

2020

Quartely Report
September 30,
Un-Audited

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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 Maqbool

Chief Financial Officer

Muhammad Naeem Sheikh

Audit Committee

Humayun Maqbool (Chairman)

Ahsan Bashir (Member)

Adil Bashir (Member)

HR & R Committee

Ahsan Bashir (Chairman)

Adil Bashir (Member)

Humayun Maqbool (Member)

Share Registrar

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

Auditors

Riaz Ahmad & Co.
Chartered Accountants

Company Secretary

Haseeb Ahmad

Bankers

Allied Bank Limited

Habib Bank Limited

MCB Bank Limited

National Bank of Pakistan

MCB Islamic Bank Limited

United Bank Limited

Dubai Islamic Bank Limited

Habib Metropolitan Bank Limited

Samba Bank Limited

FINCA Microfinance 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

Project Locations

Nooriabad, District Dadu, Sindh.

Kotla Kahloon, District Nankana Sahib, Punjab.

Bhaikot, Rawind, District Lahore, Punjab.

Directors' Report

On behalf of Board of Directors, I am pleased to present the operating and financial performance of the company for the first quarter of Financial Year 2021 ended on 30 September 2020.

Pakistan's economy is showing signs of growth and stability after the COVID-19 pandemic and the textile sector has shown tremendous resilience. Other sectors have also shown a healthy recovery. For the current financial year (FY 2020-21) we hope that the growth cycle will continue and are optimistic about the future outlook.

This pattern is evident in the operating results of your company for the first quarter of FY2021. Compared with the corresponding period, company has achieved revenue growth of 18.27% and financial charges dropped by almost 30% due to recent drop in Policy Rate by SBP. The Company has witnessed a 53.4% increase in profit after tax. Earnings per share for this quarter are 10.16 (FY 2020: PKR 7.10).

Following is the summary of Income Statement for first quarter of FY 2021:

Income Statement	Q1 FY-2021	Q1 FY-2020	% Change
(PKR in Million)			
Sales	4,051	3,425	18.27%
Gross profit	505	451	12.02%
Operating profit	479	367	30.42%
Financial cost	(33)	(47)	-29.98%
Profit before taxation	446	320	39.27%
Taxation	(73)	(60)	22.07%
Net Profit	373	260	53.40%

Earnings per Share (EPS)	10.16	7.10	
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Other income increased by 128% on account of realized and unrealized gains due to recovery in the Pakistan equity markets. This recovery is largely due to positive economic fundamentals discussed above. Going forward, we expect this positive sentiment to persist and economic activity to gain further momentum.

The new cotton season has started and initial indications show the crop to be far below expectations and it is doubtful that last season's low crop outturn will be achieved. Inherent issues in the crop cultivation and seed methodology remain with no progress towards any resolution. With the demand for raw cotton expected to be at optimum levels due to improvement in textile demand, it is certain that mills will have to rely on imported cotton to meet their requirements. Pakistan spinning industry has already contracted for large scale imports from nearly all origins in the world. It is imperative that this problem is resolved through new seeds and technology.

A competitive exchange rate parity and fears of COVID-19 in our neighboring countries has made Pakistan prime choice for sourcing textile products globally; strengthening demand in Pakistan. The textile sector is running at full capacity with no dearth of orders and we expect that for the near future demand will remain strong.

In line with our policy of investments in new technology and to take advantage of economies of scale, the Company has decided to set up additional weaving capacity comprising of 154 wide width, high speed looms. Currently we are operating with 120 Looms of same category in our weaving unit producing approximately 15 Million Meters fabric annually and with this addition, our production capacity for fabric would increase by 128%. We expect that this project will be a profitable addition with a payback of about 7 years. Site for the proposed unit is adjacent to the current facilities and is equipped availability of utilities and the necessary technical expertise under one roof. It is expected that the unit will be operational by mid 2021.

