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Company Profile

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

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.

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

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

Chief Financial Officer
Farooq Ahmad

Company Secretary
Gulraiz Ali

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

HR & R Committee
Ahsan Bashir (Chairman)
Asif Bashir (Member)
Humayun Maqbool (Member)

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

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

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

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

Project Locations
Nooriabad, District Dadu, Sindh.
Kotla Kahloon, District Nankana Sahib, Punjab.
Bhaikot, Rawind, District Lahore, Punjab.
Mission / Vision Statement

Our Business

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

Vision of Future Business

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

Our Strengths

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

Our Strategy

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

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

Our Values

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

For the current and past five financial years

### A Profitability Ratios

<table>
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</thead>
<tbody>
<tr>
<td>Gross profit ratio (%)</td>
<td>10.5</td>
<td>11.2</td>
<td>15.1</td>
<td>10.0</td>
<td>13.3</td>
<td>16.6</td>
</tr>
<tr>
<td>Operating profit margin to sales (%)</td>
<td>9.0</td>
<td>8.6</td>
<td>11.5</td>
<td>6.5</td>
<td>9.2</td>
<td>13.0</td>
</tr>
<tr>
<td>Net profit margin to sales (net) (%)</td>
<td>6.9</td>
<td>6.6</td>
<td>9.4</td>
<td>4.2</td>
<td>5.8</td>
<td>7.3</td>
</tr>
<tr>
<td>Return on average equity (%)</td>
<td>14.0</td>
<td>17.7</td>
<td>30.2</td>
<td>14.2</td>
<td>24.4</td>
<td>30.9</td>
</tr>
<tr>
<td>Return on capital employed (%)</td>
<td>16.8</td>
<td>20.3</td>
<td>29.3</td>
<td>19.3</td>
<td>31.7</td>
<td>39.2</td>
</tr>
<tr>
<td>Return on average assets (%)</td>
<td>10.2</td>
<td>12.3</td>
<td>20.1</td>
<td>8.5</td>
<td>13.1</td>
<td>14.5</td>
</tr>
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</table>

### B Liquidity Ratios

<p>| | | | | | | |</p>
<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Current ratio (times)</td>
<td>3.3</td>
<td>3.0</td>
<td>2.8</td>
<td>2.4</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Quick ratio (times)</td>
<td>2.5</td>
<td>1.8</td>
<td>1.2</td>
<td>1.2</td>
<td>0.4</td>
<td>0.5</td>
</tr>
</tbody>
</table>

### C Activity / Turnover Ratios

<p>| | | | | | | |</p>
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<tbody>
<tr>
<td>Debtors turnover ratio (times)</td>
<td>24.8</td>
<td>22.9</td>
<td>24.3</td>
<td>20.3</td>
<td>22.2</td>
<td>21.3</td>
</tr>
<tr>
<td>No. of days in receivables / Average collection period (days)</td>
<td>15</td>
<td>16</td>
<td>15</td>
<td>18</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>Inventory turnover ratio (times)</td>
<td>6.6</td>
<td>5.7</td>
<td>5.6</td>
<td>5.4</td>
<td>5.9</td>
<td>6.6</td>
</tr>
<tr>
<td>No. of days in inventory (days)</td>
<td>55</td>
<td>64</td>
<td>65</td>
<td>68</td>
<td>62</td>
<td>55</td>
</tr>
<tr>
<td>Creditors turnover ratio (times)</td>
<td>5.6</td>
<td>8.0</td>
<td>10.3</td>
<td>10.3</td>
<td>14.3</td>
<td>12.2</td>
</tr>
<tr>
<td>No. of days in creditors / Average payment period (days)</td>
<td>65</td>
<td>46</td>
<td>36</td>
<td>35</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td>Total assets turnover (times)</td>
<td>1.5</td>
<td>1.9</td>
<td>2.1</td>
<td>2.0</td>
<td>2.3</td>
<td>2.0</td>
</tr>
</tbody>
</table>

### D Investment / Market Ratios

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</thead>
<tbody>
<tr>
<td>Earnings per share (Rs.)</td>
<td>24.7</td>
<td>30.0</td>
<td>45.6</td>
<td>17.5</td>
<td>28.4</td>
<td>28.1</td>
</tr>
<tr>
<td>Price earnings ratio (times)</td>
<td>5.5</td>
<td>3.4</td>
<td>1.9</td>
<td>1.7</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Cash dividend per share (Rs.)</td>
<td>5.0</td>
<td>5.0</td>
<td>6.0</td>
<td>4.0</td>
<td>4.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Stock dividend / Bonus shares (%)</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>-</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td>Break-up value per share (Rs.)</td>
<td>188.0</td>
<td>181.2</td>
<td>172.2</td>
<td>130.3</td>
<td>128.0</td>
<td>104.3</td>
</tr>
</tbody>
</table>

### E Market value per share

<p>| | | | | | | |</p>
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</thead>
<tbody>
<tr>
<td>Closing (Rs.)</td>
<td>135.0</td>
<td>102.0</td>
<td>85.3</td>
<td>28.9</td>
<td>37.0</td>
<td>31.5</td>
</tr>
<tr>
<td>High (Rs.)</td>
<td>147.9</td>
<td>158.8</td>
<td>95.0</td>
<td>39.4</td>
<td>42.0</td>
<td>40.6</td>
</tr>
<tr>
<td>Low (Rs.)</td>
<td>93.0</td>
<td>73.0</td>
<td>28.0</td>
<td>22.0</td>
<td>29.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

### F Capital Structure Ratios

<p>| | | | | | | |</p>
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</tr>
</thead>
<tbody>
<tr>
<td>Debt equity ratio (%)</td>
<td>02:98</td>
<td>06:94</td>
<td>10:90</td>
<td>08:92</td>
<td>11:89</td>
<td>22:78</td>
</tr>
<tr>
<td>Total liabilities to total assets (%)</td>
<td>25.1</td>
<td>28.8</td>
<td>32.6</td>
<td>34.7</td>
<td>44.9</td>
<td>48.3</td>
</tr>
</tbody>
</table>
Vertical Analysis
For the current and past five financial years

### Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>%</th>
<th>2014</th>
<th>%</th>
<th>2013</th>
<th>%</th>
<th>2012</th>
<th>%</th>
<th>2011</th>
<th>%</th>
<th>2010</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>1,970,611</td>
<td>32.9%</td>
<td>1,982,781</td>
<td>35.7%</td>
<td>1,900,325</td>
<td>39.94%</td>
<td>1,863,083</td>
<td>47.20%</td>
<td>1,864,078</td>
<td>45.24%</td>
<td>1,347,064</td>
<td>54.32%</td>
</tr>
<tr>
<td>Investment property</td>
<td>100,000</td>
<td>1.7%</td>
<td>100,000</td>
<td>1.8%</td>
<td>100,000</td>
<td>2.04%</td>
<td>100,000</td>
<td>2.63%</td>
<td>100,000</td>
<td>2.63%</td>
<td>100,000</td>
<td>2.63%</td>
</tr>
<tr>
<td>Long term investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long term loans and deposits</td>
<td>19,531</td>
<td>0.3%</td>
<td>19,531</td>
<td>0.3%</td>
<td>18,974</td>
<td>0.38%</td>
<td>18,688</td>
<td>0.47%</td>
<td>12,810</td>
<td>0.33%</td>
<td>23,556</td>
<td>0.95%</td>
</tr>
<tr>
<td>Stock-in-trade</td>
<td>83,027</td>
<td>1.4%</td>
<td>89,846</td>
<td>1.62%</td>
<td>125,850</td>
<td>2.49%</td>
<td>106,446</td>
<td>2.70%</td>
<td>103,375</td>
<td>2.47%</td>
<td>76,769</td>
<td>2.11%</td>
</tr>
<tr>
<td>Trade debt</td>
<td>933,159</td>
<td>16.1%</td>
<td>1,372,741</td>
<td>24.75%</td>
<td>1,716,673</td>
<td>33.93%</td>
<td>1,198,393</td>
<td>29.99%</td>
<td>1,667,469</td>
<td>37.44%</td>
<td>1,027,381</td>
<td>28.30%</td>
</tr>
<tr>
<td>Trade debts and short term payables</td>
<td>230,127</td>
<td>3.8%</td>
<td>459,258</td>
<td>8.28%</td>
<td>406,138</td>
<td>8.03%</td>
<td>393,246</td>
<td>10.11%</td>
<td>432,174</td>
<td>10.32%</td>
<td>360,603</td>
<td>9.95%</td>
</tr>
<tr>
<td>Loan and advances</td>
<td>43,482</td>
<td>0.7%</td>
<td>56,046</td>
<td>1.01%</td>
<td>39,070</td>
<td>0.77%</td>
<td>42,165</td>
<td>1.10%</td>
<td>58,842</td>
<td>1.29%</td>
<td>47,362</td>
<td>1.30%</td>
</tr>
<tr>
<td>Total assets</td>
<td>6,012,390</td>
<td>100.0%</td>
<td>5,547,068</td>
<td>100.0%</td>
<td>6,058,830</td>
<td>100.0%</td>
<td>3,948,306</td>
<td>100.0%</td>
<td>4,186,629</td>
<td>100.0%</td>
<td>3,629,292</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

### Profit and Loss Account

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>%</th>
<th>2014</th>
<th>%</th>
<th>2013</th>
<th>%</th>
<th>2012</th>
<th>%</th>
<th>2011</th>
<th>%</th>
<th>2010</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales - net</td>
<td>8,562,185</td>
<td>100.0%</td>
<td>9,924,609</td>
<td>100.0%</td>
<td>9,593,325</td>
<td>100.0%</td>
<td>8,257,042</td>
<td>100.0%</td>
<td>8,797,929</td>
<td>100.0%</td>
<td>6,806,059</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>7,644,263</td>
<td>89.5%</td>
<td>8,808,650</td>
<td>88.6%</td>
<td>8,146,758</td>
<td>84.9%</td>
<td>7,492,717</td>
<td>90.0%</td>
<td>7,628,389</td>
<td>86.7%</td>
<td>6,751,905</td>
<td>83.4%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>907,922</td>
<td>10.5%</td>
<td>1,115,699</td>
<td>11.4%</td>
<td>1,447,567</td>
<td>15.1%</td>
<td>824,325</td>
<td>10.0%</td>
<td>1,169,040</td>
<td>13.3%</td>
<td>1,144,154</td>
<td>16.4%</td>
</tr>
<tr>
<td>Distribution and selling expenses</td>
<td>160,620</td>
<td>1.9%</td>
<td>233,778</td>
<td>2.4%</td>
<td>254,750</td>
<td>2.7%</td>
<td>169,659</td>
<td>2.3%</td>
<td>244,938</td>
<td>2.8%</td>
<td>136,003</td>
<td>2.0%</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>116,956</td>
<td>1.4%</td>
<td>115,279</td>
<td>1.3%</td>
<td>102,178</td>
<td>1.1%</td>
<td>87,379</td>
<td>1.1%</td>
<td>77,503</td>
<td>0.9%</td>
<td>66,978</td>
<td>1.0%</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>57,996</td>
<td>0.7%</td>
<td>94,838</td>
<td>1.0%</td>
<td>95,287</td>
<td>1.0%</td>
<td>38,706</td>
<td>0.5%</td>
<td>60,766</td>
<td>0.7%</td>
<td>64,540</td>
<td>0.9%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>205,262</td>
<td>2.4%</td>
<td>180,342</td>
<td>1.8%</td>
<td>106,522</td>
<td>1.1%</td>
<td>30,326</td>
<td>0.4%</td>
<td>20,587</td>
<td>0.2%</td>
<td>16,986</td>
<td>0.2%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>770,093</td>
<td>9.0%</td>
<td>852,406</td>
<td>9.6%</td>
<td>1,098,904</td>
<td>11.5%</td>
<td>538,497</td>
<td>6.6%</td>
<td>807,340</td>
<td>9.2%</td>
<td>854,322</td>
<td>13.0%</td>
</tr>
<tr>
<td>Finance costs</td>
<td>64,518</td>
<td>0.8%</td>
<td>83,924</td>
<td>0.8%</td>
<td>87,772</td>
<td>0.9%</td>
<td>104,522</td>
<td>1.3%</td>
<td>161,350</td>
<td>1.8%</td>
<td>196,209</td>
<td>2.8%</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>705,575</td>
<td>8.2%</td>
<td>768,482</td>
<td>8.7%</td>
<td>1,011,132</td>
<td>10.5%</td>
<td>433,975</td>
<td>5.3%</td>
<td>646,060</td>
<td>7.3%</td>
<td>698,083</td>
<td>10.1%</td>
</tr>
<tr>
<td>Taxation</td>
<td>114,084</td>
<td>1.3%</td>
<td>116,020</td>
<td>1.2%</td>
<td>107,706</td>
<td>1.1%</td>
<td>87,583</td>
<td>1.1%</td>
<td>136,138</td>
<td>1.5%</td>
<td>192,980</td>
<td>2.8%</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>591,491</td>
<td>6.9%</td>
<td>652,462</td>
<td>7.5%</td>
<td>903,345</td>
<td>9.4%</td>
<td>346,467</td>
<td>4.2%</td>
<td>510,862</td>
<td>5.8%</td>
<td>505,103</td>
<td>7.3%</td>
</tr>
</tbody>
</table>
### Key Operating and Financial Data

For the current and past five financial years

#### A Summary of Profit and Loss Account

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales - net</td>
<td>8,562,185</td>
<td>9,924,609</td>
<td>9,593,325</td>
<td>8,257,042</td>
<td>8,797,929</td>
<td>6,896,059</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>7,664,263</td>
<td>8,808,650</td>
<td>8,145,758</td>
<td>7,432,717</td>
<td>7,628,389</td>
<td>5,751,905</td>
</tr>
<tr>
<td>Gross profit</td>
<td>897,922</td>
<td>1,115,959</td>
<td>1,447,567</td>
<td>824,325</td>
<td>1,169,540</td>
<td>1,144,154</td>
</tr>
<tr>
<td>Distribution and selling expenses</td>
<td>160,620</td>
<td>233,778</td>
<td>254,750</td>
<td>189,659</td>
<td>244,538</td>
<td>135,003</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>116,095</td>
<td>115,279</td>
<td>102,178</td>
<td>87,379</td>
<td>77,503</td>
<td>66,975</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>57,396</td>
<td>94,838</td>
<td>98,257</td>
<td>38,796</td>
<td>60,746</td>
<td>64,540</td>
</tr>
<tr>
<td>Operating profit before finance costs</td>
<td>770,093</td>
<td>852,406</td>
<td>1,098,904</td>
<td>824,325</td>
<td>1,169,540</td>
<td>894,322</td>
</tr>
<tr>
<td>Finance costs</td>
<td>64,518</td>
<td>83,924</td>
<td>87,772</td>
<td>104,522</td>
<td>161,350</td>
<td>196,239</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>705,575</td>
<td>768,482</td>
<td>1,011,132</td>
<td>433,975</td>
<td>645,990</td>
<td>698,083</td>
</tr>
<tr>
<td>Taxation</td>
<td>114,084</td>
<td>116,020</td>
<td>107,787</td>
<td>87,508</td>
<td>135,138</td>
<td>192,980</td>
</tr>
<tr>
<td>Net income</td>
<td>591,491</td>
<td>652,462</td>
<td>903,345</td>
<td>346,467</td>
<td>510,852</td>
<td>505,103</td>
</tr>
</tbody>
</table>

