



ANNUAL REPORT

2017



SURAJ COTTON MILLS LIMITED



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Company Information

Board of Directors

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

Chief Executive Officer

Nadeem Maqbool

Chief Financial Officer

Farooq Ahmad

Audit Committee

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

HR & R Committee

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

Share Registrar

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

Auditors

EY Ford Rhodes
Chartered Accountants

Bankers

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

Registered Office

7-B-III, Aziz Avenue, Gulberg-V, Lahore
Ph: +92-423-5760379, 35760381
Fax: +92-423-5760376
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.



Company Profile

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 be able to produce a variety of fabrics, the management has expanded its weaving facilities by addition of 120 state of art, wider width Air Jet looms in 2003 which has further enhanced the collective capacity to 28 million meters of Grey cloth annually.

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

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

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		2017	2016	2015	2014	2013	2012
Gross profit ratio	(%)	6.4	8.7	10.5	11.2	15.1	10.0
Operating profit margin to sales	(%)	6.7	7.2	9.0	8.6	11.5	6.5
Net profit margin to sales (net)	(%)	6.1	5.5	6.9	6.6	9.4	4.2
Return on average equity	(%)	10.0	9.1	14.0	17.7	30.2	17.4
Return on capital employed	(%)	7.4	10.8	16.8	20.3	29.3	19.3
Return on average assets	(%)	6.2	6.6	10.2	12.3	20.1	9.5

B Liquidity Ratios		2017	2016	2015	2014	2013	2012
Current ratio	(times)	2.5	2.9	3.3	3.0	2.8	2.4
Quick ratio	(times)	1.7	2.2	2.1	1.5	1.7	0.8

C Activity / Turnover Ratios		2017	2016	2015	2014	2013	2012
Debtors turnover ratio	(times)	20.7	17.3	19.8	25.1	23.5	20.8
No. of days in receivables / Average collection period	(days)	18	21	18	15	16	18
Inventory turnover ratio	(times)	6.5	6.0	5.0	6.1	5.9	5.7
No. of days in inventory	(days)	56	61	74	60	62	64
Creditors turnover ratio	(times)	4.2	4.9	5.6	8.0	10.3	10.3
No. of days in creditors / Average payment period	(days)	87	75	65	46	36	35
Total assets turnover	(times)	1.0	1.2	1.5	1.9	2.1	2.7

D Investment / Market Ratios		2017	2016	2015	2014	2013	2012
Earnings per share	(Rs.)	17.4	16.1	24.7	30.0	45.6	17.5
Price earnings ratio	(times)	9.0	8.1	4.1	2.8	0.6	2.1
Cash dividend per share	(Rs.)	3.0	5.0	5.0	5.0	6.0	4.0
Stock dividend / Bonus shares	(%)	10.0	10.0	10.0	10.0	10.0	-
Break-up value per share	(Rs.)	182.1	184.2	188.0	164.8	172.2	130.3

E Market value per share		2017	2016	2015	2014	2013	2012
Closing	(Rs.)	157.0	130.0	102.0	85.3	28.9	37.0
High	(Rs.)	163.0	176.2	147.9	158.8	95.0	39.4
Low	(Rs.)	116.1	101.3	93.0	73.0	28.0	22.0

F Capital Structure Ratios		2017	2016	2015	2014	2013	2012
Debt equity ratio		30:70	06:94	02:98	06:94	10:90	08:92
Total liabilities to total assets	(%)	44.8	28.6	25.1	28.8	32.6	34.7

Vertical Analysis

For the current and past five financial years

Rupees in thousand

Balance Sheet	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
Property, plant and equipment	4,952,530	51.8	2,417,324	35.53	1,970,611	32.78	1,982,781	35.74	1,990,050	39.34	1,863,563	47.20
Investment property	100,000	1.0	100,000	1.47	100,000	1.66	100,000	1.80	-	-	-	-
Long term investments	50,000	0.5	50,000	0.73	-	-	-	-	-	-	13	0.00
Long term loans and deposits	19,879	0.2	19,879	0.29	19,531	0.32	19,531	0.35	18,974	0.38	18,688	0.47
Stores, spares and loose tools	149,265	1.6	88,839	1.31	83,027	1.38	89,846	1.62	125,850	2.49	106,446	2.70
Stock-in-trade	1,407,007	14.7	988,336	14.53	933,159	15.52	1,372,741	24.75	1,716,673	33.93	1,183,983	29.99
Trade debts	371,238	3.9	433,422	6.37	230,127	3.83	459,258	8.28	406,138	8.03	383,246	9.71
Loan and advances	116,749	1.2	136,659	2.01	43,482	0.72	56,046	1.01	39,070	0.77	42,165	1.07
Trade deposits and short term prepayments	17,540	0.2	13,406	0.20	4,105	0.07	4,618	0.08	4,844	0.10	2,678	0.07
Balances with statutory authorities	2,239	0.0	2,239	0.03	57,710	0.96	70,306	1.27	66,044	1.31	39,857	1.01
Taxation - net	375,157	3.9	180,029	2.65	12,131	0.20	3,024	0.05	11,786	0.23	22,015	0.56
Other receivables	10,414	0.1	3,993	0.06	2,916	0.05	817	0.01	912	0.02	3,074	0.08
Short term investments	1,909,120	20.0	2,136,361	31.40	2,448,452	40.72	1,185,844	21.38	582,982	11.52	276,823	7.01
Cash and bank balances	41,676	0.4	222,084	3.26	95,556	1.59	190,673	3.44	95,510	1.89	5,754	0.15
Assets held for sale	44,881	0.5	11,391	0.17	11,583	0.19	11,583	0.21	-	-	-	-
Total assets	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0	5,547,068	100.0	5,058,833	100.0	3,948,305	100.0
Issued, subscribed and paid-up capital	289,892	3.0	263,538	3.9	239,580	4.0	217,800	3.9	198,000	3.9	198,000	5.0
Capital reserves	209,506	2.2	158,129	2.3	111,785	1.9	38,667	0.7	33,984	0.7	28,914	0.7
Revenue reserves	4,780,838	50.0	4,433,155	65.2	4,151,685	69.1	3,690,874	66.5	3,177,012	62.8	2,352,867	59.6
Shareholders' equity	5,280,236	55.2	4,854,822	71.4	4,503,050	74.9	3,947,341	71.2	3,408,996	67.4	2,579,781	65.3
Long term loan	2,307,475	24.1	287,773	4.2	90,263	1.5	251,537	4.5	336,807	6.7	216,934	5.5
Liabilities against assets subject to finance lease	1,198	0.0	2,586	0.0	399	0.0	635	0.0	854	0.0	-	0.0
Deferred taxation	195,817	2.0	197,795	2.9	213,970	3.6	215,535	3.9	212,186	4.2	213,386	5.4
Trade and other payables	1,304,379	13.6	1,041,073	15.3	987,599	16.4	791,840	14.3	770,582	15.2	536,709	13.6
Mark-up accrued	35,084	0.4	17,576	0.3	12,425	0.2	19,213	0.3	21,132	0.4	26,265	0.7
Short term borrowings	379,394	4.0	357,536	5.3	149,857	2.5	205,276	3.7	224,216	4.4	287,391	7.3
Current portion of long term liabilities	64,112	0.7	44,801	0.7	54,827	0.9	115,691	2.1	84,060	1.7	87,839	2.2
Total equity and liabilities	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0	5,547,068	100.0	5,058,833	100.0	3,948,305	100.0

Profit and Loss Account	2017	%	2016	%	2015	%	2014	%	2013	%	2012	%
Sales - net	8,313,438	100.0	7,712,885	100.0	8,562,185	100.0	9,924,609	100.0	9,593,325	100.0	8,257,042	100.0
Cost of sales	7,784,454	93.6	7,041,161	91.3	7,664,263	89.5	8,808,650	88.8	8,145,758	84.9	7,432,717	90.0
Gross profit	528,984	6.4	671,724	8.7	897,922	10.5	1,115,959	11.2	1,447,567	15.1	824,325	10.0
Distribution and selling expenses	125,660	1.5	134,646	1.7	160,620	1.9	233,778	2.4	254,750	2.7	189,659	2.3
Administrative expenses	140,691	1.7	143,753	1.9	116,095	1.4	115,279	1.2	102,178	1.1	87,379	1.1
Other operating expenses	86,214	1.0	72,614	0.9	57,396	0.7	94,838	1.0	98,257	1.0	38,796	0.5
Other operating income	382,832	4.6	233,894	3.0	206,282	2.4	180,342	1.8	106,522	1.1	30,006	0.4
Operating profit / (loss) before finance costs	559,251	6.7	554,605	7.2	770,093	9.0	852,406	8.6	1,098,904	11.5	538,497	6.5
Finance costs	76,043	0.9	62,090	0.8	64,518	0.8	83,924	0.8	87,772	0.9	104,522	1.3
Profit / (loss) before taxation	483,208	5.8	492,515	6.4	705,575	8.2	768,482	7.7	1,011,132	10.5	433,975	5.3
Taxation	(22,598)	-0.3	67,297	0.9	114,084	1.3	116,020	1.2	107,787	1.1	87,508	1.1
Profit / (loss) after taxation	505,806	6.1	425,218	5.5	591,491	6.9	652,462	6.6	903,345	9.4	346,467	4.2



Key Operating and Financial Data

For the current and past five financial years

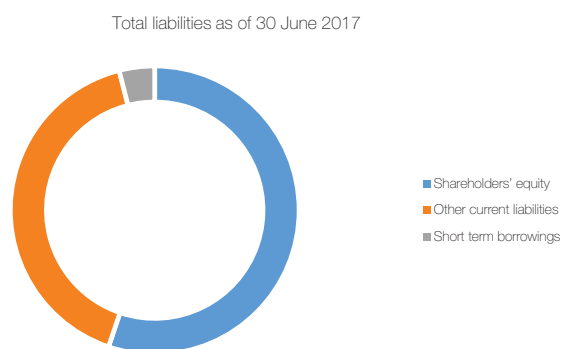
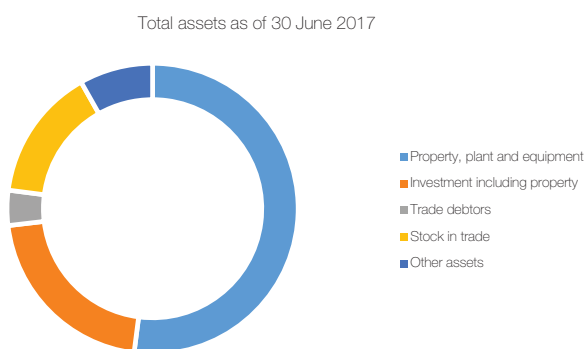
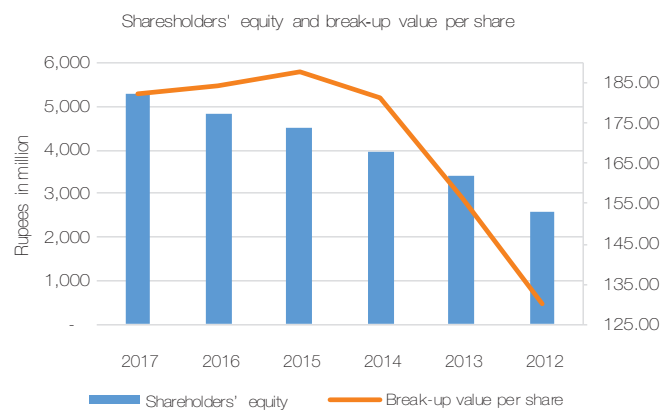
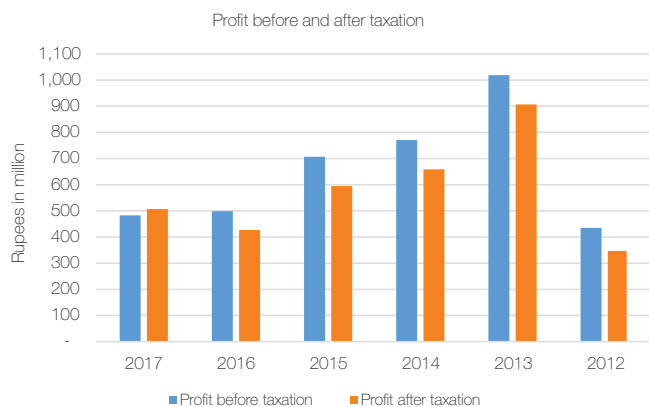
Rupees in thousand

A Summary of Profit and Loss Account	2017	2016	2015	2014	2013	2012
Sales - net	8,313,438	7,712,885	8,562,185	9,924,609	9,593,325	8,257,042
Cost of sales	7,784,454	7,041,161	7,664,263	8,808,650	8,145,758	7,432,717
Gross profit	528,984	671,724	897,922	1,115,959	1,447,567	824,325
Distribution and selling expenses	125,660	134,646	160,620	233,778	254,750	189,659
Administrative expenses	140,691	143,753	116,095	115,279	102,178	87,379
Other operating expenses	86,214	72,614	57,396	94,838	98,257	38,796
Other operating income	382,832	233,894	206,282	180,342	106,522	30,006
Operating profit before finance costs	559,251	554,605	770,093	852,406	1,098,904	538,497
Finance costs	76,043	62,090	64,518	83,924	87,772	104,522
Profit before taxation	483,208	492,515	705,575	768,482	1,011,132	433,975
Taxation	(22,598)	67,297	114,084	116,020	107,787	87,508
Net income	505,806	425,218	591,491	652,462	903,345	346,467