We are committed to focus on our core competencies and our managerial expertise for risk management and continue to try and perform as per the expectations of stakeholders. We are always looking for new opportunities to expand and 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

October 28, 2020
Lahore

ساتھ ایک منافع بخش اضافہ ثابت ہوگا۔ مجوزہ پونٹ کے لئے سائٹ موجودہ سہولیات سے متصل ہے اور اس میں سہولیات کی دستیابی اور ضروری تکنیکی مہارت ایک ہی جگہ موجود ہے۔
توقع ہے کہ یہ پونٹ 2021 کے وسط تک آپریشنل ہو جائے گا۔
کمپنی منفی اثرات کو محدود کرنے کے لئے اپنی بنیادی صلاحیتوں اور انتظامی مہارت پر توجہ مرکوز کئے ہوئے ہے اور اپنے اسٹیک ہولڈرز کی توقعات کے مطابق کام سرانجام دینے کے لئے
کوشاں ہیں۔ ہم ہمیشہ تنوع کے نئے مواقع تلاش کرتے ہیں اور آپ کو اپنی کاوشوں سے آگاہ کرتے رہیں گے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز کی جانب سے، میں اپنے تمام شراکت داروں اور ملازمین کی مسلسل حمایت کا شکریہ ادا کرتے ہیں۔ میں بورڈ کی قابل قدر بصیرت اور رہنمائی کے لئے
ان کا بھی شکریہ گزار ہوں۔



چیف ایگزیکٹو

لاہور: 28 اکتوبر 2020ء

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے، میں 30 ستمبر 2020 کو ختم ہونے والی پہلی سہ ماہی (مالی سال 2021) کے لئے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہا ہوں۔ COVID-19 وبا کے بعد پاکستان کی معیشت میں ترقی اور استحکام کی علامات ظاہر ہو رہی ہیں اور ٹیکسٹائل صنعت میں زبردست بحالی دیکھنے میں آئی ہے۔ معیشت کے دوسرے شعبوں نے بھی حوصلہ افزاء بحالی ظاہر کی ہے۔ ہم امید کرتے ہیں کہ ترقی کا سفر موجودہ مالی سال 2020-21 میں جاری رہے گا۔ اور مستقبل کے بارے میں ہم پُر امید ہیں۔ آپ کی کمپنی کے اس مالی سال 2020-21 کی پہلی سہ ماہی کے مالی نتائج سے یہ رجحان واضح ہے۔ سابقہ مدت کے مقابلہ میں، کمپنی کی آمدن میں 18.27 فیصد اضافہ ہوا اور سود کی مد میں ادائیگیوں میں 30 فیصد کمی، اسٹیٹ بینک آف پاکستان کی جانب سے شرح سود میں کمی کے باعث، ظاہر ہوئی۔ بعد از ٹیکس منافع میں 53.4 فیصد اضافہ دیکھا گیا۔ سہ ماہی کی فی شخص آمدنی 10.16 (FY 2020 : PKR 7.10) رہی۔ مالی سال 2020-21 کی آمدنی کا خلاصہ مندرجہ ذیل ہے:

آمدنی کی تفصیل	مالی سال 2021 پہلی سہ ماہی	مالی سال 2020 پہلی سہ ماہی	فیصد تبدیلی
	(پاکستانی روپے ملین میں)		
فروخت	4,051	3,425	18.27%
مجموعی منافع	505	451	12.02%
آپریٹنگ منافع	479	367	30.42%
مالی لاگت	(33)	(47)	-29.98%
ٹیکس سے پہلے منافع	446	320	39.27%
ٹیکسیشن	(73)	(60)	22.07%
خالص منافع	373	260	53.40%
فی شیئر آمدنی (EPS)	10.16	7.10	

پاکستان کی اسٹاک مارکیٹ میں بحالی کے باعث، دیگر آمدنی میں حاصل شدہ اور غیر حاصل شدہ منافع کی وجہ سے 128 فیصد اضافہ ہوا۔ یہ بحالی زیادہ تر مذکورہ بالا مثبت معاشی اصولوں کے باعث وقوع پذیر ہوئی ہے۔ مزید، ہم یہ توقع کرتے ہیں کہ یہ مثبت رجحان برقرار رہے گا اور معاشی سرگرمیوں میں مزید تیزی آئے گی۔

