



# Quarterly Report

March 31, 2017

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)
Adil Bashir	(Member)

### HR & R Committee

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

### Share Registrar

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

### Auditors

EY Ford Rhodes  
Chartered Accountants

### Internal Auditors

KPMG Taseer Hadi  
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](mailto:info@suraj.com)  
Web: [www.suraj.com](http://www.suraj.com)

### Project Locations

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

## Directors' Report

I am pleased to present the unaudited financial statements for the nine month period ended 31 March 2017.

For the period under review, earnings after tax are Rs. 363.078 million and earnings per share of Rs. 12.52. Net sales of the company were recorded at approximately Rs. 6.354 billion, an increase of approximately 8.79% over the corresponding period. Distribution costs were lower by 9% over the corresponding period due to reduced export sales. Administrative costs were marginally lower than the previous period. Financial charges reduced by 9% at Rs.42.68 million. The company has maintained its profitable performance leading to reduction in borrowings and thus lower finance cost.

We saw an improvement in prices in the period under review and there was increased demand. This improvement largely was from the domestic market as export of yarn and fabrics continues to remain depressed even though the government has announced cash rebates on export of textile goods. As is evident from the declining export statistics Pakistani products have become uncompetitive due to the rising cost of doing business. The cotton crop in Pakistan for 2016-17 once again did not meet the targets and the industry was compelled to import raw cotton to meet its needs. World cotton prices at this time have also shown an increasing trend as it is the end of the season in most cotton growing countries. Your company's operating results are better than the corresponding period.

### Future Prospects

The textile industry is facing severe challenges despite the economic package announced by the government. Demand from China and other countries for yarn and fabrics remains stagnant at best. During the current year, the challenges facing the industry are severe and urgent measures are required to enable it to stay competitive. Among the many challenges is the influx of Indian yarn and Chinese fabrics which will continue to exert further pressure on our profitability. During the current year, the availability of gas and electricity remained significantly better.

In recent days there has been a marginal improvement in end product prices and off take has also increased. However, we expect that the margins for this period will remain under strain and it is essential to keep our costs in control.

The company is examining several avenues for diversification in both the textile and other sectors. We will keep our stakeholders apprised of further developments in this regard.

### 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 valuable insight and guidance.

**Nadeem Maqbool**  
Chief Executive

April 22, 2017  
Lahore

## ڈائریکٹر رپورٹ

میں بخوشی نو ماہ 31 مارچ 2017 کے مالیاتی حسابات پیش کرتا ہوں

اس دوران آمدنی بعد از ٹیکس منافع 363.078 ملین روپے رہا اور آمدنی فی کس شیئر 12.52 روپے رہی۔ کمپنی کی خالص سیل 6.354 ملین روپے رہی جو کہ 8.79 فیصد پچھلے عرصہ کے مقابل زیادہ ہے۔ تقسیمی لاگت میں 9 فیصد کمی ہوئی ہے۔ جس کی وجہ سے برآمدات میں کمی ہے۔ انتظامی خرچہ پچھلے عرصہ کے مقابل کچھ کم ہے۔ فنانشل خرچہ 42.68 ملین روپے رہا جو کہ 9 فیصد پچھلے عرصہ کے مقابل کم ہے۔ کمپنی نے منافع کی روایت برقرار رکھی جسکی وجہ سے فنانشل خرچے میں کمی ہوئی۔

اس عرصہ کے دوران قیمتیں بہتر ہوئی جسکی وجہ طلب میں اضافہ ہے۔ یہ بہتری صرف ملکی منڈی میں ہوئی جبکہ دھماگے اور کپڑے کی برآمد میں کوئی اضافہ نہ ہوا حالانکہ گورنمنٹ نے برآمدات پر کیش چھوٹ بھی دی ہے۔ کاروباری لاگت میں اضافہ اور برآمدات میں کمی کی وجہ سے ہماری مصنوعات عالمی منڈی کا مقابلہ نہیں کر سکتیں۔

