# 2019 Annual Report



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# **Company Information**

#### **Board of Directors**

Khalid Bashir (Chairman)

Adil Bashir Ahsan Bashir Amjad Mahmood Humayun Maqbool Mohammad Iqbal Sharik Bashir

#### **Chief Executive Officer**

Nadeem Magbool

#### Chief Financial Officer

Faroog Ahmad

#### **Audit Committee**

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

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

#### **Share Registrar**

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

EY Ford Rhodes

Chartered Accountants

Haseeb Ahmad

Allied Bank Limited Habib Bank Limited MCB Bank Limited MCB Islamic Bank 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, 35760382

Fax: +92-423-5760376 Email: info@suraj.com Web: www.suraj.com

Nooriabad, District Dadu, Sindh.

Kotla Kahloon, District Nankana Sahib, Punjab. Bhaikot, Rawind, District Lahore, Punjab.



## **Company Profile**

Suraj Cotton Mills Limited is a Public Limited Company incorporated on December 18, 1984 and is listed on Karachi and Lahore Stock Exchanges of Pakistan. The Company is engaged in the manufacturing and trading of high quality Yam 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 greige fabric annually. In order for the company to be able to absorb the increasing competitiveness, and to able to produce a variety of fabrics, the management has expanded its weaving facilities by addition of 120 state of art, wider width Air Jet looms in 2003 which has further enhanced the collective capacity to 32 million meters of greige fabric annually.

In 2006 Suraj Cotton Mills completed the acquisition of a spinning unit comprising of 25,000 spindles located in Raiwind, Punjab. This unit has added to the company's production capability for fine count yarns in range 40/1 to 130/1. In year 2017 the company has made expansion of an other 29,376 spindle in this unit

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

## **Vision & Mission Statement**

## Vision

To be a leading textile enterprise with global aspirations, effectively pursuing multiple growth opportunities, maximizing return to the stakeholders, remaining socially and ethically responsible.

## Mission

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



## **Core Values**

We take pride in adhering to ethical business practices and in being an upstanding corporate citizen. We respect our people and endeavour to provide them ceaseless opportunities to realize their full potential. We recognize our responsibility to our stakeholders, communities and nation. At Suraj we never forget what we stand for.

At Suraj we seek uncompromising integrity through each individual's effort towards quality products for our customers, maximizing returns to the shareholders and sizable contribution to the national exchequer. Our business success is dependent on trusting relationships. Our reputation is founded on the integrity of the Company's personnel and our commitment to the principles of:

### PASSION FOR CUSTOMER

Build positive relationships through outstanding service with each interaction.

#### **INTEGRITY**

Uphold the highest ethical standards and promote trust and respect

### **EXCELLENCE**

Exceed expectations and take intense pride in everything you do everyday.

### **LEADERSHIP**

Have the courage to rise above challenges, to work through adversity, and inspire others.

#### **INNOVATION**

Imagine what is possible. Foster creativity that challenges constraints and drives progress.

#### **TEAMWORK**

Consistently demonstrate an unselfish commitment to working with others to create a collaborative culture.

# **Business Philosophy**

#### **Our Business**

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

#### 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.

#### **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

Profitability Ratios		2019	2018	2017	2016	2015	2014
Gross profit ratio	(%)	11.4	8.2	6.4	8.7	10.5	11.2
Operating profit margin to sales	(%)	9.0	5.2	6.7	7.2	9.0	8.6
Net profit margin to sales (net)	(%)	6.1	5.1	6.1	5.5	6.9	6.6
Return on average equity	(%)	14.7	10.4	10.0	9.1	14.0	24.4
Return on capital employed	(%)	14.7	6.8	7.4	10.8	16.8	20.3
Return on average assets	(%)	7.5	5.4	6.2	6.6	10.2	17.1
Liquidity Ratios							
Current ratio	(times)	1.8	2.1	2.5	2.9	3.3	3.0
Quick ratio	(times)	0.8	1.0	1.7	2.2	2.1	1.5
Activity / Turnover Ratios							
Debtors turnover ratio	(times)	17.0	20.1	20.7	17.3	19.8	25.9
No. of days in receivables / Average collection period	(days)	21	18	18	21	18	14
Inventory turnover ratio	(times)	4.3	4.9	6.5	6.0	5.0	6.4
No. of days in inventory	(days)	86	74	56	61	74	57
Creditors tumover ratio	(times)	5.5	6.0	5.1	4.9	5.6	9.6
No. of days in creditors / Average payment period	(days)	66	61	71	75	65	38
Total assets turnover	(times)	1.2	1.1	1.0	1.2	1.5	2.6
Investment / Market Ratios							
Earnings per share	(Rs.)	23.4	17.7	19.2	16.1	24.7	30.0
Price earnings ratio	(times)	5.3	8.0	8.2	8.1	4.1	2.8
Cash dividend per share	(Rs.)	5.0	4.0	5.0	5.0	5.0	5.0
Stock dividend / Bonus shares	(%)	-	15.0	10.0	10.0	10.0	10.0
Break-up value per share	(Rs.)	165.4	176.2	182.1	167.5	188.0	181.2
Market value per share							
Closing	(Rs.)	124.8	142.7	157.0	130.0	102.0	85.3
High	(Rs.)	157.0	169.7	163.0	176.2	147.9	158.8
Low	(Rs.)	113.0	118.6	116.1	101.3	93.0	73.0
Capital Structure Ratios							
Debt equity ratio		29:71	34:67	30:70	06:94	02:98	06:94
Total liabilities to total assets	(%)	48.53	49.78	44.81	28.65	25.10	28.84



# Vertical Analysis For the current and past five financial years

Profit / (loss) after taxation

Rupees in thousand

Statement of Financial Position	2019	%	2018	%	2017	%	2016	%	2015	%	2014	%
Property, plant and equipment	5,349,114	45.4	5,483,352	49.00	4,952,530	51.76	2,417,324	35.53	1,970,611	32.78	1,982,781	35.74
Investment property	100,000	0.8	100,000	0.89	100,000	1.05	100,000	1.47	100,000	1.66	100,000	1.80
Investment in joint venture	50,000	0.4	50,000	0.45	50,000	0.52	50,000	0.73	-	-	-	-
Long term loans and deposits	19,879	0.2	19,879	0.18	19,879	0.21	19,879	0.29	19,531	0.32	19,531	0.35
Long term investments	771,719	6.5	14,722	0.13	-	-	-	-	-	-	-	-
Stores, spares and loose tools	202,325	1.7	182,562	1.63	149,265	1.56	88,839	1.31	83,027	1.38	89,846	1.62
Stock-in-trade	3,087,533	26.2	2,714,766	24.26	1,407,007	14.71	988,336	14.53	933,159	15.52	1,372,741	24.75
Trade debts	913,047	7.7	732,216	6.54	371,238	3.88	433,422	6.37	230,127	3.83	459,258	8.28
Loan and advances	32,827	0.3	88,552	0.79	116,749	1.22	136,659	2.01	43,482	0.72	56,046	1.01
Trade deposits and short term prepayments	52,366	0.4	18,692	0.17	17,540	0.18	13,406	0.20	4,105	0.07	4,618	0.08
Balances with statutory authorities	-	-	6,554	0.06	2,239	0.02	2,239	0.03	57,710	0.96	70,306	1.27
Tax Refunds Due from the Government	615,090	5.2	565,662	5.05	375,157	3.92	180,029	2.65	12,131	0.20	3,024	0.05
Other receivables	16,248	0.1	31,511	0.28	10,414	0.11	3,993	0.06	2,916	0.05	817	0.01
Short term investments	-	-	1,052,384	9.40	1,909,120	19.95	2,136,361	31.40	2,448,452	40.72	1,185,844	21.38
Securities held at fair value through profit or loss	134,341	1.1	-	-	-	-	-	-	-	-	-	-
Cash and bank balances	433,938	3.7	64,827	0.58	41,676	0.44	222,084	3.26	95,556	1.59	190,673	3.44
Assets held for sale	10,077	0.1	65,064	0.58	44,881	0.47	11,391	0.17	11,583	0.19	11,583.00	0.21
Total Assets	11,788,504	100.0	11,190,743	100.0	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0	5,547,068	100.0
Issued, subscribed and paid up share capital	366,713	3.1	318,881	2.8	289,892	3.0	263,538	3.9	239,580	4.0	217,800	3.9
Share premium	29,000	0.2	29,000	0.3	29,000	0.3	29,000	0.4	29,000	0.5	29,000	0.5
Revenue reserves	5,629,805	47.8	5,230,342	46.7	4,780,838	50.0	4,433,155	65.2	4,151,685	69.1	3,690,874	66.5
Available for sale reserve	42,460	0.4	41,976	0.4	180,506	1.9	129,129	1.9	82,785	1.4	9,667	0.2
Shareholders' Equity	6,067,978	51.5	5,620,199	50.2	5,280,236	55.2	4,854,822	71.4	4,503,050	74.9	3,947,341	71.2
Long term loan	2,474,995	21.0	2,885,828	25.8	2,307,475	24.1	287,773	4.2	90,263	1.5	251,537	4.5
Liabilities against assets subject to finance lease	-	-	-	0.0	1,198	0.0	2,586	0.0	399	0.0	635	0.0
Deferred taxation	277,828	2.4	66,511	0.6	195,817	2.0	197,795	2.9	213,970	3.6	215,535	3.9
Trade and other payables	1,917,774	16.3	1,547,631	13.8	1,304,379	13.6	1,041,073	15.3	987,599	16.4	791,840	14.3
Mark-up accrued	-	-	36,750	0.3	35,084	0.4	17,576	0.3	12,425	0.2	19,213	0.3
Unclaimed dividends	3,359	0.0	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0
Short term borrowings	698,968	5.9	993,116	8.9	379,394	4.0	357,536	5.3	149,857	2.5	205,276	3.7
Current portion of long term liabilities	347,602	2.9	40,708	0.4	64,112	0.7	44,801	0.7	54,827	0.9	115,691	2.1
Total Equity and Liabilities	11,788,504	100.0	11,190,743	100.0	9,567,695	100.0	6,803,962	100.0	6,012,390	100.0	5,547,068	100.0
Statement of Profit or Loss												
Sales - net	13,973,634	100.0	11,095,688	100.0	8,313,438	100.0	7,712,885	100.0	8,562,185	100.0	9,924,609	100.0
Cost of sales	12,378,649	88.6	10,181,955	91.8	7,784,454	93.6	7,041,161	91.3	7,664,263	89.5	8,808,650	88.8
Gross profit	1,594,985	11.4	913,733	8.2	528,984	6.4	671,724	8.7	897,922	10.5	1,115,959	11.2
Distribution and selling expenses	125,353	0.9	141,279	1.3	125,660	1.5	134,646	1.7	160,620	1.9	233,778	2.4
Administrative expenses	165,718	1.2	147,379	1.3	140,691	1.7	143,753	1.9	116,095	1.4	115,279	1.2
Other operating expenses	157,119	1.1	145,039	1.3	86,214	1.0	72,614	0.9	57,396	0.7	94,838	1.0
Other operating income	107,647	0.8	96,596	0.9	382,832	4.6	233,894	3.0	206,282	2.4	180,342	1.8
Operating profit / (loss) before finance costs	1,254,442	9.0	576,632	5.2	559,251	6.7	554,605	7.2	770,093	9.0	852,406	8.6
Finance costs	184,370	1.3	150,626	1.4	76,043	0.9	62,090	0.8	64,518	0.8	83,924	0.8
Profit / (loss) before taxation	1,070,072	7.7	426,006	3.8	483,208	5.8	492,515	6.4	705,575	8.2	768,482	7.7

**(211,317)** -1.5 139,455

22,598

**858,755** 6.1 565,461 5.1 505,806 5.5 425,218 5.5

0.3 67,297

1.2

114,084 1.3 116,020

591,491 6.9 652,462

# Key Operating and Financial Data For the current and past five financial years

					Ru	pees in thousand
SUMMARIZED FINANCIAL DATA	2019	2018	2017	2016	2015	2014
Summary of Profit and Loss Account						
Sales - net	13,973,634	11,095,688	8,313,438	7,712,885	8,562,185	9,924,609
Cost of sales	12,378,649	10,181,955	7,784,454	7,041,161	7,664,263	8,808,650
Gross profit	1,594,985	913,733	528,984	671,724	897,922	1,115,959
Distribution and selling expenses	125,353	141,279	125,660	134,646	160,620	233,778
Administrative expenses	165,718	147,379	140,691	143,753	116,095	115,279
Other operating expenses	157,119	145,039	86,214	72,614	57,396	94,838
Other operating income	107,647	96,596	382,832	233,894	206,282	180,342
Operating profit before finance costs	1,254,442	576,632	559,251	554,605	770,093	852,406
Finance costs	184,370	150,626	76,043	62,090	64,518	83,924
Profit before taxation	1,070,072	426,006	483,208	492,515	705,575	768,482
Taxation - net	211,317	139,455	22,598	67,297	114,084	116,020
Net income	858,755	565,461	505,806	425,218	591,491	652,462
Summary of Balance Sheet						
Property, plant and equipment	5,349,114	5,483,352	4,952,530	2,417,324	1,982,781	1,990,050
Stock-in-trade	3,087,533	2,714,766	1,407,007	988,336	1,372,741	1,716,673
Trade debts	913,047	732,216	371,238	433,422	459,258	406,138
Trade and other payables	1,917,774	1,581,088	1,304,379	1,041,073	791,840	770,582
Current assets	5,487,715	5,457,726	4,445,286	4,216,759	3,922,248	3,444,756
Total assets	11,788,504	11,190,743	9,567,695	6,803,962	6,012,390	5,547,068
Reserves	5,658,805	5,259,342	4,990,344	4,591,284	4,263,470	3,729,541
Shareholders' equity	6,067,978	5,620,199	5,280,236	4,854,822	4,503,050	3,947,341
Long term financing	2,474,995	2,885,828	2,307,475	287,773	90,263	251,537
Deferred liabilities	277,828	66,511	195,817	197,795	213,970	215,535
Short term financing	698,968	993,116	379,394	357,536	149,857	205,276
Current liabilities	2,967,703	2,618,205	1,782,969	1,460,986	1,204,708	1,132,020
Summary of Cash Flow Statement						
Cash and cash equivalents at the beginning of the year	64,827	41,676	222,084	95,556	190,673	95,510
Net cash (used in) /generated from operating activities	1,185,907	(788,753)	(89,486)	(124,368)	1,374,302	914,367
Net cash used in investing activities	(418,710)	(355,569)	(2,150,405)	(142,926)	(1,191,626)	(746,406)
Net cash (used in) / generated from financing activities	(398,087)	1,167,473	2,059,483	393,822	(277,793)	(72,798)
Net increase / (decrease) in cash and cash equivalents	369,110	23,151	(180,408)	126,528	(95,117)	95,163
Cash and cash equivalents at the end of the year	433,937	64,827	41,676	222,084	95,556	190,673
Other data						
Depreciation and amortization	500,542	406,544	199,078	205,474	201,959	202,598
Capital expenditure	392,528	1,018,986	2,777,253	662,814	194,633	210,988

31,888

28,989

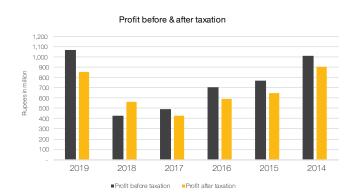
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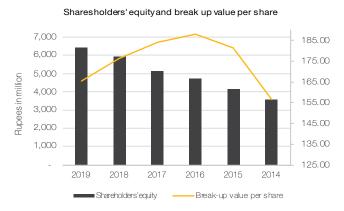
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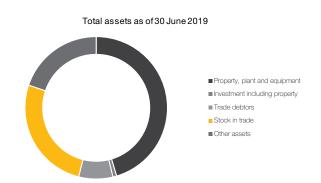
21,780

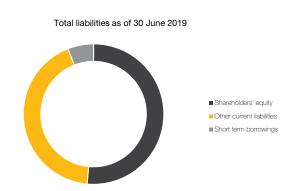
No. of ordinary shares (no. of shares in millions)



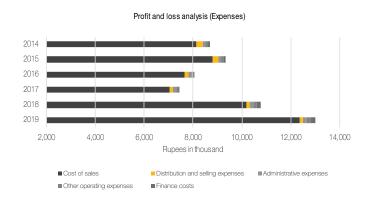












## Directors' Profile

#### Mr. Khalid Bashir

Chairman

Director (Non-Executive)

Joined Board: 1998

Chief Executive: Shams Textile Mills Limited

Shakarganj Limited Director:

The Crescent Textile Mills Limited Premier Insurance Limited



### Mr. Nadeem Maqbool

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

Director (Executive)

Joined Board: 1994

Chief Executive Crescent Powertec Limited



#### Mr. Amjad Mahmood

Director (Non-Executive)

Joined Board:

Director: The Crescent Textile Mills Limited





## Directors' Profile

#### Mr. Adil Bashir

Director (Executive)

Joined Board: 2016

**Director:** Shams Textile Mills Limited

Crescent Powertec Limited



### Mr. Humayun Maqbool

Director (Non-Executive)

Joined Board: 1996

**Director:** Crescent Fibres Limited

Crescent Powertec Limited



### Mr. Mohammad Iqbal

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

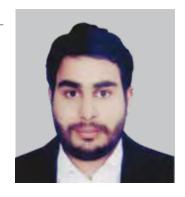


#### Mr. Sharik Bashir

Director (Non-Executive)

Joined Board: 2016

Director: Shams Textile Mills Limited



## Chairmans' Review

Suraj Cotton complies with all material requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 with respect to the composition, procedures and meetings of the Board of Directors and its committees. As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of (the "Board") of Surai Cotton Mills Limited (the "Company") is carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company. Areas where improvements are required are duly considered and action plans are framed.

For the Purpose of Board evaluation, a comprehensive criteria has been developed. The Board has recently completed its annual selfevaluation for the year ended June 30, 2019 and I report that:

The overall performance of the Board measured on the basis of approved criteria for the year was satisfactory.

The overall assessment as Satisfactory is based on an evaluation of the following integral components, which have a direct bearing on Board's role in achievement of Company's objectives:

- Diversity and Mix: The Board members effectively bring the diversity to the Board and constitute a mix of executive and non-executive directors. The executive and non-executive and directors were equally involved in all key matters and decisions of the Board.
- **Engagement in Strategic Planning: Board** has a clear understanding of the stakeholders (shareholders, customers, employees, vendors, Society at large) whom the Company serves. The Board has a strategic vision of how the organization should be evolving over the next three to five years. Further, the Board has spent sufficient time on Strategy formulation and it has set annual goals and targets for the management in all major performance areas.

- Diligence: The Board members diligently performed their duties and thoroughly reviewed, discussed and approved Business Strategies, Corporate Objectives, plans, budgets, financial statements and other reports. It received clear and succinct agendas and supporting written material in sufficient time prior to board and committee meetings. The board met frequently enough to adequately discharge its responsibilities.
- Monitoring of organization's business activities: The Board remained updated with respect to achievement of Company's objectives, goals, strategies and financial performance through regular presentations by the management, internal and external auditors and other independent consultants. The Board provided appropriate direction and oversight on a timely basis.
- Governance and Control Environment: The Board has effectively set the tone-at-the-top, by putting in place transparent and robust system of governance. This is reflected by setting up an effective control environment, compliance with best practices of corporate governance and by promoting ethical and fair behavior across the company.

