax refundable | | 430,880 | 121,185 |
| Other receivables | | - | 35 |
| | | 485,557 | 216,571 |
| 24.1 | These include amount receivable from Premier Insurance Limited - associated company against stock-in-trade burnt in fire amounting to Rupees 24.504 million (2022: Rupees 78.342 million). | | |
| 25. SHORT TERM INVESTMENTS | | | |
| At fair value through profit or loss: | | | |
| Equity instruments | 25.1 | 211,928 | 290,072 |
| Mutual funds | 25.2 | 389,583 | 1,332,976 |
| | | 601,511 | 1,623,048 |

Notes to the Financial Statements

For the year ended 30 June 2023

| Note | 2023 | | | 2022 | | |
|----------------------------------|---|--------------------------|------------|----------------|--------------------------|------------|
| | Carrying value | Unrealised gain / (loss) | Fair value | Carrying value | Unrealised gain / (loss) | Fair value |
| ----- (Rupees in thousand) ----- | | | | | | |
| 25.1 | Equity instruments | | | | | |
| | Unquoted - Investments in related parties | | | | | |
| | Premier Financial Services (Private) Limited - associated company | | | | | |
| | 2,200 (2022: 2,200) fully paid ordinary shares of Rupees 1,000 each. | | | | | |
| | | | | | | |
| | Crescent Spinning Mills Limited | | | | | |
| | 208,800 (2022: 208,800) fully paid ordinary shares of Rupees 10 each. | | | | | |
| 25.1.1 | | | | | | |
| | | | | | | |
| | Quoted - Others | | | | | |
| | Samba Bank Limited | | | | | |
| | 1,652,306 (2022: 1,652,306) fully paid ordinary shares of Rupees 10 each. | | | | | |
| | 16,258 | (3,337) | 12,921 | 11,037 | 5,221 | 16,258 |
| | Fauji Cement Company Limited | | | | | |
| | 1,687,500 (2022: 1,500,000) fully paid ordinary shares of Rupees 10 each. | | | | | |
| | 21,255 | (1,410) | 19,845 | 34,500 | (13,245) | 21,255 |
| | GlaxoSmithKline Pakistan Limited | | | | | |
| | 79,700 (2022: 79,700) fully paid ordinary shares of Rupees 10 each. | | | | | |
| | 9,957 | (3,950) | 6,007 | 13,204 | (3,247) | 9,957 |
| | Pakistan Telecommunication Limited | | | | | |
| | 550,000 (2022: 550,000) fully paid ordinary shares of Rupees 10 each. | | | | | |
| | 3,828 | (522) | 3,306 | 6,512 | (2,684) | 3,828 |
| | TPL Trakker Limited | | | | | |
| | 160,000 (2022: 160,000) fully paid ordinary shares of Rupees 10 each. | | | | | |
| | 1,459 | (497) | 962 | 3,128 | (1,669) | 1,459 |
| | First Equity Modaraba | | | | | |
| | 1,848,000 (2022: 1,848,000) fully paid certificates of Rupees 10 each. | | | | | |
| | 13,860 | (6,468) | 7,392 | 12,474 | 1,386 | 13,860 |
| | Nishat Chunian Power Limited | | | | | |
| | 800,000 (2022: 800,000) fully paid ordinary shares of Rupees 10 each. | | | | | |
| | 11,928 | 1,432 | 13,360 | 12,016 | (88) | 11,928 |
| | TRG Pakistan Limited | | | | | |
| | 100,000 (2022: 250,000) fully paid ordinary shares of Rupees 10 each. | | | | | |
| | 7,733 | 1,480 | 9,213 | 29,209 | (9,876) | 19,333 |

Notes to the Financial Statements

For the year ended 30 June 2023

| Note | 2023 | | | 2022 | | |
|--|----------------|--------------------------|------------|----------------|--------------------------|------------|
| | Carrying value | Unrealised gain / (loss) | Fair value | Carrying value | Unrealised gain / (loss) | Fair value |
| ----- (Rupees in thousand) ----- | | | | | | |
| Aisha Steel Mills Limited 854,500 (2022: 854,500) fully paid ordinary shares of Rupees 10 each. | 9,442 | (4,828) | 4,614 | 21,286 | (11,844) | 9,442 |
| ICI Pakistan Limited 10,000 (2022: 10,000) fully paid ordinary shares of Rupees 10 each. | 7,246 | (1,205) | 6,041 | 8,688 | (1,442) | 7,246 |
| Arif Habib Corporation Limited 100,000 (2022: 100,000) fully paid ordinary shares of Rupees 10 each. | 3,700 | (1,213) | 2,487 | 4,003 | (303) | 3,700 |
| Power Cement Limited 2,000,000 (2022: 2,000,000) fully paid ordinary shares of Rupees 10 each. | 10,640 | (2,440) | 8,200 | 19,220 | (8,580) | 10,640 |
| Sui Northern Gas Pipelines Limited 100,000 (2022: 100,000) fully paid ordinary shares of Rupees 10 each. | 3,421 | 516 | 3,937 | 4,858 | (1,437) | 3,421 |
| Service Global Footwear Limited 529,544 (2022: 429,544) fully paid ordinary shares of Rupees 10 each. | 21,277 | (6,513) | 14,764 | 29,248 | (7,971) | 21,277 |
| Hi-Tech Lubricants Limited 960,000 (2022: 800,000) fully paid ordinary shares of Rupees 10 each. | 38,064 | (17,683) | 20,381 | 56,728 | (18,664) | 38,064 |
| Azgard Nine Limited 1,500,000 (2022: 1,500,000) fully paid ordinary shares of Rupees 10 each. | 15,420 | (6,420) | 9,000 | 50,835 | (35,415) | 15,420 |
| National Refinery Limited 75,000 (2022: 75,000) fully paid ordinary shares of Rupees 10 each. | 18,943 | (7,693) | 11,250 | 36,196 | (17,253) | 18,943 |
| Netsol Technologies Limited 130,000 (2022: 130,000) fully paid ordinary shares of Rupees 10 each. | 12,966 | (3,238) | 9,728 | 22,097 | (9,131) | 12,966 |

Notes to the Financial Statements

For the year ended 30 June 2023

| Note | 2023 | | | 2022 | | |
|---|----------------|--------------------------|----------------|----------------|--------------------------|------------|
| | Carrying value | Unrealised gain / (loss) | Fair value | Carrying value | Unrealised gain / (loss) | Fair value |
| ----- (Rupees in thousand) ----- | | | | | | |
| Indus Motor Company Limited 10,000 (2022: 10,000) fully paid ordinary shares of Rupees 10 each. | 11,444 | (2,012) | 9,432 | 12,541 | (1,097) | 11,444 |
| Maple Leaf Cement Factory Limited 300,000 (2022: 300,000) fully paid ordinary shares of Rupees 10 each. | 8,205 | 294 | 8,499 | 14,094 | (5,889) | 8,205 |
| The HUB Power Company Limited 291,367 (2022: Nil) fully paid ordinary shares of Rupees 10 each. | 19,863 | 410 | 20,273 | 23,213 | (3,350) | 19,863 |
| Bank Alfalah Limited 300,000 (2022: Nil) fully paid ordinary shares of Rupees 10 each. | 9,600 | (468) | 9,132 | 9,710 | (110) | 9,600 |
| Octopus Digital Limited 31,661 (2022: 27,532) fully paid ordinary shares of Rupees 10 each. | 1,963 | (779) | 1,184 | 1,118 | 845 | 1,963 |
| | 278,472 | (66,544) | 211,928 | 435,915 | (145,843) | 290,072 |
| | 278,472 | (66,544) | 211,928 | 435,915 | (145,843) | 290,072 |

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

26.2 Mutual funds

| 2023 | 2022 | Name of fund | 2023 | | | 2022 | | |
|----------------------------------|-------------------|--|----------------|------------------------|----------------|----------------|------------------------|------------|
| | | | Carrying value | Unrealised gain/(loss) | Fair value | Carrying value | Unrealised gain/(loss) | Fair value |
| ----- (Rupees In Thousand) ----- | | | | | | | | |
| 2,595,383 | 2,251,448 | Alfalah GHP Money Market Fund B Growth Units | 256,485 | 34 | 256,519 | 221,179 | 300 | 221,479 |
| - | 19,231,112 | NBP Money Market Fund | - | - | - | 190,361 | 625 | 190,986 |
| - | 198,394 | Atlas Money Market Fund | - | - | - | 100,366 | 320 | 100,686 |
| - | 47,042,646 | ABL Cash Fund | - | - | - | 479,040 | 866 | 479,906 |
| 1,302,419 | 1,882,518 | HBL Cash Fund | 131,963 | 1,099 | 133,062 | 190,501 | 223 | 190,724 |
| - | 1,472,801 | MCB Cash Management Optimizer | - | - | - | 148,632 | 563 | 149,195 |
| 22 | - | UBL Liquidity Plus Fund | - | 2 | 2 | - | - | - |
| 3,897,824 | 72,078,919 | | 388,448 | 1,135 | 389,583 | 1,330,079 | 2,897 | 1,332,976 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|-----------------------------------|------|------------------------------|---------|
| 26. CASH AND BANK BALANCES | | | |
| With banks: | | | |
| On current accounts | | 29,139 | 41,821 |
| On PLS saving accounts | 26.1 | 111,687 | 376,172 |
| | | 140,826 | 417,993 |
| Cash in hand | | 1,741 | 2,742 |
| | | 142,567 | 420,735 |

26.1 Rate of profit on bank deposits ranges from 6% to 19.50% (2022: 5.50% to 12.25%) per annum.

27. NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | | | |
|-----------------------------------|------|---------------|----------|
| Opening balance | | 26,152 | 23,866 |
| Add: Addition during the year | 14.1 | - | 13,946 |
| | | 26,152 | 37,812 |
| Less: Disposed of during the year | 27.2 | (3,687) | (11,660) |
| Closing balance | | 22,465 | 26,152 |

27.1 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.

27.2 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 | | | | | | | | |
| Compressor - C80 MX2 | 2 | 24,637 | 20,950 | 3,687 | 3,700 | 13 | Negotiation | Mubashar Brothers, Faisalabad |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|--------|------------------------------|-------------------|
| 28. REVENUE FROM CONTRACTS WITH CUSTOMERS | | | |
| Export sales | | 424,252 | 204,506 |
| Local sales | 28.1 | 18,436,083 | 23,296,153 |
| | | 18,860,335 | 23,500,659 |
| 28.1 Local sales | | | |
| Sales | 28.1.1 | 21,605,797 | 27,269,013 |
| Less: Sales tax | | (3,169,714) | (3,972,860) |
| | | 18,436,083 | 23,296,153 |

28.1.1 Local sales include waste sales of Rupees 1,132.083 million (2022: Rupees 1,053.956 million).

28.2 The amount of Rupees 58.702 million included in contract liabilities (Note 8) at 30 June 2022 has been recognised as revenue during the year. (2022: Rupees 58.196 million).

28.3 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition:

| | Spinning | | Weaving | | Total - Company | |
|---|---------------------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | ------(Rupees in thousand)----- | | | | | |
| Primary geographical markets | | | | | | |
| Pakistan | 10,388,920 | 13,517,104 | 8,047,163 | 9,779,049 | 18,436,083 | 23,296,153 |
| Italy | - | - | 46,153 | 59,777 | 46,153 | 59,777 |
| Portugal | - | - | 113,025 | 86,373 | 113,025 | 86,373 |
| Sri Lanka | 4,623 | 4,971 | - | - | 4,623 | 4,971 |
| Karachi Export Processing Zone | 3,880 | 18,596 | - | - | 3,880 | 18,596 |
| Bangladesh | - | - | 158,795 | 34,789 | 158,795 | 34,789 |
| China | - | - | 97,776 | - | 97,776 | - |
| | 10,397,423 | 13,540,671 | 8,462,912 | 9,959,988 | 18,860,335 | 23,500,659 |
| Major products lines | | | | | | |
| Yarn | 10,378,215 | 13,469,371 | - | - | 10,378,215 | 13,469,371 |
| Greige fabric | - | - | 8,462,912 | 9,959,988 | 8,462,912 | 9,959,988 |
| Cotton | 19,208 | 71,300 | - | - | 19,208 | 71,300 |
| | 10,397,423 | 13,540,671 | 8,462,912 | 9,959,988 | 18,860,335 | 23,500,659 |
| Timing of revenue recognition | | | | | | |
| Products transferred at a point in time | 10,397,423 | 13,540,671 | 8,462,912 | 9,959,988 | 18,860,335 | 23,500,659 |
| Products transferred over time | - | - | - | - | - | - |
| | 10,397,423 | 13,540,671 | 8,462,912 | 9,959,988 | 18,860,335 | 23,500,659 |

28.4 Revenue is recognised at point in time as per the terms and conditions of underlying contracts with customers.

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|--------|------------------------------|--------------------|
| 29. COST OF SALES | | | |
| Raw materials consumed | 29.1 | 13,361,775 | 17,386,979 |
| Sizing expenses | | 110,937 | 114,879 |
| Salaries, wages and other benefits | 29.2 | 1,003,086 | 1,189,694 |
| Stores, spare parts and loose tools consumed | | 223,394 | 275,676 |
| Packing materials consumed | | 125,251 | 181,714 |
| Repair and maintenance | | 90,302 | 101,367 |
| Fuel and power | | 1,712,570 | 1,935,900 |
| Insurance | | 43,490 | 36,275 |
| Other factory overheads | | 32,727 | 25,820 |
| Depreciation on property, plant and equipment | 14.1.2 | 634,743 | 553,346 |
| | | 17,338,275 | 21,801,650 |
| Work-in-process | | | |
| Opening stock | | 350,705 | 183,121 |
| Closing stock | | (346,703) | (350,705) |
| | | 4,002 | (167,584) |
| Cost of goods manufactured | | 17,342,277 | 21,634,066 |
| Finished goods | | | |
| Openings stock | | 3,684,611 | 866,645 |
| Closing stock | | (2,624,521) | (3,684,611) |
| | | 1,060,090 | (2,817,966) |
| | | 18,402,367 | 18,816,100 |
| 29.1 Raw materials consumed | | | |
| Opening stock | | 2,129,234 | 2,153,916 |
| Add: Purchased during the year | | 14,080,369 | 17,453,363 |
| Less: Loss of raw materials due to fire | 20.2 | - | (91,066) |
| | | 16,209,603 | 19,516,213 |
| Less: Closing stock | | (2,847,828) | (2,129,234) |
| | | 13,361,775 | 17,386,979 |

29.2 Salaries, wages and other benefits include provident fund contribution of Rupees 24.591 million (2022: Rupees 26.065 million) by the Company.

