



ANNUAL  
REPORT  
2021



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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

Naeem Sheikh

## Audit Committee

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

## HR Nomination & Remuneration Committee

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

## Risk Management Committee

Mr. Humayun Maqbool (Chairman)  
Mr. Nadeem Maqbool (Member)  
Mr. Sharik Bashir (Member)

## Share Registrar

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

## Auditors

Riaz Ahmad & Co.  
Chartered Accountants

## Company Secretary

Shahzad Nazir

## 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  
Meezan 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.

## 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.

## EXCELLENCE

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

## INNOVATION

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

## INTEGRITY

Uphold the highest ethical standards and promote trust and respect

## LEADERSHIP

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

## TEAMWORK

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

## About Us

### PROFILE

Suraj Cotton Mills Limited is a Public Limited Company incorporated on December 18, 1984 and is listed on Pakistan Stock Exchange of Pakistan. The Company is engaged in the manufacturing and trading of high quality Yarn and Woven Fabrics.

The Company has four operating units located at Nooriabad (Sindh), Shahkot and Raiwind (Punjab). The Company initially set up its spinning project with the capacity of 16,320 spindles at Nooriabad in 1985, which came into commercial production in 1986. After additions this unit now comprises of 24,576 spindles producing yarn counts from 10/1 cd to 30/1 cd, high end combed yarns and spandex yarns for weaving

Spinning unit No. 2 was set up at Shahkot in 1990 and this unit has witnessed a continuous process of modernization and expansion. Currently its spinning capacity is 43,000 spindles all of which specialize in the production of fine count yarns in range 40 combed to 130 combed.

The third production facility set up in 1994 in the same location. The weaving unit is equipped with most modern, sophisticated, state-of-the-art machinery and has a collective capacity exceeding 12 Million meters of grey cloth annually. In order for the company to be able to absorb the increasing competitiveness, and to be able to produce a variety of fabrics, the management has expanded its weaving facilities by addition of 120 state of art, wider width Air Jet looms in 2003 which has further enhanced the collective capacity to 28 million meters of Grey cloth annually.

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

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

# Business Philosophy

## Our Business

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

## Vision of Future Business

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

## Our Strengths

We have made pioneering efforts in development of new products which has enabled us to emerge as a market leader. This together with an innovative and professional management style has helped us to build a strong and financially sound base.

## Our Strategy

We are determined to convert our vision into reality by using innovation to create a market niche for our products and by investing in facilities, people, systems and new technology, diversification into value addition and improvements in productivity and service to customers.

We shall aggressively exploit new markets by drawing strength from our corporate image and by promoting a culture that encourages initiatives at all levels of decision making.

## Our Values

- We take pride in adhering to ethical business practices and in being a good corporate citizen.
- We respect our people and endeavor to provide them opportunities to realize their full potential.
- We recognize our responsibility to our stakeholders and society.



# Chairmans' Review

**I am pleased to present the Chairman's Review Report of the company for the year ending 30 June 2021.**

## The Economy

Despite myriad of challenges, Pakistan's economy is moving progressively on higher inclusive and sustainable growth path on the back of various measures and achievements during the year. The COVID-19 pandemic has led to a global crisis of unprecedented reach and proportion. While the global economic growth remained under pressure, Pakistan's economy has regained momentum as COVID-19 related impacts were largely well managed. This was supported by an accommodative monetary policy, introduction of refinancing facilities, targeted fiscal support and other financial initiatives. These created extra impetus for the resumption of economic activity post-lockdown and contraction phase was short-lived. While still modest, growth in FY21 stood at 3.94% due to improved prospects.

The external sector improved significantly. The current account deficit contracted by 58.4% to USD 1.9 billion during FY21. This was driven by a significant reduction in imports and continuous growth in workers' remittances i.e. 27% YoY, compounded with 18.3% growth in exports. Monetary assistance from IMF and support from other multilateral partners in the shape of emergency loan & debt rescheduling, have provided much needed support. As a result, the State Bank of Pakistan's (SBP) reserves are now more secure and have reached the level of USD 16.4 billion. However, downward trend in inflationary pressure in FY21 is now reversing due to rising demand and global price hike in commodities. As a result, inflation is expected to persist in double digit unless commodity prices are not curtailed. Since the beginning of COVID-19, SBP has reduced the policy rate to 7%. This was done with an aim to dilute the impact of the COVID-19 shock to the economy and to maintain financial stability. Further, macroeconomic stability was reflected through growth in KSE-100 index that grew by 13,175 points i.e. 38% in FY21 and PSX regained its lost momentum and surpassed 47,000 points benchmark by June 2021.

## Company Performance

The current financial year was quite favorable for

the Company due to positive market conditions and growth in demand. Sales revenue grew by 34.87% to Rs 17.37 billion in the year under review as compared to Rs 12.88 billion in the previous year, due to price hike of yarn and augmented

demand in local market. Better product margins, selection of high yield orders and stringent controls over critical contemporary areas of performance resulted growth in gross profit to Rs 3.44 billion.

## Corporate Governance

In order to respond to the mandate of the shareholders to achieve sustainable growth and impactful governance, Suraj Cotton complies with all material requirements set out in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 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 Suraj 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 self-evaluation for the year ended June 30, 2021 and I report that:

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

- **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.



# Chairmans' Review

- **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.

Finally, I would like to express my gratitude to all the shareholders for their continued trust and confidence in the Company. The Board is united in extending our thanks to each member of the SCML team as we acknowledge their unwavering support and dedication to the Company. We are committed to attain leadership in the industry by producing quality products and handsome returns for our shareholders and pray to Almighty Allah to bless us in our future endeavors.

**Khalid Bashir**  
Chairman  
Board of Directors

## چیرمین کا جائزہ

تنظیم کی کاروباری سرگرمیوں کی نگرانی: انتظامیہ، داخلی اور خارجی آڈیٹرز اور دیگر آزاد مشیروں کی باقاعدہ پریزنٹیشن کے ذریعے کمپنی کے مقاصد، اہداف، حکمت عملی اور مالی کارکردگی حاصل کرنے کے سلسلے میں بورڈ اپ ڈیٹ رہا۔ بورڈ نے بروقت بنیاد پر مناسب سمت کا تعین اور نگرانی کی ہے۔ گورننس اور کنٹرول کا ماحول: بورڈ نے شفاف اور مضبوط نظام حکمرانی قائم کر کے مؤثر انداز کو سر فہرست رکھا ہے۔ اس کی عکاسی مؤثر کنٹرول کا ماحول، کارپوریٹ گورننس کے بہترین طریق کار کی تعمیل اور پوری کمپنی میں اخلاقی اور منصفانہ طرز عمل کو فروغ دینے سے ہوتی ہے۔

آخر پر، میں تمام شیئرز ہولڈرز کا کمپنی پر مسلسل اعتماد اور یقین کے لیے شکریہ ادا کرتا ہوں۔ بورڈ SCML ٹیم کے ہر رکن کا کمپنی کی مسلسل مدد اور لگن کا بھی شکر گزار ہے۔ ہم معیاری مصنوعات پیدا کر کے اور اپنے حصص یافتگان کو قابل ذکر منافع دے کر انڈسٹری میں قیادت حاصل کرنے کے لیے پُر عزم ہیں اور اللہ تعالیٰ سے دعا گو ہیں کہ وہ ہماری آئندہ کی کوششوں میں برکت ڈالے۔

خالد بشیر  
(چیرمین)

## چیرمین کا جائزہ

میں 30 جون 2021 کو ختم ہونے والے سال کے لئے کمپنی کے چیرمین کی جائزہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتا ہوں۔  
اقتصادی جائزہ

متعدد مشکلات کے باوجود، پاکستان کی معیشت سال بھر کے دوران متعدد اقدامات اور کامیابیوں کی پشت پر اعلیٰ شمولیتی اور پائیدار نمو کی راہ پر گامزن ہے۔  
COVID-19 وبائی بیماری بے مثال رسائی اور تناسب کے عالمی بحران کا باعث بنی ہے۔ اگرچہ عالمی معاشی نمود باؤ میں رہی، پاکستان کی معیشت نے پھر سے رفتار پکڑ لی ہے کیونکہ کوویڈ 19 سے متعلقہ اثرات کو بڑے پیمانے پر سنبھالا گیا۔ آسان مالیاتی پالیسی، ری فنانسنگ سہولیات کا متعارف کرانا، ہدف شدہ مالی معاونت اور دیگر مالیاتی اقدامات بہت معاون رہے ہیں۔ انہوں نے لاک ڈاؤن کے بعد معاشی سرگرمیوں کی بحالی کے لیے اضافی تحریک پیدا کی اور سکڑاؤ کا مرحلہ قلیل المدت تھا۔ اب بھی معمولی ہونے کے باوجود، بہتر امکانات کی وجہ سے مالی سال 21 میں نمو 3.94 فیصد رہی۔

بیرونی شعبے میں نمایاں بہتری آئی۔ مالی سال 21 کے دوران کرنٹ اکاؤنٹ خسارہ 58.4 فیصد کم ہو کر 1.9 بلین ڈالر رہ گیا۔ یہ درآمدات میں نمایاں کمی اور بیرون ملک پاکستانیوں سے ترسیلات زر میں مسلسل اضافے یعنی 27% سالانہ اور برآمدات میں 18.3% کے امتزاج کے باعث ممکن ہوا ہے۔ آئی ایم ایف کی طرف سے مالی مدد اور دیگر کثیر الجہتی شراکت داروں کی جانب سے ہنگامی قرضہ جات کی فراہمی اور موجودہ قرض کی ری شیڈولنگ نے کافی مدد فراہم کی ہے۔ اس کے نتیجے میں، اسٹیٹ بینک آف پاکستان (SBP) کے ذخائر اب نسبتاً زیادہ محفوظ ہیں اور 16.4 بلین ڈالر کی سطح پر آچکے ہیں۔ تاہم، مالی سال 21 میں افراط زر کے دباؤ میں کمی کارحجان اشیاء کی طلب میں اضافہ اور عالمی قیمتیں بڑھنے کی وجہ سے اب واپس ہو رہا ہے۔ اس کے نتیجے میں، سالانہ افراط زر کی شرح دو ہندسہ میں رہنے کی امید سے مہنگائی کے دباؤ میں کمی کارحجان برقرار رہنے کی توقع ہے۔ COVID-19 کے آغاز سے، اسٹیٹ بینک پاکستان نے پالیسی کی شرح کو کم کر کے 7 فیصد کر دی ہے۔ ایسا COVID-19 کی معیشت پر پڑنے والے اثرات کم کرنے اور مالی استحکام کو برقرار رکھنے کے مقصد کے ساتھ کیا گیا تھا۔ اس کے علاوہ، میکرو اکنامک استحکام KSE-100 انڈیکس میں نمو سے ظاہر ہوتا ہے جو مالی سال 21 میں 13,175 پوائنٹس تک زیادہ ہوا یعنی 38 فیصد اضافہ ہوا اور PSX نے اپنی کھوئی ہوئی رفتار دوبارہ حاصل کر لی اور جون 2021 تک 47,000 پوائنٹس کا معیار عبور کر گیا۔

### کمپنی کی کارکردگی

رواں مالی سال مثبت مارکیٹ حالات اور طلب میں اضافہ کی وجہ سے کمپنی کے لئے موزوں سال رہا۔ زیر جائزہ سال میں یارن کی قیمت بڑھنے اور مقامی مارکیٹ میں زیادہ طلب کی وجہ سے فروخت آمدنی 34.87 فیصد بڑھ کر 17.37 بلین روپے ہو گئی جو پچھلے سال میں 7.81 بلین روپے تھی۔ بہتر مصنوعات مارجنز اعلیٰ پیداواری آرڈرز کا انتخاب اور کارکردگی کے کریڈیٹس، ہم عصری شعبوں پر سخت کنٹرول کے نتیجے میں مجموعی منافع میں 3.44 بلین روپے کا اضافہ ہوا۔

### کارپوریٹ گورننس

پائیدار نمو اور موثر گورننس کے حصول کے لئے تھیں یافتگان کے مینڈیٹ کے جواب میں، سورج کاٹن بورڈ آف ڈائریکٹرز اور اس کی کمیٹیوں کی تشکیل، طریقہ کار اور اجلاسوں کے سلسلے میں کمیٹیز ایکٹ، 2017 اور فہرست کمیٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں طے شدہ تمام مادی تقاضوں پر عمل کرتی ہے۔ کوڈ آف کارپوریٹ گورننس کے مطابق، سورج کاٹن ملز لمیٹڈ ("کمپنی") کے بورڈ آف ڈائریکٹرز ("بورڈ") کی سالانہ تشخیص کی جاتی ہے۔ اس تشخیص کا مقصد بورڈ کی مجموعی کارکردگی اور کامیابی کی پیمائش اور کمپنی کے لئے طے شدہ مقاصد کے تناظر میں توقعات کے مطابق معیار پر پورا اترنے کو یقینی بنانا ہے۔ جن شعبوں میں بہتری کی ضرورت ہو ان پر باقاعدہ غور اور 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، 2021 کو ختم ہونے والے سال کیلئے اپنی سالانہ خود تشخیص مکمل کی ہے اور میں بیان کرتا ہوں کہ:

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

## Directors' Profile

### Mr. Khalid Bashir

Chairman

Director (Non-Executive)

Joined Board:

1998

Chief Executive:

Shams Textile Mills Limited

Director:

Shakarganj Limited  
The Crescent Textile Mills Limited  
Premier Insurance Limited  
Crescent Powertec 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  
Crescent Steel & Allied Products Limited



### Mr. Ahsan Bashir

Director (Executive)

Joined Board:

1994

Chief Executive & Director:

Crescent Powertec Limited

Director:

Premier Insurance Limited



### Mr. Amjad Mahmood

Director (Non-Executive)

Joined Board:

1988

Director:

The Crescent Textile Mills Limited



# Directors' Profile

## Mr. Adil Bashir

Director (Executive)

Joined Board:

2015

Director:

Shams Textile Mills Limited  
Crescent Powertec Limited



## Mr. Humayun Maqbool

Director (Non-Executive)

Joined Board:

1996

Director:

Crescent Fibres Limited



## Mr. Mohammad Iqbal

Director (Non-Executive)

Joined Board:

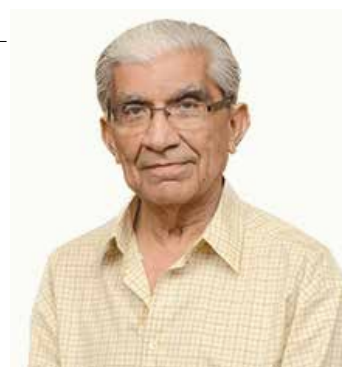
2010

Chairman & Director:

Al Abbas Sugar Mills Limited  
Acme Mills (Pvt.) Limited

Director:

Icon Global (Pvt) Limited



## Mr. Sharik Bashir

Director (Non-Executive)

Joined Board:

2016

Director:

Shams Textile Mills Limited  
Crescent Powertec Limited



# Directors' Report

On behalf of the Board of Directors, I am pleased to present the operating and financial performance of the company for the year ended 30 June 2021.

## Overview

After the challenges of the last quarter of the 2020 financial year, the textile industry has performed very well and your company's results are evident of the resilience of Pakistan and our industry in particular. Pakistan's exports during the year under review have increased significantly due to above average demand for textile products and an increasing trend of major buyers shifting their business to Pakistan. During the year under review, government policies remained industry-friendly with the State Bank of Pakistan playing a very positive role in maintaining a stable monetary policy and the low interest rates helped spur growth. There was also positive news on the energy front with regionally competitive utility rates for the export industry leading to a lower cost of doing business. Presently there is pressure on the Pakistani Rupee due to higher imports and subsequent pressure on the balance of trade. We hope that the fiscal managers will be able to weather this and sustain this pressure. Taking advantage of these factors, your company has managed to post excellent results with an after tax profit of PKR 2.558 billion compared to PKR 719.5 million in the corresponding period. These results are a reflection of higher margins due to increase in end product prices as well as stringent controls on our operating expenses and in part due to economies of scale. Earnings per share for the period under review were PKR 63.43 (2020 Restated: PKR 17.84).

## Business Performance

Being in textile business your company is principally engaged in the business of manufacturing Yarn and Greige Fabric. In the year under review the company achieved revenue of PKR 17.374 billion, an increase of 35% over the corresponding period. The main factors influencing this sizeable growth were higher product prices and some element of the pandemic period carryover inventories sold during the current year. Towards the end of the first quarter, demand for yarn and fabrics started to increase in the domestic market. Prices also increased with significantly higher margins.

Gross profit was higher due to better product margins as compared to the corresponding period. Administration costs were higher by about 5% due to normal inflationary pressures as well as increased CSR contributions. Distribution costs were higher by 30% mainly due to provision of higher commissions due to an increase in sales.

Financial charges of the company decreased by approximately 12% mainly due to lower interest rates compared to the previous year and also positive cash flows leading from higher profitability.

Other income has gone up manifold at PKR 553 million as compared to PKR 271 million in the corresponding period. Major contributors to this increase are dividend income, returns from asset management companies (AMC) as well as realized and un-realized capital gains. During the year under review, the PSX performance was exceptional and our Investment team managed to reap the benefits. We hope for a positive trend in the coming year so that we can improve our investment performance.

## Financial Performance at a glance

The financial performance of your company for the fiscal year ended June 30, 2021 as compared to last year is presented below:

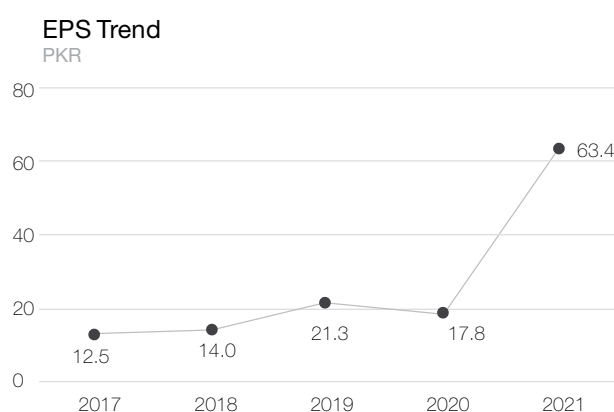


# Directors' Report

Brief Income Statement	2021	2020	% Change
(PKR in Million)			
Sales	17,374	12,883	34.87%
Gross profit	3,447	1,321	161%
Operating profit	3,251	1,042	212%
Financial cost	(165)	(190)	-13%
Profit before taxation	3,086	851	263%
Taxation	(527)	(132)	300%
Net Profit	2,558	720	255%
Earnings per Share (EPS)	63.43	17.84	

## Earnings Per Share (EPS)

The earnings Per Share (EPS) of your company for the fiscal year ended June 30, 2021 stood at 63.43 as compared to 17.84 (restated) reported last year.



The Breakup value per share for the year ended June 30, 2021 is PKR 229.75 (2020 Restated: PKR 164.02).

## Dividend & Appropriation

Considering current capital and equity investment plans; the Board has proposed a final cash dividend of PKR 10 per share and stock dividend of 10 shares for every 100 shares subject to approval of shareholders in upcoming Annual General Meeting scheduled to be held on October 27, 2021. This approach remains in line with your company's commitment to consistently provide sustainable returns to the shareholders.

## Expansion & Modernization

The company is in the process of expanding its weaving capacity through the addition of 154 wide width looms and related back process machinery. With the machinery starting to arrive, we expect that we will be able to start trial production by December 2021. Commercial production should commence by January 2022. In addition, the company is also planning to modernise its spinning unit located at Nooriabad. The current machinery configuration at this plant is now very old (1986) and modernization will enable this unit to improve efficiency through new technology which will increase productivity as well as bring about significant savings in labor costs and other operating expenses.



# Directors' Report

## Corporate Social Responsibility (CSR)

As a responsible corporate, the company has a strong commitment towards community development and the society in which we operate. As in past years we have always tried to work for the uplift of the communities in which we work. Our focus remains on healthcare with emphasis also on the education sector. In addition, we contribute towards women empowerment and environment conservation. This year the company has spent PKR126.82 Million on these initiatives.

## 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.

## 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 macro-economic 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

# Directors' Report

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.

## Code of Corporate Governance

The Directors of your company are aware of their responsibilities under the Listed Companies (Code of Corporate Governance) Regulations 2019 and 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.
- Statement of pattern of Shareholding has been included as part of this Annual Report.
- There has been no material departure from the best practices of corporate governance.
- All the statutory payments on account of taxes, duties, levies and charges have been made except those disclosed in financial statement.

## Meetings of the Board of Directors

Board of SCML comprise of 8 (Male) Directors. Five meetings of Board of Directors were held during the year 2020-21. The composition of Board and attendance of directors in meetings of BOD is provided as under:

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

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

# Directors' Report

## 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.
- The remuneration of Directors is paid as approved by the Board of Directors. The remuneration package is designed to attract suitable candidate and talent on the Board.
- A Director is 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 seven Directors out of eight 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:

Sr.No	Name of Members	No. of Meetings Attended
1.	Mr. Humayun Maqbool (Chairman)	03
2.	Mr. Ahsan Bashir	04
3.	Mr. Adil Bashir	02

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

### Human Resource, Nomination & Remuneration Committee

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

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

# Directors' Report

## Risk Management Committee

The Board of Directors in compliance to the Code of Corporate Governance has established a Risk Management Committee and the following directors are its members:

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

## Adequacy of Internal & Financial Controls

The Board of Directors have fulfilled their responsibility of adequacy of internal controls and 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 2020-21 were Audited by M/s Riaz Ahmad & Co. Chartered Accountants. The Auditors will retire at the end of Annual General Meeting. Being eligible, they have offered for re-appointment. The Board has recommended the appointment of M/s Riaz Ahmad & Co. Chartered Accountants as Auditors for the ensuing year, as recommended by the Audit Committee, subject to approval of the members in the forthcoming Annual General Meeting.