Khalid Bashir Chairman

October 02, 2019 Lahore

## SURAJ سـورج

# چيئر مين ر پورك

سورج کاٹن بورڈ آف ڈائر کیٹرزاوراس کی کمیٹیوں کی تشکیل کے طریقہ کاراوراجلاسوں کے سلسلے میں کھینیز ایک ، 2017 اور لیڈ کھینیز (کوڈ آف کارپوریٹ گورننس)ر گیلیشنز ، 2017 میں طے شدہ تمام ضوابط پر عمل کرتی ہے۔ کوڈ آف کارپوریٹ گورننس کے مطابق ، سورج کاٹن ملز لمیٹڈ ("سمینی") کے بورڈ آف ڈائر کیٹرز ("بورڈ") کا سالانہ جائزہ لیا جاتا ہے۔ اس جائزہ کا مقصد بورڈ کی مجموعی کارکردگی کو جانچنا اور کمپنی کے لئے طے شدہ مقاصد کے تناظر میں تو قعات کے مطابق معیار پر پورا اتر نے کو یقینی بنانا ہے۔ جن شعبوں میں بہتری کی ضرورت ہوان پر باقاعدہ خوراور عملی منصوبے تیار کیے جاتے ہیں۔

بورڈ کی تشخیص کے مقصد کے لئے ،ایک جامع معیار تیار کیا گیا ہے۔ بورڈ نے حال ہی میں 30 جون ، 2019 کوختم ہونے والے سال کیلئے اپنا سالانہ جائز ہمرتب کیا ہے اور میں بیان کرتا ہوں کہ:

سال کے لئے منظور شدہ معیار کی بنیاد پر بورڈ کی مجموعی کارکردگی تسلی بخش رہی۔

تسلی بخش مجموعی کارکردگی مندرجہ ذیل لازمی اجزاء کی تشخیص پرمنی ہے، جس کا براہ راست اثر نمپنی کے مقاصد کے حصول میں بورڈ کے کرداریر ہوتا ہے:

متنوع مجموعہ: بورڈ کے ممبران مؤثر طریقے سے بورڈ میں تنوع لاتے ہیں اورا یگزیکٹو اور غیرا یکزیکٹو ڈائر یکٹرز کا مجموعتشکیل دیتے ہیں۔ بورڈ کے تمام اہم معاملات اور فیصلوں میں ایگزیکٹو اور غیرا یگزیکٹو اور ڈائر یکٹرز برابر کے شریک رہے۔

اسر یجک پلانگ میں مشخولیت: بورڈ اسٹیک ہولڈرز (شیئر ہولڈرز، صارفین، ملاز مین، وینڈرز، وینڈرز، سوسائٹ) جس کی کمپنی خدمت کرتی ہے کے بارے میں واضح نہم رکھتی ہے۔ بورڈ کااسٹر کیجک ویژن ہے کہ اگلے تین سے پانچ سالوں میں تنظیم کو کس طرح تیار کیا جانا چاہئے۔ مزید ہیکہ بورڈ نے تحکست عملی کی تشکیل پر کافی وقت صرف کیا ہے اور اس نے کارکردگی کے تمام بڑے شعبوں میں انتظامیہ کے لئے سالا نداہداف اور مقاصد طے کیے ہیں۔

شمدی ( مگن ): بورڈ کے ممبران نے اپنے فرائض پوری تندی کے ساتھ انجام دیتے اور کاروباری حکمت عملیوں ، کار پوریٹ مقاصد منصوبوں ، بجٹ ، مالی حسابات اور دیگرر پورٹس کا پوری طرح جائز ہ ، تبادلہ و خیال اور منظوری دی ہے۔ بورڈ اور کمیٹی اجلاسوں سے قبل کافی وقت میں اس کوواضح اور یکساں ایجنڈ سے اور معاون تحریری موادموصول ہوا۔ پورڈ این ذمہ داریوں کومناسب طریقے سے پوراکر نے کے لئے گئی بارجع ہوا ہے۔

سنظیم کی کاروباری سرگرمیول کی تکرانی: انظامیه، داخلی اورخار بی آؤیٹرز اور دیگر آزاد مشیرول کی با قاعد، پرینٹیشن کے ذریعے ممپنی کے مقاصد، اہداف، حمست عملی اور مالی کارکر دگی حاصل کرنے کے سلسلے میں بورڈ مطلاع رہا۔ بورڈ نے بروقت بنیاد برمناسب سمت کا تعین اور نگر انی کی ہے۔

گورننس اینڈ ماحولیات کا کشرول: بورڈ نے شفاف اور مضبوط نظام حکمرانی قائم کر کے مؤثر انداز کوسر فہرست رکھا ہے۔اس کی عکاسی ماحول کا مؤثر کنٹرول، کارپوریٹ گورننس کے بہترین طریق کار کی تعمیل اور پوری کمپنی میں اخلاقی اور منصفانہ طرزشل کوفروغ دینے ہوتی ہے۔

> خالد بشیر (چیئر مین)

02اکتوبر،2019 ارین

## 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 2019.

#### Overview

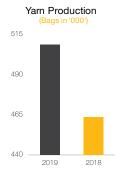
The textile industry continued to face challenges with rising cost of doing business and declining exports; however, during the period under review our competitiveness enhanced and became at par with regional players owing to depreciation of our currency. On the other hand, the currency depreciation exerted additional pressure on our manufacturing costs and led to lower margin. Considering overall economic compression and shrinking margins, effective planning and exceptional management led your company to post an operating profit of PKR 1,254 million which is an increase of 117.7%. These results are also a reflection of increase in price of our products, better utilization of resources, economies of scale and reclassification of impairment due to implementation of IFRS-9. Despite, non-availability of tax credits and increase in financial costs current year; reclassification of impairment resulted one time healthy bottom line growth of 52.04% by posting Profit after Tax of PKR 858.7 Million, as compared to previous year. Earnings per share for the period stood at PKR 23.42 (2018: PKR 15.42).

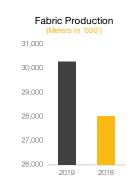
#### **Business Performance**

Being in textile business your company is principally engaged in the business of manufacturing Yarn and Greige Fabric. The production and sales statistics of your company for the current fiscal year ended June 30, 2019 compared to last year are as follow:

#### **Production Summary**

Particulars	UOM	2019 2018		Growth /
Farticulars	UOIVI	Quantitie	(Decline)	
Yarn Production	Bags	509	463	9.82%
Fabric Production	Meters	30,276	28,011	8.09%





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Yam Production	Bags	509	463	9.82%
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Growth in production and sales numbers are attributable to optimized business performance, continued BMR activities, effective planning, learning curve and implementation of rigorous controls.

#### **Financial Performance**

The financial performance of your company for the fiscal year ended June 30, 2019 as compared to last year is presented below:

Income Statement	2019	2018	% Change
	(PKF	R in Million)	
Sales	13,974	11,096	25.93%
Gross profit	1,595	914	74.56%
Operating profit	1,254	577	117.55%
Financial cost	(184)	(151)	22.40%
Profit before taxation	1,070	426	151.19%
Taxation	(211)	139	-251.53%
Net Profit	859	565	51.87%
Earnings per Share (EPS)	23.42	15.42	

#### Revenue

In the year under review, our net sales increased by 25.93% to Rs. 13,974 million over the corresponding period. This was mainly attributable to higher prices of our product due to Rupee depreciation. Export Sales declined during the period under review as compared to



the previous period owing to competitive pricing of our product in domestic market and brisk debtor recovery cycle.

#### Cost of Sales

During the fiscal year 2018-19 under review, cost of sales increased by 22.71% for per bag of yarn and 8.05% per meter of fabric produced, as compared to last year. This increase was mainly on account of adverse exchange rate parity and market driven increase in commodity price of cotton and fuel; resulting in expensive raw materials and higher power costs.

#### **Gross Profit**

Your Company has achieved gross profit margin of 11.41% for the fiscal year under review as compared to 8.23% last year, increase is mainly attributable to economies of scale and effective planning & management of resources.



#### **Operating Expenses**

For the year under review, negligible increase of 0.83% was observed in Operating Expenses. Pattern of Administration and Distribution cost was largely even as compared with previous year and in line with the business trends of current year. However, due to implementation of IFRS-9 various equity investments have been classified as not held for trading; resultantly, routing a sizeable amount of impairment via Other Comprehensive Income; aiding us maintain our operating expenses at parity with last year and healthy bottom line growth.

Had the previous practice been adopted, it would have resulted 63.19% increase in Operating Expenses owing to impairment on quoted equity investments. Significant impairment is mainly attributable to lackluster performance of Pakistan Stock Exchange over the last one year, where the index shed 8,137 Points and Market lost 19.41% of capitalization.

#### **Finance Cost**

For the year under review company incurred an increase of 22.4% in finance cost. Despite this increase, we believe the company managed its finances quite well, considering an even increase of 610 bps (81% Upside) in policy rate during the same period.

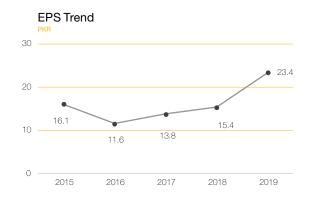
#### **Net Profit**

Your company earned Profit Before Tax of 1,070 Million during the current fiscal year, as compared to 426.0 Million reported last year. Similarly, company posted an after tax profit of 858.7 Million as compared to 565.4 Million reported last year. Setting aside accounting treatment of impairment on equity investments; lack of tax credits (availed last year, under section 65/B of Income Tax Ordinance 2001) in current fiscal year resulted in scanty bottom line growth.



#### Earnings Per Share (EPS)

The earnings Per Share (EPS) of your company for the fiscal year ended June 30, 2019 stood at 23.42 as compared to 15.42 reported last year.



#### **Dividend & Appropriation**

Considering current capital and equity investment plans; the Board has proposed a final cash dividend of PKR 5/- per share subject to approval of shareholders in upcoming Annual General Meeting scheduled to be held on October 28, 2019.

This approach remain in line with your company's commitment to consistently provide sustainable returns to the shareholders. The Breakup value per share for the year is PKR 165.47 (2018: PKR 176.25).

#### Corporate Social Responsibility (CSR)

Your Company has a proven history and track record of its strong commitment for the improvement of society and communities in which it operates. The primary focus of your company remains in the education sector, health, community development, women empowerment and environment conservation. In current fiscal year your company has spent PKR 3.26 Million for various charitable purposes and community development.

#### Risk Management

Various risks are being faced by the company and summarized as follow along with mitigating strategies.

#### Strategic Risks

The strategic risks such as critical availability of gas, electricity and alternate fuels for power generation, and changes in domestic competitive scenario are being continuously monitored. The Company's expansion plans and growth targets are revisited with changing market situation. Changes in macroeconomic indicators, inconsistent / arbitrary changes in Government Policies and significant increase in natural gas, electricity and other fuel prices making cost of production substantially higher are also being closely monitored & duly considered. Appropriate mitigation strategies are formulated to reduce the impact of these risks to an acceptable level.

#### **Operational Risks**

Business continuity and disaster recovery plans are

in place to ensure that continuity in production and sales operations; in case of major failures and outages to ensure continuity, sustainability and avoid any disruption to the business. Raw material sourcing, adequate segregation of duties, self- sufficiency in power generation at our plants, efficient supply chain and logistic operations have enabled us to mitigate operational risk to an acceptable level.

#### Financial Risks

One of the major financial risks is the fluctuation of the exchange rate and adverse movements can directly affect our raw material costs and also lead to a rise in manufacturing costs. The Company is aware of this situation and monitors such movements carefully to ensure minimum shocks. Strict financial discipline, cash flow management and investment of available funds in best possible avenues aid us in minimizing Financial Risks.

#### Compliance Risks

Due to effective compliance with laws and regulations and transparent financial reporting framework, compliance risk posed to the Company remains low. The Board promotes risk management and compliance culture in the Company. Litigation risks involving significant cases against the Company are handled through reputable Law firms with specialized expertise wherever required.

#### **Environmental Footprint**

Your Company always takes serious responsibility towards the conservation of Environment in every sphere of its operations. With an effort to further highlight the importance of environment preservation and being a responsible corporate citizen, your Company continued with its tree plantation drive in and around its manufacturing sites and has a considerable attention towards environment protection.

Your Company believes in responsible consumption of valuable resource of water and makes every effort to reduce its usage. By installation of RO plants at our production facilities we ensure conservation of water and simultaneously provision of clean water to our employees round the clock. By using our expertise,



we at Suraj Cotton remain committed to manage our water usage in an efficient and sustainable manner to support in improvement of access to clean water for communities, wherever possible. We make efforts to restore natural water cycles, benefiting multiple aspects of our value chain and the people and communities we serve.

#### Code of Corporate Governance

The Directors of your company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations 2017 and the Rule Book of Pakistan Stock Exchange. Your Company has undertaken all necessary steps to ensure Good Corporate Governance and compliance of the Code and we confirm the following:

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.

Proper books of account of the Company have been maintained.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

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.

The System of Internal Control is sound in design and has been effectively implemented and monitored.

There are no significant doubts upon the company's ability to continue as a going concern.

There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

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

Statement of pattern of Shareholding has been included as part of this Annual Report.

Key operating and financial data of the last six years in summarized form is annexed.

### **Directors and Board Meetings**

Board of SCML comprise of 7 (Male) Directors. The composition of Board is provided below:

#### Meetings of the Board of Directors

Sr. No.	Category	Name	
1.	Independent Directors	None	
2.	Non-Executive Directors	Mr. Khalid Bashir Mr. Amjad Mahmood Mr. Humayun Maqbool Mr. Mohammad Iqbal Mr. Sharik Bashir	(Chairman)
3.	Executive Directors	Mr. Nadeem Maqbool Mr. Ahsan Bashir Mr. Adil Bashir	(CEO)

Four meetings of the Board of Directors were held during the year 2018-19. Attendance of directors in meetings of BOD is provided as under:

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

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

#### Directors' Remuneration

The Board of Directors has devised a directive for determination of remuneration. Its salient features are stated as follow:

The company will not pay any remuneration to its Non-Executive Directors except as meeting fee for attending the Board and its Committee Meetings.

The remuneration of directors & meeting fee for attending meeting of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.

A Director shall be provided or reimbursed for all travelling, boarding, lodging and other expenses incurred by him for attending meetings of the Board, its committees and General Meetings of the company.

#### **Directors' Training Programme**

The present BOD elected on April 2, 2019 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 director(s) have duly undergone Directors' Training Programme as specified by CCG.

#### **Board Committees & Meetings**

Following are the details of Committees of the Board of SCML and their Meetings.

#### **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. Four audit committee meetings were held: However, leave of absence was granted to the members who could not attend the meeting(s) due to preoccupations.

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

#### Human Resource & Remuneration Committee

The Board of Directors in compliance to the Code of Corporate Governance has established a Human Resource & Remuneration Committee, only one meeting was held during the financial year 2018-19. Following is the composition of Human Resource & Remuneration Committee:

Sr. No.	Name of Members	No. of Meetings Attended
1.	Mr. Ahsan Bashir (Chairman)	01
2.	Mr. Humayun Maqbool	01
3.	Mr. Adil Bashir	01

#### Adequacy of Internal & Financial Controls

The Board of Directors has established an effective system of Internal & Financial Controls that ensure:

- Effective and efficient conduct of operations
- Safeguarding company assets
- Compliance with applicable Laws and Regulations
- Reliable Financial Reporting

The independent Internal Audit Function of Suraj Cotton Mills Limited is outsourced to M/s KPMG Taseer Hadi & Co. Chartered Accountants that regularly appraises and monitors the implementation of Standard Operating Procedures and respective financial controls. Internal Audit reports are presented to the Audit Committee quarterly, as per approved Annual Internal Audit Plan. Accordingly, the Audit Committee reviews the effectiveness of the internal control framework and financial statements in its meetings.

#### **Auditors**

The financial statements of the company for the current financial year 2018-19 were Audited by M/s E&Y Ford Rhodes & Co. Chartered Accountants. The Auditors will retire at the end of Annual General Meeting. Being eligible, they have offered for re-appointment. Recomendation of BOD will be considered by the members of the company in AGM, for appointment of External Auditors for ensuing year.

#### Subsequent Events

Material changes or commitments affecting the financial position of the company have not occurred between the end of the financial year and the date of this report.

#### Pattern of Shareholding

Pattern of shareholding of the Company, as required by section 227 (2)(f) of the Companies Act, 2017 as at



June 30, 2019 is provided at page no 27 of this report.

**Future Outlook** 

We are presently witnessing an economic slowdown in the world which is being further exacerbated by the America-China trade war. On an almost daily basis we witness changing market scenarios and it has become very difficult to prepare long term projections. China is presently not making significant purchases of our products with the result that there is over supply in the domestic market. However, the depreciation of the Pak rupee has made our downstream products quite competitive so some of this over supply is being absorbed. Pakistan needs to make new investments in the manufacture of finished products but due to imposition of general sales tax, high finance costs and an unpredictable exchange rate, investors are reluctant.

In spite of these uncertainties, your Company has performed well but the cost of doing business is increasing and our liquidity will be further strained due to a high incidence of taxation measures implemented by the government. The need for documentation of the economy should not come at the cost of over burdening those who pay their taxes. With the imposition of general sales tax, an effective and smooth system of refunds should be implemented. Energy costs are another factor which could lead to higher manufacturing costs as utility prices continue to rise.

The new cotton season has started but we do not expect that there will be any significant increase in the size of the crop as the inherent issues highlighted many times by us have not been corrected. Cotton remains short of the industry requirements but import duty has been re-imposed. This will impede our ability to remain competitive as the industry will be forced to pay a higher price for raw materials. We would once again reiterate our demand for a free import-export regime in raw materials as Pakistan does not produce higher staple, contamination free and organic cottons. If we are to continue to develop our product base and be able to supply specialized yarns in the export and domestic markets, we need raw materials at competitive prices. The agricultural sector needs support but this support should come in the form of direct subsidies. The textile industry cannot pay this support and it should be

allowed to freely source its raw materials.

Pakistan is currently faced with tremendous economic pressures internally and externally. The manufacturing sector is confronting major challenges due to the economic contraction. The country needs visionary polices for the export sectors as it is only export led growth which will lead to economic revival.

Your company will continue to focus on its core competencies and its managerial expertise to limit the negative effects and continue to try and perform as per the expectations of its stakeholders. We are always looking for new opportunities to diversify and shall keep you apprised of our efforts.

### 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

West

Áhsan Bashir Director

October 02, 2019 Lahore

# ڈائز یکٹرر بورٹ

سورج کاٹن ملزلمیٹر کا آزاد داخلی آؤے عمل میسرز کے بیا ہم جی تاثیر ہادی ایٹر کمپنی جارٹرڈا کا ونٹنٹس ہےآؤٹ سورس ہے جومعیاری آپریٹنگ کےطریقتہ 6کاراورمنعلقہ مالی کنٹرول کےنفاذ کی با قاعد گی ہے جانچ اورنگرانی

داخلی آ ڈٹ رپورٹس سہ ماہی بنیاد پرمنظور شدہ سالا نہ داخلی آ ڈٹ پلان کےمطابق آ ڈٹ ممیٹی کےروبروپیش کی جاتی ہیں۔اس کےمطابق ،آ ڈٹ ممیٹی اینے اجلاسوں میں داخلی آنڈ ٹ کیمورک کی مؤثر گی اور مالیاتی گوشواروں کا جائز ہ لیتی ہے۔

موجودہ مالی سال 19-2018ء کے لئے کمپنی کے مالیاتی گوشواروں کامیسرزای اینڈ وائی فورڈر بہوڈس اینڈ کمپنی جارٹرڈ اکا ڈیٹینس نے آڈٹ کیا۔آڈیٹرزسالا نیاجلاس عام کے اختتام پرریٹائر ہوجا کیں گے۔اہل ہونے کی بناءیر،انہوں نے دوبارہ تقرری کے لیخ خودکو پیش کیا ہے۔ممبران اپنے آئندہ سالا نہ عام اجلاس میں، بورڈ آف ڈائیر مکٹرزی سفارشات کومدنظرر کھتے ہوئے، آئندہ مالی سال کے لئے آڈیٹرز کا انتخاب کریں گے۔

مالیاتی سال کے اختتام اوراس رپورٹ کی تاریخ کے مامین کمپنی کی مالی حیثیت کومتاثر کرنے والی مادی تبدیلیاں یاوعد وقوع پذیر نہیں ہوئے ہیں۔

30 جون 2019 کیکینیز کے ایک،2017 کے سیکٹن (f)(2)227 کے تحت مطلوبہ مپنی کے شیئر ہولڈنگ کانمونہ، رپورٹ کے ساتھ لف ہے۔

ہم فی الحال دنیامیں معاشی ست روی کامشاہرہ کررہے ہیں جےامریکہ چین کی تجارتی جنگ نے مزید بڑھاوادیا ہے۔ تقریباً روزاند کی بنیادیرہم بدلتے ہوئے مارکیٹ کےمنظرناموں کامشاہرہ کرتے ہیں اورطویل مدتی منصوبوں کو تیار کرنا بہت مشکل ہوگیا ہے۔ چینن اس وقت ہماری مصنوعات کی خاطر خواہ خریداری نہیں کررہاہے جس کے نتیجے میں مقامی مارکیٹ میں رسدزیادہ ہے۔ تاہم ، یا کستانی روپیہ کی قدر میں کمی نے ہماری مصنوعات کو کافی مسابقتی بنادیا ہے لیمذااس سے کچھوافرسلائی جذب ہورہی ہے۔ پاکستان کو تیار مصنوعات مے مینونیکچر میں نگی سرمایدکاری کرنے کی ضرورت ہے لیکن جزل بینزنیکس کے نفاذ ، مالی اخراجات میں اضافداورغیر متوقع شرح تبادله کی وجہ سے سر مار پرکار ہچکیاتے ہیں۔