#### B Summary of Balance Sheet

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>1,970,611</td>
<td>1,982,781</td>
<td>1,990,050</td>
<td>1,863,563</td>
<td>1,894,078</td>
<td>1,971,954</td>
</tr>
<tr>
<td>Stock-in-trade</td>
<td>933,159</td>
<td>1,372,741</td>
<td>1,716,673</td>
<td>1,183,983</td>
<td>1,567,459</td>
<td>1,027,331</td>
</tr>
<tr>
<td>Trade debts</td>
<td>230,127</td>
<td>459,258</td>
<td>406,138</td>
<td>383,246</td>
<td>432,174</td>
<td>135,003</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>987,599</td>
<td>791,840</td>
<td>770,582</td>
<td>536,709</td>
<td>513,595</td>
<td>40,966</td>
</tr>
<tr>
<td>Current assets</td>
<td>3,922,248</td>
<td>3,444,756</td>
<td>3,049,809</td>
<td>2,279,728</td>
<td>2,066,041</td>
<td>1,634,455</td>
</tr>
<tr>
<td>Total assets</td>
<td>6,012,390</td>
<td>5,547,068</td>
<td>5,058,833</td>
<td>3,948,305</td>
<td>4,186,629</td>
<td>3,629,932</td>
</tr>
<tr>
<td>Reserves</td>
<td>4,263,470</td>
<td>3,729,541</td>
<td>3,210,996</td>
<td>2,381,781</td>
<td>2,124,829</td>
<td>1,697,924</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>4,503,050</td>
<td>3,947,341</td>
<td>3,408,990</td>
<td>2,579,781</td>
<td>2,304,829</td>
<td>1,877,924</td>
</tr>
<tr>
<td>Long term financing</td>
<td>90,263</td>
<td>251,537</td>
<td>336,807</td>
<td>216,934</td>
<td>241,213</td>
<td>405,504</td>
</tr>
<tr>
<td>Deferred liabilities</td>
<td>213,970</td>
<td>215,535</td>
<td>212,186</td>
<td>213,386</td>
<td>215,943</td>
<td>210,978</td>
</tr>
<tr>
<td>Short term financing</td>
<td>148,857</td>
<td>205,276</td>
<td>224,216</td>
<td>287,391</td>
<td>778,292</td>
<td>404,431</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,204,708</td>
<td>1,132,020</td>
<td>1,099,990</td>
<td>938,204</td>
<td>1,424,333</td>
<td>1,124,073</td>
</tr>
</tbody>
</table>

#### C Summary of Cash Flow Statement

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>190,673</td>
<td>95,510</td>
<td>5,754</td>
<td>14,480</td>
<td>22,241</td>
<td>13,543</td>
</tr>
<tr>
<td>Net cash (used in) / generated from operating activities</td>
<td>1,374,302</td>
<td>914,367</td>
<td>563,684</td>
<td>873,888</td>
<td>34,184</td>
<td>400,675</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,191,626)</td>
<td>(746,406)</td>
<td>(526,028)</td>
<td>(357,612)</td>
<td>(103,549)</td>
<td>(71,291)</td>
</tr>
<tr>
<td>Net cash (used in) / generated from financing activities</td>
<td>(277,793)</td>
<td>(72,798)</td>
<td>52,100</td>
<td>(525,002)</td>
<td>61,604</td>
<td>(320,686)</td>
</tr>
<tr>
<td>Net increase / (decrease) in cash and cash equivalents</td>
<td>(95,117)</td>
<td>95,163</td>
<td>89,750</td>
<td>(8,726)</td>
<td>(7,761)</td>
<td>8,698</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>95,556</td>
<td>190,673</td>
<td>95,510</td>
<td>5,754</td>
<td>14,480</td>
<td>22,241</td>
</tr>
</tbody>
</table>

#### D Other data

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation and amortization</td>
<td>201,959</td>
<td>202,598</td>
<td>191,322</td>
<td>187,992</td>
<td>196,403</td>
<td>206,529</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>194,633</td>
<td>210,988</td>
<td>341,084</td>
<td>158,697</td>
<td>119,693</td>
<td>69,446</td>
</tr>
<tr>
<td>No. of ordinary shares (no. of shares in millions)</td>
<td>23,958</td>
<td>21,780</td>
<td>19,800</td>
<td>19,800</td>
<td>18,000</td>
<td>18,000</td>
</tr>
</tbody>
</table>
Directors’ Profile

Mr. Khalid Bashir, 73
Chairman
Director (Non-Executive)
Joint Board: 1998
Chief Executive & Director: Shams Textile Mills Limited
Director:
Shakarganj Mills Limited
The Crescent Textile Mills Limited
Crescent Cotton Mills Limited
Premier Insurance Limited

Mr. Nadeem Maqbool, 56
Chief Executive Officer
Director (Executive)
Joint Board: 1984
Director:
Premier Insurance Limited
Crescent Fibres Limited
Equity Textile Mills Limited
Premier Financial Services (Pvt) Limited
Mohd Amin Mohd Bashir International (Pvt) Limited

Mr. Ahsan Bashir, 46
Director (Executive)
Joint Board: 1994
Chief Executive & Director: Crescent Powertec Limited
Director: Crescent Bahuman Limited

Mr. Amjad Mahmood, 68
Director (Non-Executive)
Joint Board: 1988
Mr. Asif Bashir, 43
Director (Non-Executive)

Joint Board: 1996
Director: Shams Textile Mills Limited

Mr. Humayun Maqbool, 48
Director (Non-Executive)

Joint Board: 1996
Director: Crescent Fibres Limited
Crescent Powertec Limited

Mr. Mohammad Iqbal, 71
Director (Non-Executive)

Joint Board: 2010
Chairman & Director: Al Abbas Sugar Mills Limited
Acme Mills (Pvt.) Limited
Director: Javedan Cement Company Limited
BMA Assets Management Company Limited
ICON Global (Pvt) Limited
Chief Executive’s Review

On behalf of the Board of Directors, I present the operating and financial performance of the company for the year ended 30 June 2015. Although during the latter part of the period under review, the textile industry started to enter into a recessionary phase, your Company managed to maintain healthy returns with profit after tax of Rs. 591.491 million. As compared to last year, the profitability decline was restricted to under 9% with earnings per share of Rs. 24.69.

Operating Results

In the year under review your company performance was satisfactory and our results are indicative of this fact. Due to recessionary trends the company was unable to maintain the trend in the second half of the year. During this time there was a marked decline in the both prices and demand for yarn and fabrics especially in China which has become a major importer of Pakistani textile products. However, we were able to ensure that there was minimum inventory of finished goods and the cash flows of the company remained steady.

Our raw material procurement policy helped us to reduce carrying costs as well as take advantage of falling prices towards end of season. This coupled with our aggressive marketing helped us to reduce the negative effects on our results.

The Company’s sales decreased by approximately 14%, due to lower end product prices with a marked decline in exports of about 28% and in local sales of 7%. Export sales reduced because of low demand from China as well as lower sales prices. China remains the most important market for textile products but it is becoming very difficult to maintain market share in view of increasing competition from India and Vietnam. Domestic fabric demand in both local and export markets remained weak with low prices and low operating margins.

There was a marginal increase in administration costs as compared to the corresponding period. Distribution costs declined by 31% mainly due to the reduction in export sales on account of freight and forwarding, sales commissions and other related expenses.

For the period under review, financial charges decreased by about 23% compared to the corresponding period. Reduction on this account is largely due to business cash flows and the company’s income from financial assets.

The key financial results are as under;

<table>
<thead>
<tr>
<th>Particular</th>
<th>Rs. in Million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Sales</td>
<td>8,562</td>
</tr>
<tr>
<td>Gross profit</td>
<td>898</td>
</tr>
<tr>
<td>Operating profit</td>
<td>770</td>
</tr>
<tr>
<td>Financial cost</td>
<td>65</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>706</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>114</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>591</td>
</tr>
</tbody>
</table>

Other income rose by approximately 14% and this includes dividend income from investments as well as gain on disposal of investments. Due to better financial returns, the company’s net borrowing costs declined which has also contributed to lower financial charges.

Provision of energy to the textile industry showed some improvement as compared to the previous year. Even though electricity supply was better than previous years, gas shortages continue to persist, especially in Punjab. In Sindh, gas shortages are less pronounced but supply of gas is restricted to 6 days a week. Gas shortages are having an extremely detrimental effect on existing industries, which have to rely on higher cost alternate energy and in some cases, cease operations. New investment decisions are not being made due to energy issues and unless the governments objective of 24/7 availability of power is realized, there will be limited expansion of the industrial base. However, it is important to note that this situation may improve due to falling oil prices which make alternative energy a viable option.

The cotton crop output was almost 15 million bales, which was higher than last year. Although the output has increased marginally, there is still a need to introduce scientific measures to increase the cotton output so that the industry is able to maintain its competitive edge and reduce reliance on imports.

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 therefrom 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. 198.22 Million (2014: Rs. 158.65 Million).

j. All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.

k. Four meetings of the Board of Directors were held during the year 2014-15. Attendance by each director was as under:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Director</th>
<th>No. Of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mr. Ahsan Bashir</td>
<td>03</td>
</tr>
<tr>
<td>2.</td>
<td>Mr. Amjad Mahmood</td>
<td>03</td>
</tr>
<tr>
<td>3.</td>
<td>Mr. Asif Bashir</td>
<td>04</td>
</tr>
<tr>
<td>4.</td>
<td>Mr. Humayun Majbool</td>
<td>04</td>
</tr>
<tr>
<td>5.</td>
<td>Mr. Khalid Bashir</td>
<td>04</td>
</tr>
<tr>
<td>6.</td>
<td>Mr. Nadeem Majbool</td>
<td>04</td>
</tr>
<tr>
<td>7.</td>
<td>Mr. Mohammad Iqbal</td>
<td>04</td>
</tr>
</tbody>
</table>

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

**Audit Committee**

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

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Director</th>
<th>No. Of Meetings Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mr. Humayun Majbool</td>
<td>05</td>
</tr>
<tr>
<td>2.</td>
<td>Mr. Ahsan Bashir</td>
<td>03</td>
</tr>
<tr>
<td>3.</td>
<td>Mr. Asif Bashir</td>
<td>04</td>
</tr>
<tr>
<td>4.</td>
<td>Mr. Khalid Bashir</td>
<td>02</td>
</tr>
</tbody>
</table>

**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:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of Director</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Mr. Ahsan Bashir</td>
<td>Chairman</td>
</tr>
<tr>
<td>2.</td>
<td>Mr. Asif Bashir</td>
<td>Member</td>
</tr>
<tr>
<td>3.</td>
<td>Mr. Humayun Majbool</td>
<td>Member</td>
</tr>
</tbody>
</table>

**Directors’ Training Programme:**

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

Investor Value

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

The Break up value per share for the year is Rs. 188 (2014: Rs. 181.24)

Company Secretary

The Company appointed Mr. Gulraiz Ali as Company Secretary on January 20, 2015. The gross remuneration of Rs. 150,000/- along with other terms and conditions as per Company’s policy.

Auditors

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

Pattern of Shareholding

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

Key Operating and Financial Data

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

Corporate Governance

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

Future Outlook

We look at the future with caution in view of the demand destruction and low prices for both yarn and fabrics. Our main market, China, is beset with problems and demand for our products remains subdued. In addition, there is increasing regional competition with India and Vietnam steadily increasing their share in China. Our input costs continue to rise unabated and we have become uncompetitive. Our regional competitors have lower power costs and export incentives. In Pakistan, our costs have increased with the burden of Gas Infrastructure Development Cess, increase in natural gas prices and imposition of electricity surcharges. The Government should move to bring our input costs in line with our neighboring countries so that the industry is able to compete.

The current year cotton prices opened low but have become steady with mixed forecasts of the crop. The Government has reduced the crop size citing reasons of pest attack and excessive rainfall. It is too early to make any firm predictions in this regard. We hope that the damage is not significant and that the harvest is close to last years’ level. However, international prices of raw cotton remain on the lower side although cotton output is predicted to be lower than last year. But on the other hand, recessionary trends will lead to lower consumption as well. In Pakistan, sales of our products continue to be very bad and unless this phenomenon changes, we expect there to be pressure on operating margins with the textile industry not being able to maintain its past earnings.

China continues to be an important market for Pakistani and regional textiles. It continues to import large quantities of yarn and fabrics from this region but taking advantage of their position they are reducing prices. Pakistani yarn is no longer competitive and Indian yarns are being offered at cheaper prices and reducing our market share. Although the quantities from Pakistan remain higher than last year, the value has dropped significantly.

The government needs to take immediate and decisive action if it is to save the textile industry, which is contributing significantly to the national exchequer. There is a need to reduce the cost of doing business and special emphasis needs to be laid on the provision of uninterrupted and fairly priced utilities. The advantage of lower oil prices should be passed on to the industry so that it can become competitive and move to regain its share. The currency has remained stable with a recent correction of about 4%. It is quite apparent that this is not going to be adjusted to counter the declining exports.

We continue our focus on improving efficiencies and productivity within the existing plants. We had spoken about new investments in our existing plants and diversification in the last review. However, no major initiatives are planned at the moment and we will continue to monitor the situation before we make any decision.
The Board of Directors has given their approval to initiate preliminary studies. We will continue to keep our stakeholders apprised of progress in this regard.

Acknowledgements

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

Nadeem Maqbool
Chief Executive

October 02, 2015
Lahore
Statement of Compliance with the Best Practices of Corporate Governance

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

1. At present the Board included:

<table>
<thead>
<tr>
<th>Category</th>
<th>Names</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td>Mr. Nadeem Maqbool</td>
</tr>
<tr>
<td></td>
<td>Mr. Ahsan Bashir</td>
</tr>
<tr>
<td>Non-Executive Directors</td>
<td>Mr. Khalid Bashir</td>
</tr>
<tr>
<td></td>
<td>Mr. Amjad Mahmood</td>
</tr>
<tr>
<td></td>
<td>Mr. Asif Bashir</td>
</tr>
<tr>
<td></td>
<td>Mr. Humayun Maqbool</td>
</tr>
<tr>
<td></td>
<td>Mr. Mohammad Iqbal</td>
</tr>
</tbody>
</table>

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.