B Summary of Balance Sheet						
Property, plant and equipment	4,952,530	2,417,324	1,982,781	1,990,050	1,863,563	1,894,078
Stock-in-trade	1,407,007	988,336	1,372,741	1,716,673	1,183,983	1,567,459
Trade debts	371,238	433,422	459,258	406,138	383,246	432,174
Trade and other payables	1,304,379	1,041,073	791,840	770,582	536,709	513,595
Current assets	4,445,286	4,216,759	3,922,248	3,444,756	3,049,809	2,279,728
Total assets	9,567,695	6,803,962	6,012,390	5,547,068	5,058,833	3,948,305
Reserves	4,642,661	4,591,284	4,263,470	3,729,541	3,210,996	2,381,781
Shareholders' equity	5,280,236	4,854,822	4,503,050	3,947,341	3,408,996	2,579,781
Long term financing	2,307,475	287,773	90,263	251,537	336,807	216,934
Deferred liabilities	195,817	197,795	213,970	215,535	212,186	213,386
Short term financing	379,394	357,536	149,857	205,276	224,216	287,391
Current liabilities	1,782,969	1,460,986	1,204,708	1,132,020	1,099,990	938,204

C Summary of Cash Flow Statement						
Cash and cash equivalents at the beginning of the year	222,084	95,556	190,673	95,510	5,754	14,480
Net cash (used in) / generated from operating activities	(89,486)	(124,368)	1,374,302	914,367	563,684	873,888
Net cash used in investing activities	(2,150,405)	(142,926)	(1,191,626)	(746,406)	(526,028)	(357,612)
Net cash (used in) / generated from financing activities	2,059,483	393,822	(277,793)	(72,798)	52,100	(525,002)
Net increase / (decrease) in cash and cash equivalents	(180,408)	126,528	(95,117)	95,163	89,756	(8,726)
Cash and cash equivalents at the end of the year	41,676	222,084	95,556	190,673	95,510	5,754

D Other data						
Depreciation and amortization	199,078	205,474	201,959	202,598	191,322	187,992
Capital expenditure	2,777,253	662,814	194,633	210,988	341,084	158,697
No. of ordinary shares (no. of shares in millions)	28,989	26,354	23,958	21,780	19,800	19,800





Directors' Profile

Mr. Khalid Bashir, 74

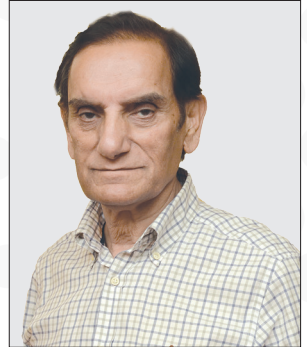
Chairman

Director (Non-Executive)

Joined Board: 1998

Chief Executive: Shams Textile Mills Limited

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



Mr. Nadeem Maqbool, 58

Chief Executive Officer

Joined Board: 1984

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



Mr. Ahsan Bashir, 48

Director (Executive)

Joined Board: 1994

Chief Executive & Director: Crescent Powertec Limited

Director: Crescent Bahuman Limited



Mr. Amjad Mahmood, 70

Director (Non-Executive)

Joined Board: 1988

Director: The Crescent Textile Mills Limited



Directors' Profile

Mr. Adil Bashir, 40

Director (Executive)

Joined Board: 2016

Director: Shams Textile Mills Limited
Crescent Powertec Limited



Mr. Humayun Maqbool, 50

Director (Non-Executive)

Joined Board: 1996

Director: Crescent Fibres Limited
Crescent Powertec Limited



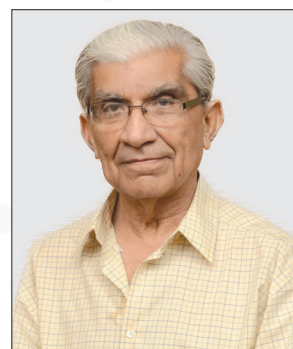
Mr. Mohammad Iqbal, 74

Director (Non-Executive)

Joined Board: 2010

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

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



Mr. Sharik Bashir, 25

Director (Non-Executive)

Joined Board: 2016

Director: Shams Textile Mills Limited





Directors' Report

On behalf of the Board of Directors, I am pleased to present the operating and financial performance of the company for the year ended 30 June 2017. The textile industry continued to face challenges with a rising cost of doing business and declining exports. We continued to remain uncompetitive and lost market share to regional players. In addition, there were unmitigated imports of yarn and fabric into Pakistan. Your company managed to post a profit of Rs. 505 million which is an increase of 18% mainly due to improved performance of our investment income which increased by almost 63% over the corresponding period. Our income from operations declined when compared to the prior period. Earnings per share for the period are Rs. 17.45 (2016: Rs. 14.67).

Operating Results

In the year under review, although our net sales increased to Rs. 8.313 billion, an increase of about 8% over the corresponding period, the gross margins declined. Our share of the export market was lower than the previous period and we had to rely on domestic sales. Demand for yarn and fabric in China, our traditional market, also remained lackluster and this impacted our bottom line. Prices in the domestic market also remained under pressure as our customers also faced similar problems in marketing of their products. However, our results are better as our investment portfolio performed and we also exercised strict controls on our financial management.

Particular	Rs. in Million	
	2017	2016
Sales	8,313	7,712
Gross profit	529	672
Operating profit	559	555
Financial cost	76	62
Profit before taxation	483	493
Provision for taxation	(23)	67
Profit after taxation	506	425

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.

Administration costs remained largely the same as the corresponding period showing a marginal decline of 2%. We are making efforts to keep our costs in control to offset lower operating margins. Distribution costs declined by about 7% 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 were significantly higher by 22% as compared to the corresponding period. Due to a declining exports and weak demand, the company had to incur additional short term funding to finance its higher inventories. However, this will improve as soon as sales start to pick up. Additionally, there is also a cost associated with domestic sales as we have to incur costs related to credit sales.

Provision of energy to the textile industry continues to show improvement and we are able to operate on system gas as well as RLNG. This ensured that the industry was not faced with any load reduction on this account and although there was an increase in RLNG costs due to higher oil prices, the supply remained normal and we were able to operate at full efficiency. Our unit located in Sind had almost no reduction in capacity as the provision of gas was normal and there was virtually no capacity reduction on account of power. It is imperative that the Government moves to provide energy to the export sector at regionally competitive prices so that we are able to regain our market share and enhance the export earnings of the country. The industry needs to make investment decisions and a competitive energy price will lead to further growth of the export industry.

The size of the cotton crop did not meet expectations again and fell short of the industry's requirements. There is no move by the government to address this issue which affects the agricultural and industrial sector performance adversely. The shortage necessitated imports which were subject to a crippling import duty. We have written on many occasions previously about the need to bring in large scale improvement in provision of seed and better farming techniques. Unless this is done, we will continue to fail to grow enough cotton and rely on imports which will further increase our costs and we will continue to lose export markets.

Directors' Report

Statements on Corporate and Financial Reporting Frame Work

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- b. Proper books of account of the Company have been maintained;
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;
- e. The System of Internal Control is sound in design and has been effectively implemented and monitored; and
- f. There are no significant doubts upon the company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. Key operating and financial data of last six years in a summarized form is annexed.
- i. The following is the value of investment in respect of retirement benefit funds: Provident Fund: Rs. 248.10 Million (2016: Rs. 206.28 Million).
- j. All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.
- k. Five meetings of the Board of Directors were held during the year 2016-17. Attendance by each director was as under:

Sr. No.	Name of Director	No. of Meetings Attended
1.	Mr. Ahsan Bashir	05
2.	Mr. Amjad Mahmood	04
3.	Mr. Adil Bashir	05
4.	Mr. Humayun Maqbool	03
5.	Mr. Khalid Bashir	05
6.	Mr. Mohammad Iqbal	05
7.	Mr. Nadeem Maqbool	05
8.	Mr. Sharik Bashir	03

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

Audit Committee

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

Sr. No.	Name of Director	No. Of Meetings Attended
1.	Mr. Humayun Maqbool	04
2.	Mr. Ahsan Bashir	05
3.	Mr. Adil Bashir	05

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

Human Resource & Remuneration Committee

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

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



Directors' Report

Directors' Training Programme:

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

Investor Value

The Board of Directors has recommended a final cash dividend of Rs. 3/- per share & bonus 1 share for every 10 shares for approval by the shareholders in the next Annual General Meeting.

The Break up value per share for the year is Rs. 182.15 (2016: Rs. 184.20).

Auditors

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

Pattern of Shareholding

The pattern of shareholding, as required by section 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

During the current year, the government announced a package of reforms to boost the export sector which included rebates as well as duty free import of raw cotton. These measures alone will not be able to achieve the

objectives. Our cost of doing business has increased manifold and the industry is faced with multitude indirect and direct taxes. If we are to become competitive and increase our export share, it is imperative that we become competitive. Moreover, the government is not able to pay the rebates in a timely manner thereby negating its effect. But we do not want to totally negate the effects of rebates and feel that over time their effects will be positive to some extent.

In view of lower demand from our traditional markets and regional competition, it is necessary that our input costs, especially energy prices need an immediate review to bring them in line with regional countries. The government should move urgently to reduce energy prices and abolish electricity surcharges as well as reduce prices of natural gas and RLNG.

The current cotton season has started on an optimistic note and the crop is expected to be better than last year. This is a result of certain government measures as well as a conducive climate. However, the crop will be short of meeting the industry's requirements and Pakistan will need to import cotton. The government has re-imposed duty and sales tax on import of cotton which will add to the cost and we urge the government to review this decision. On the demand side there is a marked improvement in offtake for both yarns and fabric and we hope that this trend will continue. This will have a positive impact on profitability and we expect the current year to be better in terms of profitability.

Pakistan's textile industry is efficient and capable to produce high quality products. The government must create an enabling environment and let the industry regain its share of world markets. The textile package must be continued and the free market mechanism should be allowed to prevail. We need to import cottons which are not available in Pakistan such as contamination free, long staple, PIMA and organic. The duty and sales tax must be removed immediately so that textiles can continue to play its role and contribute to the national exchequer.

We continue our focus on improving efficiencies and productivity within the existing plants. Last year we had informed you that the company was setting up a state of the art spinning plant. This plant comprising of 30,000 spindles has started trial production this month and we expect commercial production soon. This new plant will enhance the company's product line and bring further operating efficiencies contributing to the bottom line. In the current year we do not expect to achieve the same

Directors' Report

level of returns on our investments in view of the Pakistan Stock Exchange falling by almost 25%. Although we hope that operating margins which were positive this year in spite of a severe downturn will improve in the current year, the contribution of investment income will reduce significantly.

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



Humayun Maqbool
Director

September 19, 2017
Lahore



ڈائریکٹر رپورٹ

کارپوریٹ گورننس

آپ کی کمپنی سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قوانین کی تعمیل کر رہی ہے اور منوٹر چیک اینڈ بیلنس کیساتھ بہتر انٹرنل کنٹرول پالیسیوں پر عمل کیا ہے۔

فیوچر آؤٹ لک

اس سال حکومت نے برآمدات کو بہتر کرنے کے لیے کچھ سہولیات دی ہیں۔ اور خام روئی کی درآمد پر بھی درآمدی خرچہ ختم کیا ہے۔ یہ اکیلی اصلاحت مقصد کو پورا کرنے میں کوئی خاص مددگار ثابت نہ ہوگی۔ جب تک پیداواری لاگت کم نہ ہو۔ ٹیکسٹائل صنعت واسطہ اور بالواسطہ ٹیکس ادا کر رہی ہے۔ اگر ہم مقابل آنا اور برآمدات کو بڑھانا چاہتے ہیں تو ہمیں بھی مسابقتی لاگت پر آنا ہوگا مزید برآں گورنمنٹ وقت پر چھوٹ کی رقم واپس نہیں کرتی۔ جو کہ کاروبار پر کچھ حد تک اثر کرتی ہے۔ کم طلب کو مد نظر رکھتے ہوئے اور علاقائی مقابلہ میں ضرورت اس امر کی ہے کہ انرجی کی لاگت فوراً کم ہو اور حکومت اس پر فوری اقدام کرے اور بجلی کے اضافی خرچہ اور قدرتی گیس اور RLNG کی قیمت کم کرے۔

کپاس کا موسم شروع ہو چکا ہے اور ہمیشہ کی طرح امید کی جاتی ہے کہ کپاس پچھلے سال کی نسبت بہتر ہوگی۔ یہ حکومت کی کچھ خاص پالیسیوں اور موسم کی وجہ سے ہوگا۔ تاہم یہ ملکی ضروریات کو پورا نہ کر سکے گی جسکی وجہ سے کپاس درآمد کرنا پڑے گی حکومت دوبارہ کپاس کی درآمد پر ڈیوٹی نافذ کر چکی ہے جو لاگت پر اثر انداز ہوگی ہم حکومت سے اس فیصلہ پر نظر ثانی کرنے کو کہتے ہیں۔ دوسری طرف دھاگے اور کپڑے کی طلب بڑھی ہے ہم امید کرتے ہیں کہ یہ روش ایسے ہی رہے گی۔ جسکی وجہ سے یہ سال منافع بخش ہوگا۔