ان غیریقنی صورتحال کے باوجود،آپ کی نمپنی نےعمدہ کارکردگی کامظاہرہ کیا ہےلیکن ملک میں کاروبار کرنے کےاخراجات میں اضافہ ہور ہاہےاورحکومت کی طرف سے ٹیکس عائد کرنے کےاقدامات کی وجہ سے ہماری کیویڈیٹ ٹی مزید کشیدہ ہوگی معیشت کی دستاویزات کی ضرورت کا بوجھان لوگوں رینہیں ڈالناجا ہے جوٹیکس ادا کرتے ہیں۔عام سیزٹیکس کے نفاذ کےساتھ،رقم کی واپسی کا ایک مؤثر اور ہموارنظام نافذ کیاجانا چاہئے ۔توانائی کے اخراجات ایک اورعضر ہے جومینوفیکچرنگ کی قیمتوں میں اضافے کا ہاعث بن سکتے ہیں کیونکہ بلوں کی قیمتوں میں اضافہ جاری ہے۔

کپاس کا نیابیزن شروع ہو چکا ہے لیکن ہمیں تو قعنہیں ہے کفصل کے سائز میں کوئی خاص اضافہ ہوگا کیوں کہ ہمارے ذرایعد کی بازنمایاں کردہ موروثی امور درست نہیں ہوئے ہیں۔کپاس صنعت کی ضروریات ہے کم رہی ہے کین درآمدی ڈیوٹی دوبارہ نافذکر دی گئی ہے۔اس سے ہماری مسابقتی رہنے کی صلاحیت میں رکاوٹ پیدا ہوگی کیونکہ صنعت خام مال کی زیادہ قیمت اداکرنے پر مجبور ہوگا۔ہم ایک بارچرخام مال میں آزاد درآمدی ہرآمد کی نظام کےمطالبے کااعادہ کریں گے کیونکہ پاکستان اعلی شبیل ،آلودگی ہے پاک اور نامیاتی کاٹن پیرانہیں کرتا ہے۔اگر ہما بنی پروڈ کٹ بیس کوجاری رکھنا جائے جیں اور برآمدی اورمقامی مارکیٹوں میں خصوصی پارن کی فراہمی کے قابل ہونا چاہتیہیں تو ہمیں مسالقتی قیمتوں پرخام مال کی ضرورت ہوگی۔زرعی شعبے کوتعاون کی ضرورت ہے کیکن بیتعاون براہ راست سبسڈی کی شکل میں آنا چاہئے ۔ٹیکٹائل کی صنعت بیمعاونت نہیں کرسکتی ہے اوراسے اینے خام مال کوآ زادانہ طور برحاصل کرنے کی اجازت ہونی جا ہئے۔

یا کستان کواس وقت اندرونی اور بیرونی طور پرزبردست معاثی دیاؤ کاسامناہے مینونیکجرنگ کا شعبہ معاثی کی کی وجہ ہے بڑے چیلنجوں کامقابلہ کررہاہے ۔ملک کو برآمدی شعبوں کے لئے وژنری یالیسوں کی ضرورت ہے کیونکہ بیصرف برآ مدی قیادت میں نموہی ہے جومعاشی بحالی کا باعث بنے گ ۔

کمپنی منفی اثرات کومحدود کرنے کے لئے اپنی بنیادی صلاحیتوں اورانظامی مہارت پر توجہ مرکوز جاری رکھے گیاورا پنے اسٹیک ہولڈرز کی تو قعات کے مطابق کام سرانجام دینے کی کوشش کرتی رہے گی۔ہم ہمیشہ تنوع کے بخ مواقع تلاش کرتے ہیں اور آپ کواپنی کوششوں ہے آگاہ کرتے رہیں گے۔

بورڈ آف ڈائر کیٹرز کی جانب ہے، میں اپنے تمام شراکت داروں اور ملاز میں کی مسلسل حمایت شکر ریا داکر تا ہوں۔ ہم بورڈ آف ڈائر کیٹرز کی قابل قدر بصیرت اور رہنمائی کے بھی شکرگز ار ہیں۔

Newweller

02اكتوبر2019ء

# ڈائز یکٹرر پورٹ

اجلاس میں حاضری	نام ڈائر یکٹرز	نمبرشار
04	جناب خالد بشير	1
04	جناب المجرمحمود	2
04	جناب احسن بشير	3
04	جناب عادل بشير	4
04	جناب ہما یوں مقبول	5
04	جناب محمدا قبال	6
02	جناب شارق بشير	7

تاہم ،ڈائر بیٹرز جومشغولیت کے باعث بورڈ کےاجلاسوں میں شرکت نہیں کر سکےکوعدم شرکت کی چھٹی دی گئی۔

#### ڈائر بکٹرز کامعاوضہ

بورد آف دائر مکٹرز نے معاوضہ کے تعین کے لئے ایک ہدایت تیاری ہے۔اس کی نمایال خصوصیات مندرجہ ذیل ہیں:

کمپنی این نان ایگزیکٹوڈائر بکٹرز کو پورڈ اوراس کی کمیٹی کے اجلاسوں میں شرکت کے لئے میٹنگ فیس کےعلاوہ کسی بھی معاوضے کی اوا نیگی نہیں کرے گی۔

بورڈ آف ڈائز کیٹرز ماایس کی کمیٹیوں کے اجلاس میں شرکت کے لئے ڈائز کیٹرز کامعاوضہ اور میٹنگ فیس کا وقا فو قانقین کیا جائے گا اور بورڈ آف ڈائز کیٹرز اس کی منظوری دیں گے۔

بورڈ کے اجلاسوں،اس کی کمیٹیوں اور کمپنی کے عمومی اجلاسُوں میں شرکت کے لئے تمام سفر، بورڈ نگ، رہائش اور دیگر احزاجات مہیا یا معاوضہ دیا جائے گا۔

#### ڈائز کیٹرز کاتر بیتی پروگرام

2 اپریل 2019 کو نتخب ہونے والے موجودہ BOD اور سات میں سے چھوڈ ائز کیٹرز 14 سالہ تعلیم اور درج کمپنیوں کے بورڈ میں 15 سالہ تجر یہ کی بدولت ڈ ائز کیٹرز کےٹرینگ پروگرام سے منتفیٰ ہیں۔ بقید ڈ ائز کیٹرنے CCG کی مخصوص کردہ ڈ ائز کیٹرز کی با قاعدہ تربیت حاصل کی ہے۔

### بورد کی کمیٹیاں اور اجلاس

SCML کے بورڈ کی کمیٹیوں اوران کے اجلاسوں کی تفصیلات مندرجہ ذیل ہیں۔

#### آ في مستميع

کوڈ کارپوریٹ گونٹس کی فٹیل میں بورڈ آف ڈائر کیٹرز نے ایک آڈٹ کمیٹی قائم کی ہے اور مندرجہ ذیل ڈائر کیٹرزاس کے رکن ہیں۔ آڈٹ کمیٹی کے چارا جلاس ہوئے:

اجلاس میں حاضری	نام ڈائز یکٹرز	نمبرشار
03	جناب ہما یوں مقبول (چیئر مین)	1
04	جناب احسن بشير	2
04	جناب عادل بشير	3

تاہم، ڈائر کیٹرز جومشغولیت کے باعث بورڈ کے اجلاسوں میں شرکت نہیں کر سکے کوعدم شرکت کی چھٹی دی گئی۔

## <u>۾ ون ريبورس اينڌ ريمنزيش کميڻي</u>

۔ بورڈ آف ڈائر کیٹرز نے کوڈ آف کارپوریٹ گوننس کھیل میں ایک ہیوس اینڈر بمنریش کمیٹی قائم کی ہے، مالیاتی سال 19-2018 کے دوران صرف ایک اجلاس منعقد ہوا۔ ہیومن ریبورس اینڈر بمنریش کمیٹی کی سے تشکیل مندرجہ ذیل ہے: تشکیل مندرجہ ذیل ہے:

اجلاس میں حاضری	نام اركان	نمبرشار
01	جناب احسن بشير ( چيئر مين )	1
01	جناب ہما یوں مقبول	2
01	جناب عادل بشير	3

## داخلی اور مالیاتی کنٹرول

بورڈ آف ڈائر یکٹرزنے داخلی اور مالیاتی کنٹرولز کاایک مؤثر نظام قائم کیاہے جویقینی بنا تاہے کہ:

- آپریشنون کا کارگراورمؤثر انعقاد۔
- تسمینی کے اثاثوں کی حفاظت کرنا۔
- قابل اطلاق قوانین وضوابط کی تعمیل ۔
  - قابل اعتماد مالياتی ريور شنگ ـ

# ڈائزیکٹرر پورٹ

آ پ کی کمپنی این ہرشعبہ میں ماحولیات کے تحفظ کے لئے ہمیشہ شخیدہ ذمہ دار ہے۔ ماحولیاتی تحفظ کی اہمیت کومزیدا حاگر کرنے اورایک ذمہ دار کار اپوریٹ شہری ہونے کی کوشش کے ساتھ ،آپ کی کمپنی نے اپنی مینونیکچرنگ سائٹس میںاوراس کےاردگرددرختوں کی شجر کاری مہم جاری رکھی ہوئی ہےاور ماحولیاتی تحفظ کی طرف خاطرخواہ توجہ دی ہے۔

آپ کم مپنی پانی کے قیتی وسائل کے ذمہ دارانہ استعال پر یقین رکھتی ہے اوراس کے استعال کو کم کرنے کے لئے ہم ممکن کوشش کرتی ہے۔ اپنی پیداواری سہولیات پرآراو پلاٹس کی تنصیب ہے ہم یانی کے تحفظ کویقینی بناتے ہیں اور ساتھ ہی ساتھ اپنے ملاز مین کو چوہیں گھنٹے صاف یانی کی فراہمی کو بیٹی نیاتے ہیں۔اپنی مہارت کو بروئے کارلاتے ہوئے ،ہم سورج کاٹن میں اپنے یانی کے استعال کومؤثر اور یائیدارانداز میں منظم کرنے کے لئے پُرعزم ہیں تا کہ جہاں بھی ممکن ہو، کمیونٹیز کی صاف یانی تک رسانی کی بہتری میں معاون ہوں۔ہم قدرتی آئی چکر کی بحالی،ا بنی ویلیوچین کے متعدد پہلووک اورلوگوں اور کمیونٹیز کوفا کدہ پہنچانے کے لئے کوشاں میں ہم خدمت

کمپنی کے ڈائر بیٹر رالے کمپینیز ( کوڈااف کارپوریٹ گومنس) ریگولیشز 2017اور پاکستان شاک ایکیپنی کمیشن پاکستان کی رول بک کے تحت اپنی ذیمہ دارپوں ہے آگاہ میں کمپنی نے اچھے کارپوریٹ گورننس اور کوڈ کی فٹیل کو یقینی بنانے کے لئے تمام ضروری اقد امات اُٹھائے ہیں۔

### ڈائر یکٹرزنو ثیق کرتے ہیں کہ:

- a- کمپنی کیا انظامیہ کی طرف سے تیار کردہ ، مالیاتی حسابات ،اس کے امور، آپریشنز کے نتائج ، نقذی بہاؤاورا یکوئی میں تبدیلیوں کومنصفانہ طور کیمپنیز ایک 2017 کے مطابق ظاہر کیا گیا ہے۔
  - b- سمپنی کے کھا تہ جات بالکل سیح طور سے بنائے گئے ہیں۔
  - . و مالی حیابات کی تیاری میں مناسب ا کاؤنٹنگ یا لیسیوں کو تسلسل کے ساتھ لا گوکیا گیا ہے اور اکاؤنٹنگ کے تخیینہ جات مناسب اور دانشمندانہ فیصلوں یوننی ہیں۔
  - d- مالی حسابات کی تیاری میں پاکستان میں لا گوبین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے،اور کسی جھی انحراف کاموزوں انکشاف اوروضاحت کی گئی ہے۔
  - e- داخلی کنٹرول کااندرونی آ ڈٹ اوراس طرح کے دیگرطریقہ کار کے ذریعے مسلسل جائزہ لیا جار ہاہے۔ جائزہ کائمل جاری رہے گااور کنٹرول میں کسی کمزوری کوختم کیا جائے گا۔
    - f- محمینی کے رواں دواں ہونے کی صلاحیت بر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔
    - g- فہرسی قوانین میں تفصیلی، کارپوریٹ گورننس کے بہترین عملوں سے کوئی مادی انحراف نہیں کیا گیاہے۔
    - h- کیس، ڈیوٹیز، لیویز اور جار جز کی مدمین کوئی قانونی اوائیگیاں، اگر کوئی ہوں، جوبقایا ہوں، کامالی حسابات میں واضح انکشاف کیا گیاہے؛
      - i- شیئر ہولڈنگ کے نموند کابیان اس سالا نہ رپورٹ کے ایک حصہ کے طور پر شامل کیا گیا ہے۔
        - i گزشته چهسالون کاکلیدی آبریٹنگ اور بیالی ڈیٹامختصراً منسلک ہے۔

#### ڈائز بکٹراور بورڈ کےاجلاس

SCML کابورڈ7 (مرد) ڈائر کیٹرز پرمشتمل ہے۔ بورڈ کی شکیل مندرجہ ذیل ہے:

نام	کیگری	نمبرشار
كوئى نېيى	آ زاد ڈائر یکٹر	1
جناب خالد بشير ( چيئر مين	نان ایگزیکٹوڈ ائریکٹر	2
جناب امجر محمود	نان ایگزیکٹوڈ ائریکٹر	3
جناب ہما یوں مقبول	نان ایگزیکٹوڈ ائریکٹر	4
جناب محمدا قبال	نان ایگزیکٹوڈ ائریکٹر	5
جناب شارق بش <sub>ی</sub> ر	نان ایگزیکٹوڈ ائریکٹر	6
جناب ندیم مقبول (سی ای ا	ا یگزیکٹوڈائزیکٹر	7
احسن بشير	ا گیزیکٹوڈ ائر یکٹر	8
عادل بشير	ا یگزیکٹوڈ ائریکٹر	9

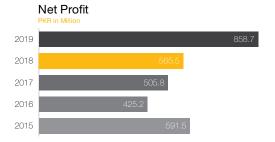
### بورد آف ڈائر یکٹر کے اجلاس اورانتخاب

زیر جائزہ سال 19-2018 کے دوران بورڈ آف ڈائر بکٹرز کے جار (4) اجلاس منعقد ہوئے۔ بورڈ کے ارکان کی حاضری مندرجہ ذیل ہے:

# ڈائز یکٹرر پورٹ

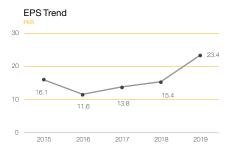
#### خالص منافع

آپی کمپنی نے گزشتہ سال426.0 ملین روپے کے مقابلے موجودہ مالیاتی سال کے دوران ٹیکس ہے قبل منافع1,070 ملین روپے کمایا۔ای طرح کمپنی نے ٹیکس کے بعد منافع58.7 ملین روپے درج کیا جو کہ گزشتہ سال54.50 ملین روپے تھا۔ایکو پٹی سرماییکاری پرامپیئر منٹ کے صاب کوایک طرف رکھتے ہوئے ،موجودہ سال میں ٹیکس کریڈٹ (انکمٹیکس آرڈیننس2001 کی دفعہ 65/B کے تحت گزشتہ سال دستیاب) کے فقدان کے منتبے کی سطح کم موجود کی۔ منتبے کی سطح کم موجود کی۔



#### فى شيئر آمدنى (EPS)

30 جون2019 مختته مالياتي سال كے لئے آپ كى كمپنى كى فىشيئر (EPS) آمدنى 23.42رہى جو كەگز شتەسال 15.42 درج كى گئىتھى۔



#### تقسيم منافع اورمصرفارة

#### کار پوریٹ ساجی ذمہداری (CSR)

آپ کی سمپنی سوسائن اور کمیونٹیز جس میں وہ کام کرتی ہے کی بہتری کے ساتھ اپنی گہری وابنتگل کی ایک ثابت شدہ تاریخ اورٹر یک ریکارڈ رکھتی ہے۔ آپ کی سمپنی کی بنیاد کی توجیہ شعبہ تعلیم ، صحت ، معاشرتی ترتی ، خواتین کو بااختیار بنانے اور ماحولیاتی تحفظ میں مرکوز رہتی ہے۔موجودہ مالی سال میں مکپنی نے مختلف رفان ہی مقاصداو رمعاشرتی ترتی کے لیے 26 ملین روپے خرج کے ہیں۔

### خطرے کی شخفیف

كمپنى كوفتلف فتم كے خطرات لاحق بين اور تخفيفي حكمت عمليوں كساتھ خلاصه مندرجه ذيل ہے:

#### اسٹر پنجبک خطرات

#### آبریشنل رسک

کاروباری شکسل اور تباہی کی بحالی کے منصوبے زیرِعمل میں تا کہ پیداوار اور فروخت کے کاموں میں شکسل کوئیٹنی بنایا جاستے۔ اہم نا کامیوں اور بندش کی صورت میں شکسل،اشخکام اور کاروبار میں کی تھی کوئیٹنی بنانا ہے اس کے کہ سورت میں تبال قبول سطح پر آپریشنل رسک کوئیٹنی بنانا ہے اس کی بیداوار میں خور کفالت ،مؤثر سپائی چین اور لاجنگ آپریشنوں نے ہمیں قابل قبول سطح پر آپریشنل رسک کوئم کرنے میں مد فراہم کی

#### ہے۔ کی خطراں

ا کیے بہت اہم مالی خطرہ زرمبادلہ کی شرح میں اتار چڑھاؤ ہے اور منفی محرکات براہ راست ہمارے خام مال کے اخراجات کومتا ٹر کرسکتی ہیں اورمینونیکچرنگ لاگت میں اضافے کا باعث بھی بن سکتی ہیں۔ کمپنی اس صورتحال سے واقف ہے اور کم از کم شاکس بیتی بنانے کے لئے اس طرح کی محرکات پرنظررکھتی ہے۔ بخت مالی نظم وضیط ، کیش فوٹینجسنٹ اور دستیاب فنڈ زکی بہترین سرما پیکاری سے ہمیں مالی خطرات کو کم سے کم کرنے میں مدد کی ہے۔ افغیاس کے فال وہ

۔ قوانین اورضوا ابلاک مؤ ژلقیل اورشفاف مالیاتی رپورٹنگ فریم ورک کی وجہ ہے، کمپنی کو در پیش تقیل کے خطرہ کو کم کیا ہے۔ بورڈ کمپنی میں رسک مینجنٹ اورتقیل کے گیرکوفر وغ دیتا ہے۔ کمپنی کے خلاف اہم مقدمات میں ملوث قانونی جارہ جوئی کے خطرات کو جہال بھی ضرورت ہوخصوصی ماہرمعروف لا وفرمول کے ذریعہ ہنڈل کیا جاتا ہے۔

# ڈائزیکٹرر پورٹ

30 جون 2019 کوختم ہونے والے مالیاتی سال کے لئے تمپنی کی مالیاتی کارکرد گی کا گزشتہ سال ہے مواز نہ مندرجہ ذیل ہے:۔

فيصد تبديلي	2018	2019	آمدنی کی تفصیل
	پاکستانی روپے ملین میں		
25.93 فيصد	11,096	13,974	فروخت
74.56 فيصد	914	1,595	مجموعي منافع
117.55 فيصد	577	1,254	آ پریٹنگ منافع
22.40 فيصد	(151)	(184)	ما لى لا گت
151.19 فيصد	426	1,070	<sup>ش</sup> یک سے قبل منافع
(251.53) فيصد	139	(211)	<sup>ط</sup> ىكسىيىشن
51.87 فيصد	565	859	غالص منافع
	15.42	23.42	فی شیئر آمدنی (EPS)

زیر جائزہ سال میں، ہاری خالص فروخت گزشتہ سال ہے25.93 فیصد ہڑھ 13,974 ملین رویے ہوگئی۔ یہ بنیادی طور پرروپیہ کی قدر میں کھی جدسے پیداوار کی زیادہ قبیتوں سے منسوب ہے۔

زىر جائزه مالياتى سال19-2018 كے دوران ،فروخت كى لاگت گزشته سال كےمقابلے تيار كرده يارن كى 22.71 فيصد فى بيگ اور فيبرك كى 8.05 فيصد تك بڑھ گئى۔ بياضا فيه بنيا دى طور يركياس كى اجناس اورايندھن كى قیمت میں منٹی شرح تباد لے کی برابری اور مارکیٹ برمنی اضافے کی وجہ سے تھا،جس کے نتیجے میں خام مال مہنگا اور بکل کے اخراجات زیادہ ہوئے ہیں۔

آپ کی کمپنی نے گزشتہ سال 2.8 فیصد کے مقابلے زیر جائزہ مالیاتی سال کے لئے 41.11 فیصد مجموعی منافع مار جن حاصل کیا،اضافہ بنیادی طور پراسکیل کی معیشتوں اور مؤثر منصوبہ بندی اور ذرائع کے انتظامات سے



