

2014

Annual Report



In this Year's Report

Content

Business Review

02 Company Profile

04 Company Information

05 Vision & Mission Statement

06 Financial Summary

10 Directors' Profile

12 Chief Executive's Review

16 Statement of Compliance with
Code of Corporate Governance

18 Pattern of Shareholding

22 Review Report to the Members on
Statement of Compliance with best
practices of Code of Corporate
Governance

23 Auditors' Report to the Members

24 Balance Sheet

26 Profit & Loss Account

27 Statement of Comprehensive
Income

28 Cash Flow Statement

29 Statement of Changes in Equity

30 Notes to the Financial Statements

76 Notice of Annual General Meeting

77 Form of Proxy



Company Profile

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

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

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

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

2003 which has further enhanced the collective capacity to 28 million meters of Grey cloth annually.

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

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



Company Information

Board of Directors

Khalid Bashir	(Chairman)
Nadeem Maqbool	(Chief Executive)
Ahsan Bashir	
Amjad Mahmood	
Asif Bashir	
Humayun Maqbool	
Mohammad Iqbal	

Chief Financial Officer

Farooq Ahmad

Company Secretary

Muhammad Saleem Hussain

Audit Committee

Humayun Maqbool	(Chairman)
Khalid Bashir	(Member)
Asif Bashir	(Member)

HR & R Committee

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

Legal Advisor

Muhammad Iqbal Khawaja

Share Registrar

Crescent Group (Pvt.) Ltd.
10th Floor, BOP Tower, 10-B,
Block E-2, Gulberg III, Lahore

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited
Dubai Islamic Bank Limited
Habib Metropolitan Bank Limited

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore.
Ph: +92-423-576 0381
Fax: +92-423-576 0376
Email: infor@suraj.com
Web: www.suraj.com

Project Locations

Nooriabad, Sindh.
Shahkot, District Nankana Sahib, Punjab.
Rawind, District Lahore, Punjab.

Mission / Vision Statement

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

Our Strengths

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

Our Strategy

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

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

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.



Performance Indicators

For the current and past five financial years

A Profitability Ratios		2014	2013	2012	2011	2010	2009
Gross profit ratio	(%)	11.2	15.1	10.0	13.3	16.6	11.6
Operating profit margin to sales	(%)	8.6	11.5	6.5	9.2	13.0	6.4
Net profit margin to sales (net)	(%)	6.6	9.4	4.2	5.8	7.3	1.1
Return on average equity	(%)	17.7	30.2	14.2	24.4	30.9	3.8
Return on capital employed	(%)	20.3	29.3	19.3	31.7	39.2	16.1
Return on average assets	(%)	12.3	20.1	8.5	13.1	14.5	1.5

B Liquidity Ratios		2014	2013	2012	2011	2010	2009
Current ratio	(times)	3.0	2.8	2.4	1.5	1.5	0.9
Quick ratio	(times)	1.8	1.2	1.2	0.4	0.5	0.4

C Activity / Turnover Ratios		2014	2013	2012	2011	2010	2009
Debtors turnover ratio	(times)	22.9	24.3	20.3	22.2	21.3	16.9
No. of days in receivables / Average collection period	(days)	16	15	18	16	17	22
Inventory turnover ratio	(times)	5.7	5.6	5.4	5.9	6.6	5.3
No. of days in inventory	(days)	64	65	68	62	55	69
Creditors turnover ratio	(times)	8.0	10.3	12.8	30.4	15.8	18.7
No. of days in creditors / Average payment period	(days)	46	36	29	12	23	20
Total assets turnover	(times)	1.9	2.1	2.0	2.3	2.0	1.4

D Investment / Market Ratios		2014	2013	2012	2011	2010	2009
Earnings per share	(Rs.)	30.0	41.5	17.5	25.8	28.1	2.9
Price earnings ratio	(times)	3.4	2.1	1.7	1.4	1.1	4.3
Cash dividend per share	(Rs.)	5.0	6.0	4.0	4.0	5.0	1.5
Stock dividend / Bonus shares	(%)	10.0	10.0	-	10.0	-	-
Break-up value per share	(Rs.)	181.2	172.2	130.3	116.4	104.3	77.5

E Market value per share		2014	2013	2012	2011	2010	2009
Closing	(Rs.)	102.0	85.3	28.9	37.0	31.5	12.7
High	(Rs.)	158.8	95.0	39.4	42.0	40.6	53.0
Low	(Rs.)	73.0	28.0	22.0	29.0	12.0	12.7

F Capital Structure Ratios		2014	2013	2012	2011	2010	2009
Debt equity ratio		06:94	10:90	08:92	11:89	22:78	36:64
Total liabilities to total assets	(%)	28.8	32.6	34.7	44.9	48.3	58.4

Vertical Analysis

For the current and past five financial years

Balance Sheet	2014	%	2013	%	2012	%	2011	%	2010	%	2009	%
Property, plant and equipment	1,982,781	35.7	1,990,050	39.34	1,863,563	47.20	1,894,078	45.24	1,971,954	54.32	2,111,454	63.02
Investment property	100,000	1.8	-	-	-	-	-	-	-	-	-	-
Long term investments	-	-	-	-	13	0.00	13	0.00	17	0.00	21	0.00
Long term loans and deposits	19,531	0.4	18,974	0.38	18,688	0.47	12,810	0.31	23,506	0.65	15,873	0.47
Stores, spares and loose tools	89,846	1.6	125,850	2.49	106,446	2.70	103,375	2.47	76,769	2.11	77,189	2.30
Stock-in-trade	1,372,741	24.7	1,716,673	33.93	1,183,983	29.99	1,567,459	37.44	1,027,331	28.30	711,286	21.23
Trade debts	459,258	8.3	406,138	8.03	383,246	9.71	432,174	10.32	360,603	9.93	285,817	8.53
Loan and advances	56,046	1.0	39,070	0.77	42,165	1.07	53,842	1.29	47,302	1.30	17,861	0.53
Trade deposits and short term prepayments	4,618	0.1	4,844	0.10	2,678	0.07	2,432	0.06	6,376	0.18	1,819	0.05
Balances with statutory authorities	70,306	1.3	66,044	1.31	39,857	1.01	16,745	0.40	30,943	0.85	19,661	0.59
Taxation - net	3,024	0.1	11,786	0.23	22,015	0.56	22,111	0.53	-	-	41,231	1.23
Other receivables	817	0.0	912	0.02	3,074	0.08	7,330	0.18	4,198	0.12	2,357	0.07
Short term investments	1,185,844	21.4	582,982	11.52	276,823	7.01	59,780	1.43	58,692	1.62	52,345	1.56
Cash and bank balances	190,673	3.4	95,510	1.89	5,754	0.15	14,480	0.35	22,241	0.61	13,543	0.40
Assets held for sale	11,583	0.2	-	-	-	-	-	-	-	-	-	-
Total assets	5,547,068	100.0	5,058,833	100.0	3,948,305	100.0	4,186,629	100.0	3,629,932	100.0	3,350,457	100.0
Issued, subscribed and paid-up capital	217,800	3.9	198,000	3.9	198,000	5.0	180,000	4.3	180,000	5.0	180,000	5.4
Capital reserves	38,667	0.7	33,984	0.7	28,914	0.7	28,429	0.7	22,376	0.6	17,070	0.5
Revenue reserves	3,690,874	66.5	3,177,012	62.8	2,352,867	59.6	2,096,400	50.1	1,675,548	46.2	1,197,445	35.7
Shareholders' equity	3,947,341	71.2	3,408,996	67.4	2,579,781	65.3	2,304,829	55.1	1,877,924	51.7	1,394,515	41.6
Long term loan	251,537	4.5	336,807	6.7	216,934	5.5	241,213	5.8	405,504	11.2	504,966	15.1
Liabilities against assets subject to finance lease	635	0.0	854	0.0	-	0.0	311	0.0	11,453	0.3	32,673	1.0
Deferred taxation	215,535	3.9	212,186	4.2	213,386	5.4	215,943	5.2	210,978	5.8	128,428	3.8
Trade and other payables	791,840	14.3	770,582	15.2	536,709	13.6	513,595	12.3	440,966	12.1	406,548	12.1
Mark-up accrued	19,213	0.3	21,132	0.4	26,265	0.7	35,096	0.8	34,945	1.0	46,420	1.4
Short term borrowings	205,276	3.7	224,216	4.4	287,391	7.3	778,292	18.6	404,431	11.1	617,054	18.4
Current portion of long term liabilities	115,691	2.1	84,060	1.7	87,839	2.2	97,350	2.3	234,174	6.5	219,853	6.6
Taxation - net	-	-	-	-	-	-	-	-	9,557	0.3	-	-
Total equity and liabilities	5,547,068	100.0	5,058,833	100.0	3,948,305	100.0	4,186,629	100.0	3,629,932	100.0	3,350,457	100.0

Profit and Loss Account	2014	%	2013	%	2012	%	2011	%	2010	%	2009	%
Sales - net	9,924,609	100.0	9,593,325	100.0	8,257,042	100.0	8,797,929	100.0	6,896,059	100.0	4,790,418	100.0
Cost of sales	8,808,650	88.8	8,145,758	84.9	7,432,717	90.0	7,628,389	86.7	5,751,905	83.4	4,235,024	88.4
Gross profit	1,115,959	11.2	1,447,567	15.1	824,325	10.0	1,169,540	13.3	1,144,154	16.6	555,394	11.6
Distribution and selling expenses	233,778	2.4	254,750	2.7	189,659	2.3	244,538	2.8	135,003	2.0	112,460	2.3
Administrative expenses	115,279	1.2	102,178	1.1	87,379	1.1	77,503	0.9	66,975	1.0	61,978	1.3
Other operating expenses	94,838	1.0	98,257	1.0	38,796	0.5	60,746	0.7	64,540	0.9	84,048	1.8
Other operating income	180,342	1.8	106,522	1.1	30,006	0.4	20,587	0.2	16,686	0.2	9,406	0.2
Operating profit / (loss) before finance costs	852,406	8.6	1,098,904	11.5	538,497	6.5	807,340	9.2	894,322	13.0	306,314	6.4
Finance costs	83,924	0.8	87,772	0.9	104,522	1.3	161,350	1.8	196,239	2.8	232,856	4.9
Profit / (loss) before taxation	768,482	7.7	1,011,132	10.5	433,975	5.3	645,990	7.3	698,083	10.1	73,458	1.5
Taxation	116,020	1.2	107,787	1.1	87,508	1.1	135,138	1.5	192,980	2.8	20,551	0.4
Profit / (loss) after taxation	652,462	6.6	903,345	9.4	346,467	4.2	510,852	5.8	505,103	7.3	52,907	1.1