پاکستان کی صنعت بہتر کوالٹی کی پیداوار دے سکتی ہے۔ حکومت کو ایسے اقدامات کرنے چاہئیں کہ پاکستان عالمی مارکیٹ میں اپنا کھویا ہوا حصہ حاصل کر سکے۔ ہمیں اچھی کپاس درآمد کرنا ہوگی جو کہ پاکستان میں نہیں پائی جاتی۔ سیل ٹیکس ڈیوٹی ختم کی جائے تاکہ ٹیکسٹائل صنعت اپنا بہتر کردار ادا کرے۔

ہماری پوری توجہ حالیہ مشینری کے ساتھ پیداوار میں اضافہ کی طرف ہے پچھلے سال ہم نے بتایا تھا کہ کمپنی جدید سپننگ مشینری خرید رہی ہے۔ اس پلانٹ نے 30 ہزار سپنڈلز کے ساتھ اس ماہ پہلی پیداوار دی ہے۔ اور جلد ہی کمرشل پیداوار شروع ہو جائے گی۔ حالیہ سال ہم پچھلے سال جتنی آمدنی اپنی انویسٹمنٹ سے حاصل نہیں کر سکیں گے کیونکہ پاکستان شاک مارکیٹ 25 فیصد گری ہے۔ اگرچہ ہم امید کرتے ہیں کہ آپریٹنگ مارجن جو کہ اس سال مثبت تھا حالیہ سال بڑھے گا۔ مگر انویسٹمنٹ پر آمدنی کافی کم ہوگی۔

اظہار تشکر

میں بورڈ کی طرف سے تمام پارٹنرز اور ایمپلائز کا شکریہ ادا کرتا ہوں اور بورڈ کی مسلسل رہنمائی پر تودل سے مشکور ہوں۔

✓

ہمایوں مقبول

ڈائریکٹر

✓

ندیم مقبول

چیف ایگزیکٹو

19 ستمبر 2017ء، لاہور

ڈائریکٹر رپورٹ

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

آڈٹ کمیٹی

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

سیریل نمبر	ممبر کا نام	میٹنگ میں حاضری کی تعداد
1	جناب ہمایوں مقبول صاحب	04
2	جناب احسن بشیر صاحب	05
3	جناب عادل بشیر صاحب	05

ہیومن ریسورس اینڈ ریمونزیشن کمیٹی

کارپوریٹ گورننس کے کوڈ کی تعمیل میں بورڈ آف ڈائریکٹر نے ہیومن ریسورس اینڈ ریمونزیشن کمیٹی قائم کی ہے۔ جس کے ممبران درج ذیل ڈائریکٹر ہیں۔

1	جناب احسن بشیر صاحب	چیئر مین
2	جناب عادل بشیر صاحب	ممبر
3	جناب ہمایوں مقبول صاحب	ممبر

ڈائریکٹر ٹینگ پروگرام

موجودہ بورڈ کا انتخاب 26 مارچ 2017 کو ہوا اور سات میں سے 6 ڈائریکٹر 14 سالہ تعلیمی اور 15 سالہ تجربہ لسطہ کمپنیوں کے بورڈ پر کی بنیاد پر استثنیٰ حاصل ہو گئی ہے۔

انویسٹر ویلیو

بورڈ آف ڈائریکٹر نے فی شیئر کا فائنل کیش ڈیویڈنڈ مبلغ 3 روپے اور ہر دس شیئر پر ایک بونس شیئر کی سفارش کی ہے جو اگلی اینیول جنرل میٹنگ میں شیئر ہولڈرز کی منظوری سے ادا کیا جائے گا۔

سال کیلئے فی شیئر کی حیثیت کا تخمینہ مبلغ 182.15 روپے ہے (2016: 184.20 روپے)

آڈیٹرز

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

شیئر ہولڈنگ کا پیٹرن

کمپنیز آرڈیننس 1984ء اور کوڈ آف کارپوریٹ گورننس کے سیکشن 236 کے تحت مطلوبہ شیئر ہولڈنگ کا پیٹرن منسلک ہے۔

کی آپریٹنگ اینڈ فنانشل ڈیٹا

گزشتہ 6 سال کا آپریٹنگ اور فنانشل ڈیٹا منسلک کیا گیا ہے



ڈائریکٹر رپورٹ

یہ بہت ضروری ہے کہ حکومت برآمدات کے شعبہ کو علاقائی مقابلے کی قیمتوں پر توانائی فراہم کرے تاکہ ہم اپنا مارکیٹ کا حصہ دوبارہ حاصل کر سکیں اور ملک کی برآمدات میں خاطر خواہ اضافہ کر سکیں۔ انڈسٹری کو سرمایہ کاری کے بہتر فیصلے کرنے ہوں گے اور ایک مسابقتی توانائی کی قیمت برآمدات کی انڈسٹری کو مزید تقویت دینے میں مددگار ثابت ہوگی۔

کپاس کی فصل ٹیکسٹائل انڈسٹری کی طلب کو پورا نہ کر سکتی تھی اور گورنمنٹ اس طرف کوئی توجہ نہیں دے رہی ہے جسکی وجہ سے زراعت اور صنعت متاثر ہوئی ہیں۔ ہم پہلے بھی بہت دفعہ یہ بتا چکے ہیں کہ بڑے پیمانے پر اچھے بیج اور بہتر کاشت کے طریقے اپنانا ہوں گے جب تک یہ اقدامات نہیں ہوں گے ملکی پیداوار کم رہے گی اور کپاس ہمیں درآمد کرنی پڑے گی جسکی وجہ سے لاگت زیادہ آئے گی اور ہم مسلسل برآمدی مارکیٹ میں اپنا حصہ کم کرتے جائیں گے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک پر بیانات

- کمپنی کی انتظامیہ کی جانب سے فنانشل سٹیٹمنٹ، تمام معاملات کو واضح کرتے ہیں جیسے سرگرمیوں کے نتائج، رقم کی آمد و رفت اور کاروباری کاروباری سرمایہ میں ہونے والی تبدیلیاں۔
- کمپنی کی باقاعدہ کس آف اکاؤنٹس برقرار رکھی گئی ہیں۔
- فنانشل سٹیٹمنٹ کی تیاری کیلئے مسلسل مناسب اکاؤنٹس پالیسیاں اختیار کی گئی ہیں اور گوشوارے ہمیشہ انتہائی منطقی اور محتاط اندوزوں پر مشتمل ہوتے ہیں۔
- فنانشل سٹیٹمنٹ بنانے کیلئے پاکستان میں رائج بین الاقوامی اکاؤنٹنگ معیارات کو ملحوظ خاطر رکھا گیا ہے اور کسی بھی قسم کے انحراف کی وضاحت کی گئی ہے۔
- اندرونی نظام فعال ہے جس پر منوثر طریقہ کار کے مطابق نگرانی اور عمل درآمد کیا جاتا ہے
- کمپنی کی اہلیت کے معیار پر کوئی شک نہیں کیا جاسکتا
- کمپنی میں ضابطہ برائے کاروباری نظم و نسق میں بیاں کردہ ضابطوں کی خلاف ورزی کی واضح اطلاع سامنے نہیں آئی ہے
- پچھلے 6 سالوں کے آپریٹنگ اور فنانشل ڈیٹا کا خلاصہ منسلک ہے
- ریٹائرمنٹ بینیفٹ فنڈ کے ذمے میں سرمایہ کاری درج ذیل ہے پرویڈنٹ فنڈ: 248.10 ملین روپے (2016: 206.28 ملین روپے)
- ٹیکس ڈیوٹیوں، لیویز، اور چارجز کے سبب تمام تر قانونی ادائیگیاں کی جا چکی ہیں ماسوائے جو فنانشل سٹیٹمنٹ میں دئے گئے ہیں۔

سال 2016 تا 2017 کے دوران بورڈ آف ڈائریکٹر کی پانچ میٹنگ ہوئیں۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے۔

سیریل نمبر	ڈائریکٹر کا نام	میٹنگ میں حاضری کی تعداد
1	جناب احسن بشیر صاحب	05
2	جناب امجد محمود صاحب	04
3	جناب عادل بشیر صاحب	05
4	جناب ہمایوں مقبول صاحب	03
5	جناب خالد بشیر صاحب	05
6	جناب محمد اقبال صاحب	05
7	جناب ندیم مقبول صاحب	05
8	جناب شارق بشیر صاحب	03

ڈائریکٹر رپورٹ

میں بورڈ آف ڈائریکٹرز کی جانب سے کمپنی کی پیداواری اور مالیاتی کارکردگی کو بخوشی پیش کر رہا ہوں ٹیکسٹائل انڈسٹری اس سال بھی گرتی ہوئی برآمد اور بڑھتی ہوئی لاگت کی وجہ سے مشکلات میں گھری رہی، ہم مسلسل مقابل ملکوں سے پیچھے ہیں اور علاقائی مارکیٹ میں اپنا حصہ کھو چکے ہیں۔ اسکے علاوہ کپڑے اور دھاگے کی ناگزیر درآمد بھی اسکی بڑی وجہ ہے۔ ان سب کے باوجود آپکی کمپنی نے 505 ملین روپے کا منافع کمایا ہے جو کہ 18 فیصد پچھلے سال کے مقابلہ میں زیادہ ہے اس منافع کا بڑا حصہ سرمایہ کاری کا منافع ہے جو کہ پچھلے سال کی نسبت 63 فیصد بڑھا ہے۔ ہماری پیداواری آمدنی پچھلے سال کی نسبت کم ہوئی ہے۔ فی حصص آمدنی اس سال 17.45 روپے رہی (14.67 روپے 2016)

پیداواری نتائج

اس سال اگرچہ ہماری فروخت 8,313 ملین روپے تک بڑھی ہے یہ پچھلے سال کی نسبت 8 فیصد اضافہ ہے۔ لیکن مجموعی منافع میں کمی واقع ہوئی۔ ہماری برآمد میں پچھلے سال کی نسبت کمی ہونے کی وجہ سے ہمیں مقامی فروخت پر انحصار کرنا پڑا چین کی منڈی میں کپڑے اور دھاگے کی طلب میں کمی اسکی ایک بڑی وجہ ہے۔ مقامی منڈی میں بھی قیمتیں دباؤ کا شکار رہی کیونکہ ہمارے خریدار کو بھی اپنی اشیاء بیچنے میں انہی مسائل کا سامنا رہا۔ تاہم ہمارے نتائج ہماری سرمایہ کاری کے بہتر فیصلوں اور سخت مالیاتی کنٹرول کی وجہ سے بہتر رہے۔

انڈیا اور ویتنام کی طرف سے سخت مقابلے کی وجہ سے مارکیٹ میں اپنا حصہ برقرار رکھنا مشکل ہوتا جا رہا ہے۔ مقامی کپڑے کی طلب ملک کے اندر اور باہر دونوں جگہ پر کم قیمت کیساتھ کمزور رہی۔

انتظامی خرچہ صرف 2 فیصد کی کمی کیساتھ تقریباً پچھلے سال جتنا ہی رہا۔ ہم نے پوری کوشش کی کہ پیداواری منافع میں کمی کی وجہ سے خرچہ کو بھی کم رکھیں۔ ترسیل کا خرچہ بھی 7 فیصد کم رہا کیونکہ برآمدات میں کمی کی وجہ سے کرایہ، کمیشن اور دوسرے متعلقہ خرچے بھی کم ہوئے۔

(مبلغ: ملین میں)

2017	2016	
8,313	7,712	سیلز
529	672	خام منافع
559	555	انتظامی منافع
76	62	فنانشل کاسٹ
483	493	ٹیکسیشن سے پہلے منافع
(23)	67	ٹیکسیشن کیلئے پروویژن
506	425	ٹیکسیشن کے بعد منافع

جائزے کی مدت میں مالی خرچہ 22 فیصد کے تناسب سے پچھلے سال کی نسبت کافی زیادہ رہا۔ کم ہوتی ہوئی برآمدات اور کمزور طلب کی وجہ سے کمپنی کو اضافی قلیل مدتی قرضہ لینا پڑا جو کہ اسکے بڑھتے سٹاک کیلئے ضروری تھا۔ تاہم فروخت میں بہتری اور اضافہ کیساتھ ہی یہ سب بہتر ہو جائے گا۔ اسکے ساتھ ساتھ مقامی فروخت میں ایک اور خرچہ ادھار پر فروخت "کی صورت میں شامل ہوا۔

ٹیکسٹائل کو توانائی کی فراہمی میں بہتری کی وجہ سے ہم گیس اور RLNG پر کام کرنے کے قابل رہے۔ اس وجہ سے انڈسٹری کو کسی قسم کی توانائی کی کمی کا سامنا نہیں کرنا پڑا اور اسی وجہ سے RLNG کی قیمت بھی زیادہ تھی کیونکہ تیل کی قیمتیں زیادہ رہیں۔ اور رسد میں کمی نہ ہونے کی وجہ سے ہم اپنی پوری صلاحیت کے ساتھ کام کرنے کے قابل رہے۔ ہمارا سندھ والا یونٹ اپنی پوری صلاحیت کیساتھ کام کرتا رہا کیونکہ توانائی کی رسد بالکل نارمل رہی اور اس میں کوئی کمی نہیں ہوئی۔



Statement of Compliance with the Best Practices of Corporate Governance

This statement is being presented to comply with the best practices of the Code of Corporate Governance as contained in regulation no. 5.19 of the listing regulation of Pakistan Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- At present the Board included:

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

- The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.
- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- No causal vacancy occurred on the Board during the financial year 2016-2017.
- The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the company along with supporting policies & procedures.
- The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board/Shareholders.
- 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 meetings were appropriately recorded and circulated.
- The present Board elected on March 26, 2016 and six Directors out of seven are exempt from Directors' Training Programme due to 14 years of education and 15 years of experience on the board of listed companies. Remaining directors will undergo Directors' Training Programme within the time allowed by CCG.
- The Board has approved appointment of CFO, and Head of Internal Audit, including their remuneration and terms and conditions of employment.
- The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- The Company has complied with all the corporate and financial reporting requirements of the CCG.
- The Board has formed an audit committee. It comprises of 3 (three) members, of whom one is 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 an HR and Remuneration Committee. It comprises three members, of whom two are non-executive and the chairman of the committee is an executive director.
18. The Board has set-up effective internal audit function by appointing a full-time Head of Internal Audit. The day to day operations of this function are being performed and supervised by the Head of Internal Audit, who is conversant with the policies and procedures of the Company. Further the company engaged KPMG Taseer Hadi & Company, Chartered Accountants as an internal auditor.
19. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons

having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by next accounting year:
 - 1- There is no independent director as required by the clause 5.19.1 (b) of the code of corporate governance.
 - 2- Only one member of the audit committee is non-executive director which is non-compliance of the clause 5.19.16 (a) of the code of corporate governance.
 - 3- The majority of the members of Human Resource and Remuneration (HR&R) committee are not non-executive director as required by clause 5.19.16 (a) of the code of corporate governance.
 - 4- The Company secretary has resigned and the post is currently vacant which will be filled by a suitable person appointed by the Board meeting requirements prescribed by the Code.



