



Ⓢ SURAJ COTTON MILLS LIMITED

QUARTERLY REPORT  
March 31, 2009  
(Un-Audited)







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## COMPANY INFORMATION

### Board of Directors

Ahsan Bashir  
Amjad Mahmood  
Asif Bashir  
Humayun Maqbool  
Khalid Bashir (Chairman)  
Nadeem Maqbool (Chief Executive)  
Rashid Ahmed (Nominee: NIT)

### Chief Financial Officer

Farooq Ahmad

### Audit Committee

Khalid Bashir (Chairman)  
Asif Bashir (Member)  
Humayun Maqbool (Member)  
Khaleeqe Ahmad (Secretary)

### Auditors

Ford Rhodes Sidat Hyder & Company  
Chartered Accountants

### Bankers

Allied Bank Limited  
First National Bank Modarba  
Habib Bank Limited  
HSBC  
MCB Bank Limited  
National Bank of Pakistan  
RBS  
Standard Chartered Bank (Pakistan) Limited  
The Bank of Punjab  
United Bank Limited

### Registered Office

7-B-III, Aziz Avenue, Gulberg-V  
Lahore

Ph: +92 (42) 5760 381  
Fax: +92 (42) 5760 376  
Email: [info@suraj.com](mailto:info@suraj.com)  
Web: [www.suraj.com](http://www.suraj.com)

### Project Locations

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

## DIRECTOR'S REPORT

On behalf of the Board of Directors, I am pleased to present the unaudited accounts of the Company for the nine month period ended 31 March 2009.

During the period under review, your company earned an after tax profit of Rs. 31.567 million. Net sales of the company during the period under review were Rs. 3,572.41 million and expenses largely remained within control. Financial charges during this period increased to Rs. 179.382 reflecting the rising trend in domestic borrowing costs as the State Bank continued its tightening of monetary policy. This policy is only now showing signs of easing as the monetary authorities are finally moving towards reduction of rates due to lower inflation. We hope that this will give some relief which will translate into lower financing costs in the last quarter.

Prices of raw cotton remained firm at the start of the season reaching highs of almost Rs. 4200/- per maund. This was mainly attributed to higher world prices and anticipated shortage of cotton. However, due to recessionary trends, all commodities depicted declining price trends throughout the second and third quarter of the current financial year. Imports which had become prohibitively expensive due higher world prices as well as a weak rupee also became more competitive. Overall the cost-push factors continued to exert pressure on the bottom line and the markets for the end products remained very depressed. The weaving sector also remained under pressure due to low demand and prices. Increasing cost and the world recession have eroded the profitability of the textile industry.

### Future Prospects

The future of the industry remains at best uncertain. The world economies continue to suffer from recession leading to decline in purchasing power and high unemployment. Unfortunately, textile bears the brunt of this depression and although we have seen some improvement in the past few weeks, it will be a long time before the recovery translates into better earnings for the textile industry. Your company is trying to manage as best as it can to control costs and achieve better results but lower earnings are inevitable. The demand for textiles has to increase significantly and relief from the government is necessary to help the industry stay afloat in these turbulent times. We hope that with product diversification and better management controls we will be able to mitigate some of the negative factors enabling us to manage during this difficult period. Raw material prices are starting to firm up once again and we hope that the demand and prices for end products will rise as a consequence.

The present year has been a very difficult one and we only hope that the economic recovery will materialize enabling us to become profitable. Pakistani products remain competitive in the present conditions which should help us to improve our market share.

### Acknowledgements

We wish to thank all our employees and partners for their dedication and support. I am also grateful to the Board of Directors for their valuable insight and guidance.