## 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, 2021 is annexed with this report.

## Future Outlook

The year under review has been an exceptional one for the entire textile industry from spinning all the way up to garments. This has been mainly due to a major shift enabling Pakistan to get a larger market share and fully utilize its capacity. During

## Directors' Report

these pandemic times, the Government and the State Bank of Pakistan played a pivotal role in supporting the industry through fiscal measures as well as reducing the cost of business to some extent. We laud these measures and hope for a continuous government policy to boost industrial production.

In the period under review, Pakistan's cotton crop was an unmitigated disaster and the crop size was below 6 million bales. The industry was forced to import raw cotton from the international market leading to a trade imbalance. During the current year the crop forecast is 8.5 million bales and the need for import will remain. Much needed improvements in seed development and research are still being neglected and we will have to continue imports to meet our requirements. The textile industry has embarked on a major expansion plan with huge investments in spinning and weaving. This will only increase our requirements of cotton and urgent efforts are required to enhance domestic production.

The provision of regionally competitive energy is to be continued till the end of the current fiscal year and we hope that this will enable us to increase exports manifold through competitive prices to further increase market share.

Opening prices for Pakistan raw cotton for the current season have opened firm and with the international prices also on the uptrend show no signs of any let up. We expect that prices will remain firm in view of good demand for cotton and textile products barring any new impact of COVID-19. World economies are also starting to open up and with people starting to return to offices and schools, supply lines need to be replenished. Based on the current trends, we expect that the industry will continue to perform well with maybe somewhat lower margins in view of high raw material costs.

We are continuously striving to improve efficiencies and productivity and to achieve this we will have additional weaving capacity in operation during this year. Our modernization plan for Unit 1 and balancing for other units will also bring about better results. Some of these changes will take place in the current year and some will happen in the subsequent fiscal year.

### 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.



Chief Executive



Director

September 20<sup>th</sup>, 2021

Lahore

## مجلس نظام کی رپورٹ

رجحانات کی بنیاد پر، ہم توقع کرتے ہیں کہ صنعت خام مال کے زیادہ اخراجات کے پیش نظر شاید کچھ کم مارجن کے ساتھ اچھی کارکردگی کا مظاہرہ کرتی رہے گی۔

ہم کارکردگی اور پیداواری صلاحیت کو بہتر بنانے کے لیے مسلسل کوشاں ہیں اور اس کو حاصل کرنے کے لیے اس سال کے دوران ہمارے پاس ویونگ کی اضافی صلاحیت ہوگی۔ یونٹ 1 کے لیے ہمارا جدید کاری کا منصوبہ اور دیگر یونٹوں کے لیے توازن بھی بہتر نتائج لائے گا۔ ان میں سے کچھ تبدیلیاں موجودہ سال اور کچھ اگلے مالی سال میں ہوں گی۔  
اظہار تشکر

بورڈ آف ڈائریکٹرز کی جانب سے، میں اپنے تمام شراکت داروں اور ملازمین کی مسلسل حمایت شکریہ ادا کرتا ہوں۔ ہم بورڈ آف ڈائریکٹرز کی قابل قدر بصیرت اور رہنمائی کے بھی شکرگزار ہیں۔

منجانب بورڈ آف ڈائریکٹرز

ڈائریکٹر

(چیف ایگزیکٹو)

لاہور

20 ستمبر 2021ء

## مجلس نظام کی رپورٹ

کمپنی کے اثاثوں کی حفاظت کرنا۔

قابل اطلاق قوانین و ضوابط کی تعمیل۔

قابل اعتماد مالیاتی رپورٹنگ۔

سورج کائن ملز لمیٹڈ کا آزاد داخلی آڈٹ عمل میسر KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس آؤٹ سورس ہے جو اسٹینڈرڈ آپریٹنگ پروسیجرز اور متعلقہ مالی کنٹرول کے نفاذ کی باقاعدگی سے جانچ اور نگرانی کرتا ہے۔

داخلی آڈٹ رپورٹس سہ ماہی بنیاد پر منظور شدہ سالانہ داخلی آڈٹ پلان کے مطابق آڈٹ کمیٹی کے روبرو پیش کی جاتی ہیں۔ اس کے مطابق، آڈٹ کمیٹی اپنے اجلاسوں میں داخلی کنٹرول فریم ورک کی موثرگی اور مالیاتی گوشواروں کا جائزہ لیتی ہے۔

### آڈیٹرز

موجودہ مالی سال 2020-21ء کے لئے کمپنی کے مالیاتی گوشواروں کا میسرز ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے آڈٹ کیا۔ آڈیٹرز سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ اہل ہونے کی بناء پر، انہوں نے دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ بورڈ نے آئندہ سالانہ عام اجلاس میں ممبروں کی منظوری سے مشروط، آڈٹ کمیٹی کی تجویز پر آئندہ سال کے لئے میسرز ریاض احمد اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو آڈیٹ کی حیثیت سے تقرری کی سفارش کی ہے۔

### بعد کے واقعات

مالیاتی سال کے اختتام اور اس رپورٹ کی تاریخ کے مابین کمپنی کی مالی حیثیت کو متاثر کرنے والی کوئی بڑی تبدیلیاں یا وعدے وقوع پذیر نہیں ہوئے ہیں۔

### حصص داری کا نمونہ

30 جون، 2021ء تک کمپنی ایکٹ 2017ء کے سیکشن (f)(2) 227 کے تحت مطلوبہ کمپنی کے شیئر ہولڈنگ کا نمونہ، رپورٹ ہذا کے ہمراہ لف ہے۔

### مستقبل کا نقطہ نظر

زیر جائزہ سال پوری ٹیکسٹائل انڈسٹری کے لیے ویونگ سے لے کر گارمنٹس تک ایک غیر معمولی سال رہا ہے۔ اس کی بنیادی وجہ بڑی تبدیلی ہے جس نے پاکستان کو مارکیٹ کا بڑا حصہ حاصل کرنے اور اپنی صلاحیت کو مکمل طور پر استعمال کرنے کے قابل بنایا ہے۔ وبائی بیماری کے دوران، حکومت اور اسٹیٹ بینک آف پاکستان نے مالی اقدامات کے ذریعے صنعت کو سہارا دینے کے ساتھ ساتھ کاروبار کی لاگت کو بھی کسی حد تک کم کرنے میں اہم کردار ادا کیا۔ ہم ان اقدامات کو سراہتے ہیں اور صنعتی پیداوار کو بڑھانے کے لیے حکومت کی مسلسل پالیسی کی امید رکھتے ہیں۔

زیر جائزہ مدت میں، پاکستان کی کپاس کی فصل غیر متوقع طور پر تباہ کن تھی اور فصل کا سائز 6 ملین گانٹھوں سے کم رہا۔ انڈسٹری کو مجبوراً بین الاقوامی مارکیٹ سے خام کپاس درآمد کرنا پڑی جس سے تجارتی عدم توازن پیدا ہو گیا۔ رواں سال کے دوران فصل کی پیش گوئی 8.5 ملین گانٹھیں ہے اور درآمد کی ضرورت باقی رہے گی۔ بیج کی ڈیولپمنٹ اور تحقیق میں بہت زیادہ اصلاحات کو نظر انداز کیا جا رہا ہے اور ہمیں اپنی ضروریات کو پورا کرنے کے لیے درآمدات جاری رکھنی ہوں گی۔ ٹیکسٹائل انڈسٹری نے ایک بڑے توسیعی منصوبے پر کام شروع کیا ہے جس میں سپنگ اور ویونگ میں نمایاں سرمایہ کاری کی گئی ہے۔ یہ نہ صرف کپاس کی ہماری ضروریات کو بڑھادے گی بلکہ ملکی پیداوار کو بڑھانے کے لیے فوری کوششوں کی بھی ضرورت ہے۔

علاقائی طور پر مسابقتی توانائی کی فراہمی کو رواں مالی سال کے اختتام تک جاری رہنا چاہئے اور ہمیں امید ہے کہ اس سے ہم درآمدات میں کئی گنا اضافہ کر کے مسابقتی قیمتوں کے ذریعے مارکیٹ شیئر کو مزید بڑھانے کے قابل ہو سکیں گے۔

رواں سیزن کے لیے پاکستان کی خام کپاس کی اوپننگ قیمتیں مستحکم ہیں اور بین الاقوامی قیمتوں میں بھی اضافہ کارہجان ہے جس میں کسی کمی کے آثار نہیں ہیں۔ ہم توقع کرتے ہیں کہ کوویڈ 19 کے کسی بھی نئے اثر سے بادیء النظر، کپاس اور ٹیکسٹائل مصنوعات کی اچھی طلب کو مد نظر رکھتے ہوئے قیمتیں مستحکم رہیں گی۔ عالمی معیشتیں بھی کھلنا شروع ہو گئی ہیں اور لوگوں کے دفاتر اور اسکولوں میں واپسی شروع ہونے کے ساتھ، سپلائی لائنوں کو دوبارہ بھرنے کی ضرورت ہے۔ موجودہ



## مجلس نظام کی رپورٹ

سے ڈائریکٹریٹنگ پروگرام سے مستثنیٰ ہیں۔ بقیہ ڈائریکٹرز نے باقاعدہ CCG کا مقررہ ڈائریکٹریٹنگ پروگرام مکمل کیا ہے۔

بورڈ کی کمیٹیاں اور اجلاس

SCML کے بورڈ کی کمیٹیوں اور ان کے اجلاسوں کی تفصیلات مندرجہ ذیل ہیں۔

آڈٹ کمیٹی

کوڈ آف کارپوریٹ گورننس کی تعمیل میں بورڈ آف ڈائریکٹرز نے ایک آڈٹ کمیٹی قائم کی ہے اور مندرجہ ذیل ڈائریکٹرز اس کے رکن ہیں۔ آڈٹ کمیٹی کے چار اجلاس ہوئے:

نمبر شمار	نام ڈائریکٹرز	اجلاس میں حاضری
1	جناب ہمایوں مقبول (چیئر مین)	03
2	جناب احسن بشیر	04
3	جناب عادل بشیر	02

تاہم، ڈائریکٹرز جو مصروفیات کے باعث بورڈ کے اجلاسوں میں شرکت نہیں کر سکے کو عدم شرکت کی چھٹی دی گئی۔

ہیومن ریسورس اینڈ ریمیزیشن کمیٹی

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں ایک ہیومن ریسورس اینڈ ریمیزیشن کمیٹی قائم کی ہے، مندرجہ ذیل ڈائریکٹرز اس کے ارکان ہیں:

نمبر شمار	نام ارکان	اجلاس میں حاضری
1	جناب احسن بشیر (چیئر مین)	01
2	جناب ندیم مقبول	01
3	جناب عادل بشیر	01

رسک مینجمنٹ کمیٹی

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں ایک رسک مینجمنٹ کمیٹی قائم کی ہے، مندرجہ ذیل ڈائریکٹرز اس کے ارکان ہیں:

نمبر شمار	نام ارکان	اجلاس میں حاضری
1	جناب ہمایوں مقبول (چیئر مین)	01
2	جناب ندیم مقبول	01
3	جناب شارق بشیر	01

موزوں داخلی اور مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز نے موزوں داخلی اور مالیاتی کنٹرولز کی اپنی ذمہ داری پوری کی ہے اور داخلی اور مالیاتی کنٹرولز کا ایک مؤثر نظام قائم کیا ہے جو یقینی بناتا ہے کہ:

آپریشنوں کا کارگر اور مؤثر انعقاد۔

## مجلس نظام کی رپورٹ

- ❖ کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کیا گیا ہے۔
- ❖ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- ❖ مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- ❖ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- ❖ داخلی کنٹرول کا نظام مستحکم ہے اور موثر طور پر نافذ العمل اور زیر نگرانی ہے۔
- ❖ کمپنی کے رواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- ❖ لسٹنگ ریگولیشن اور کارپوریٹ گورننس میں بیان کردہ بہترین اصولوں سے قابل ذکر انحراف نہیں کیا گیا۔
- ❖ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں تمام قانونی ادائیگیاں، اگر کوئی ہوں، جو بقایا ہوں، کا مالی حسابات میں واضح انکشاف کیا گیا ہے؛

### ڈائریکٹر اور بورڈ کے اجلاس

سال 2020-21 کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے۔ BOD کے اجلاس میں ڈائریکٹرز کی حاضری مندرجہ ذیل ہے:

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب احسن بشیر	05
2	جناب امجد محمود	05
3	جناب عادل بشیر	03
4	جناب ہمایوں مقبول	03
5	جناب خالد بشیر	05
6	جناب محمد اقبال	05
7	جناب شارق بشیر	05

تاہم، جو ڈائریکٹر مصروفیت کے باعث بورڈ کے اجلاسوں میں شرکت نہیں کر سکتے تھے کو غیر حاضری کی رخصت عطا کی گئی۔

### ڈائریکٹرز کا معاوضہ

بورڈ آف ڈائریکٹرز نے معاوضہ کے تعین کے لئے ایک ہدایت نامہ تیار کیا ہے۔ اس کی نمایاں خصوصیات مندرجہ ذیل ہیں:

- ❖ کمپنی اپنے نان ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹی کے اجلاسوں میں شرکت کے لئے میٹنگ فیس کے علاوہ کسی بھی معاوضے کی ادائیگی نہیں کرے گی۔
- ❖ بورڈ آف ڈائریکٹرز یا اس کی کمیٹیوں کے اجلاس میں شرکت کے لئے ڈائریکٹرز کا معاوضہ اور میٹنگ فیس کا وقتاً فوقتاً تعین کیا جائے گا اور بورڈ آف ڈائریکٹرز اس کی منظوری دیں گے۔

❖ بورڈ کے اجلاسوں، اس کی کمیٹیوں اور کمپنی کے عمومی اجلاسوں میں شرکت کے لئے تمام سفری، بورڈنگ، رہائش اور دیگر اخراجات مہیا یا معاوضہ دیا جائے گا۔

### ڈائریکٹرز ٹریننگ پروگرام

موجودہ BOD مورخہ 2 اپریل 2019 کو منتخب ہوا اور سات میں سے چھ ڈائریکٹرز 14 سالہ تعلیم اور مندرجہ کمپنیوں کے بورڈ میں 15 سال کا تجربہ رکھنے کی وجہ

# مجلس نظام کی رپورٹ

## ماحولیاتی اثرات

آپ کی کمپنی اپنے ہر شعبہ میں ماحولیات کے تحفظ کے لئے ہمیشہ سنجیدگی سے ذمہ داری لیتی ہے۔ ماحولیاتی تحفظ کی اہمیت کو مزید اجاگر کرنے اور ایک ذمہ دار کارپوریٹ شہری ہونے کی کوشش کے ساتھ، آپ کی کمپنی نے اپنی مینوفیکچرنگ سائٹس میں اور اپنے ارد گرد درختوں کی شجرکاری مہم جاری رکھی ہوئی ہے اور ماحولیاتی تحفظ کی طرف خاطر خواہ توجہ دی ہے۔

آپ کی کمپنی پانی کے قیمتی وسائل کے ذمہ دارانہ استعمال پر یقین رکھتی ہے اور اس کے استعمال کو کم کرنے کے لئے ہر ممکن کوشش کرتی ہے۔ اپنی پیداواری سہولیات پر آراو پلانٹس کی تنصیب سے ہم پانی کے تحفظ کو یقینی بناتے ہیں اور ساتھ ہی ساتھ اپنے ملازمین کو چوٹیں گھٹے صاف پانی کی فراہمی کو یقینی بناتے ہیں۔ اپنی مہارت کو بروئے کار لاتے ہوئے، ہم سورج کاٹن میں اپنے پانی کے استعمال کو موثر اور پائیدار انداز میں منظم کرنے کے لئے پُر عزم ہیں تاکہ جہاں بھی ممکن ہو، کمیونٹیز کو صاف پانی تک رسائی کی بہتری میں معاون ہوں۔ ہم قدرتی آبی چکر کی بحالی، اپنی ویلیو چین کے متعدد پہلوؤں اور لوگوں اور کمیونٹیز کو فائدہ پہنچانے اور خدمت کرنے کے لئے کوشاں ہیں۔

## خطرے کی تخفیف

کمپنی کو مختلف قسم کے خطرات لاحق ہیں اور تخفیفی حکمت عملیوں کے ساتھ خلاصہ مندرجہ ذیل ہے:

## اسٹریٹجک خطرات

اسٹریٹجک خطرات جیسے کہ بجلی پیدا کرنے کے لئے گیس، بجلی اور متبادل ایندھن کی فراہمی، اور مقامی مسابقتی منظر نامے میں تبدیلیوں کی مستقل نگرانی کی جارہی ہے۔ مارکیٹ کی بدلتی صورتحال کے ساتھ کمپنی کے توسیعی منصوبوں اور نمو کے اہداف پر دوبارہ نظر ثانی کی گئی ہے۔ میکرو معاشی اشاروں میں بدلاؤ، حکومتی پالیسیوں میں متضاد / صوابدیدی تبدیلیاں اور قدرتی گیس، بجلی اور دیگر فیول کی قیمتوں میں نمایاں اضافے سے پیداوار کی لاگت میں خاطر خواہ اضافہ ہوا ہے اور اس کی گہری نگرانی اور باقاعدہ غور بھی کیا جا رہا ہے۔ ان خطرات کے اثرات کو قابل قبول سطح تک کم کرنے کے لئے مناسب تخفیف کی حکمت عملی مرتب کی گئی ہے۔

## آپریٹنگ رسک

کاروباری تسلسل اور تباہی کی بحالی کے منصوبے زیر عمل ہیں تاکہ پیداوار اور فروخت کے کاموں میں تسلسل کو یقینی بنایا جاسکے، انہم ناکامیوں اور بندش کی صورت میں تسلسل، استحکام اور کاروبار میں کسی قسم کی رکاوٹ سے بچنے کو یقینی بنانا۔ خام مال کی سوریسنگ، فرائض کی مناسب تفریق، ہمارے پلانٹوں میں بجلی کی پیداوار میں خود کفالت، موثر سپلائی چین اور لاجسٹک آپریشنوں نے ہمیں قابل قبول سطح پر آپریٹنگ رسک کو کم کرنے میں مدد فراہم کی ہے۔

## مالی خطرات

ایک بہت اہم مالی خطرہ زرمبادلہ کی شرح میں اتار چڑھاؤ ہے اور منفی محرکات براہ راست ہمارے خام مال کے اخراجات کو متاثر کر سکتی ہیں اور مینوفیکچرنگ لاگت میں اضافے کا باعث بھی بن سکتی ہیں۔ کمپنی اس صورتحال سے واقف ہے اور کم از کم شاخص یقینی بنانے کے لئے اس طرح کی محرکات پر نظر رکھتی ہے۔ سخت مالی نظم و ضبط، کیش فلو مینجمنٹ اور دستیاب فنڈز کی بہترین سرمایہ کاری سے ہمیں مالی خطرات کو کم سے کم کرنے میں مدد ملی ہے۔

## تعمیل کے خطرات

قوانین اور ضوابط کی موثر تعمیل اور شفاف مالیاتی رپورٹنگ فریم ورک کی وجہ سے، کمپنی کو درپیش تعمیل کے خطرہ کو کم کیا گیا ہے۔ بورڈ کمپنی میں رسک مینجمنٹ اور تعمیل کے کلچر کو فروغ دیتا ہے۔ کمپنی کے خلاف اہم مقدمات میں ملوث قانونی چارہ جوئی کے خطرات کو جہاں بھی ضرورت ہو خصوصی ماہر معروف لاء فیرموں کے ذریعہ ہینڈل کیا جاتا ہے۔

## کوڈ آف کارپوریٹ گورننس

کمپنی کے ڈائریکٹرز لیسٹ کمپینیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 اور پاکستان سٹاک ایکسچینج کی رول بک کے تحت اپنی ذمہ داریوں سے آگاہ ہیں کمپنی نے اچھے کارپوریٹ گورننس اور کوڈ کی تعمیل کو یقینی بنانے کے لئے تمام ضروری اقدامات اٹھائے ہیں۔

اور ڈائریکٹرز توثیق کرتے ہیں کہ:

## مجلس نظام کی رپورٹ

آمدنی کی تفصیل	2021	2020	فیصد تبدیلی
پاکستانی روپے بلین میں			
فروخت	17,374	12,883	34.87 فیصد
مجموعی منافع	3,447	1,321	161 فیصد
آپریٹنگ منافع	3,251	1,042	212 فیصد
مالی لاگت	(165)	(190)	-13 فیصد
ٹیکس سے قبل منافع	3,086	851	263 فیصد
ٹیکسیشن	(527)	(132)	300 فیصد
خالص منافع	2,558	720	255 فیصد
فی شیر آمدنی (EPS)	63.43	17.84	