Nadeem Maqbool
Chief Executive Officer



Humayun Maqbool
Director

September 19, 2017
Lahore



Pattern of Shareholding

As at June 30, 2017

No. of Shareholders	Shareholding		Total
	From	To	
207	1	100	7,164
229	101	500	65,807
104	501	1,000	83,504
108	1,001	5,000	255,282
28	5,001	10,000	206,214
11	10,001	15,000	131,035
9	15,001	20,000	157,189
10	20,001	25,000	229,548
5	25,001	30,000	130,844
2	35,001	40,000	71,913
1	40,001	45,000	41,235
1	45,001	50,000	48,315
1	50,001	55,000	53,146
2	55,001	60,000	113,723
1	65,001	70,000	65,884
1	70,001	75,000	71,866
1	95,001	100,000	97,633
1	100,001	105,000	100,655
1	115,001	120,000	116,760
1	145,001	150,000	145,169
1	170,001	175,000	171,712
2	190,001	195,000	383,664
1	235,001	240,000	235,616
1	255,001	260,000	258,160
1	280,001	285,000	283,161
1	300,001	305,000	300,745
1	330,001	335,000	332,750
1	365,001	370,000	366,025
1	580,001	585,000	581,348
1	620,001	625,000	622,203
1	810,001	815,000	812,500
1	875,001	880,000	875,780
1	915,001	920,000	918,142
1	935,001	940,000	936,939
1	965,001	970,000	966,143
1	1,330,001	1,335,000	1,333,519
1	1,675,001	1,680,000	1,675,790
1	1,850,001	1,855,000	1,854,856
1	1,990,001	1,995,000	1,993,626
1	11,890,001	11,895,000	11,893,615
745			28,989,180

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE

As at June 30, 2017

Categories of Share Holders	Net Holding	Percentage
Directors, Chief Executive Officer, Their Spouses and Minor Children		
Chief Executive		
Mr. Nadeem Maqbool	98,474	0.34
Directors		
Mr. Adil Bashir	1,993,626	6.88
Mr. Ahsan Bashir	1,675,790	5.78
Mr. Amjad Mahmood	12,733	0.04
Mr. Humayun Maqbool	22,744	0.08
Mr. Khalid Bashir	1,333,519	4.60
Mr. Muhammad Iqbal	145,169	0.50
Mr. Sharik Bashir	2,750	0.01
Director's Spouses and Their Minor Children		
Mrs. Nazia Maqbool (W/o Mr. Nadeem Maqbool)	17,069	0.06
Mrs. Tanveer Khalid (W/o Mr. Khalid Bashir)	875,780	3.02
Mrs. Naheed Amjad (W/o Mr. Amjad Mahmood)	29,950	0.10
Mrs. Humera Iqbal (W/o Mr. Mohammad Iqbal)	1,854,856	6.40
	8,062,460	27.81
Associated Companies, Undertakings & Related Parties		
Crescent Powertec Limited	12,811,757	44.19
Premier Insurance Limited	966,143	3.33
	13,777,900	47.53
NIT & ICP (Name Wise Detail)		
CDC - Trustee National Investment (Unit) Trust	622,203	2.15
	622,203	2.15
Banks, NBFCs, DFIs, Takaful, Pension Funds		
	250,666	0.86
Insurance Companies		
	12	0.00
Other Companies, Corporate Bodies, Trust etc.		
	1,777,573	6.13
General Public		
	4,498,366	15.52
	28,989,180	100.00
Shareholders More Than 5.00%		
M/s. Crescent Powertec Limited	11,893,615	41.03
Mr. Adil Bashir	1,993,626	6.88
Mrs. Humera Iqbal	1,854,856	6.40
Mr. Ahsan Bashir	1,675,790	5.78

Detail of Purchase /Sale of shares by Directors/CEO/Company Secretary/CFO and their Spouses / Minor Children during 2017

33700 shares purchased by Mr. Adil Bashir

42652 shares purchased by Mr. Ahsan Bashir



Financial Statements

For the year ended 30 June 2017

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

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance prepared by the Board of Directors of Suraj Cotton Mills Limited (the Company) for the year ended 30 June 2017 to comply with the regulation no. 5.19 of the rule book of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange, in which the Lahore and Islamabad Stock Exchanges have merged), where the Company is listed.

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


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

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 the approval of the related party transactions by the Board of Directors 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 of Corporate Governance as applicable to the Company for the year ended 30 June 2017.

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

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



Chartered Accountants

Engagement Partner: Naseem Akbar
EY Ford Rhodes

Lahore: 26 September 2017



Independent Auditors' Report to The Members

We have audited the annexed balance sheet of Suraj Cotton Mills Limited ("the Company") as at 30 June 2017 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 conduct 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 the changes referred in note 4.1 to the annexed 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 2017 and of the profit, its comprehensive income, 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.

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Chartered Accountants

Engagement Partner: Naseem Akbar
EY Ford Rhodes

Lahore: 26 September 2017

Balance Sheet

as at 30 June 2017

	Note	2017 (Rupees in thousand)	2016
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (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		4,780,838	4,433,155
Available for sale reserve		180,506	129,129
		5,280,236	4,854,822
Non-current liabilities			
Long term financing	6	2,307,475	287,773
Liabilities against assets subject to finance lease	7	1,198	2,586
Deferred taxation	8	195,817	197,795
		2,504,490	488,154
Current liabilities			
Trade and other payables	9	1,304,379	1,041,073
Accrued interest on financing	10	35,084	17,576
Short term borrowings	11	379,394	357,536
Current portion of long term liabilities	12	64,112	44,801
		1,782,969	1,460,986
		4,287,459	1,949,140
TOTAL EQUITY AND LIABILITIES		9,567,695	6,803,962

CONTINGENCIES AND COMMITMENTS

13

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER



Balance Sheet

as at 30 June 2017

	Note	2017 (Rupees in thousand)	2016
ASSETS			
Non-current assets			
Property, plant and equipment:			
Operating fixed assets	14	2,441,092	2,291,827
Assets subject to finance lease	15	3,290	4,113
Capital work in progress	16	2,508,148	121,384
		4,952,530	2,417,324
Investment properties	17	100,000	100,000
Investment in joint venture	18	50,000	50,000
Long term deposits	19	19,879	19,879
		5,122,409	2,587,203
Current assets			
Stores, spare parts and loose tools	20	149,265	88,839
Stock-in-trade	21	1,407,007	988,336
Trade debts	22	371,238	433,422
Loans and advances	23	116,749	136,659
Trade deposits and short term prepayments	24	17,540	13,406
Balances with statutory authorities		2,239	2,239
Tax refunds due from the government	25	375,157	180,029
Other receivables		10,414	3,993
Short term investments	26	1,909,120	2,136,361
Cash and bank balances	27	41,676	222,084
		4,400,405	4,205,368
Assets held for sale	28	44,881	11,391
		4,445,286	4,216,759
TOTAL ASSETS		9,567,695	6,803,962


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Profit and Loss Account

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
Sales	29	8,313,438	7,712,885
Cost of sales	30	7,784,454	7,041,161
Gross profit		528,984	671,724
Operating expenses			
Distribution cost	31	125,660	134,646
Administrative expenses	32	140,691	143,753
Other operating expenses	33	86,214	72,614
		176,419	320,711
Other income	34	382,832	233,894
Operating profit		559,251	554,605
Finance cost	35	76,043	62,090
Profit before taxation		483,208	492,515
Taxation	36	(22,598)	67,297
Profit for the year		505,806	425,218
			Restated
Earnings per share - basic and diluted (Rupees)	37	17.45	14.67

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER



Statement of Comprehensive Income

For the year ended 30 June 2017

	2017	2016
	(Rupees in thousand)	
Profit for the year	505,806	425,218
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net unrealized gain on available for sale investments	51,377	46,344
Items not to be reclassified to profit or loss in subsequent periods	-	-
Total other comprehensive income, net of tax	51,377	46,344
Total comprehensive income for the year	557,183	471,562

The annexed notes from 1 to 49 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER

Cash Flow Statement

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	299,036	219,746
Finance cost paid		(58,535)	(56,939)
Workers' profit participation fund paid		(26,451)	(37,136)
Income tax paid		(174,508)	(132,731)
Dividend paid		(131,769)	(119,790)
Return on bank deposit received		2,741	2,482
		(388,522)	(344,114)
Net cash from operating activities		(89,486)	(124,368)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(390,489)	(589,569)
Proceeds from disposal of operating fixed assets		21,494	12,137
Increase in long term deposits - net		-	(348)
Increase in capital work in progress		(2,386,764)	(73,245)
Decrease in short term investments - net		554,925	451,386
Dividend received		50,429	41,212
Proceeds from disposal of asset classified as held for sale		-	15,501
Net cash used in investing activities		(2,150,405)	(142,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in long term financing - net		2,038,921	186,483
Increase in short term borrowings - net		21,858	207,679
Finance lease liabilities repaid		(1,296)	(340)
Net cash generated from financing activities		2,059,483	393,822
Net (decrease) / increase in cash and cash equivalents		(180,408)	126,528
Cash and cash equivalents at the beginning of year		222,084	95,556
Cash and cash equivalents at the end of year	27	41,676	222,084

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER



Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital	Share premium	Revenue Reserves			Available for sale reserve	Total
			General	Unappropriated profit	Sub total		
----- (Rupees in thousand) -----							
Balance as at 01 July 2015	239,580	29,000	3,714,000	437,685	4,151,685	82,785	4,503,050
Profit for the year ended 30 June 2016	-	-	-	425,218	425,218	-	425,218
Other comprehensive income	-	-	-	-	-	46,344	46,344
Total comprehensive income for the year	-	-	-	425,218	425,218	46,344	471,562
Transfer to general reserve	-	-	-	-	-	-	-
Bonus shares issued 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 at 30 June 2016	263,538	29,000	3,714,000	719,155	4,433,155	129,129	4,854,822
Profit for the year ended 30 June 2017	-	-	-	505,806	505,806	-	505,806
Other comprehensive income	-	-	-	-	-	51,377	51,377
Total comprehensive income for the year	-	-	-	505,806	505,806	51,377	557,183
Bonus shares issued for the year ended 30 June 2016 at the rate of 10%	26,354	-	-	(26,354)	(26,354)	-	-
Final dividend for the year ended 30 June 2016 at the rate of Rs. 5 per share	-	-	-	(131,769)	(131,769)	-	(131,769)
Balance as at 30 June 2017	289,892	29,000	3,714,000	1,066,838	4,780,838	180,506	5,280,236

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Notes to the Financial Statements

For the year ended 30 June 2017

1. THE COMPANY AND ITS OPERATIONS

Suraj Cotton Mills Limited (The Company) was incorporated in Pakistan as a public limited company under the Companies Act 1913 (now the repealed Companies Ordinance, 1984), and is listed on Pakistan Stock Exchange Limited (formerly 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

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated 20 July 2017 communicated that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Hence, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of repealed Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by Institute of Chartered Accountants of Pakistan as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention except for short term investments which are carried at their fair values.

3.2 Significant accounting judgments and critical accounting estimates / assumptions

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

a) Provision for taxation (note 4.2)

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



Notes to the Financial Statements

For the year ended 30 June 2017

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

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

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

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

d) Provision for doubtful debts (note 4.11)

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

3.3 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New and amended standards and interpretations become effective

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

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)

Notes to the Financial Statements

For the year ended 30 June 2017

Improvements to Accounting Standards Issued by the IASB

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

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

4.2 Taxation

Current

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

Deferred

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

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

4.3 Trade and other payables

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

4.4 Provisions

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



Notes to the Financial Statements

For the year ended 30 June 2017

4.5 Property, plant and equipment

Owned

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

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

Residual value and the useful 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 impairment loss.