### Nadeem Maqbool

Chief Executive

25 April 2009

## INTERIM CONDENSED BALANCE SHEET

As At March 31, 2009

|   | Un Audited<br>March<br>31, 2009 | Audited<br>June 30,<br>2008 |
|---|---------------------------------|-----------------------------|
| Note  | (Rupees in thousands)           |                             |
| <b>EQUITY AND LIABILITIES</b>   |                                 |                             |
| <b>Share capital and reserves</b>                                       |                                 |                             |
| Authorized share capital  |                                 |                             |
| 50,000,000 (30 June 2008: 50,000,000) ordinary shares of Rupees 10 each | <b>500,000</b>                  | 500,000                     |
| Issued, subscribed and paid up share capital                            | <b>180,000</b>                  | 180,000                     |
| Capital reserves (i)  | <b>14,108</b>                   | 53,423                      |
| Revenue reserves  | <b>1,176,105</b>                | 1,171,538                   |
| <b>Total equity</b>   | <b>1,370,213</b>                | 1,404,961                   |
| <b>Non-current liabilities</b>  |                                 |                             |
| Long term financing- secured  | <b>591,068</b>                  | 664,123                     |
| Liabilities against assets subject to finance lease                     | <b>38,460</b>                   | 53,331                      |
| Deferred tax  | <b>125,292</b>                  | 119,628                     |
|   | <b>754,820</b>                  | 837,082                     |
| <b>Current liabilities</b>  |                                 |                             |
| Trade and other payables  | <b>369,187</b>                  | 310,533                     |
| Accrued interest on loans and other payables                            | <b>62,995</b>                   | 44,687                      |
| Short term borrowings   | <b>808,103</b>                  | 881,833                     |
| Current portion of long term financing                                  | <b>180,371</b>                  | 229,134                     |
|   | <b>1,420,656</b>                | 1,466,187                   |
| <b>Total liabilities</b>  | <b>2,175,476</b>                | 2,303,269                   |
| <b>Total equity and liabilities</b>                                     | <b>3,545,689</b>                | 3,708,230                   |

### CONTINGENCIES AND COMMITMENTS 5

- (i) The above capital reserve are net of impairment loss of Rs. 14.892 million in respect of listed securities held under "Available for sale" category of investments. The said impairment loss has been determined on the basis of valuation of such securities using the market prices quoted on the stock exchange as of 31 December 2008 as allowed under SRO 150(I)/2009 dated 13 February 2009 issued by Securities and Exchange Commission of Pakistan (SECP). Had the company followed the requirements of International Accounting Standard - 39 "Financial instruments: Recognition and Measurement", the aforesaid amount would have been charged to the profit and loss account which would have resulted in an increase in capital reserves amounting to Rs. 14.892 million and correspondingly the profit for the period would have been reduced by the same amount (Also refer Note 9.1.1).
- (ii) The annexed notes from 1 to 16 form an integral part of this interim condensed financial information.

**Nadeem Maqbool**  
Chief Executive

|  |             | <b>Un Audited</b><br><b>March</b><br><b>31, 2009</b> | Audited<br>June 30,<br>2008 |
|--|-------------|--|-----------------------------|
|  | <b>Note</b> | <b>(Rupees in thousands)</b>                         |                             |
| <b>ASSETS</b>                              |             |  |                             |
| <b>Non-current assets</b>                  |             |  |                             |
| Property, plant and equipment              | <b>6</b>    | <b>2,153,465</b>                                     | 2,291,150                   |
| Long term investments - Available for sale | <b>7</b>    | <b>28</b>  | 5,172                       |
| Long term deposits                         |             | <b>15,873</b>  | 16,381                      |
|  |             | <b>2,169,366</b>                                     | 2,312,703                   |
| <b>Current assets</b>                      |             |  |                             |
| Stores, spares and loose tools             |             | <b>81,658</b>  | 59,436                      |
| Stock-in-trade                             |             | <b>762,429</b>                                       | 885,973                     |
| Trade debts                                |             | <b>361,978</b>                                       | 281,941                     |
| Loans and advances                         | <b>8</b>    | <b>16,797</b>  | 18,162                      |
| Trade deposits and short term prepayments  |             | <b>6,103</b>   | 1,836                       |
| Other receivables                          |             | <b>2,077</b>   | 2,668                       |
| Short term investments                     | <b>9</b>    | <b>58,705</b>  | 90,799                      |
| Tax refunds due from the Government        |             | <b>21,378</b>  | 23,093                      |
| Taxation- net                              |             | <b>31,398</b>  | 25,953                      |
| Cash and bank balances                     |             | <b>33,800</b>  | 5,666                       |
|  |             | <b>1,376,323</b>                                     | 1,395,527                   |
| <b>Total assets</b>                        |             | <b>3,545,689</b>                                     | 3,708,230                   |

