

**SURAJ**  
سورج



Annual Report  
**2018**





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## Company Information

### Board of Directors

Khalid Bashir (Chairman)  
Ahsan Bashir  
Amjad Mahmood  
Adil Bashir  
Humayun Maqbool  
Mohammad Iqbal  
Sharik Bashir

### Chief Executive Officer

Nadeem Maqbool

### Chief Financial Officer

Farooq Ahmad

### Audit Committee

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

### HR & R Committee

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

### Share Registrar

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

### Auditors

EY Ford Rhodes  
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-3, Aziz Avenue, Gulberg-5, Lahore  
Ph: +92-423-5760379, 35760382  
Fax: +92-423-5760376  
Email: [infor@suraj.com](mailto:infor@suraj.com)  
Web: [www.suraj.com](http://www.suraj.com)

### Project Locations

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

## Company Profile

### PROFILE

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

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

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

The third production facility set up in 1994 in the same location. The weaving unit is equipped with most modern, sophisticated, state-of-the-art machinery and has a collective capacity exceeding 12 Million meters of grey cloth annually. In order for the company to be able to absorb the increasing competitiveness, and to 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. In year 2017 the company has made expansion of an other 29,376 spindle in this unit.

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.

## 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.

## Chairmans' Review Report

I am pleased to present my review of Suraj Cotton Mills Ltd. The Company has performed well in these trying times of continuously increasing costs and regional competition. Our sales revenue for the year is up by almost 33% with profitability increasing by almost 12%. In pursuing our strategic objectives, the Company last year had invested in a state of the art spinning facility to remain an efficient organization. I am pleased to inform you that this unit became fully operational this year and contributed to the bottom line.

Our Board comprises of experienced people with a commitment towards the company and its objectives. The Board continues to guide management in all aspects of strategy as well as promoting efforts towards retaining an efficient management team. During the year, the Board's Audit, Human Resource and Investment Committees worked diligently in helping achieve our goals. The Audit Committee reviewed the financial statements and worked to ensure an effective system of internal control. The Human Resource Committee continues to ensure that the compensation policies and evaluation systems serve to attract competent people. The Board recognizes the importance of the Code of Corporate

Governance and seeks to implement it across the entire spectrum of the company.

I believe that the company is growing at the right pace and keeping itself abreast of the latest technologies available in the textile sector. We hope that we are able to build on our success in our core competencies and are also able to diversify in order to mitigate risk.

I pray for the continued success of the company.

**Khalid Bashir**

Chairman, Board of Directors

31 August 2018

Lahore

## چیرمین رپورٹ

مجھے یقین ہے کہ کمپنی صحیح رفتار سے بڑھ رہی ہے اور ٹیکسٹائل سیکٹر میں دستیاب جدید ترین ٹیکنالوجیوں میں خود مختاری رکھتی ہے۔ ہم امید کرتے ہیں کہ ہم اپنی بنیادی صلاحیتوں سے کامیاب بیکریں گے اور خطرات کو کم کرنے میں کامیاب ہوں گے۔

میں کمپنی کی مسلسل کامیابی کے لیے دعا گو ہوں

خالد بشیر  
چیرمین، بورڈ آف ڈائریکٹر

میں سورج کاٹن ملز لمیٹڈ کا جائزہ پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ کمپنی نے مسلسل بڑھتے ہوئے اخراجات اور علاقائی مقابلہ کے باوجود اچھی کارکردگی کا مظاہرہ کیا ہے۔ سال کے لئے ہماری سیزن آمدنی تقریباً ۳۳ فی صد تک بڑھی ہے جبکہ منافع بخشی کے ساتھ تقریباً ۱۲ فی صد بڑھی ہے۔ اپنے مقاصد کے حصول کے لیے گزشتہ سال میں کمپنی نے ایک جدید ترین سپنگ یونٹ میں سرمایہ کاری کی ہے اور مجھے یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ یہ یونٹ اس سال مکمل طور پر آپریشنل ہو گیا ہے اور پیداواری صلاحیت میں بھرپور حصہ لے رہا ہے۔

ہمارا بورڈ تجربہ کار لوگوں پر مشتمل ہے جو کمپنی اور اس کے مقاصد کے لئے پرعزم ہیں۔ بورڈ کو حکمت عملی کے تمام پہلوؤں میں انتظامیہ کے ساتھ ساتھ موثر ٹیم مینجمنٹ کو برقرار رکھنے کی کوششوں کی فروغ جاری رکھتا ہے۔ سال کے دوران، بورڈ کے آڈٹ، انسانی وسائل اور انوسٹمنٹ کمیٹیوں نے اپنے مقاصد کو حاصل کرنے کے لیے کام کیا ہے۔ آڈٹ کمیشن نے مالی بیانات کا جائزہ لیا ہے اور اندرونی کنٹرول کے موثر نظام کو یقینی بنانے کے لئے کام کیا ہے۔ انسانی وسائل کمیٹی معاوضہ کی پالیسیوں اور تشیعی نظام کے اہل افراد کو اپنی طرف متوجہ کر رہا ہے۔ بورڈ نے کوڈ آف کارپوریٹ گورننس کی اہمیت کو تسلیم کیا ہے اور کمپنی کے پورے سیکٹرم میں اسے لاگو کرنے کی کوشش کی ہے۔

## Performance Indicators

For the current and past five financial years

A Profitability Ratios		2018	2017	2016	2015	2014	2013
Gross profit ratio	(%)	<b>8.2</b>	6.4	8.7	10.5	11.2	15.1
Operating profit margin to sales	(%)	<b>5.5</b>	6.7	7.2	9.0	8.6	11.5
Net profit margin to sales (net)	(%)	<b>5.1</b>	6.1	5.5	6.9	6.6	9.4
Return on average equity	(%)	<b>10.4</b>	10.0	9.1	14.0	17.7	30.2
Return on capital employed	(%)	<b>6.8</b>	7.4	10.8	16.8	20.3	29.3
Return on average assets	(%)	<b>5.4</b>	6.2	6.6	10.2	12.3	20.1
B Liquidity Ratios							
Current ratio	(times)	<b>2.1</b>	2.5	2.5	3.3	3.0	2.8
Quick ratio	(times)	<b>1.1</b>	1.7	1.7	2.1	1.5	1.7
C Activity / Turnover Ratios							
Debtors turnover ratio	(times)	<b>20.1</b>	20.7	17.3	19.8	25.1	25.8
No. of days in receivables / Average collection period	(days)	<b>18</b>	18	21	18	15	14
Inventory turnover ratio	(times)	<b>4.9</b>	6.5	6.0	5.0	6.1	7.4
No. of days in inventory	(days)	<b>74</b>	56	61	74	60	50
Creditors turnover ratio	(times)	<b>6.0</b>	4.2	4.9	5.6	8.0	10.5
No. of days in creditors / Average payment period	(days)	<b>61</b>	87	75	65	46	35
Total assets turnover	(times)	<b>1.1</b>	1.0	1.2	1.5	1.9	2.7
D Investment / Market Ratios							
Earnings per share	(Rs.)	<b>17.7</b>	19.	16.1	24.7	30.0	45.6
Price earnings ratio	(times)	<b>8.0</b>	8.2	8.1	4.1	2.8	0.6
Cash dividend per share	(Rs.)	<b>4.0</b>	5.0	5.0	5.0	5.0	6.0
Stock dividend / Bonus shares	(%)	<b>15.0</b>	10.0	10.0	10.0	10.0	10.0
Break-up value per share	(Rs.)	<b>176.2</b>	182.1	184.2	170.9	181.2	172.2
E Market value per share							
Closing	(Rs.)	<b>142.7</b>	157.0	130.0	102.0	85.3	28.9
High	(Rs.)	<b>169.7</b>	163.0	176.2	147.9	158.8	95.0
Low	(Rs.)	<b>118.6</b>	116.1	101.3	93.0	73.0	28.0
F Capital Structure Ratios							
Debt equity ratio		<b>34:67</b>	30:70	06:94	02:98	06:94	10:90
Total liabilities to total assets	(%)	<b>49.8</b>	44.8	28.6	25.1	28.8	32.6

## Vertical Analysis

For the current and past five financial years

Rupees in thousand

Balance Sheet	2018	%	2017	%	2016	%	2015	%	2014	%	2013	%
Property, plant and equipment	5,483,352	49.0	4,952,530	51.76	2,417,324	35.53	1,970,611	32.78	1,982,781	35.74	1,990,050	39.34
Investment property	100,000	0.9	100,000	1.05	100,000	1.47	100,000	1.66	100,000	1.80	-	-
Long term investments	50,000	0.4	50,000	0.52	50,000	0.73	-	-	-	-	-	-
Long term loans and deposits	19,879	0.2	19,879	0.21	19,879	0.29	19,531	0.32	19,531	0.35	18,974	0.38
Stores, spares and loose tools	182,562	1.6	149,265	1.56	88,839	1.31	83,027	1.38	89,846	1.62	125,850	2.49
Stock-in-trade	2,714,766	24.3	1,407,007	14.71	988,336	14.53	933,159	15.52	1,372,741	24.75	1,716,673	33.93
Trade debts	732,216	6.5	371,238	3.88	433,422	6.37	230,127	3.83	459,258	8.28	406,138	8.03
Loan and advances	103,274	0.9	116,749	1.22	136,659	2.01	43,482	0.72	56,046	1.01	39,070	0.77
Trade deposits and short term prepayments	18,692	0.2	17,540	0.18	13,406	0.20	4,105	0.07	4,618	0.08	4,844	0.10
Balances with statutory authorities	6,554	0.1	2,239	0.02	2,239	0.03	57,710	0.96	70,306	1.27	66,044	1.31
Taxation - net	556,662	5.1	375,157	3.92	180,029	2.65	12,131	0.20	3,024	0.05	11,786	0.23
Other receivables	31,511	0.3	10,414	0.11	3,993	0.06	2,916	0.05	817	0.01	912	0.02
Short term investments	1,052,384	9.4	1,909,120	19.95	2,136,361	31.40	2,448,452	40.72	1,185,844	21.38	582,982	11.52
Cash and bank balances	64,827	0.6	41,676	0.44	222,084	3.26	95,556	1.59	190,673	3.44	95,510	1.89
Assets held for sale	65,06	0.6	44,881	0.47	11,391	0.17	11,583	0.19	11,583	0.21	-	-
<b>Total assets</b>	<b>11,190,743</b>	<b>100.0</b>	<b>9,567,695</b>	<b>100.0</b>	<b>6,803,962</b>	<b>100.0</b>	<b>6,012,390</b>	<b>100.0</b>	<b>5,547,068</b>	<b>100.0</b>	<b>5,058,833</b>	<b>100.0</b>
Issued, subscribed and paid-up capital	318,881	2.8	289,892	3.0	263,538	3.9	239,580	4.0	217,800	3.9	198,000	3.9
Share premium	29,000	0.3	29,000	0.3	29,000	0.4	29,000	0.5	29,000	0.5	29,000	0.6
Revenue reserves	5,230,342	46.7	4,780,838	50.0	4,433,155	65.2	4,151,685	69.1	3,690,874	66.5	3,177,012	62.8
Available for sale reserve	41,976	0.4	180,506	1.9	129,129	1.9	82,785	1.4	9,667	0.2	4,984	0.1
Shareholders' equity	5,620,199	50.2	5,280,236	55.2	4,854,822	71.4	4,503,050	74.9	3,947,341	71.2	3,408,996	67.4
Long term loan	2,885,828	25.8	2,307,475	24.1	287,773	4.2	90,263	1.5	251,537	4.5	336,807	6.7
Liabilities against assets subject to finance lease	-	0.0	1,198	0.0	2,586	0.0	399	0.0	635	0.0	854	0.0
Deferred taxation	66,511	0.6	195,817	2.0	197,795	2.9	213,970	3.6	215,535	3.9	212,186	4.2
Trade and other payables	1,547,631	13.8	1,304,379	13.6	1,041,073	15.3	987,599	16.4	791,840	14.3	770,582	15.2
Mark-up accrued	36,750	0.3	35,084	0.4	17,576	0.3	12,425	0.2	19,213	0.3	21,132	0.4
Short term borrowings	993,116	8.9	379,394	4.0	357,536	5.3	149,857	2.5	205,276	3.7	224,216	4.4
Current portion of long term liabilities	40,708	0.4	64,112	0.7	44,801	0.7	54,827	0.9	115,691	2.1	84,060	1.7
Total equity and liabilities	11,190,743	100.0	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0	5,547,068	100.0	5,058,833	100.0

Profit and Loss Account	2018	%	2017	%	2016	%	2015	%	2014	%	2013	%
Sales - net	11,095,688	100.0	8,313,438	100.0	7,712,885	100.0	8,562,185	100.0	9,924,609	100.0	9,593,325	100.0
Cost of sales	10,181,955	91.8	7,784,454	93.6	7,041,161	91.3	7,664,263	89.5	8,808,650	88.8	8,145,768	84.9
Gross profit	913,733	8.2	528,984	6.4	671,724	8.7	897,922	10.5	1,115,959	11.2	1,447,567	15.1
Distribution and selling expenses	141,279	1.3	125,660	1.5	134,646	1.7	160,620	1.9	233,778	2.4	254,750	2.7
Administrative expenses	147,379	1.3	140,691	1.7	143,753	1.9	116,095	1.4	115,279	1.2	102,178	1.1
Other operating expenses	145,039	1.3	86,214	1.0	72,614	0.9	57,396	0.7	94,838	1.0	98,257	1.0
Other operating income	96,596	0.9	382,832	4.6	233,894	3.0	206,282	2.4	180,342	1.8	106,522	1.1
Operating profit / (loss) before finance costs	576,632	5.2	559,251	6.7	554,605	7.2	770,093	9.0	852,406	8.6	1,098,904	11.5
Finance costs	150,626	1.4	76,043	0.9	62,090	0.8	64,518	0.8	83,924	0.8	87,772	0.9
Profit / (loss) before taxation	426,006	3.8	483,208	5.8	492,515	6.4	705,575	8.2	768,482	7.7	1,011,132	10.5
Taxation - net	139,455	1.3	(22,598)	0.3	67,297	0.9	114,084	1.3	116,020	1.2	107,787	1.1
Profit / (loss) after taxation	565,461	5.1	505,806	6.1	425,218	5.5	591,491	6.9	652,462	6.6	903,345	9.4