زیر جائزہ سال کے لئے، آپریٹنگ اخراجات میں 0.83 فیصد کامعمولی اضافیہ وا۔ ایڈمنسٹریشن اورڈسٹری بیوشن لاگت کار جمان پچھلے سال کے اخراجات اوراس سال کے کاروباری رجمانات سے ہم آہنگ رہا۔ تائم، IFRS-2 نافذالعمل ہونے نے مخلف تصصیبین سرماید کاری کی درجہ بندی تبدیل کی گئی۔ نیٹجاً امپیز منٹ کی ایک بڑی مقدار کو دیگر جامع آمدنی کے ذریعے چارج کروایا گیا، جس کی وجہ نے ہمیں آیرینُنگ اخراجات کوگذشته سال کی سطیم پر برقرار ر کھنے اور صحتمندز مُرِسال کی شرح نمور کھنے میں مدد ملی۔

اگر پچھلےسال کی مثق کو دَبرایا جا تا ، تو اس کے نتیج میں محولہ ایکو پٹی سرمایہ کاری پرامپیئر منٹ کی وجہ ہے آپریٹنگ اخراجات میں 63.19 فیصدا ضافہ ہوجا تا۔ نمایاں امپیئر منٹ بنیادی طور پر گذشتہ ایک سال کے دوران پاکستان اشاک ایجینچ کی ناقص کارکردگی ہے منسوب ہے، جہاں انڈیکس میں 8,731 پوئنٹس کی کی واقع ہوئی ہے اور مارکیٹ میں 19.41 فیصد سرمائے کی کی ہوئی ہے۔

پیداوار میں اضافہ اور فروخت کی تعداد بہتر کاروباری کارکردگی مسلسل BMR سرگرمیاں بمؤثر منصوبہ بندی بارننگ کر وّاور تخت کنٹرولز کے نفاذ سے منسوب ہیں۔ ہی۔ زیر جائزہ سال میں کمپنی کی مالی لاگت میں 22.4 فیصداضا فہ ہوا۔اس اضافہ کے باوجود،ہم تسلیم کرتے ہیں کہ کمپنی ای مدت کے دوران پالیسی شرح میں 610 (81 فیصداو پر کی طرف )اضافہ کو مد نظر رکھتے ہوئے، ائيخ مالى معاملات كواچھى طرح سے سنجالا۔

# ڈائز یکٹرر پورٹ

"ڈائیریکٹرز کی جانب ہے، میں 30 جون 19 20 وکٹم ہونے والے سال کے لئے کمپنی کی کاروباری اور مالیاتی کارکردگی پیش کرتے ہوئے خوشی محسوں کررہا ہوں"

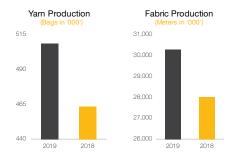
جائزه

#### کاروباری کارکردگی

ٹیکٹائل کاروبار میں ہونے کی وجہے آپ کی کمپنی بنیا دی طور پریارن اور گرنے فیرک بنانے کے کاروبار میں مصروف ہے۔30 جون2019 کوختم ہونے والےموجودہ مالیاتی سال کے لئے آپ کی کمپنی کے پیداواری اور فروخت کے اعداد وثار کا گزشتہ سال ہے موازنہ مندرجہ ذیل ہے:

#### پیداوار کا خلاصه

نمو/(کمی)	2018	2019	اکائی	اشياء
	مقدار'000'میں	مقدار'000'میں		
9.82 فيصد	463	509	بيگز	یارن کی پیداوار
8.09 فيصد	28,011	30,276	ميٹر	فيبرك كي پيداوار



### سيلز كاخلاصه

نمو/( کمی)	2018	2019	اكائى	اشياء
	مقدار'000'میں	مقدار'000'میں		
8.70 فيصد	459	499	بيگز	یارن کی پیداوار
5.49 فيصد	29,010	30,601	میٹر	فيبرك كي پيداوار



پیداوار میں اضافہ اور فروخت کی تعداد بہتر کاروباری کارکردگی مسلس BMR سرگرمیاں ،مؤثر منصوبہ بندی بلزنگ کر وّاور تخت کنٹرولز کے نفاذ سےمنسوب ہیں۔

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

## SURAJ COTTON MILLS LIMITED Year ended June 30, 2019

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

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

а	Male:	Seven
b	Female:	None

2. The composition of board is as follows:

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

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

- 8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- 9. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
- 10. CFO and CEO duly endorsed the financial statements before approval of the board.
- 11. The board has formed committees comprising of members given below:
  - a) Audit Committee (Name of members and Chairman)

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

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

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

- 12. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
- 13. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following:

a) Audit Committee  $\Omega$ 4

b) HR & Remuneration Committee 01

14. The board has set up an effective internal audit function by appointing Head of Internal Audit and has outsourced the internal audit function to KPMG Taseer Hadi & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.



# Statement of Compliance with the Best Practices of Corporate Governance

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

#### **KHALID BASHIR**

(Chairman)

# Pattern of Shareholding

As at June 30, 2019

	Shareholding		
No. of Shareholders	From	То	Total Shares held
206	1	100	7,423
180	101	500	47,886
82	501	1,000	57,488
144	1,001	5,000	273,783
32	5,001	10,000	226,865
16	10,001	15,000	192,309
6	15,001	20,000	101,822
7	20,001	25,000	156,208
7	25,001	30,000	191,778
8	30,001	35,000	257,554
1	45,001	50,000	45,836
1	50,001	55,000	52,161
1	60,001	65,000	61,117
1	65,001	70,000	67,229
2	70,001	75,000	143,857
1	80,001	85,000	83,342
1	90,001	95,000	90,909
1	120,001	125,000	123,505
1	125,001	130,000	127,328
1	145,001	150,000	147,701
1	180,001	185,000	183,637
1	215,001	220,000	217,215
2	240,001	245,000	485,332
1	295,001	300,000	298,053
1	325,001	330,000	327,146
1	360,001	365,000	362,980
1	420,001	425,000	420,928
1	460,001	465,000	463,021
1	735,001	740,000	735,404
1	785,001	790,000	787,086
1	1,025,001	1,030,000	1,027,812
1	1,105,001	1,110,000	1,107,861
1	1,160,001	1,165,000	1,161,449
1	1,220,001	1,225,000	1,222,170
1	1,255,001	1,260,000	1,255,333
1	1,685,001	1,690,000	1,686,900
1	2,150,001	2,155,000	2,151,208
1	2,545,001	2,550,000	2,549,421
1	2,725,001	2,730,000	2,726,833
1	15,045,001	15,050,000	15,045,422
720			36,671,312



# INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE

As at June 30, 2019

Categories of Shareholders	Total	Percentage
Directors, Chief Executive Officer, Their Spouses and Minor Childern		
Chief Executive		
Mr. Nadeem Magbool	138,368	0.3
Directors	100,000	0.0
Mr. Adil Bashir	2,561,621	6.9
Mr. Ahsan Bashir	2,151,208	5.8
Mr. Amjad Mahmood	16,105	0.0
Mr. Humayun Maqbool	28,770	0.0
Mr. Khalid Bashir	1,686,900	4.6
Mr. Muhammad Igbal	183,637	0.5
Mr. Sharik Bashir	3,478	0.0
Director's Spouses and Their Minor Childern		
Mrs. Tanveer Khalid Bashir (W/o Khalid Bashir)	1,107,861	3.0
Mrs. Humera Iqbal (W/o Mr. Muhammad Iqbal)	2,726,833	7.4
Mrs. Naheed Amjad (W/o Mr. Amjad Mahmood)	37,883	0.1
Mrs. Naziz Magbool (W/o Mr. Nadeem Magbool)	21,591	0.0
	10,664,255	29.0
Associated Companies, Undertakings & Related Parties		
Crescent Powertec Limited	16,206,871	44.1
Premier Insurance Limited	1,222,170	3.3
	17,429,041	47.5
NIT & ICP (Name Wise Detail)		
CDC - Trustee National Investment (Unit) Trust	790,679	2.1
	790,679	2.1
Banks, NBFCs, DFIs, Takaful, Pension Funds	246,021	0.6
Insurance Companies	14	0.0
Other Companies,Corporate Bodies, Trust etc.	2,404,151	6.5
General Public	5,137,151	14.0
dellerari ubilc	3,107,101	14.0
	36,671,312	100.0
Shareholders More Than 5.00%		
Crescent Powertec Limited	16,206,871	44.1
Mrs. Humera Igbal (W/o Mr. Muhammad Igbal)	2,726,833	7.4
Mr. Adil Bashir	2,561,621	6.9
Mr. Ahsan Bashir	2,151,208	5.8

#### Detail of Purchase /Sale of shares by Diectors/CEO/Company Secretary/CFO and their Spouses / Minor Childern during 2019

380441 shares purchased by Mrs. Humera Iqbal

16500 shares purchased by Mr. Ahsan Bashir

12200 shares purchased by Mr. Adil Bashir

11499 shares purchased by Mr. Nadeem Maqbool



For the year ended 30 June 2019



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

To the members of Suraj Cotton Mills Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of **Suraj Cotton Mills Limited** (the Company) for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director's statement on internal control 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 Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

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

Paragraph Reference	Description
1	The Company has no female director on its board as required by regulation (7) of the Regulations.
2	There is no independent director as required by the regulation 6((1) of the Regulations.
12	Only one member of the Audit Committee is non-executive director which is non-compliance of the regulation 28 (a) of the Regulations.
12	The majority of the members of Human Resource and Remuneration (HR&R) Committee are not non-executive director as required by regulation 29 (1) of the
Fy	Regulations.

Chartered Accountants

Engagement Partner: Saijad Hussain Gill

EY Ford Rhodes

Lahore: 07 October 2019

## Independent Auditors' Report to The Members

#### TO THE MEMBERS OF SURAJ COTTON MILLS LIMITED

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the annexed financial statements of Suraj Cotton Mills Limited ("the Company") which comprise the statement of financial position as at 30 June 2019 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

Following are the key audit matters:

Key Audit Matters	How the matter was addressed in our audit		
1. Valuation of stock in trade:			
As disclosed in Note 21 to the accompanying financial statements, stock in trade balance constitutes 26% of total assets of the Company as at 30 June 2019.	We performed a range of audit procedures with respect to inventory items which included, amongst others obtaining understanding of Company's valuation process including internal controls in place at		
The cost of work in process (WIP) and finished goods is determined at average manufacturing cost including a proportion of production overheads.	transaction level.  We tested valuation methods and their appropriateness in accordance with the applicable accounting standards.		



## Independent Auditors' Report to The Members

#### Key Audit Matter

#### We focused on stock in trade as it is a significant portion of Company's total assets and it requires management judgement in determining an appropriate costing basis and assessing its valuation.

#### How the matter was addressed in our audit

We tested the calculation of per unit cost of finished goods and WIP and assessed the appropriateness of management basis for the allocation of cost and production overheads.

We performed physical verification of inventory at year end.

We also assessed the adequacy of the disclosures made in respect of the accounting policies and details of inventory balances held by the Company at the year end.

# 2. First time adoption of IFRS 9 - Financial Instruments

As referred to in Note 22 to the accompanying financial statements, the Company has adopted IFRS 9 with effect from 01 July 2018. The new standard requires the Company to make provision for financial assets (trade debts) using Expected Credit Loss (ECL) approach as against the Incurred Loss Model previously applied by the Company.

Determination of ECL provision for trade debts requires significant judgement and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.

We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.

Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to trade debts. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates.

Further, we assessed the integrity and quality of the data used for ECL computation based on the accounting records and information system of the Company.

We tested the mathematical accuracy of the ECL model by performing recalculation on test basis.

In addition to above, we assessed the adequacy of disclosures in the financial statements of the Company regarding application of IFRS 9 as per the requirements of the above standard

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Upon reading the other information, if we conclude that

there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable,

### Independent Auditors' Report to The Members

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting

- estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### Report on Other Legal and Regulatory Requirements

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



# Independent Auditors' Report to The Members

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Sajjad Hussain Gill.

Chartered Accountants

Engagement Partner: Sajjad Hussian Gill

EY Ford Rhodes

Lahore: 07 October 2019

# Statement of Financial Position

as at 30 June 2019

	Note	2019 (Rupees in	2018 thousand)
EQUITY AND LIABILITIES		\ 1	,
Share capital and reserves			
Authorized share capital			
50,000,000 (2018: 50,000,000) ordinary			
shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	5	366,713	318,881
Capital reserves			
Share premium		29,000	29,000
Available for sale reserve		42,460	41,976
		71,460	70,976
Revenue reserves			
General reserves		3,714,000	3,714,000
Unappropriated profit		1,915,805	1,516,342
		5,629,805	5,230,342
		6,067,978	5,620,199
Non-current liabilities			
Long term financing	6	2,474,995	2,885,828
Liabilities against assets subject to finance lease	7	-	-
Deferred taxation	8	277,828	66,511
		2,752,823	2,952,339
Current liabilities			
Trade and other payables	9	1,917,775	1,581,088
Short term borrowings	10	698,968	993,116
Unclaimed dividends		3,359	3,293
Current portion of long term liabilities	11	347,602	40,708
		2,967,704	2,618,205
		5,720,527	5,570,544
TOTAL EQUITY AND LIABILITIES		11,788,505	11,190,743

#### CONTINGENCIES AND COMMITMENTS

12

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

CHIEF EXECUTIVE OFFICER



# Statement of Financial Position

as at 30 June 2019

	Note	2019 (Rupees in	2018 thousand)
ASSETS			
Non-current assets			
Property, plant and equipment:			
Operating fixed assets	13	5,327,574	5,318,000
Assets subject to finance lease	14	-	2,157
Capital work in progress	15	21,540	163,195
	·	5,349,114	5,483,352
Investment properties	16	100,000	100,000
Investment in joint venture	17	50,000	50,000
Long term deposits	18	19,879	19,879
Long term investments	19	771,719	14,722
		6,290,712	5,667,953
Current assets			
Stores, spare parts and loose tools	20	202,325	182,562
Stock-in-trade	21	3,087,533	2,714,766
Trade debts	22	913,047	732,216
Loans and advances	23	32,827	88,552
Trade deposits and short term prepayments	24	52,366	18,692
Tax refunds due from the government	25	615,090	572,216
Other receivables		16,248	31,511
Short term investments	26	-	1,052,384
Securities held at fair value through profit or loss	26	134,342	-
Cash and bank balances	27	433,938	64,827
		5,487,716	5,457,726
Non current assets held for sale	28	10,077	65,064
		5,497,793	5,522,790
TOTAL ASSETS		11,788,505	11,190,743

CHIEF EXECUTIVE OFFICER

DIRECTOR

# Statement of Profit or Loss

For the year ended 30 June 2019

		2019	2018
	Note	(Rupees ir	thousand)
Revenue from contracts with customers	29	13,973,634	11,095,688
Cost of revenue	30	(12,378,649)	(10,181,955)
Gross profit		1,594,985	913,733
Distribution expenses	31	(125,353)	(141,279)
Administrative expenses	32	(165,718)	(147,379)
Other operating expenses	33	(157,119)	(145,039)
		1,146,795	480,036
Other income	34	107,647	96,596
Operating profit		1,254,442	576,632
Finance cost	35	(184,370)	(150,626)
Profit before taxation		1,070,072	426,006
Taxation	36	(211,317)	139,455
Profit for the year		858,755	565,461
			Restated
Earnings per share - basic and diluted (Rupees)	37	23.42	15.42

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

CHIEF EXECUTIVE OFFICER



# Statement of Comprehensive Income For the year ended 30 June 2019

	2019	2018	
	(Rupees in thousand)		
Profit for the year	858,755	565,461	
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss			
in subsequent periods:			
Net unrealized loss on available for sale investments	-	(138,530)	
Items not to be reclassified to profit or loss in subsequent periods	-	-	
Fair value adjustment on securities held at fair value through other comprehnisve income	(283,424)		
Total other comprehensive loss-net of tax	(283,424)	(138,530)	
Total comprehensive income for the year	575,331	426,931	

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

CHIEF EXECUTIVE OFFICER

## Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 (Rupees in	2018 thousand)
CASH FLOWS FROM OPERATING ACTIVITIES		( )	,
Cash generated from / (used in) operations	38	1,657,622	(346,170)
Finance costs paid Workers' Profit Participation Fund paid Taxes paid Dividend paid Return on bank deposit received  Net cash generated from / (used in) operating activities	9	(184,370) (19,098) (150,448) (127,486) 9,688 (471,714) 1,185,908	(150,626) (25,951) (180,356) (86,968) 1,318 (442,583) (788,753)
		.,,	(, 55,, 55)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment Proceeds from disposal of operating fixed assets Proceeds from disposal of assets subject to finance lease Increase in long term investments (Purchase of) / proceeds from short term investments - net Dividend received Proceeds from disposal of non-current asset classified as held for sale  Net cash used in investing activities	13 13 (19) (26) (34)	(392,528) 38,430 - (168,858) (18,565) 61,210 61,601 (418,710)	(1,018,986) 9,909 554 - 548,502 59,730 44,722 (355,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of) / proceeds from long term financing - net (Repayment of) / proceeds from short term borrowing - net Finance lease liabilities repaid		(103,939) (294,148) -	554,949 613,722 (1,198)
Net cash (used in) / generated from financing activities		(398,087)	1,167,473
Net increase in cash and cash equivalents  Cash and cash equivalents at the beginning of year  Cash and cash equivalents at the end of year	07	369,111 64,827	23,151 41,676
Cash and cash equivalents at the end of year	27	433,938	64,827

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

CHIEF EXECUTIVE OFFICER



# Statement of Changes in Equity For the year ended 30 June 2019

	Issued,	Capital reserves			Revenue Reserves	S		
	subscribed and paid up share capital	Share premium	Available for sale reserve	Sub total	General	Unappropriated profit	Sub total	Total
				····-(Rupees	in thousand)-			
Balance as at 01 July 2016	289,892	29,000	180,506	209,506	3,714,000	1,066,838	4,780,838	5,280,236
Profit for the year ended 30 June 2018	-	-	-	-	-	565,461	565,461	565,461
Other comprehensive income	-	-	(138,530)	(138,530)	-	-	-	(138,530)
Total comprehensive income for the year	-	-	(138,530)	(138,530)	-	565,461	565,461	426,931
Bonus shares issued for the year ended 30 June 2016 at the rate of 10%	28,989	-	-	-	-	(28,989)	(28,989)	-
Final dividend for the year ended 30 June 2017 at the rate of Rs. 3 per share	-	-	-	-	-	(86,968)	(86,968)	(86,968)
Balance as at 30 June 2018	318,881	29,000	41,976	70,976	3,714,000	1,516,342	5,230,342	5,620,199
Adjustment for IFRS 9	-	-	484	484	-	(484)	(484)	_
Adjusted balance as at 1st July 2018	318,881	29,000	42,460	71,460	3,714,000	1,515,858	5,229,858	5,620,199
Profit for the year ended 30 June 2019	-	-	-	-	-	858,755	858,755	858,755
Other comprehensive loss	-	-	-	-	-	(283,424)	(283,424)	(283,424)
Total comprehensive income for the year	-	-	-	-	-	575,331	575,331	575,331
Bonus shares issued for the year ended 30 June 2018 at the rate of 15%	47,832	-	-	-	-	(47,832)	-	-
Final dividend for the year ended 30 June 2018 at the rate of Rs. 4 per share	-	-	-	-	-	(127,552)	(127,552)	(127,552)
Balance as at 30 June 2019	366,713	29,000	42,460	71,460	3,714,000	1,915,805	5,677,637	6,067,978

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

CHIEF EXECUTIVE OFFICER

For the year ended 30 June 2019

#### 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 Companies Act 2017) and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth. The registered office of the Company is situated at 7-B-III, Aziz Avenue, Gulberg-V, Lahore.

The Company is currently operating the following four business units:

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

#### 2. STATEMENT OF COMPLIANCE

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

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

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

#### 3. BASIS OF PREPARATION

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

#### 3.2 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:



For the year ended 30 June 2019

#### a) Provision for taxation (Note 4.3)

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

#### b) Useful lives, patterns of economic benefits, residual values and impairment (Note 4.6)

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 4.10)

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

#### d) Provision for doubtful debts (note 4.11)

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

#### 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 Standard, interpretations and amendments to approved published accounting standards that became effective in 2019

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

### For the year ended 30 June 2019

IFRS 2 - Classification and Measurement of Share Based Payment Transactions

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IAS 40 - Transfers of Investment Property (Amendments)

IFRS 15 - Revenue from Contracts with Customers

IFRS 9 - Financial Instruments

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

#### 4.2 Changes in accounting policies and disclosures

#### New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 01 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below.

#### 4.2.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Company.

The Company is in the business to manufacture and sale yam and fabric locally and also in the international markets. Yam and fabric are sold both on their own in separately identifiable contracts.