کپاس کے سنبھالنے کا آغاز ہو چکا ہے اور ابتدائی اشاروں کے مطابق فصل کی پیداوار توقعات سے خاصی کم رہنے کا اندیشہ ہے۔ شبہات لاکھ ہیں کہ سابقہ دور کی قلیل پیداواری حاصل کی جاسکے گی۔ موروثی طرز میں فصلوں کی کاشت اور بیج کا اگ و کس کی طرف پیشرفت نہیں کرتا۔ ٹیکسٹائل کی طلب میں بہتری کی وجہ سے خام کپاس کی طلب میں مناسب حد تک اضافہ کی توقع کی جارہی ہے، یقینی ہے کہ ملوں کو اپنی ضروریات کو پورا کرنے کے لئے درآمد شدہ کپاس پر انحصار کرنا پڑے گا۔ اس صورتحال کے مدنظر اسپننگ انڈسٹری نے پہلے ہی دنیا میں تقریباً تمام طرز کی کپاس کے بڑے پیمانے پر درآمدات کے معاہدہ کر رکھے ہیں۔ ضروری ہے کہ اس مسئلہ کو نئے بیجوں اور ٹیکنالوجی کے ذریعہ حل کیا جائے۔

مسابقتی شرح تبادلہ اور ہمارے پڑوسی ملک میں COVID-19 کے خدشات کے باعث عالمی سطح پر ٹیکسٹائل مصنوعات کی خریداری کے لئے پاکستان کو اولین انتخاب بنا دیا ہے اور ملک میں طلب کو مضبوط کر دیا ہے۔ ٹیکسٹائل شعبہ پوری صلاحیت کے ساتھ چل رہا ہے جس میں آرڈر کی کوئی کمی نہیں ہے اور ہم امید کرتے ہیں کہ مستقبل قریب میں طلب مستحکم رہے گی۔

نئی ٹیکنالوجی میں سرمایہ کاری اور بڑے پیمانے پر کاروبار کے فوائد کو بروئے کار لاتے ہوئے، کمپنی نے زیادہ چوڑائی کی حامل 154 میٹر رفتاروں پر مشتمل ویوگ کی صلاحیت میں اضافہ کا فیصلہ کیا ہے۔ فی الحال ہم اپنے ویوگ پونٹ میں اسی طرز کی 120 لوٹوں کے ساتھ کام کر رہے ہیں جو سالانہ 15 ملین میٹر فیبرک تیار کر رہی ہیں اور اس اضافے کے ساتھ ہماری فیبرک کی پیداواری صلاحیت میں 128 فیصد اضافہ ہوگا۔ ہم توقع کرتے ہیں کہ یہ منصوبہ تقریباً 7 سال میں اپنی سرمایہ کاری کی رقم وصول کرنے میں کامیاب ہونے کے ساتھ

Financial Statements

For the Quarter ended September 30, 2020

Condensed Interim Statement of Financial Position

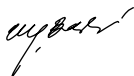
As At September 30, 2020

		Un-Audited September 30, 2020	Audited June 30, 2020
	Note	(Rupees in thousand)	
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
50,000,000 (30 June 2020: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	4	366,713	366,713
Reserves		6,750,230	6,249,900
TOTAL EQUITY		7,116,943	6,616,613
Non-current liabilities			
Long term financing	5	2,480,498	2,533,850
Deferred taxation		209,633	209,633
		2,690,131	2,743,483
Current liabilities			
Trade and other payables	6	2,290,903	2,270,877
Accrued mark-up		28,987	38,592
Short term borrowings		558,993	1,278,365
Unclaimed dividends		6,387	6,731
Current portion of non current liabilities		109,031	56,804
		2,994,301	3,651,369
TOTAL LIABILITIES		5,684,432	6,394,852
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		12,801,375	13,011,465


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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

		Un-Audited September 30, 2020	Audited June 30, 2020
	Note	(Rupees in thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,900,293	5,011,641
Investment properties		100,000	100,000
Long term investments		932,852	746,027
Long term deposits	9	21,871	21,871
		5,955,016	5,879,539
Current assets			
Stores, spares and loose tools	10	182,410	203,642
Stock in trade	11	2,918,119	3,718,268
Trade debts	12	1,268,819	974,012
Loans and advances	13	62,524	55,137
Short term deposits and prepayments		87,238	74,125
Tax refunds due from the government		388,263	537,190
Other receivables		27,592	29,624
Short term investments	14	1,703,441	1,318,597
Cash and bank balances		201,287	207,139
		6,839,693	7,117,734
Non-current assets classified as held for sale		6,666	14,192
		6,846,359	7,131,926
TOTAL ASSETS		12,801,375	13,011,465



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Profit or Loss (Un-Audited)