### فی شیر آمدنی (EPS)

30 جون 2021 مختتمہ مالیاتی سال کے لئے آپ کی کمپنی کی فی شیر آمدنی (EPS) 63.43 رہی جو کہ گزشتہ سال 17.84 (اعادہ) درج کی گئی تھی۔

30 جون 2021 مختتمہ مالیاتی سال کے لئے آپ کی کمپنی کی فی شیر بریک اپ ویلیو 229.75 (2020 اعادہ: 164.02 روپے) تھی۔

### ڈیویڈنڈ اور مصروفیات

موجودہ کپٹل اور ایجوٹی سرمایہ کاری کی منصوبہ بندی کو مد نظر رکھتے ہوئے، بورڈ نے اکتوبر 2021 کو منعقد ہونے والے آئندہ سالانہ اجلاس عام میں حصص داران کی منظوری کے حوالہ سے 10 روپے فی شیر حتمی نقد منافع منقسمہ تجویز کیا ہے۔ یہ نقطہ نظر کمپنی کے حصص یافتگان کو مستقل مستحکم منافع فراہم کرنے کے عزم کے مطابق ہے۔

### توسیع اور جدت طرازی

کمپنی 154 وسیع چوڑائی والی لومز اور متعلقہ بیک پروسس مشینری کے اضافہ کے ذریعے اپنی ویونگ کی صلاحیت کو بڑھانے کے عمل میں ہے۔ مشینری کی آمد شروع ہونے کے ساتھ، ہم توقع کرتے ہیں کہ دسمبر 2021 تک آزمائشی پیداوار شروع کر سکیں گے۔ تجارتی پیداوار جنوری 2022 تک شروع ہو جانی چاہیے۔ اس کے علاوہ کمپنی نوری آباد میں واقع اپنے سپننگ یونٹ کو جدید بنانے کی بھی منصوبہ بندی کر رہی ہے۔ اس پلانٹ میں مشینری کی موجودہ کنفیگیشن اب بہت پرانی (1986) ہے اور جدید کاری اس یونٹ کو نئی ٹیکنالوجی کے ذریعے کارکردگی کو بہتر بنانے کے قابل بنائے گی جس سے پیداواری صلاحیت میں اضافہ ہوگا اور ساتھ ہی مزدوری کے اخراجات اور دیگر آپریٹنگ اخراجات میں نمایاں بچت ہوگی۔

### کارپوریٹ سماجی ذمہ داری (CSR)

ایک ذمہ دار کارپوریٹ کی حیثیت سے کمپنی سوسائٹی اور کمیونٹیز جس میں وہ کام کرتی ہے کی بہتری کے ساتھ اپنی گہری وابستگی رکھتی ہے۔ گزشتہ سالوں میں ہم نے کمیونٹیز جہاں ہم کام کرتے ہیں کی ترقی کے لئے ہمیشہ کام کرنے کی کوشش کی ہے۔ آپ کی کمپنی کی بنیادی توجہ شعبہ تعلیم اور صحت پر مرکوز رہی ہے۔ اس کے علاوہ، ہم نے خواتین کو بااختیار بنانے اور ماحولیاتی تحفظ میں شراکت کی ہے۔ موجودہ مالی سال میں کمپنی نے ان اقدامات کے لئے 126.82 ملین روپے خرچ کیے ہیں۔

## مجلس نظام کی رپورٹ

"مجلس نظام کی جانب سے، میں 30 جون 2021ء کو ختم ہونے والے سال کے لئے کمپنی کی کاروباری اور مالیاتی کارکردگی پیش کرتے ہوئے خوشی محسوس کر رہا ہوں"

جائزہ

مالی سال 2020 کی آخری سہ ماہی کی مشکلات کے بعد، ٹیکسٹائل انڈسٹری نے بہت اچھی کارکردگی کا مظاہرہ کیا ہے اور آپ کی کمپنی کے نتائج پاکستان اور خاص طور پر ہماری صنعت کی بحالی کے واضح ثبوت ہیں۔ زیر جائزہ سال کے دوران پاکستان کی برآمدات میں ٹیکسٹائل مصنوعات کی اوسط سے زیادہ طلب اور بڑے خریداروں کے اپنے کاروبار کا رخ پاکستان کی طرف منتقل کرنے کے بڑھتے ہوئے رجحان کی وجہ سے نمایاں اضافہ ہوا ہے۔ زیر جائزہ سال کے دوران، حکومتی پالیسیاں صنعت دوست رہیں اور اسٹیٹ بینک آف پاکستان نے مستحکم مالیاتی پالیسی کو برقرار رکھنے میں بہت مثبت کردار ادا کیا اور کم سود نے نموکوفروغ دیا۔ برآمدی صنعت کے لیے علاقائی مسابقتی یوٹیلٹی کی شرحوں کے ساتھ توانائی کے محاذ پر مثبت خبروں کی وجہ سے کاروبار کرنے کی لاگت کم ہوئی۔ اس وقت پاکستانی روپے پر زیادہ درآمدات اور اس کے نتیجے میں تجارت کے توازن پر دباؤ ہے۔ ہم امید کرتے ہیں کہ مالیاتی منیجر اس موسم اور اس دباؤ کو سنبھالنے کے اہل ہوں گے۔ ان عوامل سے فائدہ اٹھاتے ہوئے، آپ کی کمپنی گزشتہ اسی عرصے میں 719.5 ملین روپے کے مقابلے میں 2.558 ارب روپے کے بعد از ٹیکس منافع کے ساتھ بہترین نتائج حاصل کرنے میں کامیاب رہی ہے۔ یہ نتائج اعلیٰ مصنوعات کی قیمتوں میں اضافے کے ساتھ ساتھ ہمارے آپریٹنگ اخراجات پر سخت کنٹرول اور جزوی طور پر معیشت کی وجہ سے زیادہ مارجن کی عکاسی کرتے ہیں، زیر جائزہ مدت کے لیے فی حصص آمدنی 63.43 روپے (2020 اعادہ: 17.84 روپے) تھی۔

کاروباری کارکردگی

ٹیکسٹائل صنعت میں ہونے کے باعث آپ کی کمپنی بنیادی طور پر یارن اور گرے فیبرک بنانے کے کاروبار میں مصروف ہے۔ زیر جائزہ سال کے دوران کمپنی نے 17.374 بلین روپے کی آمدنی حاصل کی، جو کہ گزشتہ اسی مدت سے 35% کا اضافہ ہے۔ اس قابل قدر نموکومنتاثر کرنے والے اہم عوامل مصنوعات کی زیادہ قیمتیں اور موجودہ سال کے دوران فروخت ہونے والی انویسٹری پر واپائی بیماری کے چند عناصر تھے۔ پہلی سہ ماہی کے اختتام کے بعد، مقامی مارکیٹ میں یارن اور کپڑوں کی طلب بڑھنے لگی۔ نمایاں طور پر زیادہ مارجن کے ساتھ قیمتوں میں بھی اضافہ ہوا۔

گزشتہ اسی مدت کے مقابلے میں بہتر پروڈکٹ مارجن کی وجہ سے مجموعی منافع زیادہ ہوا۔ عام افراط زر کے دباؤ اور CSR کی شراکت میں اضافے کی وجہ سے انتظامی اخراجات تقریباً 5% فیصد زیادہ ہوئے۔ تقسیم کے اخراجات 30 فیصد زیادہ ہوئے جس کی بنیادی وجہ فروخت میں اضافے کے باعث زیادہ کمیشن کی فراہمی ہے۔

پچھلے سال کے مقابلے میں کم شرح سود اور زیادہ منافع کے باعث مثبت نقد بہاؤ کی وجہ سے کمپنی کے مالیاتی چارجز میں تقریباً 12 فیصد کمی واقع ہوئی ہے۔ دیگر آمدنی 553 ملین روپے تک بڑھ گئی ہے جبکہ اسی عرصے میں 271 ملین روپے تھی۔ اس اضافے میں اہم شراکت دار ڈیوڈنڈ آمدنی، اثاثہ منجمنٹ کمپنیز (AMC) کے ساتھ ساتھ حقیقی اور غیر حقیقی سرمایہ سے منافع جات ہیں۔ زیر جائزہ سال کے دوران، پی ایس ایکس کی کارکردگی غیر معمولی رہی اور ہماری سرمایہ کاری ٹیم اس کا فائدہ حاصل کرنے میں کامیاب رہی۔ ہم امید کرتے ہیں کہ آنے والے سال میں ایک مثبت رجحان پیدا ہوگا تاکہ ہم اپنی سرمایہ کاری کی کارکردگی کو بہتر بنا سکیں۔

مالیاتی کارکردگی ایک نظر میں

30 جون 2021ء کو ختم ہونے والے مالیاتی سال کے لئے کمپنی کی مالیاتی کارکردگی کا گزشتہ سال سے موازنہ مندرجہ ذیل ہے:-

# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

**Name of Company:** Suraj Cotton Mills Limited

**Year ended:** June 30, 2021

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

1. The total number of directors are (8) as per following:

a	Male:	8
b	Female:	0

2. The composition of Board is as follows:

1	Independent Directors	None
2	Non-Executive Director	Mr. Khalid Bashir (Chairman) Mr. Amjad Mahmood Mr. Humayun Maqbool Mr. Mohammad Iqbal Mr. Sharik Bashir
3	Executive Directors	Mr. Nadeem Maqbool (Chief Executive Officer)  Mr. Ahsan Bashir Mr. Adil Bashir

3. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company;
4. 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;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the 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 the Board;

8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations;

9. The Board has arranged Directors' Training program for the following:

## Name of Director

Mr. Sharik Bashir

Following Directors meet the exemption criteria of minimum of 14 years of education and 15 years of experience on the Boards of listed companies, hence are exempt from Directors' training program:

## Name of Director

Mr. Khalid Bashir

Mr. Amjad Mahmood

Mr. Humayun Maqbool

Mr. Mohammad Iqbal

Mr. Nadeem Maqbool (Chief Executive Officer)

Mr. Ahsan Bashir

Mr. Adil Bashir

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The board has formed committees comprising of members given below:

## a) Audit Committee

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



# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

## b) HR Nomination and Remuneration Committee

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

## c) Risk Management Committee

Mr. Humayun Maqbool	Chairman
Mr. Nadeem Maqbool	Member
Mr. Sharik Bashir	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committee were as per following:

### a) Audit Committee

Four quarterly meetings were held during the financial year ended June 30, 2021.

### b) HR Nomination and Remuneration Committee

One meeting of HR and Remuneration Committee was held during the financial year ended June 30, 2021.

### c) Risk Management Committee

One meeting of Risk Management Committee was held during the financial year ended June 30, 2021.

15. 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.

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the company;

17. 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;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with;

19. Explanations for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:



# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

S. No.	Requirement	Explanation of Non-Compliance	Regulation Number
1	<b>Directors' Orientation Program</b> Acquainting the directors with these Regulations, applicable laws, their duties and responsibilities	All the directors are suitably qualified and experienced and most of them are exempt from Directors' training program due to 14 years of education and 15 years of experience on the Boards of listed companies.	18
2	<b>Human Resource Nomination and Remuneration Committee</b> (1) There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director. (2) The chairman of the committee shall be an independent director and the chief executive officer may be included as a member of the committee.	Currently, the Board has appointed all three executive directors on this committee, hence the chairman of this committee is also an executive director. The directors believe that existing composition of the committee is in the best interest of all.	28
3	<b>Nomination Committee</b> The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	Currently, the Board has not constituted a <b>separate</b> nomination committee and the functions are being performed by the human resource and remuneration committee. The Board shall consider to constitute <b>separate</b> nomination committee after next election of directors.	29
4	<b>Directors' Training</b> Companies are encouraged to arrange training for at least one female executive every year under the Directors' Training Program from year July 2020.	The Company has planned to arrange Directors' Training Program certification for female executives over the next few years.	19(3)
5	<b>Responsibilities of the Board and its Members</b> The Board is responsible for adoption of corporate governance practices by the company.	Non-mandatory provisions of the Regulations are partially complied. The company is deliberating on full compliance with all the provisions of the Regulations.	10(1)

20. Executive directors, including the chief executive officer on the Board are three out of total eight directors. One third of the Board i.e. 2.67 has been rounded up as 3 directors as the manufacturing units of the Company are geographically spread and the Company needs executive directors for effective management of operations.

(KHALID BASHIR)

Chairman

September 20, 2021

Lahore

# Pattern of Shareholdin

Pattern of Holding of the Shares held by the Shareholders as at June 30, 2021

No. of Shareholders	Shareholding		Total Shares held
	From	To	
185	1	100	5,242
200	101	500	52,296
85	501	1,000	60,112
136	1,001	5,000	267,041
32	5,001	10,000	242,715
15	10,001	15,000	180,464
7	15,001	20,000	117,919
5	20,001	25,000	115,934
5	25,001	30,000	140,398
6	30,001	35,000	194,130
3	35,001	40,000	111,067
1	40,001	45,000	40,280
1	45,001	50,000	50,000
1	50,001	55,000	50,419
1	55,001	60,000	57,377
1	65,001	70,000	67,228
2	75,001	80,000	158,242
1	90,001	95,000	91,676
1	95,001	100,000	99,999
1	125,001	130,000	127,328
1	135,001	140,000	135,855
1	165,001	170,000	165,166
1	200,001	205,000	202,000
1	235,001	240,000	238,936
2	265,001	270,000	533,864
1	325,001	330,000	327,858
1	375,001	380,000	379,810
1	400,001	405,000	401,808
1	480,001	485,000	481,720
1	505,001	510,000	509,323
1	805,001	810,000	808,944
1	865,001	870,000	865,794
1	1,130,001	1,135,000	1,130,593
1	1,215,001	1,220,000	1,218,647
1	1,275,001	1,280,000	1,277,593
1	1,340,001	1,345,000	1,344,387
1	1,435,001	1,440,000	1,435,064
1	1,890,001	1,895,000	1,891,083
1	2,375,001	2,380,000	2,379,228
1	2,830,001	2,835,000	2,831,423
1	2,995,001	3,000,000	2,999,516
1	16,545,001	16,550,000	16,549,964
712			40,338,443

# Information Required As Per Code Of Corporate Governance

As At June 30, 2021

Categories of Shareholders	Total	Percentage
<b>Directors, Chief Executive Officer, Their Spouses and Minor Children</b>		
<b>Chief Executive</b>		
Mr. Nadeem Magbool	152,203	0.38%
<b>Directors</b>		
Mr. Khalid Bashir	1,891,083	4.69%
Mr. Ahsan Bashir	2,379,228	5.90%
Mr. Adil Bashir	2,871,703	7.12%
Mr. Amjad Mahmood	17,715	0.04%
Mr. Muhammad Iqbal	202,000	0.50%
Mr. Sharik Bashir	3,825	0.01%
Mr. Humayun Magbool	31,647	0.08%
<b>Director's Spouses and Their Minor Children</b>		
Begum Tanveer Khalid Bashir	1,218,647	3.02%
Mrs. Naheed Amjad	41,671	0.10%
Mrs. Humera Iqbal	2,999,516	7.44%
Mrs. Nazia Magbool	23,750	0.06%
	<b>11,832,988</b>	<b>29.33%</b>
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
Crescent Powertec Limited	17,827,557	44.19%
Premier Insurance Limited	1,344,387	3.33%
	<b>19,171,944</b>	<b>47.53%</b>
<b>NIT &amp; ICP (Name Wise Detail)</b>		
National Bank of Pakistan - Trustee Department	553	0.00%
CDC - Trustee National Investment (Unit) Trust	3,952	0.01%
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	865,794	2.15%
	<b>870,299</b>	<b>2.16%</b>
<b>Banks, NBFCs, DFIs, Takaful, Pension Funds</b>	<b>270,068</b>	<b>0.67%</b>
<b>Modarabas</b>	<b>422</b>	<b>0.00%</b>
<b>Insurance Companies</b>	<b>15</b>	<b>0.00%</b>
<b>Other Companies, Corporate Bodies, Trust etc.</b>	<b>2,672,585</b>	<b>6.63%</b>
<b>General Public</b>	<b>5,520,122</b>	<b>13.68%</b>
<b>Total</b>	<b>40,338,443</b>	<b>100.00%</b>
<b>Shareholders More Than 5.00%</b>		
Crescent Powertec Limited	17,827,557	44.19%
Mrs. Humera Iqbal	2,999,516	7.44%
Mr. Adil Bashir	2,871,703	7.12%
Mr. Ahsan Bashir	2,379,228	5.90%

Detail of Purchase/sale of Shares by Directors/CEO/Company Secretary/CFO and their Spouses/Minor Children during FY 2021

Name	No. of Shares	Nature of Transaction
Mr. Khalid Bashir (Chairman)	35,493	Through Inheritance
Mr. Ahsan Bashir (Executive Director)	12,900	Purchased
Mr. Adil Bashir (Executive Director)	33,900	Purchased

# Performance Indicators

## For the current and past five financial years

A. Profitability Ratios		2021	2020	2019	2018	2017	2016
Gross profit ratio	(%)	19.8	10.3	11.4	8.2	6.4	8.7
Operating profit margin to sales	(%)	18.7	8.1	9.0	5.2	6.7	7.2
Net profit margin to sales (net)	(%)	14.7	5.6	6.1	5.1	6.1	5.5
Return on average equity	(%)	32.2	11.3	14.7	10.4	10.0	9.1
Return on capital employed	(%)	27.4	11.4	14.7	6.8	7.4	10.8
Return on average assets	(%)	17.8	5.8	7.5	5.4	6.2	6.6
B. Liquidity Ratios							
Current ratio	(times)	2.8	1.9	1.8	2.1	2.5	2.9
Quick ratio	(times)	1.8	0.9	0.8	1.0	1.7	2.2
C. Activity / Turnover Ratios							
Debtors turnover ratio	(times)	14.4	13.7	17.0	20.1	20.7	17.3
No. of days in receivables / Average collection period	(days)	25.4	27	21	18	18	21
Inventory turnover ratio	(times)	4.0	3.4	4.3	4.9	6.5	6.0
No. of days in inventory	(days)	90.7	107	86	74	56	61
Creditors turnover ratio	(times)	4.5	4.3	5.5	6.0	5.1	4.9
No. of days in creditors / Average payment period	(days)	80.9	85	66	61	71	75
Total assets turnover	(times)	1.2	1.0	1.2	1.1	1.0	1.2
D. Investment / Market Ratios							
Earnings per share	(Rs.)	63.4	19.6	23.4	17.7	19.2	16.1
Price earnings ratio	(times)	3.8	8.4	5.3	8.0	8.2	8.1
Cash dividend per share	(Rs.)	10.0	4.0	5.0	4.0	5.0	5.0
Stock dividend / Bonus shares	(%)	10.0	10.0	-	15.0	10.0	10.0
Break-up value per share	(Rs.)	229.8	180.4	165.5	176.2	182.1	167.5
E. Market value per share							
Closing	(Rs.)	239.9	165.0	124.8	142.7	157.0	130.0
High	(Rs.)	254.0	185.0	157.0	169.7	163.0	176.2
Low	(Rs.)	143.0	108.0	113.0	118.6	116.1	101.3
F. Capital Structure Ratios							
Debt equity ratio		22:78	27:73	29:71	34:67	30:70	06:94
Total liabilities to total assets	(%)	41.1	49.15	48.53	49.78	44.81	28.65

# Key Operating and Financial Data

## For the current and past five financial years

Rupees in thousand

A Summary of Profit and Loss Account	2021	2020	2019	2018	2017	2016
Sales - net	17,374,800	12,882,572	13,973,634	11,095,688	8,313,438	7,712,885
Cost of sales	13,927,861	11,561,798	12,378,649	10,181,955	7,784,454	7,041,161
Gross profit	3,446,939	1,320,774	1,594,985	913,733	528,984	671,724
Distribution and selling expenses	155,936	119,088	125,353	141,279	125,660	134,646
Administrative expenses	331,791	204,325	165,718	147,379	140,691	143,753
Other operating expenses	261,179	226,241	157,119	145,039	86,214	72,614
Other operating income	553,232	271,003	107,647	96,596	382,832	233,894
Operating profit before finance costs	3,251,265	1,042,123	1,254,442	576,632	559,251	554,605
Share of loss from joint ventures	-	(1,359)	-	-	-	-
Finance costs	165,182	189,563	184,370	150,626	76,043	62,090
Profit before taxation	3,086,083	851,201	1,070,072	426,006	483,208	492,515
Taxation - net	527,562	131,652	211,317	139,455	22,598	67,297
Net income	2,558,521	719,549	858,755	565,461	505,806	425,218

