



Half Yearly Report

December 31, 2016

Un-Audited



SURAJ COTTON MILLS LIMITED



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Company Information

Board of Directors

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

Chief Financial Officer

Farooq Ahmad

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

Corptec associates (pvt) ltd.
503-E joher town,
Lahore

Auditors

EY Ford Rhodes
Chartered Accountants

Bankers

Allied Bank Limited
Habib Bank Limited
MCB Bank Limited
United 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: info@suraj.com
Web: www.suraj.com

Project Locations

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

Directors' Report

We are pleased to present the six-month financial statements for the period up to 31 December 2016. These statements are reviewed by the auditors.

The period under review has seen the company showing marginal improvements in the financial results. Profit for the period is at Rs. 200.788 million slightly above the corresponding period with earnings per share at Rs. 6.93 (HY2015: Rs. 6.64). Net sales of the company were Rs. 4.229 billion as compared to Rs. 3.867 billion for the corresponding period, an increase of approximately 10%. This can be attributed to better sales volume and marginal increase in selling prices. Distribution costs decreased by 7% because of lower exports and administrative costs remained approximately the same. Financial charges which have shown a decreasing trend over the past few years were almost flat, lower by 3%.

Early cotton crop estimates were optimistic but prices remained steady. The demand for yarn and fabrics continued to remain sluggish and our main export markets continued to see demand destruction. Our market share is being continuously eroded and we find ourselves unable to compete with the other regional countries. Domestic cotton prices also started to rise due to reduced arrivals pointing to a short crop. Our results for this period are comparable to the corresponding period and we hope that we will be able to improve on these for the second half of the current year. Raw cotton prices have risen sharply both in the domestic and international markets and we see some improvement in the selling prices of our end products also. It is also expected that the duty drawbacks announce by the government will serve to boost exports especially in the value added and garments sectors.

The energy situation in Punjab has been considerably better compared to the previous year. This is directly a result of import of RLNG and also better operations of the power plants.

Future Prospects

In view of better demand for yarn and fabrics due to rising raw material prices, we hope that the next 6 months will show better results than the period under review. The export markets are still not responding to the higher raw material prices and we hope that a demand upturn in China will improve our margins. However, there is a lot of competition from India and Vietnam in China and in fact India is also increasing its market share of our domestic market. Yarn imports into Pakistan have been constantly rising which affects the local marketing of our yarn.

The domestic cotton crop has again been disastrous and has fallen short of expectations. The present crop is not enough to meet domestic demand and mills are being forced to import raw cotton. The import of raw cotton was subject to a 4% import duty and it was only after persistent efforts that the duty has been reduced to zero only in January 2017. However, this has only been done when the international prices have risen sharply. Besides from this we have continuously been urging the government to consider the failure of the crop seriously as this not only impairs the competitiveness of the spinning sector but also dampens the country's agricultural sector especially the farmers.

In our earlier reports we had indicated that the company was seeking new avenues of investment with an emphasis on diversification. We shall keep the stakeholders apprised of developments as and when they take place.

Acknowledgements

We would take this opportunity to thank all our shareholders and partners for their valued support and our employees for their dedication. We would also like to thank the Board of Directors for their guidance and advice at all times.

Nadeem Maqbool
Chief Executive

February 15, 2017
Lahore

ڈائریکٹرز رپورٹ

ہم بخوشی چھ ماہ کے گوشوارے 31 دسمبر 2016 کے پیش کر رہے ہیں۔ جن پر ہمارے آڈیٹر ڈنظر ٹائی کر چکے ہیں۔

اس دورانیہ کا منافع 200.788 ملین روپے رہا۔ جو کہ مقابل عرصہ سے بہتر ہے۔ اور ایک شیئر آمدنی 6.93 روپے (2015; 6.64 روپے) ہوئی۔ کمپنی کی خام فروخت 4.229 ملین روپے رہی۔ جبکہ مقابل عرصہ میں خام فروخت 3.867 ملین تھی۔ جو کہ 10 فیصد زیادہ ہے۔ فروخت قیمت میں کچھ اضافہ ہے۔ تقسیمی لاگت مقابل عرصہ کے مقابل میں 7 فیصد کم ہے۔ اور انتظامی لاگت تقریباً برابر ہے۔