## Key Operating and Financial Data

For the current and past five financial years

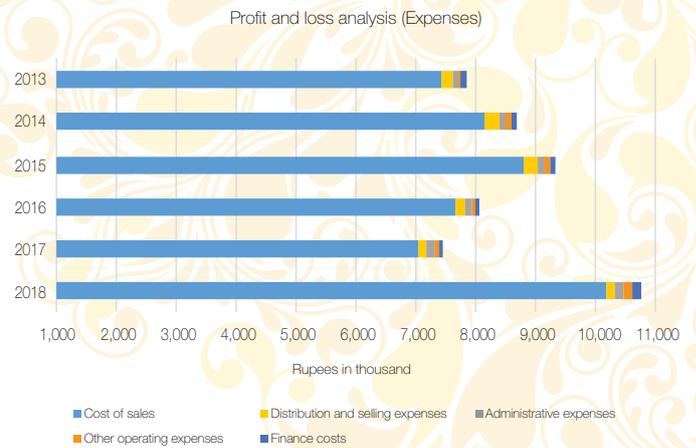
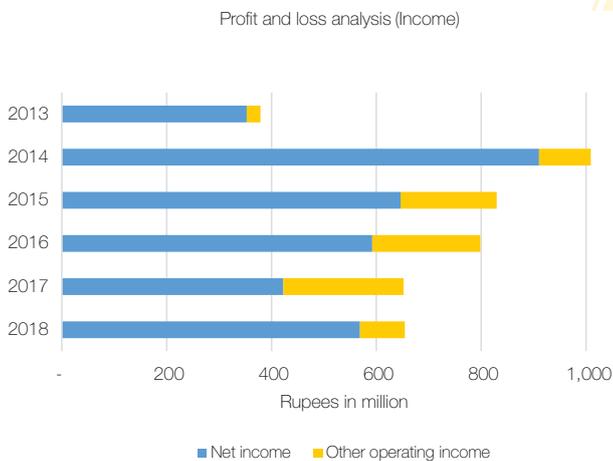
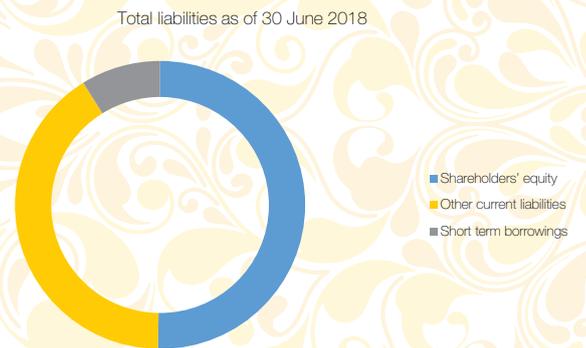
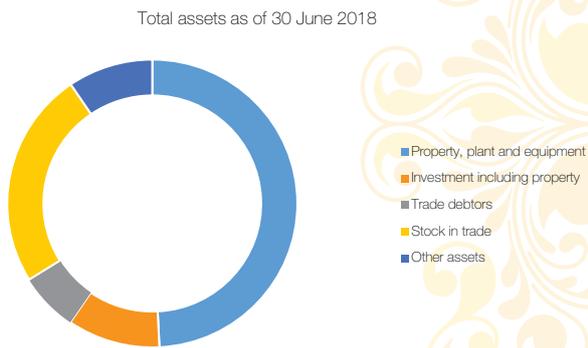
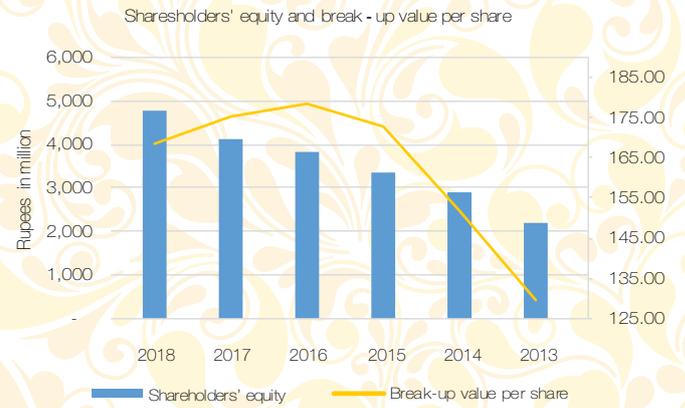
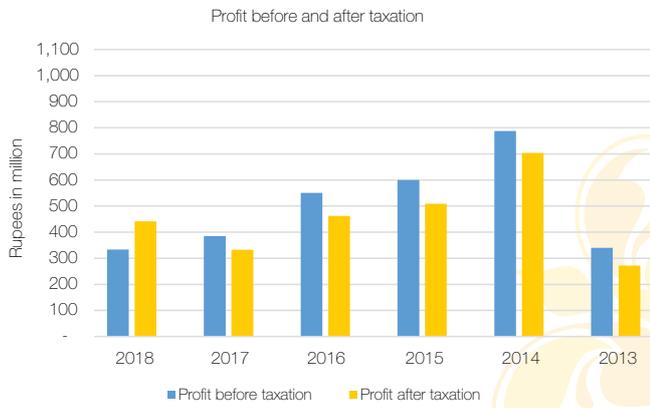
Rupees in thousand

A Summary of Profit and Loss Account	2018	2017	2016	2015	2014	2013
Sales - net	11,095,688	8,313,438	7,712,885	8,562,185	9,924,609	9,593,325
Cost of sales	10,181,955	7,784,454	7,041,161	7,664,263	8,808,650	8,145,758
Gross profit	913,733	528,984	671,724	897,922	1,115,959	1,447,567
Distribution and selling expenses	141,279	125,660	134,646	160,620	233,778	254,750
Administrative expenses	147,379	140,691	143,753	116,095	115,279	102,178
Other operating expenses	145,039	86,214	72,614	57,396	94,838	98,257
Other operating income	96,596	382,832	233,894	206,282	180,342	106,522
Operating profit before finance costs	576,632	559,251	554,605	770,093	852,406	1,098,904
Finance costs	150,626	76,043	62,090	64,518	83,924	87,772
Profit before taxation	426,006	483,208	492,515	705,575	768,482	1,011,132
Taxation - net	139,455	(22,598)	67,297	114,084	116,020	107,787
Net income	565,461	505,806	425,218	591,491	652,462	903,345

B Summary of Balance Sheet	2018	2017	2016	2015	2014	2013
Property, plant and equipment	5,483,352	4,952,530	2,417,324	1,982,781	1,990,050	1,863,563
Stock-in-trade	2,714,766	1,407,007	988,336	1,372,741	1,716,673	1,183,983
Trade debts	732,216	371,238	433,422	459,258	406,138	383,246
Trade and other payables	1,547,631	1,304,379	1,041,073	791,840	770,582	536,709
Current assets	5,537,512	4,445,286	4,216,759	3,922,248	3,444,756	3,049,809
Total assets	11,190,743	9,567,695	6,803,962	6,012,390	5,547,068	5,058,833
Reserves	5,259,342	4,642,661	4,591,284	4,263,470	3,729,541	3,210,996
Shareholders' equity	5,620,199	5,280,236	4,854,822	4,503,050	3,947,341	3,408,996
Long term financing	2,885,828	2,307,475	287,773	90,263	251,537	336,807
Deferred liabilities	66,511	195,817	197,795	213,970	215,535	212,186
Short term financing	993,116	379,394	357,536	149,857	205,276	224,216
Current liabilities	2,618,205	1,782,969	1,460,986	1,204,708	1,132,020	1,099,990

C Summary of Cash Flow Statement	2018	2017	2016	2015	2014	2013
Cash and cash equivalents at the beginning of the year	41,676	222,084	95,556	190,673	95,510	5,754
Net cash (used in) / generated from operating activities	(788,753)	(89,486)	(124,368)	1,374,302	914,367	563,684
Net cash used in investing activities	(355,569)	(2,150,405)	(142,926)	(1,191,626)	(746,406)	(526,028)
Net cash (used in) / generated from financing activities	1,167,473	2,059,483	393,822	(277,793)	(72,798)	52,100
Net increase / (decrease) in cash and cash equivalents	23,151	(180,408)	126,528	(95,117)	95,163	89,756
Cash and cash equivalents at the end of the year	64,827	41,676	222,084	95,556	190,673	95,510

D Other data	2018	2017	2016	2015	2014	2013
Depreciation and amortization	406,544	199,078	205,474	201,959	202,598	191,322
Capital expenditure	1,018,986	2,777,253	662,814	194,633	210,988	341,084
No. of ordinary shares (no. of shares in millions)	31,888	28,989	26,354	23,958	21,780	19,800



## Directors' Profile

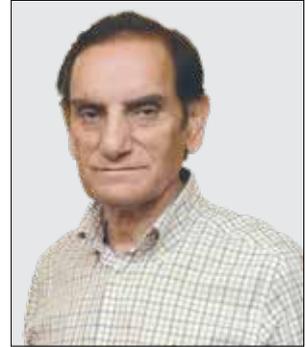
### Mr. Khalid Bashir, 75

Chairman  
Director (Non-Executive)

Joined Board: 1998

Chief Executive: Shams Textile Mills Limited

Director: Shakarganj Limited  
The Crescent Textile Mills Limited  
Premier Insurance Limited



### Mr. Nadeem Maqbool, 59

Chief Executive Officer

Joined Board: 1984

Director: Premier Insurance Limited  
Crescent Fibres Limited  
Premier Financial Services (Pvt) Limited  
Mohd Amin Mohd Bashir International (Pvt) Limited



### Mr. Ahsan Bashir, 49

Director (Executive)

Joined Board: 1994

Chief Executive & Director: Crescent Powertec Limited

Director: Crescent Bahuman Limited



### Mr. Amjad Mahmood, 71

Director (Non-Executive)

Joined Board: 1988

Director: The Crescent Textile Mills Limited



## Directors' Profile

### Mr. Adil Bashir, 41

Director (Executive)

Joined Board:

2016

Director:

Shams Textile Mills Limited  
Crescent Powertec Limited



### Mr. Humayun Maqbool, 51

Director (Non-Executive)

Joined Board:

1996

Director:

Crescent Fibres Limited  
Crescent Powertec Limited



### Mr. Mohammad Iqbal, 75

Director (Non-Executive)

Joined Board:

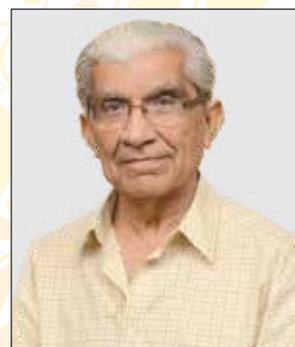
2010

Chairman & Director:

Al Abbas Sugar Mills Limited  
Acme Mills (Pvt.) Limited

Director:

BMA Assets Management Company Limited  
ICon Global (Pvt) Limited



### Mr. Sharik Bashir, 26

Director (Non-Executive)

Joined Board:

2016

Director:

Shams Textile Mills Limited



## Directors' Report

On behalf of the Board of Directors, I am pleased to present a review of the operating and financial performance of the company for the year ended 30 June 2018. The year under review was one of mixed fortunes as the industry which in the first part of the year faced many challenges recovered to improve performance starting from the mid of the second quarter of the current year. Although, we faced stiff competition from regional competitors, significant improvement was witnessed due to the government's export package as well as adjustments to the exchange rate versus the US dollar and other major currencies. In view of these positive developments, your company declared a profit of Rs. 565 million which is an increase of 12%, due to higher operating income. Earnings per share for the period are Rs. 17.73 (2017: Rs. 19.19).

### Operating Results

In the year under review our net sales increased to Rs. 11.096 billion, an increase of about 8% over the corresponding period as gross margins showed a significant increase. The company's exports continued to decline due to better margins available in the domestic market. Demand for yarn and fabric in China, our traditional market, also remained weak and the management decided to concentrate on the domestic market. The operating results of the company showed a marked improvement even though we had to account for a major impairment in our equity portfolio, on our financial management.

During the second part of the year demand for yarn and fabrics improved as a result of which we were able to improve our results over the corresponding period. Expectations of a better performance in terms of export share does not seem very likely as the government has now discontinued the export rebate scheme with effect from 01 July 2018.

	Rs. in Million	
	2018	2017
Sales	11,096	8,313
Gross profit	913	529
Operating profit	576	559
Financial cost	151	76
Profit before taxation	426	483
Taxation	(139)	(23)
Profit after taxation	565	506

Administration costs increased by approximately 5% due to normal inflationary pressures and the management continues to maintain its emphasis on cost controls. Distribution costs increased by about 12% mainly due to an increase in commission on sales due to higher sales volume as other costs under this head remained normal.

Financial charges at Rs. 150 million show a marked increase in both long term and short term. The increase in long term is due to the new spinning unit installed at our premises in Manga Raiwind which commenced commercial operations during the year. The increase in short term charges was because of higher raw cotton inventories during the current year. Additionally, there is also a higher credit cost associated with domestic sales.

Our company has built up a significant investment portfolio which has contributed in a positive manner to our profitability over the past few years. In the period under review, the performance of the PSX has been very dismal in view of political uncertainties, country's current account deficit and little adjustments in the exchange rate parity. All these factors have led to a poor performance by the equities market as a result of which your company had to take an impairment loss of Rs. 183.371 million. This impairment has to be accounted for as per international accounting standards. We feel that with the advent of a new government, there will be improvements albeit slowly and we should start to recover some of these losses.

Provision of energy to the textile industry continues to show improvement and we are able to operate on system gas as well as RLNG. Although the supply remained normal, higher oil prices continue to increase RLNG costs and our energy costs continue to soar. Our unit located in Sind had almost no reduction in capacity as the provision of gas was normal and there was virtually no capacity reduction on account of power. It is the stated policy of the new government that energy supplies to industry should be at regionally competitive prices and we look forward to implementation of these objectives. This will enable us to compete with the regional countries who enjoy a cheaper cost of running their industries.

The cotton crop this year was as per expectations but once again was short of industry requirements. Pakistan faces a problem of low yields and this can be attributed mainly to the quality of our seed. It is imperative to address this issue as we have a large spinning industry

## Directors' Report

which is directly affected by this. Due to shortage of raw materials, the industry has to rely on imports which is subject to duty and taxes which make it prohibitively expensive. Imports also carry the risk of quality issues and exchange rate fluctuations. We have written on many occasions previously about the need to bring in large scale improvement in provision of seed and better farming techniques. Unless this is done, we will fail to grow enough cotton and rely on imports which will further increase our costs at the expense of being uncompetitive.

### 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. 243.97 Million (2017: Rs. 248.10 Million).
- j. All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.

### Board Meetings:

Four meetings of the Board of Directors were held during the year 2017-18. Attendance by each director was as under:

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

(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 directors are its members.

Sr. No.	Name of Director	No. Of Meetings Attended
1.	Mr. Humayun Maqbool	04
2.	Mr. Ahsan Bashir	03
3.	Mr. Adil Bashir	04

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

### Human Resource & Remuneration Committee:

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

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

## Directors' Report

### Directors' Training Programme:

The present Board elected on March 26, 2017 and six Directors out of seven have been exempted from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining directors will undergo Directors' Training Programme within the time allowed by CCG.

### Investor Value

The Board of Directors has recommended a final cash dividend of Rs. 4/- per share & bonus 1.5 share for every 10 shares for approval by the shareholders in the next Annual General Meeting.

The Breakup value per share for the year is Rs. 176.20 (2017: Rs. 182.15).

### Auditors

As recommended by the Audit Committee, the present auditor M/s E Y Ford Rhodes, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

### Pattern of Shareholding

The pattern of shareholding, as required by section 227 of the Companies Act, 2017 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 export rebates on yarn and grey fabric have been discontinued from the new fiscal year and import duties and taxes on raw cotton have been re-imposed. The current raw material prices have opened high initially,

but they are expected to stabilize as the season gets underway.

However, due to higher international prices and rupee devaluation prices are should remain firm.

The cost of doing business has been on an increasing trend and urgent steps are required to bring these down so that the export industry remains competitive and is able to regain its export market share. A very important component of this are energy costs which need to be reviewed and brought in line with the region. Additional surcharges and taxes need to be abolished and the documented sector should not be burdened with the cost of leakages and ostensible need of funds to build infrastructure.

Another very important issue is the matter of sales tax and income tax refunds. Large amounts of working capital of the industry is stuck up in these refunds leading to erosion of liquidity. Moreover, it is impossible to plan for further investment. We welcome the continuation of rebates for the value added sector but development of a system to pay these in a timely manner is essential for success of the scheme.

The new cotton crop has started and it is expected that most of the factories will be in operation by end August. The crop target remains almost the same as last year. The prices opened very high due to demand as well as the international current cotton season has started on an optimistic note and the crop is expected to be better than last year. This is a result of certain government measures as well a conducive climate. However, the crop will be short of meeting the industry's requirements and Pakistan will need to import cotton. The government has reimposed duty and sales tax on import of cotton which will add to the cost and we urge the government to review this decision. On the demand side there is a marked improvement in offtake for both yarns and fabric and we hope that this trend will continue. This will have a positive impact on profitability and we expect the current year to be better in terms of profitability.

Pakistan's textile industry is efficient and capable to produce high quality products. The government must create an enabling environment and let the industry regain its share of world markets. We expect that current year will be difficult as the industry struggles to cope with rising costs. While the new government establishes itself, the country is faced with tremendous economic

## Directors' Report

pressures both internally and externally. We expect positive developments from the new government but in the present situation they also don't have the fiscal space needed to boost export led industrial growth.

We will continue to focus on improving efficiencies and productivity within the existing plants. Our new spinning plant comprising 30,000 spindles which started commercial operations this year has helped us in achieving better results through economies of scale and development of new product lines. Due to this new plant the bottom line of the company should improve further.

On the equities side, we are beginning to see improvement in the market and expect this trend to remain positive which will help us increase earnings on portfolio investments.