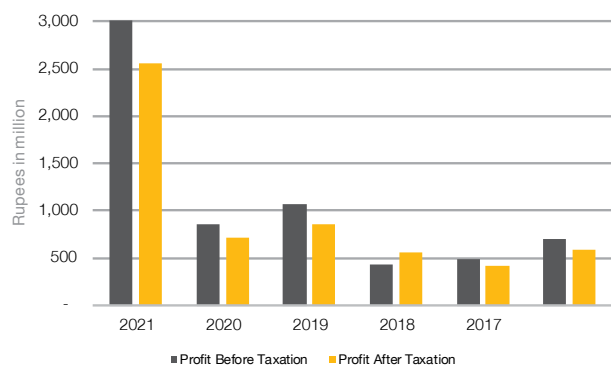
B Summary of Balance Sheet						
Property, plant and equipment	5,572,818	5,011,641	5,349,114	5,483,352	4,952,530	2,417,324
Stock-in-trade	3,203,682	3,718,268	3,087,533	2,714,766	1,407,007	988,336
Trade debts	1,439,847	974,012	913,047	732,216	371,238	433,422
Trade and other payables	2,206,833	2,270,877	1,870,028	1,581,088	1,304,379	1,041,073
Current assets	8,662,469	7,117,734	5,483,953	5,457,726	4,400,405	4,205,368
Total assets	15,730,546	13,011,465	11,788,505	11,190,743	9,567,695	6,803,962
Reserves	8,864,618	6,249,900	5,701,265	5,230,342	4,780,838	4,433,155
Shareholders' equity	9,268,002	6,616,613	6,067,978	5,620,199	5,280,236	4,854,822
Long term financing	2,596,566	2,533,850	2,474,995	2,885,828	2,308,673	290,359
Deferred liabilities	396,510	209,633	277,828	66,511	195,817	197,795
Short term financing	429,454	1,278,365	698,968	993,116	379,394	357,536
Current liabilities	3,040,014	3,651,369	2,967,704	2,618,205	1,782,969	1,460,986

C Summary of Cash Flow Statement						
Cash and cash equivalents at the beginning of the year	207,139	433,938	64,827	41,676	222,084	95,556
Net cash (used in) / generated from operating activities	3,419,448	618,688	1,313,394	(788,753)	(89,486)	(124,368)
Net cash used in investing activities	(2,883,184)	(1,012,956)	(418,710)	(355,569)	(2,150,405)	(142,926)
Net cash (used in) / generated from financing activities	(460,428)	167,469	(525,573)	1,167,473	2,059,483	393,822
Net increase / (decrease) in cash and cash equivalents	75,836	(226,799)	369,111	23,151	(180,408)	126,528
Cash and cash equivalents at the end of the year	282,975	207,139	433,938	64,827	41,676	222,084

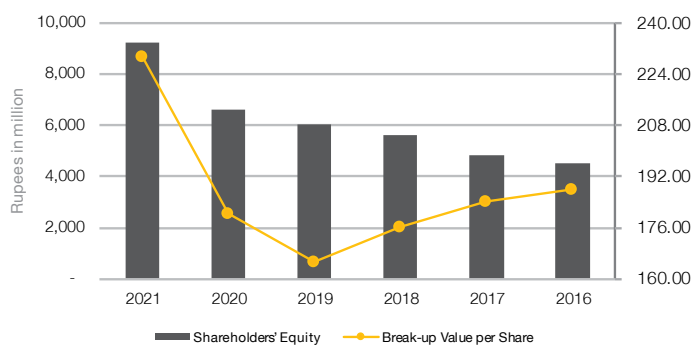
D Other data						
Depreciation and amortization	464,109	499,630	500,542	406,544	199,078	205,474
Capital expenditure	1,044,886	183,214	392,528	1,018,986	2,777,253	662,814
No. of ordinary shares (no. of shares in millions)	40,338	36,671	36,671	31,888	28,989	26,354

# Graphical Representation

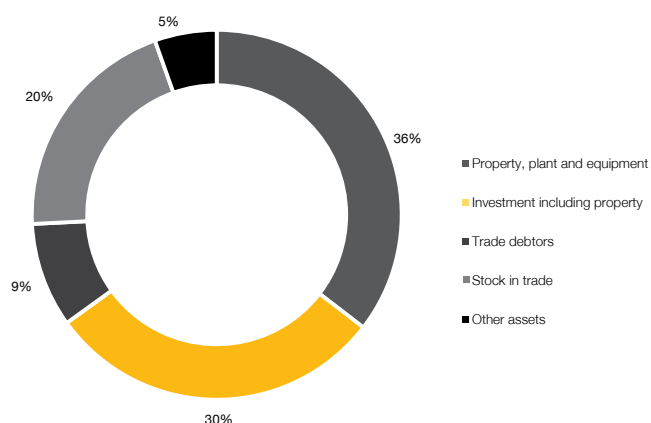
Profit Before & After Taxation



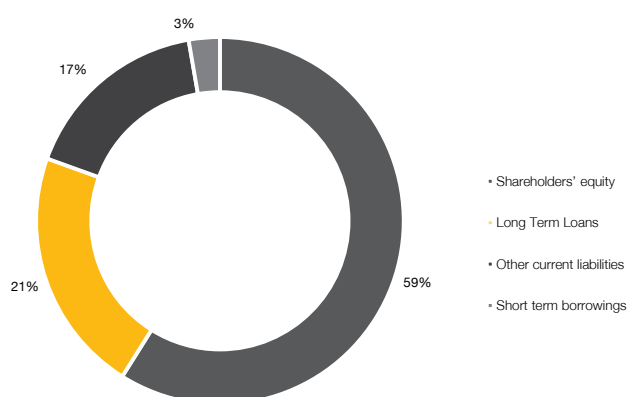
Shareholders' Equity & Break-Up Value per Share



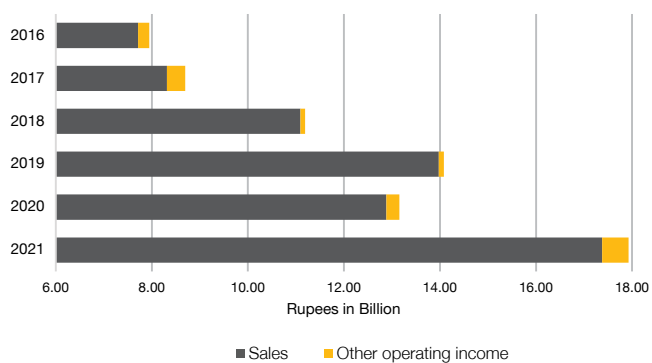
Total Assets as at 30 June 2021



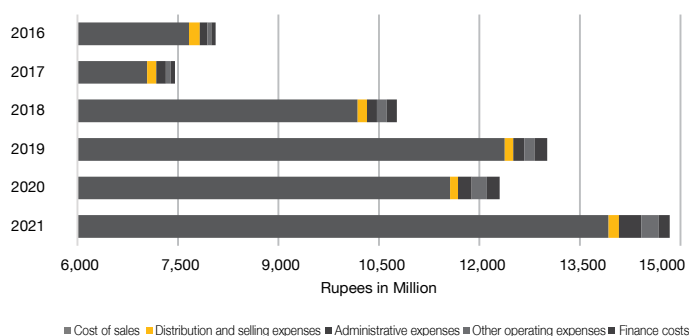
Total Liabilities as at 30 June 2021



Value Generated



Profit and Loss Analysis (Expenses)



# Vertical Analysis

For the current and past five financial years

Rupees in thousand

Statement of Financial Position	2021	%	2020	%	2019	%	2018	%	2017	%	2016	%
Property, plant and equipment	5,572,818	35.4	5,011,641	38.5	5,349,114	45.38	5,483,352	49.00	4,952,530	51.76	2,417,324	35.53
Investment property	477,690	3.0	100,000	0.8	100,000	0.85	100,000	0.89	100,000	1.05	100,000	1.47
Investment in joint venture	-	-	-	-	-	-	50,000	0.45	50,000	0.52	50,000	0.73
Long term loans and deposits	22,076	0.1	21,871	0.2	19,879	0.17	19,879	0.18	19,879	0.21	19,879	0.29
Long term investments	971,627	6.2	746,027	5.7	825,482	7.00	14,722	0.13	-	-	-	-
Stores, spares and loose tools	218,925	1.4	203,642	1.6	202,325	1.72	182,562	1.63	149,265	1.56	88,839	1.31
Stock-in-trade	3,203,682	20.4	3,718,268	28.6	3,087,533	26.19	2,714,766	24.26	1,407,007	14.71	988,336	14.53
Trade debts	1,439,847	9.2	974,012	7.5	913,047	7.75	732,216	6.54	371,238	3.88	433,422	6.37
Loan and advances	39,972	0.3	55,137	0.4	29,064	0.25	88,552	0.79	116,749	1.22	136,659	2.01
Short term deposits and prepayments	105,614	0.7	74,125	0.6	52,366	0.44	18,692	0.17	17,540	0.18	13,406	0.20
Tax refunds due from the government	137,167	0.9	537,190	4.1	615,090	5.22	572,216	5.11	377,396	3.94	182,268	2.68
Other receivables	23,018	0.1	29,624	0.2	16,248	0.14	31,511	0.28	10,414	0.11	3,993	0.06
Short term investments	3,211,269	20.4	1,318,597	10.1	134,342	1.14	1,052,384	9.40	1,909,120	19.95	2,136,361	31.40
Cash and bank balances	282,975	1.8	207,139	1.6	433,938	3.68	64,827	0.58	41,676	0.44	222,084	3.26
Assets held for sale	23,866	0.2	14,192	0.1	10,077	0.09	65,064	0.58	44,881	0.47	11,391	0.17
<b>Total assets</b>	<b>15,730,546</b>	<b>100.0</b>	<b>13,011,465</b>	<b>100.0</b>	<b>11,788,505</b>	<b>100.0</b>	<b>11,190,743</b>	<b>100.0</b>	<b>9,567,695</b>	<b>100.0</b>	<b>6,803,962</b>	<b>100.0</b>
Issued, subscribed and paid up share capital	403,384	2.6	366,713	2.8	366,713	3.1	318,881	2.8	289,892	3.0	263,538	3.9
Share premium	-	-	-	-	-	0.0	29,000	0.3	29,000	0.3	29,000	0.4
Revenue reserves	8,864,618	56.4	6,249,900	48.0	5,701,265	48.4	5,230,342	46.7	4,780,838	50.0	4,433,155	65.2
Available for sale reserve	-	-	-	-	-	0.0	41,976	0.4	180,506	1.9	129,129	1.9
<b>Shareholders' equity</b>	<b>9,268,002</b>	<b>58.9</b>	<b>6,616,613</b>	<b>50.9</b>	<b>6,067,978</b>	<b>51.5</b>	<b>5,620,199</b>	<b>50.2</b>	<b>5,280,236</b>	<b>55.2</b>	<b>4,854,822</b>	<b>71.4</b>
Long term loan	2,595,380	16.5	2,533,850	19.5	2,474,995	21.0	2,885,828	25.8	2,307,475	24.1	287,773	4.2
Liabilities against assets subject to finance lease	1,186	0.0	-	-	-	0.0	-	0.0	1,198	0.0	2,586	0.0
Deferred taxation	396,510	2.5	209,633	1.6	277,828	2.4	66,511	0.6	195,817	2.0	197,795	2.9
Trade and other payables	2,206,833	14.0	2,270,877	17.5	1,870,028	15.9	1,547,631	13.8	1,304,379	13.6	1,041,073	15.3
Mark-up accrued	26,293	0.2	38,592	0.3	47,747	0.4	36,750	0.3	35,084	0.4	17,576	0.3
Unclaimed dividends	6,387	0.0	6,731	0.1	3,559	0.0	-	0.0	-	0.0	-	0.0
Short term borrowings	429,454	2.7	1,278,365	9.8	698,968	5.9	993,116	8.9	379,394	4.0	357,536	5.3
Current portion of long term liabilities	800,501	5.1	56,804	0.4	347,602	2.9	40,708	0.4	64,112	0.7	44,801	0.7
<b>Total equity and liabilities</b>	<b>15,730,546</b>	<b>100.0</b>	<b>13,011,465</b>	<b>100.0</b>	<b>11,788,705</b>	<b>100.0</b>	<b>11,190,743</b>	<b>100.0</b>	<b>9,567,695</b>	<b>100.0</b>	<b>6,803,962</b>	<b>100.0</b>

Statement of Profit or Loss	2021	%	2020	%	2019	%	2018	%	2017	%	2016	%
Sales - net	17,374,800	100.0	12,882,572	100.0	13,973,634	100.0	11,095,688	100.0	8,313,438	100.0	7,712,885	100.0
Cost of sales	13,927,861	80.2	11,561,798	89.7	12,378,649	88.6	10,181,955	91.8	7,784,454	93.6	7,041,161	91.3
Gross profit	3,446,939	19.8	1,320,774	10.3	1,594,985	11.4	913,733	8.2	528,984	6.4	671,724	8.7
Distribution and selling expenses	155,936	0.9	119,088	0.9	125,353	0.9	141,279	1.3	125,660	1.5	134,646	1.7
Administrative expenses	331,791	1.9	204,325	1.6	165,718	1.2	147,379	1.3	140,691	1.7	143,753	1.9
Other operating expenses	261,179	1.5	226,241	1.8	157,119	1.1	145,039	1.3	86,214	1.0	72,614	0.9
Other operating income	553,232	3.2	271,003	2.1	107,647	0.8	96,596	0.9	382,832	4.6	233,894	3.0
Operating profit / (loss) before finance costs	3,251,265	18.7	1,042,123	8.1	1,254,442	9.0	576,632	5.2	559,251	6.7	554,605	7.2
Share of loss from joint ventures	-	-	(1,359)	-	-	-	-	-	-	-	-	-
Finance costs	165,182	1.0	189,563	1.5	184,370	1.3	150,626	1.4	76,043	0.9	62,090	0.8
Profit / (loss) before taxation	3,086,083	17.8	851,201	6.6	1,070,072	7.7	426,006	3.8	483,208	5.8	492,515	6.4
Taxation - net	527,562	3.0	131,652	1.0	(211,317)	-1.5	139,455	1.3	22,598	0.3	67,297	0.9
<b>Profit / (loss) after taxation</b>	<b>2,558,521</b>	<b>20.8</b>	<b>719,549</b>	<b>7.6</b>	<b>858,755</b>	<b>6.1</b>	<b>565,461</b>	<b>2.6</b>	<b>460,610</b>	<b>5.5</b>	<b>425,218</b>	<b>5.5</b>





# FINANCIAL STATEMENTS

For the year ended 30 June 2021

# Independent Auditor's Review Report

To the members of Suraj Cotton Mills Limited

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Suraj Cotton Mills Limited (the Company) for the year ended 30 June 2021 in accordance with the requirements of regulation 36 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 a part of our audit of the 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 Directors' statement on internal control covers all 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. 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.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

- (i) There is no independent director on the Board of Directors of the Company.
- (ii) Composition of the audit committee is not as per the requirements of the regulation 27(1) of the Regulations as two of the members of the audit committee are executive directors. Further, the audit committee does not include an independent director, hence chairman of the audit committee is not an independent director.

Based on our review, except for the above instances of non-compliance, 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 2021.



**RIAZ AHMAD & COMPANY**

Chartered Accountants

Lahore: September 20, 2021

# Independent Auditors' Report

## 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 2021, 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, 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 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 2021 and of the profit, 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 period. 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 matters were addressed in our audit
<b>1. Inventory existence and valuation</b>	
As at 30 June 2021, inventory is stated at Rupees 3,422.607 million, breakup of which is as follows: <ul style="list-style-type: none"><li>- Stores, spare parts and loose tools Rupees 218.925 million.</li><li>- Stock-in-trade Rupees 3,203.682 million.</li></ul> Inventory is measured at the lower of cost and net realizable value.	Our procedures over existence and valuation of inventory included, but were not limited to: <ul style="list-style-type: none"><li>• To test the quantity of inventories at all locations, we assessed the corresponding inventory observation instructions and participated in inventory counts on sites. Based on samples, we performed test counts and compared the quantities counted by us with the results of the counts of the management.</li></ul>

# Independent Auditors' Report

<p>We identified existence and valuation of inventory as a key audit matter due to its size, representing 21.76% of total assets of the Company as at 30 June 2021, and the judgment involved in valuation.</p> <p>For further information on inventory, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Inventories note 2.19 to the financial statements.</li> <li>- Stores, spares parts and loose tools note 18 and Stock-in-trade note 19 to the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• For a sample of inventory items, re-performed the weighted average cost calculation and compared the weighted average cost appearing on valuation sheets.</li> <li>• We tested that the ageing report used by management correctly aged inventory items by agreeing a sample of aged inventory items to the last recorded invoice.</li> <li>• On a sample basis, we tested the net realizable value of inventory items to recent selling prices and re-performed the calculation of the inventory write down, if any.</li> <li>• We assessed the percentage write down applied to older inventory with reference to historic inventory write downs and recoveries on slow moving inventory.</li> <li>• In the context of our testing of the calculation, we analysed individual cost components and traced them back to the corresponding underlying documents. We furthermore challenged changes in unit costs.</li> <li>• We also made enquires of management, including those outside of the finance function, and considered the results of our testing above to determine whether any specific write downs were required.</li> </ul>
<p><b>2. Investments in securities</b></p> <p><i>Quoted investments</i></p> <p>As at 30 June 2021, the Company carried its portfolio of quoted investments as follows:</p> <ul style="list-style-type: none"> <li>- Fair value through other comprehensive income investments amounted to Rupees 965.297 million.</li> <li>- Fair value through profit or loss investments amounted to Rupees 3,211.269 million.</li> </ul> <p>Due to materiality of quoted investments in the context of the financial statements as a whole and the requirements of applicable accounting and reporting standards relating to classification, measurement and disclosures of investments, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, investments note 2.12 to the financial statements.</li> </ul>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• We documented and assessed the processes and controls in place to record investment transactions and to value the portfolio.</li> <li>• We agreed the valuation of all of quoted investments from prices quoted on Pakistan Stock Exchange Limited and redemption price in case of open-end mutual funds.</li> <li>• We agreed the holding of all quoted investments from the Account Balance Report of Central Depository Company of Pakistan Limited, Statement of Account, in case of open-end mutual fund and holding summary of sub account maintained with brokers.</li> <li>• We verified the accuracy of management's judgement used in classification of quoted investments.</li> </ul>

# Independent Auditors' Report

<ul style="list-style-type: none"> <li>- Long term investments note 16 to the financial statements.</li> <li>- Short term investments note 25 to the financial statements.</li> </ul>	
<b>3. Revenue recognition</b> <p>The Company recognized net revenue of Rupees 17,374.800 million for the year ended 30 June 2021.</p> <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets.</p> <p>For further information, refer to the following:</p> <ul style="list-style-type: none"> <li>- Summary of significant accounting policies, Revenue recognition note 2.23 to the financial statements.</li> <li>- Revenue from contracts with customers note 28 to the financial statements.</li> </ul>	

Our procedures included, but were not limited to:

- We obtained an understanding of the process relating to recognition of revenue and testing the design, implementation and operating effectiveness of key internal controls over recording of revenue.
- We compared a sample of revenue transactions recorded during the year with sales orders, sales invoices, delivery documents and other relevant underlying documents.
- We compared a sample of revenue transactions recorded around the year- end with the sales orders, sales invoices, delivery documents and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period.
- We assessed whether the accounting policies for revenue recognition complies with the requirements of IFRS 15 'Revenue from Contracts with Customers'.
- We also considered the appropriateness of disclosures in the financial statements.

# Independent Auditors' Report

## Information Other than the Financial Statements and Auditor's 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 auditor's 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 (XIX of 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, 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.