5. The Company has prepared a ‘Code of Conduct’, and has ensured that appropriate steps have been taken to disseminate it throughout the company along with supporting policies & procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Company has arranged an orientation course for its directors and all of the Directors met the criteria of minimum of 14 years of education and 15 years of experience on the board of listed companies.

10. The Board has approved appointment of CFO and Company Secretary including their remuneration and terms and conditions of employment.

11. The Directors’ report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an audit committee. It comprises of 3 (three) members, of whom two are non-executive Directors including the Chairman of the Committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by
the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed and HR and Remuneration Committee. It comprises three members, of whom two are non-executive and the chairman of the committee is an executive director.

18. The Board has outsourced the internal audit function to KPMG Taseer Hadi & Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Head of Internal Audit has resigned during the year and the post is currently vacant which will be filled by a suitable person appointed by the Board meeting requirements prescribed by the Code.

19. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The ‘closed period’ prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company’s securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. There is no independent director as required by the clause i (b) of the Code of Corporate Governance.

24. We confirm that all other material principles enshrined in the CCG have been complied with except for the above paragraph, toward which reasonable progress is being made by the company to seek compliance by next election of directors.

Nadeem Maqbool
Chief Executive

October 2, 2015
Lahore
# Pattern of Shareholding

As at June 30, 2015

<table>
<thead>
<tr>
<th>No. of Shareholders</th>
<th>Shareholding</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From</td>
<td>To</td>
<td>Total</td>
<td></td>
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<tr>
<td>183</td>
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<tr>
<td><strong>717</strong></td>
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<td><strong>23,958,000</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Categories of Shareholders</th>
<th>Number</th>
<th>Share Held</th>
<th>%</th>
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<tbody>
<tr>
<td>Joint Stock Companies</td>
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<tr>
<td>Mutual Fund</td>
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<tr>
<td>Investment Companies</td>
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<td>726,930</td>
<td>3.03</td>
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<tr>
<td>Insurance Companies</td>
<td>3</td>
<td>798,484</td>
<td>3.33</td>
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<tr>
<td>Others</td>
<td>3</td>
<td>50,315</td>
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<tr>
<td>Financial Institutions</td>
<td>3</td>
<td>159,672</td>
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<tr>
<td>Individuals</td>
<td>691</td>
<td>10,390,103</td>
<td>43.37</td>
</tr>
<tr>
<td>Modaraba</td>
<td>1</td>
<td>133</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>717</strong></td>
<td></td>
<td><strong>23,958,000</strong></td>
<td><strong>100.00</strong></td>
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</tbody>
</table>
### Categories of Share Holders

<table>
<thead>
<tr>
<th>Categories of Share Holders</th>
<th>Net Holding</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated Companies, Undertakings &amp; Related Parties:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crescent Powertec Limited</td>
<td>10,588,231</td>
<td>44.19</td>
</tr>
<tr>
<td>Premier Insurance Limited</td>
<td>7,958,466</td>
<td>3.33</td>
</tr>
<tr>
<td>National Investment Trust Limited:</td>
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<td></td>
</tr>
<tr>
<td>NBP-Trustee Department NI(U)T Fund</td>
<td>5,185,666</td>
<td>2.16</td>
</tr>
<tr>
<td>Directors, Their Spouse &amp; Minor Children:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr. Khalid Bashir (Director/Chairman)</td>
<td>1,088,446</td>
<td>4.54</td>
</tr>
<tr>
<td>Mr. Nadeem Maqbool (Director/Chief Executive)</td>
<td>81,295</td>
<td>0.34</td>
</tr>
<tr>
<td>Mr. Ahsan Bashir (Director)</td>
<td>1,336,429</td>
<td>5.58</td>
</tr>
<tr>
<td>Mr. Amjad Mahmood (Director)</td>
<td>10,525</td>
<td>0.04</td>
</tr>
<tr>
<td>Mr. Asif Bashir (Director)</td>
<td>141,911</td>
<td>0.59</td>
</tr>
<tr>
<td>Mrs. Humera Iqbal (W/o Mr. Mohammad Iqbal)</td>
<td>1,532,940</td>
<td>6.40</td>
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<tr>
<td>Executives:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executives</td>
<td>1,546,165</td>
<td>6.45</td>
</tr>
<tr>
<td>Public Sector Companies &amp; Corporations:</td>
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<tr>
<td></td>
<td>1,250</td>
<td>0.01</td>
</tr>
<tr>
<td>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas &amp; Pension Funds</td>
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<tr>
<td></td>
<td>935,818</td>
<td>3.91</td>
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<tr>
<td>Individuals, and Joint Stock Companies</td>
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<tr>
<td></td>
<td>4,470,986</td>
<td>18.85</td>
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<tr>
<td>TOTAL NUMBER OF SHARES</td>
<td>23,958,000</td>
<td>100.00</td>
</tr>
<tr>
<td>Shareholders’ Holding Five Percent or More Voting in the Co.:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crescent Powertec Limited</td>
<td>10,588,231</td>
<td>44.19</td>
</tr>
<tr>
<td>Mrs. Humera Iqbal</td>
<td>1,532,940</td>
<td>6.40</td>
</tr>
<tr>
<td>Mr. Adil Bashir</td>
<td>1,546,165</td>
<td>6.45</td>
</tr>
<tr>
<td>Mr. Ahsan Bashir</td>
<td>1,336,429</td>
<td>5.58</td>
</tr>
</tbody>
</table>

Details of Purchase / Sale of shares by Directors / CEO / Company Secretary / CFO and Their Spouses / Minor Children during 2015

15,000 shares were purchased by Mr. Ahsan Bashir, Director
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 best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Suraj Cotton Mills Limited (the Company) for the year ended 30 June 2015 to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board 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 Code requires 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, distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors and upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

Further, we have highlighted below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement:

<table>
<thead>
<tr>
<th>Paragraph Reference</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>The Head of Internal Audit has resigned during the year and the post is currently vacant which will be filled by a suitable person appointed by the Board meeting requirements prescribed by the Code.</td>
</tr>
<tr>
<td>23</td>
<td>There is no Independent Director as required by clause xi (b) of the Code of Corporate Governance</td>
</tr>
</tbody>
</table>

Chartered Accountants

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

Lahore: 02 October 2015
Auditors’ Report to The Member

We have audited the annexed balance sheet of Suraj Cotton Mills Limited (the Company) as at 30 June 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 4.1 of these financial statements with which we concur;

ii) the expenditure incurred during the year was for the purpose of the company’s business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company’s affairs as at 30 June 2015 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

____________________
Chartered Accountants

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

Lahore: 02 October 2015
# Balance Sheet

as at 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
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<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
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<td></td>
</tr>
<tr>
<td><strong>Share capital and reserves</strong></td>
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<tr>
<td>Authorized share capital</td>
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<tr>
<td>50,000,000 (2014: 50,000,000) ordinary shares of Rupees 10/- each</td>
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<tr>
<td>Issued, subscribed and paid up share capital</td>
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<td>Revenue reserves</td>
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<td>Liabilities against assets subject to finance lease</td>
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<td>Deferred taxation</td>
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<td>Current liabilities</td>
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<td>Trade and other payables</td>
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<td>Accrued interest on financing</td>
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<td>Short term borrowings</td>
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<td>Current portion of long term liabilities</td>
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<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
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<td><strong>CONTINGENCIES AND COMMITMENTS</strong></td>
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The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER
Balance Sheet  
as at 30 June 2015

<table>
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<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
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<tr>
<td></td>
<td>(Rupees in thousand)</td>
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</tr>
<tr>
<td>ASSETS</td>
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<td>Non-current assets</td>
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<td>Property, plant and equipment</td>
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<td>Stock-in-trade</td>
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<td>Trade deposits and short term prepayments</td>
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<td>Balances with statutory authorities</td>
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<tr>
<td>Short term investments</td>
<td>25</td>
<td>2,448,452</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>26</td>
<td>95,556</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>27</td>
<td>11,583</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,922,248</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td></td>
<td>6,012,390</td>
</tr>
</tbody>
</table>
Profit and Loss Account
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>28 8,562,185</td>
<td>9,924,609</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>29 7,664,263</td>
<td>8,808,650</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>897,922</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution cost</td>
<td>30 160,620</td>
<td>233,778</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>31 116,095</td>
<td>115,279</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>32 57,396</td>
<td>94,838</td>
</tr>
<tr>
<td></td>
<td></td>
<td>334,111</td>
</tr>
<tr>
<td>Other income</td>
<td>33 206,282</td>
<td>180,342</td>
</tr>
<tr>
<td>Finance cost</td>
<td>34 64,518</td>
<td>83,924</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td></td>
<td>705,575</td>
</tr>
<tr>
<td>Taxation</td>
<td>35 114,084</td>
<td>116,020</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td>591,491</td>
</tr>
<tr>
<td>Earnings per share - basic and diluted (Rupees)</td>
<td>36</td>
<td>24.69</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 46 form an integral part of these financial statements.
Statement of Comprehensive Income
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees in thousand)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>591,491</td>
<td>652,462</td>
</tr>
</tbody>
</table>

Other comprehensive income:

Other comprehensive income to be reclassified to profit or loss in subsequent periods:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrealized gain on available for sale investments</td>
<td>73,118</td>
<td>4,683</td>
</tr>
<tr>
<td>Items not to be reclassified to profit or loss in subsequent periods</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total other comprehensive income, net of tax

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total other comprehensive income, net of tax</td>
<td>73,118</td>
<td>4,683</td>
</tr>
</tbody>
</table>

Total comprehensive income for the year

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total comprehensive income for the year</td>
<td>664,609</td>
<td>657,145</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 46 form an integral part of these financial statements.
Cash Flow Statement  
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,733,959</td>
<td>1,276,136</td>
</tr>
<tr>
<td>37</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(71,306)</td>
<td>(85,843)</td>
</tr>
<tr>
<td></td>
<td>(40,446)</td>
<td>(53,218)</td>
</tr>
<tr>
<td></td>
<td>(139,005)</td>
<td>(103,908)</td>
</tr>
<tr>
<td></td>
<td>(108,900)</td>
<td>(118,800)</td>
</tr>
<tr>
<td></td>
<td>(359,657)</td>
<td>(361,769)</td>
</tr>
<tr>
<td></td>
<td>1,374,302</td>
<td>914,367</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM OPERATING ACTIVITIES

Cash generated from operations

Finance cost paid

WPPF paid

Income tax paid

Dividend paid

Net cash from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment

Proceeds from disposal of operating fixed assets

Purchase of investment property

Increase in capital work in progress

Investments made - net

Dividend received

Increase in long term deposits - net

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in long term financing - net

Decrease in short term borrowings - net

Finance lease liabilities repaid

Net cash used in financing activities

Net (decrease) / increase in cash and cash equivalents

Cash and cash equivalents at the beginning of year

Cash and cash equivalents at the end of year

The annexed notes from 1 to 46 form an integral part of these financial statements.
Statement of Changes in Equity
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital Reserves</th>
<th>Revenue Reserves</th>
<th>Revenue Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Premium on issue of shares</td>
<td>Unrealized gain / (loss) on available-for-sale investments</td>
<td>Sub total</td>
</tr>
<tr>
<td>Balance as at 01 July 2013</td>
<td>198,000</td>
<td>29,000</td>
<td>4,984</td>
</tr>
<tr>
<td>Profit for the year ended 30 June 2014</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>4,683</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>4,683</td>
</tr>
<tr>
<td>Transfer to general reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bonus shares issued for the year ended 30 June 2013 at the rate of 10%</td>
<td>19,800</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Final dividend for the year ended 30 June 2013 at the rate of Rs. 6 per share</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 30 June 2014</td>
<td>217,800</td>
<td>29,000</td>
<td>9,667</td>
</tr>
<tr>
<td>Profit for the year ended 30 June 2015</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>73,118</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>73,118</td>
</tr>
<tr>
<td>Transfer to general reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bonus shares issued for the year ended 30 June 2014 at the rate of 10%</td>
<td>21,780</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Final dividend for the year ended 30 June 2014 at the rate of Rs. 5 per share</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance as at 30 June 2015</td>
<td>239,580</td>
<td>29,000</td>
<td>82,785</td>
</tr>
</tbody>
</table>

The annexed notes from 1 to 46 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR
Notes to the Financial Statements
For the year ended 30 June 2015

1. THE COMPANY AND ITS OPERATIONS

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

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF PREPARATION

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

3.2 Significant accounting judgments and critical accounting estimates / assumptions

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

a) Income taxes (note 4.2)
The Company takes into account relevant provisions of the current income tax laws while providing for current and deferred taxes.

b) Useful lives, patterns of economic benefits and impairments (note 4.5)
Management has made estimates of residual values, useful lives and recoverable amounts of certain items of property, plant and equipment. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment loss.

c) Provision for slow moving /obsolete items (note 4.9 & 4.10)
Provision is made for slow moving and obsolete items. Provisions are made against those having no activity during the current and last three years and are considered obsolete by the management.
Notes to the Financial Statements
For the year ended 30 June 2015

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 and are as follows:

4.1 Change in accounting policy

During the year the Company changed its accounting policy for subsequent recognition of investment properties from fair value model to cost model under IAS 40, Investment Properties. This change has been accounted for in accordance with IAS 8, Accounting policies, Changes in Accounting Estimates and Errors. Had this change not been made, the Company's profit for the year and earnings per share would have been higher by Rs. (thousand) 4,000 and Rs. 0.17 per share respectively.

4.2 New and amended standards and interpretations become effective

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

- IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions
- IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment) – Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies

Improvements to Accounting Standards Issued by the IASB

- IFRS 2 – Share-based Payment - Definitions of vesting conditions
- IFRS 3 – Business Combinations – Accounting for contingent consideration in a business combination
- IFRS 3 – Business Combinations - Scope exceptions for joint ventures
- IFRS 8 – Operating Segments – Aggregation of operating segments
Notes to the Financial Statements
For the year ended 30 June 2015

IFRS 8 – Operating Segments - Reconciliation of the total of the reportable segments’ assets to the
IFRS 13 – Fair Value Measurement - Scope of paragraph 52
IAS16 – Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate
IAS 24 – Related Party Disclosures - Key management personnel
IAS 40 – Investment Property - Interrelationship between IFRS 3 and IAS 40

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

4.3 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.

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

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

4.4 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.