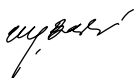
For The Period Ended September 30, 2020

		September 30, 2020	September 30, 2019
	Note	(Rupees in thousand)	
Revenue	15	4,050,803	3,424,938
Cost of Sales	16	3,545,248	2,973,618
Gross Profit		505,555	451,320
Distribution Cost	17	36,762	32,381
Administrative Expenses	18	47,005	52,163
Other Expenses	19	35,035	39,988
		118,802	124,532
Other Income	20	386,753	326,788
		91,945	40,247
Profit from Operations		478,698	367,035
Finance Cost	21	32,820	46,870
Profit Before Taxation		445,878	320,165
Taxation	22	73,212	59,975
Profit After Taxation		372,666	260,190
Earnings per Share - Basic and diluted (Rupees)		10.16	7.10

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the period ended September 30, 2020

	September 30, 2020	September 30, 2019
	(Rupees in thousand)	
Profit After Taxation	372,666	260,190
Other comprehensive income / (Loss):		
Items that will not be reclassified to profit or loss:		
Surplus / (deficit) arising on remeasurement of investments at fair value through other comprehensive income	127,664	(14,933)
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income / (loss) for the period - net of tax	127,664	(14,933)
Total comprehensive income for the period	500,330	245,257

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

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

For the period ended September 30, 2020

Share Capital	Reserves						Total Equity	
	Capital Reserves			Revenue Reserves				Total
	Share premium reserve	Fair value reserve on FVTOCI investments	Sub total	General Reserve	Unappropriated profit	Sub total		

------(Rupees in thousand)-----

Balance as at 30 June 2019 - (Audited)	366,713	29,000	(240,964)	(211,964)	3,714,000	2,199,229	5,913,229	5,701,265	6,067,978
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Transactions with owners:

Final dividend for the year ended 30 June 2019 @ Rupees 5.00 per share

-	-	-	-	-	(183,357)	(183,357)	(183,357)	(183,357)
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Transfer of gain on disposal of investments held at FVTOCI to retained earnings

-	-	(1,047)	(1,047)	-	1,047	1,047	-	-
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Profit for the period

-	-	-	-	-	719,549	719,549	719,549	719,549
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Other comprehensive loss for the period - restated

-	-	12,443	12,443	-	-	-	12,443	12,443
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Total comprehensive income for the period

-	-	12,443	12,443	-	719,549	719,549	731,992	731,992
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Balance as at 30 June 2020 - (Audited)

366,713	29,000	(229,568)	(200,568)	3,714,000	2,736,468	6,450,468	6,249,900	6,616,613
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Profit for the period

-	-	-	-	-	372,666	372,666	372,666	372,666
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Other comprehensive income for the period

-	-	127,664	127,664	-	-	-	127,664	127,664
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Total comprehensive income for the period

-	-	127,664	127,664	-	372,666	372,666	500,330	500,330
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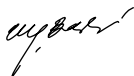
Balance as at 30 September 2020 - (Un-Audited)

366,713	29,000	(101,904)	(72,904)	3,714,000	3,109,134	6,823,134	6,750,230	7,116,943
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The annexed notes form an integral part of this interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Cash Flows (Un-Audited)


For The Period Ended September 30, 2020

	September 30, 2020	September 30, 2019
	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	445,878	320,165
Adjustment for non-cash and other items:		
Depreciation	114,131	123,370
Gain on disposal of property, plant and equipment	(8,880)	-
Net (gain) on short term investment	(17,291)	(19,610)
Provision for Workers' Profit Participation Fund	24,122	-
Provision for Workers' Welfare Fund	9,167	-
Profit on bank deposits	(3,641)	-
Dividend income	(27,914)	(13,242)
Exchange (gain) / loss	(4,345)	-
Finance cost	32,820	46,870
Cash flows from operating activities before working capital changes	564,047	457,553
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	21,232	18,611
Stock in trade	800,149	708,914
Trade debts	(290,462)	(178,960)
Loans and advances	(7,387)	(21,902)
Trade deposits and short term prepayments	(13,113)	(21,266)
Other receivables	2,032	3,846
Increase in current liabilities:		
Trade and other payables	32,525	66,567
Net cash from / (used in) working capital	544,976	575,810
Cash generated from / (used in) operations	1,109,023	1,033,363
Finance cost paid	(42,425)	(40,221)
Workers' profit participation fund paid	(45,788)	-
Profit on bank deposits received	3,641	-
Income tax paid	75,715	39,619
Net cash from / (used in) operating activities	1,100,166	1,032,761
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(5,532)	(11,513)
Proceeds from disposal of property, plant and equipment	19,155	-
Investments - net	(426,714)	(1,144,872)
Dividend received	27,914	13,242
Net cash used in investing activities	(385,177)	(1,143,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	(1,125)	(63,580)
(Decrease)/ increase in short term borrowings - net	(719,372)	(88,866)
Dividend paid	(344)	-
Net cash / (used in) from financing activities	(720,841)	(152,446)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,852)	(262,828)
Cash and Cash Equivalents at the Beginning of the Period	207,139	433,938
Cash and Cash Equivalents at the End of the Period	201,287	171,110