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



# Independent Auditors' Report

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:

- 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 auditor's report is Atif Anjum.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

September 20, 2021  
Lahore




# Statement of Financial Position

as at 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital 50,000,000 (2020: 50,000,000) ordinary shares of Rupees 10/- each		500,000	500,000
Issued, subscribed and paid up share capital	3	403,384	366,713
Reserves	4	8,864,618	6,249,900
Total equity		9,268,002	6,616,613
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term financing - secured	5	2,595,380	2,533,850
Lease liability	6	1,186	-
Deferred liabilities	7	396,510	209,633
		2,993,076	2,743,483
<b>Current liabilities</b>			
Trade and other payables	8	2,206,833	2,270,877
Accrued mark-up	9	26,293	38,592
Short term borrowings	10	429,454	1,278,365
Current portion of non-current liabilities	11	800,501	56,804
Unclaimed dividend		6,387	6,731
		3,469,468	3,651,369
<b>TOTAL LIABILITIES</b>		6,462,544	6,394,852
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		15,730,546	13,011,465

The annexed notes form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Statement of Financial Position

as at 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	5,570,690	5,011,641
Right-of-use asset	14	2,128	-
Investment properties	15	477,690	100,000
Long term investments	16	971,627	746,027
Long term deposits	17	22,076	21,871
		<b>7,044,211</b>	<b>5,879,539</b>
<b>Current assets</b>			
Stores, spare parts and loose tools	18	218,925	203,642
Stock-in-trade	19	3,203,682	3,718,268
Trade debts	20	1,439,847	974,012
Loans and advances	21	39,972	55,137
Short term deposits and prepayments	22	105,614	74,125
Income tax refundable - net	23	137,167	469,329
Other receivables	24	23,018	97,485
Short term investments	25	3,211,269	1,318,597
Cash and bank balances	26	282,975	207,139
		<b>8,662,469</b>	<b>7,117,734</b>
Non-current assets classified as held for sale	27	23,866	14,192
		<b>8,686,335</b>	<b>7,131,926</b>
<b>TOTAL ASSETS</b>		<b>15,730,546</b>	<b>13,011,465</b>

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Statement of Profit or Loss

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
Revenue from Contracts with Customers	28	17,374,800	12,882,572
Cost of Sales	29	(13,927,861)	(11,561,798)
Gross Profit		3,446,939	1,320,774
Distribution Cost	30	(155,936)	(119,088)
Administrative Expenses	31	(331,791)	(204,325)
Other Expenses	32	(261,179)	(226,241)
		(748,906)	(549,654)
		2,698,033	771,120
Other income	33	553,232	271,003
Profit from Operations		3,251,265	1,042,123
Finance cost	34	(165,182)	(189,563)
		3,086,083	852,560
Share of Loss From Joint Ventures	16.1.1	-	(1,359)
Profit before taxation		3,086,083	851,201
Taxation	35	(527,562)	(131,652)
Profit after taxation		2,558,521	719,549
			Restated
Earnings per share - basic and diluted (Rupees)	36	63.43	17.84

The annexed notes form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
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# Statement of Comprehensive Income

For the year ended 30 June 2021

	2021	2020
	(Rupees in thousand)	
Profit After Taxation	2,558,521	719,549
<b>Other Comprehensive Income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Surplus arising on remeasurement of investments at fair value through other comprehensive income - net of tax	239,553	12,443
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year - net of tax	239,553	12,443
<b>Total comprehensive income for the year</b>	<b>2,798,074</b>	<b>731,992</b>

The annexed notes form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Statement of Changes in Equity

For the year ended 30 June 2021

	Reserves								
	Share Capital	Capital reserves			Revenue Reserves			Total	Total Equity
		Share premium reserve	Fair Value Reserve on FVTOCI	Sub total	General Reserve	Un-appropriated profit	Sub total		
	(Rupees in thousand)								
Balance as at 01 July 2019	366,713	29,000	(240,964)	(211,964)	3,714,000	2,199,229	5,913,229	5,701,265	6,067,978
Transaction with owners - final dividend for the year ended 30 June 2019 @ Rupees 5.00 per share	-	-	-	-	-	(183,357)	(183,357)	(183,357)	(183,357)
Transfer of gain on disposal of FVTOCI investments to retained earnings	-	-	(1,047)	(1,047)	-	1,047	1,047	-	-
Profit for the year	-	-	-	-	-	719,549	719,549	719,549	719,549
Other comprehensive income for the year	-	-	12,443	12,443	-	-	-	12,443	12,443
Total comprehensive income for the year	-	-	12,443	12,443	-	719,549	719,549	731,992	731,992
Balance as at 30 June 2020	366,713	29,000	(229,568)	(200,568)	3,714,000	2,736,468	6,450,468	6,249,900	6,616,613
Transactions with owners:									
Bonus shares issued for the year ended 30 June 2020 @ 10%	36,671	-	-	-	-	(36,671)	(36,671)	(36,671)	-
Final dividend for the year ended 30 June 2020 @ Rupees 4.00 per share	-	-	-	-	-	(146,685)	(146,685)	(146,685)	(146,685)
Profit for the year	-	-	-	-	-	2,558,521	2,558,521	2,558,521	2,558,521
Other comprehensive income for the year	-	-	239,553	239,553	-	-	-	239,553	239,553
Total comprehensive income for the year	-	-	239,553	239,553	-	2,558,521	2,558,521	2,798,074	2,798,074
Balance as at 30 June 2021	403,384	29,000	9,985	38,985	3,714,000	5,111,633	8,825,633	8,864,618	9,268,002

The annexed notes form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	37	3,831,547	1,044,928
Finance cost paid		(177,481)	(198,718)
Workers' profit participation fund paid		(45,788)	(60,792)
Income tax paid		(183,578)	(180,727)
Profit on bank deposits received		10,932	15,989
Gas infrastructure development cess paid		(15,979)	-
Increase in long term deposits		(205)	(1,992)
<b>Net cash generated from operating activities</b>		<b>3,419,448</b>	<b>618,688</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on property, plant and equipment		(1,044,886)	(183,214)
Proceeds from disposal of property, plant and equipment		13,164	27,740
Initial direct cost incurred on right-of-use asset		(76)	-
Investment properties purchased		(400,000)	-
Proceeds from disposal of investment properties		188,000	-
Investments made		(3,487,204)	(2,558,364)
Investments disposed of		1,655,646	1,508,795
Dividends received		180,282	188,087
Proceeds from disposal of non-current asset classified as held for sale		11,890	4,000
<b>Net cash used in investing activities</b>		<b>(2,883,184)</b>	<b>(1,012,956)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing obtained		566,259	202,000
Repayment of long term financing		(30,274)	(433,943)
Repayment of lease liability		(473)	-
Short term borrowings - net		(848,911)	579,397
Dividend paid		(147,029)	(179,985)
<b>Net cash (used in) / from financing activities</b>		<b>(460,428)</b>	<b>167,469</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>75,836</b>	<b>(226,799)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>207,139</b>	<b>433,938</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>282,975</b>	<b>207,139</b>

The annexed notes form an integral part of these financial statements.

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

# Notes to the Financial Statements

For the year ended 30 June 2021

## 1. THE COMPANY AND ITS OPERATIONS

**1.1** Suraj Cotton Mills Limited (the Company) is a public limited Company incorporated in Pakistan under the Companies Act, 1913 (Now Companies Act, 2017) and listed on Pakistan Stock Exchange Limited. Its registered office is situated at 7-B-III, Aziz Avenue, Gulberg-V, Lahore. The Company is engaged in manufacturing, sale and trading of yarn, cloth and processing of cloth.

**1.2** Geographical location and addresses of all business units are as follows:

Sr. No.	Manufacturing units and offices	Address
1	Spinning unit - Karachi	Karachi - Hyderabad Motorway, Nooriabad, Jamshoro, Sindh.
2	Spinning unit and weaving unit - Shahkot	Kotla Kahloon, Shahkot, District Nankana Sahib, Punjab.
3	Spinning unit - Raiwind	4 K.M. Raiwind Manga Road, Raiwind, Punjab.
4	Registered office and head office	7-B-III, Aziz Avenue, Gulberg-V, Lahore, Punjab.
5	Branch office	3rd floor, Cotton Exchange Building, I. I. Chundrigar Road, Karachi, Sindh.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated:

### 2.1 Basis of preparation

#### a) 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 (IFRSs) 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 provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.



# Notes to the Financial Statements

For the year ended 30 June 2021

## b) Accounting convention

These financial statements have been prepared under the historical cost convention except as otherwise stated in the respective accounting policies.

## c) Critical accounting estimates and judgments

The preparation of 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. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

### Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

### Inventories

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made on each reporting date on inventories for excess inventories, obsolescence and declines in net realizable value and an allowance is recorded against the inventory balances for any such declines.

### Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

# Notes to the Financial Statements

For the year ended 30 June 2021

## Allowance for expected credit losses

The allowance for Expected Credit Losses (ECLs) assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

## Provisions

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

## Contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the statement of financial position date.

## Revenue from contracts with customers involving sale of goods

When recognizing revenue in relation to the sale of goods to customers, the key performance obligation of the Company is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

## Impairment of investments in associates and joint ventures

In making the estimates of recoverable amount of the Company's investments in joint ventures, the management considers future cash flows.

### d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2020:

- IAS 1 (Amendments) 'Presentation of Financial Statements' and IAS 8 (Amendments) 'Accounting Policies, Changes in Accounting Estimates and Errors'
- International Accounting Standards Board's revised Conceptual Framework – March 2018

# Notes to the Financial Statements

For the year ended 30 June 2021

- IFRS 16 (Amendments) 'Leases'
- Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'

The above-mentioned amendments to approved accounting standards did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

**e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are amendments to published standards that are mandatory for accounting period beginning on or after 01 July 2020 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**f) Amendments to published approved accounting standards that are not yet effective but relevant to the Company**

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2021 or later periods:

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 01 January 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

# Notes to the Financial Statements

For the year ended 30 June 2021

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 January 2022:

-IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.

-IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 01 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

# Notes to the Financial Statements

For the year ended 30 June 2021

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 01 January 2021. The changes made relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

The above amendments and improvements do not have a material impact on the financial statements.

**g) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2021 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

## **2.2 Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency. Figures are rounded off to the nearest thousand of Pak Rupees.

## **2.3 Foreign currency transactions and translation**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are charged or credited to statement of profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Pak Rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into Pak Rupees at exchange rates prevailing at the date when fair values are determined.

## **2.4 Employee benefit**

The Company operates an employee's funded provident fund scheme covering all its permanent employees. Equal monthly contributions are made both by the Company and employees at the rate of 6 percent of the basic salary to the fund. The Company's contributions to the fund are charged to statement of profit or loss.

# Notes to the Financial Statements

For the year ended 30 June 2021

## 2.5 Taxation

### Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from 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 differences and deferred tax assets 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 at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

## 2.6 Borrowing

Financing and borrowings are recognized initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

## 2.7 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in statement of profit or loss.



# Notes to the Financial Statements

For the year ended 30 June 2021

## 2.8 Property, plant, equipment and depreciation

### Operating fixed assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of operating fixed assets consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Freehold land is stated at cost less any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

### Depreciation

Depreciation on operating fixed assets is charged to the statement of profit or loss applying the reducing balance method so as to write off the cost / depreciable amount of the assets over their estimated useful lives except for leasehold land, which is depreciated over the lease period using straight-line method, at the rates given in note 13.1. Depreciations on additions is charged from the month in which the assets are available for use up to the month prior to disposal. The residual values and useful lives are reviewed by the management, at each financial period-end and adjusted if impact on depreciation is significant.

### De-recognition

An item of operating fixed assets is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

### Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating fixed assets as and when these are available for use.

## 2.9 Investment properties

Land and building held for capital appreciation or to earn rental income are classified as investment properties. Investment properties except land, are stated at cost less accumulated depreciation and any recognized impairment loss. Land is stated at cost less any recognized impairment loss.



# Notes to the Financial Statements

For the year ended 30 June 2021

## 2.10 Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is charged over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

## 2.11 Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to statement of profit or loss if the carrying amount of the right-of-use asset is fully written down.

## 2.12 Investments and other financial assets

### a) Classification

The Company classifies its financial assets in the following measurement categories:

# Notes to the Financial Statements

For the year ended 30 June 2021

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

## **b) Measurement**

At initial recognition, the Company measures 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## **Debt instruments**

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

### **Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

# Notes to the Financial Statements

For the year ended 30 June 2021

## Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

## Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

## Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

## Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

## Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income / (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

# Notes to the Financial Statements

For the year ended 30 June 2021

## 2.13 Financial liabilities – classification and measurement

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

## 2.14 Impairment of financial assets

The Company recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVTOCI; and
- Contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

# Notes to the Financial Statements

For the year ended 30 June 2021

The Company has elected to measure loss allowances for trade debts using IFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Company has established a 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. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

## 2.15 De-recognition of financial assets and financial liabilities

### a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

# Notes to the Financial Statements

For the year ended 30 June 2021

## b) Financial liabilities

The Company shall derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

## 2.16 Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 2.17 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

## 2.18 Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence. A joint venture is a joint arrangement whereby the joint venturers that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method of accounting, after initially being recognized at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from investee companies are recognised as a reduction in the carrying amount of the investment.



# Notes to the Financial Statements

For the year ended 30 June 2021

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

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.

## 2.19 Inventories

Inventories, except for stock-in-transit and waste stock, are stated at lower of cost and net realizable value. Cost is determined as follows:

### Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at cost using moving average cost formula less provision for slow moving, while items considered obsolete are carried at nil value. Items-in-transit are valued at cost comprising invoice value plus other charges paid thereon.

### Stock-in-trade

Cost of raw material, work-in-process and finished goods is determined as follows:

- |      |   |  |
|------|---|--|
| (i)  | For raw materials:                      | Weighted average cost  |
| (ii) | For work-in-process and finished goods: | At average manufacturing cost including proportion of production overheads |

Materials in transit are valued at cost comprising invoice value plus other charges paid thereon. Waste stocks are valued at net realizable value.



# Notes to the Financial Statements

For the year ended 30 June 2021

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make a sale.

## **2.20 Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

## **2.21 Trade debts and other receivables**

Trade debts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## **2.22 Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

## **2.23 Revenue recognition**

### **(a) Sale of goods**

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

### **(b) Interest**

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### **(c) Dividend**

Dividend on investments is recognized when right to receive the dividend is established.

# Notes to the Financial Statements

For the year ended 30 June 2021

## **(d) Other revenue**

Other revenue is recognised when it is received or when the right to receive payment is established.

## **2.24 Contract assets**

Contract assets arise when the Company performs its performance obligations by transferring goods to a customer before the customer pays its consideration or before payment is due. Contract assets are treated as financial assets for impairment purposes.

## **2.25 Customer acquisition costs**

Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

## **2.26 Customer fulfilment costs**

Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Company that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

## **2.27 Right of return assets**

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

## **2.28 Contract liabilities**

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

# Notes to the Financial Statements

For the year ended 30 June 2021

## 2.29 Refund liabilities

Refund liabilities are recognised where the Company receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Company does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

## 2.30 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

## 2.31 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

## 2.32 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

## 2.33 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

## 2.34 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2021

## 2.35 Segment reporting

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 the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive officer 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 officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has following reportable business segments:

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

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

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

## 2.36 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

## 2.37 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss over the expected lives of the related assets.

# Notes to the Financial Statements

For the year ended 30 June 2021

## 2.38 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

## 2.39 Derivative financial instruments

Derivatives are initially recognized at fair value. Any directly attributable transaction costs are recognized in the statement of profit or loss as incurred. They are subsequently remeasured at fair value on regular basis and at each reporting date as a minimum, with all their gains and losses, realized and unrealized, recognized in the statement of profit or loss.

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

2021 (No. of Shares)	2020		2021 (Rupees in thousand)	2020
17,400,000	17,400,000	Ordinary shares of Rupees 10 each fully paid up in cash	174,000	174,000
22,938,443	19,271,312	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	229,384	192,713
40,338,443	36,671,312		403,384	366,713

### 3.1 Movement during the year

2021 (No. of Shares)	2020		2021 (Rupees in thousand)	2020
36,671,312	36,671,312	As on 01 July	366,713	366,713
3,667,131	-	- Ordinary shares of Rupees 10 each issued during the year as fully paid bonus shares	36,671	-
40,338,443	36,671,312	As on 30 June	403,384	366,713

# Notes to the Financial Statements

For the year ended 30 June 2021

## 3.2 Ordinary shares of the Company held by the associated companies:

	2021 (No. of Shares)	2020
Crescent Powertec Limited	17,827,557	16,206,871
Premier Insurance Limited	1,344,387	1,222,170
	19,171,944	17,429,041

	Note	2021 (Rupees in thousand)	2020
<b>4. RESERVES</b>			
Composition of reserves is as follows:			
<b>Capital reserves</b>			
Share premium reserve (Note 4.1)		29,000	29,000
Fair value reserve on FVTOCI investments - net of deferred income tax (Note 4.2)		9,985	(229,568)
		38,985	(200,568)
<b>Revenue reserves</b>			
General reserve		3,714,000	3,714,000
Un-appropriated profit		5,111,633	2,736,468
		8,825,633	6,450,468
		8,864,618	6,249,900

4.1 This reserve can be utilized by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

4.2 This represents the unrealized gain on re-measurement of investments at fair value through other comprehensive income and is not available for distribution. Reconciliation of fair value reserve - net of deferred income tax is as under:

	Note	2021 (Rupees in thousand)	2020
Balance as on 01 July		(229,568)	(240,964)
Add: Fair value adjustment during the year		216,051	12,443
		(13,517)	(228,521)
Add: Deferred income tax on equity investments		23,502	-
Less: Transfer of gain on disposal of FVTOCI investments to retained earnings		-	(1,047)
Balance as on 30 June		9,985	(229,568)

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>5. LONG TERM FINANCING - SECURED</b>			
<b>From banking companies</b>			
Long term loans	5.1	2,962,714	2,590,654
Less: Current portion shown under current liabilities (Note 11)		(367,334)	(56,804)
		<b>2,595,380</b>	<b>2,533,850</b>

LENDER	2021	2020	RATE OF INTEREST PER ANNUM	NUMBER OF INSTALL- MENTS	INTEREST REPRICING	INTEREST PAYABLE	SECURITY
(Rupees in Thousand)							
<b>5.1 Long term loans</b>							
MCB Bank Limited	68,695	68,695	SBP rate for LTFF + 0.5%	Eleven equal semi annual installments commenced on 10 September 2017 and ending on 10 September 2023 (Note 5.2).	-	Quarterly	First pari passu charge over present and future fixed assets of the Company aggregating to Rupees 2,300 million inclusive of 25% margin.
MCB Bank Limited	29,521	31,408	3 months KIBOR + 0.5%	Thirty four un-equal installments commenced on 27 November 2019 and ending on 24 April 2029 (Note 5.2).	Quarterly	Quarterly	
MCB Bank Limited	201,519	201,519	SBP rate for LTFF + 0.60%	Seventeen equal semi annual installments commencing on 11 December 2021 and ending on 11 December 2029.	-	Quarterly	
MCB Bank Limited	724,001	726,250	SBP rate for LTFF + 0.50%	One hundred and twenty two un-equal installments commenced on 12 April 2019 and ending on 06 March 2029 (Note 5.2).	-	Quarterly	
Allied Bank Limited	1,317,770	1,343,908	SBP rate for LTFF + 0.5%	One hundred and twenty eight un-equal installments commenced on 11 July 2019 and ending on 08 August 2028 (Note 5.2).	-	Quarterly	First pari passu charge over all fixed assets of the Company aggregating to Rupees 2,000 million.
United Bank Limited	218,874	218,874	SBP rate for LTFF + 1%	Thirty six quarterly installments commenced on 31 October 2019 and ending on 31 July 2029. (Note 5.2)	-	Quarterly	First pari passu charge of Rupees 320 million over present and future fixed assets of the Company inclusive of 25 % margin.
MCB Bank Limited (Note 5.3)	357,950	-	SBP rate for TERF + 1%	Sixty four un-equal installments commencing on 23 September 2023 and ending on 30 June 2031.	-	Quarterly	Ranking charge over all present and future fixed assets of the Company aggregating to Rupees 1,334 million inclusive of 25% margin.
Bank Alfalah Limited (Note 5.3)	44,384	-	SBP rate for TERF + 1%	Ninety six un-equal installments commencing on 27 July 2023 and ending on 17 June 2031.	-	Quarterly	Ranking charge over fixed assets of the Company aggregating to Rupees 1,334 million inclusive of 25% margin.
	<b>2,590,654</b>	<b>2,822,597</b>					

**5.2** Repayment period includes deferment of repayment of principal loan amount by one year in accordance with State Bank of Pakistan BPRD Circular Letter No. 13 of 2020 dated 26 March 2020.

**5.3** This loan is obtained by the Company under SBP Temporary Economic Refinance Facility (TERF). These are recognized and measured in accordance with IFRS 9 'Financial Instruments'. Fair value adjustment is recognized at discount rate ranging from 8.44% to 8.50% per annum.



# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>6. LEASE LIABILITY</b>			
Total lease liability		1,773	-
Less: Current portion shown under current liabilities	11	(587)	-
		1,186	-
<b>6.1 Reconciliation of lease liability</b>			
Balance as on 01 July		-	-
Add: Additions during the year		2,246	-
Add: Interest accrued on lease liability		82	-
Less: Payments made during the year		(555)	-
Balance as on 30 June		1,773	-
<b>6.2 Maturity analysis of lease liability is as follows:</b>			
Up to 06 months		355	-
06 to 12 months		355	-
01 to 02 years		710	-
More than 02 years		559	-
		1,979	-
Less: Future finance cost		(206)	-
Present value of lease liability		1,773	-
<b>6.3</b>	The implicit rate against lease liability ranges from 9.55% to 9.85% per annum.		
<b>6.4</b>	Lease from First Habib Modarba is secured against title of leased asset, post dated cheques and security deposit of Rupees 0.205 million.		
<b>7. DEFERRED LIABILITIES</b>			
Deferred income - Government grant	7.1	141,575	-
Gas Infrastructure Development Cess (GIDC) payable	7.2	56,982	-
Deferred income tax liability - net	7.3	197,953	209,633
		396,510	209,633

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>7.1 Deferred income - Government grant</b>			
Balance as on 01 July		-	-
Add: Recognized during the year		164,238	-
Less: Amortized during the year		(313)	-
		<b>163,925</b>	-
Less: Current portion shown under current liabilities	11	<b>(22,350)</b>	-
		<b>141,575</b>	-

- 7.1.1** The State Bank of Pakistan (SBP), through its Circular No. 01 and 02 of 2020 dated 17 March 2020 has introduced a Temporary Economic Refinance Facility (TERF) for setting of new industrial units. The refinance will be available through Banks / DFIs. One of the key feature of the refinance facility is that borrowers can obtain loan at mark-up rates that are below normal lending rates. As per International Accounting Standard (IAS) 20 'Accounting for Government Grants and Disclosure of Government Assistance', the benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The Company has obtained these loans as disclosed in note 5 to the financial statements. In accordance with IFRS 9 'Financial Instruments' loans obtained under the refinance facilities were initially recognized at fair value which is the present value of loans proceeds received, discounted using prevailing market rates of interest for a similar instrument. Hence, the benefit of the below-market rate of interest has been measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. This benefit is accounted for and presented as deferred grant in accordance with IAS 20. The grant is being amortized in the statement of profit or loss, in line with the recognition of interest expense the grant is compensating. There are no unfulfilled conditions or contingencies attached to this grant.