4.5 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.
Notes to the Financial Statements
For the year ended 30 June 2015

4.6 Property, plant and equipment

Owned

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

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

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

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

Leased

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

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

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

Capital work in progress

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

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

Impairment

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

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

4.8 Investment properties

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

4.9 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.

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 remeasured at fair value. For listed securities, fair value is determined on the basis of period end bid prices obtained from stock exchange quotations, while for unquoted securities, these are valued at lower of cost and break-up value.

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

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

Held for trading

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

The fair value of publicly traded securities is based on market prices quoted on the Karachi Stock Exchange at the balance sheet date.
Notes to the Financial Statements
For the year ended 30 June 2015

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

Impairment
At each balance sheet date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss. If any impairment losses are recognized as expense. In respect of ‘available for sale’ financial assets, cumulative impairment loss less any impairment loss on that financial assets previously recognized in profit and loss account is removed from statement of comprehensive income at disposal or derecognition and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.10 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.

4.11 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:

<table>
<thead>
<tr>
<th>Raw materials</th>
<th>- Weighted average cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials in transit</td>
<td>- At invoice value plus other charges incurred thereon</td>
</tr>
<tr>
<td>Work-in-progress and finished goods</td>
<td>- At average manufacturing cost including a proportion of production overheads</td>
</tr>
</tbody>
</table>

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

4.12 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 2015

4.13 Other receivables

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

4.14 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.

4.15 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.

4.16 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.

4.17 Derivative financial instruments

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

4.18 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.
Notes to the Financial Statements
For the year ended 30 June 2015

4.19 Revenue recognition

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

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

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

4.20 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.

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 Business segments

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

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

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

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.
Notes to the Financial Statements
For the year ended 30 June 2015

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.

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

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

<table>
<thead>
<tr>
<th>Standard</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 10 – Consolidated Financial Statements</td>
<td>01 January 2015</td>
</tr>
<tr>
<td>Consolidated Financial Statements, IFRS 12 Disclosure of - Interests in</td>
<td></td>
</tr>
<tr>
<td>IFRS 10 – Other Entities and IAS 27 Separate Financial Statements - Investment Entities (Amendment)</td>
<td>01 January 2016</td>
</tr>
<tr>
<td>Consolidated Financial Statements, IFRS 12 Disclosure of - Interests in</td>
<td>01 January 2016</td>
</tr>
<tr>
<td>IFRS 10 – Other Entities and IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)</td>
<td>01 January 2016</td>
</tr>
<tr>
<td>IFRS 10 – Associates and Joint Ventures - Sale or Contribution of Assets - between an Investor and its Associate or Joint Venture (Amendment)</td>
<td>01 January 2016</td>
</tr>
<tr>
<td>IFRS 11 – Joint Arrangements</td>
<td>01 January 2015</td>
</tr>
<tr>
<td>IFRS 11 – Joint Arrangements Accounting for Acquisition of Interest in - Joint Operation (Amendment)</td>
<td>01 January 2016</td>
</tr>
<tr>
<td>IFRS 12 – Disclosure of Interests in Other Entities</td>
<td>01 January 2015</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements  
For the year ended 30 June 2015

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2016. The Company expects that such improvements to the standards will not have any impact on the Company’s financial statements in the period of initial application.

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

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

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

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(No. of Shares)</td>
<td>(Rupees in thousand)</td>
<td>(Rupees in thousand)</td>
</tr>
<tr>
<td></td>
<td>Ordinary shares of Rupees 10 each</td>
<td>174,000</td>
<td>174,000</td>
</tr>
<tr>
<td></td>
<td>17,400,000</td>
<td>17,400,000 fully paid up in cash</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ordinary shares of Rupees 10 each</td>
<td>65,580</td>
<td>43,800</td>
</tr>
<tr>
<td></td>
<td>6,558,000</td>
<td>4,380,000 issued as fully paid bonus shares</td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,958,000</td>
<td>21,780,000</td>
<td>239,580</td>
</tr>
</tbody>
</table>

5.1 Ordinary shares of the Company held by related parties as at year end are as follows:
## Notes to the Financial Statements

### For the year ended 30 June 2015

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(No. of Shares)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crescent Powertec Limited</td>
<td>10,588,231</td>
<td>9,625,665</td>
</tr>
<tr>
<td>Premier Insurance Limited</td>
<td>798,466</td>
<td>725,879</td>
</tr>
<tr>
<td></td>
<td>11,386,697</td>
<td>10,351,544</td>
</tr>
</tbody>
</table>

### 6. LONG TERM FINANCING

**From banking companies - secured**

<table>
<thead>
<tr>
<th>Finance</th>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance 1</td>
<td>(6.1)</td>
<td>4,630</td>
<td>22,439</td>
</tr>
<tr>
<td>Finance 2</td>
<td>-</td>
<td>-</td>
<td>19,234</td>
</tr>
<tr>
<td>Finance 3</td>
<td>(6.2)</td>
<td>6,397</td>
<td>19,188</td>
</tr>
<tr>
<td>Finance 4</td>
<td>(6.3)</td>
<td>3,447</td>
<td>37,826</td>
</tr>
<tr>
<td>Finance 5</td>
<td>(6.4)</td>
<td>73,558</td>
<td>120,368</td>
</tr>
<tr>
<td>Finance 6</td>
<td>-</td>
<td>-</td>
<td>20,587</td>
</tr>
<tr>
<td>Finance 7</td>
<td>(6.5)</td>
<td>56,806</td>
<td>127,268</td>
</tr>
<tr>
<td>Less: Current portion taken as current liability</td>
<td>(12)</td>
<td>144,838</td>
<td>367,010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54,575</td>
<td>115,473</td>
</tr>
<tr>
<td></td>
<td></td>
<td>90,263</td>
<td>251,537</td>
</tr>
</tbody>
</table>

### 6.1
This facility represents the loan obtained from Habib Bank Limited under the EOP-LTF Scheme launched by SBP to retire import letter of credits for machinery under Balancing, Modernization and Replacement (BMR) of the project. It carries mark up at SBP refinance rate plus 2% (2014: SBP refinance rate plus 2%) per annum payable quarterly. This is secured against first pari passu equitable mortgage on land and building, hypothecation charge on plant and machinery of the Company to the extent of Rs. 187,000 thousand and personal guarantees of sponsoring directors. The loan is repayable in twenty four equal quarterly installments. However, State Bank of Pakistan had granted one year moratorium on all loans installments payable in calendar year 2009 on the EOP-LTF loans.

### 6.2
This represents term finance obtained from MCB Bank Limited to finance imported air jet looms. It carries mark up at SBP refinance rate plus 2% (2014: SBP refinance rate plus 2%) per annum. This finance is secured against first pari passu charge of Rs. 170,000 thousand over fixed assets of the Company and personal guarantees of the sponsoring directors. The loan is repayable in twelve equal semi annual installments. However, State Bank of Pakistan had granted one year moratorium on all loans installments payable in calendar year 2009 on the EOP-LTF loans.

### 6.3
This finance has been obtained from MCB Bank Limited to retire LC’s opened for importing compact frames and air compressor for industrial use. It carries markup at 1 month KIBOR plus 2.25% (2014: 1 month KIBOR plus 2.25%) per annum to be paid quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion is to be repaid in five years through seven equal half yearly installments starting from November 2013 after grace period of one and a half year.

### 6.4
This finance has been obtained from MCB Bank Limited for import of compact frames, blow room medication and high production cards. It carries markup at 6 month KIBOR plus 1.75% (2014: 6 month KIBOR plus 1.75%) per annum to be serviced quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands and personal guarantees of the sponsoring directors. The principal portion of loan is to be repaid in five years through sixteen equal quarterly installments starting from February 2014 with grace period of one year.
Notes to the Financial Statements
For the year ended 30 June 2015

6.5 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% (2014: 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 thousands and personal guarantees of sponsoring directors. The principal portion is to be repaid in seven years through ten equal semi annual installments starting form April 2015 with grace period of two years.

7. **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

The amount of future rentals and periods during which they fall due are as under:

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>370</td>
<td>333</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>454</td>
<td>990</td>
</tr>
<tr>
<td>Less : Future financial charges</td>
<td>824</td>
<td>1,323</td>
</tr>
<tr>
<td>Present value of minimum lease payments</td>
<td>173</td>
<td>470</td>
</tr>
<tr>
<td>Less : Current portion taken as current liability</td>
<td>(7.1) 651</td>
<td>853</td>
</tr>
<tr>
<td>(7.2) Less : Current portion taken as current liability</td>
<td>(12) 252</td>
<td>218</td>
</tr>
<tr>
<td></td>
<td>399</td>
<td>635</td>
</tr>
</tbody>
</table>

7.1 Break up of net lease obligation

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>252</td>
<td>218</td>
</tr>
<tr>
<td>Within two to five years</td>
<td>399</td>
<td>635</td>
</tr>
<tr>
<td></td>
<td>651</td>
<td>853</td>
</tr>
</tbody>
</table>

7.2 The value of the minimum lease payments has been discounted at an implicit interest rate of 12 month KIBOR plus 4% (2014: 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.

8. **DEFERRED TAXATION**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable temporary differences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerated tax depreciation</td>
<td>228,046</td>
<td>230,217</td>
</tr>
<tr>
<td>Finance lease arrangements</td>
<td>60</td>
<td>259</td>
</tr>
<tr>
<td></td>
<td>228,106</td>
<td>230,476</td>
</tr>
<tr>
<td>Deductible temporary differences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for doubtful debts</td>
<td>(8,612)</td>
<td>(9,684)</td>
</tr>
<tr>
<td>Provision for slow moving / obsolete items</td>
<td>(5,524)</td>
<td>(5,257)</td>
</tr>
<tr>
<td></td>
<td>(14,136)</td>
<td>(14,941)</td>
</tr>
<tr>
<td></td>
<td>213,970</td>
<td>215,535</td>
</tr>
</tbody>
</table>
### Notes to the Financial Statements

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>TRADE AND OTHER PAYABLES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creditors</td>
<td>363,153</td>
<td>351,097</td>
</tr>
<tr>
<td></td>
<td>Accrued liabilities</td>
<td>519,741</td>
<td>333,747</td>
</tr>
<tr>
<td>(9.2)</td>
<td>Workers’ profit participation fund</td>
<td>37,136</td>
<td>40,446</td>
</tr>
<tr>
<td></td>
<td>Excise duty payable on loans</td>
<td>11,707</td>
<td>11,707</td>
</tr>
<tr>
<td></td>
<td>Income tax deducted at source</td>
<td>1,351</td>
<td>846</td>
</tr>
<tr>
<td></td>
<td>Payable to employees’ provident fund trust</td>
<td>2</td>
<td>496</td>
</tr>
<tr>
<td></td>
<td>Unclaimed dividend</td>
<td>2,149</td>
<td>2,049</td>
</tr>
<tr>
<td></td>
<td>Workers welfare fund</td>
<td>52,360</td>
<td>51,452</td>
</tr>
<tr>
<td></td>
<td></td>
<td>987,599</td>
<td>791,840</td>
</tr>
<tr>
<td>9.1</td>
<td>These include an amount of Rs. 22,246 thousand (2014: Rs. 17,722 thousand) due to associated undertakings.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.2</td>
<td><strong>Workers’ profit participation fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance at the beginning of the year</td>
<td>40,446</td>
<td>53,218</td>
</tr>
<tr>
<td></td>
<td>Allocation for the year</td>
<td>37,136</td>
<td>40,446</td>
</tr>
<tr>
<td></td>
<td>Payments made during the year</td>
<td>77,582</td>
<td>93,664</td>
</tr>
<tr>
<td></td>
<td>Closing balance</td>
<td>(40,446)</td>
<td>(53,218)</td>
</tr>
<tr>
<td>10.</td>
<td><strong>ACCRUED INTEREST ON FINANCING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Long term financing</td>
<td>5,366</td>
<td>10,863</td>
</tr>
<tr>
<td></td>
<td>Short term borrowings</td>
<td>7,042</td>
<td>8,342</td>
</tr>
<tr>
<td></td>
<td>Liabilities against assets subject to finance lease</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12,425</td>
<td>19,219</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2015

11. SHORT TERM BORROWINGS

From banking companies - secured

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees in thousand)</td>
<td></td>
</tr>
<tr>
<td>Cash finance</td>
<td>(11.1)</td>
<td>25,905</td>
</tr>
<tr>
<td>Running finance</td>
<td>(11.1)</td>
<td>149,857</td>
</tr>
<tr>
<td></td>
<td></td>
<td>179,371</td>
</tr>
<tr>
<td></td>
<td></td>
<td>149,857</td>
</tr>
<tr>
<td></td>
<td></td>
<td>205,276</td>
</tr>
</tbody>
</table>

11.1 Finance facilities aggregating to Rs. 2,275,000 thousand (2014: Rs. 2,125,000 thousand) are available under mark-up agreements and carry mark up ranging from KIBOR plus 0.20 % to 1.75 % (2014: 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.

12. CURRENT PORTION OF LONG TERM LIABILITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees in thousand)</td>
<td></td>
</tr>
<tr>
<td>Long term financing</td>
<td>(6)</td>
<td>54,575</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>(7)</td>
<td>252</td>
</tr>
<tr>
<td></td>
<td></td>
<td>115,473</td>
</tr>
<tr>
<td></td>
<td></td>
<td>218</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54,827</td>
</tr>
<tr>
<td></td>
<td></td>
<td>115,691</td>
</tr>
</tbody>
</table>

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is contingent liability in respect of bank guarantees issued by the Company’s bankers in the ordinary course of business in favour of collector of customs aggregating to Rs. 810 thousand (2014: Rs. 810 thousand) against cases pending in the court of law.