Notes to the Financial Statements

For the year ended 30 June 2017

Impairment

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

4.6 Non-current assets held for sale

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

4.7 Investment properties

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

4.8 Investments

Investment in associates

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

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

Investment in joint venture

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

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

Available for sale

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



Notes to the Financial Statements

For the year ended 30 June 2017

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 Pakistan Stock Exchange at the balance sheet date.

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

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.

4.9 Stores, spare parts and loose tools

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

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

4.10 Stock in trade

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

Notes to the Financial Statements

For the year ended 30 June 2017

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

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

4.11 Trade debts

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

4.12 Other receivables

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

4.13 Financial instruments

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

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

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

4.14 Impairment of financial assets

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



Notes to the Financial Statements

For the year ended 30 June 2017

4.15 Off setting of financial assets and financial liabilities

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

4.16 Derivative financial instruments

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

4.17 Foreign currency translation

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

4.18 Revenue recognition

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

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

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

4.19 Share of profit from joint ventures

A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.

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

Notes to the Financial Statements

For the year ended 30 June 2017

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.

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.



Notes to the Financial Statements

For the year ended 30 June 2017

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

Standard	Effective Date (Annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 7 – Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IFRS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 40 – Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments	01 January 2019

Notes to the Financial Statements

For the year ended 30 June 2017

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. 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.

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

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2017 (No. of Shares in thousand)	2016		2017 (Rupees in thousand)	2016
17,400	17,400	Ordinary shares of Rupees 10 each fully paid up in cash	174,000	174,000
11,589	8,954	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	115,892	89,538
28,989	26,354		289,892	263,538

5.1 Reconciliation of ordinary shares

2017 (No. of Shares in thousand)	2016		2017 (Rupees in thousand)	2016
26,354	23,958	Balance at 1 June	263,538	239,580
2,635	2,396	Bonus shares issued during the year	26,354	23,958
28,989	26,354	Balance at 30 June	289,892	263,538



Notes to the Financial Statements

For the year ended 30 June 2017

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

	2017 (No. of Shares in thousand)	2016
Crescent Powertec Limited	12,812	11,647
Premier Insurance Limited	966	878
	13,778	12,525

	Note	2017 (Rupees in thousand)	2016
6. LONG TERM FINANCING			
From banking companies - secured			
Finance 1	(6.1)	-	1,724
Finance 2	(6.2)	14,712	44,135
Finance 3	(6.3)	32,004	44,405
Finance 4	(6.4)	151,130	151,130
Finance 5	(6.5)	89,927	89,927
Finance 6	(6.6)	226,202	-
Finance 7	(6.7)	356,267	-
Finance 8	(6.8)	168,660	-
Finance 9	(6.9)	1,331,340	-
		2,370,242	331,321
Less: Current portion taken as current liability	(12)	62,767	43,548
		2,307,475	287,773

6.1 This finance was obtained from MCB Bank Limited to retire letter of credit opened for importing compact frames and air compressor for industrial use. It carried markup at (2016: 1 month KIBOR plus 2.25%) per annum to be paid quarterly. This finance was secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion was 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.

6.2 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% (2016: 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 2017

- 6.3** 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% (2016: 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 from April 2015 with grace period of two years.
- 6.4** This finance has been obtained from MCB Bank Limited for import of machinery. It carries mark up at SBP refinance rate plus 0.75% (2016: 0.75%) per annum payable quarterly. This finance is secured against first pari passu charge over all fixed assets (including land and building) of the Company aggregating to Rs. 897,000 thousands. The principal portion of loan is to be repaid in seven years through eleven equal semi-annually installments starting from September 2017 with grace period of one and a half year.
- 6.5** This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at 3 month KIBOR plus 1% (2016: 3 month KIBOR plus 1%) per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion of loan is to be repaid in seven years through eleven equal semi-annually installments starting from September 2017 with grace period of one and a half year.
- 6.6** This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at 3 month KIBOR plus 0.5% per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 365,267 thousands. The principal portion of loan is to be repaid in seven years through eleven equal semi-annually installments starting from April 2019 with grace period of one and a half year.
- 6.7** This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at 3 month KIBOR plus 0.5% per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 365,267 thousands. The principal portion of loan is to be repaid in seven years through eleven equal semi-annually installments starting from April 2019 with grace period of one and a half year.
- 6.8** During the year, this finance has been obtained from Allied Bank Limited for import of machinery. It carries markup at 3 month KIBOR plus 0.5% per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 168,660 thousands. The principal portion of loan is to be repaid in ten years through thirty-two equal quarterly installments starting from November 2019 with grace period two years.
- 6.9** During the year, this finance has been obtained from Allied Bank Limited for import of machinery. It carries markup at SBP refinance rate plus 0.5% per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 1,331,340 thousands. The principal portion of loan is to be repaid in ten years through thirty-two equal quarterly installments starting from November 2019 with grace period two years.



Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
The amount of future rentals and periods during which they fall due are as under:			
Not later than one year		1,473	1,834
Later than one year but not later than five years		1,229	2,506
		2,702	4,340
Less : future financial charges		159	501
Present value of minimum lease payments	(7.1)	2,543	3,839
Less : current portion taken as current liability	(12)	1,345	1,253
		1,198	2,586
7.1 Present value of minimum lease payments			
Within one year		1,345	1,253
Within two to five years		1,198	2,586
		2,543	3,839
7.2	The value of the minimum lease payments has been discounted at an implicit interest rate of 12 month KIBOR plus 4% (2016: 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			
Taxable temporary differences			
Accelerated tax depreciation		195,817	197,795
Finance lease arrangements		-	-
		195,817	197,795
Deductible temporary differences			
Provision for doubtful debts		-	-
Provision for slow moving / obsolete items		-	-
		-	-
		195,817	197,795

Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
9. TRADE AND OTHER PAYABLES			
Creditors	(9.1)	421,356	394,540
Accrued liabilities		766,244	542,970
Payable to employees' provident fund trust		19	5
Unclaimed dividend		2,863	2,552
Workers welfare fund	(9.2)	72,272	62,411
Workers' profit participation fund	(9.3)	25,951	26,451
Excise duty payable on loans		11,707	11,707
Income tax deducted at source		3,967	437
		1,304,379	1,041,073

9.1 These include an amount of Rs. 19,366 thousand (2016: Rs. 24,302 thousand) due to associated undertakings.

9.2 Workers welfare fund

Balance at the beginning of the year		62,411	52,360
Provision for the year	(33)	9,861	10,051
		72,272	62,411
Payments made during the year	(9.2.1)	-	-
Closing balance		72,272	62,411

9.2.1 No payment was made during the year as the case regarding collection of Workers Welfare Fund (WWF) by provincial governments after the passage of the 18th Amendment is pending before Honourable Supreme Court of Pakistan.

9.3 Workers' profit participation fund

Balance at the beginning of the year		26,451	37,136
Provision for the year	(33)	25,951	26,451
		52,402	63,587
Payments made during the year		(26,451)	(37,136)
Closing balance		25,951	26,451



Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
10. ACCRUED INTEREST ON FINANCING			
Long term financing		26,622	7,421
Short term borrowings		8,401	10,094
Liabilities against assets subject to finance lease		61	61
		35,084	17,576
11. SHORT TERM BORROWINGS			
From banking companies - secured			
Cash finance	(11.1)	53,416	80,834
Running finance	(11.1)	325,978	276,702
		379,394	357,536

11.1 Finance facilities aggregating to Rs. 1,750,000 thousand (2016: Rs. 2,275,000 thousand) are available under mark-up agreements and carry mark up ranging from KIBOR plus 0.20 % to 1.75 % (2016: 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			
Long term financing	(6)	62,767	43,548
Liabilities against assets subject to finance lease	(7)	1,345	1,253
		64,112	44,801

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

Contingencies as on balance sheet date were Rs. nil (2016: Rs. nil)

13.2 Commitments

13.2.1 As on balance sheet date the commitments in respect of letters of credit for capital expenditure was amounted to Rs. 280,710 thousand (2016: Rs. 1,277,285 thousand) and commitment in respect of other capital expenditure was Rs. nil (2016: Rs. 283,257 thousand).

Notes to the Financial Statements

For the year ended 30 June 2017

14. OPERATING FIXED ASSETS

DESCRIPTION	BALANCE AS AT 01 JULY 2016				FOR THE YEAR				BALANCE AS AT 30 JUNE 2017				RATES %	
	Cost	Accumulated depreciation	Net Book Value	Additions	Transfer		Disposal		Depreciation charge	Cost	Accumulated depreciation	Net Book Value		
					Cost / (accumulated depreciation)	Cost / (accumulated depreciation)								
----- (Rupees in thousand) -----														
Leasehold:														
Land	2,108	658	1,450	-	-	-	-	-	21	2,108	679	1,429	1.01	
Building on leasehold land	332,574	231,958	100,616	-	-	-	-	-	8,456	332,574	240,414	92,160	10	
Owned:														
Land	438,790	-	438,790	13,510	-	-	-	-	-	452,300	-	452,300	-	
Building on owned land	82,310	73,458	8,852	-	-	-	-	-	2,490	82,310	75,948	6,362	10	
Plant and machinery	4,067,153	2,406,696	1,660,457	325,985	130,709	24,486	171,967	4,237,943	2,459,403	1,778,540	10			
					(97,219)	(22,041)								
Electric installations	83,626	60,260	23,366	1,461	-	-	2,448	85,087	62,708	22,379	10			
Furniture and fixtures	3,549	2,703	846	-	-	-	86	3,549	2,789	760	10			
Office equipment	38,624	26,780	11,844	20,712	-	-	3,249	59,336	30,029	29,307	10			
Vehicles	102,631	57,025	45,606	28,821	-	20,882	9,538	110,570	52,715	57,855	20			
						(13,848)								
	5,151,365	2,859,538	2,291,827	390,489	130,709	45,368	198,255	5,365,777	2,924,685	2,441,092				
					(97,219)	(35,889)								

DESCRIPTION	BALANCE AS AT 01 JULY 2015				FOR THE YEAR				BALANCE AS AT 30 JUNE 2016				RATES %	
	Cost	Accumulated depreciation	Net Book Value	Additions	Transfer	Disposal	Depreciation charge	Cost	Accumulated depreciation	Net Book Value				
					Cost / (accumulated depreciation)	Cost / (accumulated depreciation)								
----- (Rupees in thousand) -----														
Leasehold:														
Land	2,108	637	1,471	-	-	-	21	2,108	658	1,450	1.01			
Building on leasehold land	332,574	222,562	110,012	-	-	-	9,396	332,574	231,958	100,616	10			
Owned:														
Land	88,004	-	88,004	350,786	-	-	-	438,790	-	438,790	-	438,790	-	-
Building on owned land	82,310	70,691	11,619	-	-	-	2,767	82,310	73,458	8,852	10			
Plant and machinery	3,904,433	2,288,409	1,616,024	236,198	23,710 (16,407)	49,788 (43,051)	177,745	4,067,153	2,406,696	1,660,457	10			
Electric installations	83,626	57,648	25,978	-	-	-	2,612	83,626	60,260	23,366	10			
Furniture and fixtures	3,549	2,607	942	-	-	-	96	3,549	2,703	846	10			
Office equipment	38,624	25,471	13,153	-	-	-	1,309	38,624	26,780	11,844	10			
Vehicles	100,726	46,385	54,341	2,585	-	680 (545)	11,185	102,631	57,025	45,606	20			
	4,635,954	2,714,410	1,921,544	589,569	23,710 (16,407)	50,448 (43,596)	205,131	5,151,365	2,859,538	2,291,827				

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

	Note	2017	2016
		Rupees in thousand	
Cost of sales	(30)	185,478	192,647
Administrative expenses	(32)	12,777	12,484
		198,255	205,131



Notes to the Financial Statements

For the year ended 30 June 2017

14.2 Disposal of operating fixed assets

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of Disposal	Gain / (loss)	Sold to
Plant and Machinery:							
Carding Mk-4 (8)	13,992	12,581	1,411	4,800	Negotiation	3,389	Crescent Cotton Mills Ltd
Carding Mk-4 (6)	10,494	9,455	1,039	3,600	Negotiation	2,561	Crescent Cotton Mills Ltd
Vehicles:							
Related party:							
Mercedes Benz FDE-1654	344	340	4	50	Negotiation	46	Asif Bashir
Toyota Altis LEA-07-5336	1,968	1,457	511	1,400	Negotiation	889	Premier Insurance Limited
Others:							
Audi VE-545	13,028	8,655	4,373	8,100	Negotiation	3,727	Kamran Zafar Khwaja
Suzuki Alto LEC-07-8889	507	463	44	180	Negotiation	136	Muhammad Asif
Honda VTI - LEC-12-7994	2,464	1,463	1,001	1,850	Negotiation	849	Ibrahim Gulzar
Suzuki Cultus - LEC-12-8359	1,040	654	386	615	Negotiation	229	Waseem Ahmed
Suzuki Swift 1.3 DX LEA-13-6709	1,297	588	709	875	Negotiation	166	M.Zeeshan Zafar
Bike Honda CD 70 FDN-7390	29	29	-	5	Negotiation	5	Employees
Bike Honda CD 70 LXL-8652	56	52	4	5	Negotiation	1	Employees
Bike Honda CD 70 LXD-7221	59	58	1	5	Negotiation	4	Employees
Bike Honda CD 70 LXF-1857	58	57	1	5	Negotiation	4	Employees
Bike Suzuki 100 LOQ-3573	32	32	-	5	Negotiation	5	Employees

15. ASSETS SUBJECT TO FINANCE LEASE

2017														
DESCRIPTION	BALANCE AS AT 01 JULY 2016				FOR THE YEAR				BALANCE AS AT 30 JUNE 2017				RATES %	
	Cost	Accumulated Depreciation	Net Book Value	Additions	Transfer		Depreciation charge	Cost	Accumulated Depreciation	Net Book Value				
					Cost / (accumulated depreciation)									
	(Rupees in thousand)													
Vehicles	5,201	1,088	4,113	-	-	-	823	5,201	1,911	3,290	20			
2016														
DESCRIPTION	BALANCE AS AT 01 JULY 2015				FOR THE YEAR				BALANCE AS AT 30 JUNE 2016				RATES %	
	Cost	Accumulated Depreciation	Net Book Value	Additions	Transfer		Depreciation charge	Cost	Accumulated Depreciation	Net Book Value				
					Cost / (accumulated depreciation)									
	(Rupees in thousand)													
Vehicles	1,673	745	928	3,528	-	-	343	5,201	1,088	4,113	20			
15.1 Depreciation charge for the year has been allocated to administrative expenses.														

Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
16. CAPITAL WORK IN PROGRESS			
Opening balance		121,384	48,139
Add: additions during the year		2,387,832	73,245
Less: capitalized during the year		(1,068)	-
Closing balance	(16.1)	2,508,148	121,384
16.1 Breakup of capital work in progress			
Factory building		384,797	1,647
Office building	(16.2)	117,661	110,633
Plant and machinery		2,005,690	8,036
Electric installations		-	1,068
		2,508,148	121,384

16.2 This represents advance provided to M/s Tricon Developers of Rs. 117,661 thousands (2016: 110,633 thousands) for purchase of office. The title of the office is already executed in the favour of Company. The office was still under construction as on 30 June 2017.

17. INVESTMENT PROPERTIES

Land	(17.1)	100,000	100,000
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17.1 This represents residential plots stated at cost. As at 30 August 2017 and 01 September 2016, the fair values of these properties were Rs. 180,000 thousand and Rs. 175,000 thousand respectively. These valuation were performed by an independent accredited valuer, Jasper & Jasper, who has 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 considers sales of similar properties that have been transacted in open market.

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

18. INVESTMENT IN JOINT VENTURE

Long term investment	(18.1)	50,000	50,000
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Notes to the Financial Statements

For the year ended 30 June 2017

18.1 The Company has a partnership interest in Knightbridge Residential Real Estate Partners, a joint venture involved in the development and marketing of residential society in or around Lahore. Currently, the management of the joint venture is in the process of gathering investments and no operations has yet been started.

19. LONG TERM DEPOSIT

These mainly includes interest free deposits made to utility companies for the provision of utility connection.

	2017 (Rupees in thousand)	2016
20. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores in transit	8,883	9,321
Stores	152,009	97,672
Spare parts	18,420	7,230
Loose tools	444	190
	179,756	114,413
Less: provision for slow moving/obsolete items	30,491	25,574
	149,265	88,839
21. STOCK-IN-TRADE		
Raw material	586,763	306,876
Work in process	104,445	106,511
Finished goods	702,089	561,769
Waste	13,710	13,180
	1,407,007	988,336

21.1 During the year Rs. 23,618 thousand (2016: Rs. NIL) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of sales.

Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
22. TRADE DEBTS			
Considered good:			
Secured against letters of credit		24,568	60,011
Unsecured	(22.1)	346,670	373,411
		371,238	433,422
Considered doubtful - unsecured		29,442	28,709
Less: provision for doubtful debts	(22.3)	(29,442)	(28,709)
		-	-
		371,238	433,422

22.1 This includes amount due from the associated company Crescent Bahuman Limited Rs. nil (2016: Rs. 159 thousand)

22.2 There are no past due or impaired receivables from related parties as on 30 June 2017.

22.3 Provision for doubtful debts

Opening balance		28,709	28,709
Addition during the year	(33)	733	-
		29,442	28,709

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

Age analysis of trade debts - not impaired			
Not past due		120,506	197,417
Past due 0 - 180 days		243,911	224,398
Past due 180 - 365 days		2,948	713
365 - 730 days		3,873	10,894
		371,238	433,422
Age of impaired trade debts			
More than 730 days		29,442	28,709
		29,442	28,709



Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
23. LOANS AND ADVANCES			
Loans to employees - considered good - unsecured	(23.1)	5,406	5,152
Advances - considered good:			
To suppliers - unsecured		78,666	110,058
Due from associated companies - unsecured	(23.2)	16,368	9,501
Against letters of credit - secured		16,309	11,948
		111,343	131,507
		116,749	136,659
23.1	These represent short term loans provided to employees at the rate of 6% (2016 : 6%).		
23.2	Due from associated companies:		
Kiren Cotton Mills Limited		40	39
S2 Hydro Limited		9,641	3,136
S2 Solar Limited		2,832	2,828
S2 Power Limited		3,504	3,498
		16,368	9,501
24. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits	(24.1)	6,218	624
Short term prepayments		11,322	12,782
		17,540	13,406
24.1	These includes interest free security deposits made for tender placement.		
25. TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax refundable		177,460	118,639
Income tax refundable		197,697	61,390
		375,157	180,029
26. SHORT TERM INVESTMENTS			
Available for sale	(26.1)	1,326,457	1,017,171
Held for trading	(26.2)	582,663	1,119,190
		1,909,120	2,136,361

Notes to the Financial Statements

For the year ended 30 June 2017

	2017				2016			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
26.1 Available for sale								
Quoted								
Investments in related party								
Premier Insurance Limited								
745,883 (2016: 678,076) fully paid ordinary shares of Rupees 10 each.	12,347	(2,130)	599	10,816	12,290	(2,130)	6,453	16,613
Crescent Textile Mills Limited								
1,335,000 (2016: 1,104,000) fully paid ordinary shares of Rupees 10 each.	26,388	-	22,647	49,035	21,030	-	476	21,506
Others								
Samba Bank Limited								
1,652,306 (2016: 1,652,306) fully paid ordinary shares of Rupees 10 each.	15,875	(10,132)	5,475	11,218	15,875	(10,132)	6,896	12,639
NIB Bank Limited								
1,000,000 (2016: 1,000,000) fully paid ordinary shares of Rupees 10 each.	4,574	(3,104)	-	1,470	4,574	(2,332)	(332)	1,910
Jahangir Siddiqui & Co. Limited								
Nil (2016: 179,853) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	2,032	-	1,529	3,561
DG Khan Cement Company Limited								
1,212,400 (2016: 1,550,000) fully paid ordinary shares of Rupees 10 each.	203,268	-	53,639	256,907	179,332	-	77,830	257,162
Engro Corporation Limited								
100,000 (2016: 90,000) fully paid ordinary shares of Rupees 10 each.	31,802	-	1,564	33,366	18,485	-	11,482	29,967
Tripack Films Limited								
Nil (2016: 198,799) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	8,211	-	(1,154)	7,057
Pakistan Oilfield Limited								
Nil (2016: 62,200) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	20,455	(4,663)	5,822	21,614



Notes to the Financial Statements

For the year ended 30 June 2017

	2017				2016			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
	----- (Rupees in thousand) -----							
Fauji Cement Company								
1,500,000 (2016: 256,500) fully paid ordinary shares of Rupees 10 each.	56,866	-	5,729	62,595	8,800	-	383	9,183
Fatima Fertilizer Company Limited								
775,000 (2016: 475,000) fully paid ordinary shares of Rupees 10 each.	29,069	-	(3,293)	25,776	17,626	-	(1,505)	16,121
Fauji Fertilizer Company Limited								
325,000 (2016: 325,000) fully paid ordinary shares of Rupees 10 each.	38,887	(10,628)	(778)	27,481	38,887	-	(1,603)	37,284
Pakistan Petroleum Limited								
40 (2016: 300,640) fully paid ordinary shares of Rupees 10 each.	4	-	2	6	49,093	(13,576)	11,098	46,615
Crescent Steel and Allied Products Limited								
450,200 (2016: 300,000) fully paid ordinary shares of Rupees 10 each.	58,025	-	44,287	102,312	18,984	-	15,399	34,383
Nishat Mills Limited								
1,100,000 (2016: 1,250,000) fully paid ordinary shares of Rupees 10 each.	127,229	-	48,386	175,615	141,368	-	(6,493)	134,875
Bank Al Falah Limited								
1,200,000 (2016: 1,300,000) fully paid ordinary shares of Rupees 10 each.	45,653	-	2,779	48,432	35,476	-	(2,235)	33,241
Engro Polymer Chemicals Limited								
Nil (2016: 800,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	9,332	-	(2,532)	6,800
PICIC Growth Fund								
Nil (2016: 250,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	6,163	-	(213)	5,950
Faisal Bank Limited								
5,002 (2016: 1,989,325) fully paid ordinary shares of Rupees 10 each.	5	-	108	113	31,630	-	(5,550)	26,080

Notes to the Financial Statements

For the year ended 30 June 2017

	2017				2016			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
	----- (Rupees in thousand) -----							
Pakistan State Oil Limited								
120,000 (2016: 120,000) fully paid ordinary shares of Rupees 10 each.	42,644	-	4,167	46,811	42,644	-	2,411	45,055
Engro Fertilizers Limited								
1,700,000 (2016: 1,043,000) fully paid ordinary shares of Rupees 10 each.	120,938	(23,887)	(1,528)	95,523	77,239	-	(9,986)	67,253
Shell Pakistan Limited								
Nil (2016: 30,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	7,766	-	940	8,706
Oil & Gas Development Company Limited								
400,000 (2016: 200,000) fully paid ordinary shares of Rupees 10 each.	62,964	-	(4,908)	58,056	31,323	(8,963)	5,254	27,614
GlaxoSmithKline Pakistan Limited								
79,700 (2016: 35,000) fully paid ordinary shares of Rupees 10 each.	17,828	-	(2,236)	15,592	7,650	-	(401)	7,249
National Bank of Pakistan								
Nil (2016: 30,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	2,084	-	(350)	1,734
The Searle Company Limited								
74,100 (2016: 21,750) fully paid ordinary shares of Rupees 10 each.	32,322	-	5,434	37,756	6,567	-	6,837	13,404
IGI Insurance Limited								
Nil (2016: 25,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	6,761	-	(1,990)	4,771
Cherat Cement Limited								
Nil (2016: 450,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	7,653	-	4,304	11,957
Kot Adu Power Company Limited								
450,000 (2016: 325,000) fully paid ordinary shares of Rupees 10 each.	36,181	-	(3,812)	32,369	26,613	-	2,393	29,006



Notes to the Financial Statements

For the year ended 30 June 2017

	2017				2016			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
	----- (Rupees in thousand) -----							
Pakistan Telecommunication Limited								
700,000 (2016: 500,000) fully paid ordinary shares of Rupees 10 each.	12,721	-	(1,759)	10,962	9,438	-	(1,923)	7,515
TPL Trakker Limited								
332,000 (2016: 202,500) fully paid ordinary shares of Rupees 10 each.	5,014	(1,654)	-	3,360	3,468	-	(922)	2,546
United Bank Limited								
175,000 (2016: 124,400) fully paid ordinary shares of Rupees 10 each.	39,261	-	1,995	41,256	21,952	-	57	22,009
Attock Refinery Limited								
100,000 (2016: 50,000) fully paid ordinary shares of Rupees 10 each.	29,964	-	8,618	38,582	10,016	-	3,992	14,008
First Equity Modaraba								
815,000 (2016: 1,436,000) fully paid ordinary shares of Rupees 10 each.	3,867	-	1,022	4,889	6,867	-	(1,123)	5,744
K-Electric Limited								
Nil (2016: 900,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	6,788	-	466	7,254
Kohinoor Textile Mills Limited								
115,000 (2016: 115,000) fully paid ordinary shares of Rupees 10 each.	6,156	-	5,855	12,011	6,156	-	3,048	9,204
Nishat Chunian Power Limited								
800,000 (2016: 50,000) fully paid ordinary shares of Rupees 10 each.	42,557	-	(8,117)	34,440	5,009	-	247	5,256
Al Ghazi Tractors Limited								
Nil (2016: 10,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	-	4,200	-	20	4,220
Glaxosmithkline Consumer Healthcare Pakistan Limited								
25,000 (2016: 10,500) fully paid ordinary shares of Rupees 10 each.	4,093	-	1,127	5,220	-	-	105	105