### 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



**Ahsan Bashir**  
Director

August 31, 2018  
Lahore

## ڈائریکٹر رپورٹ

مالی اخراجات جو کہ 150 ملین روپے رہے جسکی وجہ طویل اور مختصر مدت دونوں کے قرضہ جات میں نمایاں اضافہ تھا۔ طویل مدت میں اضافہ کی وجہ نیاسیننگ یونٹ ہے جس نے اپنی پوری صلاحیت کے ساتھ ہمارے منگائے ونڈ فیکٹری میں اپنی کمرشل پروڈکشن شروع کر دی ہے۔ مختصر مدت کے قرضہ جات میں کپاس کی انڈینٹری میں اضافہ کا سبب بنی۔ اس کے علاوہ گھریلو فروخت میں اعلیٰ کریڈٹ لاگت بھی منسلک ہے۔

پچھلے چند سالوں میں ہماری کمپنی نے ایک قابل ذکر اہم سرمایہ کاری پورٹ فولیو بنایا ہے۔ جس نے مثبت کردار ادا کیا ہے۔ زیر جائزہ مدت میں PSX کی کارکردگی نہایت مایوس کن رہی جس کی وجہ ملک میں سیاسی عدم استحکام، موجودہ کرنٹ اکاؤنٹ میں خسارہ اور ملک کی ایکٹیوٹی کی شرح میں ایڈجسٹمنٹ تھی۔ ان تمام عوامل نے حصص مارکیٹ کی کارکردگی کو کمزور کیا اور آپ کی کمپنی کو 183.71 ملین روپے کا نقصان اٹھانا پڑا۔ اس نقصان کو انٹرنیشنل اکاؤنٹنگ سٹینڈرڈ کے مطابق ایڈجسٹ کیا گیا۔ ہمیں امید ہے کہ نئی حکومت کے آنے سے اس میں بہتری آئے گی۔

ٹیکسٹائل انڈسٹری کو توانائی کی فراہمی کو بہتر بنانے کی کوشش جاری رہی جس کی وجہ سے ہم نے قدرتی گیس اور آر ایل این جی کا استعمال کیا۔ حالانکہ گیس کی ترسیل نارمل رہی لیکن تیل کی قیمت میں اضافہ سے آر ایل این جی کی لاگت میں اضافہ ہوا جس کے وجہ سے توانائی کے خرچوں میں زیادہ اضافہ ہوا۔ سندھ کو گیس کی فراہمی میں کمی واقع نہیں ہوئی کیونکہ گیس کی فراہمی موجود تھی۔ یہ نئی حکومت کی واضح پالیسی ہے کہ اس صنعت کی توانائی کی فراہمی علاقائی طور پر مسالحتی قیمتوں پر ہوگی اور ہم ان پالیسیوں پر عمل پیرا ہونے کی امید رکھتے ہیں۔ یہ ہمیں اس قابل بنائے گی کہ ہم علاقائی ممالک سے مد مقابل ہو سکیں جو اپنی صنعتوں کو چلانے کیلئے سستی قیمت سے لطف اندوز ہو رہے ہیں۔

اس سال کپاس کی فصل توقعات کے مطابق تھی لیکن ایک بار پھر صنعت کی ڈیمانڈ سے کم تھی۔ پاکستان کو پیداواری صلاحیت میں مسئلے کا سامنا ہے جس کی اہم وجہ ہمارا بیج ہے۔ اس مسئلہ کو اجاگر کرنے کی ضرورت ہے کیونکہ ہمارے پاس ایک بڑی سپیننگ کی صنعت ہے جو اس سے براہ راست متاثر ہوتی ہے۔ خام مال کی قلت کی وجہ سے صنعت کو برآمد پر انحصار کرنا پڑتا ہے جو ڈیوٹی اور ٹیکس کی وجہ سے اسکو مہنگا کرتی ہے۔ درآمد کو بھی معیار کے مسائل اور تبادلے کی شرح جیسے خطرات لاحق ہیں۔ ہم بار بار لکھ چکے ہیں کہ بیج کی فراہمی میں بڑے پیمانے پر بہتری لانے کی ضرورت ہے اور بہتر زراعت کی تکنیکی مواقع درکار ہیں۔ جب تک ایسا نہیں ہوتا ہم کپاس کی فصل بڑھانے میں ناکام رہیں گے اور ہمیں درآمد پر انحصار کرنا پڑے گا۔ جو ہماری قیمت خرید میں مزید غیر معمولی اضافہ ہے۔

میرے لئے یہ بات باعث مسرت ہے کہ میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی آپریشن اور مالی کارکردگی بابت مالی سال جو کہ ۳۰ جون ۲۰۱۸ کو اختتام پذیر ہوا کا جائزہ دے رہا ہوں۔ زیر جائزہ سال مخلوط خوش قسمت میں سے ایک تھا جیسا کہ سال کے پہلے حصہ میں صنعت نے بہت چیلنجز کا سامنا کیا جو کہ سال کی دوسری سہ ماہی کے وسط سے کارکردگی بہتر ہوئی۔ اگرچہ ہمیں علاقائی حریفوں سے سخت مقابلے کا سامنا کرنا پڑا لیکن حکومت کے برآمدی پیج کی وجہ سے اہم بہتری دیکھی گئی۔ ان مثبت پیش رفتوں کے مطابق آپ کی کمپنی نے ۵۶۵ ملین روپے منافع کا اعلان کیا ہے جس کی زیادہ تر وجہ پیداواری آمدنی میں ۱۲ فیصد اضافہ ہے۔ اس مدت میں فی حصص آمدنی 17.73 روپے ہے جب کہ (2017 میں 19.19 روپے تھی۔

### پیداواری نتائج

زیر جائزہ سال میں ہماری خالصتاً فروخت 11,896 ارب روپے تک بڑھی ہے یعنی پچھلے سال کی نسبت 8 فیصد اضافہ ہے۔ جو کہ اس مدت کے دوران مجموعی مارجن کے طور پر ایک اہم اضافہ ہوا ہے۔ مقامی فروخت میں زیادہ منافع کی دستیابی کی بنا پر کمپنی کی برآمدی فروخت میں کمی جاری رہی۔ ہماری روایتی منڈی چین میں بھی دھاگے اور کپڑے کی طلب میں کمی رہی اسی بنا پر انتظامیہ کو مقامی منڈی پر توجہ مرکوز کرنی پڑی۔ کمپنی کے انتظامی نتائج میں واضح بہتری نظر آئی اگرچہ کہ ہمیں شیئر پورٹ فولیو میں ایک بڑی اپیریمپنٹنگ کرنا پڑی۔

سال کے نصف حصہ میں دھاگے اور کپڑے کی طلب میں اضافہ ہوا جس کے نتیجے میں ہم پہلے دورانیہ کی نسبت بہترین نتائج اخذ کرنے میں کامیاب ہوئے۔ حکومت کی برآمدی چھوٹ اسکیم کے خاتمہ کی بنا پر ہم برآمد کے حصول کے لحاظ سے بہترین کارکردگی کی توقع نہیں کر رہے۔

مبلغ ملین میں	
2017	2018
8,313	11,096
529	913
559	576
76	151
483	426
(23)	(139)
506	565

عام افراط زر کے دباؤ اور انتظامی اخراجات تقریباً ۵ فیصد بڑھے اور انتظامیہ نے لاگت کے کنٹرول پر زور برقرار رکھا۔ تقسیمی لاگت میں تقریباً 12 فیصد اضافہ ہوا جس کی وجہ بنیادی طور پر فروخت پر کمیشن میں اضافہ رہا جسکی وجہ اسکے حجم میں اضافہ تھا۔ اس کے علاوہ لوکل سیل میں زیادہ کر ڈیٹ دیا گیا۔

## ڈائریکٹر رپورٹ

تعداد	نام
04	1. جناب ہمایوں مقبول
03	2. جناب احسن بشیر
04	3. جناب عادل بشیر

تاہم غیر حاضری کی رخصت ان ڈائریکٹروں کو دی گئی جو کسی وجہ سے میٹنگ میں حاضر نہیں ہو سکتے تھے۔

### انسانی وسائل اور معاوضہ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل کیلئے بورڈ آف ڈائریکٹرز نے انسانی وسائل اور معاوضہ کمیٹی کا قیام عمل میں لایا ہے۔ درج ذیل ڈائریکٹر اس کے ممبر ہیں۔

تعداد	نام
	1. جناب احسن بشیر
	2. جناب عادل بشیر
	3. جناب ہمایوں مقبول

### ڈائریکٹر تربیتی پروگرام

موجودہ بورڈ کا قیام 26 مارچ 2017 کو ہوا اور سات ماہوں سے چھ ڈائریکٹرز کو چودہ سالہ تعلیم اور پندرہ سال لسنڈ کمپنیوں کے بورڈ پر تجربہ کی بنیاد پر استثنیٰ حاصل ہے۔ باقی ڈائریکٹر کوڈ آف کارپوریٹ گورننس کی جانب سے فراہم کردہ وقت میں ڈائریکٹر تربیتی پروگرام سے گزریں گے۔

### سرمایہ کاری کی قیمت

بورڈ آف ڈائریکٹرز کی جانب سے فی حصص چار روپے حتیٰ نقد ڈیویڈنڈ اور ڈیٹھ حصص جس کے پاس دس حصص ہیں کی تجویز دی گئی ہے جو آئندہ عام سالانہ اجلاس میں حصص داران کی منظوری سے مشروط ہے۔

### آڈیٹرز

آڈٹ کمیٹی کی تجویز کے مطابق موجودہ آڈیٹر میسرز ای وائے فورڈ، ہوڈس، چارٹرڈ اکاؤنٹس، ریٹائرڈ اور دوبارہ بھرتی کیلئے اپلائی کرنے کے اہل ہیں۔

### شیئر ہولڈنگ کا بیٹرن

کمپنیز ایکٹ 2017 کی دفعہ 227 اور کوڈ آف کارپوریٹ گورننس کے تحت بیٹرن آف شیئر ہولڈنگ منسلک ہے۔

### اہم انتظامی اور مالیاتی اعداد و شمار

گزشتہ چھ سالوں کا اہم انتظامی اور مالیاتی اعداد و شمار منسلک ہے۔

### کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پر بیانات

- کمپنی کی انتظامیہ کی جانب سے تیار کی جانے والی مالیاتی دستاویزات شفاف انداز سے کمپنی کے معاملات، کاروباری نتائج، نقد رقوم کی ترسیل اور سرمایہ پر مبنی حصص میں تبدیلی کی نمائندگی کرتی ہیں۔
- کمپنی کی جانب سے مجاہد کھاتوں کو باقاعدہ مرطب رکھا جاتا ہے۔
- مالیاتی دستاویزات کی تیاری میں مجاہد کی مناسب پالیسیوں کو مستقل بنیادوں پر استعمال کیا جاتا ہے اور مجاہد کے تمام تخمینے مناسب اور محتاط فیصلوں پر ہیں۔
- مالیاتی دستاویزات بناتے وقت پاکستان مشتمل انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز کی مکمل پاسداری کو ممکن بنایا جاتا ہے۔ اور اگر اس سلسلے میں کسی بھی قسم کی کوئی بھی روگردانی کی جائے تو اس کی توضیح و تشریح بیان کردی جاتی ہے۔
- اندرونی کنٹرول کا نظام انتہائی مربوط ہے اور مؤثر انداز سے اسکا نفاذ کرنے کے بعد اس کی مسلسل مانیتنگ بھی کی جاتی ہے۔
- اس بات میں کسی شک کی کوئی گنجائش نہیں ہے کہ کمپنی ہمہگتی کی بنیادوں پر اپنے کاروبار کو چلاتی رہے گی۔
- کمپنی میں ضابطہ برائے کاروباری نظم و نسق میں بیان کردہ ضابطوں کی خلاف ورزی کی واضح اطلاع سامنے نہیں آئی ہے۔
- پچھلے چھ سالوں کے انتظامی اور مالیاتی نتائج کا خلاصہ منسلک ہے۔
- ریٹائرمنٹ پیمنٹ فنڈ کے ذمہ میں سرمایہ کاری درج ذیل ہے۔ پروویڈنٹ فنڈ 243.97 ملین (248.10 ملین روپے 2017)۔
- ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں تمام تر قانونی ادائیگیاں کی جاتی ہیں ماسوائے جو مالیاتی دستاویزات میں درج ہیں۔

### بورڈ میٹنگ

سال 2017-18 کے دوران بورڈ آف ڈائریکٹرز کی چار ملاقاتیں ہوئیں۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے

تعداد	نام
04	1. جناب احسن بشیر
04	2. جناب امجد محمود
04	3. جناب عادل بشیر
04	4. جناب ہمایوں مقبول
04	5. جناب خالد بشیر
04	6. جناب محمد اقبال
02	7. جناب شارق بشیر

### آڈٹ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل کیلئے بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کا قیام کیا ہے اور درج ذیل ڈائریکٹر اس کے ممبر ہیں۔ اب تک چار آڈٹ کمیٹی کی میٹنگ ہوئی ہیں۔

## ڈائریکٹر رپورٹ

### کارپوریٹ گورننس

آپ کی کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قواعد کے مطابق عمل کر رہی ہے اور مزید سخت جانچ پڑتال کے ساتھ بہتر داخلی کنٹرول پالیسیوں اور مؤثر چیک اینڈ بیلنس پر عمل درآمد کیا ہے۔

### مستقبل پر نظر

نئے مالیاتی سال میں دھاگے اور کورے کپڑے پر برآمدی ریٹ پر چھوٹ بند کر دی گئی ہے اور خام کپاس پر درآمد ڈیوٹی اور ٹیکس دوبارہ لگا دیئے گئے ہیں۔ خام مال کی موجودہ قیمتیں زیادہ قیمت پر کھلی ہیں تاہم ان کے مستحکم ہونے کی امید ہے۔ تاہم بین الاقوامی قیمتوں اور روپے کی رعایت کے باعث قیمتیں مناسب رہیں گی۔

کاروبار کرنے کی لاگت کا رجحان بڑھنے کی جانب ہے اور ان کو نیچے لانے کیلئے فوری اقدامات کی ضرورت ہے تاکہ برآمد کی صنعت اپنے برآمدی حصے کو دوبارہ حاصل کرنے میں کامیاب ہو۔ اس کا ایک اہم حصہ توانائی کے اخراجات ہیں جس پر نظر ثانی کی ضرورت ہے اور اس کو نچلے کے ساتھ ملایا جائے۔ اضافی سرچارج اور ٹیکس ختم کرنے کی ضرورت ہے۔ دستاویزی شعبہ پر اخراجات کا مزید بوجھ نہ ڈالا جائے اور بنیادی ڈھانچے کی تعمیر میں فنڈز درکار ہیں۔

ایک اور بہت اہم مسئلہ سیلز ٹیکس اور انکم ٹیکس کی واپسی کا معاملہ ہے۔ صنعت کی ایک خظیر رقم اس میں پھنس گئی ہے۔ جو کہ سرمایہ میں کمی کا باعث ہے۔ مزید براع مزید سرمایہ کاری کیلئے منصوبہ بندی کرنا ناممکن ہے۔

نئی کپاس کی فصل شروع ہو چکی ہے اور یہ امید کی جاتی ہے کہ ٹیکسٹائل کی اکثریت اگست کے اختتام تک اپنا کام شروع کر دیں گے۔ فصل کی ہدف کا تخمینہ اس سال کا بھی تقریباً گزشتہ سال جیسا ہی ہے۔ قیمت بھی زیادہ کھلی ہے۔ بین الاقوامی کپاس کی مارکیٹ مثبت طرز میں کھلی ہے اور امید کی جاتی ہے کہ پچھلے سال کی نسبت فصل میں بہتری ہوگی۔ یہ حکومتی اقدامات کے ساتھ ساتھ سازگار آب و ہوا کا نتیجہ ہے۔ تاہم فصل صنعت کی کھپت کی نسبت کم ہوگی اور پاکستان کو کپاس درآمد کرنی پڑے گی۔ حکومت نے کپاس درآمد ڈیوٹی اور سیلز ٹیکس دوبارہ لاگو کر دیا ہے جو قیمت خرید میں اضافہ کا سبب بنے گی اور ہم حکومت سے اس فیصلے پر نظر ثانی کی درخواست کرتے ہیں۔

دوسری طرف دھاگے اور کپڑے دونوں کی طلب میں بہتری آئی ہے اور امید کی جاتی ہے کہ یہ رجحان جاری رہے گا۔ اس کے منافع کی جانب مثبت اثرات مرتب ہوں گے اور ہم امید کرتے ہیں کہ یہ سال منافع بخش رہے گا۔

پاکستان کی ٹیکسٹائل کی صنعت اعلیٰ اور معیاری مصنوعات پیدا کرنے کے قابل ہے۔

حکومت کو ایک قابل ساز ماحول بنانا چاہئے اور صنعت کو دنیا میں اپنا مقام واپس لانے کا موقع فراہم کرنا چاہیے۔ ہمیں توقع ہے کہ موجودہ سال مشکلات کا شکار ہوگا کیونکہ صنعت کو بڑھتی ہوئی قیمتوں سے نمٹنے کیلئے جدوجہد کرنی پڑے گی۔ نئی حکومت کے قیام کی وجہ سے ملک بہت زبردست اندرونی اور بیرونی اقتصادی دباؤ کا شکار ہے گا۔ ہم اس نئی حکومت سے مثبت پیش رفت کی توقع رکھتے ہیں لیکن موجودہ صورت حال میں برآمدی صنعت کی ترقی کے فروغ کیلئے ان کے پاس بھی مالی وسائل نہیں ہیں۔

ہم موجودہ پیداواری یونٹ کی صلاحیتوں اور پیداواری قوتوں کو بہتر بنانے پر توجہ مرکوز کریں گے۔ ہمارا سیمینٹ پلانٹ جو 30,000 سپنڈل پر مشتمل ہے اور اس نے اپنا تجارتی عمل شروع کر دیا ہے جو اپنی قوت سے پیمائش اور ترقی کی معیشتوں سے بہتر نتائج اور نئی مصنوعات حاصل کرنے میں مددگار ثابت ہوگا۔ اس نئے پلانٹ کی وجہ سے کمپنی کے منافع کو مزید بہتر بنایا جائیگا۔ ہم اکیوٹی مارکیٹ کی طرف سے بہتری کی امید کر رہے ہیں اور اس سے مثبت توقع رکھتے ہیں جو پورٹ فولیو سرمایہ کاری پر آمدنی بڑھانے میں ہمیں مددگار ثابت ہوگی۔

### اظہار تشکر

اس موقع سے فائدہ اٹھاتے ہوئے بورڈ آف ڈائریکٹرز کی جانب سے تمام شراکت دار اور ملازموں کی بھرپور حمایت اور حوصلہ افزائی کیلئے تہہ دل سے ان کے مشکور ہیں۔ اس موقع سے فائدہ اٹھاتے ہوئے میں بورڈ کا بے حد مشکور ہو جنہوں نے اپنی قیمتی بصیرت اور رہنمائی سے نوازا۔

\_\_\_\_\_

ندیم مقبول

چیف ایگزیکٹو

\_\_\_\_\_

احسن بشیر

ڈائریکٹر

# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Name of company SURAJ COTTON MILLS LIMITED  
Year ending JUNE 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

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

a Male:	Seven
b Female:	None

2. The composition of board is as follows:

a) Independent Directors	None
b) Other Non-Executive Director	Mr. Khalid Bashir Mr. Amjad Mahmood Mr. Humayun Maqbool Mr. Mohammad Iqbal Mr. Sharik Bashir
c) Executive Directors	Mr. Ahsan Bashir Mr. Adil Bashir Mr. Nadeem Maqbool

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has not arranged any Directors' Training program.

10. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

- a) Audit Committee (Name of members and Chairman)

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

- b) HR and Remuneration Committee (Name of members and Chairman)

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

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

14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

- a) Audit Committee 4

15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. 17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. 18. We confirm that all other requirements of the Regulations have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by next accounting year:
- a. There is no Independent Director as required by Clause 6 (1) of the Code of Corporate Governance.
- b. The Company Secretary has resigned last year and the post is still vacant, which is non-compliance of Cause 21 of the Code of Corporate Governance.
- c. The majority of the members of Audit Committee are not Non-Executive Directors as required by Clause 28 (a) of the Code of Corporate Governance.
- d. The majority of the members of Human Resource and Remuneration (HR&R) Committee are not Non-Executive Directors as required by Clause 29 (1) of the Code of Corporate Governance.

(KHALID BASHIR)

Chairman

## Pattern of Shareholding

As at June 30, 2018

No. of Shareholders	Shareholding		Total Shares held
	From	To	
213	1	100	7,081
185	101	500	47,579
108	501	1,000	76,960
123	1,001	5,000	248,627
32	5,001	10,000	221,435
15	10,001	15,000	181,885
6	15,001	20,000	108,821
8	20,001	25,000	179,595
10	25,001	30,000	274,751
1	30,001	35,000	31,214
1	35,001	40,000	39,858
1	45,001	50,000	45,358
1	50,001	55,000	53,146
1	55,001	60,000	58,460
2	60,001	65,000	125,094
1	70,001	75,000	72,472
1	75,001	80,000	79,052
1	105,001	110,000	107,396
1	110,001	115,000	110,720
1	125,001	130,000	128,436
1	155,001	160,000	159,685
1	185,001	190,000	188,883
2	210,001	215,000	422,029
1	255,001	260,000	259,177
1	280,001	285,000	283,975
1	310,001	315,000	311,887
1	330,001	335,000	330,819
1	365,001	370,000	366,025
1	400,001	405,000	402,627
1	635,001	640,000	639,482
1	680,001	685,000	684,423
1	890,001	895,000	893,750
1	960,001	965,000	963,358
1	1,005,001	1,010,000	1,009,956
2	1,060,001	1,065,000	2,123,639
1	1,465,001	1,470,000	1,466,870
1	1,840,001	1,845,000	1,843,368
1	2,040,001	2,045,000	2,040,341
1	2,215,001	2,220,000	2,216,888
1	13,080,001	13,085,000	13,082,976
734			31,888,098

# INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE

As at June 30, 2018

Categories of Shareholders	Total	Percentage
<b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b>		
<b>Chief Executive</b>		
Mr. Nadeem Maqbool	110,321	0.35
<b>Directors</b>		
Mr. Adil Bashir	2,216,888	6.95
Mr. Ahsan Bashir	1,843,368	5.78
Mr. Amjad Mahmood	14,005	0.04
Mr. Humayun Maqbool	25,018	0.08
Mr. Khalid Bashir	1,466,870	4.60
Mr. Muhammad Iqbal	159,685	0.50
Mr. Sharik Bashir	3,025	0.01
<b>Director's Spouses and Their Minor Children</b>		
Mrs. Tanveer Khalid Bashir (W/o Khalid Bashir)	963,358	3.02
Mrs. Humera Iqbal (W/o Mr. Muhammad Iqbal)	2,040,341	6.40
Mrs. Naheed Amjad (W/o Mr. Amjad Mahmood)	32,944	0.10
Mrs. Naziz Maqbool (W/o Mr. Nadeem Maqbool)	18,775	0.06
	<b>8,894,598</b>	<b>27.89</b>
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
Crescent Powertec Limited	14,092,932	44.19
Premier Insurance Limited	1,062,757	3.33
	<b>15,155,689</b>	<b>47.53</b>
<b>NIT &amp; ICP (Name Wise Detail)</b>		
CDC - Trustee National Investment (Unit) Trust	687,548	2.16
	<b>687,548</b>	<b>2.16</b>
<b>Banks, NBFCs, DFIs, Takaful, Pension Funds</b>	<b>284,018</b>	<b>0.89</b>
<b>Insurance Companies</b>	<b>13</b>	<b>0.00</b>
<b>Other Companies, Corporate Bodies, Trust etc.</b>	<b>1,976,590</b>	<b>6.20</b>
<b>General Public</b>	<b>4,889,642</b>	<b>15.33</b>
	<b>31,888,098</b>	<b>100.00</b>
<b>Shareholders More Than 5.00%</b>		
Crescent Powertec Limited	14,092,932	44.19
Mr. Adil Bashir	2,216,888	6.95
Mrs. Humera Iqbal (W/o Mr. Muhammad Iqbal)	2,040,341	6.40
Mr. Ahsan Bashir	1,843,368	5.78

#### Detail of Purchase /Sale of shares by Directors/CEO/Company Secretary/CFO and their Spouses / Minor Children during 2018

33700 shares purchased by Mr. Adil Bashir

42652 shares purchased by Mr. Ahsan Bashir



# Financial Statements

For the year ended 30 June 2018

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Suraj Cotton Mills Limited for the year ended 30th June, 2018 in accordance with the requirements of Regulation 40 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended 30th June, 2018

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the note/ paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	Description
24	There is no independent director as required by the clause 5.19.1 (b) of the code of corporate governance.
24	Only one member of the audit committee is non-executive director which is non-compliance of the clause 5.19.16 (a) of the code of corporate governance.
24	The majority of the members of Human Resource and Remuneration (HR&R) committee are not non-executive director as required by clause 5.19.16 (b) of the code of corporate governance.
24	The Company secretary has resigned and the post is currently vacant which will be filled by a suitable person appointed by the Board meeting requirements prescribed by the Code.

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Chartered Accountants

Engagement Partner: Naseem Akbar  
EY Ford Rhodes

Lahore: 02 October 2018

## Independent Auditors' Report to The Members

### Opinion

We have audited the annexed financial statements of Suraj Cotton Mills Limited ("the Company") which comprise the statement of financial position as at 30 June 2018 and the statement of profit or loss account and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017, 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 2018 and of the profit or loss and other comprehensive income or loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters (KAM) for the year ended 30 June 2018:

Key Audit Matters	How the matter was addressed in our audit
<p><b>1. Impairment assessment of short term investments:</b></p> <p>As disclosed in note 26 to the accompanying financial statements, short term investments include investments aggregating to Rs. 1,052,384 thousand classified as "Available For Sale". These investments are primarily made in listed equities and constitute - 9.4% of the total assets of the Company as at year end.</p> <p>In view of the sharp decline in market prices of equity securities and significance of the equity investments in relation to the total assets of the Company, we have considered the risk of impairment of investments as a - KAM.</p>	<p>We performed a combination of audit procedures focusing on the valuation recognition of impairment of investments. Our key procedures included the following:</p> <ul style="list-style-type: none"> <li>- We considered the requirements of the accounting standards for recognition of impairments on equity instruments and the accounting policies and practices followed by the Company in this regard</li> <li>- We checked the investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at 30 June 2018;</li> </ul>

## Independent Auditors' Report to The Members

	<ul style="list-style-type: none"> <li>- We reviewed the decline in value of investments on scrip by scrip basis and assessed significance of such decline reference to cost of investment as well as length of period for which the decline is observed. We also checked the resulting impairment loss recognized by the Company in the profit and loss account for the year; and</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in accordance with the relevant accounting requirements.</li> </ul>
<p><b>2. Existence and Valuation of stock in trade:</b></p>	
<p>As disclosed in note 21 to the accompanying financial statements, the Stock in Trade balance constitutes 24% of total assets of the Company. The cost of Work in Process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads.</p> <p>We focused on Stock in Trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.</p>	<p>We performed a range of audit procedures with respect to inventory items including, amongst others physical observation of inventory counts, testing valuation methods and their appropriateness in accordance with the applicable accounting standards. We also tested the calculations of per unit cost of finished goods and WIP and assessed the appropriateness of management's basis for the allocation of cost and production overheads.</p> <p>We also assessed the adequacy of the disclosures made in respect of the accounting policies and the details of inventory balances held by the Company at the year end.</p>
<p><b>3. Preparation of financial statements under Companies Act, 2017</b></p>	
<p>As referred to in note 2 to the accompanying financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>In case of the Company, specific additional disclosures and changes to the existing disclosures have been included in the financial statements.</p> <p>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the</p>	<p>Our key audit procedures to address this risk included the following:</p> <ul style="list-style-type: none"> <li>- We assessed the procedures applied by the management for identification of the changes required in the financial statements due the application of the Act;</li> <li>- We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements; and</li> <li>- We evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements</li> </ul>

## Independent Auditors' Report to The Members

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

### Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high

level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

## Independent Auditors' Report to The Members

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

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

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

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

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017;
- the statement of financial position, the statement of profit or loss and other comprehensive income or the income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up

in conformity with the Companies Act, 2017 and are in agreement with the books of account and returns;

- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

the engagement Partner on the audit resulting in this independent auditors' report is Naseem Akbar.

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Chartered Accountants

Engagement Partner: Naseem Akbar  
EY Ford Rhodes

Lahore: 02 October 2018

## Statement of Financial Position

as at 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital 50,000,000 (2017: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	5	318,881	289,892
Share premium		29,000	29,000
Revenue reserves		5,230,342	4,780,838
Available for sale reserve		41,976	180,506
		5,620,199	5,280,236
<b>Non-current liabilities</b>			
Long term financing	6	2,885,828	2,307,475
Liabilities against assets subject to finance lease	7	-	1,198
Deferred taxation	8	66,511	195,817
		2,952,339	2,504,490
<b>Current liabilities</b>			
Trade and other payables	9	1,584,381	1,339,463
Short term borrowings	10	993,116	379,394
Current portion of long term liabilities	11	40,708	64,112
		2,618,205	1,782,969
		5,570,544	4,287,459
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,190,743</b>	<b>9,567,695</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12	-	-

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Statement of Financial Position

as at 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment:			
Operating fixed assets	13	5,318,000	2,441,092
Assets subject to finance lease	14	2,157	3,290
Capital work in progress	15	163,195	2,508,148
		5,483,352	4,952,530
Investment properties	16	100,000	100,000
Investment in joint venture	17	50,000	50,000
Long term deposits	18	19,879	19,879
		5,653,231	5,122,409
<b>Current assets</b>			
Stores, spare parts and loose tools	19	182,562	149,265
Stock-in-trade	20	2,714,766	1,407,007
Trade debts	21	732,216	371,238
Loans and advances	22	103,274	116,749
Trade deposits and short term prepayments	23	18,692	17,540
Balances with statutory authorities		6,554	2,239
Tax refunds due from the government	24	565,662	375,157
Other receivables		31,511	10,414
Short term investments	25	1,052,384	1,909,120
Cash and bank balances	26	64,827	41,676
		5,472,448	4,400,405
Assets held for sale	27	65,064	44,881
		5,537,512	4,445,286
<b>TOTAL ASSETS</b>		<b>11,190,743</b>	<b>9,567,695</b>

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Statement of Profit or Loss

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
Sales-net	28	11,095,688	8,313,438
Cost of sales	29	10,181,955	7,784,454
Gross profit		913,733	528,984
Distribution expenses	30	141,279	125,660
Administrative expenses	31	147,379	140,691
Other operating expenses	32	145,039	86,214
		480,036	176,419
Other income	33	96,596	382,832
Operating profit		576,632	559,251
Finance cost	34	150,626	76,043
Profit before taxation		426,006	483,208
Taxation - net	35	139,455	22,598
Profit for the year		565,461	505,806
			Restated
Earnings per share - basic and diluted (Rupees)	36	17.73	19.19

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Statement of Comprehensive Income

For the year ended 30 June 2018

	2018	2017
	(Rupees in thousand)	
Profit for the year	565,461	505,806
<b>Other comprehensive income:</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net unrealized (loss) / gain on available for sale investments	(138,530)	51,377
<i>Items not to be reclassified to profit or loss in subsequent periods</i>	-	-
<b>Total other comprehensive (loss) / income-net of tax</b>	<b>(138,530)</b>	<b>51,377</b>
<b>Total comprehensive income for the year</b>	<b>426,931</b>	<b>557,183</b>

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Statement of Cash Flows

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	37	(346,170)	299,036
Finance cost paid		(150,626)	(58,535)
Workers' Profit Participation Fund paid		(25,951)	(26,451)
Income tax paid		(180,356)	(174,508)
Dividend paid		(86,968)	(131,769)
Return on bank deposit received		1,318	2,741
		(442,583)	(388,522)
<b>Net cash used in operating activities</b>		<b>(788,753)</b>	<b>(89,486)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,363,939)	(390,489)
Proceeds from disposal of operating fixed assets		9,909	21,494
Proceeds from disposal of assets subject to finance lease		554	-
Decrease / (increase) in capital work in progress - net		2,344,953	(2,386,764)
Decrease in short term investments - net		548,502	554,925
Dividend received		59,730	50,429
Proceeds from disposal of asset classified as held for sale		44,722	-
<b>Net cash used in investing activities</b>		<b>(355,569)</b>	<b>(2,150,405)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in long term financing - net		554,949	2,038,921
Increase in short term borrowings - net		613,722	21,858
Finance lease liabilities repaid		(1,198)	(1,296)
<b>Net cash generated from financing activities</b>		<b>1,167,473</b>	<b>2,059,483</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>23,151</b>	<b>(180,408)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>41,676</b>	<b>222,084</b>
<b>Cash and cash equivalents at the end of year</b>	26	<b>64,827</b>	<b>41,676</b>

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Statement of Changes in Equity

For the year ended 30 June 2018

	Share capital	Share premium	Revenue Reserves			Available for sale reserve	Total
			General	Unappropriated profit	Sub total		
------(Rupees in thousand)-----							
Balance as at 01 July 2016	263,538	29,000	3,714,000	719,155	4,433,155	129,129	4,854,822
Profit for the year ended 30 June 2017	-	-	-	505,806	505,806	-	505,806
Other comprehensive income	-	-	-	-	-	51,377	51,377
Total comprehensive income for the year	-	-	-	505,806	505,806	51,377	557,183
Bonus shares issued for the year ended 30 June 2016 at the rate of 10%	26,354	-	-	(26,354)	(26,354)	-	-
Final dividend for the year ended 30 June 2016 at the rate of Rs. 5 per share	-	-	-	(131,769)	(131,769)	-	(131,769)
Balance as at 30 June 2017	289,892	29,000	3,714,000	1,066,838	4,780,838	180,506	5,280,236
Profit for the year ended 30 June 2018	-	-	-	565,461	565,461	-	565,461
Other comprehensive income	-	-	-	-	-	(138,530)	(138,530)
Total comprehensive income for the year	-	-	-	565,461	565,461	(138,530)	426,931
Bonus shares issued for the year ended 30 June 2017 at the rate of 10%	28,989	-	-	(28,989)	(28,989)	-	-
Final dividend for the year ended 30 June 2017 at the rate of Rs. 3 per share	-	-	-	(86,968)	(86,968)	-	(86,968)
Balance as at 30 June 2018	318,881	29,000	3,714,000	1,516,342	5,230,342	41,976	5,620,199

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Notes to the Financial Statements

For the year ended 30 June 2018

## 1. THE COMPANY AND ITS OPERATIONS

Suraj Cotton Mills Limited (the Company) was incorporated in Pakistan as a public limited company under the Companies Act 1913 (now Companies Act 2017), and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth. Registered Head Office of the Company is situated at 7-B-3, Aziz Avenue, Gulberg-5, Lahore.