Key Operating and Financial Data

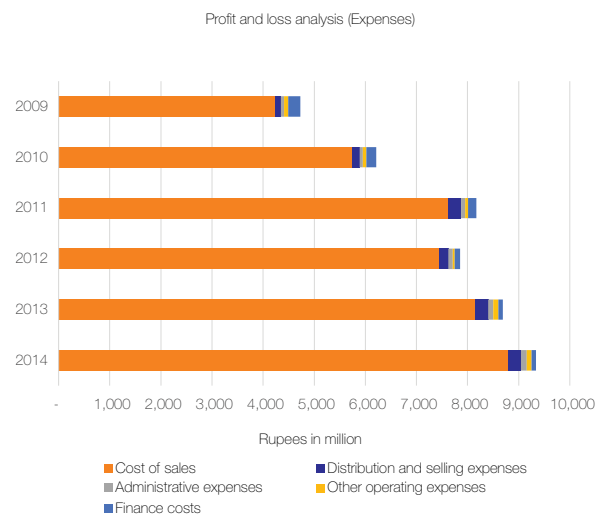
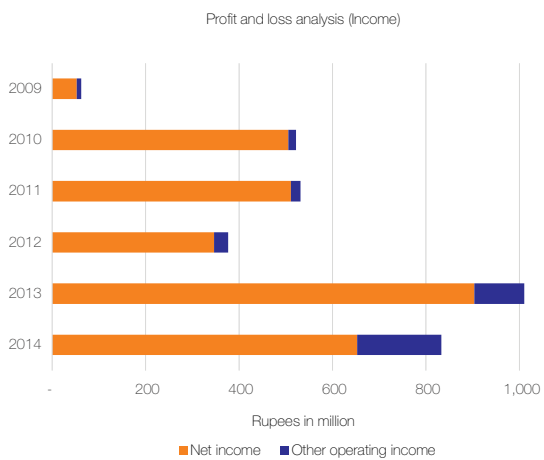
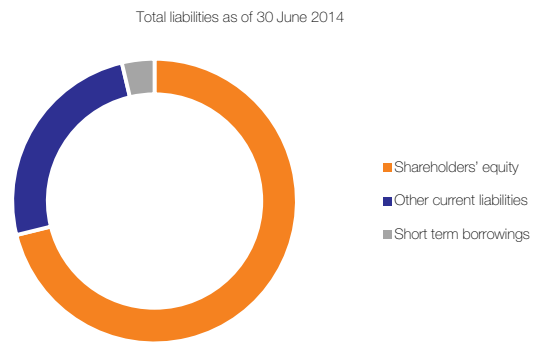
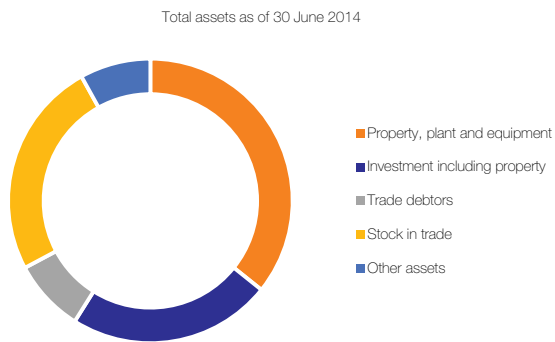
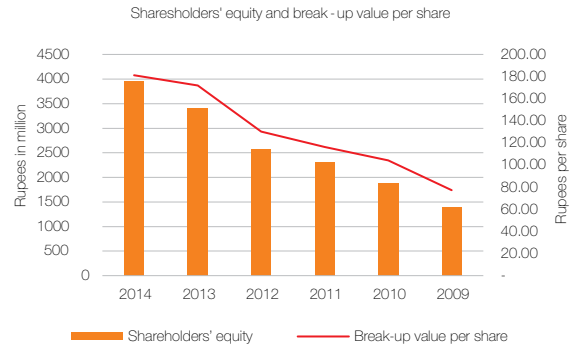
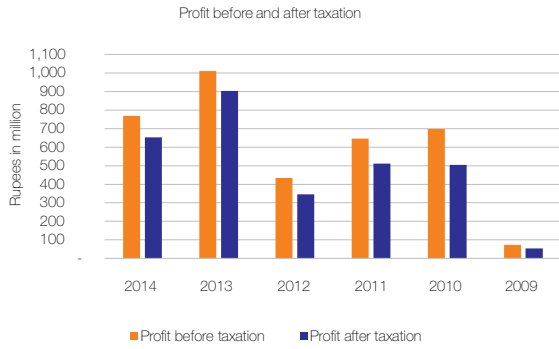
For the current and past five financial years

A Summary of Profit and Loss Account	2014	2013	2012	2011	2010	2009
Sales - net	9,924,609	9,593,325	8,257,042	8,797,929	6,896,059	4,790,418
Cost of sales	8,808,650	8,145,758	7,432,717	7,628,389	5,751,905	4,235,024
Gross profit	1,115,959	1,447,567	824,325	1,169,540	1,144,154	555,394
Distribution and selling expenses	233,778	254,750	189,659	244,538	135,003	112,460
Administrative expenses	115,279	102,178	87,379	77,503	66,975	61,978
Other operating expenses	94,838	98,257	38,796	60,746	64,540	84,048
Other operating income	180,342	106,522	30,006	20,587	16,686	9,406
Operating profit before finance costs	852,406	1,098,904	538,497	807,340	894,322	306,314
Finance costs	83,924	87,772	104,522	161,350	196,239	232,856
Profit before taxation	768,482	1,011,132	433,975	645,990	698,083	73,458
Taxation	116,020	107,787	87,508	135,138	192,980	20,551
Net income	652,462	903,345	346,467	510,852	505,103	52,907

B Summary of Balance Sheet						
Property, plant and equipment	1,982,781	1,990,050	1,863,563	1,894,078	1,971,954	2,111,454
Stock-in-trade	1,372,741	1,716,673	1,183,983	1,567,459	1,027,331	711,286
Trade debts	459,258	406,138	383,246	432,174	360,603	285,817
Trade and other payables	791,840	770,582	536,709	513,595	40,966	406,548
Current assets	3,444,756	3,049,809	2,279,728	2,066,041	1,634,455	1,223,109
Total assets	5,547,068	5,058,833	3,948,305	4,186,629	3,629,932	3,350,457
Reserves	3,729,541	3,210,996	2,381,781	2,124,829	1,697,924	1,214,515
Shareholders' equity	3,947,341	3,408,996	2,579,781	2,304,829	1,877,924	1,394,515
Long term financing	251,537	336,807	216,934	241,213	405,504	504,966
Deferred liabilities	215,535	212,186	213,386	215,943	210,978	128,428
Short term financing	205,276	224,216	287,391	778,292	404,431	617,054
Current liabilities	1,132,020	1,099,990	938,204	1,424,333	1,124,073	1,289,875

C Summary of Cash Flow Statement						
Cash and cash equivalents at the beginning of the year	95,510	5,754	14,480	22,241	13,543	5,666
Net cash (used in) /generated from operating activities	914,367	563,684	873,888	34,184	400,675	534,056
Net cash used in investing activities	(746,406)	(526,028)	(357,612)	(103,549)	(71,291)	(72,304)
Net cash (used in) / generated from financing activities	(72,798)	52,100	(525,002)	61,604	(320,686)	(453,875)
Net increase / (decrease) in cash and cash equivalents	95,163	89,756	(8,726)	(7,761)	8,698	7,877
Cash and cash equivalents at the end of the year	190,673	95,510	5,754	14,480	22,241	13,543

D Summary of Cash Flow Statement						
Depreciation and amortization	202,598	191,322	187,992	196,403	206,529	224,540
Capital expenditure	210,988	341,084	158,697	119,693	69,446	52,354
No. of ordinary shares (no. of shares in millions)	21,780	19,800	19,800	18,000	18,000	18,000



Directors' Profile



Name

Mr. Khalid Bashir, 72

Chairman
Director (Non-Executive)

Joint Board : 1998

Mr. Nadeem Maqbool, 55

Chief Executive Officer
Director (Executive)

Joint Board : 1984

Mr. Ahsan Bashir, 45

Director (Executive)

Joint Board : 1994

Other Engagements

Chief Executive & Director:

Shams Textile Mills Limited

Director:

Shakarganj Mills Limited
The Crescent Textile Mills Limited
Crescent Cotton Mills Limited
Premier Insurance Limited

Director:

Premier Insurance Limited
Crescent Fibres Limited
Equity Textile Mills Limited
Premier Financial Services (Pvt) Limited
Mohd Amin Mohd Bashir International (Pvt) Limited

Chief Executive & Director:

Crescent Powertec Limited

Director:

Crescent Bahuman Limited



Mr. Amjad Mahmood, 67

Director (Non-Executive)

Joint Board : 1988



Mr. Asif Bashir, 42

Director (Non-Executive)

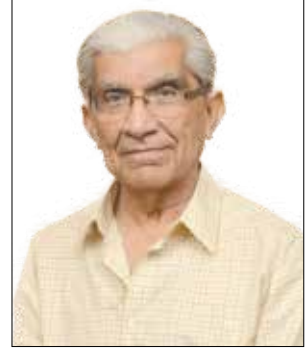
Joint Board : 1996



Mr. Humayun Maqbool, 47

Director (Non-Executive)

Joint Board : 1996



Mr. Mohammad Iqbal, 70

Director (Non-Executive)

Joint Board : 2010

Director:
Shams Textile Mills Limited

Director:
Crescent Fibres Limited
Crescent Powertec Limited

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

Director:
Javedan Cement Company
Limited
BMA Assets Management
Company Limited
ICon Global (Pvt) Limited

Chief Executive's Review

On behalf of the Board of Directors, I present the operating and financial performance of the company for the year ended 30 June 2014. The profitability of the company has declined by 28% this year, but the results are excellent given that all our plants in Punjab were faced with excessive load shedding due to non-availability of gas and electricity and were forced to use expensive alternative sources of power. Profit after tax is Rs. 652 million and earnings per share of Rs. 29.96 (2013: Rs 41.48).

Operating Results

In the year under review your company performed well, especially during the first half of the year. During the second half, demand for yarn and fabrics started to decline leading to lower prices and caused a strain on the bottom line. During the last quarter, raw material prices remained stable but the end product prices showed a declining trend. Demand for cotton yarn and cloth remained low during this period and our inventory carrying costs also increased. However, due to our prudent management we were able to largely maintain our results.

Due to this stable environment we were able to procure our raw materials at realistic levels and pursue an aggressive sales policy enabling us to market our products with higher operating margins.

The Company's sales increased by approximately 3.45%, due to higher end product prices and costs remained largely within control in spite of inflationary pressures. The company continued to develop and consolidate its export markets. For yarn, China remained a very important market for the company but we also managed to maintain our market share in the domestic market as well. Domestic fabric demand increased during the year and we were also to hold our share of traditional export markets.

Administration costs increased by approximately 12.82% due to normal inflationary factor. The distribution costs decreased by 8.23% on account of freight and forwarding as well as commission on sales, due to export sales by approximately Rs. 40.45 million.

The key financial results are as under;

Particular	Rs. in Million	
	2014	2013
Sales	9,925	9,593
Gross profit	1,116	1,448
Operating profit	852	1,099
Financial cost	84	88
Profit before taxation	768	1,011
Provision for taxation	116	108
Profit after taxation	652	903

For the period under review, financial charges decreased by about 4.38% compared to the corresponding period. Reduction on this account shows the financial prudence being exercised by the management and also the strength of our financial health. Since no major investments were made during the year we were able to rely on our own resources to finance our operations and as a result our borrowing costs declined. A major thrust this year has been on increasing our exports so as to further reduce receivables on domestic sales.

The country's energy crisis continues to worsen with no respite even in the summer months and the industry in Punjab bears the brunt of this shortage. During the current period even the industry in Sind has started to become affected but to a smaller extent. In addition to gas supplies being severely curtailed, electricity is also in short supply with load shedding of up to 14 hours per day! Gas shortages are having an extremely detrimental effect on existing industries, which have to rely on higher cost alternate energy and in some cases, cease operations. New investment is out of the question unless the industry is able to tap cheaper and more reliable sources of energy. It does not appear that any respite is in sight but we continue to urge the government to prioritize the textile industry being a large employer and contributor to exports and GDP.

The cotton crop output was just over 12 million bales which was lower than the previous year. The cotton output has become stagnant and this quantity does not fulfill the requirements of the textile industry leading to imports to fill the shortfall. Although estimates were higher, unseasonal rains reduced the output. In view of a decline in international prices, the industry managed to meet its requirements at competitive prices.

Statements on Corporate and Financial Reporting Frame Work

- a. 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;
- b. Proper books of account of the Company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. 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;
- e. The System of Internal Control is sound in design and has been effectively implemented and monitored; and
- f. There are no significant doubts upon the company's ability to continue as a going concern;
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- h. Key operating and financial data of last six years in a summarized form is annexed;
- i. The following is the value of investment in respect of retirement benefit funds: Provident Fund: Rs. 158.651 Million (2013: Rs. 122.143 Million);
- j. All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement;
- k. Four meetings of the Board of Directors were held during the year 2013-14. Attendance by each director was as under:

Sr. No.	Name of Director	No. Of Meetings Attended
1.	Mr. Ahsan Bashir	03
2.	Mr. Amjad Mahmood	02
3.	Mr. Asif Bashir	03
4.	Mr. Humayun Maqbool	04
5.	Mr. Khalid Bashir	04
6.	Mr. Nadeem Maqbool	04
7.	Mr. Mohammad Iqbal	04

(However, leave of absence was granted to the Directors who could not attend the Board Meetings due to preoccupations)

Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an Audit Committee and the following non-executive directors are its members. Seven audit committee meetings were held:

Sr. No.	Name of Director	No. Of Meetings Attended
1.	Mr. Humayun Maqbool	06
2.	Mr. Khalid Bashir	04
3.	Mr. Asif Bashir	07

Human Resource & Remuneration Committee

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

Sr. No.	Name of Director	
1.	Mr. Ahsan Bashir	Chairman
2.	Mr. Asif Bashir	Member
3.	Mr. Humayun Maqbool	Member

Directors' Training Programme:

As per Code of Corporate Governance all Directors met the criteria of 14 years of education and 15 years of experience on the board of the listed Companies.

Chief Executive's Review

Investor Value

The Board of Directors has recommended a final cash dividend of Rs.5/- per share & bonus 1 share for every 10 shares for approval by the shareholders in the next Annual general Meeting.