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|------------------------------|------|------------------------------|----------------|
| 30. DISTRIBUTION COST | | | |
| Salaries and other benefits | 30.1 | 7,854 | 8,244 |
| Outward freight and shipment | | 36,254 | 39,124 |
| Commission to selling agents | | 158,613 | 188,898 |
| Clearing and forwarding | | 5,943 | 3,746 |
| Export development surcharge | | 1,064 | 464 |
| | | 209,728 | 240,476 |

30.1 Salaries and other benefits include provident fund contribution of Rupees 0.288 million (2022: Rupees 0.293 million) by the Company.

| | | | |
|---|-------------|----------------|----------------|
| 31. ADMINISTRATIVE EXPENSES | | | |
| Salaries and other benefits (Note 31.1) | 31.1 | 150,208 | 138,460 |
| Vehicles' running and maintenance | | 10,074 | 9,087 |
| Travelling and conveyance | | 9,357 | 7,257 |
| Rent, rates and taxes | 31.2 | 9,505 | 9,410 |
| Insurance | | 2,930 | 3,496 |
| Entertainment | | 564 | 487 |
| Advertisement | | 347 | 240 |
| Communication | | 1,768 | 1,809 |
| Electricity and gas | | 11,674 | 9,249 |
| Printing and stationery | | 3,993 | 6,172 |
| Repair and maintenance | | 9,028 | 8,866 |
| Fee and subscription | | 7,080 | 7,212 |
| Depreciation on property, plant and equipment | 14.1.2 | 32,075 | 33,272 |
| Depreciation on right-of-use asset | 15 | 464 | 464 |
| Donations | 31.3 & 31.4 | 11,560 | 75,752 |
| | | 260,627 | 311,233 |

31.1 Salaries and other benefits include provident fund contribution of Rupees 4.518 million (2022: Rupees 3.979 million) by the Company.

31.2 This includes rent expense of Rupees 9.248 million (2022: Rupees 8.653 million) relating to short term leases and leases of low value assets.

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|--|--------|------------------------------|----------------|
| 33. OTHER INCOME | | | |
| Income from financial assets | | | |
| Dividend income | | 244,352 | 307,222 |
| Profit on deposits with banks | | 40,249 | 18,314 |
| Gain on sale of investments at fair value through profit or loss | | 30,023 | 18,917 |
| Net exchange gain | | - | 6,827 |
| | | 314,624 | 351,280 |
| Income from non-financial assets | | | |
| Gain on sale of property, plant and equipment - net | 14.1.1 | 14,760 | 23,318 |
| Gain on sale of non-current assets classified as held for sale | 27.2 | 13 | 9,540 |
| Gain on insurance claim of raw materials written off due to fire | 33.1 | - | 12,276 |
| Scrap sales | | 2,633 | 5,289 |
| | | 17,406 | 50,423 |
| | | 332,030 | 401,703 |

33.1 As referred in Note 20.2, during the previous year, as a result of a fire incident at cotton godown some cotton bales got burnt. The Company filed the insurance claim in respect of its raw materials. The insurer appointed a surveyor who completed its survey and assessed the insurance claim at Rupees 103.342 million. Out of total claim, the Company has received proceeds of Rupees 78.838 million from the insurer as at 30 June 2023. The carrying value of burnt raw materials was Rupees 91.066 million, hence gain recognized during the previous year on insurance claim of raw materials written off due to fire amounted to Rupees 12.276 million.

| | | | |
|------------------------------------|-----|----------------|----------------|
| 34. FINANCE COST | | | |
| Mark-up on: | | | |
| Long term financing | | 116,539 | 111,186 |
| Short term borrowings | | 187,062 | 74,125 |
| Lease liability | 6.1 | 143 | 126 |
| Adjustment due to impact of IFRS 9 | 7.2 | 288 | 13,426 |
| Bank charges and commission | | 15,834 | 15,043 |
| | | 319,866 | 213,906 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---------------------|------|------------------------------|----------------|
| 35. TAXATION | | | |
| Current | 35.1 | 294,184 | 862,039 |
| Deferred | | 2,788 | 66,413 |
| | | 296,972 | 928,452 |

35.1 The provision for current tax mainly represents minimum tax on local sales under section 113, final tax on export sales under section 154 and super tax on income calculated as per section 4C of the Income Tax Ordinance, 2001. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is as follows:

35.2 Reconciliation between tax expense and accounting profit

| | | | |
|---|--|----------------|----------------|
| Accounting (loss) / profit before taxation | | (115,306) | 3,718,983 |
| Applicable tax rate | | 29% | 29% |
| Tax on accounting (loss) / profit | | (33,439) | 1,078,505 |
| Tax effect of capital gain taxed at a lower rate | | (4,425) | (756) |
| Tax effect of final tax regime income taxed at a lower rate | | 6,618 | (371,689) |
| Tax effect of dividend income taxed at a lower rate | | (35,028) | (43,011) |
| Tax effect arising as a consequence of recognition of deferred income tax | | 2,788 | 66,413 |
| Tax effect of super tax | | 9,867 | 229,376 |
| Tax effect of section 7E | | 9,582 | 11,242 |
| Tax effect of minimum tax | | 230,484 | - |
| Others | | 110,525 | (41,628) |
| | | 296,972 | 928,452 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | 2023 | 2022 |
|---|----------------------|------------|
| | (Rupees in thousand) | |
| 36. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED | | |
| There is no dilutive effect on the basic (loss) / earnings per share which is based on: | (412,278) | 2,790,531 |
| | Numbers | |
| Weighted average number of ordinary shares | 44,372,287 | 44,372,287 |
| | Rupees | |
| (Loss) / earnings per share | (9.29) | 62.89 |

| | Note | 2023 | 2022 |
|---|------|----------------------|----------------|
| | | (Rupees in thousand) | |
| 37. CASH GENERATED FROM OPERATIONS | | | |
| (Loss) / profit before taxation | | (115,306) | 3,718,983 |
| Adjustments for non-cash charges and other items: | | | |
| Depreciation on property, plant and equipment | | 666,818 | 586,618 |
| Depreciation on right-of-use asset | | 464 | 464 |
| Gain on sale of investments at fair value through profit or loss | | (30,023) | (18,917) |
| Gain on disposal of property, plant and equipment - net | | (14,760) | (23,318) |
| Gain on disposal of assets classified as held for sale | | (13) | (9,540) |
| Exchange loss / (gain) | | 18,097 | (6,827) |
| Dividend income | | (244,352) | (307,222) |
| Allowance for expected credit loss | | 14,235 | 171,794 |
| Provision for slow moving, obsolete and damaged store items | | 7,523 | 4,178 |
| Provision for workers' profit participation fund | | - | 199,731 |
| Provision for slow moving, obsolete and damaged store items | | 4,178 | 3,333 |
| Provision for workers' profit participation fund | | 199,731 | 165,741 |
| Provision for workers' welfare fund | | - | 75,898 |
| Unrealised loss on re-measurement of investments at fair value through profit or loss | | 65,409 | 142,946 |
| Finance cost | | 319,866 | 213,906 |
| Profit on bank deposits | | (40,249) | (18,314) |
| Working capital changes | 37.1 | (238,672) | (3,932,699) |
| | | 409,037 | 797,681 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Note | 2023 (Rupees in thousand) | 2022 |
|---|------|------------------------------|-------------|
| 37.1 Working capital changes | | | |
| (Increase) / decrease in current assets: | | | |
| - Stores, spare parts and loose tools | | (220,068) | (42,551) |
| - Stock in trade | | 345,498 | (2,960,868) |
| - Trade debts | | (474,206) | (1,329,937) |
| - Loans and advances | | (31,602) | (36,666) |
| - Trade deposits and short term prepayments | | (66,718) | (66,146) |
| - Other receivables | | (268,986) | (193,553) |
| | | (716,082) | (4,629,721) |
| Increase in trade and other payables | | 477,410 | 697,022 |
| | | (238,672) | (3,932,699) |

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

| | 2023 | | | | Total |
|-----------------------------------|----------------------------------|-----------------|-----------------------|--------------------|-----------|
| | Long term financing | Lease liability | Short term borrowings | Unclaimed dividend | |
| | ----- (Rupees in thousand) ----- | | | | |
| Balance as at 01 July 2022 | 3,849,419 | 1,190 | 726,496 | 7,313 | 4,584,418 |
| Financing obtained | 899,014 | - | - | - | 899,014 |
| Repayment of financing | (380,228) | - | - | - | (380,228) |
| Repayment of lease liability | - | (624) | - | - | (624) |
| Short term borrowings - net | - | - | 499,762 | - | 499,762 |
| Dividend declared | - | - | - | 177,489 | 177,489 |
| Dividend paid | - | - | - | (177,489) | (177,489) |
| Other changes - non-cash movement | (314,259) | - | - | - | (314,259) |
| Balance as at 30 June 2023 | 4,053,946 | 566 | 1,226,258 | 7,313 | 5,288,083 |

| | 2022 | | | | Total |
|-----------------------------------|----------------------------------|-----------------|-----------------------|--------------------|-----------|
| | Long term financing | Lease liability | Short term borrowings | Unclaimed dividend | |
| | ----- (Rupees in thousand) ----- | | | | |
| Balance as at 01 July 2021 | 2,962,714 | 1,773 | 429,454 | 6,387 | 3,400,328 |
| Financing obtained | 1,756,984 | - | - | - | 1,756,984 |
| Repayment of financing | (489,590) | - | - | - | (489,590) |
| Repayment of lease liability | - | (583) | - | - | (583) |
| Short term borrowings - net | - | - | 297,042 | - | 297,042 |
| Dividend declared | - | - | - | 403,384 | 403,384 |
| Dividend paid | - | - | - | (402,458) | (402,458) |
| Other changes - non-cash movement | (163,925) | - | - | - | (380,689) |
| Balance as at 30 June 2022 | 3,849,419 | 1,190 | 726,496 | 7,313 | 4,584,418 |

Notes to the Financial Statements

For the year ended 30 June 2023

39. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

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 | |
|---|-------------------------|--------|---------------|--------|---------------|--------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| ------(Rupees in thousand)----- | | | | | | |
| Managerial remuneration | 14,734 | 13,395 | 23,738 | 21,580 | 35,060 | 30,596 |
| Allowances | | | | | | |
| House rent | 5,156 | 4,688 | 8,308 | 7,553 | 14,838 | 13,098 |
| Reimbursement of expenses | 491 | 425 | 2,057 | 1,526 | 66 | - |
| Other allowance | 1,473 | 1,339 | 2,373 | 2,158 | 9,854 | 7,795 |
| Contribution to provident fund trust | 920 | 824 | 1,424 | 1,295 | 2,024 | 1,756 |
| | 22,774 | 20,671 | 37,900 | 34,112 | 61,842 | 53,245 |
| No. of persons | 1 | 1 | 2 | 2 | 16 | 15 |

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

39.2 Aggregate amount charged in the financial statements for meeting fee to seven directors (2022: seven directors) was Rupees 0.775 million (2022: Rupees 0.700 million).

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

Notes to the Financial Statements

For the year ended 30 June 2023

40. TRANSACTIONS WITH RELATED PARTIES

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:

| | 2023 (Rupees in thousand) | 2022 |
|--|------------------------------|-----------|
| Crescent powertec Limited - associated company | | |
| Purchase of electricity | 15,095 | 97,289 |
| Sale of goods | - | 26,937 |
| Dividend paid | 78,441 | 178,276 |
| Bonus shares issued (Numbers) | - | 1,782,755 |
| Expenses incurred on behalf of the Company | 273 | 245 |
| The Crescent Textile Mills Limited - associated company | | |
| Sale of goods | 15,122 | 62,161 |
| Purchase of goods | 96,271 | 74,476 |
| Sale of property, plant and equipment | - | 3,402 |
| Premier Insurance Limited - associated company | | |
| Insurance expense | 46,420 | 39,771 |
| Dividend paid | 5,915 | 13,444 |
| Bonus shares issued (Numbers) | - | 134,438 |
| Insurance claim lodged | - | 103,342 |
| Insurance claim received | 53,838 | 25,000 |
| Shams Textile Mills Limited - associated company | | |
| Purchase of goods | - | 95,819 |
| Sale of property, plant and equipment | 6,600 | - |
| Sale of goods | 1,663 | 117 |
| Crescent Fibers Limited - associated company | | |
| Purchase of goods | 185,632 | 281,766 |
| ACME Mills (Private) Limited - associated company | | |
| Sale of goods | 146,830 | 116,389 |
| Equity Textile Limited - associated company | | |
| Sale of goods | - | 70,305 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | 2023 (Rupees in thousand) | 2022 |
|--|------------------------------|-----------|
| Bridgeline Global Logistics (Private) Limited | | |
| Freight Services | 38,469 | - |
| Directors and their family members | | |
| Dividend paid | 51,885 | 118,218 |
| Bonus shares issued (Numbers) | - | 1,178,172 |
| Other related parties | | |
| Company's contribution to provident fund trust | 29,397 | 30,337 |

*It ceased to be related party with effect from 01 April 2022 due to change of common director.

40.1 Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in note 39.