#### Changes in accounting policies resulting from application of IFRS 15

#### Revenue Recognition

Revenue from contracts with customers for sale of yam and fabric:



For the year ended 30 June 2019

The Company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

- Step-1 Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- **Step-2** Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- **Step-3** Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.`
- Step-4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step-5 Recognise revenue when (or as) the Company satisfies a performance obligation.

Mentioned below are different revenue streams of the Company and their terms of recognition of revenue after satisfying all the five steps of revenue recognition in accordance with IFRS 15.

#### a) Sale of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation and recognized at a point of time. Revenue is recognized when goods are dispatched to customers and bill of lading is prepared for local sales and exports sales respectively. It is the time when control (significant risk and rewards) relating to ownership of goods and control over these goods is transferred to the buyer.

#### b) Dividend

Dividend income is recognized when the Company's right to receive payment is established.

### c) Interest income

Interest income is recognized using effective interest rate method.

For the year ended 30 June 2019

#### Impact of adoption of IFRS 15 on the financial statements

The Company has applied IFRS 15 using the modified retrospective approach for transition. This approach requires entities to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of unappropriated profit in the period of initial application. Comparative prior year periods would not be adjusted. The application of IFRS 15 does not have any significant impact on the revenue recognition of the Company because there is mostly one performance obligation and revenue is recognized at a point in time except for the terminologies that are to be used in accordance with IFRS 15 as mentioned below and therefore, the cumulative effect of initially applying this standard as an adjustment to the opening balance of unappropriated profit in the period of initial application is nil.

#### ii) Trade debts

Trade debts are initially measured at their transaction price under IFRS 15 and subsequently measured at amortised cost, less any allowance for expected credit losses.

#### 4.2.2 IFRS 9 Financial Instruments

#### Changes in accounting policies resulting from application of IFRS 9

#### Financial instruments: assets

The Company applied IFRS 9 effective from 01 July 2018. All comparative numbers for financial year 2017/18 were prepared under IAS 39. This is the first year of IFRS 9 adoption and comparatives have not been restated.

#### i) Classification and measurement

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities and replaces IAS 39.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects; the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the solely payments of principal and interest ('SPPI') test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The Company determines the classification at initial recognition.



For the year ended 30 June 2019

#### Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Financial assets at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test. Derivatives are classified as FVTPL as they do not meet the SPPI criteria.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair value basis.

The Company defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

### For the year ended 30 June 2019

The Company has designated some of its quoted equity investments and all unquoted equity investments at fair value through profit or loss (Note 26).

#### ii) Initial recognition

At initial recognition, an entity shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

#### iii) Subsequent valuation

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of debt instruments classified as fair value through other comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the statement of profit or loss. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the statement of profit or loss using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Company establishes fair value by using appropriate valuation techniques.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has either transferred substantially all of the risks and rewards of ownership or the Company deems that it no longer retains control of the risks and rewards of ownership.

The Company has no modified financial instruments.

#### iv) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments measured at amortised cost or FVTOCI
- lease receiavables; and
- loan commitments and financial guarantee contracts issued.



For the year ended 30 June 2019

Under IFRS 9, no impairment loss is recognised on equity investments. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month Expected Credit Loss (ECL) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade debts have been grouped based on days overdue.

#### Financial instruments: liabilities

#### i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

#### ii) Subsequent measurement

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

For the year ended 30 June 2019

#### iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Impacts of adoption of IFRS 9 on the financial statements as on 01 July 2018

On 01 July 2018, the Company's management has assessed which business models apply to the financial assets held by the Company at the date of initial application of IFRS 9 (01 July 2018). The management has reviewed and assessed the Company's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and has incorporated the same in the financial statements of the Company. The management has also concluded that the impact of impairment of these financial assets under IFRS 9 is insignificant for the Company's financial statements of prior year and accordingly no adjustment has been made to the figures reported in previous year. In addition to this, in the current year, ECL working has been performed and its impact is insignificant for the Company's financial statements.

#### 4.3 Taxation

#### Current

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

#### Deferred

Deferred taxation is accounted for using the balance sheet 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 statement of financial position date and are expected to apply to the period when the difference will be reversed.



For the year ended 30 June 2019

#### 4.4 Trade and other payables

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

#### 4.5 Provisions

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

#### 4.6 Property, plant and equipment

#### Owned

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

Depreciation is charged to statement of profit or loss using the reducing balance method to write off the cost over the expected useful life of assets at rates, which are disclosed in Note 13 to these financial statements except for leasehold land, which is depreciated over the lease period using straight-line method. Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired / available for use as intended by the management or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

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

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

#### 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 statement of profit or loss.

### For the year ended 30 June 2019

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 impairment loss, if any.

#### **Impairment**

The Company assesses at each statement of financial position 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 statement of profit or loss.

#### 4.7 Non-current assets held for sale

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

#### 4.8 Investment properties

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

#### 4.9 Investments

#### Investment in associates

Investment in associates where the Company holds 20% or more of the voting power of the investee companies and where significant influence can be established are accounted for using the equity method. Investments in associates other than those described as above are classified as "investment at fair value through statement of profit or loss".

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



For the year ended 30 June 2019

#### Investment in joint venture

The Company has interest in a joint venture, which is 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 venture at cost.

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

#### Impairment

At each statement of financial position date, the Company reviews the carrying amounts of these 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 the statement of profit or loss.

#### 4.10 Stores, spare parts and loose tools

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

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

#### 4.10 Stock in trade

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

Raw materials - Weighted average cost

Materials in transit - At invoice value plus other charges incurred thereon

Work-in-progress and finished goods - At average manufacturing cost including a proportion of

production overheads

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

### For the year ended 30 June 2019

#### 4.12 Trade debts

Trade debts are carried at the amounts billed / charged which is fair value of consideration to be received in the future less any allowance for expected credit losses (ECL). An estimate is made for doubtful receivables based on review of outstanding amounts at the year end, if any.

#### Other receivables 4.13

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

#### 4.14 Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at statement of financial position date while foreign currency transactions are recorded at the rates of exchange prevailing at the transaction date. Exchange gains and losses are charged to statement of profit or loss.

#### 4.15 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.

#### 4.16 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 mutually agreed terms.

#### 4.17 Operating segments

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditures. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.



For the year ended 30 June 2019

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Following business segments are reported:

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

Weaving: Production of different quality of 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.

#### 4.17.1 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 and bank balances, net of allowances and provisions, if any.

Segment liabilities include all operating liabilities consisting principally of long term and short term financing, deferred liabilities and trade and other payables.

#### 4.17.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

#### 4.18 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.

#### 4.19 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.

For the year ended 30 June 2019

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

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

> **Effective Date** (Annual periods beginning on or after)

#### Standard or Interpretation

IFRS 3 - Definition of a Business (Amendments)	01 January 2020
IFRS 3 - Business Combinations: Previously held interests in a joint operation	01 January 2019
IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS Insurance Contracts (Amendments)	3 4 01 July 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments)	01 July 2019
Consolidated Financial Statements and IAS 28 Investment in Associal IFRS 10 – and Joint Ventures - Sale or Contribution of Assets between an Investand its Associate or Joint Venture (Amendment)	
IFRS 11 - Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRIS 16 – Leases	01 January 2019
IAS 1 & Definition of Material (Amendments)	01 January 2020
IAS 12 - Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 23 - Borrowing Costs - Borrowing costs eligible for capitalization	01 January 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	01 January 2019

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Company expects that such improvements to the standards do not have any impact on the Company's financial statements in the period of initial application except for IFRS 16. The management of the Company is in the process of assessing the impact of changes laid down by the IFRS 16 on its financial statements.



For the year ended 30 June 2019

The International Accounting Standards Board (IASB) has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

Standard	(Annual periods beginning on or after)
IFRS 1 – First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 17 – Insurance Contracts	01 January 2021

The Company expects that adoption of above new standards will not have any material impact on the Company's financial statements in the period of initial application.

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

2019	2018		2019	2018
(No. of Share	es in thousand)		(Rupees in	n thousand)
		Ordinary shares of Rupees 10 each		
17,400	17,400	fully paid up in cash	174,000	174,000
		Ordinary shares of Rupees 10 each		
19,271	14,488	issued as fully paid bonus shares	192,713	144,881
36,671	31,888		366,713	318,881

For the year ended 30 June 2019

#### 5.1 Reconciliation of ordinary shares

2019	2018		2019	2018
(No. of Share	es in thousand)	Note	(Rupees in	n thousand)
31,888	28,989 Bala	ance at the beginning	318,881	289,892
 4,783	2,899 Bon	nus shares issued during the year	47,832	28,989
36,671	31,888 Bala	ance at the closing	366,713	318,881

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

		(No. of Shares in thousand)			
	Crescent Powertec Limited		16,207	14,093	
	Premier Insurance Limited		1,222	1,063	
			17,429	15,156	
'					
6.	LONG TERM FINANCING				
	From banking companies - secured				
	Finance 1	(6.1)	7,201	19,602	
	Finance 2	(6.2)	178,108	123,652	
	Finance 3	(6.3)	168,311	461,043	
	Finance 4	(6.4)	1,500,000	1,500,000	
	Finance 5	(6.5)	730,205	582,639	
	Finance 6	(6.6)	238,772	238,772	
			2,822,597	2,925,708	
	Less: Current portion taken as current liability	(11)	347,602	39,880	
			2,474,995	2,885,828	

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% (2018: 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 (2018: Rs. 334,000 thousands). The principal portion is to be repaid in seven years through ten equal semi annual installments starting from April 2015 after grace period of two years.



- 6.2 This finance has been obtained from MCB Bank Limited for import of machinery. It carries mark up at SBP refinance rate plus 0.5% (2018: SBP refinance rate plus 0.5%) 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. 2,300,000 thousands (2018: 897,000 thousands). The principal portion of loan is to be repaid in seven years through eleven equal semi-annual installments starting from September 2017 after grace period of one and a half year.
- 6.3 This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at 3 month KIBOR plus 0.5% (2018: 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. 2,300,000 thousands (2018: 897,000 thousands). The principal portion of loan is to be repaid in ten years through eleven to seventeen equal semi-annual installments starting from July 2019, November 2019 and April 2020 after grace period of one and a half year.
- 6.4 This finance has been obtained from Allied Bank Limited for import of machinery. It carries markup at SBP rate plus 0.5% (2018: SBP rate plus 0.5%) per annum to be serviced quarterly. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 2,000,000 thousands (2018: 2,000,000 thousands). The principal portion of loan is to be repaid in ten years through thirty two equal quarterly installments starting from July 2019 after grace period of two years.
- 6.5 This finance has been obtained from MCB Bank Limited for import of machinery. It carries markup at SBP rate plus 0.5% per annum (2018: SBP rate plus 0.5% per annum) to be serviced semi annually. This finance is secured against first pari passu charge over all fixed assets of the Company aggregating to Rs. 2,300,000 thousands (2018: 897,000 thousands). The principal portion of loan is to be repaid in ten years through seventeen equal semi-annual installments starting from April 2019 and September 2019 after grace period of one and a half year.
- 6.6 This finance has been obtained from United Bank Limited for import of machinery. It carries markup at SBP rate plus 1% per annum to be serviced quarterly (2018: 1% per annum to be serviced quarterly). This finance is secured against first pari passu charge of 320,000 thousands (2018: 320,000 thousands) over present and fixes assets of the Company inclusive of 25 % margin. The principal portion is to be repaid in ten years through thirty six quarterly installments starting form October 2019 after grace period of one year.

		2019	2018
	Note	(Rupees i	n thousand)
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	-	859
	Later than one year but not later than five years	-	
		-	859
	Less: future financial charges	-	31
	Present value of minimum lease payments (7.1)	-	828
	Less: current portion taken as current liability (11)	-	828
		-	-

	Note	2019 (Rupees i	2018 n thousand)
7.1	Present value of minimum lease payments		
	Within one year	-	828
	Within two to five years	-	-
		-	828
8.	DEFERRED TAXATION		
	Deferred tax is calculated in full on temporary differences under		
	the statement of financial position liability method:		
	Opening deferred tax liability	66,511	195,817
	Charged to profit and loss account	211,317	(129,306)
	Closing deferred tax liability	277,828	66,511
	The deferred tax liability comprises of temporary differences arising due to:		
	Accelerated tax depreciation	283,724	195,817
	Tax credit	(6,099)	(130,311)
	Rate difference	-	(6,317)
	Others	203	7,322
		277,828	66,511
9.	TRADE AND OTHER PAYABLES		
	Creditors (9.1)	474,293	451,170
	Accrued liabilities (9.1)	1,307,586	1,064,281
	Payable to employees' provident fund trust	39	1,004,201
	Workers welfare fund (9.2)	21,838	104
	()		00 401
	Workers' profit participation fund (9.3)	60,792	22,421
	Income tax deducted at source	5,480	6,303
	Accrued markup (9.4)	47,747	36,749
		1,917,775	1,581,088



		2019	2018
	Note	(Rupees ir	n thousand)
9.1	This includes amounts due to related parties as follows:		
	Crescent Textiles Mills Limited	5 252	4
	Premier Insurance Limited	5,652	4,270
	Crescent Powertec Limited	305	2,151
		5,961	6,425
9.2	Workers wefare fund		
	Opening balance	_	72,272
	Provision for the year	21,838	-
		21,838	72,272
	Reversal made during the year	-	(72,272)
	Closing balance	21,838	-
9.3	Workers' profit participation fund		
	Opening balance	22,421	25,951
	Provision for the year (33)	57,469	22,421
		79,890	48,372
	Payments made during the year	(19,098)	(25,951)
	Closing balance	60,792	22,421
9.4	Accrued markup		
	Long term financing	22,159	26,467
	Short term borrowings	25,588	9,185
	Liabilities against assets subject to finance lease	-	1,097
		47,747	36,749
10.	SHORT TERM BORROWINGS		
	From banking companies - secured:		
	Cash finance (10.1)	247,367	342,573
	Running finance (10.1)	451,601	650,543
		698,968	993,116

For the year ended 30 June 2019

	2019	2018
Note	(Rupees in	thousand)

10.1 Finance facilities aggregating to Rs. 3,515,000 thousand (2018: Rs. 2,425,000 thousand) have been obtained under mark-up agreements and carry mark up ranging from KIBOR plus 0.70 % to 2 % (2018: KIBOR plus 0.30 % to 1.25 %) 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 and firm contracts.

11.	CURRENT PORTION OF LONG TERM LIABILITIES		
	Long term financing (6)	347,602	39,880
	Liabilities against assets subject to finance lease (7)	-	828
		347,602	40,708

#### 12. CONTINGENCIES AND COMMITMENTS

#### 12.1 Contingencies

There are no contigencies to report at year end (2018: Nil).

#### 12.2 Commitments

As on statement of financial position date the commitments in respect of letters of credit for capital expenditure were Rs. Nil (2018: Rs. Nil) and other commitments amounted to Rs. 9,800 thousand (2018: Rs. 31,183 thousand).



For the year ended 30 June 2019

13. OPERATING FIXED ASSETS

					2019						
	BALAI	BALANCE AS AT 01 JULY 2018	Y 2018		FOR THE YEAR	E YEAR		BALAN	BALANCE AS AT 30 JUNE 2019	E 2019	
				Additions /	Transfer	Disposal					RATES
DESCRIPTION	Cost	Accumulated depreciation	Net Book Value	transfers from capital work in progress	Cost / (accumulated depreciation)	Cost / (accumulated depreciation)	Depreciation charge	Cost	Accumulated depreciation	Net Book Value	%
					seedny)	(Rupees in thousand)					
Leasehold:	0	1	3				3	3	i	,	,
Land Building on leasehold land	2,108 758,094	700/ 277,537	1,408 480,557	25,258			21 46,631	2,108 783,352	721 324,168	1,387 459,184	- 6
Owned:											
Land	452,300	•	452,300			1	•	452,300	•	452,300	
Building on owned land	163,728	83,209	80,519	21,707	•	•	9,868	185,435	93,077	92,358	ę <b>;</b>
Office premises	1 00	1 00	1 00	121,912	•	' '	1,016	121,912	1,016	120,896	P (
Plant and machinery	0,600,016	2,546,132	4,122,884	354,335	•	39,177	417,712	6,984,174	2,948,978	4,035,196	2
Electric installations	158,089	70,020	88,069	ı	•		8,821	158,089	78,841	79,248	10
Furniture and fixtures	3,549	2,867	682	•	•	•	02	3,549	2,937	612	10
Office equipment	61,527	33,117	28,410	•	•	•	2,834	61,527	35,951	25,576	10
Vehicles	118,084	54,913	63,171	10,971	3,528	6,926	14,069	125,657	64,840	60,817	20
	8,386,495	3,068,495	5,318,000	534,183	3,528	46,103	500,542	8,878,103	3,550,529	5,327,574	
					(1,371)	(19,879)					
	BALA	BALANCE AS AT 01 JULY 2017	7 2017		2018 FOR THE YEAR	FYEAR		BALAN	BALANCE AS AT 30 JUNE 2018	= 2018	
•											
MOITGIGOGGG		-	1		ranster	Uisposai			-		RATES
NO THE PROPERTY OF THE PROPERT	Cost	Accumulated depreciation	Net Book Value	Additions	Cost / (accumulated depreciation)	Cost / (accumulated depreciation)	Depreciation charge	Cost	Accumulated depreciation	Net Book Value	%
					seedny)	(Rupees in thousand)					
Leasehold:											
Land	2,108		1,429				21	2,108	200	1,408	-
Building on leasehold land	332,574	240,414	92,160	425,520	1	1	37,123	758,094	277,537	480,557	10
Cowlled:	452,300	1	452,300					452,300		452,300	
Building on owned land	82,310	75.948	6,362	81.418	,	,	7.261	163,728	83.209	80,519	10
Plant and machinery	4,237,943		1,778,540	2,759,465	328,392	1	337,351	6,669,016	2,546,132	4,122,884	10
Occitollotoci cirtoci	85 087	R2 708	99.379	23 000	(250,622)	1 1	7.319	158 089	70.020	88 069	C
Furniture and fixtures	3,549	2.789	760	1	,	,	78	3.549	2.867	682	10
Office equipment	59,336	30,029	29,307	2,191			3,088	61,527	33,117	28,410	10
Vehicles	110,570	52,715	57,855	22,343		14,829	13,731	118,084	54,913	63,171	20
						(11,533)					
	5,365,777	2,924,685	2,441,092	3,363,939	328,392 (250,622)	14,829 (11,533)	405,965	8,386,495	3,068,495	5,318,000	
13.1 The leasehold land is situated at Nooriabad, District Dadu having total area of 120 Kanal and owned land is situated at Raiwind having total area of 627 Kanal whereas 347.5 kanal is situated at Shahkot	ed at Nooriabad, [	District Dadu having t	otal area of 120 Ka	nal and owned lanc	l is situated at Raiwir	id having total area	of 627 Kanal where	as 347.5 kanal is s	ituated at Shahkot.		
							Note	2019 201 Rupees in thousand	2018 housand		
13.2 Depreciation charge for the year has been allocated as follows:	e year has been al	located as follows:									
Cost of sales							(30)	482,631	388,575		
Administrative expenses							(32)	17,911	17,390		
								245,000	400,800		