<b>7.2 Gas Infrastructure Development Cess (GIDC) Payable</b>			
Gas Infrastructure Development Cess payable		<b>483,191</b>	-
Add: Adjustment due to impact of IFRS 9	34	<b>27,362</b>	-
Less: Payments made during the year		<b>(43,341)</b>	-
Balance as on 30 June		<b>467,212</b>	-
Less: Current portion shown under current liabilities	11	<b>(410,230)</b>	-
		<b>56,982</b>	-

- 7.2.1** This represents Gas Infrastructure Development Cess (GIDC) that was levied through GIDC Act, 2015. During the year, Honourable Supreme Court of Pakistan upheld the GIDC Act, 2015 to be constitutional and intra vires. With respect to GIDC payable to Sui Southern Gas Pipeline Limited, the Company has filed a review petition in Honourable Sindh High Court, Karachi which is pending for adjudication. However, with respect to GIDC payable to Sui Northern Gas Pipelines Limited, the Company is paying the GIDC in 24 Installments. However, GIDC payable has been recorded at amortized cost in accordance with IFRS 9.

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>7.3 Deferred income tax liability - net</b>			
The deferred income tax liability / (asset) originated due to timing differences relating to:			
<b>Deferred tax liabilities</b>			
Accelerated tax depreciation		230,521	342,010
Right-of-use asset		395	-
		230,916	342,010
<b>Deferred tax assets</b>			
Un-realized gain on FVTPL investments		(9,131)	(18,079)
Un-realized gain on FVTOCI investments		(23,502)	-
Lease liability		(330)	-
Minimum tax carry forward		-	(114,298)
		(32,963)	(132,377)
		197,953	209,633

## 7.3.1 Movement in deferred tax balances during the year is as follows:

	2021			
	Opening balance	Recognized in statement of profit or loss	Recognized in other comprehensive income	Closing balance
	-----Rupees in thousand-----			
Accelerated tax depreciation	342,010	(111,489)	-	230,521
Right-of-use asset	-	395	-	395
Unrealized gain on FVTPL investments	(18,079)	8,948	-	(9,131)
Un-realized gain on FVTOCI investments	-	-	(23,502)	(23,502)
Lease liability	-	(330)	-	(330)
Minimum tax carried forward	(114,298)	114,298	-	-
	209,633	11,822	(23,502)	197,953

# Notes to the Financial Statements

For the year ended 30 June 2021

	2020			
	Opening balance	Recognized in statement of profit or loss	Recognized in other comprehensive income	Closing balance
	-----Rupees in thousand-----			
Accelerated tax depreciation	283,724	58,286	-	342,010
Unrealized gain on FVTPL investments	-	(18,079)	-	(18,079)
Minimum tax carried forward	-	(114,298)	-	(114,298)
Tax credit	(6,099)	6,099	-	-
Others	203	(203)	-	-
	277,828	(68,195)	-	209,633

**7.3.2** Deductible temporary differences are considered to the extent that the realization of related tax benefits is probable from reversals of existing taxable temporary differences and future taxable profits.

	Note	2021 (Rupees in thousand)	2020
<b>8. TRADE AND OTHER PAYABLES</b>			
Creditors	8.1	480,909	497,864
Contract liabilities - unsecured		58,196	41,902
Accrued liabilities		1,176,484	1,536,458
Infrastructure cess payable	8.2	116,243	97,492
Payable to employees' provident fund trust		49	12
Income tax deducted at source		3,461	2,573
Sales tax payable		103,531	-
Fair value of forward exchange contracts		-	9,550
Workers' profit participation fund	8.3	165,741	45,788
Workers' welfare fund	8.4	102,219	39,238
		2,206,833	2,270,877
<b>8.1</b> This includes amounts due to related parties as follows:			
Crescent Textiles Mills Limited - associated company		17,149	-
Shams Textile Mills Limited - associated company		8,588	-
Premier Insurance Limited - associated company		-	9,171
Crescent Fibers Limited - associated company		-	5,788
Crescent Powertech Limited - associated company		44	-
Mohammad Amin Mohammad Bashir Limited - associated company		462	1,687
		26,243	16,646

# Notes to the Financial Statements

For the year ended 30 June 2021

- 8.2** This represents provision for infrastructure cess imposed by the Province of Sindh through Sindh Finance Act, 1994 and its subsequent versions including the final version i.e. Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Company filed writ petition in Honorable Sindh High Court, Karachi whereby stay was granted and directions were given to provide bank guarantees in favor of Director Excise and Taxation, Karachi. The Honorable Sindh High Court, Karachi passed order dated 04 June 2021 against the Company and directed that bank guarantees should be encashed. Being aggrieved by the order, the Company along with others filed petitions for leave to appeal before Honorable Supreme Court of Pakistan against the Sindh High Court's judgment in relation to Sindh infrastructure development cess. On 01 September 2021, after hearing the petitioners, the Honourable Supreme Court dictated the order in open court granting leave to appeal to the petitioners and restraining the Sindh Government from encashing the bank guarantees furnished in pursuance of the interim orders passed by the Sindh High Court. The Honourable Supreme Court also directed to release the future consignments subject to furnishing of bank guarantees for the disputed amount. The detail of provision is as follows:

	Note	2021 (Rupees in thousand)	2020
Balance as on 01 July		97,492	77,451
Add: Provision made during the year		18,751	20,041
Balance as on 30 June		116,243	97,492
<b>8.3 Workers' profit participation fund</b>			
Opening balance		45,788	60,792
Add: Provision for the year	32	165,741	45,788
		211,529	106,580
Less: Payments made during the year		(45,788)	(60,792)
Balance as on 30 June		165,741	45,788
<b>8.4 Workers' welfare fund</b>			
Opening balance		39,238	21,838
Add: Provision for the year	32	62,981	17,400
		102,219	39,238
<b>9. ACCRUED MARKUP</b>			
Long term financing		17,161	16,904
Short term borrowings		9,132	21,688
		26,293	38,592

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>10. SHORT TERM BORROWINGS</b>			
<b>From banking companies - secured</b>			
Running finance	10.1 & 10.2	326,261	339,003
Cash finance	10.1 & 10.3	-	51,485
Import loans	10.1 & 10.4	103,193	887,877
		<b>429,454</b>	<b>1,278,365</b>

**10.1** These finances are obtained from banking companies under mark-up arrangements and are secured against joint pari passu hypothecation charge on all present and future current assets, other instruments and ranking hypothecation charge on plant and machinery of the Company.

**10.2** The rates of mark-up range from 7.76% to 9.38% (2020: 9.45% to 15.83%) per annum during the year on the balance outstanding.

**10.3** The rates of mark-up range from 9.07% to 9.35% (2020: 9.97% to 15.55%) per annum during the year on the balance outstanding

**10.4** The rates of mark-up range from 2.30% to 9.35% (2020: 2.30% to 16.31%) per annum during the year on the balance outstanding.

## **11. CURRENT PORTION OF NON-CURRENT LIABILITIES**

Current portion of long term financing	5	367,334	56,804
Current portion of lease liability	6	587	-
Current portion of deferred income - Government grant	7.1	22,350	-
Current portion of GIDC	7.2	410,230	-
		<b>800,501</b>	<b>56,804</b>

## **12. CONTINGENCIES AND COMMITMENTS**

### **a) Contingencies**

i) Guarantees of Rupees 288.476 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.

# Notes to the Financial Statements

For the year ended 30 June 2021

## b) Commitments

i) Contracts for capital expenditure are approximately of Rupees 3,306.022 million (2020: Rupees 20.000 million).

ii) Letters of credit other than for capital expenditure are of Rupees 465.840 million (2020: Rupees 163.723 million).

iii) Outstanding foreign currency forward contracts are of Rupees 439.899 million (2020: 158.550 Rupees million).

	Note	2021 (Rupees in thousand)	2020
<b>13 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	13.1	<b>4,669,213</b>	4,940,565
Capital work-in-progress	13.2	<b>901,477</b>	71,076
		<b>5,570,690</b>	5,011,641



# Notes to the Financial Statements

For the year ended 30 June 2021

## 13.1 OPERATING FIXED ASSETS

	Leasehold land	Buildings on leasehold land	Freehold land	Buildings on freehold land	Office premises	Plant and machinery	Electric installations	Furniture and fixtures	Office equipment	Vehicles	Total
<b>At 30 June 2019</b>											
Cost	2,108	49,580	452,300	919,207	121,912	6,984,174	158,089	3,549	61,527	125,657	8,878,103
Accumulated depreciation	(721)	(41,600)	-	(375,645)	(1,016)	(2,948,976)	(78,841)	(2,937)	(35,951)	(64,840)	(3,550,529)
<b>Net book value</b>	<b>1,387</b>	<b>7,980</b>	<b>452,300</b>	<b>543,562</b>	<b>120,896</b>	<b>4,035,196</b>	<b>79,248</b>	<b>612</b>	<b>25,576</b>	<b>60,817</b>	<b>5,327,574</b>
<b>Year ended 30 June 2020</b>											
Opening net book value	1,387	7,980	452,300	543,562	120,896	4,035,196	79,248	612	25,576	60,817	5,327,574
Additions	-	-	-	-	-	77,441	17,642	-	-	38,595	133,678
Disposals:											
Cost	-	-	-	-	-	(39,424)	-	-	-	(23,602)	(63,026)
Accumulated depreciation	-	-	-	-	-	33,295	-	-	-	15,500	48,795
Assets transferred to held for sale:						(6,129)	-	-	-	(8,102)	(14,231)
Cost	-	-	-	-	-	(40,711)	-	-	-	-	(40,711)
Accumulated depreciation	-	-	-	-	-	33,885	-	-	-	-	33,885
Depreciation charge	(21)	(798)	-	(54,356)	(12,120)	(406,420)	(8,891)	(63)	(2,450)	(14,511)	(499,630)
Closing net book value	<b>1,366</b>	<b>7,182</b>	<b>452,300</b>	<b>489,206</b>	<b>108,776</b>	<b>3,693,262</b>	<b>87,999</b>	<b>549</b>	<b>23,126</b>	<b>76,799</b>	<b>4,940,565</b>
<b>At 30 June 2020</b>											
Cost	2,108	49,580	452,300	919,207	121,912	6,981,480	175,731	3,549	61,527	140,650	8,908,044
Accumulated depreciation	(742)	(42,398)	-	(430,001)	(13,136)	(3,288,216)	(87,732)	(3,000)	(38,401)	(63,851)	(3,967,479)
<b>Net book value</b>	<b>1,366</b>	<b>7,182</b>	<b>452,300</b>	<b>489,206</b>	<b>108,776</b>	<b>3,693,262</b>	<b>87,999</b>	<b>549</b>	<b>23,126</b>	<b>76,799</b>	<b>4,940,565</b>
<b>Year ended 30 June 2021</b>											
Opening net book value	1,366	7,182	452,300	489,206	108,776	3,693,262	87,999	549	23,126	76,799	4,940,565
Additions	-	-	-	21,320	-	172,427	-	-	-	20,738	214,485
Disposals:											
Cost	-	-	-	-	-	(21,106)	-	-	-	(8,564)	(29,670)
Accumulated depreciation	-	-	-	-	-	17,019	-	-	-	6,529	23,548
Assets transferred to held for sale:						(4,087)	-	-	-	(2,035)	(6,122)
Cost	-	-	-	-	-	(64,859)	-	-	-	-	(64,859)
Accumulated depreciation	-	-	-	-	-	49,060	-	-	-	-	49,060
Depreciation charge	(21)	(718)	-	(49,099)	(10,878)	(376,297)	(8,800)	(55)	(2,313)	(15,735)	(463,916)
Closing net book value	<b>1,345</b>	<b>6,464</b>	<b>452,300</b>	<b>461,427</b>	<b>97,898</b>	<b>3,469,506</b>	<b>79,199</b>	<b>494</b>	<b>20,813</b>	<b>79,767</b>	<b>4,669,213</b>
<b>At 30 June 2021</b>											
Cost	2,108	49,580	452,300	940,527	121,912	7,067,942	175,731	3,549	61,527	152,824	9,028,000
Accumulated depreciation	(763)	(43,116)	-	(479,100)	(24,014)	(3,598,436)	(96,532)	(3,055)	(40,714)	(73,057)	(4,358,787)
<b>Net book value</b>	<b>1,345</b>	<b>6,464</b>	<b>452,300</b>	<b>461,427</b>	<b>97,898</b>	<b>3,469,506</b>	<b>79,199</b>	<b>494</b>	<b>20,813</b>	<b>79,767</b>	<b>4,669,213</b>
Annual rate of depreciation (%)	1	10	-	10	10	10	10	10	10	20	

# Notes to the Financial Statements

For the year ended 30 June 2021

## 13.1.1 Detail of operating fixed assets, exceeding the book value of Rupees 500,000 disposed of during the year is as follows:

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposal	Particulars of purchasers
----- (Rupees in thousand) -----								
<b>Plant and machinery</b>								
Diesel Generator 1400 KVA	2	5,600	4,747	853	1,500	647	Negotiation	Spectrum Energy System (Private) Limited, Faisalabad.
Draw Frame TD	4	11,838	9,237	2,601	2,179	(422)	Negotiation	Crescent Cotton Mills Limited, Faisalabad.
<b>Vehicles</b>								
Honda Civic LEB-17-671	1	2,728	1,533	1,195	3,070	1,875	Negotiation	Mr. Tariq Niaz, Lahore.
Aggregate of other items of property, plant and equipment with individual book values not exceeding Rupees 500,000		9,504	8,031	1,473	6,415	4,942		
		29,670	23,548	6,122	13,164	7,042		

## 13.1.2 Depreciation charge for the year has been allocated as follows:

	Note	2021 (Rupees in thousand)	2020 (Rupees in thousand)
Cost of sales	29	435,366	470,315
Administrative expenses	31	28,550	29,315
		463,916	499,630

## 13.1.3 Particulars of immovable properties (i.e. lands and buildings) are as follows:

	Address	Area of land	Kanals
<b>Manufacturing units and office</b>			
<b>Manufacturing units</b>			
Spinning unit	Karachi - Hyderabad Motorway, Nooriabad, Jamshoro, Sindh.	120.00	
Spinning unit and weaving unit	Kotla Kahloon, Shahkot, District Nankana Sahib, Punjab.	347.50	
Spinning unit	4 K.M. Raiwind Manga Road, Raiwind, Punjab.	627.00	
		1,094.50	

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>13.2 Capital Work in Progress</b>			
Buildings on freehold land		233,247	29,425
Plant and machinery		653,126	31,109
Electric installations		15,104	10,542
		<b>901,477</b>	<b>71,076</b>

	Buildings on freehold land	Plant and machinery	Electric installations	Total
	----- (Rupees in thousand) -----			
<b>13.2.1 Movement in capital work in progress</b>				
At 30 June 2019	2,216	19,324	-	21,540
Add: Additions during the year	27,209	89,226	28,184	144,619
Less: Capitalized / adjusted during the year:	-	77,441	17,642	95,083
At 30 June 2020	29,425	31,109	10,542	71,076
Add: Additions during the year	235,233	653,126	4,562	892,921
Less: Capitalized / adjusted during the year:	21,320	31,109	-	52,429
Less: Charged to profit and loss	10,091	-	-	10,091
At 30 June 2021	233,247	653,126	15,104	901,477

	Note	2021 (Rupees in thousand)	2020
<b>14. RIGHT-OF-USE ASSET</b>			
Net carrying amount			
Balance as on 01 July		-	-
Add: Addition during the year		2,321	-
Less: Depreciation expense for the year	31	(193)	-
Balance as on 30 June		<b>2,128</b>	-

14.1 The Company obtained vehicle on lease from First Habib Modarba. Lease term is three years.

<b>15. INVESTMENT PROPERTIES</b>			
Balance as on 01 July		100,000	100,000
Add: Additions during the year		427,690	-
Less: Disposed of during the year		(50,000)	-
Balance as on 30 June		<b>477,690</b>	100,000

# Notes to the Financial Statements

For the year ended 30 June 2021

15.1 These represent plots stated at cost. Market value of plots is estimated at Rupees 722.750 million (2020: Rupees 285.500 million). Forced sale value of investment properties as on the reporting date is Rupees 628.200 million (2020: 242.675 million). The valuation has been carried out by an independent valuer.

15.2 Detail of investment properties disposed of during the year is as follows:

Description	Qty	Cost	Sale proceeds	Gain	Mode of disposal	Particulars of purchasers
------(RUPEES IN THOUSAND)-----						
Residential plots	5	25,000	97,500	72,500	Negotiation	Mr. Muhammad Moeen, Lahore.
Residential plots	3	15,000	58,500	43,500	Negotiation	AAS Properties, Lahore.
Residential plots	2	10,000	32,000	22,000	Negotiation	Mr. Faisal Riaz, Lahore.
		50,000	188,000	138,000		

15.3 Particulars of investment properties are as follows:

Description	Address	Area of land (Kanals)
Residential Plots	Lake City, 13 K.M. Raiwind Road, Lahore.	39
Residential Plots	Central Boulevard Housing Scheme, Mouza Asal Suleman, Ferozepur Road, Lahore.	2.25
Commercial plots	Central Boulevard Housing Scheme, Mouza Asal Suleman, Ferozepur Road, Lahore.	0.2

	Note	2021 (Rupees in thousand)	2020
<b>16. LONG TERM INVESTMENTS</b>			
Investments in joint ventures - under equity method	16.1	-	21,063
Equity instruments - at FVTOCI	16.2	965,497	675,144
Knightbridge Residential Real Estate Partners (Partnership Firm)		6,130	49,820
		<b>971,627</b>	746,027

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>16.1 Investments in joint ventures - under equity method</b>			
S2 Hydro Limited 24,000 (2020: 24,000) fully paid ordinary shares of Rupees 10 each. Equity held 48% (2020: 48%)	16.1.1	-	18,118
S2 Power Limited 24,000 (2020: 24,000) fully paid ordinary shares of Rupees 10 each. Equity held 48% (2020: 48%)	16.1.1	-	-
S2 Solar Limited 25,000 (2020: 25,000) fully paid ordinary shares of Rupees 10 each. Equity held 48% (2020: 50%)	16.1.1	-	2,945
		-	21,063

# Notes to the Financial Statements

## For the year ended 30 June 2021

### 16.1.1 Reconciliation of investments in joint ventures under equity method:

	S2 Hydro Limited		S2 Power Limited		S2 Solar Limited	
	2021	2020	2021	2020	2021	2020
	(RUPEES IN THOUSANDS)					
Cost	240	240	240	240	250	250
Add: Advance for purchase of shares	18,232	18,232	533	533	2,747	2,747
Share of post acquisition reserves:						
As at 01 July	(354)	(354)	(773)	(773)	(52)	(52)
Share of profit / (loss)	-	-	-	-	-	-
As at 30 June	(354)	(354)	(773)	(773)	(52)	(52)
Less: Impairment loss	(18,118)	-	-	-	(2,945)	-
	-	18,118	-	-	-	2,945

### 16.1.2 Summarized statement of financial position

Current assets	160	160	2	2	511	511
Non-current assets	31,264	31,264	-	-	2,633	2,633
Current liabilities	(2,104)	(1,954)	-	-	-	-
Non-current liabilities	-	-	-	-	-	-
Share deposit money	(29,707)	(29,707)	(2,978)	(2,833)	(2,747)	(2,747)
Net assets	(387)	(237)	(2,976)	(2,831)	397	397

### 16.1.3 Reconciliation to carrying amounts:

Net assets as at 01 July	(237)	(237)	(2,831)	(2,687)	397	397
Loss after taxation	-	-	(145)	(144)	-	-
Net assets ss at 30 June	(237)	(237)	(2,976)	(2,831)	397	397
Company's share	48.00%	48.00%	48.00%	48.00%	50.00%	50.00%
Company's share	(114)	(114)	(533)	(533)	198	198
Company's advance for purchase of shares	18,232	18,232	533	533	2,747	2,747
Impairment loss	(18,118)	-	-	-	(2,945)	-
	-	18,118	-	-	-	2,945

### 16.1.4 Summarized statement of comprehensive income

Revenue	-	-	-	-	-	-
Loss for the period	-	-	(145)	(144)	-	-
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	(145)	(144)	-	-

The above amounts of assets and liabilities include the followings:

Cash and cash equivalents	160	160	2	2	511	511
Current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	-	-	-	-
Depreciation and amortisation	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Income tax expense / income	-	-	-	-	-	-

# Notes to the Financial Statements

For the year ended 30 June 2021

## 16.1.5 Interests in associates

Name of associated company	Note	Country of incorporation	% of ownership interest	Measurement method
S2 Hydro Limited	16.1.6	Pakistan	48.00%	Equity method
S2 Power Limited	16.1.7	Pakistan	48.00%	Equity method
S2 Solar Limited	16.1.8	Pakistan	50.00%	Equity method

**16.1.6** S2 Hydro Limited was incorporated for setting up hydel power generation facilities. Its registered office is situated at 7 - B - III, Marina Homes, Aziz Avenue, Gulberg V, Lahore.