2016-17 میں بھی کپاس کی پیداوار مطلوبہ حریف سے کم رہی جسکی وجہ سے ملکی صنعت کو کپاس درآمد کرنا پڑی۔ عالمی منڈی میں کپاس کی قیمت میں اضافہ، کپاس کی پیداوار کا موسم ختم ہونے کی وجہ سے ہوا۔ آپ کی کمپنی کے مالیاتی حسابات پچھلے عرصہ کے مقابل میں بہتر ہیں۔

### مستقبل پر آپیکس:

گورنمنٹ کی معاشی اصلاحات کے باوجود ٹیکسٹائل کی صنعت مشکلات کا شکار ہے۔ چین اور دوسرے ممالک کی طرف سے طلب میں کوئی اضافہ نہیں ہوا۔ عالمی منڈی میں اپنی مصنوعات کی بہتری کے لیے جلدی اور فوراً اقدامات کی ضرورت ہے۔ بہت سے دوسرے چیلنجز کے ساتھ انڈیا کے دھماگے اور چین کے کپڑے کی عالمی منڈی میں آمد ہمارے منافع پر اثر انداز ہو رہی ہے۔ حالیہ سال میں گیس اور بجلی کی ترسیل بہتر رہی۔ حالیہ دنوں میں ٹیکسٹائل مصنوعات کی قیمت میں کچھ اضافہ ہوا ہے۔ تاہم اس منافع کو برقرار رکھنے کے لیے کاروباری لاگت کو کنٹرول رکھنا ہوگا۔ کمپنی اپنے بزنس کو وسعت دینے کے لیے مختلف دوسرے اور ٹیکسٹائل کے منصوبوں پر کام کر رہی ہے۔

### اظہار تشکر:

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

ندیم مقبول

اپریل 22, 2017

# Financial Statements

For the nine months ended March 31, 2017

## Condensed Interim Balance Sheet

As At March 31, 2017

	Note	Un-Audited March 31, 2017 (Rupees in thousand)	Audited June 30, 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
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		289,892	263,538
Share premium		29,000	29,000
Revenue reserves		4,638,110	4,433,155
Available for sale reserve		214,138	129,129
<b>Total equity</b>		<b>5,171,140</b>	<b>4,854,822</b>
<b>Non-current liabilities</b>			
Long term financing	5	1,789,436	287,773
Liabilities against assets subject to finance lease		1,742	2,586
Deferred tax		197,795	197,795
		<b>1,988,973</b>	<b>488,154</b>
<b>Current liabilities</b>			
Trade and other payables		1,288,564	1,041,073
Accrued interest on loans		18,314	17,576
Short term borrowings		395,537	357,536
Current portion of non current liabilities		72,703	44,801
		<b>1,775,118</b>	<b>1,460,986</b>
<b>Total Liabilities</b>		<b>3,764,091</b>	<b>1,949,140</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,935,231</b>	<b>6,803,962</b>

### CONTINGENCIES AND COMMITMENTS

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The annexed notes form an integral part of this interim financial information.

CHIEF EXECUTIVE OFFICER



		Un-Audited	Audited
		March 31, 2017	June 30, 2016
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	7	4,316,784	2,417,324
Investment properties		100,000	100,000
Investment in joint venture		50,000	50,000
Long term deposits		19,879	19,879
		4,486,663	2,587,203
Current assets			
Stores, spares and loose tools		109,031	88,839
Stock in trade		1,809,797	988,336
Trade debts		360,735	433,422
Loans and advances	8	88,022	136,659
Trade deposits and short term prepayments		12,996	13,406
Balances with statutory authorities		138,132	120,878
Taxation- net		30,919	61,390
Other receivables		9,768	3,993
Short term investments	9	1,859,169	2,136,361
Cash and bank balances		18,608	222,084
Assets held for sale		11,391	11,391
		4,448,568	4,216,759
TOTAL ASSETS		8,935,231	6,803,962