13.2 Commitments

Commitment in respect of letter of credit for capital expenditures amounts to Rs. 266,658 thousand (2014: Rs. 49,202).
14. OPERATING FIXED ASSETS

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>Cost</th>
<th>Accumulated depreciation</th>
<th>Net Book Value</th>
<th>Additions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE AS AT 01 JULY 2014</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land - Freehold</td>
<td>69,173</td>
<td></td>
<td>69,173</td>
<td>18,831</td>
</tr>
<tr>
<td>Land - Leasehold</td>
<td>2,108</td>
<td>616</td>
<td>1,492</td>
<td></td>
</tr>
<tr>
<td>Building on freehold land</td>
<td>82,310</td>
<td>60,251</td>
<td>22,059</td>
<td></td>
</tr>
<tr>
<td>Building on leasehold land</td>
<td>332,574</td>
<td>219,487</td>
<td>113,087</td>
<td></td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>3,756,919</td>
<td>2,115,647</td>
<td>1,641,272</td>
<td>147,514</td>
</tr>
<tr>
<td>Electric installations</td>
<td>83,626</td>
<td>54,746</td>
<td>28,880</td>
<td></td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3,549</td>
<td>2,500</td>
<td>1,049</td>
<td></td>
</tr>
<tr>
<td>Office equipments</td>
<td>38,624</td>
<td>24,017</td>
<td>14,607</td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>88,297</td>
<td>44,159</td>
<td>44,138</td>
<td>26,013</td>
</tr>
<tr>
<td></td>
<td>4,457,180</td>
<td>2,521,423</td>
<td>1,935,757</td>
<td>192,358</td>
</tr>
</tbody>
</table>

| **FOR THE YEAR**                 |            |                          |                |           |
| Transfer                         | Disposal   | Depreciation charge      |                |           |
| Cost (accumulated depreciation)  | Cost       | (accumulated depreciation) |                |           |
|                                 |            |                          |                |           |
| Land - Freehold                  | 69,173     | -                        | -              | 69,173    |
| Land - Leasehold                 | 2,108      | -                        | -              | 2,108     |
| Building on freehold land        | 82,310     | -                        | -              | 82,310    |
| Building on leasehold land       | 332,574    | -                        | -              | 332,574   |
| Plant and machinery              | 3,756,919  | -                        | -              | 3,756,919 |
| Electric installations           | 83,626     | -                        | -              | 83,626    |
| Furniture and fixtures           | 3,549      | -                        | -              | 3,549     |
| Office equipments                | 38,624     | -                        | -              | 38,624    |
| Vehicles                         | 88,297     | -                        | -              | 88,297    |
|                                  | 4,457,180  | -                        | -              | 4,457,180 |

| **BALANCE AS AT 30 JUNE 2015**   |            |                          |                |           |
| RATES %                          |            |                          |                |           |

\[
\begin{align*}
\text{Rupees in thousand} & \text{Land - Freehold} & 69,173 & 69,173 & 18,831 \\
\text{Land - Leasehold} & 2,108 & 1,492 & 21 & 2,108 \\
\text{Building on freehold land} & 82,310 & 60,251 & 22,059 & 10,440 \\
\text{Building on leasehold land} & 332,574 & 219,487 & 113,087 & 3,075 \\
\text{Plant and machinery} & 3,756,919 & 2,115,647 & 1,641,272 & 172,762 \\
\text{Electric installations} & 83,626 & 54,746 & 28,880 & 2,902 \\
\text{Furniture and fixtures} & 3,549 & 2,500 & 1,049 & 107 \\
\text{Office equipments} & 38,624 & 24,017 & 14,607 & 1,454 \\
\text{Vehicles} & 88,297 & 44,159 & 44,138 & 10,966 \\
\text{Total} & 4,457,180 & 2,521,423 & 1,935,757 & 201,727 \\
\end{align*}
\]

\[
\begin{align*}
\text{Rupees in thousand} & \text{Land - Freehold} & 69,173 & 69,173 & 18,831 \\
\text{Land - Leasehold} & 2,108 & 1,492 & 21 & 2,108 \\
\text{Building on freehold land} & 82,310 & 60,251 & 22,059 & 10,440 \\
\text{Building on leasehold land} & 332,574 & 219,487 & 113,087 & 3,075 \\
\text{Plant and machinery} & 3,756,919 & 2,115,647 & 1,641,272 & 172,762 \\
\text{Electric installations} & 83,626 & 54,746 & 28,880 & 2,902 \\
\text{Furniture and fixtures} & 3,549 & 2,500 & 1,049 & 107 \\
\text{Office equipments} & 38,624 & 24,017 & 14,607 & 1,454 \\
\text{Vehicles} & 88,297 & 44,159 & 44,138 & 10,966 \\
\text{Total} & 4,457,180 & 2,521,423 & 1,935,757 & 201,727 \\
\end{align*}
\]

14.1 Depreciation charge for the year on operating fixed assets has been allocated as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>189,318</td>
<td>190,540</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>12,409</td>
<td>11,768</td>
</tr>
<tr>
<td>Total</td>
<td>201,727</td>
<td>202,308</td>
</tr>
</tbody>
</table>
14.2 Disposal of operating fixed assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Accumulated Depreciation</th>
<th>Net Book Value</th>
<th>Sale Proceeds</th>
<th>Mode of Disposal</th>
<th>Sold to</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vehicles:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shahzore truck</td>
<td>569</td>
<td>549</td>
<td>20</td>
<td>425</td>
<td>Negotiation</td>
<td>Mr. Saleem Moeen</td>
</tr>
<tr>
<td>Flat pick-up</td>
<td>80</td>
<td>80</td>
<td>-</td>
<td>400</td>
<td>Negotiation</td>
<td>Madni Motors</td>
</tr>
<tr>
<td>Honda City</td>
<td>1,553</td>
<td>602</td>
<td>951</td>
<td>1,275</td>
<td>Negotiation</td>
<td>Shuja Saleem</td>
</tr>
<tr>
<td>Suzuki Liana</td>
<td>1,199</td>
<td>695</td>
<td>514</td>
<td>759</td>
<td>Negotiation</td>
<td>Premier Insurance</td>
</tr>
<tr>
<td>Mercedes Benz</td>
<td>10,183</td>
<td>6,814</td>
<td>3,368</td>
<td>4,500</td>
<td>Negotiation</td>
<td>Waleed Zafar</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,584</td>
<td>8,740</td>
<td>4,853</td>
<td>7,359</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

15. ASSETS SUBJECT TO FINANCE LEASE

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>BALANCE AS AT 01 JULY 2013</th>
<th>FOR THE YEAR</th>
<th>BALANCE AS AT 30 JUNE 2014</th>
<th>RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Accumulated depreciation</td>
<td>Net Book Value</td>
<td>Additions</td>
</tr>
<tr>
<td>VEHICLES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VEHICLES</td>
<td>1,673</td>
<td>223</td>
<td>1,450</td>
<td>-</td>
</tr>
</tbody>
</table>

15.1 Depreciation charge for the year on assets subject to finance lease has been allocated to administrative expenses.
Notes to the Financial Statements
For the year ended 30 June 2015

16. CAPITAL WORK IN PROGRESS

This includes advance given to M/s Tricon Developers of Rs. 44,209 thousands (2014: 44,209 thousands) for purchase of office. The title of the office is executed in the favour of Company as on November 2012. The office is still under construction as on 30 June 2015.

17. INVESTMENT PROPERTIES

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>100,000</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

17.1 This represents plots purchased by the Company in June 2014 stated at cost. The fair value of this property is Rs. 104 million which has been determined based on valuations as at 15 September 2015 performed by registered independent appraiser Jasper & Jasper having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The valuation is based on comparable market transactions that consider sales of similar properties that have been transacted in open market.

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

18. STORES, SPARE PARTS AND LOOSE TOOLS

<table>
<thead>
<tr>
<th></th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores in transit</td>
<td>2,887</td>
<td>-</td>
</tr>
<tr>
<td>Stores</td>
<td>102,436</td>
<td>112,891</td>
</tr>
<tr>
<td>Spare parts</td>
<td>3,172</td>
<td>2,447</td>
</tr>
<tr>
<td>Loose tools</td>
<td>106</td>
<td>82</td>
</tr>
<tr>
<td></td>
<td>108,601</td>
<td>115,420</td>
</tr>
<tr>
<td>Less : Provision for slow moving / obsolete items</td>
<td>(18.1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,574</td>
<td>25,574</td>
</tr>
<tr>
<td></td>
<td>83,027</td>
<td>89,846</td>
</tr>
</tbody>
</table>

18.1 Provision for slow moving / obsolete items

<table>
<thead>
<tr>
<th></th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>25,574</td>
<td>24,171</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>-</td>
<td>1,403</td>
</tr>
<tr>
<td></td>
<td>25,574</td>
<td>25,574</td>
</tr>
<tr>
<td>Adjusted during the year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>25,574</td>
<td>25,574</td>
</tr>
</tbody>
</table>

19. STOCK-IN-TRADE

<table>
<thead>
<tr>
<th></th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material in transit</td>
<td>-</td>
<td>89,593</td>
</tr>
<tr>
<td>Raw material</td>
<td>246,928</td>
<td>406,082</td>
</tr>
<tr>
<td>Work in process</td>
<td>103,093</td>
<td>113,163</td>
</tr>
<tr>
<td>Finished goods</td>
<td>577,158</td>
<td>669,746</td>
</tr>
<tr>
<td>Waste</td>
<td>5,980</td>
<td>4,157</td>
</tr>
<tr>
<td></td>
<td>933,159</td>
<td>1,372,741</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2015

19.1 During the year Rs. Nil thousands (2014: 75,686) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of sales.

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20. TRADE DEBTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Considered good:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secured against letters of credit</td>
<td>60,973</td>
<td>108,129</td>
</tr>
<tr>
<td>Unsecured</td>
<td>(20.1)</td>
<td>169,154</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Considered doubtful - unsecured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Provision for doubtful debts</td>
<td>(20.3)</td>
<td>(28,709)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20.1 This includes amount due from following associated companies:

<table>
<thead>
<tr>
<th>Company</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crescent Textile Mills Limited</td>
<td>1,266</td>
<td>-</td>
</tr>
<tr>
<td>Crescent Cotton Mills Limited</td>
<td>54</td>
<td>54</td>
</tr>
<tr>
<td>Crescent Bahuman Limited</td>
<td>29,697</td>
<td>225</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31,017</td>
</tr>
</tbody>
</table>

20.2 There are no past due or impaired receivables from related parties as on 30 June 2015.

20.3 Provision for doubtful debts

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>28,709</td>
<td>28,482</td>
</tr>
<tr>
<td>Addition during the year</td>
<td>(32)</td>
<td>483</td>
</tr>
<tr>
<td></td>
<td>28,709</td>
<td>28,482</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Age analysis</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not past due</td>
<td>128,754</td>
<td>312,000</td>
</tr>
<tr>
<td>Past due 0 - 180 days</td>
<td>85,539</td>
<td>139,219</td>
</tr>
<tr>
<td>Past due 180 - 365 days</td>
<td>11,059</td>
<td>6,063</td>
</tr>
<tr>
<td>1 - 2 years</td>
<td>4,775</td>
<td>1,976</td>
</tr>
<tr>
<td></td>
<td></td>
<td>230,127</td>
</tr>
</tbody>
</table>

**Age of impaired trade debts**

<table>
<thead>
<tr>
<th>Age of impaired trade debts</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due 0 - 180 days</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Past due 180 - 365 days</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1 - 2 years</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>More than 2 years</td>
<td>28,709</td>
<td>28,482</td>
</tr>
<tr>
<td></td>
<td>28,709</td>
<td>28,482</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2015

21. LOANS AND ADVANCES

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans to employees - considered good - unsecured</td>
<td>4,156</td>
<td>5,299</td>
</tr>
<tr>
<td>Advances - considered good:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To suppliers - unsecured</td>
<td>33,092</td>
<td>44,374</td>
</tr>
<tr>
<td>Against letters of credit - secured</td>
<td>6,234</td>
<td>6,373</td>
</tr>
<tr>
<td>Total</td>
<td>39,326</td>
<td>50,747</td>
</tr>
<tr>
<td>Total</td>
<td>43,482</td>
<td>56,046</td>
</tr>
</tbody>
</table>

22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security deposits</td>
<td>656</td>
<td>992</td>
</tr>
<tr>
<td>Short term prepayments</td>
<td>3,449</td>
<td>3,626</td>
</tr>
<tr>
<td>Total</td>
<td>4,105</td>
<td>4,618</td>
</tr>
</tbody>
</table>

23. BALANCES WITH STATUTORY AUTHORITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales tax refundable</td>
<td>55,471</td>
<td>66,974</td>
</tr>
<tr>
<td>Export rebate</td>
<td>2,239</td>
<td>3,332</td>
</tr>
<tr>
<td>Total</td>
<td>57,710</td>
<td>70,306</td>
</tr>
</tbody>
</table>

24. OTHER RECEIVABLES

These include cotton claims receivables which are considered good by the management of the Company.

25. SHORT TERM INVESTMENTS

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available for sale</td>
<td>(25.1) 698,207</td>
<td>26,756</td>
</tr>
<tr>
<td>Held for trading</td>
<td>(25.2) 1,750,245</td>
<td>1,159,088</td>
</tr>
<tr>
<td>Total</td>
<td>2,448,452</td>
<td>1,185,844</td>
</tr>
</tbody>
</table>
### Notes to the Financial Statements

#### For the year ended 30 June 2015

#### 25.1 Available for sale

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quoted</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in related party</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premier Insurance Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>360,926 (2014: 721,353) fully paid ordinary shares of Rupees 10 each.</td>
<td>12,135</td>
<td>8,152</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakistan International Airlines Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 6,124) fully paid ordinary shares of Rupees 10 each.</td>
<td>-</td>
<td>45</td>
</tr>
<tr>
<td>Samba Bank Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,652,306 (2014: 1,652,306) fully paid ordinary shares of Rupees 10 each.</td>
<td>15,875</td>
<td>15,875</td>
</tr>
<tr>
<td>PICIC Energy Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 73,789) fully paid ordinary shares of Rupees 10 each.</td>
<td>-</td>
<td>745</td>
</tr>
<tr>
<td>NIB Bank Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,000,000 (2014: 1,000,000) fully paid ordinary shares of Rupees 10 each.</td>
<td>4,574</td>
<td>4,574</td>
</tr>
<tr>
<td>Nimir Industrial Chemical Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>75,000 (2014: 125,000) fully paid ordinary shares of Rupees 10 each.</td>
<td>621</td>
<td>1,035</td>
</tr>
<tr>
<td>Jahangir Siddiqui &amp; Co. Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>149,878 (2014: 149,878) fully paid ordinary shares of Rupees 10 each.</td>
<td>1,733</td>
<td>1,733</td>
</tr>
<tr>
<td>Note</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>DG Khan Cement Company Limited</td>
<td>1,010,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>92,386</td>
</tr>
<tr>
<td>Engro Corporation Limited</td>
<td>75,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>12,386</td>
</tr>
<tr>
<td>Tripack Films Limited</td>
<td>30,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>7,822</td>
</tr>
<tr>
<td>Pakistan Oilfield Limited</td>
<td>50,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>18,781</td>
</tr>
<tr>
<td>Fauji Cement Company</td>
<td>250,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>6,460</td>
</tr>
<tr>
<td>Fatima Fertilizer Company Limited</td>
<td>400,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>15,267</td>
</tr>
<tr>
<td>Fauji Fertilizer Company Limited</td>
<td>200,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>23,422</td>
</tr>
<tr>
<td>Pakistan Petroleum Limited</td>
<td>250,640 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>44,107</td>
</tr>
</tbody>
</table>
### Notes to the Financial Statements