**Ahsan Bashir**  
Director

**INTERIM CONDENSED PROFIT & LOSS ACCOUNT (Un-Audited)**  
For The Nine Months Ended March 31, 2009

|                              | Note      | Nine months ended |                   | Quarter ended     |                   |
|------------------------------|-----------|-------------------|-------------------|-------------------|-------------------|
|                              |           | March<br>31, 2009 | March<br>31, 2008 | March<br>31, 2009 | March<br>31, 2008 |
| <b>(Rupees in thousands)</b> |           |                   |                   |                   |                   |
| Sales - net                  |           | <b>3,572,407</b>  | 3,032,791         | <b>1,112,674</b>  | 1,093,732         |
| Cost of sales                | <b>10</b> | <b>3,198,660</b>  | 2,759,732         | <b>1,040,728</b>  | 1,011,155         |
| Gross profit                 |           | <b>373,747</b>    | 273,059           | <b>71,946</b>     | 82,577            |
| Distribution cost            |           | <b>38,410</b>     | 35,251            | <b>11,534</b>     | 11,546            |
| Administrative expenses      |           | <b>44,562</b>     | 42,325            | <b>16,517</b>     | 13,958            |
| Other operating expenses     | <b>11</b> | <b>72,073</b>     | 10,267            | <b>(5,002)</b>    | 4,187             |
|                              |           | <b>155,045</b>    | 87,843            | <b>23,049</b>     | 29,691            |
| Other operating income       |           | <b>218,702</b>    | 185,216           | <b>48,897</b>     | 52,886            |
|                              |           | <b>6,012</b>      | 85,595            | <b>1,536</b>      | 69,571            |
|                              |           | <b>224,714</b>    | 270,811           | <b>50,433</b>     | 122,457           |
| Finance cost                 |           | <b>179,382</b>    | 130,533           | <b>59,557</b>     | 50,934            |
| Profit before tax            |           | <b>45,332</b>     | 140,278           | <b>(9,124)</b>    | 71,523            |
| Taxation                     |           | <b>13,765</b>     | 13,888            | <b>2,055</b>      | 5,349             |
| Profit after tax             |           | <b>31,567</b>     | 126,390           | <b>(11,179)</b>   | 66,174            |
| Earning per share            |           |                   |                   |                   |                   |
| - Basic and diluted (Rupees) |           | <b>1.75</b>       | 7.02              | <b>(0.62)</b>     | 3.68              |

- i) The above profit does not include impairment loss of Rs. 14.892 million in respect of listed securities held under "Available for sale" category of investments. The said impairment loss has been determined on the basis of valuation of such securities using the market prices quoted on the stock exchange as of 31 December 2008 as allowed under SRO 150(I)/2009 dated 13 February 2009 issued by Securities and Exchange Commission of Pakistan. Had the company followed the requirements of International Accounting Standard - 39 "Financial instruments: Recognition and Measurement", the aforesaid amount would have been charged to the profit and loss account which would have resulted in a decrease in unrealized loss on revaluation of investments amounting to Rs. 14.892 million and correspondingly the profit for the period would have been reduced by the same amount (Also refer Note 9.1.1).
- ii) The annexed notes from 1 to 16 form an integral part of this interim condensed financial information.