DIRECTOR

## Condensed Interim Profit And Loss Account (Un-Audited)

For the nine months ended March 31, 2017

		Period Ended		Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Note	(Rupees in thousand)			
Sales	10	6,354,434	5,841,237	2,125,233	1,974,131
Cost of sales	11	5,899,033	5,304,582	1,928,684	1,790,810
Gross profit		455,401	536,655	196,549	183,321
Distribution cost		97,000	106,682	31,350	36,110
Administrative expenses		96,782	98,453	31,329	30,906
Other operating expenses	12	40,644	65,752	15,093	11,287
		234,426	270,887	77,772	78,303
		220,975	265,768	118,777	105,018
Other operating income	13	299,253	144,454	97,899	30,904
		520,228	410,222	216,676	135,922
Finance cost		42,681	46,956	16,877	20,251
Profit before taxation		477,547	363,266	199,799	115,671
Taxation	14	114,469	86,864	37,509	31,851
Profit after taxation		363,078	276,402	162,290	83,820
Earnings per share - Basic and diluted (Rupees)		12.52	9.53	5.60	2.89

The annexed notes form an integral part of this interim financial information.

## Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the nine months ended March 31, 2017

	Period Ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in thousand)			
Profit for the period	363,078	276,402	162,290	83,820
Other comprehensive income / (loss):				
Items not to be reclassified to profit and loss in subsequent periods				
Net realized gain / (loss) on available for sale investment	85,009	8,047	2,443	48,640
Total comprehensive income for the period	448,087	284,449	164,733	132,460

The annexed notes form an integral part of this interim financial information.

## Condensed Interim Cash Flow Statement (Un-Audited)

For the nine months ended March 31, 2017

	March 31, 2017	March 31, 2016
	(Rupees in thousand)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	477,547	363,266
Adjustment for non-cash and other items:		
Depreciation	145,398	152,455
Gain on disposal of property, plant and equipment	(5,358)	(13,184)
Net gain of short term investment	(254,455)	-
Impairment loss on available for sale investment	-	-
Dividend income	(34,446)	(26,791)
Exchange loss / (gain)	227	(1,034)
Finance cost	42,688	46,956
Cash flows from operating activities before working capital changes	371,601	521,668
<b>Effect on cash flow due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(20,192)	(7,582)
Stock in trade	(821,461)	(574,960)
Trade debts	72,460	(180,031)
Loans and advances	48,637	(53,689)
Trade deposits and short term prepayments	410	(7,854)
Balances with statutory authorities	(17,254)	(47,889)
Other receivables	(5,775)	(4,075)
<b>Increase in current liabilities:</b>		
Trade and other payables	247,491	59,688
Net cash used in working capital	(495,684)	(816,392)
<b>Cash generated from /(used in) operations</b>	(124,083)	(294,724)
Finance cost paid	(41,943)	(38,775)
Income tax paid	(84,178)	(97,073)
Dividend paid	(131,769)	(119,790)
<b>Net cash used in operating activities</b>	(381,973)	(550,362)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(2,048,500)	(669,250)
Proceeds from disposal of property, plant and equipment	9,175	27,437
Investments - net	616,655	476,300
Dividend received	34,446	26,791
Increase in long term deposits		(119)
<b>Net cash used in investing activities</b>	(1,388,224)	(138,841)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing - net	1,529,737	200,902
Finance lease liabilities - net	(1,017)	-
Short term borrowings - net	38,001	418,903
<b>Net cash generated from financing activities</b>	1,566,721	619,805
<b>Net cash and cash equivalents</b>	(203,476)	(69,398)
<b>Cash and cash equivalents at the beginning of the period</b>	222,084	95,556
<b>Cash and cash equivalents at the end of the period</b>	18,608	26,158

The annexed notes form an integral part of this interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

For the nine months ended March 31, 2017

	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 March 2016	-	-	-	276,402	276,402		276,402
Other comprehensive income	-	-	-	-	-	8,047	8,047
Total comprehensive income for the period	-	-	-	276,402	276,402	8,047	284,449
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 March 2016	263,538	29,000	3,714,000	570,339	4,284,339	90,832	4,667,709
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 30 March 2017	-	-	-	363,078	363,078		363,078
Other comprehensive income	-	-	-	-	-	85,009	85,009
Total comprehensive income for the period	-	-	-	363,078	363,078	85,009	448,087
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 March 2017	289,892	29,000	3,714,000	924,110	4,638,110	214,138	5,171,140

The annexed notes form an integral part of this interim financial information.