40.2 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 |
|---|--------------------------------------|---|------|----------------------------|
| | | 2023 | 2022 | |
| Crescent Powertech Limited | Common directorship | Yes | Yes | None |
| Premier Insurance Limited | Common directorship and shareholding | Yes | Yes | 3% |
| S2 Hydro Limited | Joint Venture | No | Yes | 48% |
| S2 Power Limited | Joint Venture | No | No | 48% |
| Shams Textile Mills Limited | Common directorship | Yes | Yes | None |
| The Crescent Textile Mills Limited | Common directorship and shareholding | Yes | Yes | 2.06% |
| S2 Solar Limited | Joint Venture | No | No | 50% |
| Crescent Fibers 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% |
| Equity Textile Limited* | Common directorship | Yes | Yes | None |
| ICON Global (Private) Limited | Common directorship | No | No | None |
| Al-Abbas Sugar Mills Limited | Common directorship | No | No | None |
| Bhikki Spinning Mills (Private) Limited | Common directorship | No | No | None |
| Crescent Steel and Allied Products Limited | Common directorship | No | No | 1.57% |
| Bridgeline Global Logistics (Private) Limited | Common directorship | No | No | None |
| Mohammad Amin Mohammad Bashir Limited | Common directorship | No | No | None |
| Mohd. Amin Mohd. Bashir International (Private) Limited | Common directorship | No | No | None |
| Suraj Brands (Private) Limited | Common directorship | No | No | None |
| Suraj Fabrics Limited | Common directorship | No | No | None |
| Jubilee Spinning & Weaving Mills Limited | Common directorship | No | No | None |
| Crescent Educational Trust | Director is trustee of the Trust | No | No | None |
| Suraj Cotton Mills Employees Provident Fund Trust | Post-employment benefit plan | Yes | Yes | None |

Notes to the Financial Statements

For the year ended 30 June 2023

| 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 |
|---------------------------|-----------------------|---|------|----------------------------|
| | | 2023 | 2022 | |
| Mr. Nadeem Maqbool | Chief Executive | Yes | Yes | None |
| Mr. Khalid Bashir | Director | Yes | Yes | None |
| Mr. Adil Bashir | Director | Yes | Yes | None |
| Mr. Ahsan Bashir | Director | Yes | Yes | None |
| Mr. Humayun Maqbool | Director | Yes | Yes | None |
| Ms. Maheen Hisham Adamjee | Director | Yes | Yes | None |
| Mr. Muhammad Iqbal | Director | Yes | Yes | None |
| Mr. Shams Rafi | Director | Yes | Yes | None |

41. 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.

| | 2023 | 2022 |
|---|-------|-------|
| 42. NUMBER OF EMPLOYEES | | |
| Number of employees as on 30 June | 2,227 | 3,130 |
| Average number of employees during the year | 2,200 | 3,022 |

43. SEGMENT INFORMATION

43.1 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 2023

| | Spinning | | Weaving | | Elimination of Inter-segment transactions | | Total - Company | |
|--|--------------|--------------|-------------|-------------|---|-------------|-----------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| ------(Rupees in thousand)----- | | | | | | | | |
| Revenue | | | | | | | | |
| External | 10,393,544 | 13,540,672 | 8,466,791 | 9,959,987 | - | - | 18,860,335 | 23,500,659 |
| Inter-segment | 2,916,996 | 4,446,784 | - | - | (2,916,996) | (4,446,784) | - | - |
| | 13,310,540 | 17,987,456 | 8,466,791 | 9,959,987 | (2,916,996) | (4,446,784) | 18,860,335 | 23,500,659 |
| Cost of sales | | | | | | | | |
| External | (9,908,483) | (9,543,666) | (8,493,884) | (9,272,434) | - | - | (18,402,367) | (18,816,100) |
| Inter-segment | (2,916,996) | (4,446,784) | - | - | 2,916,996 | 4,446,784 | - | - |
| | (12,825,479) | (13,990,450) | (8,493,884) | (9,272,434) | 2,916,996 | 4,446,784 | (18,402,367) | (18,816,100) |
| Gross (loss) / profit | 485,061 | 3,997,006 | (27,093) | 687,553 | - | - | 457,968 | 4,684,559 |
| Distribution cost | (112,506) | (142,239) | (97,222) | (98,237) | - | - | (209,728) | (240,476) |
| Administrative expenses | (186,726) | (228,159) | (73,901) | (83,074) | - | - | (260,627) | (311,233) |
| | (299,232) | (370,398) | (171,123) | (181,311) | - | - | (470,355) | (551,709) |
| (Loss) / profit before taxation and unallocated expenses | 185,829 | 3,626,608 | (198,216) | 506,242 | - | - | (12,387) | 4,132,850 |
| Unallocated income and expenses: | | | | | | | | |
| Other expenses | | | | | | | (115,083) | (601,664) |
| Other income | | | | | | | 332,030 | 401,703 |
| Finance cost | | | | | | | (319,866) | (213,906) |
| Taxation | | | | | | | (296,972) | (928,452) |
| (Loss) / profit after taxation | | | | | | | (412,278) | 2,790,531 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Spinning | | Weaving | | Total - Company | |
|--|----------------------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | ----- (Rupees in thousand) ----- | | | | | |
| 43.2 Reconciliation of reportable segment assets and liabilities | | | | | | |
| Total assets for reportable segment | 14,819,798 | 11,595,209 | 4,630,028 | 6,171,276 | 19,449,826 | 17,766,485 |
| Unallocated assets: | | | | | | |
| Investment properties | | | | | 477,690 | 477,690 |
| Long term investments | | | | | 625,563 | 772,151 |
| Short term investments | | | | | 601,511 | 1,623,048 |
| Non-current assets classified as held for sale | | | | | 22,465 | 26,152 |
| Total assets as per statement of financial position | | | | | 21,177,055 | 20,665,526 |
| Total liabilities for reportable segments | 5,632,724 | 4,064,215 | 3,579,078 | 4,083,201 | 9,211,802 | 8,147,416 |
| Unallocated liabilities: | | | | | | |
| Unallocated: | | | | | | |
| Deferred liabilities | | | | | 918,687 | 710,377 |
| Provision for taxation - net | | | | | 241,839 | 339,987 |
| Unclaimed dividend | | | | | 7,313 | 7,313 |
| Total liabilities as per statement of financial position | | | | | 10,379,641 | 9,205,093 |
| 43.3 Geographical information | | | | | | |
| The company's revenue from external customers by geographical locations is detailed below: | | | | | | |
| Pakistan | | | | | 18,436,083 | 23,296,153 |
| Italy | | | | | 46,153 | 59,777 |
| Portugal | | | | | 113,025 | 86,373 |
| Sri Lanka | | | | | 4,623 | 4,971 |
| Karachi Export Processing Zone | | | | | 3,880 | 18,596 |
| Bangladesh | | | | | 158,795 | 34,789 |
| China | | | | | 97,776 | - |
| | | | | | 18,860,335 | 23,500,659 |

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

43.5 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 2023

| | | 2023 | 2022 |
|------------|--|-----------------------|---------|
| | | (Figures in thousand) | |
| 44. | PLANT CAPACITY AND ACTUAL PRODUCTION | | |
| | Spinning | | |
| | 100 % plant capacity converted to 20s count based on 3 shifts per day. | Kgs. 55,216 | 55,216 |
| | Actual production converted to 20s count based on 3 shifts per day. | Kgs. 29,354 | 52,392 |
| | Weaving | | |
| | 100 % plant capacity at 50 picks based on 3 shifts per day. | Sq.Mtr. 130,654 | 130,654 |
| | Actual production converted to 50 picks based on 3 shifts per day. | Sq.Mtr. 79,790 | 104,755 |

44.1 Reason for low production

Under utilization of available capacity for spinning and weaving is mainly due to low demand.

45. FINANCIAL RISK MANAGEMENT

45.1 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 2023

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:

| | 2023 | 2022 |
|--|-------------|-------------|
| Short term borrowings - USD | (1,330,743) | (1,165,559) |
| Trade debts - USD | - | 169,292 |
| Net Exposure - USD | (1,330,743) | (996,267) |
| The following significant exchange rates were applied during the year: | | |
| Rupees per US Dollar | | |
| Average rate | 253.08 | 179.89 |
| Reporting date rate | 287.10 | 203.50 |

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on loss after taxation for the year would have been Rupees 19.103 million higher / lower (2022: profit after taxation for the year would have been Rupees 15.291 million lower / higher) mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial 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 2023

| | Impact on loss before taxation | Impact on statement of other comprehensive income (fair value reserve on FVTOCI investments) |
|-----------------------|-----------------------------------|---|
| | 2023 | |
| | ------(Rupees in thousand)----- | |
| PSX 100 (5% increase) | 30,076 | 30,962 |
| PSX 100 (5% decrease) | (30,076) | (30,962) |
| | 2022 | |
| | ------(Rupees in thousand)----- | |
| PSX 100 (5% increase) | 81,152 | 38,291 |
| PSX 100 (5% decrease) | (81,152) | (38,291) |

(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, lease liability and 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.

Notes to the Financial Statements

For the year ended 30 June 2023

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

| | 2023 (Rupees in thousand) | 2022 |
|----------------------------------|------------------------------|-----------|
| Fixed rate instruments | | |
| Financial liabilities | | |
| Long term financing | 4,031,972 | 3,823,671 |
| Short term borrowings | 382,056 | 237,191 |
| Financial assets | | |
| Loans and advances to employees | 111,687 | 376,172 |
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances - saving accounts | 376,172 | 265,797 |
| Financial liabilities | | |
| Long term financing | 21,974 | 25,748 |
| Short term borrowings | 844,202 | 489,305 |
| Lease liability | 566 | 1,190 |

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 7.551 million higher / lower (2022: profit after taxation for the year would have been Rupees 5.003 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:

| | 2023 (Rupees in thousand) | 2022 |
|------------------------|------------------------------|------------------|
| Long term investments | 619,433 | 766,021 |
| Long term deposits | 19,737 | 22,076 |
| Trade debts | 3,046,691 | 2,604,817 |
| Loans and advances | 74,806 | 4,115 |
| Short term deposits | 225,945 | 161,126 |
| Other receivables | 54,677 | 95,386 |
| Short term investments | 601,511 | 1,623,048 |
| Bank balances | 140,826 | 417,993 |
| | 4,783,626 | 5,694,582 |

Notes to the Financial Statements

For the year ended 30 June 2023

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 | | | 2023 | 2022 |
|--|------------|-----------|--------|----------------------|----------------|
| | Short Term | Long term | Agency | (Rupees in thousand) | |
| Banks | | | | | |
| MCB Bank Limited | A1+ | AAA | PACRA | 4,962 | 224,749 |
| National Bank of Pakistan | A1+ | AAA | PACRA | 638 | 1,674 |
| United Bank Limited | A1+ | AAA | VIS | 158 | 674 |
| Allied Bank Limited | A1+ | AAA | PACRA | 91,489 | 86,839 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 15,767 | 20,984 |
| Habib Bank Limited | A1+ | AAA | VIS | 5,953 | 2,676 |
| Bank AL Habib Limited | A1+ | AAA | PACRA | 3,463 | 33,109 |
| Dubai Islamic Bank Pakistan Limited | A1+ | AA | VIS | 97 | 97 |
| Finca Microfinance Bank Limited | A2 | A- | PACRA | 1,890 | 5,484 |
| MCB Islamic Bank Limited | A1 | A | PACRA | 7,558 | 744 |
| Samba Bank Limited | A1 | AA | VIS | 440 | 1,485 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | 222 | 5,281 |
| Meezan Bank Limited | A1+ | AAA | VIS | 8,189 | 34,197 |
| | | | | 140,826 | 417,993 |
| Investments | | | | | |
| Premier Insurance Limited | Unknown | A+(ifs) | PACRA | 6,495 | 5,638 |
| The Crescent Textile Mills Limited | A-2 | A | VIS | 26,582 | 37,071 |
| Kot Addu Power Company Limited | A1+ | AA+ | VIS | 10,920 | 14,453 |
| Nishat Mills Limited | A1+ | AA | PACRA | 63,866 | 83,149 |
| Pakistan State Oil Company Limited | A1+ | AA+ | VIS | 22,020 | 34,086 |
| Oil & Gas Development Company Limited | A1+ | AAA | VIS | 42,900 | 43,269 |
| The Searle Company Limited | A1 | AA- | VIS | 9,440 | 21,485 |
| D.G. Khan Cement Company Limited | A1+ | AA- | PACRA | 62,196 | 75,775 |
| Fauji Fertilizer Company Limited | A1+ | AA+ | PACRA | 31,993 | 35,822 |
| Fatima Fertilizer Company Limited | A1+ | AA | PACRA | 29,184 | 37,006 |
| Engro Corporation Limited | A1+ | AA+ | PACRA | 1,221 | 24,346 |
| Engro Fertilizers Limited | A1+ | AA | PACRA | 156,807 | 168,416 |
| Crescent Steel and Allied Products Limited | A2 | A- | VIS | 26,273 | 50,921 |
| United Bank Limited | A1+ | AAA | VIS | 25,941 | 24,968 |
| Kohinoor Textile Mills Limited | A1 | A+ | VIS | 40,723 | 39,995 |
| Attock Refinery Limited | A1+ | AA | PACRA | 21,454 | 21,973 |
| MCB Bank Limited | A1+ | AAA | PACRA | 22,910 | 24,613 |
| Habib Bank Limited | A1+ | AAA | VIS | 18,308 | 22,835 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | Rating | | | 2023 | 2022 |
|--|------------|-----------|--------|----------------------|------------------|
| | Short Term | Long term | Agency | (Rupees in thousand) | |
| TCC Management Services (Private) Limited | | Unknown | | 200 | 200 |
| Samba Bank Limited | A1 | AA | VIS | 12,921 | 16,258 |
| Fauji Cement Company Limited | A1 | A+ | PACRA | 19,845 | 21,255 |
| GlaxoSmithKline Pakistan Limited | | Unknown | | 6,007 | 9,957 |
| Pakistan Telecommunication Company Limited | A1+ | AAA | VIS | 3,306 | 3,828 |
| TPL Corp Limited | A1 | A | PACRA | 962 | 1,459 |
| First Equity Modaraba | | Unknown | | 7,392 | 13,860 |
| Nishat Chunian Power Limited | A2 | A+ | VIS | 13,360 | 11,928 |
| TRG Pakistan Limited - Class 'A' | | Unknown | | 9,213 | 19,333 |
| Aisha Steel Mills Limited | A-2 | A- | VIS | 4,614 | 9,442 |
| Lucky Core Industries Limited | A1+ | AA | VIS | 6,041 | 7,246 |
| Arif Habib Corporation Limited | | Unknown | | 2,487 | 3,700 |
| Power Cement Limited | A2 | A- | VIS | 8,200 | 10,640 |
| Sui Northern Gas Pipelines Limited | A1 | AA- | PACRA | 3,937 | 3,421 |
| Service Global Footwear Limited | | Unknown | | 14,764 | 21,277 |
| Hi-Tech Lubricants Limited | A-2 | A | VIS | 20,381 | 38,064 |
| Azgard Nine Limited | | Unknown | | 9,000 | 15,420 |
| National Refinery Limited | A1+ | AA+ | PACRA | 11,250 | 18,943 |
| Netsol Technologies Limited | | Unknown | | 9,728 | 12,966 |
| Indus Motor Company Limited | A-1+ | AA+ | VIS | 9,432 | 11,444 |
| Maple Leaf Cement Factory Limited | A-1 | A | VIS | 8,499 | 8,205 |
| The HUB Power Company Limited | A1+ | AA+ | PACRA | 20,273 | 19,863 |
| Bank Alfalah Limited | A1+ | AA+ | PACRA | 9,132 | 9,600 |
| Octopus Digital Limited | | Unknown | | 1,184 | 1,963 |
| Alfalah GHP Money Market Fund B Growth units | Unknown | AA+(f) | PACRA | 256,519 | 221,479 |
| NBP Money Market Fund | Unknown | AA(f) | PACRA | - | 190,986 |
| Atlas Money Market Fund | Unknown | AA+(f) | PACRA | - | 100,686 |
| ABL Cash Fund | Unknown | AA+(f) | VIS | - | 479,906 |
| HBL Cash Fund | Unknown | AA+(f) | VIS | 133,062 | 190,724 |
| UBL Liquidity Plus Fund | Unknown | AA+(f) | VIS | 2 | - |
| MCB Cash Management Optimizer | Unknown | AA+(f) | PACRA | - | 149,195 |
| | | | | 1,220,944 | 2,389,069 |
| | | | | 1,361,770 | 2,807,062 |

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 21.