**Nadeem Maqbool**  
Chief Executive

**Ahsan Bashir**  
Director

**INTERIM CONDENSED CASH FLOW STATEMENT (Un-Audited)**  
For The Nine Months Ended March 31, 2009

|   | Nine months<br>ended<br>March<br>31, 2009<br>(Rupees in thousands) | Nine months<br>ended<br>March<br>31, 2008 |
|---|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |  |   |
| Profit before tax   | 45,332   | 140,278                                   |
| Adjustment for non-cash and other items:                            |  |   |
| Depreciation  | 167,308  | 175,622                                   |
| Gain on disposal of property, plant and equipment                   | (1,776)  | (962)                                     |
| Unrealized loss on revaluation of held for trading investments      | 27,427   | -   |
| Impairment loss on available for sale investments                   | 2,200  | -   |
| Loss / (gain) on sale of investments                                | 1,973  | (10,820)                                  |
| Settlement of long term finances                                    | -  | (65,285)                                  |
| Finance cost  | 179,382  | 130,533                                   |
| Cash flows from operating activities before working capital changes | 421,846  | 369,366                                   |
| <b>Effect on cash flow due to working capital changes</b>           |  |   |
| (Increase) / decrease in current assets:                            |  |   |
| Stores, spares and loose tools                                      | (22,222)   | (3,420)                                   |
| Stock in trade  | 123,544  | (533,958)                                 |
| Trade debts   | (80,037)   | (36,173)                                  |
| Loans and advances  | 1,365  | (6,517)                                   |
| Trade deposits and short term prepayments                           | (4,267)  | (1,607)                                   |
| Tax refunds due from the Government                                 | 1,715  | (10,905)                                  |
| Other receivables   | 591  | (2,342)                                   |
| Increase / (decrease) in current liabilities:                       |  |   |
| Trade and other payables  | 58,654   | 73,183                                    |
| Net cash from / (used in) working capital changes                   | 79,343   | (521,739)                                 |
| <b>Cash generated from operations</b>                               | <b>501,189</b>   | <b>(152,373)</b>                          |
| Finance cost paid   | (161,074)  | (140,927)                                 |
| Income tax paid   | (13,546)   | (12,805)                                  |
| Dividend paid   | (27,000)   | (54,000)                                  |
| <b>Net cash from / (used in) operating activities</b>               | <b>299,569</b>   | <b>(360,105)</b>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |  |   |
| Capital expenditure incurred  | (36,847)   | (215,265)                                 |
| Proceeds from sale of property, plant and equipment                 | 9,000  | 3,551                                     |
| Investments made  | (33,678)   | (21,606)                                  |
| Increase in long term deposits                                      | 508  | -   |
| <b>Net cash used in investing activities</b>                        | <b>(61,017)</b>  | <b>(233,320)</b>                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |  |   |
| Long term financing - net   | (122,894)  | (119,338)                                 |
| Repayment of finance lease liabilities                              | (13,794)   | (4,119)                                   |
| Short term borrowings - net   | (73,730)   | 378,759                                   |
| <b>Net cash used in financing activities</b>                        | <b>(210,418)</b>   | <b>255,302</b>                            |
| <b>Net increase/(decrease) in cash and cash equivalents</b>         | <b>28,134</b>  | <b>(338,123)</b>                          |
| <b>Cash and cash equivalents at the beginning of the period</b>     | <b>5,666</b>   | <b>372,068</b>                            |
| <b>Cash and cash equivalents at the end of the period</b>           | <b>33,800</b>  | <b>33,945</b>                             |

The annexed notes from 1 to 16 form an integral part of this interim condensed financial information.

**Nadeem Maqbool**  
Chief Executive

**Ahsan Bashir**  
Director

STATEMENT OF CHANGES IN EQUITY (Un-Audited)  
For The Nine Months Ended March 31, 2009