کپاس کی زیادہ پیداوار کی امید ہے مگر قیمت میں کسی بڑی تبدیلی کا امکان نہیں۔ پاکستانی دھاگے اور کپڑے کی طلب میں کمی کی وجہ سے برآمدات میں کمی ہوئی ہے۔ ہمارا مارکیٹ میں حصہ مسلسل کم ہو رہا ہے۔ اور ہم اپنے آپ کو علاقائی مارکیٹ میں اس قابل محسوس نہیں کرتے کہ دوسروں کا مقابلہ کر سکیں۔ ملکی کپاس کی قیمت میں اضافہ کپاس کی ملکی پیداوار میں کمی کی وجہ ہے۔ ہمارے اس ششماہی کے فنانسل پچھلے سال کے تقریباً برابر ہیں۔ اور ہم امید کرتے ہیں کہ اگلے ششماہی کے فنانسل پچھلے سال کے مقابلے میں بہتر ہوں گے۔ خام کپاس کی قیمت ملکی اور غیر ملکی منڈی میں بڑھی ہے۔ اور ہمارے مصنوعات کی قیمت میں کچھ بہتری ہوئی ہے۔ اور ہم امید کرتے ہیں کہ گورنمنٹ کی طرف سے ڈیوٹی میں کمی سے برآمدات میں اضافہ ہوگا تو انائی کی صورتحال پچھلے سال کی نسبت بہتر ہوئی ہے۔ جسکی وجہ RLNG کی درآمد اور توانائی پیدا کرنے والے پلانٹر کی بہتر کارکردگی ہے۔

فیوچر پراسپیکٹس

ہم امید کرتے ہیں کہ اگلے چھ ماہ بہتر مالیاتی نتائج دیں گے کیونکہ دھاگے اور کپڑے کی طلب میں اضافہ ہوگا۔ برآمدی منڈی میں مندا خام مال کی قیمت میں اضافہ کی وجہ سے ہے۔ اور ہم امید کرتے ہیں کہ چین کی طرف سے طلب میں اضافہ بہتر نتائج دیں گے۔ تاہم چین میں ہمارے مقابل ہندوستان اور ویت نام ہیں۔ اور حقیقت میں ہندوستان ہماری ملکی منڈی میں بھی اپنا حصہ بڑھا رہا ہے۔ پاکستان میں دھاگے کی درآمد میں اضافہ کی وجہ سے پاکستانی صنعت پر منفی اثرات ڈال رہی ہے۔

ہماری ملکی کپاس کی پیداوار اندازے سے کم ہوئی ہے۔ اور حالیہ کپاس کی پیداوار ملکی ضرورت کو پورا نہیں کر سکتی جسکی وجہ سے ملکی صنعت کپاس درآمد کرنے پر مجبور ہے۔ جنوری 2017 سے برآمدی ڈیوٹی ختم کر دی گئی ہے تاہم یہ اس وقت کیا گیا جب قیمتیں عالمی منڈی میں تیزی سے بڑھ چکی تھیں اس کے علاوہ بلیکسٹائل صنعت گورنمنٹ سے کپاس کی کم پیداوار کے سلسلے میں رابطے میں ہے۔ کہ گورنمنٹ ان وجوہات کو دور کرے جسکی وجہ سے پیداوار میں کمی ہوئی ہے۔

ہم اپنی پچھلی رپورٹس میں بتا چکے ہیں کہ کمپنی کا روبرو بار بڑھانے اور دوسرے کاروبار میں انویسمنٹ کے مواقع تلاش کر رہی ہے۔ اور ہم صہداران کو جب کوئی پیش رفت ہوگی بتا دیں گے۔