The Company is currently operating the following four business units:

- One spinning unit located at Karachi - Hyderabad Motorway, Noori Abad, Jamshoro, Sindh.
- One spinning unit located at 4-KM. Raiwind Manga Road, Raiwind, Punjab.
- One spinning unit & one weaving unit, both located at Shakhkot, Punjab.

## 2. STATEMENT OF COMPLIANCE

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

International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

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

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

## 3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention except for short term investments 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 to these financial statements. 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) Provision for taxation (note 4.2)

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

## Notes to the Financial Statements

For the year ended 30 June 2018

**b) Useful lives, patterns of economic benefits, residual values 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)**

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.

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

## 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 to these financial statements as follows:

### 4.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

The Company has adopted the following accounting standards, the amendments and interpretation of IFRSs which became effective for the current year

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments, 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 2018

### 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 are recognized 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 up to 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 13 to these financial statements. 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 / available for use as intended by the management or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Residual value and the useful lives 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.

## Notes to the Financial Statements

For the year ended 30 June 2018

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.

### 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 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 amortized once classified as held for sale. Assets classified as held for sale are presented separately as current assets in the balance sheet.

#### 4.7 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, these are measured under the cost model in accordance with IAS 40, Investment Properties.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 4.8 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".

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.

#### Investment in joint venture

The Company has interest in various joint ventures, which are jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Company recognizes its interest in the Joint Ventures using the equity method.

The financial statements of the Joint Ventures are prepared for the same financial year as that of the Company. Adjustments are made where necessary to bring accounting policies of the Joint Ventures in line with the Company.

#### 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 Pakistan 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 statement of profit and loss 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 Pakistan 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.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 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 statement of profit and loss is removed from statement of comprehensive income at disposal or derecognition and recognized in the statement of profit and loss. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

### 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.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 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.

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.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 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 recognized 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 Share of profit from joint ventures

Interest in a joint venture is recognized using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognized in the investor's profit or loss.

### 4.20 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.

#### Compensated absences

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

### 4.21 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.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 4.22 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.

### 4.23 Operating 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.

#### 4.23.1 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.

#### 4.23.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

### 4.24 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.

### 4.25 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.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 4.26 Standards, Interpretations and Amendments to Approved Accounting Standards that are not yet effective

The following 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 or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 9 – Financial Instruments	01 July 2018
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	01 January 2018
IFRS 15 – Revenue from Contracts with Customers	01 July 2018
IFRS 16 – Leases	01 January 2019
IAS 19 – Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28 – Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2019
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. 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 IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

## Notes to the Financial Statements

For the year ended 30 June 2018

Further, the 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 14 – Regulatory Deferral Accounts	01 January 2017
IFRS 17 – Insurance Contracts	01 January 2021

### 4.27 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

All significant transactions and events that have affected the Company's financial position and performance during the year have been adequately disclosed in the notes to these financial statements.

### 5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2018 (No. of Shares in thousand)	2017		2018 (Rupees in thousand)	2017
17,400	17,400	Ordinary shares of Rupees 10 each fully paid up in cash	174,000	174,000
14,488	11,589	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	144,881	115,892
31,888	28,989		318,881	289,892

#### 5.1 Reconciliation of ordinary shares

2018 (No. of Shares in thousand)	2017		2018 (Rupees in thousand)	2017
28,989	26,354	Balance at the beginning	289,892	263,538
2,899	2,635	Bonus shares issued during the year	28,989	26,354
31,888	28,989	Balance at the closing	318,881	289,892

## Notes to the Financial Statements

For the year ended 30 June 2018

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

	2018	2017
	(No. of Shares in thousand)	
Crescent Powertec Limited (by way of significant influence)	14,093	12,812
Premier Insurance Limited (on the basis of common directorship)	1,063	966
	<b>15,156</b>	<b>13,778</b>

	Note	2018	2017
		(Rupees in thousand)	
<b>6. LONG TERM FINANCING</b>			
<b>From banking companies - secured</b>			
Finance 1	(6.1)	-	14,712
Finance 2	(6.2)	19,602	32,004
Finance 3	(6.3)	123,652	151,130
Finance 4	(6.4)	-	89,927
Finance 5	(6.5)	-	226,202
Finance 6	(6.6)	461,043	356,267
Finance 7	(6.7)	-	168,660
Finance 8	(6.8)	1,500,000	1,331,340
Finance 9	(6.9)	582,639	-
Finance 10	(6.10)	238,772	-
		<b>2,925,708</b>	2,370,242
Less: Current portion taken as current liability	(11)	39,880	62,767
		<b>2,885,828</b>	2,307,475

6.1 This finance was obtained from MCB Bank Limited for import of compact frames, blow room medication and high production cards. It carried markup at (2017: 6 month KIBOR plus 1.75%) per annum to be serviced quarterly. This finance was 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 of loan was to be repaid in five years through sixteen equal quarterly installments starting from February 2014 after grace period of one year.

6.2 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% (2017: 6 months KIBOR plus 1.25%) 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 thousand. The principal portion is to be repaid in seven years through ten equal semi annual installments starting from April 2015 after grace period of two years.

## Notes to the Financial Statements

For the year ended 30 June 2018

- 6.3** This finance has been obtained from MCB Bank Limited for import of machinery. It carries mark up at SBP rate plus 0.75% (2017: 0.75%) per annum payable quarterly. This finance is secured against first pari passu charge over all fixed assets (including land and building) of the Company aggregating to Rs. 897,000 thousands. The principal portion of loan is to be repaid in seven years through eleven equal semi-annual installments starting from September 2017 after grace period of one and a half year.
- 6.4** This finance was obtained from MCB Bank Limited for import of machinery. It carried markup at (2017: 3 month KIBOR plus 1%) per annum to be serviced quarterly. This finance was secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion of loan was to be repaid in seven years through eleven equal semi-annual installments starting from September 2017 after grace period of one and a half year. However, amount of loan was early repaid during the year.
- 6.5** This finance was obtained from MCB Bank Limited for import of machinery. It carried markup at (2017: 3 month KIBOR plus 0.5%) per annum to be serviced quarterly. This finance was secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion of loan was to be repaid in seven years through eleven equal semi-annual installments starting from October 2019 after grace period of one and a half year. However, this facility has been converted in to SBP LTFF scheme.
- 6.6** This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at 3 month KIBOR plus 0.5% (2017: 3 month KIBOR plus 0.5%) per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion of loan is to be repaid in Seven to ten years through eleven to seventeen equal semi-annual installments starting from April 2019, November 2019 and April 2020 after grace period of one and a half year.
- 6.7** This finance was obtained from Allied Bank Limited for import of machinery. It carried markup at (2017: 3 month KIBOR plus 0.5%) per annum to be serviced quarterly. This finance was secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 168,660 thousands. The principal portion of loan was to be repaid in ten years through thirty two equal quarterly installments starting from November 2019 after grace period two years. However, this facility has been converted in to SBP LTFF scheme.
- 6.8** This finance has been obtained from Allied Bank Limited for import of machinery. It carries markup at SBP rate plus 0.5% per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 2,000,000 thousands. The principal portion of loan is to be repaid in ten years through thirty two equal quarterly installments starting from November 2019 after grace period two years.
- 6.9** This finance has been obtained during the year from MCB Bank Limited for import of machinery. It carries markup at SBP rate plus 0.5% per annum to be serviced semi annually. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion of loan is to be repaid in ten years through seventeen equal semi-annual installments starting from April 2019 and September 2019 after grace period of one and a half year.

## Notes to the Financial Statements

For the year ended 30 June 2018

- 6.10** This finance has been obtained during the year from United Bank Limited for import of machinery. It carries markup at 6 month KIBOR plus 1% per annum to be serviced quarterly. This finance is secured against first pari passu charge of 320,000 thousands over present and fixes assets of the company inclusive of 25 % margin. The principal portion is to be repaid in five years through ten equal semi-annual installments starting from July 2019 after grace period of one year.

	Note	2018 (Rupees in thousand)	2017
<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		828	1,473
Later than one year but not later than five years		-	1,229
		828	2,702
Less : future financial charges		-	159
Present value of minimum lease payments	(7.1)	828	2,543
Less : current portion taken as current liability	(11)	828	1,345
		-	1,198
<b>7.1 Present value of minimum lease payments</b>			
Within one year		828	1,345
Within two to five years		-	1,198
		828	2,543
<b>7.2</b> The value of the minimum lease payments has been discounted at an implicit interest rate of 12 month KIBOR plus 4% (2017: 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.			
<b>8. DEFERRED TAXATION</b>			
Deferred tax is calculated in full on temporary differences under the statement of financial position liability method:			
Opening deferred tax liability		195,817	197,795
Charged to profit and loss account		(129,306)	(1,978)
Closing deferred tax liability		66,511	195,817
<b>The deferred tax liability comprises of temporary differences arising due to:</b>			
Accelerated tax depreciation		195,817	197,795
Tax credit		(130,311)	-
Rate difference		(6,317)	(1,978)
Others		7,322	-
		66,511	195,817

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>9. TRADE AND OTHER PAYABLES</b>			
Creditors	(9.1)	451,170	421,356
Accrued liabilities		1,067,574	766,244
Payable to employees' provident fund trust		164	19
Workers welfare fund	(9.2)	-	72,272
Workers' profit participation fund	(9.3)	22,421	25,951
Excise duty payable on loans		-	11,707
Income tax deducted at source		6,303	6,830
Accrued markup	(9.4)	36,749	35,084
		<b>1,584,381</b>	<b>1,339,463</b>

9.1 This includes amounts due to related parties based on common directorship aggregating Rs 16,895 thousand (2017: Rs 19,366 thousand).

### 9.2 Workers welfare fund

Opening balance		72,272	62,411
Provision for the year		-	9,861
		<b>72,272</b>	<b>72,272</b>
Reversal made during the year	(9.2.1)	(72,272)	-
Closing balance		-	72,272

9.2.1 Provisions for workers' welfare fund recognized by the Company in prior years have been reversed during the year in view of judgement of Honorable Supreme Court of Pakistan announced on 10 November 2016 declaring amendments made in Worker Welfare Ordinance, 1971 through Finance Acts 2006 and 2008 to be unlawful and ultra vires the Constitution of the Islamic Republic of Pakistan, 1973.

### 9.3 Workers' profit participation fund

Opening balance		25,951	26,451
Provision for the year	(32)	22,421	25,951
		<b>48,372</b>	<b>52,402</b>
Payments made during the year		(25,951)	(26,451)
Closing balance		<b>22,421</b>	<b>25,951</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>9.4 Accrued markup</b>			
Long term financing		26,467	26,622
Short term borrowings		9,186	8,401
Liabilities against assets subject to finance lease		1,097	61
		<b>36,750</b>	<b>35,084</b>

### 10. SHORT TERM BORROWINGS

<b>From banking companies - secured:</b>			
Cash finance	(10.1)	342,573	53,416
Running finance	(10.1)	650,543	325,978
		<b>993,116</b>	<b>379,394</b>

**10.1** Finance facilities aggregating to Rs. 2,425,000 thousand (2017: Rs. 1,750,000 thousand) are available under mark-up agreements and carry mark up ranging from KIBOR plus 0.30 % to 1.25 % (2017: KIBOR plus 0.20 % to 1.75 %) 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.

### 11. CURRENT PORTION OF LONG TERM LIABILITIES

Long term financing	(6)	39,880	62,767
Liabilities against assets subject to finance lease	(7)	828	1,345
		<b>40,708</b>	<b>64,112</b>

### 12. CONTINGENCIES AND COMMITMENTS

#### 12.1 Contingencies

Contingencies as on balance sheet date were Rs. Nil (2017: Rs. Nil)

#### 12.2 Commitments

As on balance sheet date the commitments in respect of letters of credit for capital expenditure was Rs. Nil (2017: Rs. 280,710 thousand) and commitment in respect of other capital expenditure was Rs. 31,183 thousand (2017: Rs. Nil).

# Notes to the Financial Statements

For the year ended 30 June 2018

13. OPERATING FIXED ASSETS

DESCRIPTION	BALANCE AS AT 01 JULY 2017					BALANCE AS AT 30 JUNE 2018					RATES %
	Cost	Accumulated depreciation	Net Book Value	Additions	Transfer (accumulated depreciation)	Disposal (accumulated depreciation)	Cost	Accumulated depreciation	Net Book Value	RATES %	
<b>Leasehold:</b>											
Land	2,108	679	1,429	-	-	-	2,108	700	1,408	1	
Building on leasehold land	332,574	240,414	92,160	425,620	-	-	758,094	277,537	480,557	10	
<b>Owned:</b>											
Land	452,300	-	452,300	-	-	-	452,300	-	452,300	-	
Building on owned land	82,310	75,948	6,362	81,418	-	-	163,728	83,209	80,519	10	
Plant and machinery	4,237,943	2,459,403	1,778,540	2,759,465	328,392 (250,622)	-	6,669,016	2,546,132	4,122,884	10	
Electric installations	85,087	62,708	22,379	73,002	-	-	158,089	70,020	88,069	10	
Furniture and fixtures	3,549	2,789	760	-	-	-	3,549	2,867	682	10	
Office equipment	59,336	30,029	29,307	2,191	-	-	61,527	33,117	28,410	10	
Vehicles	110,570	52,715	57,855	22,343	-	14,829 (11,533)	118,084	54,913	63,171	20	
	5,365,777	2,924,685	2,441,092	3,363,939	328,392 (250,622)	14,829 (11,533)	8,386,495	3,068,495	5,318,000		

13.1 The leasehold land is situated at Nooribadi, District Dadu having total area of 120 Kanal and owned land is situated at Raiwind having total area of 159 and 468 Kanal whereas 347.5 kanal is situated at Shankot.

DESCRIPTION	BALANCE AS AT 01 JULY 2016					BALANCE AS AT 30 JUNE 2017					RATES %
	Cost	Accumulated depreciation	Net Book Value	Additions	Transfer (accumulated depreciation)	Disposal (accumulated depreciation)	Cost	Accumulated depreciation	Net Book Value	RATES %	
<b>Leasehold:</b>											
Land	2,108	658	1,450	-	-	-	2,108	679	1,429	1	
Building on leasehold land	332,574	231,958	100,616	-	-	-	332,574	240,414	92,160	10	
<b>Owned:</b>											
Land	438,790	-	438,790	13,510	-	-	452,300	-	452,300	-	
Building on owned land	82,310	73,458	8,852	-	-	-	82,310	75,948	6,362	10	
Plant and machinery	4,067,153	2,406,696	1,660,457	325,985	130,709 (97,219)	24,486 (22,041)	4,237,943	2,459,403	1,778,540	10	
Electric installations	83,626	60,260	23,366	1,461	-	-	85,087	62,708	22,379	10	
Furniture and fixtures	3,549	2,703	846	-	-	-	3,549	2,789	760	10	
Office equipment	38,624	26,780	11,844	20,712	-	-	59,336	30,029	29,307	10	
Vehicles	102,631	57,025	45,606	28,821	-	20,882 (13,848)	110,570	52,715	57,855	20	
	5,151,365	2,859,538	2,291,827	390,489	130,709 (97,219)	45,368 (35,889)	5,365,777	2,924,685	2,441,092		

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

	2018	2017
	Rupees in thousand	
Cost of sales	388,575	185,478
Administrative expenses	17,390	12,777
	405,965	198,255

## Notes to the Financial Statements

For the year ended 30 June 2018

### 13.3 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of Disposal	Gain / (loss) on disposal	Sold to	
							Party	Relationship
<b>Vehicles:</b>								
<b>Toyota Corolla (ASD-956)</b>								
Toyota Corolla (AKN-171)	1,162	1,009	153	1,015	Negotiation	862	Maria Khan	Outsiders
Toyota Corolla (APB-324)	1,219	1,138	81	800	Negotiation	719	Fahrana Itekhhar	Outsiders
<b>Toyota Corolla (LEC-11-6928)</b>								
Honda Civic (LEA-11-671)	866	780	86	560	Negotiation	474	Mr. Ajmal sohall	Outsiders
Toyota Corolla (LEA-12-6881)	1,599	1,171	428	1,155	Negotiation	727	Altaf Hussain	Outsiders
Suzuki Swift (LEC-15-4383)	1,914	1,470	444	1,045	Negotiation	601	Maryam Khalid	Outsiders
Honda Accord (MR-545)	1,632	1,141	491	1,150	Negotiation	659	Muhammad Arshad	Outsiders
Suzuki Alto (LZH 3 152)	1,304	578	726	810	Negotiation	84	Fakharullah Katim	Outsiders
Suzuki Bolan (LEC 3064)	3,934	3,442	492	2,200	Negotiation	1,708	Hamid Ali Shah	Outsiders
	452	384	68	464	Negotiation	396	Insurance claim	Outsiders
	747	420	327	710	Negotiation	383	Insurance claim	Outsiders
	14,829	11,533	3,296	9,909		6,613		

### 14. ASSETS SUBJECT TO FINANCE LEASE

DESCRIPTION	BALANCE AS AT 01 JULY 2017		FOR THE YEAR 2018		BALANCE AS AT 30 JUNE 2018		RATES %			
	Cost	Accumulated Depreciation	Net Book Value	Additions	Disposal Cost / (accumulated depreciation)	Depreciation charge		Cost	Accumulated Depreciation	Net Book Value
Vehicles	5,201	1,911	3,290	-	1,673 (1,119)	579	3,528	1,371	2,157	20

DESCRIPTION	BALANCE AS AT 01 JULY 2016		FOR THE YEAR 2017		BALANCE AS AT 30 JUNE 2017		RATES %			
	Cost	Accumulated Depreciation	Net Book Value	Additions	Transfer Cost / (accumulated depreciation)	Depreciation charge		Cost	Accumulated Depreciation	Net Book Value
Vehicles	5,201	1,088	4,113	-	-	823	5,201	1,911	3,290	20

14.1 Depreciation charge for the year has been allocated to administrative expenses.

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>15. CAPITAL WORK IN PROGRESS</b>			
Opening balance		2,508,148	121,384
Additions during the year		309,143	2,387,832
Transfers during the year		(2,654,096)	(1,068)
Closing balance	(15.1)	163,195	2,508,148

### 15.1 Breakup of capital work in progress

Factory building		18,590	384,797
Office building	(15.2)	117,661	117,661
Plant and machinery		26,944	2,005,690
		163,195	2,508,148

**15.2** This represents advance provided to M/s Tricon Developers amounting to Rs. 117,661 thousands (2017: 117,661 thousands) for the purchase of office. The title of the office is already executed in the favour of the Company. The office was still under construction as on 30 June 2018.