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 2023

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained, if any, from these customers to calculate the net exposure towards these customers. The Company has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product, Unemployment, Interest, and the inflation Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 June 2023 and 30 June 2022 was determined as follows:

At 30 June 2023

| | Local Sales | | | Export Sales | | |
|--|----------------------|----------------------------------|----------------|----------------------|----------------------------------|----------------|
| | Expected loss rate % | Trade debts (RUPEES IN THOUSAND) | Loss allowance | Expected loss rate % | Trade debts (RUPEES IN THOUSAND) | Loss allowance |
| Not past due | 0.00% | 2,293,632 | - | 0.00% | - | - |
| Up to 30 days | 11.24% | 394,022 | 44,280 | 0.00% | - | - |
| 31 to 60 days | 23.37% | 15,890 | 3,713 | 0.00% | - | - |
| 61 to 90 days | 57.92% | 67,475 | 39,080 | 0.00% | - | - |
| 91 to 180 days | 100.00% | 16,105 | 16,105 | 0.00% | - | - |
| 181 to 360 days | 69.16% | 128,674 | 88,996 | 0.00% | - | - |
| 360 days and above | 81.60% | 52,749 | 43,045 | 0.00% | - | - |
| | | 2,968,547 | 235,219 | | - | - |
| Trade debts which are not subject to risk of default | | 313,363 | - | | - | - |
| Total | | 3,281,910 | 235,219 | | - | - |

At 30 June 2022

| | | | | | | |
|--------------------|---------|------------------|----------------|-------|---------------|---|
| Not past due | 0.00% | 1,920,647 | - | 0.00% | 34,451 | - |
| Up to 30 days | 9.92% | 537,390 | 53,291 | 0.00% | - | - |
| 31 to 60 days | 19.99% | 115,099 | 23,003 | 0.00% | - | - |
| 61 to 90 days | 56.84% | 170,361 | 96,837 | 0.00% | - | - |
| 91 to 180 days | 100.00% | 47,853 | 47,853 | 0.00% | - | - |
| 181 to 360 days | 100.00% | - | - | 0.00% | - | - |
| 360 days and above | 100.00% | - | - | 0.00% | - | - |
| Total | | 2,791,350 | 220,984 | | 34,451 | - |

Notes to the Financial Statements

For the year ended 30 June 2023

(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 2023, the Company had Rupees 4,765.019 million (2022: Rupees 4,463.912 million) available borrowing limits from financial institutions and Rupees 142.567 million (2022: Rupees 420.735 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 2023

| | 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 | 4,053,946 | 5,330,644 | 350,935 | 357,983 | 783,376 | 3,838,350 |
| Lease liability | 566 | 601 | 355 | 246 | - | - |
| Trade and other payables | 2,747,552 | 2,747,552 | 2,747,552 | - | - | - |
| Accrued mark-up | 71,949 | 71,949 | 71,949 | - | - | - |
| Short term borrowings | 1,226,258 | 1,264,003 | 1,264,003 | - | - | - |
| Unclaimed dividend | 7,313 | 7,313 | 7,313 | - | - | - |
| | 8,107,584 | 9,422,062 | 4,442,107 | 358,229 | 783,376 | 3,838,350 |

Contractual maturities of financial liabilities as at 30 June 2022

| | 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 | 3,849,419 | 4,815,920 | 239,639 | 257,600 | 679,481 | 3,639,201 |
| Lease liability | 1,190 | 1,269 | 355 | 355 | 559 | - |
| Trade and other payables | 2,372,029 | 2,372,029 | 2,372,029 | - | - | - |
| Accrued mark-up | 31,378 | 31,378 | 31,378 | - | - | - |
| Short term borrowings | 726,496 | 738,419 | 274,314 | 464,105 | - | - |
| Unclaimed dividend | 7,313 | 7,313 | 7,313 | - | - | - |
| | 6,987,825 | 7,966,328 | 2,925,028 | 722,060 | 680,040 | 3,639,201 |

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, note 6 and note 10 to these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2023

| | FVTPL | Amortised cost | FVTOCI |
|---|------------------------------------|--|------------------|
| | ------(Rupees in thousand)----- | | |
| 45.2 Financial instruments by categories | | | |
| As at 30 June 2023 | | | |
| Assets as per statement of financial position | | | |
| Long term investments | - | - | 619,433 |
| Long term deposits | - | 19,737 | - |
| Trade debts | - | 3,046,691 | - |
| Loans and advances | - | 74,806 | - |
| Short term deposits | - | 225,945 | - |
| Other receivables | - | 54,677 | - |
| Short term investments | 601,511 | - | - |
| Cash and bank balances | - | 142,567 | - |
| | 601,511 | 3,564,423 | 619,433 |
| As at 30 June 2022 | | | |
| Assets as per statement of financial position | | | |
| Long term investments | 3,849,419 | - | 3,849,419 |
| Long term deposits | 1,190 | - | 1,190 |
| Trade debts | 2,372,029 | - | 2,372,029 |
| Loans and advances | 31,378 | - | 31,378 |
| Short term deposits | 2,372,029 | - | 2,372,029 |
| Other receivables | 31,378 | - | 31,378 |
| Short term investments | 726,496 | - | 726,496 |
| Cash and bank balances | 7,313 | - | 7,313 |
| | 6,987,825 | - | 6,987,825 |
| | | Financial liabilities at amortized cost | |
| | | 2023 | 2022 |
| | | (Rupees in thousand) | |
| Liabilities as per statement of financial position | | | |
| Long term financing | | 4,053,946 | 3,849,419 |
| Lease liability | | 566 | 1,190 |
| Trade and other payables | | 2,747,552 | 2,372,029 |
| Accrued mark-up | | 71,949 | 31,378 |
| Short term borrowings | | 1,226,258 | 726,496 |
| Unclaimed dividend | | 7,313 | 7,313 |
| | | 8,107,584 | 6,987,825 |

Notes to the Financial Statements

For the year ended 30 June 2023

45.3 Reconciliation of financial assets and financial liabilities to the line items presented in the statement of financial position is as follows:

| | 2023 | | |
|-------------------------------------|----------------------|----------------------|---|
| | Financial assets | Non-financial assets | Assets as per statement of financial position |
| | (RUPEES IN THOUSAND) | | |
| Assets | | | |
| Long term investments | 619,433 | 6,130 | 625,563 |
| Long term deposits | 19,737 | - | 19,737 |
| Trade debts | 3,046,691 | - | 3,046,691 |
| Loans and advances | 74,806 | 33,434 | 108,240 |
| Short term deposits and prepayments | 225,945 | 12,533 | 238,478 |
| Other receivables | 54,677 | 430,880 | 485,557 |
| Short term investments | 601,511 | - | 601,511 |
| Cash and bank balances | 142,567 | - | 142,567 |
| | 4,785,367 | 482,977 | 5,268,344 |

| | 2023 | | |
|--------------------------|-----------------------|---------------------------|--|
| | Financial liabilities | Non-financial liabilities | Liabilities as per statement of financial position |
| | (RUPEES IN THOUSAND) | | |
| Liabilities | | | |
| Long term financing | 4,053,946 | - | 4,053,946 |
| Lease Liability | 566 | - | 566 |
| Trade and other payables | 2,747,552 | 532,348 | 3,279,900 |
| Accrued mark-up | 71,949 | - | 71,949 |
| Short term borrowings | 1,226,258 | - | 1,226,258 |
| Unclaimed dividend | 7,313 | - | 7,313 |
| | 8,107,584 | 532,348 | 8,639,932 |

Notes to the Financial Statements

For the year ended 30 June 2023

| | 2022 | | Assets as per statement of financial position |
|-------------------------------------|----------------------|----------------------|---|
| | Financial assets | Non-financial assets | |
| | (RUPEES IN THOUSAND) | | |
| Assets | | | |
| Long term investments | 766,021 | 6,130 | 772,151 |
| Long term deposits | 22,076 | - | 22,076 |
| Trade debts | 2,604,817 | - | 2,604,817 |
| Loans and advances | 4,115 | 72,523 | 76,638 |
| Short term deposits and prepayments | 161,126 | 10,634 | 171,760 |
| Other receivables | 95,386 | 121,185 | 216,571 |
| Short term investments | 1,623,048 | - | 1,623,048 |
| Cash and bank balances | 420,735 | - | 420,735 |
| | 5,697,324 | 210,472 | 5,907,796 |

| | 2022 | | Liabilities as per statement of financial position |
|--------------------------|-----------------------|---------------------------|--|
| | Financial liabilities | Non-financial liabilities | |
| | (RUPEES IN THOUSAND) | | |
| Liabilities | | | |
| Long term financing | 3,849,419 | - | 3,849,419 |
| Lease Liability | 1,190 | - | 1,190 |
| Trade and other payables | 2,372,029 | 641,714 | 3,013,743 |
| Accrued mark-up | 31,378 | - | 31,378 |
| Short term borrowings | 726,496 | - | 726,496 |
| Unclaimed dividend | 7,313 | - | 7,313 |
| | 6,987,825 | 641,714 | 7,629,539 |

45.4 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.

Notes to the Financial Statements

For the year ended 30 June 2023

45.5 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 10 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.

| | | 2023 | 2022 |
|------------------------|--------------------|----------------------|------------|
| | | (Rupees in thousand) | |
| Borrowings | Rupees in thousand | 5,280,204 | 4,575,915 |
| Total equity | Rupees in thousand | 10,797,414 | 11,460,433 |
| Total capital employed | Rupees in thousand | 16,077,618 | 16,036,348 |
| Gearing ratio | Percentage | 32.84 | 28.53 |

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

46. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) 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 2023

| Recurring fair value measurements At 30 June 2023 | | | | |
|--|------------------|----------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in thousand) ----- | | | | |
| Financial assets | | | | |
| Fair value through other comprehensive income | 619,233 | - | - | 619,233 |
| Fair value through profit or loss | 601,511 | - | - | 601,511 |
| Total financial assets | 1,220,744 | - | - | 1,220,744 |

| Recurring fair value measurements At 30 June 2022 | | | | |
|--|------------------|----------|----------|------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in thousand) ----- | | | | |
| Financial assets | | | | |
| Fair value through other comprehensive income | 765,821 | - | - | 765,821 |
| Fair value through profit or loss | 1,623,048 | - | - | 1,623,048 |
| Total financial assets | 2,388,869 | - | - | 2,388,869 |

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.

(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.