|  | Share Capital | Capital reserves           |  | Revenue reserves |                       | Total     |
|--|---------------|----------------------------|--|------------------|-----------------------|-----------|
|  |               | Premium on issue of shares | Unrealized gain/(loss) on revaluation of investments | General          | Unappropriated Profit |           |
| (Rupees in thousands)  |               |                            |  |                  |                       |           |
| Balance as on 01 July 2007                                   | 180,000       | 29,000                     | 68,031   | 639,000          | 449,735               | 1,365,766 |
| Net profit for the period from 01 July 2007 to 31 March 2008 | -             | -                          | -  | -                | 126,390               | 126,390   |
| Unrealized loss on revaluation of investments                | -             | -                          | (10,445)   | -                | -                     | (10,445)  |
| Transfer to general reserves                                 | -             | -                          | -  | 350,000          | (350,000)             | -         |
| Final dividend for the year ended 30 June 2007               | -             | -                          | -  | -                | (54,000)              | (54,000)  |
| Balance as on 31 March 2008                                  | 180,000       | 29,000                     | 57,586   | 989,000          | 172,125               | 1,427,711 |
| Balance as on 01 July 2008                                   | 180,000       | 29,000                     | 24,423   | 989,000          | 182,538               | 1,404,961 |
| Net profit for the period from 01 July 2008 to 31 March 2009 | -             | -                          | -  | -                | 31,567                | 31,567    |
| Unrealized loss on revaluation of investments                | -             | -                          | (39,315)   | -                | -                     | (39,315)  |
| Final dividend for the year ended 30 June 2008               | -             | -                          | -  | -                | (27,000)              | (27,000)  |
| Balance as on 31 March 2009                                  | 180,000       | 29,000                     | (14,892)   | 989,000          | 187,105               | 1,370,213 |

The annexed notes from 1 to 16 form an integral part of this interim condensed financial information.

**Nadeem Maqbool**  
Chief Executive

**Ahsan Bashir**  
Director

**SELECTED NOTES TO THE INTERIM CONDENSED  
FINANCIAL INFORMATION (Un-Audited)**  
For The Nine Months Ended March 31, 2009

**1. THE COMPANY AND ITS ACTIVITIES**

Suraj Cotton Mills Limited (the Company) is a public limited company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Ordinance, 1984). The registered office of the Company is located at 7-B-III, Aziz Avenue, Gulberg-V, Lahore. Its shares are quoted on Karachi and Lahore Stock Exchanges in Pakistan. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth.

**2. BASIS OF PREPARATION**

**2.1** This interim condensed financial information is un-audited and is being submitted to shareholders, as required by section 245 of the Companies Ordinance, 1984.

**2.2** The accounting policies adopted for the preparation of this interim condensed financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2008.

According to the policy of the Company impairment loss, if any, on 'Available for sale' investments is charged to profit and loss account in accordance with the requirement of International Accounting Standard - 39 "Financial Instruments: Recognition and Measurement". However, in the current period impairment loss, if any, on listed equity securities held under 'Available for sale' category of investments has been treated as described in note 9.1.1.

**2.3** This interim condensed financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting".

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Judgments and estimates made by the management in the preparation of the interim condensed financial information are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2008.

|  | <b>Unaudited<br/>March<br/>31, 2009</b> | Audited<br>June<br>30, 2008 |
|--|---|-----------------------------|
|  | <b>(Rupees in thousands)</b>            |                             |

**4. LONG TERM FINANCING**

|   |                |         |
|---|----------------|---------|
| Opening balance                           | <b>858,471</b> | 910,214 |
| Add: Acquired during the period / year    | -              | 397,856 |
| Less: Repayments during the period / year | <b>114,346</b> | 449,599 |
|   | <b>744,125</b> | 858,471 |
| Less: Current portion                     | <b>153,057</b> | 194,348 |
|   | <b>591,068</b> | 664,123 |

**5. CONTINGENCIES AND COMMITMENTS**

**Contingencies**

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

**Commitments**

- Commitments in respect of letters of credit for capital expenditures amounted to Rupees 5.445 million (30 June 2008: Rupees 22.303 million).
- Commitments in respect of capital work in progress as at balance sheet date amounted to Rupees 14.514 million (30 June 2008: Rupees 5.097 million).
- Commitments in respect of letters of credit for other than capital expenditures amounted to Rupees 116.932 million (30 June 2008: Rupees Nil).