The Break up value per share for the year is Rs. 181.24 (2013: Rs. 172.17)

Auditors

As recommended by the Audit Committee, the present auditor M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholding, as required by section 236 of the Companies Ordinance 1984 and Code of Corporate Governance, is enclosed.

Key Operating and Financial Data

The key operating and financial data for the last six years is annexed.

Corporate Governance

Your Company has been complying with the rules of Securities and Exchange Commission of Pakistan and has implemented better internal control policies with more rigorous checks and balances.

Future Outlook

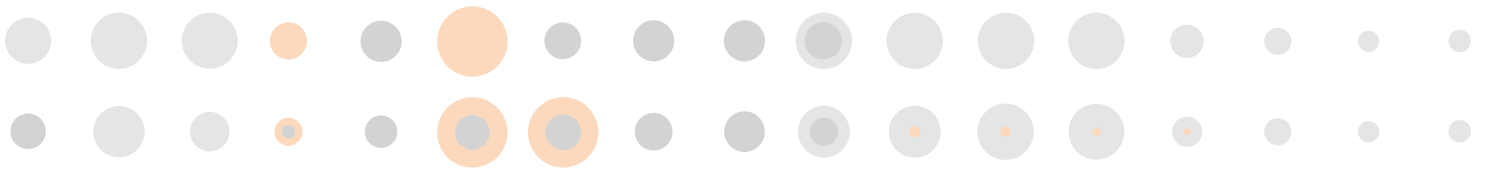
The current year forecasts for raw cotton show supply to be well in excess of demand with bumper crops expected in most of the cotton growing countries. The US, India and Pakistan crops are anticipated to be higher than last year this has put pressure on prices. Although there is a firmer tendency in the short run, we expect world prices to decline further as the US and Indian crops are brought to the market. In Pakistan, new crop prices are also low and demand for cotton yarn is brisk. However, the demand for grey fabrics continues to be slack and this may put pressure on yarn prices at a later stage. Presently, China continues to be a major buyer of yarn, especially in the coarse and medium counts. We expect the margins on yarn to be good and this will translate into higher margins resulting in a good

performance by the spinning industry. It is imperative though, for the slack fabric and end product demand and prices to rise.

China continues to be an important market for Pakistani and regional textiles. It continues to import large quantities of yarn and fabrics from this region and this makes for lower price offerings by the major Chinese corporations. However, Pakistani yarn is the most competitive and we feel that our role as a major supplier will remain. The previous year saw Pakistan's share of the cotton yarn imports by China to have declined significantly. But based on current year trends we think that we will be able to regain our foothold in China and regain some of the decline.

Early estimates of the cotton crop point towards a good crop and it appears that last years output will be exceeded. The rains this year have come late and led to flooding in Punjab. However, early estimates indicate that the damage should not be significant. Having said this, authorities are indicating a loss of about 750,000 bales but given the higher estimates of the crop, we feel that cotton will be available in abundance. Along with all these positive factors, we need to point out the increasing cost of doing business. Input costs, especially utilities will see sharp increases and other major inputs may affect the profitability to some extent. The currency has seen sharp movements with the Rupee becoming stronger at the start of the current year and then weakening again last month.

We continue our focus on improving efficiencies and productivity within the existing plants. We had spoken about new investments in our existing plants and diversification in the last review. However no significant progress has been made in this regard due to the energy situation. We are examining alternative sources of energy based on which we will inform our stakeholders more about plans for new investments. The company is also examining the possibility of investing in solar energy to provide power to the national grid. The Board of Directors has given their approval to initiate preliminary studies. We will continue to keep our stakeholders apprised of progress in this regard. 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.



Acknowledgements

On behalf of the Board of Directors, I would take this opportunity to thank all our partners and employees for their continued support. I would also take this opportunity to express my gratitude to the Board for their valuable insights and guidance.

Nadeem Maqbool
Chief Executive

September 27, 2014
Lahore

Statement of Compliance with the Best Practices of Corporate Governance

This statement is being presented to comply with the best practices of the Code of Corporate Governance as contained in the Listing Regulation of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

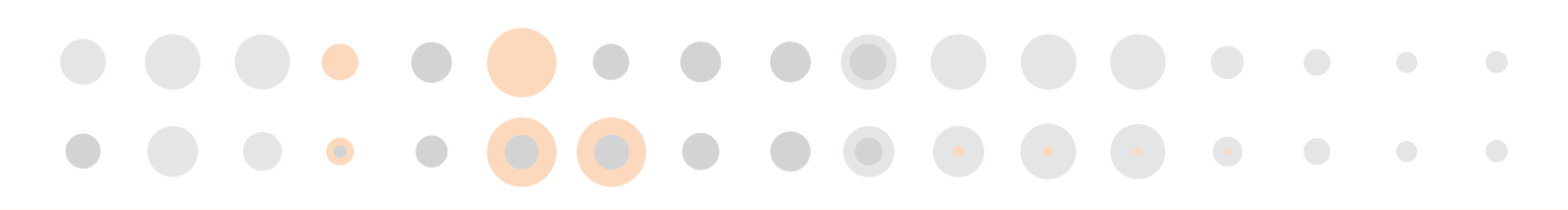
- At present the Board included:

Category	Names
1 Executive Directors	Mr. Nadeem Maqbool Mr. Ahsan Bashir
2 Non-Executive Directors	Mr. Khalid Bashir Mr. Amjad Mahmood Mr. Asif Bashir Mr. Humayun Maqbool Mr. Mohammad Iqbal

- The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.
- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No causal vacancy occurred during the financial year 2013-2014.
- 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 supporting policies & procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including

appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board.

- 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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
- The Company has arranged an orientation course for its directors and all of the Directors met the criteria of minimum of 14 years of education and 15 years of experience on the board of listed companies.
- The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the CCG.
- The Board has formed an audit committee. It comprises of 3 (three) members, all of whom are non executive Directors including the Chairman of the Committee.

- 
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed and HR and Remuneration Committee. It comprises three members, of whom two are non-executive and the chairman of the committee is an executive director.
18. The Board has set-up effective internal audit function by appointing a full-time Head of Internal Audit. The day to day operations of this function are being performed and supervised by the Head of Internal Audit, who is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. Further during the year 2013-14 the company engaged KPMG Taseer Hadi & Company, Chartered Accountants as an internal auditor.
19. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. There is no independent director as required by the clause i (b) of the Code of Corporate Governance.
24. We confirm that all other material principles enshrined in the CCG have been complied with except for the above paragraph, toward which reasonable progress is being made by the company to seek compliance by next election of directors.

Nadeem Maqbool

Chief Executive

September 27, 2014

Lahore

Pattern of Shareholding

As at June 30, 2014

No. Of Shareholders	Shareholding		Total
	From	To	
160	1	100	5,229
242	101	500	67,792
113	501	1000	81,889
111	1001	5000	262,628
33	5001	10000	247,806
21	10001	15000	264,911
13	15001	20000	230,766
2	20,001	25,000	43,137
2	25001	30000	53,225
2	35,001	40,000	76,230
3	40,001	45,000	127,443
1	45,001	50,000	49,500
1	50,001	55,000	53,995
1	60,001	65,000	64,522
1	70,001	75,000	71,995
1	75,001	80,000	75,625
1	85,001	90,000	87,725
1	105,001	110,000	109,069
1	125,001	130,000	129,010
3	140001	145000	430,807
1	175,001	180,000	177,023
1	190,001	195,000	193,960
1	225,001	230,000	225,955
1	245,001	250,000	250,000
1	270,001	275,000	275,000
1	415,001	420,000	417,975
1	470,001	475,000	471,424
1	610,001	615,000	610,445
1	635,001	640,000	639,482
1	645,001	650,000	649,723
1	685,001	690,000	689,815
1	725,001	730,000	725,879
1	985,001	990,000	989,497
1	1,195,001	1,200,000	1,199,936
1	1,390,001	1,395,000	1,393,582
1	1,400,001	1,405,000	1,401,150
1	8,935,001	8,940,000	8,935,850
730			21,780,000

Categories of Shareholders	Number	Share Held	%
Investment Companies	2	784,077	3.60
Joint Stock Companies	13	10,262,952	47.12
Mutual Fund	1	471,424	2.16
Insurance Companies	2	725,987	3.33
Others	3	45,742	0.21
Financial Institutions	2	562	0.00
Individuals	706	9,489,135	43.57
Modaraba	1	121	0.00
	730	21,780,000	100

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE

As at June 30, 2014

Categories of Share Holders	Net Holding	Percentage	
Associated Companies, Undertakings & Related Parties:			
Crescent Powertec Limited	9,625,665	44.19	
Premier Insurance Limited	725,879	3.33	
National Investment Trust Limited:			
NBP-Trustee Department NI(U)T Fund	471,424	2.16	
Directors, Their Spouse & Minor Children:			
Mr. Khalid Bashir	Director/Chairman	989,497	4.54
Mr. Nadeem Maqbool	Director/Chief Executive	73,905	0.34
Mr. Ahsan Bashir	Director	1,199,936	5.51
Mr. Amjad Mahmood	Director	9,569	0.04
Mr. Asif Bashir	Director	129,010	0.59
Mr. Humayun Maqbool	Director	17,090	0.08
Mr. Mohammad Iqbal	Director	109,069	0.50
Mrs. Nazia Maqbool (W/o Mr. Nadeem Maqbool)		12,826	0.06
Mrs. Tanveer Khalid (W/o Mr. Khalid Bashir)		649,723	2.98
Mrs. Naheed Amjad (W/o Mr. Amjad Mahmood)		22,505	0.10
Mrs. Amna Asif (W/o Mr. Asif Bashir)		13,310	0.06
Mrs. Humera Iqbal (W/o Mr. Mohammad Iqbal)		1,393,582	6.40
Executives		1,401,150	6.43
Public Sector Companies & Corporations:		1,137	0.01
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds		829,473	3.81
Individuals, and Joint Stock Companies		4,105,250	18.85
TOTAL NUMBER OF SHARES		21,780,000	100.00
Shareholders' Holding Five Percent or More Voting in the Co.:			
Crescent Powertec Limited	9,625,665	44.19	
Mrs. Humera Iqbal	1,393,582	6.40	
Mr. Adil Bashir	1,401,150	6.43	

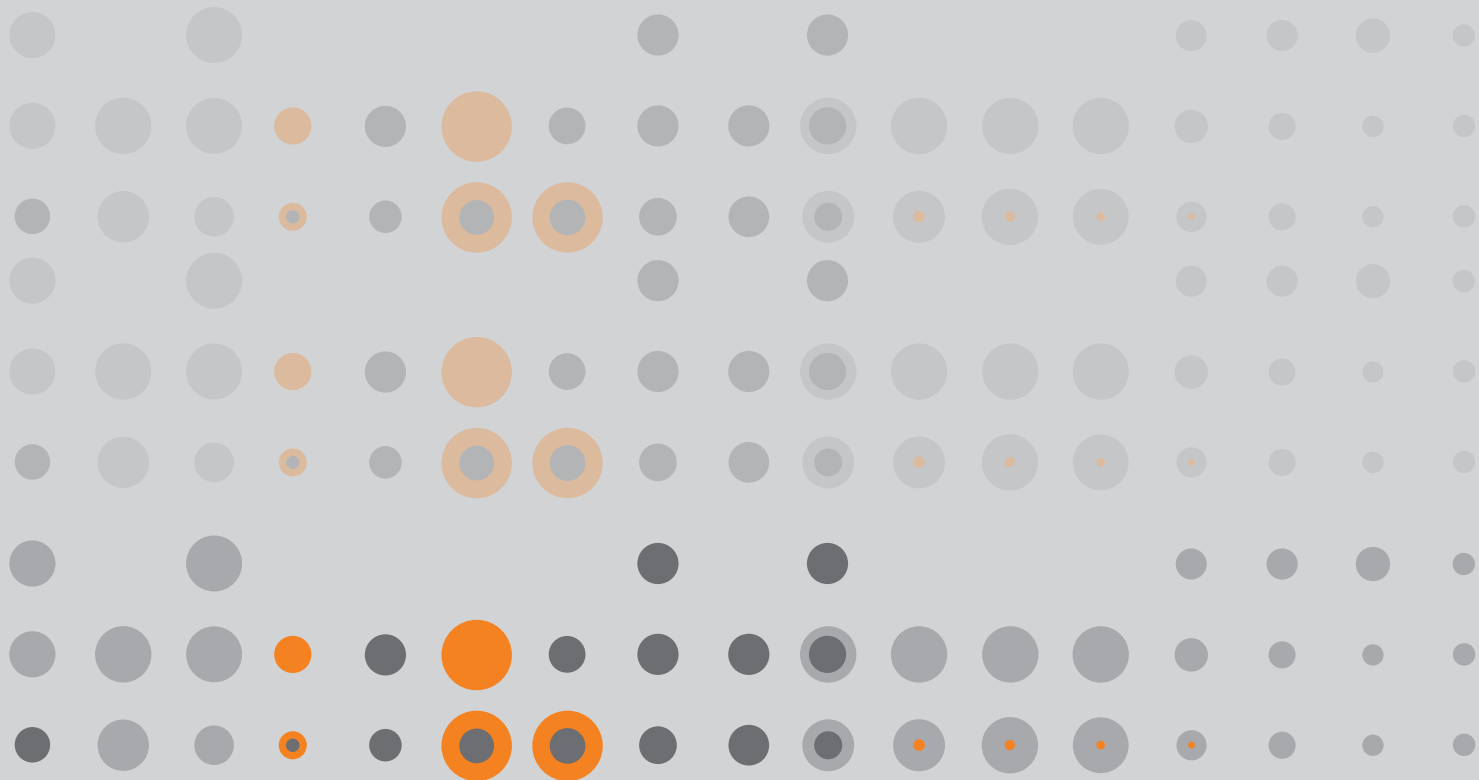
Details of Purchase / Sale of shares by Directors / CEO / Company Secretary / CFO and Their Spouses / Minor Children during 2014