### 16. INVESTMENT PROPERTIES

Land	(16.1)	100,000	100,000
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**16.1** This represents residential plots stated at cost. As at 30 July 2018 and 30 August 2017, the fair values of these properties were Rs. 210,000 thousand and Rs. 180,000 thousand respectively. These valuation were performed by an independent accredited valuer, Jasper & Jasper, who has appropriate recognized professional qualifications and recent experience in the location and category of the properties being valued. The valuation is based on comparable market transactions that considers sales of similar properties that have been transacted in open market.

**16.2** The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase or develop the investment properties.

### 17. INVESTMENT IN JOINT VENTURE

Long term investment	(17.1)	50,000	50,000
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**17.1** The Company has a 11% partnership interest in Knightbridge Residential Real Estate Partners, a joint venture involved in the development and marketing of residential society in or around Lahore. Currently, the management of the joint venture has started work on the access road to the land, work on the boundary wall and work on commercial and development activities after post approval of the scheme.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 18. LONG TERM DEPOSIT

These mainly includes interest free deposits made to utility companies for the provision of utility connection. These are not being carried at amortized cost as the related impact would be immaterial.

	2018	2017
	(Rupees in thousand)	
<b>19. STORES, SPARE PARTS AND LOOSE TOOLS</b>		
Stores in transit	7,747	8,883
Stores	194,748	152,009
Spare parts	10,309	18,420
Loose tools	249	444
	<b>213,053</b>	<b>179,756</b>
Less: provision for slow moving/obsolete items	30,491	30,491
	<b>182,562</b>	<b>149,265</b>

### 20. STOCK-IN-TRADE

Raw material	1,818,001	586,763
Raw material in transit	33,772	-
Work in process	148,646	104,445
Finished goods	682,551	702,089
Waste	31,796	13,710
	<b>2,714,766</b>	<b>1,407,007</b>

20.1 During the year Rs. Nil (2017: Rs. 23,618 thousand) was recognized as an expense for inventories carried at net realizable value. This was recognized in cost of sales.

### 21. TRADE DEBTS

Considered good:			
Secured against letters of credit	(21.1)	10,977	24,568
Unsecured	(21.2)	721,239	346,670
		<b>732,216</b>	<b>371,238</b>
Considered doubtful - unsecured		29,599	29,442
Less: provision for doubtful debts	(21.5)	(29,599)	(29,442)
		-	-
		<b>732,216</b>	<b>371,238</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

21.1	Foreign Jurisdiction	Amount	Security
		(Rupees in thousand)	
	Hong Kong	5,498	Secured against LC
	Italy	5,479	Cash against documents
	Total	10,977	

	Note	2018	2017
		(Rupees in thousand)	
21.2	This includes Rs. 15,865 thousand (2017: Rs Nil) receivable from Crescent Textile Mills Limited, a related party by way of significant influence against local sales made by the Company.		
21.3	The maximum aggregate amount receivable from Crescent Textile Mills Limited at the end of any month during the year was Rs. 15,865 thousand (2017: Rs Nil).		
21.4	There were neither past due nor impaired receivables from related parties as on 30 June 2018 and 2017.		

### 21.5 Provision for doubtful debts

Opening balance		29,442	28,709
Provision made during the year	(32)	157	733
		<b>29,599</b>	<b>29,442</b>

21.6 The ageing of trade debts and related impairment loss at balance sheet date was:

#### Age analysis of trade debts - not impaired

Not past due	348,208	120,506
Past due 0 - 180 days	373,076	243,911
Past due 180 - 365 days	1,098	2,948
365 - 730 days	9,834	3,873
	<b>732,216</b>	<b>371,238</b>

#### Age of impaired trade debts

More than 730 days	29,599	29,442
	<b>29,599</b>	<b>29,442</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>22. LOANS AND ADVANCES</b>			
Loans to employees - considered good - unsecured	(22.1)	5,026	5,406
Advances - considered good:			
To suppliers - unsecured		67,414	78,706
Due from related parties - unsecured	(22.2)	18,480	16,328
Against letters of credit - secured		12,354	16,309
		98,248	111,343
		103,274	116,749

22.1 These represent short term loans provided to employees at the rate of 6% (2017 : 6%).

<b>22.2</b> Due from related parties (by way of common directorship) - unsecured and considered good:			
S2 Hydro Limited		14,722	9,641
S2 Solar Limited		2,997	2,832
S2 Power Limited		761	3,504
Shams Textile Mills Limited		-	351
	(22.2.2)	18,480	16,328

22.2.1 The maximum aggregate amount due from these related parties at the end of any month during the year are as follows:

S2 Hydro Limited		14,722	9,641
S2 Solar Limited		2,997	2,832
S2 Power Limited		761	3,504
Shams Textile Mills Limited		-	351
		18,480	16,328

22.2.2 These are in the normal course of business and are interest free.

<b>23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits	(23.1)	6,555	6,218
Short term prepayments		12,137	11,322
		18,692	17,540

23.1 These includes interest free security deposits made for tender placement.

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>24. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Sales tax refundable		227,662	177,460
Income tax refundable		338,000	197,697
		<b>565,662</b>	<b>375,157</b>
<b>25. SHORT TERM INVESTMENTS</b>			
Available for sale	(25.1)	1,052,384	1,326,457
Held for trading	(25.2)	-	582,663
		<b>1,052,384</b>	<b>1,909,120</b>

	Note	2018			2017				
		Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----									
<b>25.1 Available for sale</b>									
<b>Quoted</b>									
<b>Investments in related party</b>									
<b>Premier Insurance Limited</b>									
820,471 (2017: 745,883) fully paid ordinary shares of Rupees 10 each.		12,386	(6,028)	-	6,359	12,347	(2,130)	599	10,816
<b>Crescent Textile Mills Limited</b>									
1,648,500 (2017: 1,335,000) fully paid ordinary shares of Rupees 10 each.		37,613	-	3,930	41,542	26,388	-	22,647	49,035
<b>Others</b>									
<b>Samba Bank Limited</b>									
1,652,306 (2017: 1,652,306) fully paid ordinary shares of Rupees 10 each.		15,875	(10,132)	6,896	12,640	15,875	(10,132)	5,475	11,218
<b>NIB Bank Limited</b>									
1,000,000 (2017: 1,000,000) fully paid ordinary shares of Rupees 10 each.		-	-	-	-	4,574	(3,104)	-	1,470
<b>DG Khan Cement Company Limited</b>									
1,112,400 (2017: 1,212,400) fully paid ordinary shares of Rupees 10 each.		187,727	(60,368)	-	127,359	203,268	-	53,639	256,907

## Notes to the Financial Statements

### For the year ended 30 June 2018

	2018				2017			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
<b>Engro Corporation Limited</b>								
100,000 (2017: 100,000) fully paid ordinary shares of Rupees 10 each.	31,802	-	(416)	31,386	31,802	-	1,564	33,366
<b>Fauji Cement Company</b>								
1,500,000 (2017: 1,500,000) fully paid ordinary shares of Rupees 10 each.	56,866	(22,591)	-	34,275	56,866	-	5,729	62,595
<b>Fatima Fertilizer Company Limited</b>								
979,000 (2017: 775,000) fully paid ordinary shares of Rupees 10 each.	34,896	-	(3,177)	31,720	29,069	-	(3,293)	25,776
<b>Fauji Fertilizer Company Limited</b>								
325,000 (2017: 325,000) fully paid ordinary shares of Rupees 10 each.	38,887	(10,628)	3,879	32,139	38,887	(10,628)	(778)	27,481
<b>Pakistan Petroleum Limited</b>								
Nil (2017: 40) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	4	-	2	6
<b>Crescent Steel and Allied Products Limited</b>								
588,000 (2017: 450,200) fully paid ordinary shares of Rupees 10 each.	76,927	(23,319)	-	53,608	58,025	-	44,287	102,312
<b>Nishat Mills Limited</b>								
1,100,000 (2017: 1,100,000) fully paid ordinary shares of Rupees 10 each.	127,229	-	27,783	155,012	127,229	-	48,386	175,615
<b>Bank Al Falah Limited</b>								
50,000 (2017: 1,200,000) fully paid ordinary shares of Rupees 10 each.	1,970	-	645	2,615	45,653	-	2,779	48,432
<b>Faisal Bank Limited</b>								
Nil (2017: 5,002) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	5	-	108	113
<b>Pakistan State Oil Limited</b>								
144,000 (2017: 120,000) fully paid ordinary shares of Rupees 10 each.	43,046	-	2,791	45,837	42,644	-	4,167	46,811

## Notes to the Financial Statements

### For the year ended 30 June 2018

	2018				2017			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
<b>Engro Fertilizers Limited</b>								
1,700,000 (2017: 1,700,000) fully paid ordinary shares of Rupees 10 each.	120,938	(23,887)	30,296	127,347	120,938	(23,887)	(1,528)	95,523
<b>Oil &amp; Gas Development Company Limited</b>								
400,000 (2017: 400,000) fully paid ordinary shares of Rupees 10 each.	62,964	-	(716)	62,248	62,964	-	(4,908)	58,056
<b>GlaxoSmithKline Pakistan Limited</b>								
79,700 (2017: 79,700) fully paid ordinary shares of Rupees 10 each.	17,828	(4,598)	-	13,230	17,828	-	(2,236)	15,592
<b>The Searle Company Limited</b>								
94,920 (2017: 74,100) fully paid ordinary shares of Rupees 10 each.	34,403	-	(2,178)	32,225	32,322	-	5,434	37,756
<b>Kot Adu Power Company Limited</b>								
525,000 (2017: 450,000) fully paid ordinary shares of Rupees 10 each.	40,768	(12,465)	-	28,303	36,181	-	(3,812)	32,369
<b>Pakistan Telecommunication Limited</b>								
700,000 (2017: 700,000) fully paid ordinary shares of Rupees 10 each.	12,721	(4,713)	-	8,008	12,721	-	(1,759)	10,962
<b>TPL Trakker Limited</b>								
332,000 (2017: 332,000) fully paid ordinary shares of Rupees 10 each.	5,014	(2,750)	-	2,264	5,014	(1,654)	-	3,360
<b>United Bank Limited</b>								
195,700 (2017: 175,000) fully paid ordinary shares of Rupees 10 each.	42,828	-	(9,759)	33,069	39,261	-	1,995	41,256
<b>Attock Refinery Limited</b>								
100,000 (2017: 100,000) fully paid ordinary shares of Rupees 10 each.	29,964	(8,433)	-	21,531	29,964	-	8,618	38,582
<b>First Equity Modaraba</b>								
815,000 (2017: 815,000) fully paid ordinary shares of Rupees 10 each.	3,867	-	(851)	3,016	3,867	-	1,022	4,889

## Notes to the Financial Statements

### For the year ended 30 June 2018

	2018				2017			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
<b>Kohinoor Textile Mills Limited</b>								
253,400 (2017: 115,000) fully paid ordinary shares of Rupees 10 each.	15,551	-	(1,617)	13,934	6,156	-	5,855	12,011
<b>Nishat Chunian Power Limited</b>								
800,000 (2017: 800,000) fully paid ordinary shares of Rupees 10 each.	42,557	(20,045)	-	22,512	42,557	-	(8,117)	34,440
<b>Glaxosmithkline Consumer Healthcare Pakistan Limited</b>								
Nil (2017: 25,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	4,093	-	1,127	5,220
<b>MCB Bank Limited</b>								
57,140 (2017: 50,000) fully paid ordinary shares of Rupees 10 each.	14,639	-	(3,338)	11,301	10,065	-	610	10,675
<b>TRG Pakistan Limited</b>								
891,500 (2017: 691,500) fully paid ordinary shares of Rupees 10 each.	39,189	(13,657)	-	25,533	33,691	-	(6,024)	27,667
<b>Ghani Global Glass Limited</b>								
200,000 (2017: 200,000) fully paid ordinary shares of Rupees 10 each.	5,312	(2,845)	-	2,467	5,312	(1,454)	-	3,858
<b>Aisha Steel Mills Limited</b>								
554,500 (2017: 554,500) fully paid ordinary shares of Rupees 10 each.	12,501	(3,756)	-	8,745	12,501	-	(1,189)	11,312
<b>ICI Pakistan Limited</b>								
10,000 (2017: 10,000) fully paid ordinary shares of Rupees 10 each.	11,195	(3,180)	-	8,015	11,195	-	(248)	10,947
<b>Service Industries Limited</b>								
7,680 (2017: 4,880) fully paid ordinary shares of Rupees 10 each.	8,994	(2,965)	-	6,029	6,821	-	(92)	6,729
<b>Habib Bank Limited</b>								
100,000 (2017: 50,000) fully paid ordinary shares of Rupees 10 each.	21,663	-	(5,019)	16,644	12,852	-	447	13,299

## Notes to the Financial Statements

For the year ended 30 June 2018

Note	2018				2017			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
<b>Arif Habib Corporation Limited</b>								
	100,000 (2017: Nil) fully paid ordinary shares of Rupees 10 each.							
	4,007	-	(543)	3,464	-	-	-	-
<b>Power Cement Limited</b>								
	2,000,000 (2017: Nil) fully paid ordinary shares of Rupees 10 each.							
	23,275	-	(6,575)	16,700	-	-	-	-
<b>Sui Northern Gas Pipelines Limited</b>								
	100,000 (2017: Nil) fully paid ordinary shares of Rupees 10 each.							
	9,877	-	145	10,022	-	-	-	-
<b>Colony Textile Mills Limited</b>								
	357,000 (2017: Nil) fully paid ordinary shares of Rupees 10 each.							
	1,489	-	(200)	1,289	-	-	-	-
<b>Unquoted</b>								
	Investments in related party							
	Premier Financial Services (Private) Limited							
	2,200 (2017: 2,200) fully paid ordinary shares of Rupees 1,000 each.							
	2,200	(2,200)	-	-	2,200	(2,200)	-	-
<b>Crescent Spinning Mills Limited</b>								
	208,800 (2017: 208,800) fully paid ordinary shares of Rupees 10 each.							
(25.1.1)	2,088	(2,088)	-	-	2,088	(2,088)	-	-
	<b>1,251,056</b>	<b>(240,648)</b>	<b>41,976</b>	<b>1,052,384</b>	<b>1,203,227</b>	<b>(57,277)</b>	<b>180,506</b>	<b>1,326,457</b>

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

## Notes to the Financial Statements

For the year ended 30 June 2018

	2018 (Rupees in thousand)	2017
<b>25.2 Held for trading</b>		
<b>NAFA Financial Sector Income Fund</b>		
Nil (2017: 10306,816) Units	-	100,541
<b>UBL - Stock Advantage Fund (With Capital Protection)</b>		
Nil (2017: 1,810,397) Units	-	138,492
<b>UBL - Growth and Income Fund (With Capital Protection)</b>		
Nil (2017: 701,429) Units	-	59,061
<b>UBL - Stock Advantage Fund (Without Capital Protection)</b>		
Nil (2017: 603,759) Units	-	48,318
<b>UBL - Al-Ameen Shariah Stock Fund (Without Capital Protection)</b>		
Nil (2017: 511,643) Units	-	78,414
<b>UBL - Government Securities Fund (Without Capital Protection)</b>		
Nil (2017: 67,147) Units	-	7,118
<b>MCB - Dynamic Cash Fund</b>		
Nil (2017: 1,416,141) Units	-	150,719
	-	582,663

	Note	2018 (Rupees in thousand)	2017
<b>26. CASH AND BANK BALANCES</b>			
Cash in hand		1,342	718
Balances with banks in:			
Current accounts		7,662	9,901
Deposit accounts	(26.1)	55,823	31,057
		63,485	40,958
		64,827	41,676

26.1 The rate of return on deposit accounts ranges from 3% to 4% (2017: 3% to 4%) per annum.

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>27. ASSETS HELD FOR SALE</b>			
Opening balance		44,881	11,391
Addition during the year		77,770	33,490
		<b>122,651</b>	<b>44,881</b>
Impairment charged during the year		(16,800)	-
Disposal during the year		(40,787)	-
Closing balance	(27.1)	<b>65,064</b>	<b>44,881</b>

**27.1** These represents items of plant and machinery. The carrying amounts of these assets will be recovered principally through a sale transaction rather than through continuing use. The Company intends to dispose off this plant and machinery and anticipates that the disposal will be completed subsequent to the balance sheet date. The Company is currently in negotiation with some potential buyers. The addition during the year is at carrying amount as Directors of the Company expect that the fair value less cost to sell of these assets will be higher than the aggregate carrying amount of the related assets.