اظہار تشکر؛

تمام بورڈ آف ڈائریکٹرز کی جانب سے میں تمام پارٹنرز اور ایمپلائز کا شکریہ ادا کرتا ہوں۔ اور بورڈ کی طرف سے مسلسل رہنمائی پر تہ دل سے مشکور ہوں۔

ندیم مقبول

فروری 2017، 15

Independent Auditors' Report to the Members on Review of Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of Suraj Cotton Mills Limited as at 31 December 2016 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts, for the six -month period then ended (herein-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: Naseem Akbar

February 15, 2017

Lahore

Condensed Interim Balance Sheet

As At December 31, 2016

	Note	Un-Audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 50,000,000 (30 June 2016: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	5	289,892	263,538
Share premium		29,000	29,000
Revenue reserves		4,475,820	4,433,155
Available for sale reserve		211,695	129,129
Total equity		5,006,407	4,854,822
Non-current liabilities			
Long term financing	6	236,769	287,773
Liabilities against assets subject to finance lease		1,742	2,586
Deferred tax		197,795	197,795
		436,306	488,154
Current liabilities			
Trade and other payables		1,251,535	1,041,073
Accrued interest on financing		17,185	17,576
Short term borrowings		487,808	357,536
Current portion of non current liabilities		74,075	44,801
		1,830,603	1,460,986
Total Liabilities		2,266,909	1,949,140
TOTAL EQUITY AND LIABILITIES		7,273,316	6,803,962

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 20 form an integral part of this condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

		Un-Audited December 31, 2016	Audited June 30, 2016
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	2,595,767	2,417,324
Investment properties		100,000	100,000
Investment in joint venture		50,000	50,000
Long term deposits		19,879	19,879
		2,765,646	2,587,203
Current assets			
Stores, spares and loose tools		89,299	88,839
Stock-in-trade		1,457,810	988,336
Trade debts		374,741	433,422
Loans and advances	9	97,915	136,659
Trade deposits and short term prepayments		20,956	13,406
Balances with statutory authorities		120,087	120,878
Taxation-net		36,650	61,390
Other receivables		2,474	3,993
Short term investments	10	2,249,643	2,136,361
Cash and bank balances		46,704	222,084
		4,496,279	4,205,368
Assets held for sale		11,391	11,391
		4,507,670	4,216,759
TOTAL ASSETS		7,273,316	6,803,962

DIRECTOR

Condensed Interim Profit And Loss Account (Un-Audited)

For the half year ended December 31, 2016

		Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Note	(Rupees in thousand)			
Sales	11	4,229,201	3,867,106	2,185,609	2,175,259
Cost of sales	12	3,970,349	3,513,772	2,050,034	1,975,441
Gross profit		258,852	353,334	135,575	199,818
Distribution cost		65,650	70,572	31,754	35,125
Administrative expenses		65,453	67,547	31,581	34,936
Other operating expenses	13	25,551	54,465	14,932	43,363
		156,654	192,584	78,267	113,424
		102,198	160,750	57,308	86,394
Other operating income	14	201,354	113,550	134,183	52,708
		303,552	274,300	191,491	139,102
Finance cost		25,804	26,705	13,338	15,180
Profit before taxation		277,748	247,595	178,153	123,922
Taxation	15	76,960	55,013	44,157	28,196
Profit after taxation		200,788	192,582	133,996	95,726
Earnings per share - Basic and diluted (Rupees)		6.93	Restated 6.64	4.62	Restated 3.30

The annexed notes from 1 to 20 form an integral part of this condensed interim financial statements.

Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the half year ended December 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016 (Rupees in thousand)	December 31, 2015 (Rupees in thousand)	December 31, 2016 (Rupees in thousand)	December 31, 2015 (Rupees in thousand)
Profit for the period	200,788	192,582	133,996	95,726
Other comprehensive income / (loss):				
Items not to be reclassified to profit and loss in subsequent periods				
Net unrealized (loss) / gain on available for sale investment	82,566	(26,565)	(2,884)	48,640
Total comprehensive income for the period	283,354	166,017	131,112	144,366

The annexed notes from 1 to 20 form an integral part of this condensed interim financial statements.