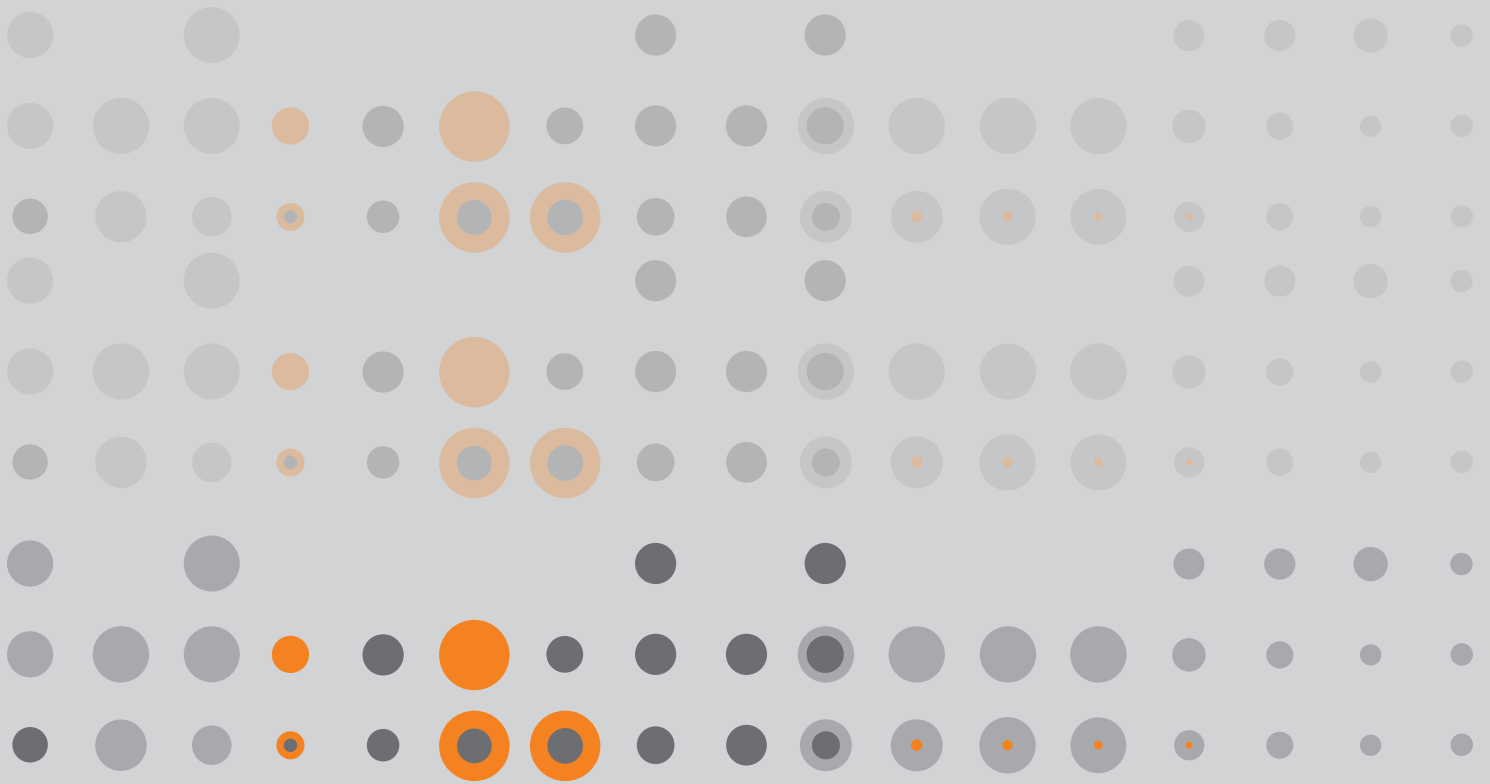
69,000 shares were purchased by Mr. Khalid Bashir, Director

151,000 shares were purchased by Mr. Ahsan Bashir, Director

31,000 shares were purchased by Mr. Asif Bashir, Director

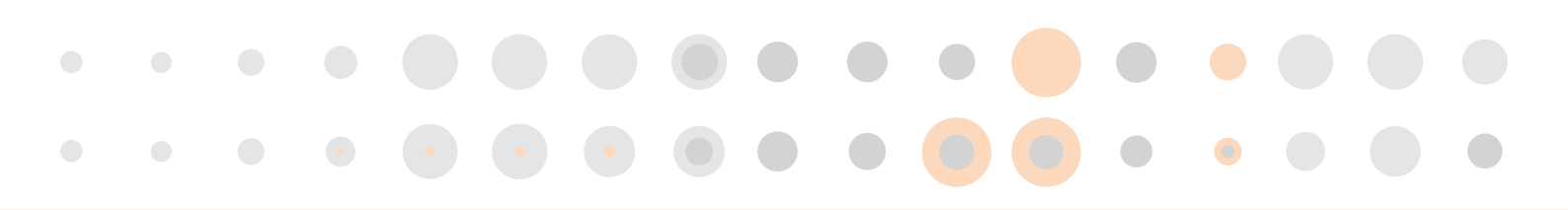
42,000 shares were purchased by Mrs. Tanveer Khalid (W/o Mr. Khalid Bashir, Director)





Financial Statements

For the year ended 30 June 2014



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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2014 prepared by the Board of Directors of Suraj Cotton Mills Limited (the Company) to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, regulations of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited require the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2014.

Without qualifying our conclusion, we would like to draw attention to the Clause 23 and 24 of Statement of Compliance with the best practices of Corporate Governance which state that currently there is no independent director as required by the clause i(b) of the Code of Corporate Governance.

Chartered Accountants

Engagement Partner: Farooq Hameed
Ernst & Young Ford Rhodes Sidat Hyder

Lahore
September 27, 2014



Auditors' Report to The Member

We have audited the annexed balance sheet of **Suraj Cotton Mills Limited** (the Company) as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material

misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 4.1 of these financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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 2014 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, 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.

Chartered Accountants

Engagement Partner: Farooq Hameed
Ernst & Young Ford Rhodes Sidat Hyder

Lahore
September 27, 2014

Balance Sheet

as at 30 June 2014

	Note	2014 (Rupees in thousand)	2013
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 50,000,000 (2013: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	5	217,800	198,000
Capital reserves		38,667	33,984
Revenue reserves		3,690,874	3,177,012
		3,947,341	3,408,996
Non-current liabilities			
Long term financing	6	251,537	336,807
Liabilities against assets subject to finance lease	7	635	854
Deferred taxation	8	215,535	212,186
		467,707	549,847
Current liabilities			
Trade and other payables	9	791,840	770,582
Accrued interest on financing	10	19,213	21,132
Short term borrowings	11	205,276	224,216
Current portion of long term liabilities	12	115,691	84,060
		1,132,020	1,099,990
		1,599,727	1,649,837
TOTAL EQUITY AND LIABILITIES		5,547,068	5,058,833
CONTINGENCIES AND COMMITMENTS	13		

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

Balance Sheet

as at 30 June 2014

	Note	2014 (Rupees in thousand)	2013
ASSETS			
Non-current assets			
Property, plant and equipment			
Operating fixed assets	14	1,935,757	1,944,391
Assets subject to finance lease	15	1,160	1,450
Capital work in progress	16	45,864	44,209
		1,982,781	1,990,050
Investment properties	17	100,000	-
Long term deposits		19,531	18,974
		2,102,312	2,009,024
Current assets			
Stores, spare parts and loose tools	18	89,846	125,850
Stock-in-trade	19	1,372,741	1,716,673
Trade debts	20	459,258	406,138
Loans and advances	21	56,046	39,070
Trade deposits and short term prepayments	22	4,618	4,844
Balances with statutory authorities	23	70,306	66,044
Taxation-net		3,024	11,786
Other receivables	24	817	912
Short term investments	25	1,185,844	582,982
Cash and bank balances	26	190,673	95,510
Assets held for sale	27	11,583	-
		3,444,756	3,049,809
TOTAL ASSETS		5,547,068	5,058,833

DIRECTOR

Profit and Loss Account

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Sales	28	9,924,609	9,593,325
Cost of sales	29	8,808,650	8,145,758
Gross profit		1,115,959	1,447,567
Operating expenses:			
Distribution cost	30	233,778	254,750
Administrative expenses	31	115,279	102,178
Other operating expenses	32	94,838	98,257
		443,895	455,185
Other income	33	180,342	106,522
		672,064	992,382
Finance cost	34	83,924	87,772
Profit before taxation		768,482	1,011,132
Taxation	35	116,020	107,787
Profit for the year		652,462	903,345
Earnings per share - basic and diluted (Rupees)	36	29.96	41.48

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Statement of Comprehensive Income

For the year ended 30 June 2014

	2014	2013
	(Rupees in thousand)	
Profit for the year	652,462	903,345
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net unrealized gain on available-for-sale investments	4,683	5,070
Items not to be reclassified to profit or loss in subsequent periods	-	-
Total other comprehensive income, net of tax	4,683	5,070
Total comprehensive income for the year	657,145	908,415

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Cash Flow Statement

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	37	1,276,136	882,175
Finance cost paid		(85,843)	(92,905)
WPPF paid		(53,218)	(22,841)
Income tax paid		(103,908)	(123,759)
Dividend paid		(118,800)	(78,986)
		(361,769)	(318,491)
Net cash from operating activities		914,367	563,684
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(209,333)	(333,656)
Proceeds from disposal of operating fixed assets		14,035	38,673
Purchase of investment property		(100,000)	(238,187)
Increase in capital work in progress		(1,655)	7,428
Investments made - net		(460,273)	(286)
Dividend received		11,377	-
Increase in long term deposits - net		(557)	-
Net cash used in investing activities		(746,406)	(526,028)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (decrease) in long term financing - net		(53,666)	116,215
Decrease in short term borrowings - net		(18,940)	(63,175)
Finance lease liabilities repaid		(192)	(940)
Net cash (used in) / generated from financing activities		(72,798)	52,100
Net increase in cash and cash equivalents		95,163	89,756
Cash and cash equivalents at the beginning of year		95,510	5,754
Cash and cash equivalents at the end of year	26	190,673	95,510

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Statement of Changes in Equity

For the year ended 30 June 2014

	Share capital	Capital Reserves			Revenue Reserves			Total
		Premium on issue of shares	Unrealized gain / (loss) on available-for-sale investments	Sub total	General	Unappropriated profit	Sub total	
------(Rupees in thousand)-----								
Balance as at 01 July 2012	198,000	29,000	(86)	28,914	1,964,000	388,867	2,352,867	2,579,781
Profit for the year ended 30 June 2013	-	-	-	-	-	903,345	903,345	903,345
Other comprehensive income	-	-	5,070	5,070	-	-	-	5,070
Total comprehensive income for the year	-	-	5,070	5,070	-	903,345	903,345	908,415
Transfer to general reserve	-	-	-	-	250,000	(250,000)	-	-
Final dividend for the year ended 30 June 2012 at the rate of Rs. 4 per share	-	-	-	-	-	(79,200)	(79,200)	(79,200)
Balance as at 30 June 2013	198,000	29,000	4,984	33,984	2,214,000	963,012	3,177,012	3,408,996
Profit for the year ended 30 June 2014	-	-	-	-	-	652,462	652,462	652,462
Other comprehensive income	-	-	4,683	4,683	-	-	-	4,683
Total comprehensive income for the year	-	-	4,683	4,683	-	652,462	652,462	657,145
Transfer to general reserve	-	-	-	-	750,000	(750,000)	-	-
Bonus shares issued for the year ended 30 June 2013 at the rate of 10%	19,800	-	-	-	-	(19,800)	(19,800)	-
Final dividend for the year ended 30 June 2013 at the rate of Rs. 6 per share	-	-	-	-	-	(118,800)	(118,800)	(118,800)
Balance as at 30 June 2014	217,800	29,000	9,667	38,667	2,964,000	726,874	3,690,874	3,947,341

The annexed notes from 1 to 48 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR



Notes to the Financial Statements

For the year ended 30 June 2014

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth. Registered Office of the Company is situated at 7-B-III, Aziz Avenue, Gulberg-V, Lahore.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values.