As at year end, the management of Company assessed the fair value of the existing assets lower than their carrying amount and charged impairment during the year amounting to Rs. 16,800 thousand. (2017: Nil)

<b>28. SALES-net</b>			
Local		10,158,241	7,243,397
Export		440,147	835,035
Waste		493,717	236,162
Export rebate		8,219	-
		<b>11,100,324</b>	<b>8,314,594</b>
Less: Sales tax		4,636	1,156
		<b>11,095,688</b>	<b>8,313,438</b>

<b>29. COST OF SALES</b>			
Raw materials:			
Opening stock		586,763	306,876
Purchases		8,518,146	6,005,808
		<b>9,104,909</b>	<b>6,312,684</b>
Closing stock	(20)	(1,818,001)	(586,763)
Raw material consumed		<b>7,286,908</b>	<b>5,725,921</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
Sizing expenses		56,227	54,245
Stores, spare parts and loose tools consumed		204,109	142,725
Packing material consumed		115,335	89,401
Salaries, wages and other benefits	(29.1)	784,295	671,659
Fuel and power		1,316,304	965,890
Repairs and maintenance		18,089	48,147
Insurance		30,417	25,248
Depreciation	(13.2)	388,575	185,478
Other overheads		24,446	14,523
		<b>2,937,797</b>	2,197,316
		<b>10,224,705</b>	7,923,237
Work-in-process:			
Opening stock		104,445	106,511
Closing stock	(20)	(148,646)	(104,445)
		<b>(44,201)</b>	2,066
Cost of goods manufactured		<b>10,180,504</b>	7,925,303
Finished goods including waste:			
Opening stock		715,798	574,949
Closing stock	(20)	(714,347)	(715,798)
		<b>1,451</b>	(140,849)
		<b>10,181,955</b>	7,784,454

29.1 This includes contribution made to provident fund by the Company amounting to Rs. 15,467 thousand (2017: Rs. 13,495 thousand).

### 30. DISTRIBUTION COST

Salaries, wages and other benefits	(30.1)	3,539	3,212
Commission on sales		83,187	70,524
Freight and shipment		32,011	34,663
Clearing and forwarding		21,365	15,219
Export development surcharge		1,177	2,042
		<b>141,279</b>	125,660

30.1 This includes contribution made to provident fund by the Company amounting to Rs.105 thousand (2017: Rs. 123 thousand).

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>31. ADMINISTRATIVE EXPENSES</b>			
Salaries, wages and other benefits	(31.1)	90,703	84,168
Rent, rates and taxes		6,451	5,711
Electricity and gas		4,541	4,691
Traveling and conveyance		6,752	3,987
Repair and maintenance		3,084	3,243
Vehicle running and maintenance		5,253	4,392
Printing and stationery		2,953	10,599
Communication		1,979	2,393
Fee and subscription		2,936	2,618
Advertisement		80	105
Insurance		2,635	2,364
Depreciation	(13.2&14)	17,969	13,600
Entertainment		159	385
Research and development		384	215
Donation	(31.2)	1,500	2,220
		<b>147,379</b>	<b>140,691</b>

**31.1** This includes contribution made to provident fund by the Company amounting to Rs. 2,838 thousand (2017: Rs. 1,352 thousand).

**31.2** This includes amount of Rs.1,000 thousand and 500 thousand donated to Sindh Institute of Urology and Transplantation and The Lahore Businessmen Association for Rehabilitation of the Disabled respectively. None of the directors or their spouses have any interest in the donees.

### 32. OTHER OPERATING EXPENSES

Legal and professional		4,769	4,724
Auditors' remuneration:			
Statutory audit		1,300	1,150
Half yearly review and other certifications		150	150
Out of pocket expenses		50	50
		1,500	1,350
Workers' profit participation fund	(9.3)	22,421	25,951
Workers welfare fund - net	(9.2.1)	(72,272)	9,861
Provision for doubtful debts	(21.5)	157	733
Exchange loss - net		-	284

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
Impairment loss on short term investments	(32.1)	183,371	38,394
Provision for slow moving items-Store	(20.1)	-	4,917
Impairment loss on asset held for sale	(27.1)	16,800	-
Reversal of Central Excise Duty		(11,707)	-
		145,039	86,214

**32.1** The Company has recognized an impairment loss of Rs. 183,371 thousand (2017: Rs. 38,394 thousand) pertaining to quoted investments reflecting the write-down in the carrying value of the investments due to significant decline in their market price.

### 33. OTHER INCOME

Income from financial assets	(33.1)	76,715	367,871
Income from assets other than financial assets	(33.2)	19,881	14,961
		96,596	382,832

#### 33.1 Income from financial assets

Exchange gain - net	(33.1.1)	2,000	-
Profit on bank deposits	(33.1.2)	1,318	2,741
Dividend income		59,730	50,429
Net gain on short term investments		13,667	314,701
		76,715	367,871

**33.1.1** Exchange gain relates to the difference in the exchange rates of foreign currency transactions at the time of recording of financial asset/liability and at the time of its settlement.

**33.1.2** This represents profit on bank deposits earned on deposit accounts.

#### 33.2 Income from assets other than financial assets

Sale of empties and scrap		9,333	2,946
Gain on disposal of operating fixed assets		6,613	12,015
Gain on disposal of assets classified as held for sale		3,935	-
		19,881	14,961

## Notes to the Financial Statements

For the year ended 30 June 2018

	2018	2017
	(Rupees in thousand)	
<b>34. FINANCE COST</b>		
Interest / markup on:		
Long term financing	82,491	39,773
Short term borrowings	59,585	28,679
Liabilities against assets subject to finance lease	128	221
	142,204	68,673
Bank charges and commission	8,422	7,370
	150,626	76,043
<b>35. TAXATION</b>		
Current:		
for current year	-	97,056
for prior years	(10,149)	(117,676)
	(10,149)	(20,620)
Deferred		
Relating to origination of temporary difference	(122,989)	-
Due to reduction in tax rate	(6,317)	(1,978)
	(129,306)	(1,978)
	(139,455)	(22,598)

35.1 Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not meaningful as majority income of the Company falls under Final Tax Regime.

### 35.2 Management assessment on sufficiency of provision for income taxes

A comparison of provision on account of income taxes with most recent tax assessment for last three tax years is as follows:

	2017	2016	2015
	(Rupees in thousand)		
Tax provision as per financial statements	97,056	83,472	115,649
Amount of tax assessed	86,907	60,835	78,692

35.3 As at year end 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

## Notes to the Financial Statements

For the year ended 30 June 2018

	Note	2018 (Rupees in thousand)	2017
<b>36. EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit attributable to ordinary shareholders		565,461	505,806
			(Number of shares in thousands)
Weighted average number of ordinary shares outstanding during the year		31,888	Restated 26,354
			Rupees
Earnings per share - basic (Rupees)		17.73	Restated 19.19

**36.1** 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.

<b>37. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		426,006	483,208
<b>Adjustments to reconcile profit to net cash provided by operating activities</b>			
Depreciation on operating fixed assets	(13.2)	405,965	198,255
Depreciation on assets subject to finance lease	(14)	579	823
Net gain on short term investments	(33.1)	(13,667)	(314,701)
Provision for doubtful debts	(21.5)	157	733
Net realizable value adjustment		-	23,618
Provision for slow moving items store		-	4,917
Exchange gain / (loss) - net		(141)	284
Dividend income	(33.1)	(59,730)	(50,429)
Gain on disposal of operating fixed assets	(33.2)	(6,613)	(12,015)
Gain on disposal of assets classified as held for sale	(33.2)	(3,935)	-
Provision for Workers' Profit Participation Fund	(9.3)	22,421	25,951
Provision for Workers Welfare Fund	(32)	(72,272)	9,861
Finance costs	(34)	150,626	76,043
Impairment loss on short term investments	(32.1)	183,371	38,394
Impairment loss on asset held for sale	(27.1)	16,800	-
Profit on bank deposits	(33.1)	(1,318)	(2,741)
Reversal of Central Excise Duty	(32)	(11,707)	-
<b>Cash flows from operating activities before working capital changes</b>		<b>1,036,542</b>	<b>482,201</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

	2018	2017
	(Rupees in thousand)	
<b>Effect on cash flows due to working capital changes :</b>		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(33,297)	(65,343)
Stock-in-trade	(1,307,759)	(442,289)
Trade debts	(360,994)	61,451
Loans and advances	13,475	19,910
Trade deposits and short term prepayments	(1,152)	(4,134)
Balances with statutory authorities	(4,315)	-
Other receivables	(21,097)	(6,421)
Increase in current liabilities:		
Trade and other payables	332,427	253,661
	(1,382,712)	(183,165)
	(346,170)	299,036

### 38. 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. Details of related parties (with whom the Company has transacted) along with basis of relationship and transaction with related parties, other than those which have been disclosed else where in these financial statements are as follows:

Name of related party	Percentage shareholding	Nature of transactions	2018	2017
			(Rupees in thousand)	
<b>Associated companies due to significant influence</b>				
Crescent Powertech Limited	Share holding in Company 44.20% (2017:44.20%) share capital	Purchases of electricity	74,038	186,748
		Sales of goods and services	33	26
		Dividend paid	38,435	58,235
<b>Associated companies due to common directorship</b>				
Premier Insurance Limited	-	Purchases of goods and services	39,353	36,922
		Dividend paid	2,898	4,392
		Insurance claim	16,253	1,450
Shams Textile Mills Limited	-	Purchases of goods and services	3,292	20,450
		Sales of goods and services	612	901
		Sale of fixed asset	3,600	-
Equity Textile Limited		Sales of goods and services	39,069	57,832
The Crescent Textile Mills Limited		Purchases of goods and services	27,916	118,509
		Sales of goods and services	61,474	9,412

## Notes to the Financial Statements

For the year ended 30 June 2018

Name of related party	Percentage shareholding	Nature of transactions	2018 (Rupees in thousand)	2017
Crescent Bahuman Limited		Sales of goods and services	37	-
Crescent Fibers Limited		Purchases of goods and services	88,993	80,358
ACME Mills (Pvt) Limited		Sales of goods and services	41,374	1,755
<b>Other related party</b>				
Provident Fund Trust		Amount contributed	13,454	16,226

### Key management personnel

Transaction with key management personnel are disclosed in note 39 to the financial statements.

### 39. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

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

Description	2018			2017		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	----- (Rupees in thousand) -----					
Managerial remuneration	9,471	13,530	24,337	8,610	12,300	19,474
House rent	3,315	4,736	11,255	3,014	4,305	9,039
Provident fund contribution	568	812	1,368	517	738	1,084
Reimbursable expenses	424	1,793	-	396	2,018	-
Other allowances	947	1,353	5,193	861	1,230	3,730
	14,725	22,224	42,153	13,398	20,591	33,327
No. of persons	1	2	19	1	2	17

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

39.2 The aggregate amount charged in financial statements for the year against fees for attending four board meetings and four audit committee meetings was Rs. 550 thousand (2017: Rs. 575 thousand).

## Notes to the Financial Statements

For the year ended 30 June 2018

### 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 2018

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
------(Rupees in thousand)-----								
<b>Sales</b>								
External	7,061,707	4,991,655	4,033,981	3,321,783	-	-	11,095,688	8,313,438
Inter-segment	1,436,607	1,064,562	-	-	1,436,607	1,064,562	-	-
	8,498,314	6,056,217	4,033,981	3,321,783	1,436,607	1,064,562	11,095,688	8,313,438
<b>Cost of sales</b>								
External	6,308,722	4,565,312	3,873,812	3,219,142	-	-	10,182,534	7,784,454
Inter-segment	1,436,607	1,064,562	-	-	1,436,607	1,064,562	-	-
	7,745,329	5,629,874	3,873,812	3,219,142	1,436,607	1,064,562	10,182,534	7,784,454
Gross profit	752,985	426,343	160,169	102,641	-	-	913,154	528,984
Distribution cost	81,658	56,007	59,621	69,653	-	-	141,279	125,660
Administrative expenses	116,514	113,175	30,286	27,516	-	-	146,800	140,691
	198,172	169,182	89,907	97,169	-	-	288,079	266,351
Profit before taxation and unallocated income and expenses	554,813	257,161	70,262	5,472	-	-	625,075	262,633
<b>Unallocated income and expenses:</b>								
Other operating expenses							145,039	86,214
Other income							96,596	382,832
Finance costs							150,626	76,043
							(199,069)	220,575
Profit before taxation							426,006	483,208
Taxation							139,455	22,598
Profit for the year							565,461	505,806

Inter segment sales and purchases have been eliminated on consolidation.

## Notes to the Financial Statements

For the year ended 30 June 2018

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
------(Rupees in thousand)-----								
<b>Segment operating assets</b>	<b>7,868,755</b>	3,423,919	<b>1,319,129</b>	1,154,231	-	-	<b>9,187,884</b>	4,578,150
<b>Unallocated:</b>								
Capital work in progress							163,195	2,508,148
Investment in joint venture							50,000	50,000
Investment properties							100,000	100,000
Balances with statutory authorities							6,554	2,239
Tax refunds due from the government							565,662	375,157
Non current assets held for sale							65,064	44,881
Short term investments							1,052,384	1,909,120
<b>Total operating assets</b>							<b>11,190,743</b>	<b>9,567,695</b>
<b>Segment operating liabilities</b>	<b>4,730,484</b>	3,501,661	<b>751,128</b>	491,758	-	-	<b>5,481,612</b>	3,993,419
<b>Unallocated:</b>								
Deferred taxation							66,511	195,817
Workers' profit participation fund							22,421	25,951
Workers welfare fund							-	72,272
<b>Total operating liabilities</b>							<b>5,570,544</b>	<b>4,287,459</b>
<b>Other disclosures</b>								
Capital expenditure	<b>752,703</b>	2,551,235	<b>266,283</b>	226,018	-	-	<b>1,018,986</b>	2,777,253

### 40.2 Geographical segments

Secondary information is reported geographically.

The Company has sales 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 2018

## 41. FINANCIAL RISK MANAGEMENT

### 41.1 Financial risk factors

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

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

#### (a) Market risk

##### (i) Currency risk

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

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are periodically restated to Pak Rupee equivalent and the associated gain or loss is taken to the profit and loss account.

The following analysis demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Company's profit before tax.