Condensed Interim Cash Flow Statement (Un-Audited)

For the half year ended December 31, 2016

	Half year ended December 31, 2016 (Rupees in thousand)	Half year ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	277,748	247,595
Adjustment for non-cash and other related items:		
Depreciation	96,600	99,736
Gain on disposal of property, plant and equipment	(1,969)	(11,935)
Unrealized gain revaluation of held for trading investments	(60,975)	(32,082)
Impairment loss on available for sale investment	-	29,923
Dividend income	(28,028)	(17,326)
Exchange loss / (gain)	176	(921)
Finance cost	25,804	26,705
Cash flow generated from operating activities before working capital changes	309,356	341,695
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(460)	(13,395)
Stock in trade	(469,474)	(500,762)
Trade debts	58,505	(238,802)
Loans and advances	38,744	(24,347)
Trade deposits and short term prepayments	(7,550)	(16,602)
Balances with statutory authorities	791	(18,872)
Other receivables	1,518	(693)
Increase in trade and other payables	210,462	150,086
Net cash used in working capital	(167,464)	(663,387)
Cash generated from / (used in) operations	141,892	(321,692)
Finance cost paid	(26,195)	(21,624)
Income tax paid	(52,220)	(65,275)
Dividend paid	(131,769)	(119,790)
Net cash used in operating activities	(68,292)	(528,381)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(277,274)	(246,227)
Proceeds from disposal of property, plant and equipment	4,200	25,233
Investments redeemed - net	30,259	126,633
Dividend received	28,028	17,326
Net cash used in investing activities	(214,787)	(77,035)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) / increase in long term financing - net	(21,774)	208,257
Decrease in finance lease liabilities - net	(799)	-
Increase in short term borrowings - net	130,272	313,045
Net cash generated from financing activities	107,699	521,302
Net decrease in cash and cash equivalents	(175,380)	(84,114)
Cash and cash equivalents at the beginning of the period	222,084	95,556
Cash and cash equivalents at the end of the period	46,704	11,442

The annexed notes from 1 to 20 form an integral part of this condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Condensed Interim Statement of Changes in Equity (Un-Audited)

For the half year ended December 31, 2016

	Share capital	Share premium	Revenue Reserves			Available for sale reserve	Total
			General	Unappropriated profit	Sub total		
------(Rupees in thousand)-----							
Balance as on 01 July 2015	239,580	29,000	3,714,000	437,685	4,151,685	82,785	4,503,050
Net profit for the period from 01 July 2015 to 31 December 2015	-	-	-	192,582	192,582	-	192,582
Other comprehensive income	-	-	-	-	-	(26,565)	(26,565)
Total comprehensive income for the period	-	-	-	192,582	192,582	(26,565)	166,017
Issue of bonus shares for the year ended 30 June 2015 at the rate of 10%	23,958	-	-	(23,958)	(23,958)	-	-
Final dividend for the year ended 30 June 2015 at the rate of Rs. 5 per share	-	-	-	(119,790)	(119,790)	-	(119,790)
Balance as on 31 December 2015	263,538	29,000	3,714,000	486,519	4,200,519	56,220	4,549,277
Balance as on 01 July 2016	263,538	29,000	3,714,000	719,155	4,433,155	129,129	4,854,822
Net profit for the period from 01 July 2016 to 31 December 2016	-	-	-	200,788	200,788	-	200,788
Other comprehensive income	-	-	-	-	-	82,566	82,566
Total comprehensive income for the period	-	-	-	200,788	200,788	82,566	283,354
Issue of bonus shares for the year ended 30 June 2016 at the rate of 10%	26,354	-	-	(26,354)	(26,354)	-	-
Final dividend for the year ended 30 June 2016 at the rate of Rs. 5 per share	-	-	-	(131,769)	(131,769)	-	(131,769)
Balance as on 31 December 2016	289,892	29,000	3,714,000	761,820	4,475,820	211,695	5,006,407

The annexed notes from 1 to 20 form an integral part of this condensed interim financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

1. THE COMPANY AND ITS ACTIVITIES

The Company was incorporated in Pakistan as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Pakistan Stock Exchange Limited (formerly known as Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged). 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

- 2.1 This interim financial information of the Company for the six month period ended 31 December 2016 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.
- 2.2 This condensed interim financial statement is unaudited and is being submitted to shareholders, as required by section 245 of Companies Ordinance, 1984.