3.2 Significant accounting judgments and critical accounting estimates / assumptions

The Company's main accounting policies affecting its result of operations and financial conditions are set out in note 4. Judgments and assumptions have been used by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions. Key sources of estimation, uncertainty and critical accounting judgments are as follows:

a) Income taxes (note 4.2)

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

b) Useful lives, patterns of economic benefits and impairments (note 4.5)

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

c) Provision for slow moving /obsolete items (note 4.9 & 4.10)

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



Notes to the Financial Statements

For the year ended 30 June 2014

d) Provision for doubtful debts (note 4.11)

An estimate is made for doubtful receivables based on review of outstanding amounts at the year end, if any. Provisions are made against those having no activity during the current period and are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

3.3 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New and amended standards and interpretations become effective

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 19 – Employee Benefits –(Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

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

4.2 Taxation

Current

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



Notes to the Financial Statements

For the year ended 30 June 2014

Deferred

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

Deferred tax is calculated based on the rates that have been enacted or substantively enacted upto the balance sheet date and are expected to apply to the period when the difference will be reversed.

4.3 Trade and other payables

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

4.4 Provisions

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

4.5 Property, plant and equipment

Owned

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

Depreciation is charged to profit and loss account using the reducing balance method to write off the cost over the expected useful life of assets at rates, which are disclosed in note 14. Leasehold land is amortized over the lease period using straight-line method. Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Residual value and the useful life of assets are reviewed at each financial year end and if expectations differ from previous estimates the change is accounted for as change in accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

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



Notes to the Financial Statements

For the year ended 30 June 2014

Leased

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

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

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

Capital work in progress

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

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

Impairment

The Company assesses at each balance sheet date whether there is any indication that assets excluding inventory may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account.

4.6 Non-current assets held for sale

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

4.7 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less provisions for depreciation and impairment.

4.6 Investments

Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investments in associates other than those described as above are classified as "available for sale".



Notes to the Financial Statements

For the year ended 30 June 2014

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

Available for sale

These are initially measured at cost, being the fair value of consideration given. Cost of purchase includes transaction cost. At subsequent reporting dates, these investments are re-measured at fair value. For listed securities, fair value is determined on the basis of period end bid prices obtained from stock exchange quotations, while for unquoted securities, these are valued at lower of cost and break-up value.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment.

Changes in carrying value are recognized in statement of comprehensive income until the investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in statement of comprehensive income is included in profit and loss account for the year.

Held for trading

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as held for trading investments and are included in current assets. These are initially measured at cost and at subsequent reporting dates, these investments are remeasured at fair value. Cost of purchase includes transaction cost. Realized and unrealized gains and losses arising from changes in fair value are included in profit and loss account for the year in which they arise.

The fair value of publicly traded securities is based on market prices quoted on the Karachi Stock Exchange at the balance sheet date.

All purchases and sales of investments are recognized on the trade date which is the date that the Company commits to purchase or sell the investment.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of the 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 respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial assets previously recognized in profit and loss account is removed from statement of comprehensive income at disposal or derecognition and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.7 Stores, spare parts and loose tools

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



Notes to the Financial Statements

For the year ended 30 June 2014

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

4.9 Stores, spare parts and loose tools

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

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

4.10 Stock in trade

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

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

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

4.11 Trade debts

Trade debts are carried at the amounts billed / charged which is fair value of consideration to be received in the future. An estimate is made for doubtful receivables based on review of outstanding amounts at the year end, if any. Provisions are made against those having no activity during the current period and are considered doubtful by the management. Balances considered bad and irrecoverable are written off when identified.

4.12 Other receivables

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

4.13 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.



Notes to the Financial Statements

For the year ended 30 June 2014

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Any gain or loss on de-recognition of the financial assets and financial liabilities is taken to profit and loss account.

4.14 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any indication that financial assets may be impaired. If such indication exists, the carrying amounts of such financial assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying value exceed recoverable amount, financial assets are written down to the recoverable amount and the difference is charged to profit and loss account.

4.15 Off setting of financial assets and financial liabilities

A financial asset and financial liability is set off and the net amount is reported in the balance sheet if the Company has legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.16 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which derivative contract is entered into and subsequently re-measured at fair value. Any change in the fair value of the derivative financial instruments is taken to profit and loss account. Derivatives with positive market values are included in other receivables and derivatives with negative market values are included in other liabilities in the balance sheet.

4.17 Foreign currency translation

Monetary assets and liabilities in foreign currencies excluding derivative financial instruments are translated at the rates of exchange prevailing at balance sheet date while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date. Exchange gains and losses are charged to profit and loss account.

4.18 Revenue recognition

Local sales are recognized on dispatch of goods to customers whereas export sales are recognised on the date of bill of lading, which is the time when the risks and rewards are transferred.

Dividend income is recognized when the right to receive dividend is established.

Profit on bank deposits is recognized on time proportion basis taking into account principal outstanding and effective rates of profit applicable thereon.

4.19 Employees' benefits

Defined contribution plan

The Company operates a funded employee's provident fund scheme for its permanent employees. Equal monthly contributions at the rate of six percent of basic pay are made both by the Company and employees to the fund.



Notes to the Financial Statements

For the year ended 30 June 2014

Compensated absences

Compensated absences are accounted for in the period in which the absences are earned.

4.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred. Finance cost is accounted for on accrual basis.

4.21 Related party transactions and transfer pricing

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length.

4.22 Business segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the Company is organized into two business segments:

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

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

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company mainly operates in one economic environment, hence there are no geographical segments.

4.22.1 Segment assets and liabilities

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

Segment liabilities include all operating liabilities consisting principally of long term and short term financing, liabilities against assets subject to finance lease, deferred liabilities and trade & other payables.

4.22.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

4.23 Cash and cash equivalents

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

Notes to the Financial Statements

For the year ended 30 June 2014

4.24 Dividends

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

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

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

Standard	Effective Date (Annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 & 41 – Agriculture: Bearer Plants	01 January 2016
IAS 19 - Employee Contributions	01 July 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	01 January 2014
IFRIC 21 – Levies	01 January 2014

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The Company expects that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosure in the financial statements.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2017

Notes to the Financial Statements

For the year ended 30 June 2014

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2014 (No. of Shares)	2013		2014 (Rupees in thousand)	2013
17,400,000	17,400,000	Ordinary shares of Rupees 10 each fully paid up in cash	174,000	174,000
4,380,000	2,400,000	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	43,800	24,000
21,780,000	19,800,000		217,800	198,000

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

	(No. of Shares)
Crescent Powertec Limited	9,625,665
Premier Insurance Limited	725,879
	10,351,544

	Note	2014 (Rupees in thousand)	2013
6. LONG TERM FINANCING			
From banking companies - secured			
Finance 1	(6.1)	22,439	43,098
Finance 2	(6.2)	19,234	38,469
Finance 3	(6.3)	19,188	31,979
Finance 4	(6.4)	37,826	44,130
Finance 5	(6.5)	120,368	137,563
Finance 6	(6.6)	20,687	26,600
Finance 7	(6.7)	127,268	98,837
		367,010	420,676
Less: Current portion taken as current liability	(12)	115,473	83,869
		251,537	336,807

- 6.1 This facility represents the loan obtained from Habib Bank Limited under the EOP-LTF Scheme launched by SBP to retire import letter of credits for machinery under Balancing, Modernization and Replacement (BMR) of the project. It carries mark up at SBP refinance rate plus 2% (2013 : SBP refinance rate plus 2%) per annum payable quarterly. This is secured against first pari passu equitable mortgage on land and building, hypothecation charge on plant and machinery of the Company to the extent of Rs. 187,000 thousand and personal guarantees of sponsoring directors. The loan is repayable in twenty four equal quarterly installments. However, State Bank of Pakistan had granted one year moratorium on all loans installments payable in calendar year 2009 on the EOP-LTF loans.

Notes to the Financial Statements

For the year ended 30 June 2014

- 6.2 This facility represents loan obtained from MCB Bank Limited. Loan amounting Rs. 115,406 thousand was obtained specifically as EOP-LTF arrangement. This finance is secured against first pari passu charge for Rs. 154,000 thousand over fixed assets of the Company and personal guarantees of sponsoring directors. Loan is repayable in twelve equal semi annual installments within a period of six years with a grace period of one and half year. However, State Bank of Pakistan had granted one year moratorium on all loan installments payable in calendar year 2009 on the EOP-LTF loans. These finances carry mark up at SBP refinance rate plus 2% (2013 : SBP refinance rate plus 2%) per annum.
- 6.3 This represents term finance obtained from MCB Bank Limited to finance imported air jet looms. It carries mark up at SBP refinance rate plus 2% (2013 : SBP refinance rate plus 2%) per annum. This finance is secured against first pari passu charge over fixed assets of the Company and personal guarantees of the sponsoring directors. The loan is repayable in twelve equal semi annual installments. However, State Bank of Pakistan had granted one year moratorium on all loans installments payable in calendar year 2009 on the EOP-LTF loans.
- 6.4 This finance has been obtained from MCB Bank Limited under LTF (EOP) scheme to retire LC's opened for importing compact frames and air compressor for industrial use. It carries markup at 1 month KIBOR plus 2.25% (2013: 1 month KIBOR plus 2.25%) per annum to be paid quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion is to be repaid in five years through eight equal half yearly installments starting from November 2013 after grace period of one and a half year.
- 6.5 This finance has been obtained from MCB Bank Limited for import of compact frames, blow room medication and high production cards. It carries markup at 6 month KIBOR plus 1.75% (2013: 6 month KIBOR plus 1.75%) per annum to be serviced quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands and personal guarantees of the sponsoring directors. The principal portion of loan is to be repaid in five years through sixteen equal quarterly installments starting from February 2014 with grace period of one year.
- 6.6 This finance has been obtained from MCB Bank Limited to retire letter of credits for import of Simplex Frames. It carries markup at 6 month KIBOR plus 2.0% per annum (2013: 6 months KIBOR plus 2.0%) to be serviced quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands and personal guarantees of the sponsoring directors. The principal portion is to be repaid in five years through ten equal semi annual installments starting from Dec 2013 with grace period of 6 months.
- 6.7 This finance has been obtained from United Bank Limited to retire letter of credit for import of new machinery. It carries markup at 6 month KIBOR plus 1.25% (2013: 6 months KIBOR plus 2.25%) per annum to be serviced quarterly. This finance is secured against first pari passu charge by way of equitable mortgage charge of land, building and hypothecation of machinery aggregating to Rs. 334,000 thousands and personal guarantees of sponsoring directors. The principal portion is to be repaid in seven years through ten equal semi annual installments starting from April 2015 with grace period of two years.

	Note	2014 (Rupees in thousand)	2013
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		333	333
Later than one year and not later than five years		990	1,082
		1,323	1,415
Less : Future financial charges		470	370
Present value of minimum lease payments	(7.1)	853	1,045
Less : Current portion taken as current liability	Jan-00 (12)	218	191
		635	854

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
7.1 Break up of net lease obligation			
Within one year		218	191
Within two to five years		635	854
		853	1,045

7.2 The value of the minimum lease payments has been discounted at an implicit interest rate of 12 month KIBOR plus 4% (2013: 12 month KIBOR plus 4%) per annum. The balance rentals are payable in monthly installments. In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of lease agreement.