## Notes to the Financial Statements

For the year ended 30 June 2018

		2018	2017
Rupees per US Dollar			
Reporting date rate		121.70	104.80
		<b>Changes in US \$ Rate</b>	<b>Effects on Profit Before Tax</b>
			(Rupees in thousand)
	2018	+10%	1,098
		-10%	(1,098)
	2017	+10%	2,457
		-10%	(2,457)

### (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 the Company holds investments classified as available for sale and held for trading. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

			2018	2017
Reporting date all index points			41,910	46,565
		<b>Changes in PSX all Index</b>	<b>Effects on Profit Before Tax</b>	<b>Effects on Other Comprehensive Income</b>
			(Rupees in thousand)	
Available for sale investments	2018	+10%	-	105,238
		-10%	-	(105,238)
	2017	+10%	-	132,646
		-10%	-	(132,646)
Held for trading investments	2018	+10%	-	-
		-10%	-	-
	2017	+10%	58,266	-
		-10%	(58,266)	-

## Notes to the Financial Statements

For the year ended 30 June 2018

### (iii) Interest rate risk

Interest rate risk 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. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

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

	2018	2017
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial liabilities</b>		
Long term financing	2,206,291	151,130
<b>Financial assets</b>		
Loans to employees	5,026	5,406
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - deposit accounts	55,823	31,057
<b>Financial liabilities</b>		
Long term financing	719,417	2,219,112
Liabilities against assets subject to finance lease	828	2,543
Short term borrowings	993,116	379,394

#### 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 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.

## Notes to the Financial Statements

For the year ended 30 June 2018

		Changes in Interest Rate	Effects on Profit Before Tax  (Rupees in thousand)
Bank balances - deposit accounts	2018	+1.00	558
		-1.00	(558)
	2017	+1.00	311
		-1.00	(311)
Long term financing	2018	+1.00	(7,194)
		-1.00	7,194
	2017	+1.00	(22,191)
		-1.00	22,191
Liabilities against assets subject to finance lease	2018	+1.00	(8)
		-1.00	8
	2017	+1.00	(25)
		-1.00	25
Short term borrowings	2018	+1.00	(9,931)
		-1.00	9,931
	2017	+1.00	(3,794)
		-1.00	3,794

### (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:

## Notes to the Financial Statements

For the year ended 30 June 2018

	2018	2017
	(Rupees in thousand)	
Long term deposits	19,879	19,879
Trade debts	732,216	371,238
Loans to employees	5,026	5,406
Trade deposits	6,555	6,218
Other receivables	31,511	10,414
Bank balances	63,485	40,958
	<b>858,672</b>	<b>454,113</b>

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:

	Rating			2018	2017
	Short Term	Long term	Agency	(Rupees in thousand)	
<b>Banks</b>					
MCB Bank Limited	A1+	AAA	PACRA	57,681	31,415
National Bank of Pakistan	A-1+	AAA	JCR - VIS	1,370	1,755
United Bank Limited	A-1+	AAA	JCR - VIS	299	6
Allied Bank Limited	A1+	AA+	PACRA	575	496
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,220	785
Habib Bank Limited	A-1+	AAA	JCR - VIS	415	2,358
Faysal Bank Limited	A-1+	AA	JCR - VIS	31	35
Bank Al-Habib Limited	A1+	AA+	PACRA	1,791	3,895
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	-	124
NIB Bank Limited	A1+	AA-	PACRA	102	86
Dubai Islamic Bank Limited	A-1	A+	JCR - VIS	1	3
				<b>63,485</b>	<b>40,958</b>

At 30 June 2018, the Company has 61 customers (2017: 42 customers) that owed the Company more than Rs. 2,500 thousand each and accounted for approximately 93 % (2017: 88 %) of all receivables.

There are 33 customers (2017: 16 customers) with balance greater than Rs. 7,000 thousand accounted for over 79% (2017: 60 %) of total amount receivables.

## Notes to the Financial Statements

For the year ended 30 June 2018

The Company's exposure to credit risk related to trade debts is disclosed in Note 21.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non-performance by these 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 committed credit lines.

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	Less than 1 year	Between 1 and 5 years	Over 5 years
----- (Rupees in thousand) -----				
<b>30 June 2018</b>				
Long term financing	2,925,708	39,880	2,129,182	756,646
Liabilities against assets subject to finance lease				
Trade and other payables	828	828	-	-
Trade and other payables	1,518,908	1,518,908	-	-
Short term borrowings	993,116	993,116	-	-
	<b>5,438,560</b>	<b>2,552,732</b>	<b>2,129,182</b>	<b>756,646</b>
----- (Rupees in thousand) -----				
	Carrying Amount	Less than 1 year	Between 1 and 5 years	Over 5 years
----- (Rupees in thousand) -----				
<b>30 June 2017</b>				
Long term financing	2,370,242	62,767	1,807,445	500,030
Liabilities against assets subject to finance lease	2,543	1,345	1,198	-
Trade and other payables	1,225,547	1,225,547	-	-
Short term borrowings	379,394	379,394	-	-
	<b>3,977,726</b>	<b>1,669,053</b>	<b>1,808,643</b>	<b>500,030</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

### 42.2 Fair values of financial assets and liabilities

Fair value of financial assets classified as available-for-sale 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.

#### 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 2018, the Company hold the following financial instruments carried at fair value on the statement of financial position:

#### Financial Assets measured at fair value

	2018	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----			
<b>Held for trading</b>				
Mutual fund units	-	-	-	-
<b>Available for sale financial assets</b>				
Equity shares	1,052,384	1,052,384	-	-

There were no liabilities measured at fair value as at 30 June 2018.

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

As at 30 June 2017, the Company held the following financial instruments measured at fair value:

## Notes to the Financial Statements

For the year ended 30 June 2018

### Financial Assets measured at fair value

	2017	Level 1	Level 2	Level 3
	----- (Rupees in thousand) -----			
<b>Held for trading</b>				
Mutual fund units	582,663	582,663	-	-
<b>Available for sale financial assets</b>				
Equity shares	1,326,457	1,326,457	-	105

There were no liabilities measured at fair value as at 30 June 2017.

### 41.3 Financial instruments by categories

	2018				
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
	----- (Rupees in thousand) -----				
<b>Financial assets as per balance sheet</b>					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	732,216	-	-	732,216
Loans to employees	-	5,026	-	-	5,026
Trade deposits	-	6,555	-	-	6,555
Short term investments	-	-	1,052,384	-	1,052,384
Other receivables	-	31,511	-	-	31,511
Cash and bank balances	64,827	-	-	-	64,827
<b>Total</b>	<b>64,827</b>	<b>795,187</b>	<b>1,052,384</b>	<b>-</b>	<b>1,912,398</b>
Total current					1,892,519
Total non current					19,879
<b>Total</b>					<b>1,912,398</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

	2018
	<b>Financial Liabilities at amortized cost (Rupees in thousand)</b>
<b>Liabilities as per balance sheet</b>	
Long term financing	2,925,708
Liabilities against assets subject to finance lease	828
Trade and other payables	1,518,744
Accrued markup	36,750
Short term borrowings	993,116
<b>Total</b>	<b>5,475,146</b>
Total current	2,549,438
Total non current	2,925,708
<b>Total</b>	<b>5,475,146</b>

	2017				
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
	----- (Rupees in thousand) -----				
<b>Financial assets as per balance sheet</b>					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	371,238	-	-	371,238
Loans to employees	-	5,406	-	-	5,406
Trade deposits	-	6,218	-	-	6,218
Short term investments	-	-	1,326,457	582,663	1,909,120
Other receivables	-	10,414	-	-	10,414
Cash and bank balances	41,676	-	-	-	41,676
<b>Total</b>	<b>41,676</b>	<b>413,155</b>	<b>1,326,457</b>	<b>582,663</b>	<b>2,363,951</b>
Total current					2,344,072
Total non current					19,879
<b>Total</b>					<b>2,363,951</b>

## Notes to the Financial Statements

For the year ended 30 June 2018

	2017
	<b>Financial Liabilities at amortized cost (Rupees in thousand)</b>
<b>Liabilities as per balance sheet</b>	
Long term financing	2,370,242
Liabilities against assets subject to finance lease	2,543
Trade and other payables	1,190,463
Accrued markup	35,084
Short term borrowings	379,394
<b>Total</b>	<b>3,977,726</b>
Total current	1,606,286
Total non current	2,371,440
<b>Total</b>	<b>3,977,726</b>

### 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	2018 (Rupees in thousand)	2017
The gearing ratio as at year ended 30 June 2018 and 30 June 2017 is as follows:			
Debt	(6) & (7) & (10)	3,919,652	2,752,179
Equity		5,620,199	5,280,236
<b>Total capital employed</b>		<b>9,539,851</b>	<b>8,032,415</b>
Gearing ratio		<b>41.09%</b>	34.26%

## Notes to the Financial Statements

For the year ended 30 June 2018

	2018	2017
	(Rupees in thousand)	
<b>42. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
<b>Spinning:</b>		
Spindle installed - Numbers	122,304	92,928
Spindle operated - Numbers	113,661	91,457
Production at normal capacity in 20 s count based on 3 shifts per day - Kgs	49,696,674	39,801,367
Actual production converted to 20 s count based on 3 shifts per day - Kgs	46,942,563	36,680,344
<b>Weaving:</b>		
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	95,284,972	81,339,984
Actual production at normal capacity converted to 50 picks based on 3 shifts per day - Square Meters	78,462,558	69,054,780

### 42.1 Reason for low production

Under utilization of available capacity is due to low demand and normal repair and maintenance of plant and machinery.

### 43. PROVIDENT FUND TRUST

Size of the fund	263,694	257,138
Cost of investment made	170,534	152,534
Percentage of investment made	64.67%	59.32%
Fair value of investment	(43.1) 243,968	248,059

	2018		2017	
	(Rupees in thousand)	% of Investment	(Rupees in thousand)	% of Investment
<b>43.1 Breakup of investment</b>				
Investment in listed securities	7,517	3%	7,483	3%
Investment in funds	236,451	97%	240,576	97%
	243,968	100%	248,059	100%

## Notes to the Financial Statements

For the year ended 30 June 2018

The figures for 2018 are based on the unaudited financial statements of the employees' provident fund. The investments in collective investment schemes, listed equity and listed debt securities out of aforementioned fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

	2018	2017
<b>44. NUMBER OF EMPLOYEES</b>		
Number of employees at the end of the year	2,781	2,565
Total number of factory employees at the end of the year	2,701	2,484
Average number of employees during the year	2,752	2,507
Average number of factory employees during the year	2,671	2,422

### 45. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on August 31, 2018 has proposed a cash dividend in respect of the year ended 30 June 2018 amounting to Rupees 4 per share and 1.5 bonus shares for every 10 shares (2017: Cash dividend of Rupees 3 per share and 10% bonus shares). 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. TAX ON UNDISTRIBUTED RESERVES

By virtue of amendments introduced through Finance Act 2018, the provisions of section 5A of the Income Tax Ordinance, 2001 were amended to the effect that a listed company that derives profit for a tax year but does not distribute at least 20% of its after tax profits within six months of the end of the said tax year through cash, shall be liable to pay tax at the rate of 5% of its accounting profit before tax.

Based on the historical data, the Company will distribute cash dividend equal to at least 20 percent of its after tax profits, within the prescribed time. after the end of the relevant tax year. Therefore, the Company believes that it would not be liable to pay tax on its undistributed reserves as of 30 June 2018.

## Notes to the Financial Statements

For the year ended 30 June 2018

### 47. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 31, August 2018.

### 48. CORRESPONDING FIGURES

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 34th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Wednesday October 24, 2018 at 10:30 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 Auditor's reports thereon for the year ended June 30, 2018.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 40% i.e. Rs. 4/- per share and bonus @ 15% i.e. 1.5 shares of every 10 shares for the year ended June 30, 2018.
3. To appoint auditors of the Company and fix their remuneration. The present auditor M/s EY Ford Rhodes Chartered Accountants retires and offers themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

### SPECIAL BUSINESS

5. To consider, and if thought fit, to pass the following resolution as a Special Resolution, as per SRO 470 (I)/2016 issued by the Securities and Exchange Commission of Pakistan, for the transmission of Annual Audited Accounts either through E-mail or CD/DVD/USB:
6. "RESOLVED that the Company may circulate the annual balance sheet and profit and loss account, auditor's report, directors' report etc. to its members through CD/DVD/USB instead of in hardcopy at their registered addresses".

### BOOK CLOSURE:

The Members' Register will remain closed from October 17, 2018 to October 24, 2018 (both day inclusive)

### NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on October 16, 2018 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.
- 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.

## Notice of Annual General Meeting

### For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement
- ii. Attested copies of valid CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his/her original valid CNIC or original passport at the time of the meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be produced (unless it has been provided earlier) at the time of meeting.

### Deduction of Tax on Dividend Income – Finance Act, 2017

It is hereby informed that pursuant to the Finance Act, 2017, effective from July 1, 2016, the rate of withholding tax under Section 150 of the Income Tax Ordinance, 2001 on dividend income has been segregated as follows:

- |     |   |     |
|-----|---|-----|
| i)  | Rate of tax deduction on dividend income for filer of income tax return     | 15% |
| ii) | Rate of tax deduction of dividend income for non filer of income tax return | 20% |

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

### Statement under Section 134(3) of the Companies Act, 2017

This statement is annexed to the Notice of the 34th Annual General Meeting of Suraj Cotton Mills Limited (the Company) to be held on Wednesday, October 24, 2018, at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

### ITEM (5) OF THE AGENDA.

To give effect to the notification S.R.O 470(I)2016 of the Securities and Exchange Commission of Pakistan ("SECP"), shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company however shall place on its website, subject to approval of resolution by shareholders; a standard request form to enable those members requiring a hardcopy of the Annual Report instead of through CD/DVD/USB, to communicate the Company of their requirement. Specimen of such request is attached herewith this notice.

In this connection after approval of members regarding aforementioned resolution, the Shareholders who wish to receive Annual Reports and Notices through e-mail are requested to provide through a letter duly signed by them as attached with this Notice of AGM, containing their particulars, i.e. Name, Folio / CDC A/c No. E-mail Address, Contact Number, CNIC Number (attach copy). Shareholders are also requested to notify immediately any change in their E-mail address to the Share Registrar of the Company, M/s. Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore. Ph. 042-35170335-37

By Order of the Board

Lahore  
October 03, 2018

Company Secretary

## Notice of Annual General Meeting

### STANDARD REQUEST FORM Circulation of Annual Audited Accounts

Chief Executive,  
M/s Corptec Associates (Private) Limited  
Independent Share Registrar of Suraj Cotton Mills Limited  
503-E, Johar Town,  
Lahore  
Email: info@corptec.com.pk

Dear Sir,  
Subject:

#### Request for Hard Copy of Annual Report of Suraj Cotton Mills Limited.

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on October 24, 2018, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, \_\_\_\_\_ S/o, D/o, W/o \_\_\_\_\_ being a registered shareholder of Suraj Cotton Mills Limited with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours Truly,

\_\_\_\_\_  
Shareholder's Signature

Note: This Standard Request Form may be sent at the following addresses of the Independent Share Registrar of the Company:

Chief Executive,  
M/s Corptec Associates (Private) Limited  
Independent Share Registrar of Suraj Cotton Mills Limited  
503-E, Johar Town,  
Lahore  
Email: info@corptec.com.pk

In case a member prefers to receive hard copies for all the future annual audited accounts, then such preference shall be communicated to the company in writing.

## Suraj Cotton Mills Limited

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

Date: October 03, 2018

Dear Shareholder,

This is to inform you that in accordance with the section 242 of the Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly into the bank account designed by the entitled shareholders. Please note that giving bank mandate for dividend payments is mandatory and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information to your respective CDC Participant / CDC Investor Account Services (in case your shareholding is in book Entry Form) OR to our Share Registrar M/s. Corptec Associates (Pvt) Ltd. 503-E Johar Town Lahore. ( in case your shareholding is in Physical Form):

Details of Shareholders	
Name of Shareholders	
Folio / CDS Account No.	
CNIC No. (Copy attached)	
Cell number of shareholders	
Landline number of shareholders, if any	
Email	
Details of Bank Account	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	PK_____ (24 digit) ( Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the Company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and address	
It is stated that the above mentioned information is correct and in case of any change herein, I / We will immediately intimate Participant / Share Registrar accordingly.	
Signature of Shareholders	

Second Fold

Affix Revenue  
Stamp

**Corptec Associates (Pvt) Ltd.**  
Shares Registrar: Suraj Cotton Mills Limited  
503-E Johar Town Lahore.

First Fold

Third Fold and Tuck In

## Suraj Cotton Mills Limited

**Notice to the Shareholders in terms of section 244 of the Companies Act 2017, to files their respective claims in respect of unpaid Dividend that remained unclaimed for a period of three years (or more)**

Dear Shareholder,

In terms of section 244 of the Companies Act, 2017 (the Act) promulgated on May 31, 2017, Companies are required to deposit with the Federal Government, all the dividends, which remain unclaimed or unpaid for a period of three years from the date of issue. In view of the forgoing, it is to inform you that if you have any outstanding/unclaimed dividend(s), in respect of your account, you are therefore, advised to contact and lodge your claim to the share Registrar of the Company at following address and arrange to receive your cheque against unclaimed/outstanding dividend after completing necessary formalities.

M/s Corptec Associates (Pvt) Ltd.  
503-E Johar Town Lahore  
Tel:042-35170335 -7

You are requested to submit your claim along with supporting evidence at your very earliest.

Yours sincerely

Company Secretary

Second Fold

Affix Revenue  
Stamp

**Corptec Associates (Pvt) Ltd.**

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

First Fold

Third Fold and Tuck In

## Form of Proxy

Thirty Fourth 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 34TH Annual General Meeting of the Company to be held on Wednesday, October 24, 2018 at 10:30 a.m. at Registered Office, 7-B-3, Aziz Avenue, Gulberg-5 Lahore and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

Witness 1:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Affix  
Revenue of Stamp  
of Rs. 5/-

Witness 2 :

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Signature of Member(s)

Note:

1. Proxies in order to be effective, must be received at the Registered Office of the Company at 7-B-3, Aziz Avenue, Gulberg-5, Lahore not later than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.



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**SURAJ COTTON MILLS LIMITED**

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[www.suraj.com](http://www.suraj.com)