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crescent Steel and Allied Products Limited</td>
<td>12,604</td>
<td>-</td>
</tr>
<tr>
<td>Nishat Mills Limited</td>
<td>102,039</td>
<td>-</td>
</tr>
<tr>
<td>Bank Al Falah Limited</td>
<td>27,754</td>
<td>-</td>
</tr>
<tr>
<td>Engro Polymer Chemicals Limited</td>
<td>9,332</td>
<td>-</td>
</tr>
<tr>
<td>PICIC Growth Fund</td>
<td>6,163</td>
<td>-</td>
</tr>
<tr>
<td>Fauji Fertilizer Bin Qasim Limited</td>
<td>9,042</td>
<td>-</td>
</tr>
<tr>
<td>Faisal Bank Limited</td>
<td>31,630</td>
<td>-</td>
</tr>
<tr>
<td>Pakistan State Oil Limited</td>
<td>28,633</td>
<td>-</td>
</tr>
<tr>
<td>Engro Fertilizers Limited</td>
<td>34,025</td>
<td>-</td>
</tr>
</tbody>
</table>
### Notes to the Financial Statements

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shell Pakistan Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>7,766</td>
<td>-</td>
</tr>
<tr>
<td><strong>Oil &amp; Gas Development Company Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>19,884</td>
<td>-</td>
</tr>
<tr>
<td><strong>GlaxoSmithKline Pakistan Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>7,850</td>
<td>-</td>
</tr>
<tr>
<td><strong>National Bank of Pakistan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>2,084</td>
<td>-</td>
</tr>
<tr>
<td><strong>The Searle Company Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>2,177</td>
<td>-</td>
</tr>
<tr>
<td><strong>IGI Insurance Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>6,761</td>
<td>-</td>
</tr>
<tr>
<td><strong>IBL Healthcare Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>3,713</td>
<td>-</td>
</tr>
<tr>
<td><strong>Cherat Cement Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>450,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>34,439</td>
<td>-</td>
</tr>
<tr>
<td><strong>Kot Adu Power Company Limited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>275,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>22,350</td>
<td>-</td>
</tr>
</tbody>
</table>
## Notes to the Financial Statements
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan Telecommunication Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>300,000 (2014: Nil) fully paid ordinary shares of Rupees 10 each.</td>
<td>6,401</td>
<td>-</td>
</tr>
<tr>
<td>Unquoted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in related party</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premier Financial Services (Private) Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,200 (2014: 2,200) fully paid ordinary shares of Rupees 1,000 each.</td>
<td>2,200</td>
<td>2,200</td>
</tr>
<tr>
<td>Crescent Spinning Mills Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td>208,800 (2014: 208,800) fully paid ordinary shares of Rupees 10 each.</td>
<td>2,088</td>
<td>2,088</td>
</tr>
<tr>
<td>Unrealized gain on revaluation of investments - net</td>
<td>634,304</td>
<td>36,447</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>82,785</td>
<td>9,667</td>
</tr>
<tr>
<td></td>
<td>18,882</td>
<td>(19,358)</td>
</tr>
<tr>
<td></td>
<td>698,207</td>
<td>26,756</td>
</tr>
</tbody>
</table>

25.1.1 Due to reduction in share capital of the Premier Insurance Limited the number of shares have reduced from 721,853 to 360,926 shares.

25.1.2 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 2015

<table>
<thead>
<tr>
<th>25.2 Held for trading</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quoted - other than related parties:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Tripack Films Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 46,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>Carrying value</td>
<td>Unrealized gain / (loss)</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pakistan State Oil Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 50,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pakistan Oilfield Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 40,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>DG Khan Cement Company Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 896,500) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Engro Corporation Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 150,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fauji Cement Company</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 800,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fatima Fertilizer Company Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 200,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>The Hub Power Company Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 250,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Fauji Fertilizer Company Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 200,000) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pakistan Petroleum Limited</strong></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 200,840) fully paid ordinary shares of Rupees 10 each.</td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
## Notes to the Financial Statements
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Company</th>
<th>2015 Carrying value</th>
<th>Unrealized gain / (loss)</th>
<th>2014 Carrying value</th>
<th>Unrealized gain / (loss)</th>
<th>Market value</th>
<th>Market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crescent Steel and Allied Products Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 200,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>9,862</td>
<td>(1,160)</td>
<td>8,702</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Al Falah Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 100,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>2,711</td>
<td>39</td>
<td>2,750</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fauji Fertilizer Bin Qasim Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 400,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>16,314</td>
<td>(406)</td>
<td>15,908</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nishat Mills Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 325,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>39,533</td>
<td>(3,159)</td>
<td>36,374</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakgen Power Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 600,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>12,725</td>
<td>(1,901)</td>
<td>10,824</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arif Habib Corporation Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 150,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>3,670</td>
<td>506</td>
<td>4,176</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engro Polymer Chemicals Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 600,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>9,394</td>
<td>(1,276)</td>
<td>8,118</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PICIC Growth Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 200,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>5,272</td>
<td>1,076</td>
<td>6,348</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engro Fertilizers Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 15,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>857</td>
<td>857</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faisal Bank Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 500,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>6,203</td>
<td>1,872</td>
<td>8,075</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nishat Power Limited</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil (2014: 100,000) fully paid ordinary</td>
<td>-</td>
<td></td>
<td>-</td>
<td>3,488</td>
<td>90</td>
<td>3,558</td>
</tr>
<tr>
<td>shares of Rupees 10 each.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Notes to the Financial Statements

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HBL Asset Management Fund</td>
<td>350,000</td>
<td>-</td>
<td>350,000</td>
<td>190,071</td>
<td>14,826</td>
<td>204,897</td>
</tr>
<tr>
<td>NAFA Money Market Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>230,944</td>
<td>15,687</td>
<td>246,631</td>
</tr>
<tr>
<td>MCB Dynamic Cash Fund</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64</td>
<td>(1)</td>
<td>63</td>
</tr>
<tr>
<td>MCB Pakistan Cash Management Fund</td>
<td>350,000</td>
<td>121</td>
<td>350,121</td>
<td>3,141</td>
<td>(4)</td>
<td>3,137</td>
</tr>
<tr>
<td>ABL Cash Fund</td>
<td>350,000</td>
<td>87</td>
<td>350,087</td>
<td>225,000</td>
<td>14,339</td>
<td>239,339</td>
</tr>
<tr>
<td>UBL Liquidity Fund Plus</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>316</td>
<td>100,316</td>
</tr>
<tr>
<td>MCB Cash Management Optimizer</td>
<td>350,000</td>
<td>37</td>
<td>350,037</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Faisal Money Market Fund</td>
<td>350,000</td>
<td>-</td>
<td>350,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Notes to the Financial Statements

For the year ended 30 June 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,750,000</td>
<td>1,750,245</td>
<td>1,094,690</td>
<td>64,398</td>
<td>1,159,088</td>
<td>1,159,088</td>
</tr>
</tbody>
</table>

1,750,000 245 1,750,245 1,094,690 64,398 1,159,088
Notes to the Financial Statements
For the year ended 30 June 2015

26. CASH AND BANK BALANCES

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in hand</td>
<td>1,135</td>
<td>469</td>
</tr>
<tr>
<td>Balances with banks in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current accounts</td>
<td>5,773</td>
<td>143,587</td>
</tr>
<tr>
<td>Deposit accounts</td>
<td>(26.1)</td>
<td>88,648</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46,617</td>
</tr>
<tr>
<td></td>
<td></td>
<td>94,421</td>
</tr>
<tr>
<td></td>
<td></td>
<td>190,204</td>
</tr>
<tr>
<td></td>
<td></td>
<td>95,556</td>
</tr>
<tr>
<td></td>
<td></td>
<td>190,673</td>
</tr>
</tbody>
</table>

26.1 The rate of return on deposit accounts ranges from 5% to 8% (2014: 6% to 8%) per annum.

27. ASSETS HELD FOR SALE

<table>
<thead>
<tr>
<th>Carrying Value</th>
<th>(27.1)</th>
<th>11,583</th>
<th>11,583</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less: Impairment loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>------------------------</td>
<td>------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>11,583</td>
<td>11,583</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

27.1 The assets held for sale include items of plant and machinery. The carrying amounts of these assets will be recovered principally through a sale transaction rather than through continuing use.

28. SALES-net

| Local | 6,363,586 | 6,849,214 |
| Export | 2,183,066 | 3,041,344 |
| Waste | 173,036 | 187,651 |
| Less: Sales tax | (19) | 157,503 | 153,600 |
| 8,719,688 | 10,078,209 |

29. COST OF SALES

| Raw materials: | 496,082 | 1,066,098 |
| Opening stock | 5,008,298 | 6,246,195 |
| Closing stock | (246,928) | (496,082) |
| Raw material consumed | 5,504,380 | 7,312,293 |

Sizing expenses | 59,570 | 63,440 |
Stores, spare parts and loose tools consumed | 170,100 | 159,242 |
Packing material consumed | 98,248 | 101,443 |
Salaries, wages and other benefits | (29.1) | 586,118 | 504,524 |
Fuel and power | 1,113,776 | 1,043,508 |
Repairs and maintenance | 47,335 | 25,548 |
Insurance | 24,135 | 24,234 |
Depreciation | (14.1) | 189,318 | 190,540 |
Other overheads | 17,376 | 17,544 |
| 2,305,976 | 2,130,023 |

| 7,563,428 | 8,946,234 |
Notes to the Financial Statements
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Note</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work-in-process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening stock</td>
<td>113,163</td>
<td>98,952</td>
</tr>
<tr>
<td>Closing stock</td>
<td>(103,093)</td>
<td>(113,163)</td>
</tr>
<tr>
<td></td>
<td>10,070</td>
<td>(14,211)</td>
</tr>
<tr>
<td>Cost of goods manufactured</td>
<td>7,573,498</td>
<td>8,932,023</td>
</tr>
<tr>
<td>Finished goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening stock</td>
<td>673,903</td>
<td>551,623</td>
</tr>
<tr>
<td>Closing stock</td>
<td>(583,138)</td>
<td>(673,903)</td>
</tr>
<tr>
<td></td>
<td>90,765</td>
<td>(122,280)</td>
</tr>
<tr>
<td>Less: Export rebate</td>
<td>-</td>
<td>1,093</td>
</tr>
<tr>
<td></td>
<td>7,664,263</td>
<td>8,808,650</td>
</tr>
</tbody>
</table>

29.1 This includes contribution made to provident fund by the Company amounting to Rs 11,899 thousand (2014: 9,974 thousand).

30. DISTRIBUTION COST

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and other benefits</td>
<td>2,773</td>
<td>3,819</td>
</tr>
<tr>
<td>Commission on sales</td>
<td>91,862</td>
<td>144,572</td>
</tr>
<tr>
<td>Freight and shipment</td>
<td>32,267</td>
<td>47,886</td>
</tr>
<tr>
<td>Clearing and forwarding</td>
<td>28,283</td>
<td>29,562</td>
</tr>
<tr>
<td>Export development surcharge</td>
<td>5,435</td>
<td>7,939</td>
</tr>
<tr>
<td></td>
<td>160,620</td>
<td>233,778</td>
</tr>
</tbody>
</table>

30.1 This includes contribution made to provident fund by the Company amounting to Rs 82 thousand (2014: 116 thousand).

31. ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and other benefits</td>
<td>69,239</td>
<td>68,046</td>
</tr>
<tr>
<td>Rent, rates and taxes</td>
<td>6,704</td>
<td>4,594</td>
</tr>
<tr>
<td>Electricity and gas</td>
<td>5,576</td>
<td>4,519</td>
</tr>
<tr>
<td>Traveling and conveyance</td>
<td>1,775</td>
<td>2,502</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>2,442</td>
<td>5,349</td>
</tr>
<tr>
<td>Vehicle running and maintenance</td>
<td>5,066</td>
<td>5,749</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>2,044</td>
<td>1,472</td>
</tr>
<tr>
<td>Communication</td>
<td>2,983</td>
<td>3,458</td>
</tr>
<tr>
<td>Fee and subscription</td>
<td>1,924</td>
<td>3,572</td>
</tr>
<tr>
<td>Advertisement</td>
<td>556</td>
<td>151</td>
</tr>
<tr>
<td>Insurance</td>
<td>2,231</td>
<td>2,237</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,641</td>
<td>12,058</td>
</tr>
<tr>
<td></td>
<td>116,095</td>
<td>115,279</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2015

31.1 This includes contribution made to provident fund by the Company amounting to Rs 2,153 thousand (2014: 2,110 thousand).  