	Note	2014 (Rupees in thousand)	2013
8. DEFERRED TAXATION			
Taxable temporary differences			
Accelerated tax depreciation		230,217	226,219
Finance lease arrangements		259	6
		230,476	226,225
Deductible temporary differences			
Provision for doubtful debts		(9,684)	(9,519)
Provision for slow moving items		(5,257)	(4,520)
		(14,941)	(14,039)
		215,535	212,186

9. TRADE AND OTHER PAYABLES			
Creditors	(9.1)	351,097	411,397
Accrued liabilities		333,747	255,824
Workers' profit participation fund	(9.2)	40,446	53,218
Excise duty payable on loans		11,707	11,707
Income tax deducted at source		846	1,334
Payable to employees' provident fund trust		496	178
Unclaimed dividend		2,049	1,983
Workers welfare fund		51,452	34,941
		791,840	770,582

9.1 These include an amount of Rs. 17,772 thousand (2013: Rs. 94,685 thousand) due to associated undertakings.

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
9.2 Workers' profit participation fund			
Balance at the beginning of the year		53,218	22,841
Allocation for the year		40,446	53,218
		93,664	76,059
Payments made during the year		(53,218)	(22,841)
Closing balance		40,446	53,218
10. ACCRUED INTEREST ON FINANCING			
Long term financing		10,863	10,847
Short term borrowings		8,342	10,285
Liabilities against assets subject to finance lease		8	-
		19,213	21,132
11. SHORT TERM BORROWINGS			
From banking companies - secured			
Cash finance	(11.1)	25,905	74,646
Running finance	(11.1)	179,371	149,570
		205,276	224,216
11.1			
The finances aggregate to Rs. 2,125,000 thousand (2013: Rs. 2,125,000 thousand) are available under mark-up agreements and carry mark up ranging from KIBOR plus 0.20 % to 1.75 % (2013: KIBOR / LIBOR plus 1 % to 2.75 %) per annum. The aggregate short term finances are secured by way of charge on all present and future current assets of the Company and lien on export letters of credit or firm contracts.			
12. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term financing	(6)	115,473	83,869
Liabilities against assets subject to finance lease	(7)	218	191
		115,691	84,060



Notes to the Financial Statements

For the year ended 30 June 2014

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is contingent liability in respect of bank guarantees issued by the Company's bankers in the ordinary course of business in favour of collector of customs aggregating to Rs. 810 thousand (2013: Rs. 810 thousand) against cases pending in the court of law.

13.2 Commitments

Commitment in respect of letter of credit for capital expenditures amounts to Rs. 49,202 thousand (2013: Rs. Nil).

Notes to the Financial Statements

For the year ended 30 June 2014

14.2 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of Disposal	Sold to
----- (Rupees thousand) -----						
Plant and Machinery:						
Simplex Frame	5,250	4,661	589	3,000	Negotiation	Shams Textile Mills Limited
Auto coner	8,768	6,201	2,567	9,000	Negotiation	Ali Akbar Spinning Mills Limited
Equipment:						
Computer	42	36	6	-	Discarded	
Pistols	60	55	5	-	Discarded	
Vehicles:						
Honda Civic	844	661	183	800	Negotiation	Ali Raza Qazmi
Suzuki Bolan	630	274	356	600	Negotiation	Madhi Motors
Suzuki Liana	1,062	692	370	635	Negotiation	Asghar Ali

15. ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION	2014				2013				RATES %
	BALANCE AS AT 01 JULY 2013	FOR THE YEAR	Transfer Cost / (accumulated depreciation)	Net Book Value	BALANCE AS AT 30 JUNE 2014	FOR THE YEAR	Transfer Cost / (accumulated depreciation)	Net Book Value	
Vehicles	1,673	223	-	1,450	1,673	290	-	1,160	20
----- (Rupees in thousand) -----									
	1,673	223	-	1,450	1,673	290	-	1,160	20
DESCRIPTION	2013				2012				RATES %
	BALANCE AS AT 01 JULY 2012	FOR THE YEAR	Transfer Cost / (accumulated depreciation)	Net Book Value	BALANCE AS AT 30 JUNE 2013	FOR THE YEAR	Transfer Cost / (accumulated depreciation)	Net Book Value	
Vehicles	1,702	722	1,673	980	1,702	223	(722)	1,450	20
----- (Rupees in thousand) -----									
	1,702	722	1,673	980	1,702	223	(722)	1,450	20

15.1 Depreciation charge for the year on assets subject to finance lease has been allocated to administrative expenses.

Notes to the Financial Statements

For the year ended 30 June 2014

16. CAPITAL WORK IN PROGRESS

This includes advance given to M/s Tricon Developers of Rs. 44,209 thousands (2013: 44,209 thousands) for purchase of office. The title of the office is executed in the favour of Company as on November 2012. The office is still under construction as on 30 June 2014.

	Note	2014 (Rupees in thousand)	2013
17. INVESTMENT PROPERTIES			
Opening balance		-	-
Additions	(17.1)	100,000	-
		100,000	-

17.1 This represents plots purchased by the Company in June 2014. The capitalised amount includes initial cost of purchase and acquisition related costs. Since the purchase has been made close to the year end, management believes that cost of these properties approximates their fair value, therefore valuation has not been carried out at this year end.

18. STORES, SPARE PARTS AND LOOSE TOOLS

Stores in transit		-	26,075
Stores		112,891	119,760
Spare parts		2,447	4,098
Loose tools		82	88
		115,420	150,021
Less : Provision for slow moving / obsolete items	(18.1)	25,574	24,171
		89,846	125,850

18.1 Provision for slow moving / obsolete items

Opening balance		24,171	8,569
Addition during the year		1,403	16,869
		25,574	25,438
Adjusted during the year		-	(1,267)
		25,574	24,171

19. STOCK-IN-TRADE

Raw material in transit		89,593	-
Raw material		496,082	1,066,098
Work in process		113,163	98,952
Finished goods		669,746	539,291
Waste		4,157	12,332
		1,372,741	1,716,673

19.1 During the year Rs. 75,686 thousands (2013: Nil) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of sales.

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
20. TRADE DEBTS			
Considered good:			
Secured against letters of credit		108,129	123,177
Unsecured	(20.1)	351,129	282,961
		459,258	406,138
Considered doubtful - unsecured		28,482	27,999
Less: Provision for doubtful debts	(20.3)	28,482	27,999
		-	-
		459,258	406,138
20.1 This includes amount due from following associated companies:			
The Crescent Textile Mills Limited		1,266	-
Crescent Bahuman Limited		29,697	14,963
		30,963	14,963
20.2 There are no past due or impaired receivables from related parties as on 30 June 2014.			
20.3 Provision for doubtful debts			
Opening balance		27,999	24,395
Addition during the year		483	3,604
		28,482	27,999
Written off during the year		-	-
		28,482	27,999
20.4 The ageing of trade debts and related impairment loss at balance sheet date was:			
Age analysis of trade debts			
Not past due		312,000	251,163
Past due 0 - 180 days		139,219	136,788
Past due 180 - 365 days		6,063	1,522
1 - 2 years		1,976	3,051
More than 2 years		28,482	41,613
		487,740	434,137

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Age of impaired trade debts			
Past due 0 - 180 days		-	-
Past due 180 - 365 days		-	-
1 - 2 years		-	-
More than 2 years		28,482	27,999
		28,482	27,999
21. LOANS AND ADVANCES			
Loans to employees - considered good - unsecured		5,299	3,327
Advances - considered good:			
To suppliers - unsecured		44,374	35,106
Against letters of credit - secured		6,373	637
		50,747	35,743
		56,046	39,070
22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		992	3,105
Short term prepayments		3,626	1,739
		4,618	4,844
23. BALANCES WITH STATUTORY AUTHORITIES			
Sales tax refundable		66,974	63,805
Export rebate		3,332	2,239
		70,306	66,044
24. OTHER RECEIVABLES			
These include cotton claims receivables which are considered good by the management of the Company.			
25. SHORT TERM INVESTMENTS			
Available for sale	(25.1)	26,756	34,467
Held for trading	(25.2)	1,159,088	548,515
		1,185,844	582,982

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
25.1 Available for sale			
Quoted			
Investments in related party			
Premier Insurance Limited			
721,853 (2013: 721,353) fully paid ordinary shares of Rupees 10 each.		8,152	8,146
Others			
Pakistan International Airlines Corporation			
6,124 (2013: 6,124) fully paid ordinary shares of Rupees 10 each.		45	45
Samba Bank Limited			
1,652,306 (2013: 2,930,493) fully paid ordinary shares of Rupees 10 each.	(25.1.1)	15,875	15,875
PICIC Energy Fund			
73,789 (2013: 63,000) fully paid ordinary shares of Rupees 10 each.		745	745
NIB Bank Limited			
1,000,000 (2013: 1,000,000) fully paid ordinary shares of Rupees 10 each.		4,574	4,573
Adamjee Insurance Company Limited			
Nil (2013: 200,000) fully paid ordinary shares of Rupees 10 each.		-	21,752
Nimir Industrial Chemical Limited			
125,000 (2013: 250,000) fully paid ordinary shares of Rupees 10 each.	(25.1.2)	1,035	1,035

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Jahangir Siddiqui & Co. Limited			
149,878 (2013: Nil) fully paid ordinary shares of Rupees 10 each.		1,733	-
Unquoted			
Investments in related party			
Premier Financial Services (Private) Limited			
2,200 (2013: 2,200) fully paid ordinary shares of Rupees 1,000 each.		2,200	2,200
Crescent Spinning Mills Limited			
208,800 (2013: 208,800) fully paid ordinary shares of Rupees 10 each.	(25.1.3)	2,088	2,088
		36,447	58,192
Unrealized gain on revaluation of investments - net		9,667	4,984
Impairment loss		(19,358)	(28,709)
		26,756	34,467

25.1.1 Due to reduction in share capital of the Samba Bank Limited the number of shares have reduced from 2,930,493 to 1,652,306 shares.

25.1.2 Due to reduction in share capital of the Nimir Industrial Chemical the number of shares have reduced from 250,000 to 125,000 shares.

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

Notes to the Financial Statements

For the year ended 30 June 2014

	2014			2013		
	Carrying value	Unrealized gain / (loss)	Market value	Carrying value	Unrealized gain / (loss)	Market value
	----- (Rupees in thousand) -----					
25.2 Held for trading						
Quoted - other than related parties:						
National Bank of Pakistan						
Nil (2013: 400,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	16,110	338	16,448
Tripack Films Limited						
45,000 (2013: 45,000) fully paid ordinary shares of Rupees 10 each.	9,090	(1,461)	7,629	9,450	(360)	9,090
Pakistan Tobacco Company Limited						
Nil (2013: 50,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	2,642	5,208	7,850
Pakistan State Oil Limited						
50,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	20,336	(893)	19,443	-	-	-
Standard Chartered Bank (Pakistan) Limited						
Nil (2013: 50,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	573	294	867
MCB Bank Limited						
Nil (2013: 10,359) fully paid ordinary shares of Rupees 10 each.	-	-	-	1,565	948	2,513
Pakistan Oilfield Limited						
40,000 (2013: 18,000) fully paid ordinary shares of Rupees 10 each.	20,671	2,301	22,972	6,605	2,348	8,953
DG Khan Cement Company Limited						
896,500 (2013: 100,000) fully paid ordinary shares of Rupees 10 each.	70,322	8,534	78,856	7,735	634	8,369
Engro Corporation Limited						
150,000 (2013: 60,000) fully paid ordinary shares of Rupees 10 each.	24,070	2,706	26,776	6,110	1,202	7,312
Attock Refinery Limited						
Nil (2013: 50,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	6,144	2,484	8,628
Fauji Cement Company Limited						
800,000 (2013: 800,000) fully paid ordinary shares of Rupees 10 each.	9,927	5,465	15,392	6,319	4,313	10,632

Notes to the Financial Statements

For the year ended 30 June 2014

	2014			2013		
	Carrying value	Unrealized gain / (loss)	Market value	Carrying value	Unrealized gain / (loss)	Market value
	----- (Rupees in thousand) -----					
Fatima Fertilizer Company Limited 200,000 (2013: 400,000) fully paid ordinary shares of Rupees 10 each.	4,966	834	5,800	9,705	227	9,932
The Hub Power Company Limited 250,000 (2013: 50,000) fully paid ordinary shares of Rupees 10 each.	14,276	409	14,685	2,095	988	3,083
Fauji Fertilizer Company Limited 200,000 (2013: 100,000) fully paid ordinary shares of Rupees 10 each.	21,892	558	22,450	11,495	(752)	10,743
Pakistan Telecommunication Company Limited Nil (2013: 200,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	3,688	750	4,438
Pakistan Petroleum Limited 200,640 (2013: 30,000) fully paid ordinary shares of Rupees 10 each.	40,768	4,244	45,012	6,111	236	6,347
Crescent Steel and Allied Products Limited 200,000 (2013: 25,000) fully paid ordinary shares of Rupees 10 each.	9,862	(1,160)	8,702	1,191	(66)	1,125
Bank Al Falah Limited 100,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	2,711	39	2,750	-	-	-
Fauji Fertilizer Bin Qasim Limited 400,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	16,314	(406)	15,908	-	-	-
Nishat Mills Limited 325,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	39,533	(3,159)	36,374	-	-	-
Pakgen Power Limited 600,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	12,725	(1,901)	10,824	-	-	-
Arif Habib Coporation Limited 150,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	3,670	506	4,176	-	-	-
Engro Polymer Chemicals Limited 600,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	9,394	(1,276)	8,118	-	-	-
PICIC Growth Fund 200,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	5,272	1,076	6,348	-	-	-