CHIEF EXECUTIVE OFFICER

DIRECTOR

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

For the nine months ended March 31, 2017

### 1. THE COMPANY AND ITS ACTIVITIES

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

### 2. 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 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.

3.3 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 financial statements.

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 nine months ended March 31, 2017

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.

		Un-Audited March 31, 2017	Audited June 30, 2016
	Note	( Rupees in thousand )	
5.	LONG TERM FINANCING - secured		
	Opening balance	331,321	144,838
	Acquired/(repaid) during the period / year	1,529,737	186,483
		1,861,058	331,321
	Less: Current portion	71,622	43,548
		1,789,436	287,773

### 6. CONTINGENCIES AND COMMITMENTS

#### Contingencies

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

#### Commitments

- As on balance sheet date the commitments in respect of capital expenditure was amounted to Rs. 667,456 thousand (June 30, 2016: Rs. 1,560,542 thousand).

7.	PROPERTY, PLANT AND EQUIPMENT		
	Operating fixed assets - tangible	(7.1) 2,195,431	2,291,827
	Assets subject to finance lease	(7.2) 3,496	4,113
	Capital work-in-progress	2,117,857	121,384
		4,316,784	2,417,324

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

For the nine months ended March 31, 2017

	Note	Un-Audited March 31, 2017 ( Rupees in thousand )	Audited June 30, 2016
<b>7.1 Operating fixed assets - tangible</b>			
Opening book value		2,291,827	1,921,544
Add: Additions during the period / year -cost	(7.1.1)	52,027	589,569
		2,343,854	2,511,113
Less: deletions during the period / year		3,642	14,155
		2,340,212	2,496,958
Less: depreciation during the period / year		144,781	205,131
Book value at the end of the period / year		2,195,431	2,291,827
<b>7.1.1 Additions during the period / year - cost</b>			
Land		-	350,786
Plant and machinery		45,104	236,198
Electric installations		1,461	-
Vehicles		5,462	2,585
		52,027	589,569
<b>7.2 Assets subject to finance lease</b>			
Opening book value		4,113	928
Add: Additions during the period / year -cost		-	3,528
Less: Depreciation during the period / year		617	343
Book value at the end of the period / year		3,496	4,113
<b>8. LOANS AND ADVANCES</b>			
Considered good:			
Loans to employees		6,180	5,152
Advances to suppliers		61,244	119,559
Advance against letter of credit		20,598	11,948
		88,022	136,659
<b>9. SHORT TERM INVESTMENTS</b>			
Available for sale		1,249,234	1,017,171
Held for trading		609,935	1,119,190
		1,859,169	2,136,361



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

For the nine months ended March 31, 2017

		Un-Audited			
		Period ended		Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
		( Rupees in thousand )			
10.	<b>SALES</b>				
	Export	679,520	885,770	164,699	158,963
	Local	5,495,799	4,822,787	1,904,822	1,764,779
	Waste	179,115	132,680	55,712	50,389
		6,354,434	5,841,237	2,125,233	1,974,131
11.	<b>COST OF SALES</b>				
	Raw material consumed	4,211,105	3,597,064	1,386,939	1,120,849
	Sizing expenses	40,769	45,035	13,138	14,799
	Stores, spares and loose tools consumed	94,439	132,991	34,565	41,877
	Packing materials	67,414	73,467	20,398	23,992
	Salaries, wages and other benefits	499,501	481,612	162,697	156,786
	Fuel and power	723,577	695,344	240,900	216,320
	Repairs and maintenance	33,688	39,464	10,746	(1,866)
	Insurance	18,280	19,466	6,229	20,941
	Depreciation	135,435	142,972	45,443	49,366
	Other factory overheads	10,056	13,227	3,464	4,502
		5,834,264	5,240,642	1,924,519	1,647,566
	Work-in-process:				
	Opening stock	106,511	103,093	101,979	113,938
	Closing stock	(110,030)	(123,633)	(110,030)	(123,633)
		(3,519)	(20,540)	(8,051)	(9,695)
	Cost of goods manufactured	5,830,745	5,220,102	1,916,468	1,637,871
	Finished goods:				
	Opening stock	574,949	583,138	518,877	651,597
	Closing stock	(506,661)	(498,658)	(506,661)	(498,658)
		68,288	84,480	12,216	152,939
		5,899,033	5,304,582	1,928,684	1,790,810