3. BASIS OF PREPARATION

- 3.1 The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 30 June 2016.
- 3.2 The accounting policies and computation methods adopted for the preparation of this condensed interim financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Company for the year ended 30 June 2016 except for as disclosed in note 3.3 below.
- 3.3 The Company has adopted the following amended International Financial Reporting Standards (IFRSs) which became effective during the period:

IFRS 10 - Consolidated Financial Statements

IFRS 12 - Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements - Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 Separate Financial Statements - Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

The adoption of the above amendments and interpretation did not have any significant impact on this condensed interim financial statements.

4 ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of the estimation are the same as those that applied to the financial statements for the year ended 30 June 2016.

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

Un-Audited December 31, 2016 (No. of Shares)	Audited June 30, 2016		Un-Audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
17,400,000	17,400,000	Ordinary shares of Rupees 10 each fully paid up in cash	174,000	174,000
11,589,200	8,953,800	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	115,892	89,538
28,989,200	26,353,800		289,892	263,538

6. LONG TERM FINANCING - secured

Opening balance	331,321	144,838
Acquired/(repaid) during the period / year	(21,775)	(186,483)
	309,546	331,321
Less: Current portion	72,777	43,548
	236,769	287,773

7. CONTINGENCIES AND COMMITMENTS

Contingencies

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

Commitments

7.2 As on balance sheet date the commitments in respect of capital expenditure was amounted to Rs. 2,510,291 thousand (June 30, 2016: Rs. 1,560,542 thousand).

8. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets - tangible	(8.1)	2,238,745	2,291,827
Assets subject to finance lease	(8.2)	3,701	4,113
Capital work-in-progress		353,321	121,384
		2,595,767	2,417,324

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

		Un-Audited December 31, 2016 (Rupees in thousand)	Audited June 30, 2016
	Note		
8.1 Operating fixed assets - tangible			
Opening book value		2,291,827	1,921,544
Add: additions during the period / year-cost	(8.1.1)	45,337	589,569
		2,337,164	2,511,113
Less: deletions during the period / year	(8.1.2)	2,231	14,155
		2,334,933	2,496,958
Less: depreciation during the period / year		96,188	205,131
Book value at the end of the period / year		2,238,745	2,291,827
8.1.1 Additions during the period / year - cost			
Land		-	350,786
Plant and machinery		42,603	236,198
Vehicles		2,734	2,585
		45,337	589,569
8.1.2 Book value of assets disposed during the period / year			
Plant and machinery		-	14,155
Vehicles		2,231	-
		2,231	14,155
8.2 Assets subject to finance lease			
Opening book value		4,113	928
Add : additions during the period / year		-	3,528
Less : depreciation during the period / year		412	343
Book value at the end of the period / year		3,701	4,113
9. LOANS AND ADVANCES			
Loans to employees - considered good		4,855	5,152
Advances - considered good:			
To suppliers		76,266	119,559
Against letter of credit		16,794	11,948
		93,060	131,507
		97,915	136,659
10. SHORT TERM INVESTMENTS			
Available for sale		1,185,787	1,017,171
Held for trading		1,063,856	1,119,190
		2,249,643	2,136,361