Notes to the Financial Statements

For the year ended 30 June 2017

Note	2017				2016			
	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value	Cost	Provision for impairment loss	Un-realized gain / (loss)	Market value
----- (Rupees in thousand) -----								
MCB Bank Limited								
50,000 (2016: Nil) fully paid ordinary shares of Rupees 10 each.	10,065	-	610	10,675	-	-	-	-
TRG								
691,500 (2016: Nil) fully paid ordinary shares of Rupees 10 each.	33,691	-	(6,024)	27,667	-	-	-	-
Ghani Global Glass Limited								
200,000 (2016: Nil) fully paid ordinary shares of Rupees 10 each.	5,312	(1,454)	-	3,858	-	-	-	-
Aisha Steel Mills Limited								
360,000 (2016: Nil) fully paid ordinary shares of Rupees 10 each.	12,501	-	(1,189)	11,312	-	-	-	-
ICI Pakistan Limited								
10,000 (2016: Nil) fully paid ordinary shares of Rupees 10 each.	11,195	-	(248)	10,947	-	-	-	-
Service Industries Limited								
4,880 (2016: Nil) fully paid ordinary shares of Rupees 10 each.	6,821	-	(92)	6,729	-	-	-	-
Habib Bank Limited								
50,000 (2016: Nil) fully paid ordinary shares of Rupees 10 each.	12,852	-	447	13,299	-	-	-	-
Unquoted								
Investments in related party								
Premier Financial Services (Private) Limited								
2,200 (2016: 2,200) fully paid ordinary shares of Rupees 1,000 each.	2,200	(2,200)	-	-	2,200	(2,200)	-	-
Crescent Spinning Mills Limited								
208,800 (2016: 208,800) fully paid ordinary shares of Rupees 10 each.	(26.1.1) 2,088	(2,088)	-	-	2,088	(2,088)	-	-
	1,203,227	(57,277)	180,506	1,326,457	934,125	(46,084)	129,130	1,017,171

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



Notes to the Financial Statements

For the year ended 30 June 2017

	2017 (Rupees in thousand)	2016
26.2 Held for trading		
ABL Cash Fund		
Nil (2016: 5,460,682) Units	-	54,747
MCB Cash Management Optimizer		
Nil (2016: 2,597,920) Units	-	260,670
Faysal Income & Growth Fund		
Nil (2016: 1,928,619) Units	-	203,585
NAFA Financial Sector Income Fund		
10,306,816 (2016: 11,333,522) Units	100,541	118,688
PICIC Cash Fund		
Nil (2016: 998,904) Units	-	100,438
UBL - Stock Advantage Fund (With Capital Protection)		
1,810,397 (2016: 1,110,037) Units	138,492	69,688
UBL - Growth and Income Fund (With Capital Protection)		
701,429 (2016: 1,121,237) Units	59,061	95,086
UBL - Stock Advantage Fund (Without Capital Protection)		
633,850 (2016: 603,759) Units	48,318	37,904
UBL - Al-Ameen Shariah Stock Fund (Without Capital Protection)		
511,643 (2016: 294,796) Units	78,414	37,908
UBL - Liquidity Plus Fund (Without Capital Protection)		
Nil (2016: 107,852) Units	-	10,844
UBL - Government Securities Fund (Without Capital Protection)		
67,147 (2016: 202,966) Units	7,118	21,409
UBL - Liquidity Plus Fund		
Nil (2016: 1,076,336) Units	-	108,223
MCB - Dynamic Cash Fund		
1,416,141 (2016: Nil) Units	150,719	-
	582,663	1,119,190

Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
27. CASH AND BANK BALANCES			
Cash in hand		718	2,498
Balances with banks in:			
Current accounts		9,901	11,552
Deposit accounts	(27.1)	31,057	208,034
		40,958	219,586
		41,676	222,084

27.1 The rate of return on deposit accounts ranges from 3% to 4% (2016: 5% to 6%) per annum.

28. ASSETS HELD FOR SALE

Opening balance		11,391	11,583
Addition during the year		33,490	7,303
		44,881	18,886
Disposal during the year		-	(7,495)
Closing balance	(28.1)	44,881	11,391

28.1 These 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. The Company intends to dispose off this plant and machinery and anticipates that the disposal will be completed by 30 June 2018. The Company is currently in negotiation with some potential buyers and the directors of the Company expect that the fair value less cost to sell of these assets will be higher than the aggregate carrying amount of the related assets. Therefore, no impairment loss was recognized on reclassification of the assets as held for sale nor as at 30 June 2017.

29. SALES-net

Local		7,243,397	6,641,515
Export		835,035	1,077,395
Waste		236,162	199,254
		8,314,594	7,918,164
Less: Sales tax		1,156	205,279
		8,313,438	7,712,885



Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
30. COST OF SALES			
Raw materials:			
Opening stock		306,876	246,928
Purchases		6,005,808	4,936,978
		6,312,684	5,183,906
Closing stock	(21)	(586,763)	(306,876)
Raw material consumed		5,725,921	4,877,030
Sizing expenses		54,245	59,952
Stores, spare parts and loose tools consumed		142,725	179,925
Packing material consumed		89,401	98,315
Salaries, wages and other benefits	(30.1)	671,659	638,184
Fuel and power		965,890	897,715
Repairs and maintenance		48,147	51,260
Insurance		25,248	25,179
Depreciation	(14.1)	185,478	192,647
Other overheads		14,523	16,183
		2,197,316	2,159,360
		7,923,237	7,036,390
Work-in-process:			
Opening stock		106,511	103,093
Closing stock	(21)	(104,445)	(106,511)
		2,066	(3,418)
Cost of goods manufactured		7,925,303	7,032,972
Finished goods including waste:			
Opening stock		574,949	583,138
Closing stock	(21)	(715,798)	(574,949)
		(140,849)	8,189
		7,784,454	7,041,161

30.1 This includes contribution made to provident fund by the Company amounting to Rs. 13,495 thousand (2016: Rs. 12,791 thousand).

Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
31. DISTRIBUTION COST			
Salaries, wages and other benefits	(31.1)	3,212	3,042
Commission on sales		70,524	77,521
Freight and shipment		34,663	37,786
Clearing and forwarding		15,219	13,564
Export development surcharge		2,042	2,733
		125,660	134,646

31.1 This includes contribution made to provident fund by the Company amounting to Rs.123 thousand (2016: Rs. 114 thousand).

32. ADMINISTRATIVE EXPENSES			
Salaries, wages and other benefits	(32.1)	84,168	77,820
Rent, rates and taxes		5,711	6,612
Electricity and gas		4,691	5,351
Traveling and conveyance		3,987	4,568
Repair and maintenance		3,243	4,486
Vehicle running and maintenance		4,392	5,067
Printing and stationery		10,599	4,420
Communication		2,393	3,376
Fee and subscription		2,618	2,823
Advertisement		105	318
Insurance		2,364	2,283
Depreciation	(14.1&15.1)	13,600	12,827
Entertainment		385	639
Research and development		215	663
Donation	(32.2)	2,220	12,500
		140,691	143,753

32.1 This includes contribution made to provident fund by the Company amounting to Rs. 1,352 thousand (2016: Rs. 1,475 thousand).

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



Notes to the Financial Statements

For the year ended 30 June 2017

	Note	2017 (Rupees in thousand)	2016
33. OTHER OPERATING EXPENSES			
Legal and professional		4,724	4,839
Auditors' remuneration:			
Statutory audit		1,150	1,150
Half yearly review and other certifications		150	150
Out of pocket expenses		50	50
		1,350	1,350
Workers' profit participation fund	(9.3)	25,951	26,451
Workers welfare fund	(9.2)	9,861	10,051
Provision for doubtful debts	(22.3)	733	-
Exchange loss - net		284	-
Impairment loss on investments	(33.1)	38,394	29,923
Provision for slow moving items-Store		4,917	-
		86,214	72,614

33.1 The Company has recognised an impairment loss of Rs. 38,394 thousand (2016: Rs. 29,923 thousands) pertaining to quoted investments reflecting the write-down in the carrying value of the investments due to significant decline in their market price.

34. OTHER INCOME

Income from financial assets	(34.1)	367,871	217,528
Income from assets other than financial assets	(34.2)	14,961	16,366
		382,832	233,894

34.1 Income from financial assets

Exchange gain - net	(34.1.1)	-	960
Profit on bank deposits	(34.1.2)	2,741	2,482
Dividend income		50,429	41,212
Net gain on short term investments		314,701	172,874
		367,871	217,528

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

Notes to the Financial Statements

For the year ended 30 June 2017

34.1.2 This represents profit on bank deposits earned on saving accounts.

	Note	2017 (Rupees in thousand)	2016
34.2 Income from assets other than financial assets			
Sale of empties and scrap		2,946	3,075
Gain on disposal of operating fixed assets		12,015	5,285
Gain on disposal of assets classified as held for sale		-	8,006
		14,961	16,366
35. FINANCE COST			
Interest / markup on:			
Long term financing		39,773	21,226
Short term borrowings		28,679	33,777
Liabilities against assets subject to finance lease		221	99
		68,673	55,102
Bank charges and commission		7,370	6,988
		76,043	62,090
36. TAXATION			
Current:			
for current year	(36.1)	97,056	83,472
for prior years		(117,676)	-
		(20,620)	83,472
Deferred			
Relating to origination of temporary difference		-	(14,177)
Due to reduction in tax rate		(1,978)	(1,998)
		(1,978)	(16,175)
		(22,598)	67,297

36.1 Provision for current taxation represents normal tax on local sales and bank deposits, final tax on export sales and tax on income from other sources at applicable rates. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not meaningful as majority income of the Company falls under final tax regime.



Notes to the Financial Statements

For the year ended 30 June 2017

	2017 (Rupees in thousand)	2016
37. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit attributable to ordinary shareholders	505,806	425,218
	(Number of shares in thousands)	
Weighted average number of ordinary shares outstanding during the year	28,989	Restated 28,989
	Rupees	
Earnings per share - basic (Rupees)	17.45	Restated 14.67

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

	Note	2017 (Rupees in thousand)	2016
38. CASH GENERATED FROM OPERATIONS			
Profit before taxation		483,208	492,515
Adjustments to reconcile profit to net cash provided by operating activities			
Depreciation on operating fixed assets	(14.1)	198,255	205,131
Depreciation on assets subject to finance lease	(15.1)	823	343
Net gain on short term investments		(314,701)	(172,874)
Provision for doubtful debts		733	-
Net realizable value adjustment		23,618	-
Provision for slow moving items store		4,917	
Exchange gain - net		284	(960)
Dividend income		(50,429)	(41,212)
Gain on disposal of operating fixed assets		(12,015)	(5,285)
Gain on disposal of assets classified as held for sale		-	(8,006)
Provision for workers' profit participation fund		25,951	26,451
Provision for workers welfare fund		9,861	10,051
Finance costs		76,043	62,090
Impairment loss on investments		38,394	29,923
Return on bank deposit	(34.1)	(2,741)	(2,482)
Cash flows from operating activities before working capital changes		482,201	595,685

Notes to the Financial Statements

For the year ended 30 June 2017

	2017	2016
	(Rupees in thousand)	
Effect on cash flows due to working capital changes :		
(Increase) / decrease in current assets:		
Stores, spare parts and loose tools	(65,343)	(5,812)
Stock-in-trade	(442,289)	(55,177)
Trade debts	61,451	(202,335)
Loans and advances	19,910	(93,177)
Trade deposits and short term prepayments	(4,134)	(9,301)
Balances with statutory authorities	-	(63,168)
Other receivables	(6,421)	(1,077)
Increase in current liabilities:		
Trade and other payables	253,661	54,108
	(183,165)	(375,939)
	299,036	219,746

39. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

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

	2017			2016		
	------(Rupees in thousand)-----					
	Chief			Chief		
Description	Executive	Director	Executives	Executive	Director	Executives
Managerial remuneration	8,610	7,380	24,394	8,090	6,864	22,545
House rent	3,014	2,583	10,761	2,831	2,402	10,101
Provident fund contribution	517	443	1,379	485	412	1,222
Reimbursable expenses	396	1,490	527	426	1,445	1,073
Others	861	738	4,222	809	686	4,063
	13,398	12,634	41,283	12,641	11,809	39,004
No. of persons	1	1	18	1	1	19

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

39.2 The aggregate amount charged in financial statements for the year against fees for attending four board meetings and five audit committee meetings was Rs. 575 thousand (2016: Rs. 750 thousand).



Notes to the Financial Statements

For the year ended 30 June 2017

40. RELATED PARTY DISCLOSURES

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

Relationship with the Company	Nature of transactions	2017	2016
		(Rupees in thousand)	
Associated Companies	Purchases of goods and services	442,987	572,529
	Sales of goods and services	69,926	61,089
	Sale of fixed asset	1,450	2,700
	Insurance claim	-	9,664
	Dividend paid	62,627	50,120
	Dividend received	-	494
Provident Fund Trust	Amount contributed	16,226	14,225

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

41. 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.

41.1 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 2017

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
------(Rupees in thousand)-----								
Sales								
External	4,991,655	4,302,374	3,321,783	3,410,511	-	-	8,313,438	7,712,885
Inter-segment	1,064,562	1,183,169	-	-	1,064,562	1,183,169	-	-
	6,056,217	5,485,543	3,321,783	3,410,511	1,064,562	1,183,169	8,313,438	7,712,885
Cost of sales								
External	4,565,312	3,783,606	3,219,142	3,262,555	-	-	7,784,454	7,041,161
Inter-segment	1,064,562	1,183,169	-	-	1,064,562	1,183,169	-	-
	5,629,874	4,966,775	3,219,142	3,262,555	1,064,562	1,183,169	7,784,454	7,041,161
Gross profit	426,343	523,768	102,641	147,956	-	-	528,984	671,724
Distribution cost	56,007	53,541	69,653	81,105	-	-	125,660	134,646
Administrative expenses	113,175	117,511	27,516	26,242	-	-	140,691	143,753
	169,182	171,052	97,169	107,347	-	-	266,351	278,399
Profit before taxation and unallocated income and expenses	257,161	352,716	5,472	40,609	-	-	262,633	393,325
Unallocated income and expenses:								
Other operating expenses							(86,214)	(72,614)
Other income							382,832	233,894
Finance cost							(76,043)	(62,090)
							220,575	99,190
Profit before taxation							483,208	492,515
Taxation							(22,598)	67,297
Profit for the year							505,806	425,218

Inter segment sales and purchases have been eliminated on consolidation.