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2020

1. THE COMPANY AND ITS ACTIVITIES

Suraj Cotton Mills Limited ('the Company') was incorporated in Pakistan as a public limited company under the Companies Act, 1913 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. Its registered office is situated at 7-B-3, Aziz Avenue, Gulberg-5, Lahore. The Company is engaged in the manufacturing, sale and trading of yarn, and fabric.

2. BASIS OF PREPARATION

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.
- Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual audited financial statements of the Company for the year ended 30 June 2020. These condensed interim financial statements are un-audited, however, have been subjected to limited scope review by the auditors and are being submitted to the shareholders as required by the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Section 237 of the Companies Act, 2017.

3. ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of these condensed interim financial statements are the same as applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2020.

3.1 Critical Accounting Estimates and Judgements

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the 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 historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2020.

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2020

			Un-Audited September 30, 2020	Audited June 30, 2020
			(Rupees in thousand)	
4	ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
	Un-Audited Sep 30, 2020 No of Shares in Thousand	Audited June 30, 2020		
	17,400	17,400	Ordinary shares of Rupees 10 each fully paid up in cash	174,000
			Ordinary shares of Rupees 10 each issued as fully paid bonus shares	
	19,271	19,271		192,713
	36,671	36,671		366,713
5.	LONG TERM FINANCING - secured			
	Opening balance		2,590,654	2,822,597
	Acquired/(repaid) during the period / year		(1,125)	(231,943)
			2,589,529	2,590,654
	Less: Current portion		(109,031)	(56,804)
			2,480,498	2,533,850
6.	TRADE AND OTHER PAYABLES			
	Creditors		474,760	497,864
	Advances from customers		51,668	41,902
	Accrued liabilities		1,688,613	1,633,950
	Payable to employees' provident fund trust		118	12
	Income tax deducted at source		3,217	2,573
	Fair value of forward exchange contracts		-	9,550
	Workers' profit participation fund		24,122	45,788
	Workers' welfare fund		48,405	39,238
			2,290,903	2,270,877

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2020

7. CONTINGENCIES AND COMMITMENTS

Contingencies

i) Guarantees of Rupees 52.277 million (2020: Rupees 47.277 million) are given by the banks of the Company to Sui Northern Gas Pipelines Limited against gas connections, Director Excise and Taxation, Karachi against infrastructure cess and others.

Commitments

i) Contracts for capital expenditure are approximately of Rupees 20.000 million (2020: 20.000 million).

ii) Letters of credit other than for capital expenditure are of Rupees 55 million (2020: Rupees 163.723 million).

iii) Outstanding foreign currency forward contracts are of Rupees NIL (2020: 158.550 million).

		Un-Audited September 30, 2020	Audited June 30, 2020
	Note	(Rupees in thousand)	
8. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets - tangible	8.1	4,829,185	4,940,565
Capital work-in-progress	8.2	71,108	71,076
		4,900,293	5,011,641
8.1 Operating fixed assets - tangible			
Opening book value		4,940,565	5,327,574
Add: Additions during the period / year -cost	8.1.1	5,500	133,678
		4,946,065	5,461,252
Less: Deletions during the period / year - vehicles		(2,749)	(21,057)
		4,943,316	5,440,195
Less: Depreciation during the period / year		114,131	(499,630)
Book value at the end of the period / year		4,829,185	4,940,565
8.1.1 Additions during the period / year - cost			
Plant and machinery		4,000	77,441
Electric installation		-	17,642
Vehicles		1,500	38,595
		5,500	133,678
8.1.2 Capital Work in Progress			
Buildings on freehold land		29,457	29,425
Plant and machinery		31,109	31,109
Electric installations		10,542	10,542
		71,108	71,076