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

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees in thousand)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>32. OTHER OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and professional</td>
<td>3,526</td>
<td>3,432</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Statutory audit</td>
<td>1,150</td>
<td>1,150</td>
</tr>
<tr>
<td>Half yearly review and other certifications</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Out of pocket expenses</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>1,350</td>
<td>1,350</td>
</tr>
<tr>
<td>Workers’ profit participation fund</td>
<td>37,136</td>
<td>40,446</td>
</tr>
<tr>
<td>Workers welfare fund</td>
<td>15,157</td>
<td>16,510</td>
</tr>
<tr>
<td>Provision for doubtful trade debts</td>
<td>227</td>
<td>483</td>
</tr>
<tr>
<td>Provision for slow moving stores</td>
<td>-</td>
<td>1,403</td>
</tr>
<tr>
<td>Impairment on contracts for purchase of raw material</td>
<td>-</td>
<td>31,214</td>
</tr>
<tr>
<td></td>
<td>57,396</td>
<td>94,838</td>
</tr>
</tbody>
</table>

**33. OTHER INCOME**

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees in thousand)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from financial assets</td>
<td>197,854</td>
<td>165,905</td>
</tr>
<tr>
<td>Income from assets other than financial assets</td>
<td>8,428</td>
<td>14,437</td>
</tr>
<tr>
<td></td>
<td>206,282</td>
<td>180,342</td>
</tr>
</tbody>
</table>

**33.1 Income from financial assets**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange gain - net</td>
<td>4,117</td>
<td>10,187</td>
</tr>
<tr>
<td>Profit on bank deposits</td>
<td>8,590</td>
<td>6,435</td>
</tr>
<tr>
<td>Dividend income</td>
<td>22,525</td>
<td>11,377</td>
</tr>
<tr>
<td>Unrealized gain on investments</td>
<td>476</td>
<td>64,398</td>
</tr>
<tr>
<td>Gain on disposal of investments</td>
<td>162,146</td>
<td>73,508</td>
</tr>
<tr>
<td></td>
<td>197,854</td>
<td>165,905</td>
</tr>
</tbody>
</table>

**33.2 Income from assets other than financial assets**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of empties and scrap</td>
<td>5,922</td>
<td>4,478</td>
</tr>
<tr>
<td>Gain on disposal of operating fixed assets</td>
<td>2,506</td>
<td>9,959</td>
</tr>
<tr>
<td></td>
<td>8,428</td>
<td>14,437</td>
</tr>
</tbody>
</table>
34. **FINANCE COST**

Note (Rupees in thousand)

<table>
<thead>
<tr>
<th>Description</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest / markup on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term financing</td>
<td>25,252</td>
<td>41,444</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>30,587</td>
<td>31,861</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>109</td>
<td>145</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55,948</td>
<td>73,450</td>
</tr>
<tr>
<td>Bank charges and commission</td>
<td>8,570</td>
<td>10,474</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>64,518</td>
<td>83,924</td>
</tr>
</tbody>
</table>

35. **TAXATION**

Charge for the year:

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>115,649</td>
<td>112,671</td>
</tr>
<tr>
<td>Deferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relating to origination of temporary difference</td>
<td>23,698</td>
<td>9,411</td>
</tr>
<tr>
<td>Due to reduction in tax rate</td>
<td>(25,263)</td>
<td>(6,062)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(1,565)</td>
<td>3,349</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>114,084</td>
<td>116,020</td>
</tr>
</tbody>
</table>

35.1 Reconciliation of tax expense and accounting profit is not meaningful in view of presumptive taxation.

35.2 The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the above fact, the Board of Directors of the Company has proposed a dividend amounting to Rs. 119.79 million in their meeting held on 02 October 2015 for the financial and tax year 2015 which exceeds (or meets) the prescribed minimum divided requirement as referred above. The Company believes that it would not be liable to pay tax on its undistributed reserves as of 30 June 2015.
Notes to the Financial Statements
For the year ended 30 June 2015

36. EARNINGS PER SHARE - BASIC AND DILUTED

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to ordinary shareholders</td>
<td>591,491</td>
<td>652,462</td>
</tr>
</tbody>
</table>

(Number of shares)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of ordinary shares outstanding during the year</td>
<td>Restated</td>
<td>23,958,000</td>
</tr>
</tbody>
</table>

(Earnings per share - basic (Rupees))

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share - basic (Rupees)</td>
<td>Restated</td>
<td>24.69</td>
</tr>
</tbody>
</table>

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.

37. CASH GENERATED FROM OPERATIONS

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees in thousand)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>705,575</td>
<td>768,482</td>
</tr>
</tbody>
</table>

Adjustments to reconcile profit to net cash provided by operating activities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation on operating fixed assets</td>
<td>(14)</td>
<td>201,727</td>
</tr>
<tr>
<td>Depreciation on leased assets</td>
<td>(15)</td>
<td>232</td>
</tr>
<tr>
<td>Unrealized gain on investments held for trading</td>
<td>(476)</td>
<td>(64,398)</td>
</tr>
<tr>
<td>Gain on disposal of investments - held for trading</td>
<td>(162,146)</td>
<td>(73,508)</td>
</tr>
<tr>
<td>Provision for doubtful debts</td>
<td>227</td>
<td>483</td>
</tr>
<tr>
<td>Provision for slow moving stores</td>
<td>-</td>
<td>1,403</td>
</tr>
<tr>
<td>Impairment on contracts for purchase of raw material</td>
<td>-</td>
<td>31,214</td>
</tr>
<tr>
<td>Exchange gain - net</td>
<td>(4,117)</td>
<td>(10,187)</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(22,525)</td>
<td>(11,377)</td>
</tr>
<tr>
<td>Gain on disposal of operating fixed assets</td>
<td>(2,506)</td>
<td>(9,959)</td>
</tr>
<tr>
<td>Provision for WPPF</td>
<td>37,136</td>
<td>40,446</td>
</tr>
<tr>
<td>Provision for WWF</td>
<td>15,157</td>
<td>16,510</td>
</tr>
<tr>
<td>Finance cost</td>
<td>64,518</td>
<td>83,924</td>
</tr>
</tbody>
</table>

Cash flows from operating activities before working capital changes | 832,802 | 975,631 |
Notes to the Financial Statements
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Working capital changes</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Increase) / decrease in current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores, spare parts and loose tools</td>
<td>6,819</td>
<td>34,601</td>
</tr>
<tr>
<td>Stock-in-trade</td>
<td>439,582</td>
<td>343,932</td>
</tr>
<tr>
<td>Trade debts</td>
<td>233,021</td>
<td>(43,416)</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>12,564</td>
<td>(16,976)</td>
</tr>
<tr>
<td>Trade deposits and short term prepayments</td>
<td>513</td>
<td>226</td>
</tr>
<tr>
<td>Balances with statutory authorities</td>
<td>12,596</td>
<td>(4,262)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>(2,099)</td>
<td>95</td>
</tr>
<tr>
<td>Increase in current liabilities:</td>
<td>198,161</td>
<td>(13,695)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>901,157</td>
<td>300,505</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,733,959</td>
<td>1,276,136</td>
</tr>
</tbody>
</table>

38. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES’ REMUNERATION

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Chief Executive</th>
<th>Director</th>
<th>Executives</th>
<th>Chief Executive</th>
<th>Director</th>
<th>Executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial remuneration</td>
<td>7,442</td>
<td>6,291</td>
<td>18,822</td>
<td>6,765</td>
<td>5,720</td>
<td>17,035</td>
</tr>
<tr>
<td>House rent</td>
<td>2,605</td>
<td>2,202</td>
<td>8,517</td>
<td>2,368</td>
<td>2,002</td>
<td>6,879</td>
</tr>
<tr>
<td>Provident fund contribution</td>
<td>744</td>
<td>629</td>
<td>4,140</td>
<td>406</td>
<td>343</td>
<td>1,016</td>
</tr>
<tr>
<td>Reimbursable expenses</td>
<td>446</td>
<td>377</td>
<td>1,117</td>
<td>677</td>
<td>572</td>
<td>3,551</td>
</tr>
<tr>
<td>Others</td>
<td>484</td>
<td>1,155</td>
<td>517</td>
<td>513</td>
<td>1,178</td>
<td>412</td>
</tr>
<tr>
<td></td>
<td>11,721</td>
<td>10,654</td>
<td>33,113</td>
<td>10,729</td>
<td>9,815</td>
<td>28,893</td>
</tr>
<tr>
<td>No. of persons</td>
<td>1</td>
<td>1</td>
<td>16</td>
<td>1</td>
<td>1</td>
<td>13</td>
</tr>
</tbody>
</table>

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

38.2 The aggregate amount charged in financial statements for the year against fees for attending four board meetings and five audit committee meetings was Rs. 750 thousand (2014: Rs. 250 thousand).
39. RELATED PARTY DISCLOSURES

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

<table>
<thead>
<tr>
<th>Relationship with the Company</th>
<th>Nature of transactions</th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated Companies</td>
<td>Purchases of goods and services</td>
<td>754,097</td>
<td>726,400</td>
</tr>
<tr>
<td></td>
<td>Sales of goods and services</td>
<td>57,298</td>
<td>243,986</td>
</tr>
<tr>
<td></td>
<td>Insurance claim</td>
<td>7,000</td>
<td>16,467</td>
</tr>
<tr>
<td></td>
<td>Dividend paid</td>
<td>51,758</td>
<td>56,463</td>
</tr>
<tr>
<td>Provident Fund Trust</td>
<td>Dividend received</td>
<td>360</td>
<td>721</td>
</tr>
<tr>
<td></td>
<td>Amount contributed</td>
<td>14,134</td>
<td>12,199</td>
</tr>
<tr>
<td></td>
<td>Remuneration</td>
<td>Such transactions have been disclosed in Note 38</td>
<td></td>
</tr>
</tbody>
</table>

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

40. OPERATING SEGMENT INFORMATION

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

40.1 Business segments

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

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

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

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

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

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.
### Notes to the Financial Statements
For the year ended 30 June 2015

#### Spinning

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>4,845,591</td>
<td>5,546,058</td>
<td>3,716,594</td>
<td>4,378,551</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>1,262,575</td>
<td>813,140</td>
<td>-</td>
<td>-</td>
<td>1,262,575</td>
<td>813,140</td>
</tr>
<tr>
<td>Total</td>
<td>6,108,166</td>
<td>6,359,198</td>
<td>3,716,594</td>
<td>4,378,551</td>
<td>1,262,575</td>
<td>813,140</td>
</tr>
</tbody>
</table>

#### Cost of sales

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>5,405,439</td>
<td>5,588,112</td>
<td>2,258,824</td>
<td>3,220,538</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>-</td>
<td>-</td>
<td>1,262,575</td>
<td>813,140</td>
<td>1,262,575</td>
<td>813,140</td>
</tr>
<tr>
<td>Total</td>
<td>5,405,439</td>
<td>5,588,112</td>
<td>3,521,399</td>
<td>4,033,678</td>
<td>1,262,575</td>
<td>813,140</td>
</tr>
</tbody>
</table>

#### Gross profit

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>702,727</td>
<td>771,086</td>
<td>195,195</td>
<td>344,873</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>68,604</td>
<td>83,822</td>
<td>92,016</td>
<td>149,956</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>163,099</td>
<td>177,468</td>
<td>113,616</td>
<td>171,590</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Profit before taxation and unallocated income and expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>External</td>
<td>539,628</td>
<td>592,618</td>
<td>81,579</td>
<td>173,283</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inter-segment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>539,628</td>
<td>592,618</td>
<td>81,579</td>
<td>173,283</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Unallocated income and expenses

<table>
<thead>
<tr>
<th>Sales</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other operating expenses</td>
<td>(57,396)</td>
<td>(94,838)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>206,282</td>
<td>180,342</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance cost</td>
<td>(64,518)</td>
<td>(83,924)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>84,368</td>
<td>1,580</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Profit before taxation

<table>
<thead>
<tr>
<th>Sales</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>705,575</td>
<td>768,482</td>
</tr>
</tbody>
</table>

#### Taxation

<table>
<thead>
<tr>
<th>Sales</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxation</td>
<td>114,084</td>
<td>116,020</td>
</tr>
</tbody>
</table>

#### Profit for the year

<table>
<thead>
<tr>
<th>Sales</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>591,491</td>
<td>652,462</td>
</tr>
</tbody>
</table>

Inter segment sales and purchases have been eliminated on consolidation.
## Notes to the Financial Statements

**For the year ended 30 June 2015**

### Table: Segment operating assets and liabilities

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
<th>Elimination of Inter-segment transactions</th>
<th>Total 2015</th>
<th>Total 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees in thousand)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment operating assets</td>
<td>2,563,857</td>
<td>3,190,275</td>
<td>770,518</td>
<td>940,172</td>
<td></td>
<td>3,334,375</td>
<td>4,130,447</td>
</tr>
<tr>
<td>Capital work in progress</td>
<td>48,139</td>
<td>45,864</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term investments</td>
<td>100,000</td>
<td>100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with statutory authorities</td>
<td>57,710</td>
<td>70,306</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation-net</td>
<td>12,131</td>
<td>3,024</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non current assets held for sale</td>
<td>11,583</td>
<td>11,583</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short term investments</td>
<td>2,448,452</td>
<td>1,185,844</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating assets</td>
<td>6,012,390</td>
<td>5,547,068</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Segment operating liabilities</td>
<td>990,393</td>
<td>1,048,062</td>
<td>215,481</td>
<td>244,232</td>
<td></td>
<td>1,205,874</td>
<td>1,292,294</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>213,970</td>
<td>215,535</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers profit participation fund</td>
<td>37,136</td>
<td>40,446</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers welfare fund</td>
<td>52,360</td>
<td>51,452</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating liabilities</td>
<td>1,509,340</td>
<td>1,599,727</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other disclosures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>173,488</td>
<td>199,672</td>
<td>21,145</td>
<td>11,316</td>
<td></td>
<td>194,633</td>
<td>210,988</td>
</tr>
</tbody>
</table>

### 40.2 Geographical segments

Secondary information is reported geographically.

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

41.1 Financial risk factors

The Company’s financial liabilities comprise long term financing, liabilities against assets subject to finance lease, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for Company’s operations. The Company has trade debts, short term loans and advances, other receivables and cash and short term deposits that arrive directly from its operations. The Company also holds available for sale and held for trading investments.

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

Risk management is carried out by the Board of Directors (the Board), Audit Committee and Chief Financial Officer (CFO). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, equity price risk, interest rate risk, credit risk and liquidity risk.

(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.

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

<table>
<thead>
<tr>
<th>Rupees per US Dollar</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting date rate</td>
<td>101.75</td>
<td>98.55</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in US $ Rate</th>
<th>Effects on Profit Before Tax (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10%</td>
<td>6,097</td>
</tr>
<tr>
<td>-10%</td>
<td>(6,097)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10%</td>
<td>1,067</td>
</tr>
<tr>
<td>-10%</td>
<td>(1,067)</td>
</tr>
</tbody>
</table>
(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 it holds available for sale and held for trading investments.

<table>
<thead>
<tr>
<th>Reporting date all index points</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24032</td>
<td>14988</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in KSE all Index</th>
<th>Effects on Profit Before Tax</th>
<th>Effects on Other Comprehensive Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees in thousand)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Available for sale investments</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10%</td>
<td>-</td>
<td>69,821</td>
</tr>
<tr>
<td>-10%</td>
<td>-</td>
<td>(69,821)</td>
</tr>
<tr>
<td>+10%</td>
<td>-</td>
<td>2,676</td>
</tr>
<tr>
<td>-10%</td>
<td>-</td>
<td>(2,676)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Held for trading investments</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10%</td>
<td>175,025</td>
<td>-</td>
</tr>
<tr>
<td>-10%</td>
<td>(175,025)</td>
<td>-</td>
</tr>
<tr>
<td>+10%</td>
<td>115,909</td>
<td>-</td>
</tr>
<tr>
<td>-10%</td>
<td>(115,909)</td>
<td>-</td>
</tr>
</tbody>
</table>

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company’s interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.
At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015 (Rupees in thousand)</th>
<th>2014 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed rate instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term financing</td>
<td>11,027</td>
<td>60,861</td>
</tr>
<tr>
<td><strong>Floating rate instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank balances - deposit accounts</td>
<td>88,648</td>
<td>46,617</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term financing</td>
<td>133,811</td>
<td>306,148</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>651</td>
<td>853</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>149,857</td>
<td>205,277</td>
</tr>
</tbody>
</table>

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments**

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

<table>
<thead>
<tr>
<th></th>
<th>Changes in Interest Rate</th>
<th>Effects on Profit Before Tax (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank balances - deposit accounts</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>+1.00</td>
<td>886</td>
</tr>
<tr>
<td></td>
<td>-1.00</td>
<td>(886)</td>
</tr>
<tr>
<td>2014</td>
<td>+1.00</td>
<td>466</td>
</tr>
<tr>
<td></td>
<td>-1.00</td>
<td>(466)</td>
</tr>
<tr>
<td><strong>Long term financing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>+2.00</td>
<td>(2,676)</td>
</tr>
<tr>
<td></td>
<td>-2.00</td>
<td>2,676</td>
</tr>
<tr>
<td>2014</td>
<td>+2.00</td>
<td>(1,932)</td>
</tr>
<tr>
<td></td>
<td>-2.00</td>
<td>1,932</td>
</tr>
</tbody>
</table>
Credit risk related to trade debts is managed by established procedures and controls relating to customers credit risk management. Outstanding receivables are regularly monitored and shipments to foreign customers are covered by letters of credit.