Notes to the Financial Statements

For the year ended 30 June 2014

	2014			2013		
	Carrying value	Unrealized gain / (loss)	Market value	Carrying value	Unrealized gain / (loss)	Market value
----- (Rupees in thousand) -----						
Engro Fertilizers Limited 15,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	-	857	857	-	-	-
Faisal Bank Limited 500,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	6,203	1,872	8,075	-	-	-
Nishat Power Limited 100,000 (2013: Nil) fully paid ordinary shares of Rupees 10 each.	3,468	90	3,558	-	-	-
HBL Asset Management Fund 2,042,404 (2013: 1,238,700) Units	190,071	14,826	204,897	125,000	411	125,411
NAFA Money Market Fund 24,630,617 (2013: 10,578,446) Units	230,944	15,687	246,631	100,000	5,944	105,944
Metro Bank Perpetual Scheme Nil (2013: 3,912,948) Units	-	-	-	203,752	(2,979)	200,773
MCB Dynamic Cash Fund 622 (2013: 548) Units	64	(1)	63	56	1	57
MCB Pakistan Cash Management Fund 62,731 (2013: Nil) Units	3,141	(4)	3,137	-	-	-
ABL Asset Management 23,874,885 (2013: Nil) Units	225,000	14,339	239,339	-	-	-
UBL Liquidity Fund Plus 999,494 (2013: Nil) Units	100,000	316	100,316	-	-	-
	1,094,690	64,398	1,159,088	526,346	22,169	548,515

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
26. CASH AND BANK BALANCES			
Cash in hand		469	929
Balances with banks in:			
Current accounts		143,587	32,906
Deposit accounts	(26.1)	46,617	61,675
		190,204	94,581
		190,673	95,510
26.1	The rate of return on deposit accounts ranges from 6% to 8% (2013: 6% to 7%) per annum.		
27. ASSETS HELD FOR SALE			
Carrying Value	(27.1)	11,583	-
Less : Impairment loss		-	-
		11,583	-
27.1	The assets held for sale include items of plant and machinery. The carrying amounts of these assets will be recovered principally through a sale transaction rather than through continuing use.		
28. SALES-net			
Local		6,849,214	6,379,036
Export		3,041,344	3,081,798
Waste		187,651	173,112
		10,078,209	9,633,946
Less: Sales tax		153,600	40,621
		9,924,609	9,593,325
29. COST OF SALES			
Raw materials:			
Opening stock		1,066,098	705,384
Purchases		6,246,195	6,710,783
		7,312,293	7,416,167
Closing stock	(19)	(496,082)	(1,066,098)
Raw material consumed		6,816,211	6,350,069
Sizing expenses		63,440	63,098
Stores, spare parts and loose tools consumed		159,242	164,410
Packing material consumed		101,443	93,528
Salaries, wages and other benefits	(29.1)	504,524	458,925
Fuel and power		1,043,508	905,460
Repairs and maintenance		25,548	77,993
Insurance		24,234	25,595
Depreciation	(14.1)	190,540	179,529
Other overheads		17,544	18,381
		2,130,023	1,986,919
		8,946,234	8,336,988

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Work-in-process			
Opening stock		98,952	98,485
Closing stock	(19)	(113,163)	(98,952)
		(14,211)	(467)
Cost of goods manufactured		8,932,023	8,336,521
Finished goods			
Opening stock		551,623	361,730
Closing stock	(19)	(673,903)	(551,623)
		(122,280)	(189,893)
Less: Export rebate		1,093	870
		8,808,650	8,145,758

29.1 This includes contribution made to provident fund by the Company amounting to Rs 9,974 thousand (2013: 8,999 thousand).

30. DISTRIBUTION COST

Salaries, wages and other benefits	(30.1)	3,819	3,151
Commission on sales		144,572	142,903
Freight and shipment		47,886	77,518
Clearing and forwarding		29,562	23,576
Export development surcharge		7,939	7,602
		233,778	254,750

30.1 This includes contribution made to provident fund by the Company amounting to Rs 115 thousand (2013: 116 thousand).

31. ADMINISTRATIVE EXPENSES

Salaries, wages and other benefits	(31.1)	68,046	60,386
Rent, rates and taxes		4,594	4,515
Electricity and gas		4,519	3,642
Traveling and conveyance		2,502	1,204
Repair and maintenance		5,349	3,969
Vehicle running and maintenance		5,749	4,941
Printing and stationery		1,472	3,409
Communication		3,458	2,780
Fee and subscription		3,572	1,566
Advertisement		151	231
Insurance		2,237	2,019
Depreciation	(14.1&15.1)	12,058	11,793
Entertainment		572	606
Research and development		500	117
Donation	(31.2)	500	1,000
		115,279	102,178

Notes to the Financial Statements

For the year ended 30 June 2014

31.1 This includes contribution made to provident fund by the Company amounting to Rs 2,110 thousand (2013: 1,863 thousand).

31.2 None of the directors or their spouses have any interest in the donees.

	Note	2014 (Rupees in thousand)	2013
32. OTHER OPERATING EXPENSES			
Legal and professional	(32.1)	3,432	1,495
Auditors' remuneration			
Statutory audit		1,150	1,150
Half yearly review and other certifications		150	150
Out of pocket expenses		50	50
		1,350	1,350
Workers' profit participation fund	(9.2)	40,446	53,218
Workers welfare fund		16,510	21,721
Provision for doubtful trade debts	(20.3)	483	3,604
Provision for slow moving stores		1,403	16,869
Impairment on contract for purchase of raw material		31,214	-
		94,838	98,257
33. OTHER INCOME			
Income from financial assets	(33.1)	165,905	79,307
Income from assets other than financial assets	(33.2)	14,437	27,215
		180,342	106,522
33.1 Income from financial assets			
Exchange gain - net		10,187	6,458
Profit on bank deposits		6,435	2,532
Dividend income		11,377	7,428
Unrealized gain on investments		64,398	18,792
Gain on disposal of investments		73,508	44,097
		165,905	79,307
33.2 Income from assets other than financial assets			
Sale of empties and scrap		4,478	6,062
Gain on disposal of operating fixed assets		9,959	21,153
		14,437	27,215

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
34. FINANCE COST			
Interest / markup on:			
Long term financing		41,444	34,463
Short term borrowings		31,861	41,721
Liabilities against assets subject to finance lease		145	119
		73,450	76,303
Bank charges and commission		10,474	11,469
		83,924	87,772
35. TAXATION			
Charge for the year:			
Current	(35.1)	112,671	108,987
Deferred	(35.2)	3,349	(1,200)
		116,020	107,787
35.1 Relationship between tax expense and accounting profit			
Profit before taxation		768,482	1,011,132
Tax at applicable rate of 35% (2013: 34%)		268,969	353,896
Tax effect of:			
Expenses that are not deductible in determining taxable income		7,574	(36,278)
Presumptive tax regime		(154,687)	(204,969)
Reduction in opening deferred taxes resulting from reduction in tax rate		(6,097)	(6,097)
Minimum tax credit and others		1,138	1,235
		112,671	108,987
35.2 Deferred tax effect due to			
Accelerated tax depreciation		3,998	2,650
Finance lease arrangements		253	(133)
Provision for doubtful debts		(165)	(981)
Provision for slow moving / obsolete items		(737)	(2,736)
		3,349	(1,200)

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
36. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit attributable to ordinary shareholders	652,462	903,345
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	21,780,000	Restated 21,780,000
	Rupees	
Earnings per share - basic (Rupees)	29.96	Restated 41.48

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

	Note	2014 (Rupees in thousand)	2013
37. CASH GENERATED FROM OPERATIONS			
Profit before taxation		768,482	1,011,132
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation on operating fixed assets	(14)	202,308	191,099
Depreciation on leased assets	(15)	290	223
Unrealized gain on investments held for trading		(64,398)	(18,792)
Gain on disposal of investments - held for trading		(73,508)	(44,097)
Provision for doubtful debts		483	3,604
Provision for slow moving stores		1,403	16,869
Impairment on purchase of raw material		31,214	-
Exchange gain - net		(10,187)	(6,458)
Dividend income		(11,377)	(7,428)
Gain on disposal of operating fixed assets		(9,959)	(21,153)
Provision for WPPF		40,446	53,218
Provision for WWF		16,510	21,721
Finance cost		83,924	87,772
Cash flows from operating activities before working capital changes		975,631	1,287,710

Notes to the Financial Statements

For the year ended 30 June 2014

	Note	2014 (Rupees in thousand)	2013
Working capital changes			
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		34,601	(36,273)
Stock-in-trade		343,932	(532,690)
Trade debts		(43,416)	(20,038)
Loans and advances		(16,976)	3,095
Trade deposits and short term prepayments		226	(2,166)
Balances with statutory authorities		(4,262)	(26,187)
Other receivables		95	2,162
Increase in current liabilities:			
Trade and other payables		(13,695)	206,562
		300,505	(405,535)
		1,276,136	882,175

38. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

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

Description	2014			2013		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	------(Rupees in thousand)-----					
Managerial remuneration	6,765	5,720	17,035	6,006	5,098	13,650
House rent	2,368	2,002	6,879	2,102	1,784	5,278
Provident fund contribution	406	343	1,016	360	306	811
Reimbursable expenses	677	572	3,551	601	510	2,760
Others	513	1,178	412	344	1,097	262
	10,729	9,815	28,893	9,413	8,795	22,761
No. of persons	1	1	13	1	1	11

38.1 Chief Executive, Directors and Executives are provided with free use of Company maintained vehicles.

38.2 The aggregate amount charged in financial statements for the year against fees for attending four board meetings and seven audit committee meetings was Rs. 250 thousand (2013: Rs. 270 thousand).

Notes to the Financial Statements

For the year ended 30 June 2014

39. RELATED PARTY DISCLOSURES

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

Relationship with the Company	Nature of transactions	2014 (Rupees in thousand)	2013
Associated Companies	Purchases of goods and services	726,400	1,011,472
	Sales of goods and services	243,986	445,660
	Insurance claim	16,467	8,770
	Dividend paid	56,463	37,466
	Dividend received	721	721
Provident Fund Trust	Amount contributed	12,199	10,979
	Remuneration		Such transactions have been disclosed in Note 38

The outstanding balances of such parties have been disclosed in respective notes to the financial statements.

40. OPERATING SEGMENT INFORMATION

The textile sector comprise of spinning, combing, weaving, dyeing, bleaching, printing, stitching, buying, selling and dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fibers. This sector also includes power generation facilities which provide electricity for internal consumption purposes.

40.1 Business segments

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2014

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in thousand)								
Sales								
External	5,546,058	5,081,057	4,378,551	4,512,268	-	-	9,924,609	9,593,325
Inter-segment	813,140	985,385	-	-	813,140	985,385	-	-
	6,359,198	6,066,442	4,378,551	4,512,268	813,140	985,385	9,924,609	9,593,325
Cost of sales								
External	5,588,112	5,005,629	3,220,538	3,140,129	-	-	8,808,650	8,145,758
Inter-segment	-	-	813,140	985,385	813,140	985,385	-	-
	5,588,112	5,005,629	4,033,678	4,125,514	813,140	985,385	8,808,650	8,145,758
Gross profit	771,086	1,060,813	344,873	386,754	-	-	1,115,959	1,447,567
Distribution cost	83,822	113,450	149,956	141,300	-	-	233,778	254,750
Administrative expenses	93,646	84,002	21,634	18,177	-	-	115,279	102,178
	177,468	197,452	171,590	159,477	-	-	349,057	356,928
Profit before taxation and unallocated income and expenses	593,618	863,361	173,283	227,277	-	-	766,902	1,090,639
Unallocated income and expenses:								
Other operating expenses							(94,838)	(98,257)
Other income							180,342	106,522
Finance cost							(83,924)	(87,772)
							1,580	(79,507)
Profit before taxation							768,482	1,011,132
Taxation							116,020	107,787
Profit for the year							652,462	903,345

Inter segment sales and purchases have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 30 June 2014

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
------(Rupees in thousand)-----								
Segment operating assets	3,190,275	3,362,032	940,172	991,780	-	-	4,130,447	4,353,812
Unallocated:								
Capital work in progress							45,864	44,209
Long term investments							100,000	34,467
Balances with statutory authorities							70,306	66,044
Taxation-net							3,024	11,786
Non current assets held for sale							11,583	-
Short term investments							1,185,844	548,515
Total operating assets							5,547,068	5,058,833
Segment operating liabilities	1,048,062	1,067,215	244,232	282,277	-	-	1,292,294	1,349,492
Unallocated:								
Deferred taxation							215,535	212,186
Workers' profit participation fund							40,446	53,218
Workers welfare fund							51,452	34,941
Total operating liabilities							1,599,727	1,649,837
Other disclosures								
Capital expenditure	199,672	325,823	11,316	7,833	-	-	210,988	333,656

40.2 Geographical segments

Secondary information is reported geographically.