<sup>65</sup> 

For the year ended 30 June 2019

disposal Dis	Describion	25				_					
Part							on disposal	Disposal	Party	Rela	Relationship
Part					-(Rupees thous	and)					
State	Machinery:										
177   Negotat	Bale Breaker		817	789	28	540	512	Negotiation	Mr. Muhammad Rais Khan		Third party
Page	Auto Plucker With Condensor		549	426	123	300	177	Negotiation	Mr. Muhammad Rais Khan		Third party
1.759	Diesel Generator Set Model							)	Sukkur Beverages (Private)		
1,156   1,138   21   1,500   1,479   Negotiat	C2250 D5- Cummins	37		,153	24,658	33,000	8,342	Negotiation	Limited		Third party
1,156	Vehicles:										
1,352   1,049   303   600   297   Negotata	Toyotta Hilux	_		,138	21	1,500	1,479	Negotiation	Mr. Muhammad Qas		Third party
1,701   642   778   648   778   648   778   648   778   648   778   648   778   648   778   648   778   648   778   648   778   648   778   648   778   648   778   648   778   648   77	Suzuki Liana	_		040	303	009	297	Negotiation	Mr. Syed Ahmed Bila		Third party
### 1,030	Honda Vii Beborn			701	642	1 120	478	Negotiation	Mr Mahmood Mista		Third narty
S SUBJECT TO FINANCE LEASE   1,000	0 1 1 1 0 0 0 1 1 1 0 0 0 1 1 1 0 0 0 0	1 4		- C	1 0	707	0 0	Nogotiation	AA Digwood Toogo		Third party
PTION   Cost   Accumulated   Net Book   Additions   S.528   Additions   Cost   Depreciation   Additions   Cost   Depreciation   Cost   Depreciation   Additions   Cost   Depreciation   Cost   Accumulated   Net Book   Additions   Cost   Accumulated   Cost   Additions   Cost   Ad	Suzuki Swill	- 1	,032	900	797	0 0	946	Negotiation	IVII. MZWan Hassan	ĒŔ	ra paris
PTION   Cost   Accumulated   Net Book   Additions   Cost   Accumulated   Cost   Accumulated   Net Book   Additions   Cost   Accumulated   Cost   Additions   Cost	SUZURI CUITUS	- 18		879	26.224	38 430	318	Negotiation	IVIS. Salla DIDI		rillid pariy
PTION   Cost   Accumulated   Net Book   Additions   Cost   Ost   Accumulated   Net Book   Additions   Cost   Accumulated   Additions   Cost   Additions   Additions   Cost   Additions   Addition	C + + C L - C C + + C C + + C C + + C C + + C C + + C C + + C C + + C C + + C C C + + C C C + + C C C C + + C	L									
PTION   Cost   Accumulated   Net Book   Additions   Cost   Depreciation   Value   Additions   Cost   Depreciation   Cost   Depreciation   Cost   Accumulated   Additions   Cost	ASSETS SUBSECT TO THE		ш								
PTION   Cost   Accumulated   Net Book   Additions   Cost / Depreciation   Cost   Accumulated   Net Book   Additions   Cost / (accumulated   Cost / (accu					20	019					
PTION   Cost   Accumulated   Net Book   Additions   Cost   Cost   Depreciation   Cost   Accumulated   Cost   Accumulated   Cost   Additions   Cost   Additions   Cost   Accumulated   Cost   Additions   Cost   C		BALAN	CE AS AT 01 JUL	-Y 2018		FOR THE YE	A.R	BAL	NCE AS AT 30 JUNE	E 2019	
Cost   Accumulated   Net Book   Additions   Cost / Cost						Disposal					RATES
3,528   1,371   2,157   2,157   2,157   2,157	DESCRIPTION	Cost	Accumulated Depreciation	Net Book Value	Additions	Cost / (accumulated depreciation	_		Accumulated Depreciation	Net Book Value	%
3,528						-(Rupees in tho	usand)				
PTION   Cost   Accumulated   Net Book   Additions   Cost   Addition   Cost   Addit	Vehicles	3,52		2,16	25	Û	28 1)	1	1	'	- 20
PALANCE AS AT 01 JULY 2017   FOR THE YEAR					20	218					
Transfer   Cost   Accumulated   Net Book   Additions   Cost / Bepreciation   Cost   Accumulated		BALAN	CE AS AT 01 JUL	-Y 2017		FOR THE YE	A.R	BAL∕	NCE AS AT 30 JUNI	E 2018	
Accumulated Net Book Additions						Transfer					RATE
depreciation)	DESCRIPTION	Cost	Accumulated Depreciation	Net Book Value	Additions	Cost /	ı		Accumulated Depreciation	Net Book Value	%
						depreciation					
5,201 1,911 3,290 - 1,673 579 3,528						-(Rupees in tho	usand)				
(1,119)	Vehicles	5,20		3,29	06	- 1,6 11,11			1,371	2,157	. 50

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

Disposal of operating fixed assets

13.3



For the year ended 30 June 2019

		2019	2018
	Note	(Rupees ir	n thousand)
15.	CAPITAL WORK IN PROGRESS		
	Opening balance	163,195	2,508,148
	Additions during the year	294,518	309,143
	Transfers during the year	(436,173)	(2,654,096)
	Closing balance (15.1)	21,540	163,195
15.1	Breakup of capital work in progress		
	Factory building	2,216	18,590
	Office building	-	117,661
	Plant and machinery	19,324	26,944
		21,540	163,195
16.	INVESTMENT PROPERTIES		
	Land (16.1)	100,000	100,000

- 16.1 This represents residential plots stated at cost. As at 30 June 2019 the fair values of these properties were Rs. 246,000 thousand (2018: Rs. 210,000 thousand). The valuation has been performed by an independent accredited valuer, Jasper & Jasper, who has recognized professional qualification and recent experience in the location and category of the properties being valued. The valuation is based on comparable market transactions that consider sales of similar properties that have been transacted in open market.
- **16.2** The Company has no restriction on the realisability of its investment property and no contractual obligation to purchase or develop the investment properties.

17.	INVESTMENT IN JOINT VENTURE			
	Long term investment	(17.1)	50,000	50,000

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

For the year ended 30 June 2019

		2019	2018
	Note	(Rupees i	n thousand)
18.	LONG TERM DEPOSIT	19,879	19,879

These mainly includes interest free deposits made to utility companies for the provision of utility connection. These are not being carried at amortized cost, as required by IFRS 9 as it will have immaterial impact and thus carried at historical cost.

19.	LONG TERM INVESTMENTS			
	Refund Payment Orders	(19.1)	86,000	-
	Securities held at fair value through other comprehnisve income	(19.2)	667,047	-
	Investment in related party	(19.3)	18,472	14,722
	Other investments		200	-
			771,719	14,722

19.1 This represents three year Government bonds issued by the Government of Pakistan at 10% simple interest rate, payable at the end of tenure, in the name of the Company.

19.2 Reconcilliation of statement of financial position balar from	nces		
IAS 39 to IFRS 9 at 1 July 2019:			
Reclassified to fair value through OCI under IFRS 9	(26)	871,563	-
Purchases		88,692	-
Redemptions		(9,784)	-
Change in fair value		(283,424)	
Closing balance	(19.3)	667,047	-

'The Company applied IFRS 9 effective from 01 July 2018. The classification, mesurement and impairment requirements were applied through modified retrospective approach by adjusting the opening statement of financial postion at the date of initial application. Investments in equity instruments were previously classified as available for sale under IAS 39, and have been reclassified to fair value through OCI and fair value through profit or loss (Note19 and Note 26, respectively) under IFRS 9.

19.3 This represents investment made in S2 Hydro Limited, a related party, which is in process of getting approvals from relevant authorities for setting up hydal power generation facilities.



			20	19			20	18	
		Cost	Fair value adjustment		Market value	Cost	Fair value adjustment	Unreal- ized gain/(loss)	Market value
					(Rupees in	thousan	d)		
1 I	LONG TERM INVESTMENTS								
\$	Securities at fair value through Other Comprehensive Income under IFRS 9								
(	Quoted								
ı	nvestments in related party								
F	Premier Insurance Limited								
8	320,471 (2018: 745,883) fully paid ordinary shares								
	of Rupees 10 each.	12,386	(7,439)		- 4,947		-	-	
(	Crescent Textile Mills Limited								
	1,648,500 (2018: 1,335,000) fully paid ordinary shares								
	of Rupees 10 each.	37,613	(1,741)		- 35,872		-	-	-
(	Others								
ŀ	Kot Adu Power Company Limited								
Ę	525,000 (2018: 525,000) fully paid ordinary shares								
	of Rupees 10 each.	40,768	(21,668)		- 19,100		-	-	
ı	Nishat Mills Limited								
-	1,125,000 (2018: 1,100,000) fully paid ordinary shares								
	of Rupees 10 each.	130,996	(25,989)		- 105,007		-	-	
F	Pakistan State Oil Limited								
-	165,300 (2018: 144,000) fully paid ordinary shares								
	of Rupees 10 each.	40,362	(12,322)		- 28,040		-	-	
(	Dil & Gas Development Company Limited								
2	400,000 (2018: 400,000) fully paid ordinary shares								
	of Rupees 10 each.	62,964	(10,368)		- 52,596		-	-	
-	The Searle Company Limited								
-	134,158 (2018: 94,920) fully paid ordinary shares								
	of Rupees 10 each.	40,280	(20,617)		- 19,663		-	-	
ſ	DG Khan Cement Company Limited								
-	1,112,400 (2018: 1,212,400) fully paid ordinary shares								
	of Rupees 10 each.	187,727	(124,832)		- 62,895		-	-	
ı	auji Fertilizer Company Limited								
	325,000 (2018: 325,000) fully paid ordinary shares								
(	, (,, . ) [								

Fatima Fertilizer Company Limited 979,000 (2018: 979,000) fully paid ordinary shares of Rupees 10 each.	Cost	Fair value adjustment	gain / (loss)	Market value	Cost	Fair value adjustment	Unreal- ized	Market		
979,000 (2018: 979,000) fully paid ordinary shares	34,896						gain/(loss)	value		
979,000 (2018: 979,000) fully paid ordinary shares	34,896		(Rupees in thousand)							
	34,896									
of Rupees 10 each.	34,896									
		(5,673)	-	29,223			-			
Engro Corporation Limited										
84,700 (2018: 100,000 ) fully paid ordinary shares										
of Rupees 10 each.	24,703	(2,206)	-	22,497			-			
Engro Fertilizers Limited										
1,900,000 (2018: 1,700,000) fully paid ordinary shares										
of Rupees 10 each.	135,336	(13,793)	-	121,543			-			
Crescent Steel and Allied Products Limited										
1,222,000 (2018: 588,000) fully paid ordinary shares										
of Rupees 10 each.	104,512	(58,345)	-	46,167			-			
United Bank Limited										
175,700 (2018: 175,000) fully paid ordinary shares										
of Rupees 10 each.	42,828	(13,986)	-	28,842		-	-			
Kohinoor Textile Mills Limited										
799,900 (2018: 253,400) fully paid ordinary shares										
of Rupees 10 each.	39,149	(19,112)	-	20,037		-	-			
Attock Refinery Limited										
125,000 (2018: 100,000) fully paid ordinary shares										
of Rupees 10 each.	29,964	(20,305)	-	9,659			-			
MCB Bank Limited										
57,140 (2018: 57,140) fully paid ordinary shares										
of Rupees 10 each.	14,639	(4,671)	-	9,968		-	-			
Habib Bank Limited										
200,000 (2018: 50,000) fully paid ordinary shares										
of Rupees 10 each.	35,130	(12,478)	-	22,651			-			
	1,053,140	(386,092)		667,047			-			



		2019	2018
	Note	(Rupees i	n thousand)
20.	STORES, SPARE PARTS AND LOOSE TOOLS		
	Stores in transit	3,310	7,747
	Stores	223,575	194,748
	Spare parts	9,155	10,309
	Loose tools	221	249
		236,261	213,053
	Less: provision for slow moving / obsolete items	33,936	30,491
		202,325	182,562
21.	STOCK-IN-TRADE		
	Raw material		1
	In hand	2,236,861	1,818,001
	In transit	-	33,772
		2,236,861	1,851,773
	Work in process	159,344	148,646
	Finished goods	684,544	682,551
	Waste	6,784	31,796
		3,087,533	2,714,766
00	TDADE DEDTO		
22.	TRADE DEBTS		
	Secured against letters of credit (22.1)	20,291	10,977
	Unsecured (22.2)	925,237	750,838
	(1100000100	945,528	761,815
	Less: Allowance for expected credit losses (22.4)	(32,481)	(29,599)
	(==::)	913,047	732,216
-		,-	- , -
22.1	Foreign Jurisdiction		
	Hong Kong	_	5,498
	Spain	11,462	-
	Italy	8,829	5,479
	Total	20,291	10,977

### For the year ended 30 June 2019

- 22.2 This includes Rs. 816 thousand (2018: Rs 15,865 thousand) receivable from Crescent Textile Mills Limited, a related party by way of significant influence against local sales made by the Company. The maximum aggregate amount receivable from Crescent Textile Mills Limited calculated with reference to month end balance during the year was Rs. 24,018 thousand (2018: Rs 15,865 thousand).
- 22.3 There were neither past due (more than 30 days) nor impaired receivables from related parties as on 30 June 2019 (2018: Rs. Nill).

			2019	2018		
		Note				
22.4	The aging of trade debts at statement of financial position					
	date was:					
	Age analysis of trade debts					
	Not past due		749,352	348,208		
	Past due 0 - 180 days		151,011	373,076		
	Past due 180 - 365 days		5,177	1,098		
	365 days and more		39,988	39,433		
			945,528	761,815		
23.	LOANS AND ADVANCES					
		(00.4)	5 700	5,000		
	Loans to employees - considered good - unsecured	(23.1)	5,728	5,026		
	Advances to suppliers - unsecured		15,039	67,414		
	Advances against letters of credit - secured		8,297	12,354		
	Due from related parties - unsecured	(23.2)	3,763	3,758		
			32,827	88,552		

23.1 These represent short term loans provided to employees, secured against provident fund contribution, at the rate of 6% (2018: 6%).

23.2	Due from related parties (by way of common directorship) - unsecured and considered good:		
	S2 Solar Limited	2,997	2,997
	S2 Power Limited	766	761
	(22.2.2)	3,763	3,758



For the year ended 30 June 2019

	within 1 year	1 but less					
	(R	(Rupees in thousand)					
S2 Solar Limited	1,625	165	1,207				
S2 Power Limited	5	-	761				
	1,630	165	1,968				

23.2.1 The maximum aggregate amount due from these related parties calculated with reference to month end balances during the year are as follows:

		2019	2018	
	Note	(Rupees in thousand)		
S2 Solar Limited		2,997	2,997	
S2 Power Limited		766	761	

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

24.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Security deposits	(24.1)	47,176	6,555
	Short term prepayments		5,190	12,137
			52,366	18,692

24.1 These include interest free gurantees given to Sui Northern Gas Pipelines Limited (SNGPL), excise and taxation office Sindh (ETO Sindh) on account of infrastructure cess and others.

25.	TAX REFUNDS DUE FROM THE GOVERNMENT		
	Sales tax refundable	126,642	227,662
	Income tax refundable	488,448	338,000
	Export rebate	-	6,554
		615,090	572,216

For the year ended 30 June 2019

2019 2018 (Rupees in thousand)

#### 26. SHORT TERM INVESTMENTS

Reconcilliation of statement of financial position balances from IAS 39 to IFRS 9 at 01 July 2018

Available for sale securities:		
Opening balance	1,052,385	1,326,457
Reclassified to fair value through profit or loss under IFRS 9	(180,822)	-
Reclassified to fair value through OCI under IFRS 9	(871,563)	-
Purchases	-	123,609
Redemptions	-	(75,780)
Change in fair value	-	(321,901)
Closing balance	-	1,052,385
Investments at FV through profit or loss:		
Opening balance	-	-
Reclassified to FVPL under IFRS 9	180,821	-
Purchases	24,820	-
Redemptions	(4,703)	-
Fair value adjustment	(66,596)	-
Closing balance	134,342	-

The Company applied IFRS 9 effective from 01 July 2018. The classification, mesurement and impairment requirements were applied through modified retrospective approch by adjusting the opening statement of financial postion at the date of initial application. Investments in equity instruments were previously classified as available for sale under IAS 39, and have been reclassified to fair value through OCI and fair value through profit or loss (Note19 and Note 26, respectively) under IFRS 9.



			20	19			2018			
		Cost	Fair value adjustment		Market value	Cost	Provision for impairment loss	Un- realized gain / (loss)	Market value	
					(Rupees i	n thousan	d)			
26.1	Investment at fair value through profit or loss									
	Others									
	Samba Bank Limited									
	1,652,306 (2018: 1,652,306) fully paid ordinary shares									
	of Rupees 10 each.	15,875	(6,804)		- 9,071			-	-	
	Fauji Cement Company Limited									
	1,500,000 (2018: 1,500,000) fully paid ordinary shares									
	of Rupees 10 each.	56,866	(33,271)		- 23,595			-	-	
	GlaxoSmithKline Pakistan Limited									
	79,700 (2018: 79,700) fully paid ordinary shares									
	of Rupees 10 each.	17,828	(10,230)		- 7,598			-	-	
	Pakistan Telecommunication Limited									
	700,000 (2018: 700,000) fully paid ordinary shares									
	of Rupees 10 each.	12,721	(6,932)	-	- 5,789			-	-	
	TPL Trakker Limited									
	332,000 (2018: 332,000) fully paid ordinary shares									
	of Rupees 10 each.	5,014	(3,394)	-	- 1,620			-	-	
	First Equity Modaraba									
	815,000 (2018: 815,000) fully paid ordinary shares									
	of Rupees 10 each.	3,867	(2,107)	-	- 1,760			-	-	
	Nishat Chunian Power Limited									
	800,000 (2018: 800,000) fully paid ordinary shares									
	of Rupees 10 each.	42,557	(28,629)	-	- 13,928			-	-	
	TRG Pakistan Limited									
	891,500 (2018: 891,500) fully paid ordinary shares									
	of Rupees 10 each.	39,189	(24,604)		- 14,585			-	-	
	Ghani Global Glass Limited									
	200,000 (2018: 200,000) fully paid ordinary shares									
	of Rupees 10 each.	5,312	(4,114)	-	- 1,198			-	-	
	Aisha Steel Mills Limited									
	554,500 (2018: 554,500) fully paid ordinary shares									
	of Rupees 10 each.	12,501	(7,399)		- 5,102		-	-	-	

			201	19			201	8			
		Cost	Fair value adjustment		Market value	Cost	Provision for impairment loss	Un- realized gain / (loss)	Market value		
					(Rupees in	n thousand	d)				
ICI Pakistan Limited											
10,000 (2018: 10,000) fully paid ordinary shares											
of Rupees 10 each.		11,195	(5,870)		- 5,325				-		
Service Industries Limited											
13,850 (2018: 7,680) fully paid ordinary shares											
of Rupees 10 each.		11,520	(4,687)	-	- 6,833						
Arif Habib Corporation Limited											
100,000 (2018: Nil) fully paid ordinary shares											
of Rupees 10 each.		4,007	(1,536)		- 2,471						
Power Cement Limited											
2,000,000 (2018: Nil) fully paid ordinary shares											
of Rupees 10 each.		23,275	(10,415)		- 12,860				-		
Sui Northern Gas Pipelines Limited											
100,000 (2018: Nil) fully paid ordinary shares											
of Rupees 10 each.		9,877	(2,928)		- 6,949				-		
Colony Textile Mills Limited											
357,000 (2018: Nil) fully paid ordinary shares											
of Rupees 10 each.		1,489	(485)		- 1,004						
Pakistan Electron Limited											
275,000 (2018: Nil) fully paid ordinary shares											
of Rupees 10 each.		7,702	(2,198)		- 5,504						
Bank of Punjab											
1000,000 (2018: Nil) fully paid ordinary shares											
of Rupees 10 each.		11,860	(2,710)		- 9,150						
Unquoted											
Investments in related party											
Premier Financial Services (Private) Limited											
2,200 (2018: 2,200) fully paid ordinary shares											
of Rupees 10 each.		2,200	(2,200)		-						
Crescent Spinning Mills Limited											
208,800 (2018: 208,800) fully paid ordinary shares											
of Rupees 10 each.	(26.1.1)	2,088	(2,088)		-						
		296,943	(162,601)		- 134,342						



For the year ended 30 June 2019

		201	9			201	8	
Note	Cost	Fair value adjustment		Market value	Cost	Provision for impairment loss	Un- realized gain / (loss)	Market value
	_			(Runees in	thousan	d)		

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.