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2020

		Un-Audited September 30, 2020	Audited June 30, 2020
	Note	(Rupees in thousand)	
9. LONG TERM INVESTMENT			
Investments in joint ventures - under equity method		70,883	70,883
Equity instruments - at FVTOCI		861,969	675,144
		932,852	746,027
10. STORE , SPARE PARTS AND LOOSE TOOLS			
Stores		212,120	217,644
Spares parts		8,019	11,205
Loose tools		193	250
Stores in transit		2,384	14,849
		222,716	243,948
Less: Provision for slow moving, obsolete and damaged store items		(40,306)	(40,306)
		182,410	203,642
11. STOCK IN TRADE			
Raw material in transit		47,792	-
Raw material		1,805,322	2,182,402
Work in process		183,227	167,564
Finished goods		852,797	1,346,739
Waste		28,981	21,563
		2,918,119	3,718,268
12. TRADE DEBTS			
Secured against letters of credit		53,160	43,788
Unsecured		1,301,666	1,016,231
		1,354,826	1,060,019
Less: Allowance for expected credit loss		(86,007)	(86,007)
		1,268,819	974,012
13. LOANS AND ADVANCES			
Employees		6,107	6,511
Advances to suppliers		48,167	41,555
Letters of credit		5,391	7,009
Due from related parties		2,859	62
		62,524	55,137
14. INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS			
Equity investments	14.1	152,684	150,502
Mutual funds	14.2	1,550,757	1,168,095
		1,703,441	1,318,597

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2020

		Un-Audited September 30, 2020	Audited June 30, 2020
	Note	(Rupees in thousand)	
14.1	Securities held at fair value through profit or loss		
	Carrying value	124,273	126,621
	Unrealised gain / (loss)	28,411	23,881
		152,684	150,502
14.2	Mutual funds		
	HBL Cash Fund	285,590	181,681
	Alfaluh GHP Money Market Fund	208,163	204,561
	MCB Cash Management Optimizer	248,721	245,034
	NBP Money Market Fund	188,131	185,548
	ABL Cash Fund	180,393	177,842
	ATLAS Money Market Fund	175,759	173,429
	UBL Asset Management	264,000	-
		1,550,757	1,168,095

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2020

		PERIOD ENDED					
		September 30, 2020			September 30, 2019		
		Spinning	Weaving	Total	Spinning	Weaving	Total
		----- (Rupees in Thousand) -----					
15	SALES						
	Local	3,298,279	1,277,909	4,576,188	2,742,058	1,248,632	3,990,690
	Export	496	94,096	94,592	25,548	18,599	44,147
	Inter Segments	(619,977)	-	(619,977)	(609,899)	-	(609,899)
		2,678,798	1,372,005	4,050,803	2,157,707	1,267,231	3,424,938
15.1	Disaggregation of the Company's revenue from contracts with customer is as follows.						
	Segments						
	Sale of yarn	3,148,076	-	3,148,076	2,574,611	-	2,574,611
	Sale of fabric	-	1,366,961	1,366,961	-	1,260,265	1,260,265
	Sale of waste	150,699	5,044	155,743	192,995	6,966	199,961
	Inter-segment eliminations	(619,977)	-	(619,977)	(609,899)	-	(609,899)
	Total revenue from contracts with customers	2,678,798	1,372,005	4,050,803	2,157,707	1,267,231	3,424,938
	Geographic markets						
	Pakistan	3,298,279	1,277,909	4,576,188	2,742,058	1,248,632	3,990,690
	China	-	-	-		115	115
	Hong Kong	-	16,460	16,460			-
	Italy	-	41,658	41,658		18,484	18,484
	Portugal		18,300	18,300			-
	Sri Lanka	496	-	496	1,649		1,649
	South Korea	-	5,245	5,245			-
	Turkey	-	12,433	12,433	-	-	-
	UAE	-	-	-	23,899	-	23,899
	Inter-segment eliminations	(619,977)	-	(619,977)	(609,899)	-	(609,899)
	Total revenue from contracts with customers	2,678,798	1,372,005	4,050,803	2,157,707	1,267,231	3,424,938
	Timing of revenue recognition						
	Goods transferred at a point in time	2,678,798	1,372,005	4,050,803	2,157,707	1,267,231	3,424,938
	Total revenue from contracts with customers	2,678,798	1,372,005	4,050,803	2,157,707	1,267,231	3,424,938