**16.1.7** S2 Power Limited was incorporated to set up undertakings for electricity / power generation plants and to generate, accumulate, distribute and sell electricity. Its registered office is situated at 7 - B - III, Marina Homes, Aziz Avenue, Gulberg V, Lahore.

**16.1.8** S2 Solar Limited was incorporated to set up undertakings for electricity / power generation plants and to generate, accumulate, distribute and sell electricity. Its registered office is situated at 7 - B - III, Marina Homes, Aziz Avenue, Gulberg V, Lahore.



# Notes to the Financial Statements

## For the year ended 30 June 2021

	2021			2020		
	Cost	Fair value adjustment	Fair value	Cost	Fair value adjustment	Fair value
(Rupees in thousand)						
<b>16.2 Equity instruments - at FVTOCI</b>						
<b>Quoted - Investments in related parties</b>						
Premier Insurance Limited						
1,298,971 (2020: 952,471) fully paid ordinary shares of Rupees 10 each.	9,167	(2,023)	7,144	7,233	(2,471)	4,762
<b>Crescent Textile Mills Limited</b>						
1,648,500 (2020: 1,648,500) fully paid ordinary shares of Rupees 10 each.	37,613	7,375	44,988	37,613	(3,291)	34,322
	46,780	5,352	52,132	44,846	(5,762)	39,084
<b>Quoted - Others</b>						
<b>Kot Adu Power Company Limited</b>						
525,000 (2020: 525,000) fully paid ordinary shares of Rupees 10 each.	28,303	(5,019)	23,284	28,303	(17,724)	10,579
<b>Nishat Mills Limited</b>						
1,125,000 (2020: 1,125,000) fully paid ordinary shares of Rupees 10 each.	130,996	(26,033)	104,963	130,996	(43,235)	87,761
<b>Pakistan State Oil Company Limited</b>						
198,360 (2020: 198,360) fully paid ordinary shares of Rupees 10 each.	40,362	4,120	44,482	40,362	(8,989)	31,373
<b>Oil &amp; Gas Development Company Limited</b>						
550,000 (2020: 400,000) fully paid ordinary shares of Rupees 10 each.	79,126	(26,860)	52,266	62,964	(19,364)	43,600
<b>The Searle Company Limited</b>						
191,598 (2020: 134,158) fully paid ordinary shares of Rupees 10 each.	43,244	(6,463)	36,781	40,280	(13,552)	26,728
<b>DG Khan Cement Company Limited</b>						
1,212,400 (2020: 1,112,400) fully paid ordinary shares of Rupees 10 each.	137,956	5,010	142,966	127,359	(32,438)	94,921
<b>Fauji Fertilizer Company Limited</b>						
325,000 (2020: 325,000) fully paid ordinary shares of Rupees 10 each.	28,259	6,224	34,483	28,259	7,488	35,747

# Notes to the Financial Statements

## For the year ended 30 June 2021

	2021			2020		
	Cost	Fair value adjustment	Fair value	Cost	Fair value adjustment	Fair value
(Rupees in thousand)						
<b>Fatima Fertilizer Company Limited</b>						
979,000 (2020: 979,000) fully paid ordinary shares of Rupees 10 each.	34,896	(6,751)	28,145	34,896	(8,727)	26,169
<b>Engro Corporation Limited</b>						
94,700 (2020: 69,700) fully paid ordinary shares of Rupees 10 each.	28,203	(303)	27,900	20,328	89	20,417
<b>Engro Fertilizers Limited</b>						
1,900,000 (2020: 1,900,000) fully paid ordinary shares of Rupees 10 each.	111,449	22,064	133,513	111,449	3,083	114,532
<b>Crescent Steel and Allied Products Limited</b>						
1,222,000 (2020: 1,222,000) fully paid ordinary shares of Rupees 10 each.	81,193	21,430	102,623	81,193	(25,592)	55,601
<b>United Bank Limited</b>						
220,700 (2020: 195,700) fully paid ordinary shares of Rupees 10 each.	45,720	(18,750)	26,970	42,828	(22,600)	20,228
<b>Kohinoor Textile Mills Limited</b>						
799,900 (2020: 799,900) fully paid ordinary shares of Rupees 10 each.	39,149	21,003	60,152	39,149	(10,745)	28,404
<b>Attock Refinery Limited</b>						
125,000 (2020: 125,000) fully paid ordinary shares of Rupees 10 each.	21,531	10,525	32,056	21,531	(10,366)	11,165
<b>MCB Bank Limited</b>						
200,140 (2020: 57,140) fully paid ordinary shares of Rupees 10 each.	39,959	(7,971)	31,988	14,639	(5,378)	9,261
<b>Habib Bank Limited</b>						
250,000 (2020: 200,000) fully paid ordinary shares of Rupees 10 each.	41,688	(11,095)	30,593	35,130	(15,756)	19,374
	932,034	(18,869)	913,165	859,666	(223,806)	635,860
<b>Unquoted - Others</b>						
TCC Management Services (Private) Limited (Note 16.2.1)						
20,000 (2020: 20,000) fully paid ordinary shares of Rupees 10 each.	200	-	200	200	-	200
	979,014	(13,517)	965,497	904,712	(229,568)	675,144

16.2.1 Investment in ordinary shares of TCC Management Services (Private) Limited has not been measured at fair value as required by IFRS 9 'Financial Instruments' as it will have immaterial impact and thus carried at cost.

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>17. LONG TERM DEPOSIT</b>			
Deposit against leased asset		205	-
Deposits - others	17.1	21,871	21,871
		<b>22,076</b>	<b>21,871</b>

**17.1** 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.

## 18. STORES, SPARE PARTS AND LOOSE TOOLS

Stores		249,435	232,493
Spare parts		12,856	11,205
Loose tools		273	250
		<b>262,564</b>	<b>243,948</b>
Less: Provision for slow moving, obsolete and damaged store items	18.2	(43,639)	(40,306)
		<b>218,925</b>	<b>203,642</b>

**18.1** Stores, spares and loose tools include stock in transit of Rupees 12.410 million (2020: Rupees 14.389 million).

## 18.2 Provision for slow moving, obsolete and damaged store items

Balance as on 01 July		40,306	33,936
Add: Provision made during the year	32	3,333	6,370
Balance as on 30 June		<b>43,639</b>	<b>40,306</b>

## 19. STOCK-IN-TRADE

Raw materials	19.1	2,153,916	2,182,402
Work-in-process		183,121	167,564
Finished goods	19.2 & 19.3	842,432	1,346,739
Waste		24,213	21,563
		<b>3,203,682</b>	<b>3,718,268</b>

# Notes to the Financial Statements

For the year ended 30 June 2021

19.1 Raw material include stock in transit of Rupees 137.716 million (2020: Rupees 159.612 million).

19.2 Finished goods include stock in transit of Rupees Nil (2020: Rupees 11.016 million).

19.3 Stock-in-trade of Rupees 25.186 million (2020: Rupees 27.680 million) is being carried at net realizable value.

19.4 The aggregate amount of write-down of inventories to net realizable value recognized as an expense during the year was Rupees 0.712 million (2020: Rupees 207.723 million).

	Note	2021 (Rupees in thousand)	2020
<b>20. TRADE DEBTS</b>			
<b>Considered good:</b>			
Secured (against letters of credit)		-	43,788
Unsecured:			
- Related party	20.1, 20.2 & 20.3	641	16,227
- Others	20.4	1,488,396	1,000,004
		<b>1,489,037</b>	<b>1,060,019</b>
Less: Allowance for expected credit loss	20.4	(49,190)	(86,007)
		<b>1,439,847</b>	<b>974,012</b>
<b>20.1</b> This represents amount due from following related party:			
The Crescent Textile Mills Limited - associated company		448	16,071
Crescent Powertech Limited - associated company		37	-
ICON Global (Private) Limited - associated company		8	8
Equity Textiles Limited - associated company		148	148
		<b>641</b>	<b>16,227</b>

20.2 The maximum aggregate amount receivables from related parties at the end of any month during the year was as follows:

The Crescent Textile Mills Limited - associated company	24,796	29,165
Crescent Powertech Limited - associated company	37	-
ICON Global (Private) Limited - associated company	8	8
ACME Mills (Private) Limited - associated company	6,208	4,973
Equity Textiles Limited - associated company	1,524	148
	<b>32,573</b>	<b>34,294</b>

# Notes to the Financial Statements

For the year ended 30 June 2021

- 20.3** As at 30 June 2021, trade debts due from related parties amounting to Rupees 0.641 million (2020: Rupees 15.194 million) were past due but not impaired. The ageing analysis of these trade debts are as follows:

	Note	2021 (Rupees in thousand)	2020
Up to 30 days		20	15,192
31 to 60 days		177	-
61 to 90 days		22	-
Above 90 days		422	2
		<b>641</b>	<b>15,194</b>

## 20.4 Allowance for expected credit loss

Opening balance		<b>86,007</b>	32,481
(Less) / Add: (Reversed) / recognized during the year	33	<b>(36,817)</b>	53,526
Closing balance		<b>49,190</b>	86,007

- 20.5** Default is triggered when more than 90 days have passed

## 20.6 Types of counterparties

Corporate		<b>1,322,635</b>	784,332
Others		<b>166,402</b>	275,687
		<b>1,489,037</b>	1,060,019

## 21. LOANS AND ADVANCES

Considered good:			
Employees	21.1	<b>6,337</b>	6,511
Advances to suppliers		<b>18,454</b>	41,555
Letters of credit		<b>12,677</b>	7,009
Due from related parties	21.2	<b>2,504</b>	62
		<b>39,972</b>	55,137

# Notes to the Financial Statements

For the year ended 30 June 2021

**21.1** These represent short term loans and advances given to employees as per Company's policy for general purposes. These are secured against balance to the credit of employees in the provident fund trust and are recoverable in equal monthly installments. The interest charged during the year range from 0% to 8% per annum on the balance outstanding.

	Note	2021 (Rupees in thousand)	2020
<b>21.2</b>	These include amounts due from following related parties. These are neither past due nor impaired.		
	Crescent Powertech Limited - associated company	-	52
	Shams Textile Mills Limited - associated company	-	10
	Crescent Fibres Limited - associated company	297	-
	Premier Insurance Limited - associated company	2,207	-
		<b>2,504</b>	62

**21.3** The maximum aggregate amount receivable from related parties at the end of any month during the year was as follows:

Crescent Powertech Limited - associated company	13,742	5,912
Shams Textile Mills Limited - associated company	2,463	646
Crescent Fibres Limited - associated company	297	300
Premier Insurance Limited - associated company	2,207	-

## 22. SHORT TERM DEPOSITS AND PREPAYMENTS

Security deposits	96,732	68,097
Prepayments	8,882	6,028
	<b>105,614</b>	74,125

## 23. INCOME TAX REFUNDABLE - NET

Income tax refundable	646,752	664,162
Provision for taxation	(509,585)	(194,833)
	<b>137,167</b>	469,329

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>24. OTHER RECEIVABLES</b>			
Claims receivable		21,833	28,114
Sales tax refundable		-	67,861
Other receivables		-	1,510
Fair value of forward exchange contracts		1,185	-
		<b>23,018</b>	<b>97,485</b>
<b>25. SHORT TERM INVESTMENTS</b>			
<b>At fair value through profit or loss:</b>			
Equity instruments	25.1	398,068	150,502
Mutual funds	25.2	2,813,201	1,168,095
		<b>3,211,269</b>	<b>1,318,597</b>



# Notes to the Financial Statements

## For the year ended 30 June 2021

Note	2021			2020		
	Carrying value	Unrealised gain / (loss)	Fair value	Carrying value	Unrealised gain / (loss)	Fair value
(Rupees in thousand)						
25.1	Equity instruments					
	Unquoted - Investments in related parties					
	<b>Premier Financial Services (Private) Limited</b>					
	2,200 (2020: 2,200) fully paid ordinary shares of Rupees 1,000 each.					
	-	-	-	-	-	-
	<b>Crescent Spinning Mills Limited</b>					
	208,800 (2020: 208,800) fully paid ordinary shares of Rupees 10 each.					
25.1.1	-	-	-	-	-	-
	-	-	-	-	-	-
	Quoted - Others					
	<b>Samba Bank Limited</b>					
	1,652,306 (2020: 1,652,306) fully paid ordinary shares of Rupees 10 each.					
	12,905	(1,868)	11,037	9,071	3,834	12,905
	<b>Fauji Cement Company Limited</b>					
	1,500,000 (2020: 1,500,000) fully paid ordinary shares of Rupees 10 each.					
	25,320	9,180	34,500	23,595	1,725	25,320
	<b>GlaxoSmithKline Pakistan Limited</b>					
	79,700 (2020: 79,700) fully paid ordinary shares of Rupees 10 each.					
	13,874	(670)	13,204	7,598	6,276	13,874
	<b>Pakistan Telecommunication Limited</b>					
	550,000 (2020: 700,000) fully paid ordinary shares of Rupees 10 each.					
	4,884	1,628	6,512	5,789	427	6,216
	<b>TPL Corp Limited</b>					
	160,000 (2020: 332,000) fully paid ordinary shares of Rupees 10 each.					
	827	2,301	3,128	1,620	96	1,716
	<b>First Equity Modaraba</b>					
	1,848,000 (2020: 1,571,500) fully paid certificates of Rupees 10 each.					
	5,533	6,941	12,474	4,074	625	4,699
	<b>Nishat Chunian Power Limited</b>					
	800,000 (2020: 800,000) fully paid ordinary shares of Rupees 10 each.					
	12,096	(80)	12,016	13,928	(1,832)	12,096
	<b>TRG Pakistan Limited - Class 'A'</b>					
	100,000 (2020: 891,500) fully paid ordinary shares of Rupees 10 each.					
	16,238	395	16,633	14,585	10,591	25,176

# Notes to the Financial Statements

## For the year ended 30 June 2021

Note	2021			2020		
	Carrying value	Unrealised gain / (loss)	Fair value	Carrying value	Unrealised gain / (loss)	Fair value
(Rupees in thousand)						
<b>Ghani Global Glass Limited</b> Nil (2020: 200,000) fully paid ordinary shares of of Rupees 10 each.	-	-	-	1,198	1,194	2,392
<b>Aisha Steel Mills Limited</b> 854,500 (2020: 554,500) fully paid ordinary shares of Rupees 10 each.	12,007	9,279	21,286	5,102	5	5,107
<b>ICI Pakistan Limited</b> 10,000 (2020: 10,000) fully paid ordinary shares of Rupees 10 each.	6,947	1,741	8,688	5,325	1,622	6,947
<b>Arif Habib Corporation Limited</b> 100,000 (2020: 100,000) fully paid ordinary shares of Rupees 10 each.	3,000	1,003	4,003	2,471	529	3,000
<b>Power Cement Limited</b> 2,000,000 (2020: 2,000,000) fully paid ordinary shares of Rupees 10 each.	12,400	6,820	19,220	12,860	(460)	12,400
<b>Sui Northern Gas Pipelines Limited</b> 100,000 (2020: 100,000) fully paid ordinary shares of of Rupees 10 each.	5,460	(602)	4,858	6,949	(1,489)	5,460
<b>Colony Textile Mills Limited</b> Nil (2020: 357,000) fully paid ordinary shares of of Rupees 10 each.	-	-	-	1,004	424	1,428
<b>Pak Elektron Limited</b> Nil (2020: 275,000) fully paid ordinary shares of of Rupees 10 each.	-	-	-	5,504	802	6,306
<b>The Bank of Punjab</b> Nil (2020: 650,000) fully paid ordinary shares of Rupees 10 each.	-	-	-	5,948	(488)	5,460
<b>Service Global Footwear Limited</b> 429,544 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	22,867	1,974	24,841	-	-	-
<b>Hi-Tech Lubricants Limited</b> 800,000 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	59,714	(2,986)	56,728	-	-	-
<b>Azgard Nine Limited</b> 1,500,000 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	44,309	6,526	50,835	-	-	-

# Notes to the Financial Statements

## For the year ended 30 June 2021

Note	2021			2020		
	Carrying value	Unrealised gain / (loss)	Fair value	Carrying value	Unrealised gain / (loss)	Fair value
(Rupees in thousand)						
<b>National Refinery Limited</b> 50,000 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	21,170	4,990	26,160	-	-	-
<b>Netsol Technologies Limited</b> 130,000 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	29,089	(6,992)	22,097	-	-	-
<b>Indus Motor Company Limited</b> 10,000 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	11,600	941	12,541	-	-	-
<b>Maple Leaf Cement Factory Limited</b> 300,000 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	12,664	1,430	14,094	-	-	-
<b>The HUB Power Company Limited</b> 291,367 (2020: Nil) fully paid ordinary shares of Rupees 10 each.	24,560	(1,347)	23,213	-	-	-
	357,464	40,604	398,068	126,621	23,881	150,502
	357,464	40,604	398,068	126,621	23,881	150,502

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

### 25.2 Mutual funds

2021	2020	Name of fund	2021			2020		
Number of units			Carrying value	Unrealised gain/(loss)	Fair value	Carrying value	Unrealised gain/(loss)	Fair value
----- ( Rupees In Thousand ) -----								
3,752,577	2,084,420	Alfalah GHP Money Market Fund B Growth Units	369,227	(579)	368,648	204,531	30	204,561
-	25,427	NBP Savings Fund	-	-	-	249	-	249
45,575,392	18,750,213	NBP Money Market Fund	450,723	410	451,133	185,110	189	185,299
644,973	343,250	Atlas Money Market Fund	325,864	413	326,277	172,931	498	173,429
36,059,105	17,471,638	ABL Cash Fund	367,042	76	367,118	177,688	154	177,842
4,950,929	1,796,526	HBL Cash Fund	502,289	(1,248)	501,041	181,391	290	181,681
-	2,255	MCB DCF Income Fund	-	-	-	240	1	241
3,827,956	2,427,782	MCB Cash Management Optimizer	386,030	437	386,467	244,449	344	244,793
4,083,478	-	UBL Liquidity Plus Fund - Class 'C'	412,344	173	412,517	-	-	-
98,894,410	42,901,511		2,813,519	(318)	2,813,201	1,166,589	1,506	1,168,095

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>26. CASH AND BANK BALANCES</b>			
With banks:			
On current accounts		16,167	13,611
On PLS saving accounts	26.1	265,797	192,471
		<b>281,964</b>	<b>206,082</b>
Cash in hand		1,011	1,057
		<b>282,975</b>	<b>207,139</b>

26.1 Rate of profit on bank deposits ranges from 5.50% to 6.00% (2020: 6.50% to 11.40%) per annum.

<b>27. NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>			
Opening balance		14,192	10,077
Add: Addition during the year	13.1	15,799	6,826
		<b>29,991</b>	<b>16,903</b>
Less: Disposed of during the year	27.2	(6,125)	(2,711)
Closing balance		<b>23,866</b>	<b>14,192</b>

27.1 These represent items of plant and machinery. Carrying amounts of these assets will be recovered principally through sale transaction rather than through continuing use. The Company intends to dispose of plant and machinery items and anticipates that the disposal will be completed subsequent to the reporting period. 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.

27.2 Detail of assets, exceeding the book value of Rupees 500,000, disposed of during the year is as follows:

Description	Quantity	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Mode of disposal	Particulars of purchaser
----- (Rupees in Thousand) -----								
<b>Plant and machinery</b>								
Cone Winding Schlafhorst 338 RM	1	10,168	7,873	2,295	3,700	1,405	Negotiation	Shahzad Textile Mills Limited, Lahore.
Unilap	1	5,408	4,708	700	2,100	1,400	Negotiation	Masood Fabrics and Spinning Mills Limited, Multan.
Draw Frame TD-03	2	5,919	4,583	1,336	1,090	(246)	Negotiation	Masood Fabrics and Spinning Mills Limited, Multan.
Draw Frame RSB D-30 C	3	7,319	6,481	838	3,000	2,162	Negotiation	H.A.R Fabrics (Private) Limited, Faisalabad.
Draw Frame RSB D-30	2	6,533	5,577	956	2,000	1,044	Negotiation	Shams Textile Mills Limited, Lahore - associated company.
		<b>35,347</b>	<b>29,222</b>	<b>6,125</b>	<b>11,890</b>	<b>5,765</b>		

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>28. REVENUE FROM CONTRACTS WITH CUSTOMERS</b>			
Export sales	28.1	274,786	225,448
Local sales	28.2	17,100,014	12,657,124
		<b>17,374,800</b>	<b>12,882,572</b>

**28.1** These include waste sales of Rupees Nil (2020: Rupees 28.710 million).

## **28.2 Local sales**

Sales	28.2.1	20,005,845	15,065,030
Less: Sales tax		(2,905,831)	(2,407,906)
		<b>17,100,014</b>	<b>12,657,124</b>

**28.2.1** Local sales include waste sales of Rupees 679.967 million (2020: Rupees 692.266 million).

**28.3** The amount of Rupees 41.902 million included in contract liabilities (Note 8) at 30 June 2020 has been recognised as revenue during the year. (2020: Rupees 12.084 million).