Notes to the Financial Statements

For the year ended 30 June 2023

47. 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 2023 | Level 1 | Level 2 | Level 3 | Total |
|-----------------------|----------------------|-----------|---------|-----------|
| | (Rupees in thousand) | | | |
| Investment properties | - | 958,150 | - | 958,150 |
| At 30 June 2022 | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in thousand) | | | |
| Financial assets | | | | |
| Investment properties | - | 1,124,150 | - | 1,124,150 |

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 analysed 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 2023

| | 2023 | 2022 |
|---|----------------------|--|
| | (RUPEES IN THOUSAND) | |
| 48. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX | | |
| Description | | |
| Loan / advances obtained as per Islamic mode: | | |
| Loans | 209,363 | - |
| Advances | 73,938 | 78,430 |
| Shariah compliant bank deposits / bank balances | | |
| Bank balances | 16,383 | 35,038 |
| Profit earned from shariah compliant bank deposits / bank balances | | |
| Profit on deposits with banks | 13,956 | 141 |
| Revenue earned from shariah compliant business | 18,860,335 | 23,500,659 |
| Gain or (loss) dividend earned from shariah complaint investments | | |
| Dividend income | 63,921 | 64,000 |
| Unrealized loss on re-measurement of investments at FVTOCI | (111,687) | (113,726) |
| Unrealized loss on re-measurement of investments at FVTPL | (54,864) | (105,678) |
| Realized gain on investments at FVTOCI | 169 | - |
| (Exchange loss) / Exchange gain earned | (10,538) | 6,827 |
| Mark-up paid on Islamic mode of financing | 22,146 | 17,813 |
| Profits earned or interest paid on any conventional loan | | |
| Interest on loans paid | 241,170 | 151,579 |
| Profit earned on deposits with banks | 26,293 | 18,173 |
| Relationship with shariah compliant banks | | |
| Name | | Relationship |
| Meezan Bank Limited | | Bank balance and short term borrowings |
| MCB Islamic Bank Limited | | Bank balance and short term borrowings |
| Dubai Islamic bank Limited | | Bank balance |
| National Bank of Pakistan | | Bank balance |
| First Habib Modaraba | | Lease |

Notes to the Financial Statements

For the year ended 30 June 2023

49. UNUTILIZED CREDIT FACILITIES

| | Non-funded | | Funded | |
|-----------------------------------|---------------------------------|-----------|------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | ------(RUPEES IN THOUSAND)----- | | | |
| Total facilities | 3,470,000 | 3,720,000 | 11,512,410 | 9,653,090 |
| Utilized at the end of the year | 2,073,143 | 2,186,940 | 6,747,391 | 5,189,178 |
| Unutilized at the end of the year | 1,396,857 | 1,533,060 | 4,765,019 | 4,463,912 |

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

51. CORRESPONDING FIGURES

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

52. 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 39th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Friday, October 27, 2023 at 9:30 A.M. at Registered Office of the Company i.e. 7-B-III, Aziz Avenue, Gulberg-V, Lahore to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Accounts together with the Directors' and Auditor's reports thereon for the year ended June 30, 2023.
2. To approve as recommended by Directors, the payment of Final Cash Dividend @ 10 % i.e.
3. To appoint auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

4. **To consider and, if thought fit, pass, with or without modification, the following special resolution in terms of Section 199 of the Companies Act, 2017 for loan to Shams Textile Mill Limited a associated company of the Company of Rs. 250,000,000 (Two Fifty Million) for working capital.**

Resolved that Suraj Cotton Mills Limited (the "Company") shall sanction the loan extended to its associated company Shams Textile Mills limited of Rs. 250,000,000 (Two Fifty Million) on terms and conditions to be contained in the agreement to be executed between the Company and Associated Company in terms of Section 199 of Companies Act, 2017,

Further Resolved That the Chief Executive and Company Secretary be and are hereby singly authorized to do all acts, deeds and things and take all steps and necessary actions ancillary and incidental including filing of requisite documents and returns as may be required with the Registrar of Companies, Securities and Exchange Commission of Pakistan and complying with all other regulatory requirements to effectuate and implement this resolution.

5. **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. 44,372,287/- be capitalized out of the free reserves of the Company and applied towards issue of 4,437,228 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, 2023".

"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, 2023".

"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 27, 2023".

6. **To consider and, if though fit, to pass the following resolution as a special resolution, with or without modifications.**

RESOLVED THAT the approval of the members of Suraj Cotton Mills Limited ("the Company") be and is hereby accorded to increase authorized share capital of the Company from Rs. 500,000,000 (Rupees Five Hundred Million Only) divided into 50,000,000 ordinary shares of Rs. 10/- each to Rs. 1,000,000,000 (Rupees One

Notice of Annual General Meeting

Billion Only) divided into 100, 000,000 ordinary shares of Rs. 10/- each.

FURTHER RESOLVED THAT, in consequence of the said increase in the authorized share capital of the Company, the existing Clause V of the Memorandum of Association and clause 5 of the Articles of Association of the Company be and is hereby amended accordingly, to read as follows:

Clause V of Memorandum of Association:

The Capital of the Company is Rs. 1,000,000,000 (Rupees One Billion Only) divided into 100,000,000 (One Hundred Million) ordinary shares of Rs. 10/- (Rupees Ten only) each with powers to the Company from time to time increase and reduce its capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such special rights, privileges or conditions as ay be determined by or in accordance with the regulations of the Company and to vary modify or abrogate any such right privileges or conditions in such manner as may for the time being be provided by the regulations of the Company in accordance with law provided however, that rights as between various classes or ordinary shares, if any, as to profits, votes and other benefits shall be strictly proportionate to the paid up value of the shares.

Clause 5 of Articles of Association:

The Capital of the Company is Rs. 1,000,000,000 (Rupees One Billion Only) divided into 100,000,000 (One Hundred Million) ordinary shares of Rs. 10/- (Rupees Ten only) each with power to increase, decrease, consolidate any otherwise re-organise the share capital of the Company in accordance with the provision of the Ordinance. The minimum subscription shall be Rs. 1,000,000 (Rupees One Million)

FURTHER RESOLVED THAT, the ordinary shares when issued shall carry equal voting rights and rank pari passu with the existing ordinary shares of the company in all respects/matters in conformity with the provisions of the Companies Act, 2017.

FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby singly authorized to do all acts, deeds and things and take all steps and necessary actions ancillary and incidental including filing of requisite documents and returns as may be required with the Registrar of Companies, Securities and Exchange Commission of Pakistan and complying with all other regulatory requirements to effectuate and implement this resolution.

7. To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing below as ordinary resolutions for the circulation of Annual Audited Financial Statements to their members through QR enabled code and weblink as recommended by the Directors.

“RESOLVED THAT the dissemination of information regarding annual audited financial statements to the shareholders through QR enabled code and weblink as notified by the Securities and Exchange Commission of Pakistan vide its SRO 389 (I)/2023 dated 21 March, 2023, be and is hereby approved while considering technological advancements and old technology becoming obsolete, the circulation of annual financial statements through CD/DVD/USB be discontinued.”

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

By Order of the Board

Lahore: October 05, 2023

Company Secretary

Notice of Annual General Meeting

BOOK CLOSURE:

The Members' Register will remain closed from **October 19, 2023 to October 26, 2023 (both days inclusive)**

NOTES:

1. Transfers received in order at the company's Share Registrar Office, M/s Corptec Associates Private Limited, 503-E, Johar Town, Lahore by the close of business hours on or before October 20, 2023 will be considered in time.
2. Shareholders interested to participate in the meeting through video link are requested to email their Name, Folio Number, Cell Number and Number of Shares held in their name along with valid copy of both sides of Computerized National Identify Card (CNIC) at naeem.sheikh@suraj.com by 25 October 2023. The video link and login credentials will be shared with only those members/designated proxies whose emails, containing all the required particulars.
3. 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. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form. A proxy must be a member of the Company. The proxy form is annexed to the notice sent to the members. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be submitted along with copy of CNIC of the representative.

Replacement of Physical Shares with Book-entry Form

As per Section 72 of The Companies Act, 2017 every existing company shall replace its physical shares with book-entry form in a manner as may be specified and from the date notified by The SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e. May 31, 2017. The shareholders holding shares in physical form are requested to please convert their shares in the book entry form. For this purpose, the shareholders may open CDC Sub-account with any of the brokers or investor account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares at any time they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Limited.

CNIC/IBAN for E-Dividend Payment

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

Zakat Declarations:

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

Deduction of Tax on Dividend Income – Finance Act, 2021

It is hereby informed that pursuant to the Finance Act, 2021, the rate of withholding tax under Section 150 of the Income Tax Ordinance, 2001 on dividend income has been segregated as follows:

Rate of tax deduction on dividend income for filer of income tax return 15%.

Rate of tax deduction of dividend income for non filer of income tax return 30%.

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 |
|------|-----------------------------------|------------------|--|
| | | | |

Deduction of Tax on Bonus Shares

Bonus shares issued by companies. – (1) Notwithstanding anything contained in any law for the time being in force, every company, issuing bonus shares to the shareholders of the company, shall withhold ten percent of the bonus shares to be issued.

(2) Bonus shares withheld under sub-section (1) shall only be issued to a shareholder, if the company collects from the shareholder, tax equal to ten percent of the value of the bonus shares issued to the shareholder including bonus share withheld, determined on the basis of day-end price on the first day of closure of books in the case of listed company and the value as prescribed in case of other companies.

Video Conference Facility

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

Procedure for E-Voting:

I. Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Company by the close of business on October 20, 2023.

II. The web address, login details, and password, will be communicated to members via email. The security codes will be communicated to members through email from the web portal of Share Registrar (being the e-voting service provider).

III. Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.

IV. E-Voting lines will start from October 24, 2023, 09:00 a .m. and shall close on October 26, 2023 at 5:00p.m. Members can cast their votes any time during this period. Once the vote on a resolution is cast by a Member, he I she shall not be allowed to change it subsequently.

Procedure for Voting Through Postal Ballot:

The members shall ensure that duly filled and signed ballot paper, along with copy of Computerized National Identity Card (CNIC), should reach the Chairman of the meeting through post on the Company's registered address 7-B-3, Marina Homes, Aziz Avenue, Gulberg-V, Lahore, Pakistan or email at kaybee@suraj.com one day before the Annual General Meeting on October 27, 2023 up to 5 p.m. The signature on the ballot paper shall match the signature on CNIC.

This postal Poll paper is also available for download from the website of the Company at www.Suraj.com or use the same as attached to this Notice and published in newspapers.

Please note that in case of any dispute in voting including the casting of more than one vote, the Chairman shall be the deciding authority.

Notice of Annual General Meeting

Scrutinizer

Riaz Ahmad and Company, Chartered Accountants

E-voting Service Provider:

M/s. CorpTec Associates (Pvt.) Limited

Placement of Financial Statements on Company's Website

The Company has placed a copy of the Notice of AGM, Annual Financial Statements for the year ended 30 June 2023 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

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

This statement sets out all the material facts concerning Special Business under Agenda Item No.4 & 5 be transacted at the 39th Annual General Meeting.

AGENDA ITEM NO.4

Nature of information required to be disclosed pursuant to The Companies (Investment in Associated Companies or Undertaking) regulations, 2017, for investment in associated Company

Shams Textile Mills Limited.

(A) Regarding associated company or associated undertaking:-

| | | |
|---|---------------------------------------|-----------------|
| (i) name of associated company or associated undertaking; | Shams Textile Mills Limited | |
| (ii) basis of relationship; | Common Directorship | |
| (iii) earnings per share for the last three years; | 2021 | Rs. 41.84 |
| | 2022 | Rs. 25.48 |
| | 2023 | Rs. (17.74) |
| (iv) break-up value per share, based on latest audited financial statements; | Rs. 109.22 | |
| (v) financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and | Non Current Assets | Rs. 772.514 M |
| | Current Assets | Rs. 1,685.571 M |
| | Non Current Liabilities | NIL |
| | Current Liabilities | Rs. 1,514.384 M |
| | Total Equity | Rs. 943.701 M |
| | Sales | Rs. 3,309.014 M |
| | Gross Loss | Rs. (54.609 M) |
| | Finance Cost | Rs. 10.658 M |
| | Loss from Operations | Rs. (97.058 M) |
| | Loss after Tax | (153.290 M) |
| (vi) in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely, | Shams Textile is already in Operation | |
| - (I) description of the project and its history since conceptualization; | N/A | |

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| | |
|---|--|
| (II) starting date and expected date of completion of work; | N/A |
| (III) time by which such project shall become commercially operational; | N/A |
| (IV) expected time by which the project shall start paying return on investment; and | N/A |
| (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts; | N/A |
| (B) General disclosures:- | |
| (i) maximum amount of investment to be made; | Rs. 250 Million |
| (ii) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment; | Investing company will get return of 1 MK +2.00% at this investment |
| (iii) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds, | Company will invest these funds through its internal Cash flows/ Liquidity |
| - (I) justification for investment through borrowings; | N/A |
| (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and | N/A |
| (III) cost benefit analysis; | N/A |
| (iv) salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment; | N/A |
| (v) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration; | N/A |
| (vi) in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and | N/A |
| (vii) any other important details necessary for the members to understand the transaction; | N/A |
| (b) In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made, | N/A. |
| (i) maximum price at which securities will be acquired; | N/A. |
| (ii) in case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof; | N/A. |
| (iii) maximum number of securities to be acquired; | N/A. |
| (iv) number of securities and percentage thereof held before and after the proposed investment; | N/A. |

Notice of Annual General Meeting

| | |
|--|------|
| (v) current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and | N/A. |
| (vi) fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities; | N/A. |
| (c) In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made, | |
| (i) category-wise amount of investment; | N/A |
| (ii) average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and Page 4 of 7 rate of return for unfunded facilities, as the case may be, for the relevant period; | N/A |
| (iii) rate of interest, mark up, profit, fees or commission etc. to be charged by investing company; | N/A |
| (iv) particulars of collateral or security to be obtained in relation to the proposed investment; | N/A |
| (v) if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and | N/A |
| (vi) repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking. | N/A |

AGENDA ITEM NO.5

ISSUE OF BONUS SHARES BY CAPITALIZATION OF FREE RESERVES

The Board of Directors in their meeting held on September 26, 2023, have recommended capitalization of a sum of Rs. 44,372,287/- out of free reserves of the Company for issue of 4,437,228 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.

AGENDA ITEM NO.6

Increase in Authorized Share Capital of the Company and Consequent amendments in the Memorandum and Articles of Association of the Company.

The Board of Directors has recommended to increase the authorized share capital of the Company from PKR 500,000,000 divided into 50,000,000 ordinary shares of Rs. 10/- each to PKR 1,000,000,000/- divided into 100,000,000 ordinary shares of Rs. 10/- each by creation of additional 50,000,000 ordinary shares of Rs. 10/ each amounting to PKR 500,000,000/-.

Notice of Annual General Meeting

The proposed increase in the authorized share capital of the Company will also necessitate amendments in Clause V of Memorandum of Association and Clause 5 of Articles of Association of the Company. The Board of Directors has also recommended required alterations in the Memorandum of Association of the Company to reflect increase in authorized share capital of the Company.

Reasons for alteration in authorized share capital

Over the years, the Company has consistently earned impressive profitability and has experienced substantial organic growth. This growth necessitated significant investments in property, plant and equipment.

The current authorized capital of the company falls short of its anticipated future requirements to raise additional equity. Therefore, it is proposed that authorized capital should be substantially increased to eliminate the need for repetitive administrative formalities and associated costs in the future. It is important to highlight that the fee for enhancing the limit of authorized share capital has already undergone a significant increase.

Consequently, it is proposed to recommend to increase the authorized share capital of the Company from PKR 500,000,000/- divided into 50,000,000 ordinary shares of Rs. 10/- each to Rs. 1,000,000,000/- divided into 100,000,000 ordinary shares of Rs. 10/- each by creation of additional 50,000,000 ordinary shares of Rs. 10/ each, for approval of the shareholders.