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

		Un-Audited			
		Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		(Rupees in thousand)		(Rupees in thousand)	
11. SALES					
Export		514,821	726,807	234,262	302,426
Local		3,590,977	3,058,008	1,889,117	1,830,239
Waste		123,403	82,291	62,230	42,594
		4,229,201	3,867,106	2,185,609	2,175,259
12. COST OF SALES					
Raw material consumed		2,824,166	2,476,215	1,381,695	1,326,988
Sizing expenses		27,631	30,236	13,377	15,436
Stores, spares and loose tools consumed		59,874	91,114	29,629	62,936
Packing materials		47,016	49,475	23,003	25,706
Salaries, wages and other benefits		336,804	324,826	165,780	159,763
Fuel and power		482,677	479,024	244,375	240,207
Repair and maintenance		22,942	27,129	11,682	12,391
Insurance		12,051	12,726	5,374	6,484
Other factory overheads		6,592	8,725	3,266	4,997
Depreciation		89,992	93,606	45,127	48,846
		3,909,745	3,593,076	1,923,308	1,903,754
Work-in-process:					
Opening stock		106,511	103,093	113,261	103,519
Closing stock		(101,979)	(113,938)	(101,979)	(113,938)
		4,532	(10,845)	11,282	(10,419)
Cost of goods manufactured		3,914,277	3,582,231	1,934,590	1,893,335
Finished goods:					
Opening stock		574,949	583,138	634,321	733,703
Closing stock		(518,877)	(651,597)	(518,877)	(651,597)
		56,072	(68,459)	115,444	82,106
		3,970,349	3,513,772	2,050,034	1,975,441

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

		Un-Audited			
		Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Note		(Rupees in thousand)			
13.	OTHER OPERATING EXPENSES				
	Workers' profit participation fund	16,337	15,541	9,540	8,443
	Workers' welfare fund	6,208	6,343	3,625	3,446
	Impairment loss on investment	-	29,923	-	29,923
	Others	3,006	2,658	1,767	1,551
		25,551	54,465	14,932	43,363
14.	OTHER OPERATING INCOME				
	Income from financial assets (14.1)	197,681	100,288	131,496	40,577
	Income from assets other than financial assets (14.2)	3,673	13,262	2,686	12,131
		201,354	113,550	134,182	52,708
14.1	Income from financial assets				
	Exchange gain / (loss) - net	-	929	-	(684)
	Profit on bank deposits	1,526	899	252	279
	Dividend income	28,028	17,326	27,528	16,701
	Net gain on short term investments	168,127	81,134	103,716	24,281
		197,681	100,288	131,496	40,577
14.2	Income from assets other than financial assets				
	Sale of empties and scrap	1,704	1,337	948	1,180
	Gain on disposal of operating fixed assets	1,969	11,925	1,738	10,951
		3,673	13,262	2,686	12,131
15.	OTHER OPERATING EXPENSES				
	Charge for the period:				
	Current	76,960	55,013	44,157	28,196
		76,960	55,013	44,157	28,196

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

16 OPERATING SEGMENT INFORMATION

The textile sector comprises 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 fiber(s). This sector also includes power generation facilities which provide electricity for internal consumption purposes.

16.1 Business segments

For management purposes, 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 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.

	Spinning		Weaving		Elimination of inter-segment transactions		Total	
	December		December		December		December	
	31, 2016	31, 2015	31, 2016	31, 2015	31, 2016	31, 2015	31, 2016	31, 2015
	----- Un-Audited -----							
	----- Half Year ended -----							
	----- (Rupees in thousand) -----							
Sales								
External	2,563,516	2,093,780	1,665,685	1,773,326	-	-	4,229,201	3,867,106
Inter-segment	557,068	552,018	-	-	557,068	552,018	-	-
	3,120,584	2,645,798	1,665,685	1,773,326	557,068	552,018	4,229,201	3,867,106
Cost of sales								
External	2,930,746	2,368,793	1,039,603	1,144,979	-	-	3,970,349	3,513,772
Inter-segment	-	-	557,068	552,018	557,068	552,018	-	-
	2,930,746	2,368,793	1,596,671	1,696,997	557,068	552,018	3,970,349	3,513,772
Gross profit	189,838	277,005	69,014	76,329	-	-	258,852	353,334
Distribution cost	26,893	26,714	38,757	43,858	-	-	65,650	70,572
Administrative expenses	51,617	54,293	13,836	13,254	-	-	65,453	67,547
	78,510	81,007	52,593	57,112	-	-	131,103	138,119
Profit before taxation and unallocated income and expenses	111,328	195,998	16,421	19,217	-	-	127,749	215,215