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2020

	Un-Audited	
	September 30, 2020	September 30, 2019
	(Rupees in thousand)	
16. COST OF SALES		
Raw material consumed	2,252,164	2,521,289
Sizing expenses	15,383	18,324
Stores, spares and loose tools consumed	67,237	69,955
Packing materials consumed	35,816	35,631
Salaries, wages and other benefits	238,204	237,019
Fuel and power	340,185	377,775
Repairs and maintenance	19,640	13,434
Insurance	7,781	7,461
Other factory overheads	5,492	5,428
Depreciation	107,053	116,676
	3,088,955	3,402,992
Work-in-process:		
Opening stock	167,564	159,344
Closing stock	(183,227)	(176,345)
	(15,663)	(17,001)
Cost of goods manufactured	3,073,292	3,385,991
Finished goods:		
Opening stock	1,353,734	691,328
Closing stock	(881,778)	(1,103,701)
	471,956	(412,373)
	3,545,248	2,973,618
17. DISTRIBUTION COST		
Salaries and other benefits	2,076	1,797
Outward freight and shipment	9,242	6,486
Commission to selling agents	23,935	22,716
Clearing and forwarding	1,273	1,273
Export development surcharge	236	109
	36,762	32,381

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2020

		Un-Audited	
		September 30, 2020	September 30, 2019
		(Rupees in thousand)	
18. ADMINISTRATIVE EXPENSES			
Salaries and other benefits		27,489	27,011
Rent, rates and taxes		2,559	1,748
Electricity and gas		2,570	2,202
Traveling and conveyance		777	2,785
Repair and maintenance		2,031	1,226
Vehicle running and maintenance		1,616	1,884
Printing and stationery		538	1,642
Communication		568	479
Fee and subscription		1,009	883
Insurance		692	581
Depreciation		7,077	6,695
Entertainment		64	27
Donation		15	5,000
		47,005	52,163
19. OTHER OPERATING EXPENSES			
Workers profit participation fund		24,122	17,195
Workers welfare fund		9,166	6,534
Impairment loss on short term investment		-	14,416
Others		1,747	1,843
		35,035	39,988
20. OTHER OPERATING INCOME			
Exchange gain / (loss)		4,345	-
Profit on bank deposits		3,641	5,095
Dividend income		27,914	32,852
Net gain on short term investment		17,291	-
Sale of empties and scrap		1,463	2,300
Gain on disposal of operating fixed assets		8,880	-
Unrealised gain on re-measurement of investments at fair value through profit or loss		28,411	-
		91,945	40,247
21. FINANCE COST			
Interest / mark-up on:			
Long term financing		17,216	23,470
Short term borrowings		13,323	21,919
Bank charges and commission		2,281	1,481
		32,820	46,870
22. TAXATION			
Charge for the period:			
Current		73,212	59,975
		73,212	59,975

23 OPERATING SEGMENT INFORMATION

23.1 The Company has two reportable segments. The following summary describes the operation in each of the Company's reportable segments:

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

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

Transactions between operating segments are recorded on arm's length basis in a manner similar to transactions with third parties. Inter segment sales and purchases have been eliminated from the total.

23.2

	Spinning		Weaving		Elimination of Inter-segment transactions		Total-Company	
	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019	Sep 30, 2020	Sep 30, 2019
----- Un-Audited ----- (Rupees in thousand)								
Sales								
External	2,678,798	2,157,707	1,372,005	1,267,231	-	-	4,050,803	3,424,938
Inter-segment	619,977	609,899	-	-	619,977	609,899	-	-
	3,298,775	2,767,606	1,372,005	1,267,231	619,977	609,899	4,050,803	3,424,938
Cost of sales								
External	2,935,342	2,412,653	609,906	560,965	-	-	3,545,248	2,973,618
Inter-segment	-	-	619,977	609,899	619,977	609,899	-	-
	2,935,342	2,412,653	1,229,883	1,170,864	619,977	609,899	3,545,248	2,973,618
Gross profit	363,433	354,953	142,122	96,367	-	-	505,555	451,320
Distribution cost	21,261	18,525	13,426	13,193	-	-	34,687	31,718
Administrative expenses	36,796	41,672	12,284	11,154	-	-	49,080	52,826
	58,057	60,197	25,710	24,347	-	-	83,767	84,544
Profit before taxation and unallocated income and expenses	305,376	294,756	116,412	72,020	-	-	421,788	366,776
Unallocated income and expenses:								
Operating expenses							(35,035)	(39,988)
Other income							91,945	40,247
Finance cost							(32,820)	(46,870)
							24,090	(46,611)
Profit before taxation							445,878	320,165
Taxation							73,212	59,975
Profit for the period							372,666	260,190