AGENDA ITEM NO.7

Circulation the Annual Audited Financial Statements to their members through QR enabled code and weblink

The Securities and Exchange Commission of Pakistan has allowed listed companies, through its SRO No. 389(I)2023 dated March 21, 2023 to circulate the Annual Audited Financial Statements to their members through QR enabled code and weblink instead of transmitting the Annual Audited Financial Statements through CD/DVD/USB. The Company shall circulate Annual Audited Financial Statements through email address in case it has been provided by the members to the Company, and upon demand, supply hard copies of the Annual Audited Financial to the members free of cost

Ballot paper for voting through post for poll to be held on (time, date and place of poll)

(Name of Company and Logo)

Complete contact details (including website address)

Designated email address of the Chairman at which the duly filled in ballot paper may be sent:

| | |
|--|--|
| Name of shareholder/joint shareholders | |
| Registered Address | |
| Number of shares held and folio number | |
| CNIC Number (copy to be attached) | |
| Additional Information and enclosures (In case of representative of body corporate, corporation and Federal Government.) | |

I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolution by placing tick (✓) mark in the appropriate box below (delete as appropriate);

Notice of Annual General Meeting

| Sr. No. | Nature and Description of resolutions | No. of ordinary shares for which votes cast | I/We assent to the Resolutions (FOR) | I/We dissent to the Resolutions |
|---------|---|---|--------------------------------------|---------------------------------|
| 1 | <p>Resolved that Suraj Cotton Mills Limited (the "Company") shall sanction the loan extended to its associated company Shams Textile Mills limited of Rs. 250,000,000 (Two Fifty Million) on terms and conditions to be contained in the agreement to be executed between the Company and Associated Company in terms of Section 199 of Companies Act, 2017,</p> <p>Further Resolved That the Chief Executive and Company Secretary be and are hereby singly authorized to do all acts, deeds and things and take all steps and necessary actions ancillary and incidental including filing of requisite documents and returns as may be required with the Registrar of Companies, Securities and Exchange Commission of Pakistan and complying with all other regulatory requirements to effectuate and implement this resolution.</p> | | | |
| 2 | <p>"RESOLVED THAT a sum of Rs. 44,372,287/- be capitalized out of the free reserves of the Company and applied towards issue of 4,437,228 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, 2023".</p> <p>"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, 2023".</p> | | | |

Notice of Annual General Meeting

| | | | | |
|---|---|--|--|--|
| | <p>"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 27, 2023".</p> | | | |
| 3 | <p>RESOLVED THAT the approval of the members of Suraj Cotton Mills Limited ("the Company") be and is hereby accorded to increase authorized share capital of the Company from Rs. 500,000,000 (Rupees Five Hundred Million Only) divided into 50,000,000 ordinary shares of Rs. 10/- each to Rs. 1,000,000,000 (Rupees One Billion Only) divided into 100,000,000 ordinary shares of Rs. 10/- each.</p> <p>FURTHER RESOLVED THAT, in consequence of the said increase in the authorized share capital of the Company, the existing Clause V of the Memorandum of Association and clause 5 of the Articles of Association of the Company be and is hereby amended accordingly, to read as follows:</p> <p>Clause V of Memorandum of Association:</p> <p>The Capital of the Company is Rs. 1,000,000,000 (Rupees One Billion Only) divided into 100,000,000 (One Hundred Million) ordinary shares of Rs. 10/- (Rupees Ten only) each with powers to the Company from time to time increase and reduce its capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such special rights, privileges or conditions as may be</p> | | | |

Notice of Annual General Meeting

| | | | |
|---|--|--|--|
| <p>determined by or in accordance with the regulations of the Company and to vary modify or abrogate any such right privileges or conditions in such manner as may for the time being be provided by the regulations of the Company in accordance with law provided however, that rights as between various classes or ordinary shares, if any, as to profits, votes and other benefits shall be strictly proportionate to the paid up value of the shares.</p> <p>Clause 5 of Articles of Association:</p> <p>The Capital of the Company is Rs. 1,000,000,000 (Rupees One Billion Only) divided into 100,000,000 (One Hundred Million) ordinary shares of Rs. 10/- (Rupees Ten only) each with power to increase, decrease, consolidate any otherwise re-organise the share capital of the Company in accordance with the provision of the Ordinance. The minimum subscription shall be Rs. 1,000,000 (Rupees One Million)</p> <p>FURTHER RESOLVED THAT, the ordinary shares when issued shall carry equal voting rights and rank pari passu with the existing ordinary shares of the company in all respects/matters in conformity with the provisions of the Companies Act, 2017.</p> <p>FURTHER RESOLVED THAT the Chief Executive and Company Secretary be and are hereby singly authorized to do all acts, deeds and things and take all steps and necessary actions ancillary and incidental including filing of requisite documents and returns as may be required with the Registrar of Companies, Securities and</p> | | | |
|---|--|--|--|

Notice of Annual General Meeting

| | | | | |
|---|--|--|--|--|
| | Exchange Commission of Pakistan and complying with all other regulatory requirements to effectuate and implement this resolution. | | | |
| 4 | <p>“RESOLVED THAT the dissemination of information regarding annual audited financial statements to the shareholders through QR enabled code and weblink as notified by the Securities and Exchange Commission of Pakistan vide its SRO 389 (I)/2023 dated 21 March, 2023, be and is hereby approved while considering technological advancements and old technology becoming obsolete, the circulation of annual financial statements through CD/DVD/USB be discontinued.”</p> | | | |

Signature of shareholder(s)

Place:

Date:

NOTES:

1. Dully filled postal ballot should be sent to chairman Mr. Khalid Bashir, 7-B-III, Aziz Avenue, Gulberg-V, Lahore.
2. Copy of CNIC should be enclosed with the postal ballot form.
3. Postal ballot forms should reach chairman of the meeting on or before October 26, 2023. Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot should match with signature on CNIC.
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected.

اطلاع سالانہ اجلاس عام

| | | | |
|--|--|--|--|
| | | | <p>طے پایا کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے 21 مارچ 2023 کو جاری کردہ ایس آر اے 389(I)/2023 کے تحت شیئر ہولڈرز کو سالانہ آڈٹ شدہ مالی گوشواروں سے متعلق معلومات کی فراہمی کو منظوری دی جائے اور تکنیکی ترقی اور پرانی ٹیکنالوجی کے متروک ہونے پر غور کرتے ہوئے سی ڈی/ ڈی وی ڈی/ یو ایس بی کے ذریعے سالانہ مالی گوشواروں کی گردش بند کی جائے</p> |
|--|--|--|--|

دستخط شیئر ہولڈر / ہولڈرز

تاریخ

مقام

مندرجات

| | |
|---|---|
| 1 | باقاعدہ پر شدہ پوسٹل بیلٹ چیئر مین جناب خالد بشیر کو 3-B-7 مرینہ ہومز، عزیز ایونیو، لاہور پر بھیجا جائے۔ |
| 2 | شناختی کارڈ کی کاپی پوسٹل بیلٹ فارم کے ساتھ منسلک ہونی چاہیے۔ |
| 3 | پوسٹل بیلٹ فارم اجلاس کے چیئر مین کے پاس (پوسٹل بیلٹ وصول کرنے کی آخری تاریخ 26 اکتوبر 2023) کو یا اس سے پہلے پہنچانا چاہئے۔ اس تاریخ کے بعد موصول ہو پوسٹل بیلٹ کو ونگ کے لئے شمار نہیں کیا جائے گا۔ |
| 4 | پوسٹل بیلٹ پر دستخط شناختی کارڈ پر دستخط کے ساتھ ملانا چاہئے۔ |
| 5 | ناکمل، غیر دستخط شدہ، غلط، مسخ شدہ، پھٹے ہوئے، مسخ شدہ، تحریری بیلٹ پیپر مسترد کیے جائیں گے۔ |

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| | | | <p>میورنڈم آف ایسوسی ایشن کی شق 5:</p> <p>کمپنی کا سرمایہ 1,000,000,000 روپے (صرف ایک ارب روپے) ہے جسے 100,000,000 (ایک سو ملین) کے عام حصص، -/10 روپے فی حصص، میں تقسیم کیا گیا ہے جن میں سے ہر ایک کو وقتاً فوقتاً اپنے سرمائے میں اضافہ اور کمی کرنے اور فی الوقت سرمائے میں حصص کو متعدد طبقاتوں میں تقسیم کرنے اور بالترتیب اس طرح کے خصوصی حقوق منسلک کرنے کا اختیار ہے۔ استحقاق یا شرائط کا تعین کمپنی کے قواعد و ضوابط سے یا اس کے مطابق کیا جاتا ہے اور اس طرح کے کسی بھی حقوق یا شرائط کو اس طرح تبدیل یا منسوخ کرنا ہے جو کمپنی کے قواعد و ضوابط کے ذریعہ فی الحال قانون کے مطابق فراہم کیے جاسکتے ہیں، تاہم یہ حقوق مختلف طبقات یا عام حصص کے درمیان ہیں، منافع، ووٹ اور دیگر فوائد کے بارے میں اگر کوئی ہے تو وہ حصص کی ادا شدہ قیمت کے متناسب ہوگا۔</p> <p>آرٹیکل آف ایسوسی ایشن کی شق 5:</p> <p>کمپنی کا سرمایہ 1,000,000,000 روپے (صرف ایک ارب روپے) ہے جسے 100,000,000 (ایک سو ملین) کے عام حصص، -/10 روپے فی حصص، میں تقسیم کیا گیا ہے، جن میں سے ہر ایک کو آرڈیننس کی شق کے مطابق کمپنی کے حصص کے سرمائے کو بڑھانے، کم کرنے یا مستحکم کرنے کا اختیار ہے۔ کم از کم سبسکرپشن 1,000,000 روپے (دس لاکھ روپے) ہوگی۔</p> <p>مزید طے پایا کہ جب عام حصص جاری کیے جائیں گے تو ان کے پاس ووٹنگ کے مساوی حقوق ہوں گے اور کمپنی ایکٹ 2017 کی دفعات کے مطابق ہر لحاظ سے / معاملات میں کمپنی کے موجودہ عام حصص کے برابر درجہ بندی کی جائے گی۔</p> <p>مزید طے پایا کہ چیف ایگزیکٹو اور کمپنی سیکرٹری تمام کاروائیوں، اعمال اور چیزوں کو کرنے اور تمام ضروری دستاویزات، معاون اور حادثاتی کاروائیاں کرنے کے مجاز ہیں جن میں رجسٹرار آف کمپنیز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے پاس مطلوبہ دستاویزات اور گوشوارے جمع کروانا اور اس قرارداد کو نافذ کرنے اور اس پر عمل درآمد کے لئے دیگر تمام ریگولیٹری تقاضوں کی تعمیل کرنا شامل ہے۔</p> |
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| | | | <p>طے پایا کہ کمپنی کے فری ریزرو میں سے -44,372,287 روپے کی رقم کو کیپیٹل لائز کیا جائے گا اور اس کا اطلاق 10 روپے کے 4,437,228 عام حصص کے اجراء کے لئے کیا جائے، یعنی 10 فیصد مکمل ادائیگی والے بونس حصص کے طور پر۔ یعنی کمپنی کے ممبرز کے پاس موجود ہر دس (10) عام حصص کے لئے ایک (01) عام حصص کے تناسب میں جن کے نام 20 اکتوبر 2023 کو کاروبار کے اختتام پر ممبرز رجسٹر میں ظاہر ہوتے ہیں۔</p> <p>مزید طے پایا کہ بونس حصص مستقبل کے حقوق کے حوالے سے کمپنی کے موجودہ حصص کے ساتھ ہر لحاظ سے درجہ بندی کریں گے، تاہم، یہ حصص 30 جون 2023 کو ختم ہونے والے سال کے لئے کمپنی کی طرف سے اعلان کردہ حتمی منافع کے اہل نہیں ہوں گے۔</p> <p>مزید طے پایا کہ ممبر کا جزوی حق، ان کے متعلقہ حصص کی وجہ سے بونس شیئر کے ایک حصے کے حق کے نتیجے میں، ایک خیراتی اکاؤنٹ میں جمع کیا جائے گا جسے 27 اکتوبر 2023 کو سالانہ جنرل میٹنگ میں شیئر ہولڈرز کی طرف سے تجویز اور منظور کیا جائے گا۔</p> |
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بیلٹ پیپر برائے ووٹنگ بذریعہ ڈاک پول کے لیے
(کمپنی کا نام اور لوگو)

مکمل رابطہ تفصیلات (بشمول ویب سائٹ ایڈریس)

چیئر مین کا نامزد ای میل ایڈریس جس پر مناسب طریقے سے بھرا ہوا بیلٹ پیپر بھیجا جاسکتا ہے:

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| | CDC کا ڈسٹ / نمبر فوئیو نمبر |
| | شمیر ہولڈر / جوائنٹ شمیر ہولڈرز کا نام |
| | رجسٹرڈ ایڈریس |
| | تعداد ملکیتی حصص اور فوئیو نمبر |
| | شناختی کارڈ نمبر (نقل لف کی جائے) |
| | اضافی معلومات اور دستاویز (باڈی کارپوریٹ 'کارپوریشن اور وفاقی حکومت نمائندے کی صورت میں) |