Available for sale reserve under IAS 39:								
Quoted								
Investments in related party								
Premier Insurance Limited								
820,471 (2018: 745,883) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	12,386	(6,028)	-	6,359
Crescent Textile Mills Limited								
1,648,500 (2018: 1,335,000) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	37,613	-	3,930	41,542
Others								
Samba Bank Limited								
1,652,306 (2018: 1,652,306) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	15,875	(10,132)	6,896	12,640
Fauji Cement Company Limited								
1,500,000 (2018: 1,500,000) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	56,866	(22,591)	-	34,275
Bank Al Falah Limited								
Nil (2018: 50,000) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	1,970	-	645	2,615
GlaxoSmithKline Pakistan Limited								
79,700 (2018: 79,700) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	17,828	(4,598)	-	13,230
Pakistan Telecommunication Limited								
700,000 (2018: 700,000) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	12,721	(4,713)	-	8,008
TPL Trakker Limited								
332,000 (2018: 332,000) fully paid ordinary shares								
of Rupees 10 each.	-	-	-	-	5,014	(2,750)	-	2,264

		2019		2018				
	Cost	Fair value adjustment		Market value	Cost	Provision for impairment loss	Un- realized gain / (loss)	Market value
				(Rupees in	n thousand	i)		-
First Equity Modaraba								
815,000 (2018: 815,000) fully paid ordinary shares								
of Rupees 10 each.					3,867	7 -	(851)	3,016
Nishat Chunian Power Limited								
800,000 (2018: 800,000) fully paid ordinary shares								
of Rupees 10 each.					42,557	(20,045)	-	22,512
TRG Pakistan Limited								
891,500 (2018: 891,500) fully paid ordinary shares								
of Rupees 10 each.					39,189	(13,657)	-	25,533
Ghani Global Glass Limited								
200,000 (2018: 200,000) fully paid ordinary shares								
of Rupees 10 each.					5,312	(2,845)	-	2,467
Aisha Steel Mills Limited								
554,500 (2018: 554,500) fully paid ordinary shares								
of Rupees 10 each.					12,501	(3,756)	-	8,745
ICI Pakistan Limited								
10,000 (2018: 10,000) fully paid ordinary shares								
of Rupees 10 each.					11,195	(3,180)	-	8,015
Service Industries Limited								
13,850 (2018: 7,680) fully paid ordinary shares								
of Rupees 10 each.					8,994	(2,966)	-	6,028
Arif Habib Corporation Limited								
100,000 (2018: Nil) fully paid ordinary shares								
of Rupees 10 each.					4,007	-	(543)	3,464
Power Cement Limited								
2,000,000 (2018: Nil) fully paid ordinary shares								
of Rupees 10 each.					23,275	-	(6,575)	16,700
Sui Northern Gas Pipelines Limited								
100,000 (2018: Nil) fully paid ordinary shares								
of Rupees 10 each.					9,877	-	144	10,021
Colony Textile Mills Limited								
357,000 (2018: Nil) fully paid ordinary shares								
of Rupees 10 each.					1,489	-	(200)	1,289



		2019			2018			
	Cost	Fair value adjustment		Market value	Cost	Provision for impairment loss	Un- realized gain / (loss)	Market value
	-			(Rupees in	thousand	d)		
Kot Adu Power Company Limited								
525,000 (2018: 525,000) fully paid ordinary shares								
of Rupees 10 each.			-		40,768	3 (12,465)	-	28,303
Nishat Mills Limited								
1,125,000 (2018: 1,100,000) fully paid ordinary shares								
of Rupees 10 each.			-		127,229	-	27,783	155,012
Pakistan State Oil Limited								
165,300 (2018: 144,000) fully paid ordinary shares								
of Rupees 10 each.			-		43,046	-	2,791	45,837
Oil & Gas Development Company Limited								
400,000 (2018: 400,000) fully paid ordinary shares								
of Rupees 10 each.			-		62,964	1 -	(716)	62,248
The Searle Company Limited								
134,158 (2018: 94,920) fully paid ordinary shares								
of Rupees 10 each.			-		34,403	-	(2,178)	32,225
DG Khan Cement Company Limited								
1,112,400 (2018: 1,212,400) fully paid ordinary shares								
of Rupees 10 each.			-		187,727	7 (60,368)	-	127,359
Fauji Fertilizer Company Limited								
325,000 (2018: 325,000) fully paid ordinary shares								
of Rupees 10 each.			-		38,887	7 (10,628)	3,879	32,139
Fatima Fertilizer Company Limited								
979,000 (2018: 979,000) fully paid ordinary shares								
of Rupees 10 each.			-		34,896	-	(3,177)	31,720
Engro Corporation Limited								
84,700 (2018: 100,000 ) fully paid ordinary shares								
of Rupees 10 each.			-		31,802	-	(416)	31,386
Engro Fertilizers Limited								
1,900,000 (2018: 1,700,000) fully paid ordinary shares								
of Rupees 10 each.			-		120,938	3 (23,887)	30,296	127,347
Crescent Steel and Allied Products Limited								
1,222,000 (2018: 588,000) fully paid ordinary shares								
of Rupees 10 each.			-		76,927	7 (23,319)	-	53,608

	2019				2018			
	Cost	Fair value adjustment		Market value	Cost	Provision for impairment loss	Un- realized gain / (loss)	Market value
				(Rupees i	n thousan	d)		
United Bank Limited								
175,700 (2018: 175,000) fully paid ordinary shares								
of Rupees 10 each.			-		42,82	8 -	(9,759)	33,069
Kohinoor Textile Mills Limited								
799,900 (2018: 253,400) fully paid ordinary shares								
of Rupees 10 each.			-		15,55	1 -	(1,618)	13,933
Attock Refinery Limited								
125,000 (2018: 100,000) fully paid ordinary shares								
of Rupees 10 each.			-		29,96	4 (8,433)	-	21,531
MCB Bank Limited								
57,140 (2018: 57,140) fully paid ordinary shares								
of Rupees 10 each.			-		14,63	9 -	(3,338)	11,301
Habib Bank Limited								
200,000 (2018: 50,000) fully paid ordinary shares								
of Rupees 10 each.			-		21,66	3 -	(5,019)	16,644
Unquoted								
Investments in related party								
Premier Financial Services (Private) Limited								
2,200 (2018: 2,200) fully paid ordinary shares								
of Rupees 1,000 each.			-		2,20	0 (2,200)	-	
Crescent Spinning Mills Limited								
208,800 (2018: 208,800) fully paid ordinary shares								
of Rupees 10 each.			-		2,08	8 (2,088)	-	
					1,251,05	6 (240,648)	41 976	1,052,384



For the year ended 30 June 2019

			2019	2018
		Note	(Rupees in thousand)	
27.	CASH AND BANK BALANCES			
	Cash in hand		1,590	1,342
	Balances with banks in:			
	Current accounts		40,240	7,662
	Deposit accounts	(27.1)	392,108	55,823
			432,348	63,485
			433,938	64,827

27.1 The rate of return on deposit accounts ranges from 10.25% to 11% (2018: 3% to 4%) per annum.

28.	NON CURRENT ASSET HELD FOR SALE		
	Opening balance	65,064	44,881
	Addition during the year	-	77,770
-		65,064	122,651
	Impairment charged during the year	-	(16,800)
	Disposal during the year	(54,987)	(40,787)
	Closing balance (28.1)	10,077	65,064

28.1 These represent items of plant and machinery. The carrying amounts of these assets will be recovered principally through a sale transaction rather than through continuing use. The Company intends to dispose off this plant and machinery and anticipates that the disposal will be completed subsequent to the statement of financial position date. The Company is currently in negotiation with some potential buyers. 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.

29.	REVENUE FROM CONTRACTS WITH CUSTOMERS		
	Local	12,865,341	10,158,241
	Export	371,683	440,147
	Waste	748,131	493,717
	Export rebate	3,148	8,219
		13,988,303	11,100,324
	Less: Sales tax	14,669	4,636
		13,973,634	11,095,688

**29.1** Set out below the disaggregation of the Company's revenue from contracts with customer.

	For the y	For the year ended 30 June 2019			
	Spinning	Weaving	Total		
Segments	Unit 1,2 & 4	Unit 3			
	(Ru <sub>l</sub>	pees in thousa	and)		
Sale of yarn	8,297,518	-	8,297,518		
Sale of fabric	-	4,927,985	4,927,985		
Sale of waste	716,822	31,309	748,13		
Total revenue from contarcts with customers	9,014,340	4,959,294	13,973,63		
Geographic markets					
Pakistan	8,912,209	4,686,594	13,598,80		
Hong Kong	-	149,539	149,53		
Italy	-	60,559	60,55		
Korea	-	25,972	25,97		
Portugal	-	10,090	10,09		
Turkey	-	17,711	17,71		
United Arab Emirates	60,046	-	60,04		
China	38,358	-	38,35		
Sri Lanka	3,727	-	3,72		
Spain	-	8,829	8,82		
Total revenue from contarcts with customers	9,014,340	4,959,294	13,973,63		
Timing of revenue recognition					
Goods transferred at a point in time	9,014,340	4,959,294	13,973,63		



	For the y	For the year ended 30 June 201			
	Spinning	Weaving	Total		
Segments	Unit 1,2 & 4	Unit 3			
	(Ru	pees in thousa	ind)		
Sale of yam	6,597,835	-	6,597,835		
Sale of fabric	5,251,252	4,004,136	4,004,136		
Sale of waste	464,772	28,945	493,717		
<u> </u>	7,062,607	4,033,081	11,095,688		
Geographic markets					
Pakistan	6,974,289	3,681,252	10,655,54		
Bangladesh	-	27,048	27,048		
Germany	-	2,630	2,63		
Hong Kong	3,627	152,100	155,72		
Italy	-	67,767	67,76		
Portugal	-	7,884	7,88		
South Korea	21,317	3,490	24,80		
Spian	-	58,390	58,39		
Switzweland	-	2,455	2,45		
Turkey	-	5,208	5,20		
United Kingdom	-	6,483	6,48		
United Arab Emirates	15,013	-	15,01		
China	40,766	-	40,76		
Sri Lanka	498	-	49		
Taiwan	7,098	9,464	16,56		
Spain	-	8,910	8,91		
	7,062,609	4,033,081	11,095,688		
Timing of revenue recognition					
Goods transferred at a point in time	7,062,609	4,033,081	11,095,68		

	No	2019 te (Rupees	2018 in thousand)
30. COST OF REVENUE			
Raw materials:			
Opening stock		1,818,001	586,763
Purchases		9,615,527	8,518,146
1 dichases		11,433,528	9,104,909
Closing stock	(21		(1,818,001)
Raw material consumed	(2)	9,196,667	7,286,908
naw material consumod		0,100,001	7,200,000
Sizing expenses		63,076	56,227
Stores, spare parts and loc	se tools consumed	234,767	204,109
Packing material consumed	d .	142,123	115,335
Salaries, wages and other I	penefits (30.	806,330	784,295
Fuel and power		1,363,654	1,316,304
Repairs and maintenance		25,720	18,089
Insurance		29,648	30,417
Depreciation	(13.	.2) 482,631	388,575
Other overheads		21,712	24,446
		3,169,661	2,937,797
Total factory cost		12,366,328	10,224,705
Work-in-process:			
Opening stock		148,646	104,445
Closing stock	(21	(1 <b>59,344)</b>	(148,646)
		(10,698)	(44,201)
Cost of goods manufacture	ed	12,355,630	10,180,504
Finished goods including w	aste:		
Opening stock		714,347	715,798
Closing stock	(21	(69 <mark>1,328)</mark>	(714,347)
		23,019	1,451
Cost of revenue		12,378,649	10,181,955

<sup>30.1</sup> This includes contribution made to provident fund by the Company amounting to Rs. 17,610 thousand (2018: Rs. 15,467 thousand).



For the year ended 30 June 2019

			2019	2018
	1	Vote	(Rupees in thousand)	
31.	DISTRIBUTION COST			
	Salaries, wages and other benefits	31.1)	5,153	3,539
	Commission on sales		78,242	83,187
	Freight and shipment		31,545	32,011
	Clearing and forwarding		9,480	21,365
	Export development surcharge		933	1,177
			125,353	141,279

**31.1** This includes contribution made to provident fund by the Company amounting to Rs. 177 thousand (2018: Rs. 105 thousand).

32.	ADMINISTRATIVE EXPENSES		
	Salaries, wages and other benefits (32.1)	99,228	90,703
	Rent, rates and taxes	6,377	6,451
	Electricity and gas	6,150	4,541
	Traveling and conveyance	4,131	6,752
	Repair and maintenance	7,276	3,084
	Vehicle running and maintenance	6,534	5,253
	Printing and stationery	5,659	2,953
	Communication	2,073	1,979
	Fee and subscription	4,205	2,936
	Advertisement	595	80
	Insurance	2,171	2,635
	Depreciation (13.2)	17,911	17,969
	Entertainment	148	159
	Research and development	-	384
	Donation (32.2)	3,260	1,500
		165,718	147,379

**<sup>32.1</sup>** This includes contribution made to provident fund by the Company amounting to Rs. 3,124 thousand (2018: Rs. 2,838 thousand).

**<sup>32.2</sup>** This includes amount of Rs.1,000 thousand each donated to The Citizen Foundation and Patient's Aid Foundation, and, Rs. 500 thousand was donated to The Lahore Businessmen Association for Rehabilitation of the Disabled respectively. None of the directors or their spouses have any interest in the donees.

		Note	2019 (Rupees in	2018 thousand)
33.	OTHER OPERATING EXPENSES		( - 1	,
	Legal and professional		3,388	4,769
	Auditors' remuneration:			
	Statutory audit		1,300	1,300
	Half yearly review and other certifications		150	150
	Out of pocket expenses		50	50
			1,500	1,500
	Workers' Profit Participation Fund	(9.3)	57,469	22,421
	Workers' Welfare Fund	(9.2.1)	21,838	(72,272)
	Allowance for expected credit losses	(22.5)	2,882	157
	Provision for slow moving stores and spares		3,445	-
	Fair value adjustment on short term investments	(26)	66,597	183,371
	Impairment loss on asset held for sale		-	16,800
	Reversal of Central Excise Duty		-	(11,707)
			157,119	145,039
34.	OTHER INCOME			
	Income from financial assets	(34.1)	81,157	76,715
	Income from assets other than financial assets	(34.2)	26,490	19,881
			107,647	96,596
34.1	Income from financial assets			
	Exchange gain - net		8,708	2,000
	Profit on bank deposits		9,688	1,318
	Dividend income		61,210	59,730
	Net gain on disposal of short term investments		1,551	13,667
			81,157	76,715
34.2	Income from assets other than financial assets			
	Sale of scrap		7,670	9,333
	Gain on disposal of operating fixed assets		12,206	6,613
	Gain on disposal of assets classified as held for sale		6,614	3,935
			26,490	19,881



		2019 (Rupees in	2018 thousand)	
35.	FINANCE COST			
	Interest / markup on:	100.010	00.404	
	Long term financing	100,349	82,491	
	Short term borrowings	74,717	59,585	
	Liabilities against assets subject to finance lease	31	128	
		175,097	142,204	
	Bank charges and commission	9,273	8,422	
		184,370	150,626	
36.	TAXATION			
	Current:			
	for current year	-	-	
	for prior years	_	(10,149)	
		_	(10,149)	
	Deferred			
	For current year	217,844	(122,989)	
	Due to reduction in tax rate	(6,527)	(6,317)	
		211,317	(129,306)	
		211,317	(139,455)	
37.	EARNINGS PER SHARE - BASIC AND DILUTED			
	Profit attributable to ordinary shareholders	858,755	565,461	
		(Number of shares in thousands)		
			Restated	
	Weighted average number of ordinary shares			
	outstanding during the year	36,671	36,671	
		Rupees		
			Restated	
	Earnings per share - basic	23.42	15.42	

<sup>37.1</sup> 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.

			2019 (Rupees in	2018 thousand)
38.	CASH GENERATED FROM OPERATIONS			
	Profit before taxation		1,070,072	426,006
	Adjustments to reconcile profit to net cash		1,070,072	420,000
	provided by operating activities			
	Depreciation on operating fixed assets	(13)	500,542	405,965
			300,342	403,903 579
	Depreciation on assets subject to finance lease	(14)	- (1 EE1)	
	Net gain on disposal of short term investments	(34)	(1,551)	(13,667)
	Allowance for expected credit losses  Dividend income	(22)	2,882	157
		(34)	(61,210)	(59,730)
	Gain on disposal of operating fixed assets	(34)	(12,206)	(6,613)
	Gain on disposal of assets classified as held for sale	(34)	(6,614)	(3,935)
	Provision for Workers' Profit Participation Fund	(9)	57,469	22,421
	Provision for Workers' Welfare Fund	(9)	21,838	(72,272)
	Finance costs	(35)	184,370	150,626
	Fari value adjustment on short term investments	(26)	66,596	183,371
	Impairment loss on asset held for sale		<del>-</del>	16,800
	Profit on bank deposits	(34)	(9,688)	(1,318)
	Reversal of Central Excise Duty	(32)	-	(11,707)
	Cash flows from operating activities before working ca	pital changes	1,812,500	1,036,683
	Effect on cash flows due to working capital changes :			
	(Increase) / decrease in current assets:			
	Stores, spare parts and loose tools		(19,763)	(33,297)
	Stock-in-trade		(372,767)	(1,307,759)
	Trade debts		(183,713)	(361,135)
	Loans and advances		55,725	13,475
	Trade deposits and short term prepayments		(33,674)	(1,152)
	Tax refunds due from the Government		107,574	(4,315)
	Other receivables		15,263	(21,097)
	Increase in current liabilities:			
	Trade and other payables		276,477	332,427
			(154,878)	(1,382,853)
			1,657,622	(346,170)



For the year ended 30 June 2019

### 39. RELATED PARTY DISCLOSURES

The related parties and associated undertakings comprise associated companies, associates, companies in which Directors are interested, staff retirement funds, Directors and key management personnel. Details of related parties (with whom the Company has transacted) along with basis of relationship and transaction with related parties, other than those which have been disclosed else where in these financial statements are as follows:

Name of related party	ame of related party Percentage Nature of transactions shareholding		2019 2018 (Rupees in thousand)	
Associated companies due to significant influence				
Crescent Powertech Limited		Purchases of electricity	12,424	74,038
	44%	Sales of goods and services	66	33
		Dividend paid	56,372	38,435
Associated companies due to common directorship				
Premier Insurance Limited	-	Insurance services obtained	41,618	39,353
		Dividend paid	4,251	2,898
		Insurance claim	10,039	16,253
Shams Textile Mills Limited	-	Purchases of goods and services	627	3,292
		Sales of goods and services	-	612
		Sale of fixed asset	-	3,600
Equity Textile Limited		Sales of goods and services	-	39,069
The Crescent Textile Mills Limited		Purchases of goods and services	98,664	27,916
		Sales of goods and services	98,640	61,474
Crescent Bahuman Limited		Sales of goods and services	-	37
S2 Hydro Limited		Advance given	3,750	=
S2 Power Limited		Advance given	5	-
Crescent Fibers Limited		Purchases of goods and services	92,373	88,993
ACME Mills (Pvt) Limited		Sales of goods and services	19,561	41,374
Other related party				
Provident Fund Trust		Amount contributed	13,454	16,226

### Key management personnel

Amounts due from and to related parties are shown under respective notes to the financial statements.

Transactions with key management personnel are disclosed in Note 40 to these financial statements.

### For the year ended 30 June 2019

#### 40. 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:

		2019			2018	
(Rupees in thousand)						
		Chief			Chief	
Description	Director	Executive	Executives	Director	Executive	Executives
Managerial remuneration	15,240	10,323	31,774	13,530	9,471	24,337
House rent	5,334	3,613	13,496	4,736	3,315	11,255
Provident fund contribution	914	616	1,822	812	568	1,368
Reimbursement expenses	1,344	493	-	1,793	424	-
Other allowances	1,665	1,032	8,097	1,353	947	5,193
	24,497	16,077	55,189	22,224	14,725	42,153
No. of persons	2	1	27	2	1	19

<sup>40.1</sup> Directors, Chief Executive and some Executives are provided with Company maintained vehicles.

### 41. OPERATING SEGMENT INFORMATION

The textile sector comprises of spinning, combing, weaving, dyeing, bleaching, printing, stitching, buying, selling and dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fibers.

### 41.1 Business segments

For management purposes, the Company 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 financial statements.

<sup>40.2</sup> The aggregate amount charged in financial statements for the year against fees for attending board meetings and audit committee meetings was Rs. 350 thousand (2018: Rs. 550 thousand).



For the year ended 30 June 2019

Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

	Spinning		Weaving		Elimination of Inter-segment transactions		To	otal
	2019	2018	2019	2018	2019	2018	2019	2018
				-(Rupees in th	ousand)			
Sales								
External	9,014,340	7,061,707	4,959,294	4,033,081	-	-	13,973,634	11,095,688
Inter-segment	2,125,362	1,436,607	-	-	2,125,362	1,436,607	-	-
	11,139,702	8,498,314	4,959,294	4,033,081	2,125,362	1,436,607	13,973,634	11,095,688
Cost of sales								
External	7,799,896	6,308,722	4,578,753	3,872,912	-	-	12,378,649	10,181,955
Inter-segment	2,125,362	1,436,607	-	-	2,125,362	1,436,607	-	-
	9,925,258	7,745,329	4,578,753	3,872,912	2,125,362	1,436,607	12,378,649	10,181,955
Gross profit	1,214,444	752,985	380,541	160,169	-	-	1,594,985	913,154
Distribution cost	75,521	81,658	49,832	59,621	-	-	125,353	141,279
Administrative expenses	127,575	116,514	38,143	30,286	-	-	165,718	146,800
	203,096	198,172	87,975	89,907	-	-	291,071	288,079
Profit before taxation and unallocated								
income and expenses	1,011,348	554,813	292,566	70,262	-	-	1,303,914	625,075
Unallocated income and expense	es:							
Other operating expenses							157,119	145,039
Other income							107,647	96,596
Finance costs							184,370	150,626
							(233,842)	(199,069)
Profit before taxation						·-	1,070,072	426,006
Taxation							(211,317)	139,455
Profit for the year							858,755	565,461

For the year ended 30 June 2019

Inter segment sales and purchases have been eliminated on consolidation.