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

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:
Notes to the Financial Statements
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Banks</th>
<th>Rating</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCB Bank Limited</td>
<td>A1+</td>
<td>89,581</td>
<td>52,706</td>
</tr>
<tr>
<td>National Bank of Pakistan</td>
<td>A-1+</td>
<td>1,609</td>
<td>2,954</td>
</tr>
<tr>
<td>United Bank Limited</td>
<td>A-1+</td>
<td>236</td>
<td>490</td>
</tr>
<tr>
<td>Allied Bank Limited</td>
<td>A1+</td>
<td>31</td>
<td>70</td>
</tr>
<tr>
<td>Habib Metropolitan Bank Limited</td>
<td>A1+</td>
<td>732</td>
<td>5,695</td>
</tr>
<tr>
<td>Habib Bank Limited</td>
<td>A-1+</td>
<td>44</td>
<td>126,156</td>
</tr>
<tr>
<td>Royal Bank of Scotland Limited</td>
<td>A-1+</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Bank Al-Habib Limited</td>
<td>A1+</td>
<td>1,653</td>
<td>1,527</td>
</tr>
<tr>
<td>Standard Chartered Bank (Pakistan) Limited</td>
<td>A1+</td>
<td>401</td>
<td>473</td>
</tr>
<tr>
<td>NIB Bank Limited</td>
<td>A1+</td>
<td>102</td>
<td>102</td>
</tr>
<tr>
<td>Dubai Islamic Bank Limited</td>
<td>A-1+</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

**Banks**

<table>
<thead>
<tr>
<th>Banks</th>
<th>Rating</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCB Bank Limited</td>
<td>A1+</td>
<td>89,581</td>
<td>52,706</td>
</tr>
<tr>
<td>National Bank of Pakistan</td>
<td>A-1+</td>
<td>1,609</td>
<td>2,954</td>
</tr>
<tr>
<td>United Bank Limited</td>
<td>A-1+</td>
<td>236</td>
<td>490</td>
</tr>
<tr>
<td>Allied Bank Limited</td>
<td>A1+</td>
<td>31</td>
<td>70</td>
</tr>
<tr>
<td>Habib Metropolitan Bank Limited</td>
<td>A1+</td>
<td>732</td>
<td>5,695</td>
</tr>
<tr>
<td>Habib Bank Limited</td>
<td>A-1+</td>
<td>44</td>
<td>126,156</td>
</tr>
<tr>
<td>Royal Bank of Scotland Limited</td>
<td>A-1+</td>
<td>29</td>
<td>28</td>
</tr>
<tr>
<td>Bank Al-Habib Limited</td>
<td>A1+</td>
<td>1,653</td>
<td>1,527</td>
</tr>
<tr>
<td>Standard Chartered Bank (Pakistan) Limited</td>
<td>A1+</td>
<td>401</td>
<td>473</td>
</tr>
<tr>
<td>NIB Bank Limited</td>
<td>A1+</td>
<td>102</td>
<td>102</td>
</tr>
<tr>
<td>Dubai Islamic Bank Limited</td>
<td>A-1+</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

At 30 June 2015, the Company has 24 customers (2014: 47 customers) that owed the Company more than Rs. 2,500 thousand each and accounted for approximately 92 % (2014: 92 %) of all receivables.

There are 9 customers (2014: 19 customers) with balance greater than Rs. 7,000 thousand accounted for over 63 % (2014: 67 %) of total amount receivables.

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

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

(c) Liquidity risk

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

The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation. The Company maintains flexibility in funding by maintaining availability under committed credit lines.
Notes to the Financial Statements
For the year ended 30 June 2015

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.

<table>
<thead>
<tr>
<th>Carrying Amount</th>
<th>Contractual cash flows</th>
<th>Less than 1 year</th>
<th>Between 1 and 5 years</th>
<th>Over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term financing</td>
<td>144,838</td>
<td>181,248</td>
<td>68,165</td>
<td>113,083</td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>651</td>
<td>824</td>
<td>370</td>
<td>454</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>885,045</td>
<td>885,045</td>
<td>885,045</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest on financing</td>
<td>12,425</td>
<td>12,425</td>
<td>12,425</td>
<td>-</td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>149,857</td>
<td>149,857</td>
<td>149,857</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,192,816</strong></td>
<td><strong>1,229,399</strong></td>
<td><strong>1,115,862</strong></td>
<td><strong>113,537</strong></td>
</tr>
</tbody>
</table>

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

41.2 Fair values of financial assets and liabilities

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques. The carrying values of other financial assets and financial liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.
Notes to the Financial Statements  
For the year ended 30 June 2015

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 2015, the Company hold the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Held for trading</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares and mutual fund units</td>
<td>1,750,245</td>
<td>1,750,245</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><em>Available for sale financial assets</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares</td>
<td>698,207</td>
<td>698,207</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

There were no liabilities measured at fair value as at 30 June 2015.

During the reporting year ended 30 June 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

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

Assets measured at fair value

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Held for trading</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares and mutual fund units</td>
<td>1,159,088</td>
<td>1,159,088</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><em>Available for sale financial assets</em></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity shares</td>
<td>26,756</td>
<td>26,756</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

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

* The Company carries unquoted equity shares in Crescent Spinning Mills Limited and Premier Financial Services (Private) Limited as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. However, such investments have been fully impaired and are carried at nil value. The Company did not incur any gain or loss recorded in the profit & loss account and statement of comprehensive income as the impairment had been recorded prior to 01 July 2011.
### Notes to the Financial Statements
For the year ended 30 June 2015

#### 41.3 Financial instruments by categories

<table>
<thead>
<tr>
<th></th>
<th>Cash and cash equivalents</th>
<th>Loans and advances</th>
<th>Available for sale</th>
<th>Held for trading</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets as per balance sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term deposits</td>
<td>19,531</td>
<td>230,127</td>
<td>4,156</td>
<td>656</td>
<td>2,448,452</td>
</tr>
<tr>
<td>Trade debts</td>
<td>698,207</td>
<td>1,750,245</td>
<td>230,127</td>
<td></td>
<td>2,448,452</td>
</tr>
<tr>
<td>Loans</td>
<td>2,916</td>
<td>4,156</td>
<td>19,531</td>
<td></td>
<td>2,448,452</td>
</tr>
<tr>
<td>Trade deposits</td>
<td>95,556</td>
<td>257,386</td>
<td>698,207</td>
<td></td>
<td>2,801,394</td>
</tr>
<tr>
<td>Short term investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>95,556</td>
<td>257,386</td>
<td>698,207</td>
<td>95,556</td>
<td>2,801,394</td>
</tr>
</tbody>
</table>

#### Liabilities as per balance sheet

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term financing</td>
<td>144,838</td>
<td></td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>651</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>885,045</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on financing</td>
<td>12,425</td>
<td></td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>149,857</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,192,816</td>
<td></td>
</tr>
</tbody>
</table>

#### 2014

<table>
<thead>
<tr>
<th></th>
<th>Cash and cash equivalents</th>
<th>Loans and advances</th>
<th>Available for sale</th>
<th>Held for trading</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets as per balance sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term deposits</td>
<td>19,531</td>
<td>459,258</td>
<td>5,299</td>
<td></td>
<td>1,185,844</td>
</tr>
<tr>
<td>Trade debts</td>
<td>26,756</td>
<td>5,299</td>
<td>992</td>
<td></td>
<td>1,185,844</td>
</tr>
<tr>
<td>Loans</td>
<td>817</td>
<td>28,756</td>
<td>1,159,088</td>
<td></td>
<td>1,862,414</td>
</tr>
<tr>
<td>Trade deposits</td>
<td>190,673</td>
<td>26,756</td>
<td>1,159,088</td>
<td></td>
<td>1,862,414</td>
</tr>
<tr>
<td>Short term investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>190,673</td>
<td>485,897</td>
<td>26,756</td>
<td></td>
<td>1,862,414</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2015

<table>
<thead>
<tr>
<th>Liabilities as per balance sheet</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long term financing</td>
<td>367,010</td>
<td></td>
</tr>
<tr>
<td>Liabilities against assets subject to finance lease</td>
<td>853</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>687,389</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on financing</td>
<td>19,213</td>
<td></td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>205,276</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,279,741</td>
<td></td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees in thousand)</td>
<td></td>
</tr>
<tr>
<td>Debt (6) &amp; (7) &amp; (11)</td>
<td>295,346</td>
<td>573,139</td>
</tr>
<tr>
<td>Equity</td>
<td>4,503,050</td>
<td>3,947,341</td>
</tr>
<tr>
<td>Total capital employed</td>
<td>4,798,396</td>
<td>4,520,480</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>6.16%</td>
<td>12.68%</td>
</tr>
</tbody>
</table>
## 42. PLANT CAPACITY AND ACTUAL PRODUCTION

### Spinning:
- Spindle installed - Numbers: 92,928 (2015), 92,928 (2014)
- Production at normal capacity in 20 s count based on 3 shifts per day - Kgs: 40,028,985 (2015), 38,147,859 (2014)
- Actual production converted to 20 s count based on 3 shifts per day - Kgs: 36,571,945 (2015), 35,969,830 (2014)

### Weaving:
- Actual production at normal capacity converted to 50 picks based on 3 shifts per day - Square Meters: 69,346,607 (2015), 68,236,085 (2014)

### 42.1 Reason for low production
Under utilization of available capacity is due to normal repair and maintenance of plant and machinery and gas load shedding.

## 43. PROVIDENT FUND TRUST

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

The salient information of the fund is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of the fund</td>
<td>202,950</td>
<td>169,563</td>
</tr>
<tr>
<td>Cost of investment</td>
<td>157,314</td>
<td>109,514</td>
</tr>
<tr>
<td>Percentage of investment made</td>
<td>77.51%</td>
<td>64.59%</td>
</tr>
<tr>
<td>Fair value of investment</td>
<td>(43.2)</td>
<td>198,218</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 June 2015

43.2 Breakup of investment

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in listed securities</td>
<td>7,156</td>
<td>7,449</td>
</tr>
<tr>
<td>Investment in funds</td>
<td>191,062</td>
<td>151,202</td>
</tr>
<tr>
<td></td>
<td>198,218</td>
<td>158,651</td>
</tr>
</tbody>
</table>

44. NUMBER OF EMPLOYEES

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees at the end of the year</td>
<td>2,582</td>
<td>2,702</td>
</tr>
<tr>
<td>Average number of employees during the year</td>
<td>2,585</td>
<td>2,690</td>
</tr>
</tbody>
</table>

45. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 02 October 2015 has proposed a cash dividend in respect of the year ended 30 June 2015 of Rupees 5 per share (2014: Cash dividend of Rupees 5 per share) and 10% bonus shares (2014: 10% bonus). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 02 October 2015.
Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 31st Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Friday October 30, 2015 at 9:00 a.m. at the Registered Office, 7-B III, Aziz Avenue, Gulberg V, Lahore to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Accounts together with the Directors’ and Auditors’ reports thereon for the year ended June 30, 2015.

2. To approve as recommended by Directors, the payment of Cash Dividend @ 50% i.e. Rs. 5/- per share and bonus @ 10% i.e. 1 share of every 10 shares for the year ended June 30, 2015.

3. To appoint auditors of the Company and fix their remuneration. The present auditor M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retires and offers themselves for re-appointment.

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

Lahore                                                                By Order of the Board
Gulraiz Ali
October 09, 2015

BOOK CLOSURE:

The Members’ Register will remain closed from October 24, 2015 to October 30, 2015 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on Friday October 23, 2015 will be treated in time.

2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.

4. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:

For Attending the Meeting:

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

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

For Appointing Proxies:

i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement.

ii. Attested copies of valid CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

iii. The proxy shall produce his/her original valid CNIC or original passport at the time of the meeting. In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature shall be produced (unless it has been provided earlier) at the time of meeting.

5. SECP has directed vide SRO No. 779(1)/2011 dated August 18, 2011 to issue dividend warrant only crossed as “A/c Payee only” and should bear the Computerized National Identity Card (CNIC) of the registered members. Members who have not yet submitted photocopy of their valid CNIC are requested to send the same to the Company’s Registrar.

6. As directed by SECP vide Circular NO. 18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in your bank account with cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly credited into your bank account, instead of issuing a dividend warrants, please provide the following details:

<table>
<thead>
<tr>
<th>Folio No.</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Title of Bank Account</th>
<th>Bank Account Number</th>
<th>Bank’s Name</th>
<th>Branch Name &amp; Address</th>
<th>Cell Number of Transferee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Landline Number of Transferee, if any</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Deduction of Tax on Dividend Income – Finance Act, 2015

It is hereby informed that pursuant to the Finance Act, 2015, effective from July 1, 2015, 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 12.5%

ii) Rate of tax deduction of dividend income for non filer of income tax return 17.5%

Further you are therefore requested to please provide us the following details:

<table>
<thead>
<tr>
<th>Name</th>
<th>Folio No. / CDC Account No.</th>
<th>National Tax No.</th>
<th>CNIC No. (for individual only) enclose a copy of valid CNIC, if not already provided</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Form of Proxy

Thirty First 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 31st Annual General Meeting of the Company to be held on Friday, October 30, 2015 at 09:00 a.m. at Registered Office, 7-B-III, Aziz Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this ________ day of _________, 2015.

Witness 1:
Signature: _________________
Name: _________________
Address: _________________

Witness 2 :
Signature: _________________
Name: _________________
Address: _________________

Signature of Member(s)

Note:

1. Proxies in order to be effective, must be received at the Registered Office of the Company at 7-B-III, Aziz Avenue, Gulberg-V, Lahore not later than 48 hours before the meeting.

2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.
The Company Secretary
Suraj Cotton Mills Limited
7-B-III, Aziz Avenue, Gulberg-V, Lahore.