SELECTED NOTES TO THE INTERIM CONDENSED  
FINANCIAL INFORMATION (Un-Audited)  
For The Nine Months Ended March 31, 2009

|   | Note    | Unaudited<br>March<br>31, 2009<br>(Rupees in thousands) | Audited<br>June<br>30, 2008 |
|---|---------|---|-----------------------------|
| <b>6. PROPERTY, PLANT AND EQUIPMENT</b>                     |         |   |                             |
| Operating fixed assets - tangible                           | (6.1)   | 2,039,421   | 2,173,379                   |
| Assets subject to finance lease                             | (6.2)   | 64,471  | 70,152                      |
| Capital work-in-progress                                    | (6.3)   | 49,573  | 47,619                      |
|   |         | <b>2,153,465</b>  | 2,291,150                   |
| <b>6.1 Operating fixed assets - tangible</b>                |         |   |                             |
| Opening book value  |         | 2,173,379   | 2,186,292                   |
| Add: Additions during the period/year -cost                 | (6.1.1) | 35,321  | 218,335                     |
|   |         | <b>2,208,700</b>  | 2,404,627                   |
| Less: Deletions during the period/year                      |         | 7,224   | 2,662                       |
|   |         | <b>2,201,476</b>  | 2,401,965                   |
| Less: Depreciation during the period/year                   |         | 162,055   | 228,586                     |
| Book value at the end of the period/year                    |         | <b>2,039,421</b>  | 2,173,379                   |
| <b>6.1.1 Additions during the period/year - cost</b>        |         |   |                             |
| Building on leasehold land                                  |         | 20  | 325                         |
| Plant and machinery   |         | 22,115  | 204,901                     |
| Office equipments   |         | 254   | 1,020                       |
| Furniture and fixtures                                      |         | -   | 414                         |
| Vehicles  |         | 12,932  | 11,675                      |
|   |         | <b>35,321</b>   | 218,335                     |
| <b>6.1.2 Deletions during the period / year</b>             |         |   |                             |
| Vehicles  |         | 7,224   | 2,662                       |
|   |         | <b>7,224</b>  | 2,662                       |
| <b>6.2 Assets subject to finance lease</b>                  |         |   |                             |
| Opening book value  |         | 70,152  | 22,486                      |
| Add: Additions during the period / year -cost               |         | -   | 53,771                      |
|   |         | <b>70,152</b>   | 76,257                      |
| Less: Transfers during the period / year                    |         | 428   | -                           |
|   |         | <b>69,724</b>   | 76,257                      |
| Less: Depreciation during the period / year                 |         | 5,253   | 6,105                       |
| Book value at the end of the period / year                  |         | <b>64,471</b>   | 70,152                      |
| <b>6.3 Capital work in progress</b>                         |         |   |                             |
| Building  |         | 5,545   | 1,063                       |
| Plant and machinery   |         | 18,590  | 18,584                      |
| Advances to suppliers                                       |         | 25,438  | 27,972                      |
|   |         | <b>49,573</b>   | 47,619                      |
| <b>7. LONG TERM INVESTMENTS - Available for sale</b>        |         |   |                             |
| Related party - Unquoted                                    |         | 2,200   | 2,200                       |
| Other - Quoted  |         | 45  | 45                          |
|   |         | <b>2,245</b>  | 2,245                       |
| Impairment loss - Unquoted                                  |         | (2,200)   | -                           |
| Unrealized (loss)/gain on revaluation of investments(9.1.1) |         | (17)  | 2,927                       |
|   |         | <b>28</b>   | 5,172                       |