Notes to the Financial Statements

For the year ended 30 June 2017

	Spinning		Weaving		Elimination of Inter-segment transactions		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
----- (Rupees in thousand) -----								
Segment operating assets	3,423,919	3,434,721	1,154,231	767,837	-	-	4,578,150	4,202,558
Unallocated:								
Capital work in progress							2,508,148	121,384
Investment in joint venture							50,000	50,000
Investment properties							100,000	100,000
Balances with statutory authorities							2,239	120,878
Tax refunds due from the government							375,157	61,390
Non current assets held for sale							44,881	11,391
Short term investments							1,909,120	2,136,361
Total operating assets							9,567,695	6,803,962
Segment operating liabilities	3,501,661	1,382,190	491,758	280,293	-	-	3,993,419	1,662,483
Unallocated:								
Deferred taxation							195,817	197,795
Workers' profit participation fund							25,951	26,451
Workers welfare fund							72,272	62,411
Total operating liabilities							4,287,459	1,949,140
Other disclosures								
Capital expenditure	2,551,235	614,961	226,018	47,853	-	-	2,777,253	662,814

41.2 Geographical segments

Secondary information is reported geographically.

The Company has sales in three major geographical segment i.e. Pakistan, Europe and Far East. The cumulative revenue attributable to foreign countries is disclosed in note 29.

Notes to the Financial Statements

For the year ended 30 June 2017

42. FINANCIAL RISK MANAGEMENT

42.1 Financial risk factors

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

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

- Market risk
- Credit risk
- Liquidity risk

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

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

The Company's risk management policies are established to identify and 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.

(a) Market risk

(i) Currency risk

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

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

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



Notes to the Financial Statements

For the year ended 30 June 2017

		2017	2016
Rupees per US Dollar			
Reporting date rate		104.80	104.70
		Changes in US \$ Rate	Effects on Profit Before Tax
			(Rupees in thousand)
	2017	+10%	2,457
		-10%	(2,457)
	2016	+10%	6,001
		-10%	(6,001)

(ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to equity price risk as the Company holds investments classified as available for sale and held for trading. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

			2017	2016
Reporting date all index points			46,565	25,313
		Changes in PSX all Index	Effects on Profit Before Tax	Effects on Other Comprehensive Income
				(Rupees in thousand)
Available for sale investments	2017	+10%	-	132,646
		-10%	-	(132,646)
	2016	+10%	-	101,717
		-10%	-	(101,717)
Held for trading investments	2017	+10%	58,266	-
		-10%	(58,266)	-
	2016	+10%	111,919	-
		-10%	(111,919)	-

Notes to the Financial Statements

For the year ended 30 June 2017

(iii) Interest rate risk

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

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

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

	2017	2016
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	151,130	151,130
Financial assets		
Loans to employees	5,406	5,152
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	31,057	208,034
Financial liabilities		
Long term financing	2,219,112	180,191
Liabilities against assets subject to finance lease	2,543	3,839
Short term borrowings	379,394	357,536

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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



Notes to the Financial Statements

For the year ended 30 June 2017

		Changes in Interest Rate	Effects on Profit Before Tax (Rupees in thousand)
Bank balances - deposit accounts	2017	+1.00 -1.00	311 (311)
	2016	+1.00 -1.00	2,080 (2,080)
Long term financing	2017	+1.00 -1.00	(22,191) 22,191
	2016	+1.00 -1.00	(1,802) 1,802
Liabilities against assets subject to finance lease	2017	+1.00 -1.00	(25) 25
	2016	+1.00 -1.00	(38) 38
Short term borrowings	2017	+1.00 -1.00	(3,794) 3,794
	2016	+1.00 -1.00	(3,575) 3,575

(b) Credit risk

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

Notes to the Financial Statements

For the year ended 30 June 2017

	2017	2016
	(Rupees in thousand)	
Long term deposits	19,879	19,879
Trade debts	371,238	433,422
Loans to employees	5,406	5,152
Trade deposits	6,218	624
Other receivables	10,414	3,993
Bank balances	40,958	219,586
	454,113	682,656

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

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

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

	Rating			2017	2016
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	31,415	210,719
National Bank of Pakistan	A-1+	AAA	JCR - VIS	1,755	2,435
United Bank Limited	A-1+	AAA	JCR - VIS	6	8
Allied Bank Limited	A1+	AA+	PACRA	496	454
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	785	2,487
Habib Bank Limited	A-1+	AAA	JCR - VIS	2,358	-
Faysal Bank Limited	A-1+	AA	JCR - VIS	35	30
Bank Al-Habib Limited	A1+	AA+	PACRA	3,895	2,974
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	124	374
NIB Bank Limited	A1+	AA-	PACRA	102	102
Dubai Islamic Bank Limited	A-1	A+	JCR - VIS	3	3
				40,974	219,586

At 30 June 2017, the Company has 42 customers (2016: 20 customers) that owed the Company more than Rs. 2,500 thousand each and accounted for approximately 88 % (2016: 88 %) of all receivables.

There are 16 customers (2016: 11 customers) with balance greater than Rs. 7,000 thousand accounted for over 60 % (2016: 68 %) of total amount receivables.



Notes to the Financial Statements

For the year ended 30 June 2017

The Company's exposure to credit risk related to trade debts is disclosed in Note 22.

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

(c) Liquidity risk

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

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

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

	Carrying Amount	Less than 1 year	Between 1 and 5 years	Over 5 years
----- (Rupees in thousand) -----				
30 June 2017				
Long term financing	2,370,242	62,767	2,306,445	1,030
Liabilities against assets subject to finance lease	2,543	1,345	1,198	-
Trade and other payables	1,190,463	1,190,463	-	-
Accrued interest on financing	35,084	35,084	-	-
Short term borrowings	379,394	379,394	-	-
	3,977,726	1,669,053	2,307,643	1,030
----- (Rupees in thousand) -----				
30 June 2016				
Long term financing	331,321	43,548	265,859	21,914
Liabilities against assets subject to finance lease	3,839	1,253	2,586	-
Trade and other payables	940,067	940,067	-	-
Accrued interest on financing	17,576	17,576	-	-
Short term borrowings	357,536	357,536	-	-
	1,650,339	1,359,980	268,445	21,914

Notes to the Financial Statements

For the year ended 30 June 2017

42.2 Fair values of financial assets and liabilities

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

Fair value hierarchy

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

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

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

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

As at 30 June 2017, the Company hold the following financial instruments carried at fair value on the statement of financial position:

Financial Assets measured at fair value

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

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

During the reporting year the equity shares GlaxoSmithKline Consumer Healthcare Pakistan Limited has been listed on Pakistan stock exchange and these are reclassified from level 3 investments to level 1 investments.

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

*

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



Notes to the Financial Statements

For the year ended 30 June 2017

Financial Assets measured at fair value

	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 liabilities measured at fair value as at 30 June 2016.

During the reporting year ended 30 June 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 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.

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

Notes to the Financial Statements

For the year ended 30 June 2017

42.3 Financial instruments by categories

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

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



Notes to the Financial Statements

For the year ended 30 June 2017

	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

	2016
	Financial Liabilities at amortized cost (Rupees in thousand)
Liabilities as per balance sheet	
Long term financing	331,321
Liabilities against assets subject to finance lease	3,839
Trade and other payables	1,041,073
Accrued interest on financing	17,576
Short term borrowings	357,536
Total	1,751,345
Total current	1,417,438
Total non current	333,907
Total	1,751,345

Notes to the Financial Statements

For the year ended 30 June 2017

42.4 Capital risk management

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

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

	Note	2017 (Rupees in thousand)	2016
The gearing ratio as at year ended 30 June 2017 and 30 June 2016 is as follows:			
Debt	(6) & (7) & (11)	2,752,179	692,696
Equity		5,280,236	4,854,822
Total capital employed		8,032,415	5,547,518
Gearing ratio		34.26%	12.49%

43. PLANT CAPACITY AND ACTUAL PRODUCTION

Spinning:

Spindle installed - Numbers	92,928	92,928
Spindle operated - Numbers	91,457	90,130
Production at normal capacity in 20 s count based on 3 shifts per day - Kgs	39,801,367	39,801,367
Actual production converted to 20 s count based on 3 shifts per day - Kgs	36,680,344	37,000,608

Weaving:

Looms installed - Numbers	204	204
Looms worked - Numbers	204	204
Production at normal capacity in 50 picks based on 3 shifts per day - Square Meters	81,339,984	81,562,833
Actual production at normal capacity converted to 50 picks based on 3 shifts per day - Square Meters	69,054,780	71,395,406



Notes to the Financial Statements

For the year ended 30 June 2017

43.1 Reason for low production

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

44. PROVIDENT FUND TRUST

44.1 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:

	Note	2017 (Rupees in thousand)	2016
Size of the fund		257,138	217,605
Cost of investment made		152,534	138,684
Percentage of investment made		59.32%	63.73%
Fair value of investment	(44.2)	248,059	206,283
44.2 Breakup of investment			
Investment in listed securities		7,483	7,629
Investment in funds		240,576	198,654
		248,059	206,283

	2017	2016
45. NUMBER OF EMPLOYEES		
Number of employees at the end of the year	2,565	2,582
Average number of employees during the year	2,507	2,585

Notes to the Financial Statements

For the year ended 30 June 2017

46. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 19-09-2017 has proposed a cash dividend in respect of the year ended 30 June 2017 of Rupees 3 per share and 1 bonus share for every 10 shares (2016: Cash dividend of Rupees 5 per share and 10% bonus shares). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

47. TAX ON UNDISTRIBUTED RESERVES

As per section 5A of Income Tax Ordinance 2001, whereby every public company shall pay tax at the rate of 10 percent of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not apply in case of a public company which distribute 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 historical data, the Company will distribute 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. Therefore, the Company believes that it would not be liable to pay tax on its undistributed reserves as of 30 June 2017.

48. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 19 September 2017.

49. CORRESPONDING FIGURES

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

Classified from	Classified to	Note	Amount (Rs. In thousand)
Balance with statutory authority	Tax refunds due from the government	25	61,390



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 33rd Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Wednesday October 25, 2017 at 09:30 a.m. at the Registered Office, 7-B III, Aziz Avenue, Gulberg V, Lahore to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' reports thereon for the year ended June 30, 2017.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 30% i.e. Rs. 3/- per share and bonus @ 10% i.e. 1 share of every 10 shares for the year ended June 30, 2017.
3. To appoint auditors of the Company and fix their remuneration. The present auditor M/s EY Ford Rhodes Chartered Accountants retires and offers themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore

October 03, 2017

Company Secretary

BOOK CLOSURE:

The Members' Register will remain closed from October 19, 2017 to October 25, 2017 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on Wednesday, October 18, 2017 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 notorially attested copy of the power of attorney must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:

For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

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.

Notice of Annual General Meeting

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

Deduction of Tax on Dividend Income – Finance Act, 2017

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

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

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

Name	Folio No. / CDC Account No.	National Tax No.	CNIC No. (for individual only) enclose a copy of valid CNIC, if not already provided

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

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

Name of Shareholders	
Folio / CDS Account No.	
Title of Bank Account	
International Bank Account Number (IBAN) "Mandatory"	
Bank's Name	
Branch Name and address	
CNIC No.	
Cell number of shareholders	
Landline number of shareholders, if any	
Email	

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

In terms of section 244 of the Companies Act, 2017 (the Act) promulgated on May 30, 2017, Companies are required to deposit with the Federal Government, all the dividends, which remain unclaimed or unpaid for a period of three years from the date of issue. In view of the foregoing, it is to inform you that if you have any outstanding/unclaimed dividend(s), in respect of your account, you are therefore, advised to contact and lodge your claim to the share Registrar of the Company



Suraj Cotton Mills Limited

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

Date: October 03, 2017

Dear Shareholder,

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

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

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Stamp

Corptec Associates (Pvt) Ltd.

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

Third Fold and Tuck In

First Fold



Suraj Cotton Mills Limited

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

Dear Shareholder,

In terms of section 244 of the Companies Act, 2017 (the Act) promulgated on May 30, 2017, Companies are required to deposit with the Federal Government, all the dividends, which remain unclaimed or unpaid for a period of three years from the date of issue. In view of the forgoing, it is to inform you that if you have any outstanding/unclaimed dividend(s), in respect of your account, you are therefore, advised to contact and lodge your claim to the share Registrar of the Company at following address and arrange to receive your cheque against unclaimed/outstanding dividend after completing necessary formalities.

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

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

Yours sincerely

Company Secretary

Second Fold

Affix Revenue
Stamp

Corptec Associates (Pvt) Ltd.

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

Third Fold and Tuck In

First Fold



Form of Proxy

Thirty Third 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 33rd Annual General Meeting of the Company to be held on Wednesday, October 25, 2017 at 09:30 a.m. at Registered Office, 7-B-III, Aziz Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2017.

Witness 1:

Signature: _____

Name: _____

Address: _____

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Revenue of Stamp
of Rs. 5/-

Witness 2 :

Signature: _____

Name: _____

Address: _____

Signature of Member(s)

Note:

1. Proxies in order to be effective, must be received at the Registered Office of the Company at 7-B-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.

Second Fold

Affix Revenue
Stamp

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

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- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
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