میں اہم مندرجہ ذیل قراردادوں کے سلسلے میں پوسٹل بیلٹ کے ذریعے اپنا ووٹ استعمال کرتے ہوئے مندرجہ ذیل قرارداد پر اپنی رضامندی یا اختلاف کا اظہار کرتے ہوئے نیچے مناسب باکس میں ٹک (✓) کا نشان لگاتا ہوں / لگاتے ہیں

| نمبر شمار | قراردادوں کی نوعیت اور تفصیل | عام حصص کی تعداد جن کے لیے ووٹ ڈالے گئے | میں اہم قراردادوں کی منظوری دیتے ہیں (برائے) | میں اہم قراردادوں کی خلاف ورزی کرتے ہیں (کے خلاف) |
|-----------|--|---|--|---|
| | طے پایا کہ سورج کاٹن ملز لمیٹڈ ("کمپنی") کمپنی ایکٹ 2017 کی دفعہ 199 کے تحت کمپنی اور ایسوسی ایٹڈ کمپنی کے درمیان ہونے والے معاہدے میں شامل شرائط و ضوابط پر اپنی متعلقہ کمپنی ٹیکسٹائل ملز لمیٹڈ 250,000,000 (250 ملین) روپے کا قرض منظور کرے گی۔ مزید طے پایا کہ چیف ایگزیکٹو اور کمپنی سیکرٹری تمام کاروائیوں، اعمال اور چیزوں کو کرنے اور تمام ضروری دستاویزات، معاون اور حادثاتی کاروائیاں کرنے کے مجاز ہیں جن میں رجسٹر آف کمپنیز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے پاس مطلوبہ دستاویزات اور گوشوارے جمع کروانا اور اس قرارداد کو نافذ کرنے اور اس پر عمل درآمد کے لئے دیگر تمام ریگولیٹری تقاضوں کی تعمیل کرنا شامل ہے۔ | | | |

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ویڈیو کانفرنس کی سہولت

کمپنیز ایکٹ 2017 کی شقوں کے مطابق، کسی شہر میں رہنے والے اور کل ادا شدہ حصص کے سرمائے کا کم از کم 10 فیصد رکھنے والے شیئرز ہولڈرز کمپنی سے مطالبہ کر سکتے ہیں کہ وہ ای۔ جی ایم میں شرکت کے لئے ویڈیو لنک کی سہولت فراہم کرے۔ ویڈیو لنک کی سہولت کی مانگ شیئرز رجسٹر کو سالانہ رپورٹ میں فراہم کردہ معیاری فارم پر مینٹگ کی تاریخ سے کم از کم سات (7) دن پہلے دیئے گئے پتے پر وصول کی جائے گی اور کمپنی کی ویب سائٹ پر بھی دستیاب ہوگی۔

ای وونگ کا طریقہ کار

- i۔ کمپنیز (پوسٹل بیلٹ) ریگولیشن، 2018، ("ضابطے") کے مطابق اراکین کو الیکٹرانک ووٹنگ کی سہولت کے ذریعے ووٹ دینے کا حق فراہم کیا جا رہا ہے۔
- ii۔ ای وونگ کی سہولت کی تفصیلات کمپنی کے ان ممبروں کے ساتھ ای میل کے ذریعے شیئرز کی جائیں گی جن کے پاس کاروبار کے اختتام 20 اکتوبر 2023 تک کمپنی کے ممبران کے رجسٹر میں درست سہیل نمبر/ای میل ایڈریس (رجسٹرڈ ای میل آئی ڈی) دستیاب ہوں گے۔
- iii۔ ای وونگ کے ذریعے ووٹ ڈالنے کا ارادہ رکھنے والے ارکان کی شناخت الیکٹرانک دستخط یا لاگ ان کے لئے توثیق کے ذریعے تصدیق کی جائے گی۔
- iv۔ ای وونگ لائنیں 24 اکتوبر 2023 سے صبح 09:00 بجے شروع ہوں گی اور 26 جون 2023 کو شام 05:00 بجے بند ہوں گی۔ ارکان اس مدت کے دوران کسی بھی وقت اپنا ووٹ ڈال سکتے ہیں۔ ایک بار جب کسی رکن کی طرف سے قرارداد پر ووٹ ڈال دیا جاتا ہے تو، اسے بعد میں اسے تبدیل کرنے کی اجازت نہیں دی جائے گی۔

پوسٹل بیلٹ کے ذریعے ووٹنگ کا طریقہ کار

ممبران اس بات کو یقینی بنائیں گے کہ کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) کی کاپی کے ساتھ باقاعدہ طور پر بھرے ہوئے اور دستخط شدہ بیلٹ پیپر کمپنی کے رجسٹرڈ ایڈریس 7-B-3 مرینہ موہر، عزیز ایویو، لاہور، پاکستان پر ڈاک کے ذریعے چیئر مین کے پاس پہنچیں یا 20 جون 2023 کو ای او جی ایم سے ایک دن قبل kaybee@crecent.com.pk پر ای میل کے ذریعے 27 اکتوبر 2023 کو شام 5 بجے تک ای میل کریں۔ بیلٹ پیپر پر دستخط شناختی کارڈ پر دستخط سے ملنے چاہیے۔ یہ پوسٹل بیلٹ پیپر کمپنی کی ویب سائٹ www.suraj.com سے ڈاؤن لوڈ کے لئے بھی دستیاب ہے، اس نوٹس سے منسلک ہے اور اخبارات میں شائع ہے۔ براہ مہربانی نوٹ کریں کہ ووٹنگ میں کسی بھی تنازعہ کی صورت میں بشمول ایک سے زیادہ ووٹ کاسٹ کرنے کی صورت میں، چیئر مین فیصلہ کن اتھارٹی ہوگا۔ ای وونگ سروس فراہم کنندہ: میسرز کارپ ٹیک ایسوسی ایٹس (پرائیویٹ) لمیٹڈ

کمپنی کی ویب سائٹ پر مالی حسابات کی پلیسمنٹ

کمپنی 30 جون 2023ء کو ختم ہونے والے سال کیلئے نظر ثانی شدہ سالانہ مالی حسابات معائنہ پر آڈیٹران اور ڈائریکٹران کی رپورٹس اور چیئر مین کی جائزہ رپورٹ اپنی ویب سائٹ www.suraj.com پر رکھ چکی ہے۔

شیئرز ہولڈرز سے یہ بھی درخواست کی جاتی ہے کہ وہ اپنے ای میل ایڈریس میں کسی بھی تبدیلی کے بارے میں فوری طور پر کمپنی کے شیئرز رجسٹر، میسرز کارپوریشن ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، E-503، جوہر ٹاؤن، لاہور کو مطلع کریں۔

Ph. 042-35170335-37

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اور فروخت بھی شامل ہے، جب وہ چاہیں، کیونکہ پاکستان اسٹاک ایکسچینج لمیٹڈ کے موجودہ ضوابط کے مطابق فزیکل شیئرز کی تجارت کی اجازت نہیں ہے۔

ڈیویڈنڈ کی ای سی مینٹ کے لیے CNIC/IBAN

کمپنیز ایکٹ 2017ء کی دفعہ 242 کی پروویژنز کے مطابق فہرستی کمپنیوں کیلئے ضروری ہے کہ کوئی منافع منقسمہ قابل ادا نقد صورت میں فقط الیکٹرونک موڈ کے ذریعے براہ راست مستحق حصص داران کی طرف سے منسوب بینک اکاؤنٹ میں کیا جائیگا۔ اس کے مطابق مادی حصص کے مالک حصص داران سے درخواست ہے درج بالا پتہ پر کمپنی کے شیئرز رجسٹرار کو سالانہ رپورٹ میں مہیا شدہ اور کمپنی کی ویب سائٹ پر بھی دستیاب ای ڈیویڈنڈ فارم پر الیکٹرونک ڈیویڈنڈ مینڈیٹ فراہم کریں۔ سی ڈی سی میں حصص رکھنے کی صورت میں، یہ معلومات اپ ڈیٹنگ اور کمپنی کو ارسال کرنے کیلئے سی ڈی ایس پارٹنیشنس کو مہیا کی جانی چاہئیں۔ جمع نہ کروانے کی صورت میں، آئندہ کے تمام منافع کی ادائیگی روکی جاسکتی ہے۔

زکوٰۃ ڈیکلیریشن:

کمپنی کے ممبر زکوٰۃ و عشر آئینس 1980ء کی شرائط کے تحت زکوٰۃ اٹھانی کے لیے اعلامیہ جمع کرانا ہوگا۔

ڈیویڈنڈ انکم پریکٹس میں کٹوتی۔ فنانس ایکٹ، 2021

یہاں یہ بتایا جاتا ہے کہ فنانس ایکٹ 2021ء کے مطابق انکم ٹیکس آرڈیننس 2001ء کی دفعہ 150 کے تحت ڈیویڈنڈ آمدنی پر وہ ہولڈنگ ٹیکس کی شرح درج ذیل ہے:

انکم ٹیکس ریٹرن فائل کرنے والے کے لیے ڈیویڈنڈ انکم پریکٹس کی شرح 15% انکم ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے ڈیویڈنڈ انکم پریکٹس کی شرح 30% اس کے علاوہ آپ سے درخواست کی جاتی ہے کہ براہ مہربانی ہمیں مندرجہ ذیل تفصیلات فراہم کریں:

| نام | فولیو نمبر / CDCI | قومی ٹیکس نمبر | CNIC نمبر (صرف فرد کے لیے) اگر پہلے سے فراہم نہ کیا گیا ہو تو درست شناختی کارڈ کی ایک کاپی فراہم کریں |
|-----|-------------------|----------------|---|
| | | | |

بونس حصص پریکٹس میں کٹوتی

کمپنیوں کی طرف سے جاری کردہ بونس حصص۔ (1) فی الحال نافذ العمل کسی بھی قانون میں کچھ بھی موجود ہونے کے باوجود، کمپنی کے شیئرز ہولڈرز کو بونس حصص جاری کرنے والی ہر کمپنی، جاری کردہ بونس حصص کا دس فیصد روک دے گی۔

(2) ذیلی دفعہ (1) کے تحت روکے گئے بونس حصص صرف اس صورت میں شیئرز ہولڈرز کو جاری کیے جائیں گے جب کمپنی شیئرز ہولڈرز کو جاری کردہ بونس حصص کی قیمت کے دس فیصد کے برابر ٹیکس بشمول روکے گئے بونس شیئرز ہولڈرز سے وصول کرے، جس کا تعین لسٹڈ کمپنی کے معاملے میں کتابوں کی بندش کے پہلے دن کی قیمت اور دیگر کمپنیوں کے معاملے میں مقرر کردہ قیمت کی بنیاد پر کیا جائے گا۔

اطلاع سالانہ اجلاس عام

"طے پایا کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے 21 مارچ 2023 کو جاری کردہ ایس آر آ (I)/2023/389 کے تحت شیئر ہولڈرز کو سالانہ آڈٹ شدہ مالی گوشواروں سے متعلق معلومات کی فراہمی کو منظوری دی جائے اور تکنیکی ترقی اور پرانی ٹیکنالوجی کے متروک ہونے پر غور کرتے ہوئے سی ڈی/ڈی وی ڈی/یو ایس بی کے ذریعے سالانہ مالی گوشواروں کی گردش بند کی جائے۔"

8- چیئرمین کی اجازت سے کسی دوسرے کاروبار کالین دین کرنا۔

بجلم بورڈ

لاہور

کمپنی سیکرٹری

مورخہ: 05 اکتوبر 2023ء

کتابوں کی بندش

نمبرز کارڈس 21 اکتوبر 2023 سے 27 اکتوبر 2023 (بشمول ہر دو ایام) تک بند رہے گا

نوٹس

- 1- کمپنی کے شیئر رجسٹرار آفس، میسرز کارپوریشن ایسوسی ایٹس پرائیویٹ لمیٹڈ، E-505، جوہر ٹاؤن، لاہور میں 20 اکتوبر 2023ء کو یا اس سے پہلے کاروباری اوقات ختم ہونے پر موصول ہونے والی ٹرانسفرز کو بروقت تصور کیا جائے گا۔
- 2- ویڈیولنک کے ذریعے اجلاس میں شرکت کے خواہشمند شیئر ہولڈرز سے درخواست کی جاتی ہے کہ وہ 20 اکتوبر 2023 تک nadeem.malik@suraj.com پر اپنا نام، فوٹیو نمبر، پیل نمبر اور اپنے نام پر موجود شیئرز کی تعداد کے ساتھ ساتھ کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) کے دونوں اطراف کی درست کاپی ای میل کریں۔ ویڈیولنک اور لاگ ان اسناد صرف ان ممبرز/نامزد پراکسیز کے ساتھ شیئرز کی جائیں گی جن کے ای میلز میں تمام مطلوبہ تفصیلات شامل ہوں گی۔
- 3- اس میٹنگ میں شرکت کرنے اور ووٹ دینے کا حقدار ممبر اپنی جگہ کسی دوسرے ممبر کو شرکت کرنے اور ووٹ دینے کے لیے اپنا پراکسی مقرر کر سکتا ہے۔ مؤثر ہونے کے لئے پراکسیز کو کمپنی کورجسٹرار آفس میں میٹنگ کے انعقاد کے وقت سے 48 گھنٹے پہلے کے بعد نہیں ملنا چاہئے۔ پراکسی فارم پر دو افراد گواہی دیں گے، جن کے نام، پتے اور شناختی کارڈ نمبر فارم پر درج ہوں گے۔ ایک پراکسی کمپنی کا ممبر ہونا ضروری ہے۔ پراکسی فارم ممبران کو ای جی ایم کے نوٹس کے ساتھ بھیجے گئے ہیں۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی جس پر نامزد شخص کے دستخط ہوں گے، نمائندے کے شناختی کارڈ کی کاپی کے ساتھ پیش کی جائے گی۔

فزیکل شیئرز کی بک انٹری فارم میں تبدیلی

کمپنیز ایکٹ، 2017 کے سیکشن 72 کے مطابق، ہر موجودہ کمپنی اپنے فزیکل شیئرز کو بک انٹری فارم کے ساتھ تبدیل کرے گی جیسا کہ بیان کیا گیا ہے اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے مطلع کردہ تاریخ سے، ایک مدت کے اندر کمپنیز ایکٹ، 2017 کے آغاز سے چار سال یعنی 31 مئی 2017۔ فزیکل شکل میں حصص رکھنے والے شیئر ہولڈرز سے درخواست کی جاتی ہے کہ براہ کرم اپنے حصص کو بک انٹری فارم میں تبدیل کریں۔ اس مقصد کے لیے، شیئر ہولڈرز کسی بھی بروکرز یا سرمایہ کار کے اکاؤنٹ کے ساتھ براہ راست سی ڈی سی کے ساتھ سی ڈی سی کا ذیلی اکاؤنٹ کھول سکتے ہیں تاکہ اپنے فزیکل شیئرز کو اسکرپٹس فارم میں رکھ سکیں۔ یہ انہیں کئی طریقوں سے سہولت فراہم کرنے کا جس میں حصص کی محفوظ تخیل