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

For the nine months ended March 31, 2017

		Un-Audited			
		Period ended		Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
		( Rupees in thousand )			
12.	<b>OTHER OPERATING EXPENSES</b>				
	Workers profit participation fund	25,647	22,632	9,310	7,091
	Workers welfare fund	9,746	9,238	3,538	2,895
	Impairment loss on investment	-	29,923	-	-
	Others	5,251	3,959	2,245	1,301
		40,644	65,752	15,093	11,287
13.	<b>OTHER OPERATING INCOME</b>				
	Exchange gain - net	-	1,032	-	103
	Profit on bank deposits	2,993	1,110	1,467	211
	Dividend income	34,446	26,791	6,418	9,465
	Net gain of short term investment	254,455	99,803	86,328	18,669
	Sale of empties and scrap	2,001	2,534	297	1,197
	Gain on disposal of operating fixed assets	5,358	13,184	3,389	1,259
		299,253	144,454	97,899	30,904
14.	<b>TAXATION</b>				
	Charge for the period:				
	Current	114,469	86,864	37,509	31,851
		114,469	86,864	37,509	31,851

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

For the nine months ended March 31, 2017

### 15. 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.

#### 15.1 Business segments

For management purposes, the Suraj Cotton Mills 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	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	----- Un-Audited ----- ----- (Rupees in thousand) -----							
Sales								
External	3,834,563	3,204,500	2,519,871	2,636,737	-	-	6,354,434	5,841,237
Inter-segment	779,689	886,091	-	-	779,689	886,091	-	-
	4,614,252	4,090,591	2,519,871	2,636,737	779,689	886,091	6,354,434	5,841,237
Cost of sales								
External	4,286,123	3,681,957	1,632,910	1,622,625	-	-	5,899,033	5,304,582
Inter-segment	4,266,123	3,681,957	2,412,599	2,508,716	779,689	886,091	5,899,033	5,304,582
	848,129	408,634	107,272	128,021	-	-	455,401	536,655
Gross profit								
Distribution cost	41,345	39,071	55,655	67,611	-	-	97,000	106,682
Administrative expenses	76,675	78,755	20,107	19,698	-	-	96,782	98,453
	118,020	117,826	75,762	87,309	-	-	193,782	205,135
Profit before taxation and unallocated income and expenses	230,109	290,808	31,510	40,712	-	-	261,619	331,520

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

For the nine months ended March 31, 2017

	Spinning		Weaving		Un-Audited		Elimination of inter-segment transactions		Total	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
----- (Rupees in thousand) -----										
Unallocated income and expenses:										
Other operating expenses									(40,644)	(65,752)
Other operating income									299,253	144,454
Finance cost									(42,681)	(46,956)
									215,928	31,746
Profit before taxation									477,547	363,266
Taxation									114,469	86,864
Profit for the year									363,078	276,402
----- (Rupees in thousand) -----										
Inter segment sales and purchases have been eliminated on consolidation.										
Other disclosures										
Capital expenditure	2,043,026	621,397	5,474	47,853	-	-	-	-	2,048,500	669,250
----- (Rupees in thousand) -----										
Operating Assets	3,689,726	3,434,721	938,037	767,837	-	-	-	-	4,627,763	4,202,558

### 15.2 Geographical segments

Secondary information is reported geographically.  
The Company operates in only one geographical segment i.e. Pakistan, as the Company has no distinguishable component other than Pakistan that is engaged in providing products within a particular economic environment.

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

For the nine months ended March 31, 2017

### 16. 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	
		March 31, 2017	March 31, 2016
		(Rupees in thousand)	
Associated companies	Sale of goods and services	785	11,179
	Purchase of goods and services	395,506	218,959
	Dividend paid	62,627	56,933
Employees Provident Fund Trust	Amount contributed	12,054	7,621
Director and Chief Executive	Remuneration	18,331	11,670

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

### 17. DATE OF AUTHORIZATION

This interim financial information was authorized for issue by the Board of Directors of the Company on April 22, 2017.

### 18. GENERAL

18.1 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.








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










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