SELECTED NOTES TO THE INTERIM CONDENSED  
FINANCIAL INFORMATION (Un-Audited)  
For The Nine Months Ended March 31, 2009

|   |         | Unaudited<br>March<br>31, 2009 | Audited<br>June<br>30, 2008 |
|---|---------|--------------------------------|-----------------------------|
|   | Note    | (Rupees in thousands)          |                             |
| <b>8. LOANS AND ADVANCES</b>                              |         |                                |                             |
| Considered good:  |         |                                |                             |
| Loans to employees  |         | 3,174                          | 2,292                       |
| Advances to suppliers                                     |         | 11,118                         | 7,311                       |
| Letter of Credit  |         | 2,505                          | 8,559                       |
|   |         | <b>16,797</b>                  | 18,162                      |
| <b>9. SHORT TERM INVESTMENTS</b>                          |         |                                |                             |
| Available for sale  | (9.1)   | 28,406                         | 48,741                      |
| Held for trading  | (9.2)   | 30,299                         | 42,058                      |
|   |         | <b>58,705</b>                  | 90,799                      |
| <b>9.1 Available for sale</b>                             |         |                                |                             |
| Related party - quoted                                    |         | 8,146                          | 8,146                       |
| Others - quoted   |         | 35,135                         | 19,099                      |
|   |         | <b>43,281</b>                  | 27,245                      |
| Unrealized (loss) / gain on revaluation<br>of investments | (9.1.1) | (14,875)                       | 21,496                      |
|   |         | <b>28,406</b>                  | 48,741                      |

**9.1.1** During the year, the stock exchange introduced 'Floor Mechanism' in respect of prices of equity securities based on the closing prices as prevailing on 27 August 2008. Under the 'Floor Mechanism', the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. During this period trading of securities effectively remained suspended on the stock exchange. The trading resumed on 15 December 2008, however, the trading volumes upto 31 December 2008 remain significantly low as compared to the volumes before the institution of 'Floor Mechanism'. However, pursuant to the press release issued by the SECP on 29 January 2009, the equity securities held by the Company have been valued at the price quoted on the stock exchange as of 31 December 2008.

Furthermore, pursuant to SRO 150(I)/2009 dated 13 February 2009 issued by the SECP, the impairment loss amounting to Rs. 14.892 million resulting from the valuation of listed equity securities held under "Available for sale" category of investment as of 31 December 2008 has not been recognised in the profit and loss account and have been taken to unrealized loss on revaluation of investments as shown in the statement of changes in equity. The said impairment loss is required to be taken to the profit and loss account in the calendar year 2009 on quarterly basis after adjustment for the effect of price movement in that year. However, for the purposes of distribution of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss.

The company has opted not to charge the impairment loss in the profit and loss account but to show it under equity. Had the company followed the requirements of International Accounting Standard - 39 "Financial instruments: Recognition and Measurement", for the treatment of impairment on "Available for sale" listed equity investments, the resultant impairment loss would have had the following impact on the interim condensed financial information of the company:

SELECTED NOTES TO THE INTERIM CONDENSED  
FINANCIAL INFORMATION (Un-Audited)  
For The Nine Months Ended March 31, 2009

|   | Unaudited<br>March<br>31, 2009 | Audited<br>June<br>30, 2008 |
|---|--------------------------------|-----------------------------|
| (Rupees in thousands)   |                                |                             |
| Recognition of impairment loss in the profit and loss account | 14,892                         | -                           |
| Decrease in Unrealized loss on revaluation of investments     | 14,895                         | -                           |
| Decrease in the profit for the period                         | 14,895                         | -                           |
| Decrease in the earning per share - Rupees                    | 0.083                          | -                           |
| <b>9.2 Held for trading</b>                                   |                                |                             |
| Quoted - Cost   | 57,726                         | 54,651                      |
| Unrealized loss on revaluation of investments                 | (27,427)                       | (12,593)                    |
|   | <b>30,299</b>                  | <b>42,058</b>               |

| Un-Audited        |                   |                   |                   |
|-------------------|-------------------|-------------------|-------------------|
| Nine months ended |                   | Quarter ended     |                   |
| March<br>31, 2009 | March<br>31, 2008 | March<br>31, 2009 | March<br>31, 2008 |
| (Rupees in words) |                   |                   |                   |