اطلاع سالانہ اجلاس عام

طے پایا کہ سورج کاشن ملز لمیٹڈ ("کمپنی") کے مجاز حصص کے سرمائے کو 500,000,000 روپے (صرف پانچ سو ملین روپے) 50,000,000 عام حصص - 10 روپے فی حصص سے بڑھا کر 1,000,000,000 روپے (صرف ایک ارب روپے) 100,000,000 عام حصص - 10 روپے فی حصص، کرنے کے لیے ممبرز کی منظوری دی جاتی ہے۔ مزید یہ طے پایا کہ کمپنی کے مجاز حصص کے سرمائے میں مذکورہ اضافے کے نتیجے میں میمورنڈم آف ایسوسی ایشن کی موجودہ شق ۷ اور کمپنی کے آرٹیکل آف ایسوسی ایشن کی شق 5 میں اس کے مطابق ترمیم کی جائے گی اور مندرجہ ذیل طور پر پڑھا جائے گا۔

میمورنڈم آف ایسوسی ایشن کی شق 5:

کمپنی کا سرمایہ 1,000,000,000 روپے (صرف ایک ارب روپے) ہے جسے 100,000,000 (ایک سو ملین) کے عام حصص، - 10 روپے فی حصص، میں تقسیم کیا گیا ہے جن میں سے ہر ایک کو وقتاً فوقتاً اپنے سرمائے میں اضافہ اور کمی کرنے اور فی الوقت سرمائے میں حصص کو متعدد طبقاتوں میں تقسیم کرنے اور بالترتیب اس طرح کے خصوصی حقوق منسلک کرنے کا اختیار ہے۔ استحقاق یا شرائط کا تعین کمپنی کے قواعد و ضوابط سے یا اس کے مطابق کیا جاتا ہے اور اس طرح کے کسی بھی حقوق یا شرائط کو اس طرح تبدیل یا منسوخ کرنا ہے جو کمپنی کے قواعد و ضوابط کے ذریعہ فی الحال قانون کے مطابق فراہم کیے جاسکتے ہیں، تاہم یہ حقوق مختلف طبقات یا عام حصص کے درمیان ہیں، منافع، ووٹ اور دیگر فوائد کے بارے میں اگر کوئی ہے تو وہ حصص کی ادا شدہ قیمت کے متناسب ہوگا۔

آرٹیکل آف ایسوسی ایشن کی شق 5

کمپنی کا سرمایہ 1,000,000,000 روپے (صرف ایک ارب روپے) ہے جسے 100,000,000 (ایک سو ملین) کے عام حصص، - 10 روپے فی حصص، میں تقسیم کیا گیا ہے، جن میں سے ہر ایک کو آرڈیننس کی شق کے مطابق کمپنی کے حصص کے سرمائے کو بڑھانے، کم کرنے یا مستحکم کرنے کا اختیار ہے۔ کم از کم سبسکرپشن 1,000,000 روپے (دس لاکھ روپے) ہوگی۔

مزید طے پایا کہ جب عام حصص جاری کیے جائیں گے تو ان کے پاس ووٹنگ کے مساوی حقوق ہوں گے اور کمپنی ایکٹ 2017 کی دفعات کے مطابق ہر لحاظ سے / معاملات میں کمپنی کے موجودہ عام حصص کے برابر درجہ بندی کی جائے گی۔

مزید طے پایا کہ چیف ایگزیکٹو اور کمپنی سیکرٹری تمام کاروائیوں، اعمال اور چیزوں کو کرنے اور تمام ضروری دستاویزات، معاون اور حادثاتی کاروائیاں کرنے کے مجاز ہیں جن میں رجسٹرار آف کمپنیز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے پاس مطلوبہ دستاویزات اور گوشوارے جمع کروانا اور اس قرارداد کو نافذ کرنے اور اس پر عمل درآمد کے لئے دیگر تمام ریگولیٹری تقاضوں کی تعمیل کرنا شامل ہے۔

7- اگر مناسب سمجھا جائے تو مندرجہ ذیل قرارداد (قراردادوں) کو ترمیم کے ساتھ یا اس کے بغیر منظور کیا جائے تاکہ ڈائریکٹرز کی سفارش کے مطابق کیو آر فعال کوڈ اور ویب لنک کے ذریعے اپنے ممبران کو سالانہ آڈٹ شدہ مالیاتی گوشواروں کی گردش کے لئے عام قراردادوں کے طور پر پیش کیا جائے۔

اطلاع سالانہ اجلاس عام

بذریعہ نوٹس بند مطلع کیا جاتا ہے کہ سورج کاٹھنملز لمیٹڈ (کمپنی) کے حصص داران کا 39 واں سالانہ اجلاس کمپنی کے رجسٹرڈ آفس II-B-7، عزیز ایونیو، گلبرگ V، لاہور میں 27 اکتوبر 2023 صبح 09:30 بجے درج ذیل عمومی امور کی انجام دہی کیلئے منعقد ہوگا۔

عمومی امور

- 1- 30 جون 2023 کو ختم ہونے والی سال کیلئے کمپنی کے نظر ثانی شدہ سالانہ مالی حسابات معائنہ پر ڈائریکٹرز اور آڈیٹرز کی رپورٹس کو موصول کرنا، زیر غور لانا اور منظور کرنا۔
- 2- ڈائریکٹرز کی سفارش کے مطابق 30 جون 2023 کو ختم ہونے والے سال کے لئے 10%، یعنی 1/1 روپے فی حصص، حتمی نقد منافع کی ادائیگی کی منظوری دینا۔
- 3- اگلے سالانہ جنرل اجلاس کے اختتام تک عہدے پر فائز رہنے کے لئے آڈیٹرز کی تقرری اور ان کے صلہ خدمت کا تعین کرنا۔

خصوصی امور

- 4- کمپنی ایکٹ 2017ء کی دفعہ 199 کے تحت کمپنی کی ایک ایسوسی ایٹ کمپنی ٹیکسٹائل مل لمیٹڈ کو ورکنگ کیپٹل کے لئے 250,000,000 (250 ملین) روپے کے قرض کے لئے مندرجہ ذیل خصوصی قرارداد پر غور کرنا اور اگر مناسب لگے تو ترمیم کے ساتھ یا بغیر کسی ترمیم کے منظور کرنا۔

ٹے پایا کہ سورج کاٹھنملز لمیٹڈ ("کمپنی") کمپنی ایکٹ 2017 کی دفعہ 199 کے تحت کمپنی اور ایسوسی ایٹ کمپنی کے درمیان ہونے والے معاہدے میں شامل شرائط و ضوابط پر اپنی متعلقہ کمپنی ٹیکسٹائل مل لمیٹڈ کو 250,000,000 (250 ملین) روپے کا قرض منظور کرے گی۔

مزید ٹے پایا کہ چیف ایگزیکٹو اور کمپنی سیکرٹری تمام کاروائیوں، اعمال اور چیزوں کو کرنے اور تمام ضروری دستاویزات، معاون اور حادثاتی کاروائیاں کرنے کے مجاز ہیں جن میں رجسٹر آف کمپنیز، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے پاس مطلوبہ دستاویزات اور گوشوارے جمع کروانا اور اس قرارداد کو نافذ کرنے اور اس پر عمل درآمد کے لئے دیگر تمام ریگولیٹری تقاضوں کی تعمیل کرنا شامل ہے۔

- 5- اگر مناسب سمجھا جائے تو ان قراردادوں پر غور کرنا اور اگر مناسب سمجھا جائے تو ان میں ترمیم کے ساتھ یا اس کے بغیر منظور کیا جائے، جو ڈائریکٹروں کی سفارش کے مطابق بونس حصص کے اجراء کے لیے فری ریروز کی سرمایہ کاری کے لیے عام قراردادوں کے طور پر پیش کی جاتی ہیں۔

ٹے پایا کہ کمپنی کے فری ریروز میں سے -44,372,287 روپے کی رقم کو کھینچا لائے کیا جائے گا اور اس کا اطلاق 10 روپے کے 4,437,228 عام حصص کے اجراء کے لئے کیا جائے، یعنی 10 فیصد مکمل ادائیگی والے بونس حصص کے طور پر۔ یعنی کمپنی کے ممبرز کے پاس موجود ہر دس (10) عام حصص کے لئے ایک (01) عام حصص کے تناسب میں جن کے نام 20 اکتوبر 2023 کو کاروبار کے اختتام پر ممبرز رجسٹر میں ظاہر ہوتے ہیں۔

مزید ٹے پایا کہ بونس حصص مستقبل کے حقوق کے حوالے سے کمپنی کے موجودہ حصص کے ساتھ ہر لحاظ سے درجہ بندی کریں گے، تاہم، یہ حصص 30 جون 2023 کو ختم ہونے والے سال کے لئے کمپنی کی طرف سے اعلان کردہ حتمی منافع کے اہل نہیں ہوں گے۔

مزید ٹے پایا کہ ممبر کا جزوی حق، ان کے متعلقہ حصص کی وجہ سے بونس شیئر کے ایک حصے کے حق کے نتیجے میں، ایک خیراتی اکاؤنٹ میں جمع کیا جائے گا جسے 27 اکتوبر، 2023 کو سالانہ جنرل میٹنگ میں شیئر ہولڈرز کی طرف سے تجویز اور منظور کیا جائے گا۔

- 6- مندرجہ ذیل قرارداد پر غور کرنا اور اگر مناسب ہو تو ترمیم کے ساتھ یا اس کے بغیر ایک خصوصی قرارداد کے طور پر منظور کرنا

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, 2023

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):

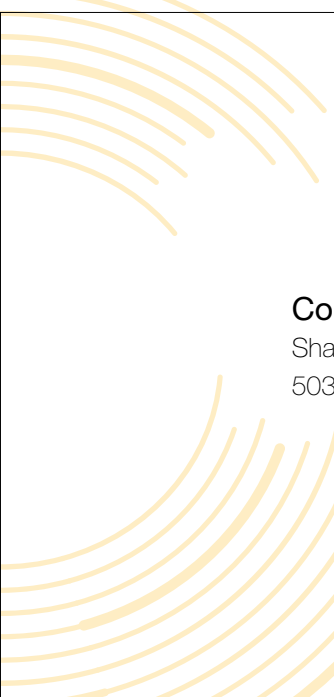
| Details of Shareholders | |
|--|---|
| Name of Shareholders | |
| Folio / CDS Account No. | |
| CNIC No. (Copy attached) | |
| Cell number of shareholders | |
| Landline number of shareholders, if any | |
| Email | |
| Details of Bank Account | |
| Title of Bank Account | |
| International Bank Account 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. | |
| _____ Signature of Shareholders | |



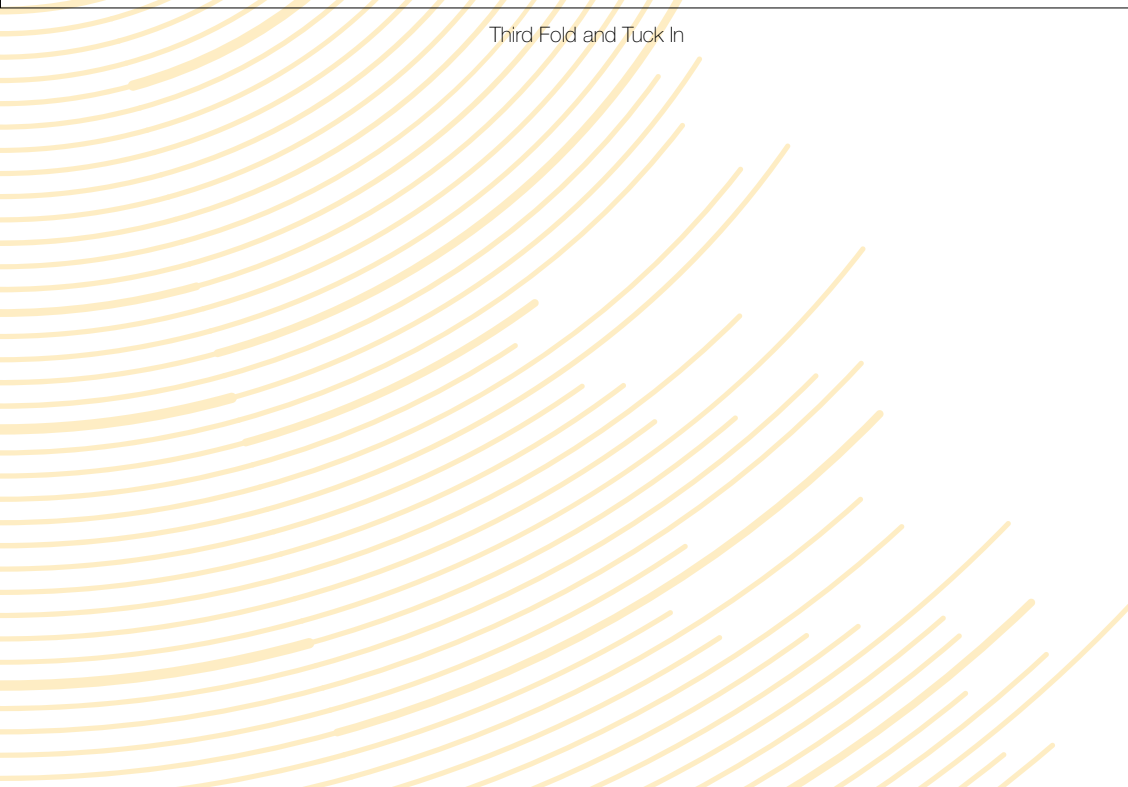
Second Fold

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

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Corptec Associates (Pvt) Ltd.

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

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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 **37th Annual General Meeting** of the Company to be held on Wednesday, October 27, 2023 at 10:00 a.m. at Registered Office, 7-B-III, Aziz Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2023.

Witness 1:

Signature: _____

Name: _____

Address: _____

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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.

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

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info@suraj.com

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SURAJ COTTON MILLS LIMITED

Address:

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

PABX: +92 42 35760381

Fax: +92 42 35760376