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

	Spinning		Weaving		Un-Audited Elimination of inter-segment transactions		Total	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Unallocated income and expenses:								
Other operating expenses							(25,551)	(54,465)
Other operating income							201,354	113,550
Finance cost							(25,804)	(26,705)
							149,999	32,380
Profit before taxation							277,748	247,595
Taxation							76,960	55,013
Profit for the year							200,788	192,582
Inter segment sales and purchases have been eliminated on consolidation.								
Other disclosures								
Capital expenditure	274,540	198,374	2,734	47,853	-	-	277,274	246,227
Segment operating assets Unallocated:								
Capital work in progress	3,462,713	3,434,721	889,511	767,837	-	-	4,352,224	4,202,558
Investment in joint venture							353,321	121,384
Investment properties							50,000	50,000
Balances with statutory authorities							100,000	100,000
Taxation-net							120,087	120,878
Non current assets held for sale							36,650	61,390
Short term investments							11,391	11,391
Total operating assets							2,249,643	2,136,361
							7,273,316	6,803,962
Consolidated total assets								
Segment operating assets Unallocated:	1,672,476	1,382,190	311,229	280,293	-	-	1,983,705	1,662,483
Deferred taxation							197,795	197,795
Workers' profit participation fund							16,494	26,451
Workers welfare fund							68,915	62,411
Total operating liabilities							2,266,909	1,949,140

16.2 Geographical segments

Secondary information is reported geographically.

The Company operates in three major geographical segments i.e. Pakistan, Europe and Far East. The cumulative revenue attributable to foreign countries is disclosed in note 10.

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

17. TRANSACTIONS WITH RELATED PARTIES

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

Relationship with the Company	Nature of transactions	Un-Audited	
		Half year ended	
		December 31, 2016	December 31, 2015
(Rupees in thousand)			
Associated companies	Sale of goods	785	11,179
	Purchase of goods and services	285,413	218,959
	Dividend paid	62,627	56,933
Employees Provident Fund Trust	Amount contributed	7,859	7,621
Director and Chief Executive	Remuneration	11,526	11,670

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

The outstanding balances of such parties are as under:

Relationship with the Company	Nature of transactions	Un-Audited	Audited
		December 31, 2016	June 30, 2016
		(Rupees in thousand)	
Associated companies	Creditors	28,172	39,693
	Trade debt	-	39,219
Employees Provident Fund Trust	Provident fund payable	87	426
Director and Chief Executive	Remuneration payable	1,921	891

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

18. FINANCIAL RISK MANAGEMENT

18.1 Financial risk factors

Financial instruments comprise long term financing, liabilities against assets subject to finance lease, short term borrowings, trade and other payables, trade debts, loans to employees, other receivables, cash and bank balances, short term and long term deposits, available for investments and held for trading investments.

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

- Market risk
- Credit risk
- Liquidity risk

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

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

There is no change in the company's objectives, policies, procedures for measuring and managing the above risks including capital management risk, since the preceeding annual financial year ended as at 30th June 2016.

18.2 Fair values of financial assets and liabilities

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

Fair value hierarchy

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

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

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

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

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

As at 31 December 2016, the Company hold the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	December 31, 2016	Level 1	Level 2	Level 3
		(Rupees in thousand)		
Held for trading				
Mutual fund units	1,063,856	1,063,856	-	-
Available for sale financial assets				
Equity shares	1,185,787	1,185,682	-	105

There were no financial liabilities measured at fair value as at 31 December 2016.

During the six month period ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

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

* The Company has received shares of Glaxosmithkline Consumer Healthcare Pakistan Limited as a result of demerger of GlaxoSmithKline Pakistan Limited. Currently, the management of demerged company is in the process of listing. Therefore, the Company has recognized these shares on the basis of face value.