	Spinning		Spinning Weaving Inter-s		ation of egment actions	То	tal	
	2019	2018	2019	2018	2019	2018	2019	2018
				(Rupees in t	housand)			
Segment operating assets	8,746,545	7,868,755	1,443,864	1,319,129	-	-	10,190,409	9,187,884
Unallocated:								
Capital work in progress							21,540	163,195
Investment in joint venture							50,000	50,000
Investment properties							100,000	100,000
Tax refunds due from Governement							615,090	572,216
Non current assets held for sale							10,077	65,064
Short term investments							-	1,052,384
Securities held at fair value through profit or loss							134,342	
Securities held at fair value through other comprehensive income							667,047	-
Total operating assets							11,788,505	11,190,743
Segment operating liabilities	4,707,563	4,730,484	652,506	751,128	-	-	5,360,069	5,481,612
Unallocated:								
Deferred taxation							277,828	66,511
Workers' profit participation fund							60,792	22,421
Workers welfare fund							21,838	-
Total operating liabilities							5,720,527	5,570,544
Other disclosures								
Capital expenditure	166,510	792,968	226,018	226,018	-	-	392,528	1,018,986

### 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.



For the year ended 30 June 2019

#### 42. FINANCIAL RISK MANAGEMENT

#### 42.1 Financial risk factors

Financial instruments comprise long term financing, trade and other payables, accrued interest on financing, short term borrowings, investment in joint venture, long term investments, long term deposits, trade debts, trade deposits, other receivables, securities at fair value through profit or loss and cash and bank balances.

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

- Market risk
- Credit risk
- Liquidity risk

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

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

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

### (a) Market risk

### (i) Currency risk

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

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

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.

For the year ended 30 June 2019

	2019	2018
Rupees per US Dollar		
Reporting date rate	160.05	121.70
	Changes in US \$ Rate	Effects on Profit Before Tax
		(Rupees in thousand)
2019	+10%	2,029
	-10%	(2,029)
2018	+10%	1,098
	-10%	(1,098)

### (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 fair value through profit or loss. The Company mitigates its risk against the exposure by focusing on short-term investment and maintaining adequate bank balances.

		2019	2018
Reporting date all index points		33,902	41,910
	Changes in PSX all Index	Effects on Profit Before Tax	Effects on Other Comprehensive Income
		(Rupees i	n thousand)
Securities at fair value through profit or loss 2019	+10%	-	-
2019	-10%	-	=
2018	+10%	-	105,238
2010	-10%	-	(105,238)



### For the year ended 30 June 2019

### (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 statement of financial position date the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018
	(Rupees in thousand)	
Fixed rate instruments		
Financial liabilities		
Long term financing	2,647,085	2,206,291
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	392,108	55,823
Financial liabilities		
Long term financing	175,512	719,417
Liabilities against assets subject to finance lease	-	828
Short term borrowings	698,968	993,116

### 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 statement of financial position 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 statement of financial position dates were outstanding for the whole year.

For the year ended 30 June 2019

		Changes in Interest Rate	Effects on Profit Before Tax
			(Rupees in thousand)
Bank balances - deposit accounts	2019	+1.00	3,921
	_0.0	-1.00	(3,921)
		+1.00	558
	2018	-1.00	(558)
Long term financing	2019	+1.00 -1.00	(1,755) 1,755
		-1.00	1,755
	2018	+1.00	(7,194)
	2016	-1.00	7,194
Lightilities against agasts subject to finance lagge		+1.00	
Liabilities against assets subject to finance lease	2019	+1.00 -1.00	-
	2018	+1.00	(8)
	2010	-1.00	8
Short term borrowings		+1.00	(6,990)
Grant tarrings	2019	-1.00	6,990
	2018	+1.00	(9,931)
		-1.00	9,931

### (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:



For the year ended 30 June 2019

	2019	2018
	(Rupees i	n thousand)
Long term investments	771,719	=
Long term deposits	19,879	19,879
Trade debts	945,528	732,216
Due from related parties	3,763	3,758
Trade deposits	47,176	6,555
Other receivables	16,248	31,511
Bank balances	432,348	63,485
	2,236,661	857,404

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 statement of financial position date:

	Rating		2019	2018	
	Short Term	Long term	Agency	(Rupees in	thousand)
Banks					
MCB Bank Limited	A1+	AAA	PACRA	419,750	57,681
National Bank of Pakistan	A-1+	AAA	JCR - VIS	4,097	1,370
United Bank Limited	A-1+	AAA	JCR - VIS	323	299
Allied Bank Limited	A1+	AA+	PACRA	316	575
Habib Metropolitan Bank Ltd	A1+	AA+	PACRA	485	1,220
Habib Bank Limited	A-1+	AAA	JCR - VIS	494	415
Faysal Bank Limited	A-1+	AA	JCR - VIS	-	31
Bank Al-Habib Limited	A1+	AA+	PACRA	5,570	1,791
NIB Bank Limited	A1+	AA-	PACRA	102	102
Dubai Islamic Bank Limited	A-1	A+	JCR - VIS	128	1
Finca Microfinance Bank Ltd	A-1	А	JCR - VIS	1,066	-
MCB Islamic Bank Limited	A-1	А	PACRA	17	-
				432,348	63,485

At 30 June 2019, the Company has 59 customers (2018: 61 customers) that owed the Company more than Rs. 2,500 thousand each and accounted for approximately 94% (2018: 93 %) of all receivables.

There are 32 customers (2018: 33 customers) with balance greater than Rs. 7,000 thousand accounted for over 82% (2018: 79%) of total amount receivables.

### For the year ended 30 June 2019

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.

#### Liquidity risk (c)

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 analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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 2019				
Long term financing	2,822,597	347,602	2,407,340	67,655
Liabilities against assets subject to finance lease				
Trade and other payables	-	-	-	-
Trade and other payables	1,781,918	1,781,918	-	-
Short term borrowings	698,968	698,968	-	-
	5,303,483	2,828,488	2,407,340	67,655
30 June 2018				
Long term financing	2,925,708	39,880	2,219,182	756,646
Liabilities against assets subject to finance lease	828	828	-	-
Trade and other payables	1,518,908	1,518,908	-	-
Short term borrowings	993,116	993,116	-	-
	5,438,560	2,552,732	2,219,182	756,646

### 42.2 Fair values of financial assets and liabilities

Fair value of financial assets classified as investment through profit or loss and investments through other comprehensive income is derived from quoted market prices in active markets, if available. Fair value of unquoted financial assets through profit or loss 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.



### For the year ended 30 June 2019

### 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 2019, the Company hold the following financial instruments carried at fair value on the statement of financial position:

#### Financial Assets measured at fair value

	2019	Level 1	Level 2	Level 3
		(Rupees in	thousand)	
Held for trading				
Mutual fund units	134,342	134,342	-	-
Available for sale financial assets				
Equity shares	667,047	667,047	-	-

There were no liabilities measured at fair value as at 30 June 2019.

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

\* The Company carries unquoted equity shares in Crescent Spinning Mills Limited and Premier Financial Services (Private) Limited 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 or loss account and statement of comprehensive income as the impairment had been recorded prior to 01 July 2011.

As at 30 June 2018, the Company held the following financial instruments measured at fair value:

### Financial Assets measured at fair value

	2018	Level 1	Level 2	Level 3
		(Rupees in	thousand)	
Available for sale financial assets				
Equity shares	1,052,384	1,052,384	-	105

99

For the year ended 30 June 2019

### 42.3 Financial instruments by categories

			2019		
	Cash and cash equivalents	At Amortised cost	At FV through OCI	At FV through profit or loss	Total
		(Rup	oees in thousar	nd)	
Financial assets as per statement of financial position					
Long term deposits	-	19,879	-	-	19,879
Trade debts	-	945,528	-	-	945,528
Trade deposits	-	47,176	-	-	47,176
Due from related parties	-	3,763	-	-	3,763
Investments at fair value					
through OCI	-	-	667,047	-	667,047
Investments at fair value					
through profit or loss	-	-	-	134,342	134,342
Other receivables	-	16,248	-	-	16,248
Cash and bank balances	433,938	-	-	-	433,938
Total	433,938	1,032,594	667,047	134,342	2,267,921
Total current					2,248,042
Total non current					19,879
Total					2,267,921
					2019
				Finan	cial Liabilities
					mortized cost
					in thousand)
Financial liabilities as per financial p	osition				
Long term financing	00111011				2,822,597
Liabilities against assets subject to fina	nce lease				
Trade and other payables	1100 10000				1,781,879
Accrued markup					47,747
Short term borrowings					698,968
Total					
เบเสเ					5,351,191
Total current					0 500 504
Total non current					2,528,594
					2,822,597
Total					5,351,191



			2018		
	Cash and cash equivalents	Loans and advances	Available for sale	Held for trading	Total
		(Ru <sub>l</sub>	oees in thousan	d)	
Financial assets as per balanc	e sheet				
Long term deposits	-	19,879	-	=	19,879
Trade debts	=	732,216	=	=	732,216
Due from related parties	-	5,026	-	-	5,026
Trade deposits	-	6,555	-	-	6,555
Short term investments	-	-	1,052,384	-	1,052,384
Other receivables	-	31,511	-	-	31,511
Cash and bank balances	64,827	-	=	-	64,827
Total	64,827	795,187	1,052,384	-	1,912,398
Total current					1,892,519
Total non current					19,879
Total					1,912,398
10(a)					1,912,000
					2018
				Fina	ncial Liabilities
				at a	amortized cost
				at a	
Financial liabilities as per finar	ncial position			at a	amortized cost
Financial liabilities as per final	ncial position			at a	amortized cost
•	·			at a	amortized cost es in thousand
Long term financing	·			at a	amortized cost es in thousand 2,925,708
Long term financing Liabilities against assets subject	·			at a	amortized cost es in thousand, 2,925,708 828
Long term financing Liabilities against assets subject Trade and other payables	·			at a	amortized cost es in thousand, 2,925,708 828 1,518,744
Long term financing Liabilities against assets subject Trade and other payables Accrued markup	·			at a	amortized cost es in thousand, 2,925,708 828 1,518,744 36,750
Long term financing Liabilities against assets subject Trade and other payables Accrued markup Short term borrowings	·			at a	2,925,708 828 1,518,744 36,750 993,116 5,475,146
Long term financing Liabilities against assets subject Trade and other payables Accrued markup Short term borrowings Total	·			at a	2,925,708 828 1,518,744 36,750 993,116

For the year ended 30 June 2019

### 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 ratio 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 represents longterm 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, Note 10 and Note 11, respectively. Total capital employed includes 'total equity' as shown in the statement of financial position 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.

	2019	2018
Note	(Rupees i	n thousand)
The gearing ratio as at year ended 30 June 2019 and 30 June 2018 is as follows:		
Debt (6) & (7) & (10)	3,521,565	3,919,652
Equity	6,067,978	5,620,199
Total capital employed	9,589,543	9,539,851
Gearing ratio	36.72%	41.09%



For the year ended 30 June 2019

	2019	2018
	(Rupees i	n thousand)
43. PLANT CAPACITY AND ACTUAL PRODUCTION		
Spindle installed - Numbers		
Spindle operated - Numbers	122,304	122,304
Production at normal capacity in 20s count	121,455	113,661
based on 3 shifts per day - Kgs		
Actual production converted to 20s count	53,183,369	49,696,674
based on 3 shifts per day - Kgs		
based on 3 shifts per day - Kgs	51,486,300	46,942,563
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	100,639,852	95,284,972
Actual production at normal capacity converted		
to 50 picks based on 3 shifts per day - Square Meters	85,554,635	78,462,558

### 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			
	Size of the fund		246,930	263,694
	Cost of investment made		190,534	170,534
	Percentage of investment made		77.16%	64.67%
	Fair value of investment	(44.1)	233,221	243,968

	2019		20	18
	(Rupees in thousand)	% of Investment	(Rupees in thousand)	% of Investment
44.1 Breakup of investment				
Investment in listed securities	6,997	3%	7,517	3%
Investment in funds	226,224	97%	236,451	97%
	233,221	100%	243,968	100%

For the year ended 30 June 2019

The investments in collective investment schemes, listed equity and listed debt securities out of aforementioned fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

		2019	2018
45.	NUMBER OF EMPLOYEES		
	Total number of employees at the end of the year	2,848	2,781
	Average number of employees during the year	2,807	2,752

### 46. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on 02 October 2019 has proposed a cash dividend in respect of the year ended 30 June 2019 amounting to Rs. 5 per share and Rs. Nil bonus shares (2018: Cash dividend of Rs. 4 per share and 15% 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

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

Based on the historical data, the Company will distribute cash dividend equal to at least 20 percent of its after tax profits, within the prescribed time after the end of the relevant tax year. Therefore, the Company believes that it would not be liable to pay tax on its undistributed reserves as of 30 June 2019.

### 48. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on 02 October 2019.

### 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.

CHIEF EXECUTIVE OFFICER

DIRECTOR

CHIEF FINANCIAL OFFICER



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 35th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Monday October 28, 2019 at 10:30 a.m. at the Registered Office, 7-B III, Aziz Avenue, Gulberg V, Lahore to transact the following business:

### **Ordinary Business**

- 1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditor's reports thereon for the year ended June 30, 2019.
- 2. To approve as recommended by Directors, the payment of Cash Dividend @ 50% i.e. Rs. 5/- per share for the year ended June 30, 2019.
- 3. To appoint auditors of the Company and fix their remuneration.
- 4. To transact any other business with the permission of the chair.

### **BOOK CLOSURE:**

The Members' Register will remain closed from October 22, 2019 to October 28, 2019 (both day inclusive)

#### NOTES:

- 1. Transfer received in order at the Registered Office by the close of business hours on October 21, 2019 will be treated in time.
- 2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
- 3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
- 4. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:

### For Attending the Meeting:

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

### For Appointing Proxies:

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

## **Notice of Annual General Meeting**

### CNIC/IBAN for E-Dividend Payment

The provisions of Section 242 of the Companies Act, 2017 require the listed companies that any dividend payable in cash shall only be paid through electronic mode directly into the bank account of designated by the entitled shareholders. Accordingly, the shareholders holding physical shares are requested to provide the Company's Share Registrar at the address given herein above, electronic dividend mandate on E-Dividend Form provided in the annual report and also available on website of the Company. In the case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the Company. In case of non-submission, all future dividend payments may be withheld.

#### Zakat Declarations:

The members of the Company are required to submit Declaration for Zakat exemption in terms of Zakat and Ushr Ordinance, 1980

### Deduction of Tax on Dividend Income - Finance Act, 2018

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

- Rate of tax deduction on dividend income for filer of income tax return 15%
- Rate of tax deduction of dividend income for non filer of income tax return 30%

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

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

### Video Conference Facility

Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the AGM. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least seven (7) days prior to the date of the meeting on the Standard Form provided in the annual report and also available on the company's website.

### Placement of Financial Statements

The Company has placed a copy of the Notice of AGM, Annual Separate and Consolidated Financial Statements for the year ended 30 June 2019 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: www.suraj.com

Shareholders are also requested to notify immediately any change in their E-mail address to the Share Registrar of the Company, M/s. Corptec Associates (Private) Limited, 503-E, Johar Town, Lahore. Ph. 042-35170335-37

By Order of the Board

Lahore October 02, 2019

Company Secretary



# Notice of Annual General Meeting

# STANDARD REQUEST FORM Circulation of Annual Audited Accounts

Chief Executive, W/s Corptec Associates (Private) Limited ndependent Share Registrar of Suraj Cotton Mills Limited 503-E, Johar Town, Lahore Email: info@corptec.com.pk	d
Dear Sir, Subject: Request for Hard Copy of Annual Re	eport of Suraj Cotton Mills Limited.
21, 2016 and approved by the Shareholders in the An 24, 2019, the Company shall circulate its annual balar and directors report etc. ("Annual Audited Accounts") to	n of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May nual General Meeting of the Company held on October nce sheet, and profit and loss account, auditor's report o its members through CD/DVD/USB at their registered a Annual Audited Accounts by filling out the details below mpany Secretary.
shareholder of Suraj Cotton Mills Limited with the partic oe added to the list of Shareholders of the Company w Accounts of the Company and hereby request you send	being a registered culars as mentioned below would request that my name who opt for delivery of a hardcopy of the Annual Audited to me the Annual Audited Accounts in hard copy form at ster instead of providing the same through CD/DVD/USB.
Parti	culars
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	
Yours Truly,	
Shareholder's Signature	
Note: This Standard Request Form may be sent at the fo the Company:	ollowing addresses of the Independent Share Registrar of
Chief Executive, W/s Corptec Associates (Private) Limited	

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

Independent Share Registrar of Suraj Cotton Mills Limited

503-E, Johar Town,

Email: info@corptec.com.pk

Lahore





### Suraj Cotton Mills Limited

Mandatory Requirement of Bank Account Details for Eclectronic Credit of Cash Dividend Payment as Per the Companies Act, 2019

Dear Shareholder,

This is to inform you that in accordance with the section 242 of the Companies Act, 2019 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			
Bank's Name				
Branch Name and address				
	mentioned information is correct and in case of any change herein, I / We will sipant / Share Registrar accordingly.			
Signature of Shareholders				

Second	

Affix Revenue Stamp

### Corptec Associates (Pvt) Ltd.

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

Third Fold and Tuck In



### Suraj Cotton Mills Limited

Notice to the Shareholders in terms of section 244 of the Companies Act 2019, 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, 2019 (the Act) promulgated on May 30, 2019, 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



Affix Revenue Stamp

### Corptec Associates (Pvt) Ltd.

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

Third Fold and Tuck In



## Form of Proxy

Thirty fifth Annual General Meeti	ng	
I/We		of
		otton Mills Limited and holder of
shares as per Registered	I Folio No	
5 D (1110		
For Beneficial Owners as per		
CDC Participant I. D. No		
Sub-Account No.		)
INIC INO.	OF FASSPORTING	,
haraby appoint	of	Who is also a member of the Company, Folio No
		of who is also a member of the company, folio No
Registered Office, 7-B-III, Aziz A	wenue, Gulberg-V Lahore and	mpany to be held on Monday, October 28, 2019 at 10:30 a.m. a d at any adjournment thereof.
Witness 1:		
Signature:		
Name:		Affix
Address:		Revenue of Stamp of Rs. 5/-
Witness 2:		
Signature:		Signature of Member(s)
Name:		
Address:		
_		

- 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.

Third Fold and Tuck In

First Fold

سورج کاش ملز کمیینڈ
تفکیل نیابت دار (یراکسی فارم )
پینشوال سالانه اجلال عام پینشوال سالانه اجلال
مين /ېم_ــــــــــــــــــــــــــــــــــــ
````````````````````````````````````
عام خصص کے مطابق درج شدہ فولیونمبر۔۔۔۔۔۔۔۔۔۔۔۔ اور یا سی ڈی سی کے شرائق آئی ڈی نمبر ۔۔۔۔۔۔۔ اور زبلی کھانہ نمبر ۔۔۔۔۔۔۔۔۔۔۔۔۔۔ محترم محترمہ ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔
ساکن۔۔۔۔۔۔۔ یا بصورت دیگر محترم محترمہ ۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔
ساکن۔۔۔۔۔۔۔کو اپنی جگہ بروز پیر 28 اکتوبر 2019 دنِ 10:30 بجے صبح بمقام کمپنی کے رجسٹرڈ آفس ( 7بی تھری، عزیز ایوینیو، گلبرگ5
لاہور) میں منعقد ہورہا ہے یا اس کے کسی ملتوی شدہ اجلاس میں رائے دہند گی کے لیے اپنا نماندۂ مقرر کرتا کرتی ہوں۔
مؤر خددندلال 2019
ريونيو چيال کريں
اواہ [1) دستخط ۔۔۔۔۔۔۔۔۔۔۔ (دستخط کمپنی میں پہلے سے موجود
ام مورد کا میں پہنے کے وجود امریکی کا میں کہا ہے ہود امریکی کے امریکی کا میں کا میں کا میں کا میں کا ام
(2) وستخط(2)
ام عدد دان دان دان دان دان دان دان دان دان د
ی این آیی سی۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔۔

. .. نیابت داروں (پراکسی ) کو مؤثر بنانے کیلئے اجلا س کے مقرر کردہ وقت سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ پیۃ (7بی تھری، عزیز ایوینیو، گلبرگ5، لاہور)

> سین کی گرون ہے۔ مسی سی ڈی سی مخصص داران اور ان کے مختار (پراکس) دونوں کے ہمراہ کمپیوٹرائزڈ قومی شاختی کارڈ یا پاسپورٹ کی مصدقہ نقل ضروری ہے۔

میں جمع کروانا ضروری ہے۔



Affix Revenue Stamp

The Company Secretary

Suraj Cotton Mills Limited

7-B-III, Aziz Avenue, Gulberg-V, Lahore.

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#### **SURAJ COTTON MILLS LIMITED**

7-B-3, Aziz Avenue, Gulberg-5, Lahore, PK

**T:** 92 42 3576 0381 **F:** 92 42 3576 0376