**10. COST OF SALES**

|   |                  |                  |           |           |
|---|------------------|------------------|-----------|-----------|
| Raw material consumed                   | 2,372,769        | 2,112,093        | 692,459   | 734,245   |
| Sizing expenses                         | 31,669           | 41,649           | 11,463    | 14,298    |
| Stores, spares and loose tools consumed | 77,345           | 46,740           | 28,212    | 13,132    |
| Packing materials                       | 40,480           | 33,914           | 12,458    | 10,865    |
| Salaries, wages and other benefits      | 211,456          | 172,647          | 70,877    | 59,604    |
| Fuel and power                          | 303,588          | 257,830          | 107,492   | 106,847   |
| Repairs and maintenance                 | 20,495           | 9,713            | 7,806     | 3,494     |
| Insurance                               | 9,757            | 7,466            | 3,218     | 2,672     |
| Depreciation                            | 161,170          | 169,050          | 53,865    | 57,500    |
| Other factory overheads                 | 7,410            | 5,904            | 2,734     | 1,931     |
|   | <b>3,236,139</b> | <b>2,857,006</b> | 990,584   | 1,004,588 |
| Work-in-process:                        |                  |                  |           |           |
| Opening stock                           | 50,084           | 38,674           | 56,032    | 45,548    |
| Closing stock                           | (48,414)         | (53,374)         | (48,414)  | (53,374)  |
|   | 1,670            | (14,700)         | 7,618     | (7,826)   |
| Cost of goods manufactured              | <b>3,237,809</b> | <b>2,842,306</b> | 998,202   | 996,762   |
| Finished goods:                         |                  |                  |           |           |
| Opening stock                           | 310,640          | 117,913          | 392,315   | 214,880   |
| Closing stock                           | (349,789)        | (200,487)        | (349,789) | (200,487) |
|   | (39,149)         | (82,574)         | 42,526    | 14,393    |
|   | <b>3,198,660</b> | <b>2,759,732</b> | 1,040,728 | 1,011,155 |

**11. OTHER OPERATING EXPENSES**

These include exchange loss amounting to Rupees 36.452 million (31 March 2008: Rupees Nil) and unrealized loss on revaluation of held for trading investments amounting to Rupees 29.627 million (31 March 2008: Rupees Nil).

**12. TRANSACTIONS WITH RELATED PARTIES**

The related parties comprise associated companies, companies in which directors are interested, staff retirement funds, directors and key management personnel. Significant transactions with related parties and associated undertakings are as under:

SELECTED NOTES TO THE INTERIM CONDENSED  
FINANCIAL INFORMATION (Un-Audited)  
For The Nine Months Ended March 31, 2009

| Company Type                   | Nature of Transaction           | Nine months ended 31 March 2009 | Nine months ended 31 March 2008 |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>(Rupees in thousand)</b>    |                                 |                                 |                                 |
| Associated Companies           | Sale of goods and services      | <b>56,979</b>                   | 45,214                          |
|                                | Purchase of goods and services  | <b>165,738</b>                  | 95,117                          |
|                                | Dividend paid                   | <b>10,425</b>                   | 22,398                          |
|                                | Clearing and forwarding charges | <b>1,235</b>                    | 2,865                           |
| Employees Provident Fund Trust | Amount contributed              | <b>5,954</b>                    | 4,639                           |
| Director and Chief Executive   | Directors' remuneration         | <b>8,765</b>                    | 7,758                           |

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

**13. EVENTS AFTER THE BALANCE SHEET DATE**

The Board of Directors have proposed an interim dividend for the nine months ended 31 March 2009 of Rupees Nil (30 June 2008: Rupees 1.5) per share amounting to Rupees Nil (30 June 2008: Rupees 27 million) at their meeting held on 25 April, 2009.

**14. DATE OF AUTHORIZATION**

This interim condensed financial information was authorized for issue by the Board of Directors of the Company on 25 April, 2009.

**15. CORRESPONDING FIGURES**

Corresponding figures have been rearranged and / or restated, wherever necessary, for the purpose of comparison. However, no major significant rearrangements / restatements have been made.

**16. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**Nadeem Maqbool**  
Chief Executive

**Ahsan Bashir**  
Director

**BOOK POST**



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