Inter segment sales and purchases have been eliminated on consolidation.

Selected Notes to the Condensed Interim Financial Statements (Un-Audited)
For The Period Ended September 30, 2020

23.3 Reconciliation of Reportable Segment Assets and Liabilities

	Spinning		Weaving		Total-Company	
	Un-Audited Sep 30, 2020	Audited June 30, 2019	Un-Audited Sep 30, 2020	Audited June 30, 2019	Un-Audited Sep 30, 2020	Audited June 30, 2019
Total assets for reportable segment	7,878,337	8,505,226	1,791,816	1,790,233	9,670,153	10,295,459
Unallocated assets:						
Investment properties					100,000	100,000
Long term investments					932,852	746,027
Tax refunds due from the government					388,263	537,190
Investments held at fair value through profit or loss					1,703,441	1,318,597
Non-current assets classified as held for sale					6,666	14,192
Total assets as per condensed interim statement of financial position					12,801,375	13,011,465
Total liabilities for reportable segments	4,778,643	5,425,214	689,769	753,274	5,468,412	6,178,488
Unallocated liabilities:						
Deferred income tax liability					209,633	209,633
Unclaimed dividend					6,387	6,731
Total liabilities as per condensed interim statement of financial position					5,684,432	6,394,852

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2020

24. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these condensed interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table.

Recurring fair value measurements at 30 September 2020 - Un-audited	Level 1	Level 2	Level 3	Total
(Rupees in Thousand)				
Financial assets				
Fair value through profit or loss	1,703,441	-	-	1,703,441
Fair value through other comprehensive income	861,769	-	-	861,769
	2,565,210	-	-	2,565,210

Recurring fair value measurements at 30 June 2020 - Audited	Level 1	Level 2	Level 3	Total
(Rupees in Thousand)				
Financial assets				
Fair value through profit or loss	1,318,597	-	-	1,318,597
Fair value through other comprehensive income	674,944	-	-	674,944
	1,993,541	-	-	1,993,541

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2020

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half year ended 31 December 2019. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine level 1 fair values

Specific valuation technique used to value financial instruments was use of quoted market prices.

25. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, key management personnel and provident fund trust. The Company is in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties are as follows:

	Period Ended	
	September 30, 2020	September 30, 2019
	(Rupees in thousand)	
i) Transactions		
Associated companies		
Purchase of electricity	1,472	92
Sale of goods	11,642	16,061
Purchase of goods	8,058	34,480
Insurance expense	28,901	37,164
Key management personnel		
Remuneration paid to Chief Executive Officer, Director	11,986	11,030
Other related parties		
Company's contribution to provident fund trust	6,162	5,925

Selected Notes to the Condensed Interim Financial Statements (Un-Audited) For The Period Ended September 30, 2020

ii) Period end balances

	As At 30 September 2020 (Un-Audited)		
	Associated Companies	Other Related Parties	Total
	(Rupees in Thousand)		
Trade debts	651	-	651
Loans and advances	-	2,371	2,371
Trade and other payables	23,868	118	23,986

	As At 30 June 2020 (Audited)		
	Associated Companies	Other Related Parties	Total
	(Rupees in Thousand)		
Trade debts	15,194	-	15,194
Loans and advances	-	62	62
Trade and other payables	14,959	12	14,971

26. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2020.

27. DATE OF AUTHORIZATION

These condensed interim financial statements were approved by the Board of Directors and authorized for issue on 28 October 2020.

28. CORRESPONDING FIGURES

Corresponding figures have been re-arranged, wherever necessary, for the purpose of comparison. However no significant rearrangement have been made.

29. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

سورج

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