As at 30 June 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value	June 30, 2016	Level 1	Level 2	Level 3
		(Rupees in thousand)		
Held for trading				
Mutual fund units	1,119,190	1,119,190	-	-
Available for sale financial assets				
Equity shares	1,017,171	1,017,066	-	105

There were no financial liabilities measured at fair value as at 31 December 2016.

During the six month period ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

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

The Company has received shares of Glaxosmithkline Consumer Healthcare Pakistan Limited as a result of demerger of GlaxoSmithKline Pakistan Limited. Currently, the management of demerged company is in the process of listing. Therefore, the Company has recognized these shares on the basis of face value.

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

18.3 Financial instruments by categories

	December 31, 2016				
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
(Rupees in thousand)					
Financial assets as per balance sheet					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	374,741	-	-	374,741
Loans to employees	-	4,855	-	-	4,855
Trade deposits	-	624	-	-	624
Short term investments	-	-	1,185,787	1,063,856	2,249,643
Other receivables	-	2,474	-	-	2,474
Cash and bank balances	46,704	-	-	-	46,704
Total	46,704	402,573	1,185,787	1,063,856	2,698,920
Total current					2,679,041
Total non current					19,879
Total					2,698,920

December 31, 2016	
Financial Liabilities at amortized cost	
(Rupees in thousand)	
Financial liabilities as per balance sheet	
Long term financing	236,769
Liabilities against assets subject to finance lease	3,040
Trade and other payables	1,166,126
Accrued interest on financing	17,185
Short term borrowings	487,808
Total	1,910,928
Total current	238,067
Total non current	1,672,861
Total	1,910,928

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

June 30, 2016					
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
(Rupees in thousand)					
Financial assets as per balance sheet					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	433,422	-	-	433,422
Loans to employees	-	5,152	-	-	5,152
Trade deposits	-	624	-	-	624
Short term investments	-	-	1,017,171	1,119,190	2,136,361
Other receivables	-	3,993	-	-	3,993
Cash and bank balances	222,084	-	-	-	222,084
Total	222,084	463,070	1,017,171	1,119,190	2,821,515
Total current					2,801,636
Total non current					19,879
Total					2,821,515

December 31, 2016	
Financial Liabilities at amortized cost	
(Rupees in thousand)	
Financial liabilities as per balance sheet	
Long term financing	331,321
Liabilities against assets subject to finance lease	3,839
Trade and other payables	944,661
Accrued interest on financing	17,576
Short term borrowings	357,536
Total	1,654,933
Total current	1,323,612
Total non current	331,321
Total	1,654,933

Selected Notes To The Interim Financial Information (Un-Audited)

For the half year ended December 31, 2016

18.4 Fair values

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2016 and 30 June 2016.

	December 31, 2016	December 31, 2016	June 30, 2016	June 30, 2016
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Rupees in thousand)				
Financial Assets				
Long term deposits	19,879	19,879	19,879	19,879
Trade debts	374,741	374,741	433,422	433,422
Loans to employees	4,855	4,855	5,152	5,152
Trade deposits	624	624	624	624
Short term investments	2,249,643	2,249,643	2,136,361	2,136,361
Other receivables	2,474	2,474	3,993	3,993
Cash and bank balances	46,704	46,704	222,084	222,084
Total	2,698,920	2,698,920	2,821,515	2,821,515

There were no financial liabilities measured at fair value as at 31 December 2016 and 30 June 2016.

19. DATE OF AUTHORIZATION

This condensed interim financial statements was authorized for issue by the Board of Directors of the Company on February 15, 2017.

20. GENERAL








- 20.1 The figures of condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2016 and 2015 were not subject to limited scope review by the auditors as scope of review covered only the cumulative figures.
- 20.2 Provisions in respect of Worker's Welfare Fund (WWF), Worker's Profit Participation Fund (WPPF) and taxation are estimated and these are subject to final adjustment in the annual financial statements.
- 20.3 Figures have been rounded off to the nearest thousand rupees.










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