The Company operates in three major geographical segment i.e. Pakistan, Europe and Far East. The cumulative revenue attributable to foreign countries is disclosed in note 28.

Notes to the Financial Statements

For the year ended 30 June 2014

(ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to equity price risk as Company holds available for sale and held for trading investments.

		2014	2013	
Reporting date all index points		14988	9708	
		Changes in KSE all Index	Effects on Profit Before Tax	
			Effects on Other Comprehensive Income	
(Rupees in thousand)				
Available for sale investments	2014	+10%	-	2,676
		-10%	-	(2,676)
	2013	+10%	-	3,447
		-10%	-	(3,447)
Held for trading investments	2014	+10%	115,909	-
		-10%	(115,909)	-
	2013	+10%	54,852	-
		-10%	(54,852)	-

(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 has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

Notes to the Financial Statements

For the year ended 30 June 2014

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

	2014	2013
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	60,861	113,546
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	46,617	61,675
Financial liabilities		
Long term financing	306,149	307,130
Liabilities against assets subject to finance lease	853	1,045
Short term borrowings	205,276	224,216

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 balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

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

		Changes in Interest Rate	Effects on Profit Before Tax
			(Rupees in thousand)
Bank balances - deposit accounts	2014	+1.00	466
		-1.00	(466)
	2013	+1.00	617
		-1.00	(617)
Long term financing	2014	+2.00	(6,123)
		-2.00	6,123
	2013	+2.00	(1,932)
		-2.00	1,932

Notes to the Financial Statements

For the year ended 30 June 2014

		Changes in Interest Rate	Effects on Profit Before Tax (Rupees in thousand)
Liabilities against assets subject to finance lease	2014	+2.00	(17)
		-2.00	17
	2013	+2.00	(6)
		-2.00	6
Short term borrowings	2014	+2.00	(4,106)
		-2.00	4,106
	2013	+2.00	(5,748)
		-2.00	5,748

(b) Credit risk

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

	2014	2013
	(Rupees in thousand)	
Long term deposits	19,531	18,974
Trade debts	351,129	282,961
Loans to employees	5,299	3,327
Trade deposits	992	3,105
Other receivables	817	912
Bank balances	190,204	94,581
	567,972	403,860

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

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

Notes to the Financial Statements

For the year ended 30 June 2014

	Rating			2014	2013
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	52,706	87,745
National Bank of Pakistan	A-1+	AAA	JCR - VIS	2,954	3,568
United Bank Limited	A-1+	AA+	JCR - VIS	490	320
Allied Bank Limited	A1+	AA+	PACRA	70	38
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	5,695	85
Habib Bank Limited	A1+	AA+	PACRA	126,156	-
Royal Bank of Scotland Limited	A1+	AA	PACRA	28	26
Bank Al-Habib Limited	A1+	AA+	PACRA	1,527	2,274
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	473	411
NIB Bank Limited	A1	AA-	PACRA	102	102
Dubai Islamic Bank Limited	A-1	A+	JCR - VIS	3	12
				190,204	94,581

At 30 June 2014, the Company has 47 customers (2013: 41 customers) that owed the Company more than Rs. 2,500 thousand each and accounted for approximately 92 % (2013: 92 %) of all receivables.

There are 19 customers (2013: 14 customers) with balance greater than Rs. 7,000 thousand accounted for over 67 % (2013: 62 %) of total amount receivables.

The Company's exposure to credit risk related to trade debts is disclosed in Note 20.

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

(c) Liquidity risk

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

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

Notes to the Financial Statements

For the year ended 30 June 2014

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

	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- (Rupees in thousand) -----					
30 June 2014					
Long term financing	367,010	454,634	151,108	290,081	13,445
Liabilities against assets subject to finance lease	853	1,323	333	990	-
Trade and other payables	687,389	687,389	687,389	-	-
Accrued interest on financing	19,213	19,213	19,213	-	-
Short term borrowings	205,276	234,918	234,918	-	-
	1,279,741	1,397,477	1,092,961	291,071	13,445
----- (Rupees in thousand) -----					
	Carrying Amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- (Rupees in thousand) -----					
30 June 2013					
Long term financing	420,676	560,609	126,913	412,170	21,526
Liabilities against assets subject to finance lease	1,045	1,415	333	1,082	-
Trade and other payables	669,382	669,382	669,382	-	-
Accrued interest on financing	21,132	21,132	21,132	-	-
Short term borrowings	224,216	256,593	256,593	-	-
	1,437,651	1,610,331	1,175,553	413,252	21,526

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements.

41.2 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques. The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Notes to the Financial Statements

For the year ended 30 June 2014

Fair value hierarchy

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

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

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

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

As at 30 June 2014, the Company hold the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	2014	Level 1	Level 2	Level 3
	----- (Rupees in thousand)-----			
Held for trading				
Equity shares and mutual fund units	1,159,088	1,159,088	-	-
Available for sale financial assets				
Equity shares	26,756	26,756	-	-

There were no liabilities measured at fair value as at 30 June 2014.

During the reporting year ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 30 June 2014, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	2013	Level 1	Level 2	Level 3
	----- (Rupees in thousand)-----			
Held for trading				
Equity shares and mutual fund units	548,515	548,515	-	-
Available for sale financial assets				
Equity shares	34,467	34,467	-	-

There were no liabilities measured at fair value as at 30 June 2014.

During the reporting year ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

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

Notes to the Financial Statements

For the year ended 30 June 2014

41.3 Financial instruments by categories

	2014				
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
----- (Rupees in thousand) -----					
Assets as per balance sheet					
Available for sale investments	-	-	26,756	-	26,756
Long term deposits	-	19,531	-	-	19,531
Trade debts	-	459,258	-	-	459,258
Loans	-	5,299	-	-	5,299
Trade deposits	-	992	-	-	992
Short term investments	-	-	-	1,159,088	1,159,088
Other receivables	-	817	-	-	817
Cash and bank balances	190,673	-	-	-	190,673
	190,673	485,897	26,756	1,159,088	1,862,414

	2014	
	Financial Liabilities at amortized cost (Rupees in thousand)	
Liabilities as per balance sheet		
Long term financing		367,010
Liabilities against assets subject to finance lease		853
Trade and other payables		687,389
Accrued interest on financing		19,213
Short term borrowings		205,276
		1,279,741

	2013				
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
----- (Rupees in thousand) -----					
Assets as per balance sheet					
Available for sale investments	-	-	34,467	-	34,467
Long term deposits	-	18,974	-	-	18,974
Trade debts	-	406,138	-	-	406,138
Loans	-	3,327	-	-	3,327
Trade deposits	-	3,105	-	-	3,105
Short term investments	-	-	-	548,515	548,515
Other receivables	-	912	-	-	912
Cash and bank balances	95,510	-	-	-	95,510
	95,510	432,456	34,467	548,515	1,110,948

Notes to the Financial Statements

For the year ended 30 June 2014

	2013
	Financial Liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	420,676
Liabilities against assets subject to finance lease	1,045
Trade and other payables	669,382
Accrued interest on financing	21,132
Short term borrowings	224,216
	1,336,451

41.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize shareholders value. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to the shareholders, return on capital to shareholders or issue new shares.

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

	Note	2014	2013
		(Rupees in thousand)	
The gearing ratio as at year ended 30 June 2014 and 30 June 2013 is as follows:			
Debt	(6) & (7) & (11)	573,139	645,937
Equity		3,947,341	3,408,996
Total capital employed		4,520,480	4,054,933
Gearing ratio		12.68%	15.93%

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
42. PLANT CAPACITY AND ACTUAL PRODUCTION		
Spinning:		
Spindle installed - Numbers	92,928	92,928
Spindle operated - Numbers	90,275	87,342
Production at normal capacity in 20 s count based on 3 shifts per day - Kgs	38,147,859	38,147,859
Actual production converted to 20 s count based on 3 shifts per day - Kgs	35,989,830	33,206,941
Weaving:		
Looms installed - Numbers	204	204
Looms worked - Numbers	204	204
Production at normal capacity in 50 picks based on 3 shifts per day - Square Meters	80,160,453	80,160,453
Actual production at normal capacity converted to 50 picks based on 3 shifts per day - Square Meters	68,236,085	69,189,739

42.1 Reason for low production

Under utilization of available capacity is due to normal repair and maintenance of plant and machinery and gas load shedding.

43. PROVIDENT FUND TRUST

43.1 The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose except the investments in the unit trusts schemes which exceed the limit prescribed in the clause (i) of the SRO 261(I)/2002 regarding the investment in listed unit trusts schemes.

The salient information of the fund is as follows:

	2014	2013
	(Rupees in thousand)	
Size of the fund	169,563	124,878
Cost of investment made	109,514	99,014
Percentage of investment made	64.59%	79.29%
Fair value of investment (43.2)	158,651	122,143

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
	(Rupees in thousand)	
43.2 Breakup of investment		
Investment in listed securities	7,449	4,602
Investment in funds	151,202	117,541
	158,651	122,143

	2014	2013
44. NUMBER OF EMPLOYEES		
Number of employees at the end of the year	2,702	2,653
Average number of employees during the year	2,690	2,639

45. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on September 27, 2014 has proposed a cash dividend in respect of the year ended 30 June 2014 of Rupees 5/- per share (2013: Cash dividend of Rupees 6 per share) and 10% bonus shares. (2013: 10% bonus share). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on September 27, 2014.

47. CORRESPONDING FIGURES

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

48. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

CHIEF EXECUTIVE OFFICER

DIRECTOR



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 30th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on wednesday , October 29, 2014 at 10:00 a.m. at the Registered Office, 7-B III, Aziz Avenue, Gulberg V, Lahore to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' reports thereon for the year ended June 30, 2014.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 50% i.e. Rs. 5/- per share and bouns @ 10% i.e. 1 share of every 10 shares for the year ended June 30, 2014.
3. To appoint auditors of the Company and fix their remuneration. The present auditor M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retires and offers themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

Lahore

By Order of the Board

October 04, 2014

Company Secretary

BOOK CLOSURE:

The Members' Register will remain closed from October 23, 2014 to October 29, 2014 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on wednesday, October 22, 2014 will be treated in time.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:

For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting.

Notice of Annual General Meeting

- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement
 - ii. Attested copies of valid CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - iii. The proxy shall produce his/her original valid CNIC or original passport at the time of the meeting. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be produced (unless it has been provided earlier) at the time of meeting.
5. SECP has directed vide SRO No. 779(1)/2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card (CNIC) of the registered members. Members who have not yet submitted photocopy of their valid CNIC are requested to send the same to the Company's Registrar.
 6. As directed by SECP vide Circular NO. 18 of 2013 dated June 5, 2013, we give the shareholders the opportunity to authorize the Company to directly credit in your bank account with cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly, credited into your bank account, instead of issuing a dividend warrants, please provide the following details:

Folio No.	
Name	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name & Address	
Cell Number of Transferee	
Landline Number of Transferee, if any	

Deduction of Tax on Dividend Income – Finance Act, 2014

It is hereby informed that pursuant to the Finance Act, 2014, effective from July 1, 2014, the rate of withholding tax under Section 150 of the Income Tax Ordinance, 2001 on dividend income has been segregated as follows:

- i) Rate of tax deduction on dividend income for filer of income tax return 10%
- ii) Rate of tax deduction of dividend income for non filer of income tax return 15%

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

Form of Proxy

Thirtieth 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 30th Annual General Meeting of the Company to be held on Wednesday, October 29, 2014 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 _____, 2014.

Witness 1:

Signature: _____

Name: _____

Address: _____

Affix
 Revenue of Stamp
 of Rs. 5/-

Witness 2 :

Signature: _____

Name: _____

Address: _____

Signature of Member(s)

Note:

- 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.
- 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.

Second Fold

Affix Revenue
Stamp

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

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First Fold



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