## **28.4 Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition.

	Spinning		Weaving		Total - Company	
	2021	2020	2021	2020	2021	2020
	(Rupees in thousand)					
<b>Primary geographical markets</b>						
Pakistan	11,225,956	8,054,647	5,874,058	4,602,477	17,100,014	12,657,124
Hong Kong	-	-	50,106	-	50,106	-
Italy	-	-	105,598	8,994	105,598	8,994
Korea	-	-	10,387	100,960	10,387	100,960
Portugal	-	-	8,908	2,086	8,908	2,086
Turkey	-	-	46,159	8,301	46,159	8,301
United Arab Emirates	-	47,994	-	22,755	-	70,749
China	-	-	38,579	-	38,579	-
Sri Lanka	1,613	5,647	-	-	1,613	5,647
Germany	-	-	13,436	-	13,436	-
Taiwan	-	-	-	9,292	-	9,292
Vietnam	-	19,419	-	-	-	19,419
	<b>11,227,569</b>	<b>8,127,707</b>	<b>6,147,231</b>	<b>4,754,865</b>	<b>17,374,800</b>	<b>12,882,572</b>
<b>Major products lines</b>						
Yarn	11,227,569	8,127,707	-	-	11,227,569	8,127,707
Greigh fabric	-	-	6,147,231	4,754,865	6,147,231	4,754,865
	<b>11,227,569</b>	<b>8,127,707</b>	<b>6,147,231</b>	<b>4,754,865</b>	<b>17,374,800</b>	<b>12,882,572</b>
<b>Timing of revenue recognition</b>						
Products transferred at a point in time	11,227,569	8,127,707	6,147,231	4,754,865	17,374,800	12,882,572
Products transferred over time	-	-	-	-	-	-
External revenue as reported	<b>11,227,569</b>	<b>8,127,707</b>	<b>6,147,231</b>	<b>4,754,865</b>	<b>17,374,800</b>	<b>12,882,572</b>

**28.5** Revenue is recognised at point in time as per the terms and conditions of underlying contracts with customers.

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>29. COST OF SALES</b>			
Raw materials consumed	29.1	9,956,058	8,943,975
Sizing expenses		67,367	61,780
Salaries, wages and other benefits	29.2	964,881	913,084
Stores, spare parts and loose tools consumed		271,641	227,424
Packing materials consumed		151,429	126,661
Repair and maintenance		100,384	64,900
Fuel and power		1,442,921	1,389,645
Insurance		31,157	30,475
Other factory overheads		20,557	18,733
Depreciation on property, plant and equipment	13.1.2	435,366	470,315
		<b>13,441,761</b>	<b>12,246,992</b>
Work-in-process			
Opening stock		167,564	159,344
Closing stock		(183,121)	(167,564)
		<b>(15,557)</b>	<b>(8,220)</b>
Cost of goods manufactured		<b>13,426,204</b>	<b>12,238,772</b>
Finished goods			
Openings stock		1,368,302	691,328
Closing stock		(866,645)	(1,368,302)
		<b>501,657</b>	<b>(676,974)</b>
		<b>13,927,861</b>	<b>11,561,798</b>
<b>29.1 Raw materials consumed</b>			
Opening stock		2,182,402	2,236,861
Add: Purchased during the year		9,927,572	8,889,516
		<b>12,109,974</b>	<b>11,126,377</b>
Less: Closing stock		(2,153,916)	(2,182,402)
		<b>9,956,058</b>	<b>8,943,975</b>

**29.2** Salaries, wages and other benefits include provident fund contribution of Rupees 21.016 million (2020: Rupees 20.270 million) by the Company.

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>30. DISTRIBUTION COST</b>			
Salaries and other benefits	30.1	7,140	5,352
Outward freight and shipment		33,438	30,352
Commission to selling agents		110,092	79,289
Clearing and forwarding		4,625	3,485
Export development surcharge		641	610
		<b>155,936</b>	<b>119,088</b>

**30.1** Salaries and other benefits include provident fund contribution of Rupees 0.223 million (2020: Rupees 0.169 million) by the Company.

<b>31. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits	31.1	119,339	115,647
Vehicles' running and maintenance		6,178	6,061
Travelling and conveyance		5,277	5,224
Rent, rates and taxes		8,775	7,445
Insurance		2,802	2,529
Entertainment		202	138
Advertisement		237	129
Communication		2,069	2,189
Electricity and gas		8,235	7,783
Printing and stationery		10,340	3,697
Repair and maintenance		6,512	9,209
Fee and subscription		6,262	4,099
Depreciation on property, plant and equipment	13.1.2	28,550	29,315
Depraciation on right-of-use asset	14	193	-
Donations	31.2 & 31.3	126,820	10,860
		<b>331,791</b>	<b>204,325</b>

**31.1** Salaries and other benefits include provident fund contribution of Rupees 3.722 million (2020: Rupees 3.645 million) by the Company.

**31.2** The name of donees to whom donation amount exceeded Rupees 12.682 million (2020: Rupees 1.086 million) are as follows:



# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
Lahore Institute of Health Sciences		100,000	2,500
Chiniot Blood Bank & Dialysis Centre		1,500	1,500
Saleem Memorial Trust Hospital		-	5,000
		<b>101,500</b>	<b>9,000</b>

**31.3** There is no interest of any director or his spouse in donees' fund.

## 32. OTHER EXPENSES

Legal and professional		5,235	5,445
Auditor's remuneration	32.1	1,750	1,590
Workers' profit participation fund	8.3	165,741	45,788
Workers' welfare fund	8.4	62,981	17,400
Provision for slow moving, obsolete and damaged store items	18.2	3,333	6,370
Allowance for expected credit loss	20.4	-	53,526
Sales tax refundable written off		-	16,946
Net exchange loss		-	79,176
Impairment loss on investments in joint ventures		21,063	-
Others		1,076	-
		<b>261,179</b>	<b>226,241</b>

### 32.1 Auditor's remuneration

Audit fee	1,502	1,365
Half yearly review and other certifications	193	175
Out of pocket expenses	55	50
	<b>1,750</b>	<b>1,590</b>

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>33. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Dividend income		180,282	188,087
Profit on deposits with banks		10,932	15,989
Gain on sale of investments at fair value through profit or loss		79,129	18,760
Unrealised gain on re-measurement of investments at fair value through profit or loss		40,286	25,387
Gain on initial recognition of GIDC payable at amortized cost		41,076	-
Reversal of allowance for expected credit loss (Note 20.4)		36,817	-
Net exchange gain		5,311	-
Others		278	-
		<b>394,111</b>	<b>248,223</b>
<b>Income from non-financial assets</b>			
Gain on sale of property, plant and equipment	13.1.1	7,042	13,509
Gain on disposal of non-current assets classified as held for sale	27.2	5,765	1,289
Gain on sale of investment properties	15.2	138,000	-
Scrap sales		8,314	7,982
		<b>159,121</b>	<b>22,780</b>
		<b>553,232</b>	<b>271,003</b>
<b>34. FINANCE COST</b>			
Mark-up on:			
Long term financing		68,299	89,204
Short term borrowings		55,132	92,861
Lease liability		82	-
Adjustment due to impact of IFRS 9	7.2	27,362	-
Bank charges and commission		14,307	7,498
		<b>165,182</b>	<b>189,563</b>
<b>35. TAXATION</b>			
Current	35.1	509,585	194,833
Prior year		6,155	5,014
Deferred		11,822	(68,195)
		<b>527,562</b>	<b>131,652</b>

# Notes to the Financial Statements

For the year ended 30 June 2021

- 35.1** The provision for current tax represents corporate tax on local sales, final tax on export sales and tax on income from other sources. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is as follows:

Note	2021 (Rupees in thousand)	2020
<b>35.2 Reconciliation between tax expense and accounting profit</b>		
Accounting profit before taxation	3,086,083	851,201
Applicable tax rate	29%	29%
Tax on accounting profit	894,964	246,848
Tax effect of change in prior year's tax	6,155	5,014
Tax effect due to minimum tax	-	18,702
Tax effect of capital gain taxed at a lower rate	(13,056)	(2,626)
Tax effect of final tax regime income taxed at a lower rate	(207,713)	(16,053)
Tax effect due to adjustments of brought forward losses	(114,298)	(6,099)
Tax effect of unrealised gain on investments	(11,683)	(7,362)
Tax effect of dividend income taxed at a lower rate	(25,239)	(26,332)
Tax effect arising as a consequence of recognition of deferred income tax	11,822	(68,195)
Others	(13,390)	(12,245)
	527,562	131,652

(Rupees in thousand)

Restated

## 36. EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share which is based on:

Profit attributable to ordinary shareholders

2,558,521 719,549

(Number of shares)

Weighted average number of ordinary shares

40,338,443 40,338,443

Rupees

Earnings per share

63.43 17.84

# Notes to the Financial Statements

For the year ended 30 June 2021

	Note	2021 (Rupees in thousand)	2020
<b>37. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		3,086,083	851,201
Adjustments for non-cash charges and other items:			
Depreciation on property, plant and equipment	13.1.2	463,916	499,630
Depreciation on right-of-use asset	14	193	-
Gain on sale of investments at fair value through profit or loss	33	(79,129)	(18,760)
Gain on disposal of property, plant and equipment		(7,042)	(13,509)
Gain on disposal of assets classified as held for sale		(5,765)	(1,289)
Gain on initial recognition of GIDC payable at amortized cost		(41,076)	-
Gain on sale of investment properties		(138,000)	-
Dividend income		(180,282)	(188,087)
Impairment loss on Investments in joint ventures		21,063	-
(Reversal of) / allowance for expected credit loss		(36,817)	53,526
Provision for slow moving, obsolete and damaged store items		3,333	6,370
Provision for workers' profit participation fund		165,741	45,788
Provision for workers' welfare fund		62,981	17,400
Sales tax refundable written off		-	16,946
Unrealised (gain) / loss on re-measurement of investments at fair value through profit or loss		(40,286)	(25,387)
Finance cost		165,182	189,563
Profit on bank deposits		(10,932)	(15,989)
Share of loss from joint ventures		-	1,359
Working capital changes	37.1	402,384	(373,834)
		<b>3,831,547</b>	<b>1,044,928</b>

## 37.1 Working capital changes

(Increase) / decrease in current assets:			
- Stores, spare parts and loose tools		(18,616)	(7,687)
- Stock in trade		514,586	(630,735)
- Trade debts		(429,018)	(114,491)
- Loans and advances		15,165	(26,073)
- Trade deposits and short term prepayments		(31,489)	(21,759)
- Tax refunds due from the government		67,861	41,835
- Other receivables		6,606	(13,376)
		<b>125,095</b>	<b>(772,286)</b>
Increase in trade and other payables		<b>277,289</b>	<b>398,452</b>
		<b>402,384</b>	<b>(373,834)</b>

# Notes to the Financial Statements

## For the year ended 30 June 2021

### 37.2 Reconciliation of movement of liabilities to cash flows arising from financing activities.

	2021				
	Liabilities from financing activities				
	Long term financing	Lease liability	Short term borrowings	Unclaimed dividend	Total
	------(Rupees in thousand)-----				
Balance as at 01 July 2020	2,590,654	-	1,278,365	6,731	3,875,750
Financing obtained	566,259		-	-	566,259
Repayment of financing	(30,274)		-	-	(30,274)
Lease liability recognized	-	2,246	-	-	2,246
Repayment of lease liability	-	(473)	-	-	(473)
Short term borrowings - net	-		(848,911)	-	(848,911)
Dividend declared	-		-	146,685	146,685
Dividend paid	-	-	-	(147,029)	(147,029)
Other changes - non-cash movement	(163,925)	-	-	-	(163,925)
Balance as at 30 June 2021	2,962,714	1,773	429,454	6,387	3,400,328

	2020			
	Liabilities from financing activities			Total
	Long term financing	Short term borrowings	Unclaimed dividend	
	------(Rupees in thousand)-----			
Balance as at 01 July 2019	2,822,597	698,968	3,359	3,524,924
Financing obtained	202,000	-	-	202,000
Repayment of financing	(433,943)	-	-	(433,943)
Short term borrowings - net	-	579,397	-	579,397
Dividend declared	-	-	183,357	183,357
Dividend paid	-	-	(179,985)	(179,985)
Balance as at 30 June 2020	2,590,654	1,278,365	6,731	3,875,750

### 38. EVENTS AFTER THE REPORTING PERIOD

- 38.1** The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2021 of Rupees 10 per share (2020: Rupees 4.00 per share) along with issuance of bonus shares @10% (2020: 10%) at their meeting held on 20 September, 2021. However, these events have been considered as non-adjusting events under IAS 10 'Events after the Reporting Period' and have not been recognized in these financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2021

## 39. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2021	2020	2021	2020	2021	2020
	----- (Rupees in thousand) -----					
Managerial remuneration	12,177	11,070	19,619	17,835	27,375	23,500
Allowances						
House rent	4,262	3,875	6,866	6,242	10,991	10,407
Reimbursement of expenses	363	295	1,939	1,608	-	-
Other allowance	1,218	1,107	1,962	1,784	7,056	5,020
Contribution to provident fund trust	731	664	1,177	1,070	1,347	1,325
	18,751	17,011	31,563	28,539	46,769	40,252
No. of persons	1	1	2	2	15	11

39.1 Chief Executive Officer, directors and certain executives of the Company are provided with Company maintained vehicles.

39.2 Aggregate amount charged in the financial statements for meeting fee to five directors (2020: five directors) was Rupees 0.650 million (2020: Rupees 0.500 million).

39.3 No remuneration was paid to non-executive directors of the Company.

## 40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, joint ventures, other related parties and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

# Notes to the Financial Statements

For the year ended 30 June 2021

	2021 (Rupees in thousand)	2020
<b>Associated companies</b>		
Purchase of electricity	10,024	1,029
Sale of goods	66,167	92,118
Sale of property, plant and equipment	2,340	-
Purchase of goods	238,884	213,434
Insurance expense	51,616	46,671
Dividend paid	112,446	87,150
Bonus shares issued (Numbers)	2,811,150	-
<b>Other related parties</b>		
Company's contribution to provident fund trust	24,961	24,084

**40.1** Detail of compensation to key management personnel comprising of chief executive officer, directors and executives is disclosed in note 39.

**40.2** Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place:

Name of the related party	Basis of relationship	Transactions entered or agreements and / or arrangements in place during the financial year ended		Percentage of shareholding
		2021	2020	
Crescent Powetech Limited	Common directorship	Yes	Yes	None
Premier Insurance Limited	Common directorship	Yes	Yes	None
S2 Hydro Limited	Joint Venture	No	Yes	48%
S2 Power Limited	Joint Venture	Yes	Yes	48%
Shams Textile Mills Limited	Common directorship	Yes	Yes	None
The Crescent Textile Mills Limited	Common directorship	Yes	Yes	None
S2 Solar Limited	Joint Venture	No	No	50%
Crescent Fibres Limited	Common directorship	Yes	Yes	None
ACME Mills (Private) Limited	Common directorship	Yes	Yes	None
Shakarganj Limited	Common directorship	No	No	None
Premier Financial Services (Private) Limited	Common directorship and shareholding	No	No	9.77%
ICON Global (Private) Limited	Common directorship	No	No	None
Al-Abbas Sugar Sugar Mills Limited	Common directorship	No	No	None
Bhikki Spinning Mills (Private) Limited	Common directorship	No	No	None
Crescent Steel and Allied Products Limited	Common directorship	No	No	None
Equity Textiles Limited	Common directorship	Yes	Yes	None
Bridgeline Global Logistics (Private) Limited	Common directorship	No	No	None
Mohammad Amin Mohammad Bashir Limited	Common directorship	Yes	Yes	None
Mohd. Amin Mohd. Bashir International (Private) Limited	Common directorship	No	No	None
Suraj Brands (Private) Limited	Common directorship	No	No	None
Suraj Fabrics Limited	Common directorship	No	No	None
Crescent Educational Trust	Director is trustee of the trust	No	No	None
Provident Fund Trust	Post-employment benefit plan	Yes	Yes	None



# Notes to the Financial Statements

For the year ended 30 June 2021

## 41. PROVIDENT FUND

As at the reporting date, the Suraj Cotton Mills Employees Provident Fund Trust is in the process of regularizing its investments in accordance with section 218 of the Companies Act, 2017 and the regulations formulated for this purpose by Securities and Exchange Commission of Pakistan.

	2021	2020
	(Rupees in thousand)	
<b>42. NUMBER OF EMPLOYEES</b>		
Number of employees as on 30 June	2,759	2,758
Average number of employees during the year	2,746	2,776

## 43. SEGMENT INFORMATION

**43.1** 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.

# Notes to the Financial Statements

For the year ended 30 June 2021

	Spinning		Weaving		Elimination of Inter-segment transactions		Total - Company	
	2021	2020	2021	2020	2021	2020	2021	2020
----- (Rupees in thousand) -----								
<b>Revenue from contracts with customers</b>								
External	11,227,569	8,127,707	6,147,231	4,754,865	-	-	17,374,800	12,882,572
Inter-segment	2,844,447	2,328,778	-	-	(2,844,447)	(2,328,778)	-	-
	14,072,016	10,456,485	6,147,231	4,754,865	(2,844,447)	(2,328,778)	17,374,800	12,882,572
<b>Cost of sales</b>								
External	(8,506,109)	(7,200,723)	(5,421,752)	(4,361,075)	-	-	(13,927,861)	(11,561,798)
Inter-segment	(2,844,447)	(2,328,778)	-	-	2,844,447	2,328,778	-	-
	(11,350,556)	(9,529,501)	(5,421,752)	(4,361,075)	2,844,447	2,328,778	(13,927,861)	(11,561,798)
Gross profit	2,721,460	926,984	725,479	393,790	-	-	3,446,939	1,320,774
Distribution cost	(93,137)	(73,504)	(62,799)	(45,584)	-	-	(155,936)	(119,088)
Administrative expenses	(241,815)	(152,013)	(89,976)	(52,312)	-	-	(331,791)	(204,325)
	(334,952)	(225,517)	(152,775)	(97,896)	-	-	(487,727)	(323,413)
Profit before taxation and unallocated expenses	2,386,508	701,467	572,704	295,894	-	-	2,959,212	997,361
<b>Unallocated income and expenses:</b>								
Other expenses							(261,179)	(226,241)
Other income							553,232	271,003
Finance cost							(165,182)	(189,563)
Share of loss from joint ventures							-	(1,359)
Taxation							(527,562)	(131,652)
Profit after taxation							2,558,521	719,549

# Notes to the Financial Statements

## For the year ended 30 June 2021

		Spinning		Weaving		Total - Company	
		2021	2020	2021	2020	2021	2020
----- (Rupees in thousand) -----							
43.2	Reconciliation of reportable segment assets and liabilities						
	Total assets for reportable segment	8,211,374	8,505,226	2,697,553	1,858,094	10,908,927	10,363,320
	Unallocated assets:						
	Investment properties					477,690	100,000
	Long term investments					971,627	746,027
	Income tax refundable - net					137,167	469,329
	Short term investments					3,211,269	1,318,597
	Non-current assets classified as held for sale					23,866	14,192
	Total assets as per statement of financial position					15,730,546	13,011,465
	Total liabilities for reportable segments	4,953,210	5,425,214	1,106,437	753,274	6,059,647	6,178,488
	Unallocated liabilities:						
	Deferred liabilities					396,510	209,633
	Unclaimed dividend					6,387	6,731
	Total liabilities as per statement of financial position					6,462,544	6,394,852
43.3	Geographical information						
	The company's revenue from external customers by geographical locations is detailed below:						
	Pakistan					17,100,014	12,657,124
	Hong Kong					50,106	-
	Italy					105,598	8,994
	Korea					10,387	100,960
	Portugal					8,908	2,086
	Turkey					46,159	8,301
	United Arab Emirates					-	70,749
	China					38,579	-
	Sri Lanka					1,613	5,647
	Germany					13,436	-
	Taiwan					-	9,292
	Vietnam					-	19,419
						17,374,800	12,882,572

43.4 All non-current assets of the Company as at reporting dates are located and operating in Pakistan.

### 43.5 Revenue from major customers

The Company's revenue is earned from a large mix of customers.

# Notes to the Financial Statements

For the year ended 30 June 2021

			2021	2020
			(Figures in thousand)	
44. PLANT CAPACITY AND ACTUAL PRODUCTION				
Spinning				
100 % plant capacity converted to 20s count based on 3 shifts per day.	Kgs.		54,716	48,824
Actual production converted to 20s count based on 3 shifts per day.	Kgs.		52,592	47,051
Weaving				
100 % plant capacity at 50 picks based on 3 shifts per day.	Sq.Mtr.		93,847	92,390
Actual production converted to 50 picks based on 3 shifts per day.	Sq.Mtr.		85,410	86,614

## 44.1 Reason for low production

Under utilization of available capacity for spinning and weaving is mainly due to normal repair and maintenance.

## 45. FINANCIAL RISK MANAGEMENT

### 45.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

#### (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.

# Notes to the Financial Statements

For the year ended 30 June 2021

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2021	2020
Trade debts - USD	-	375,108
The following significant exchange rates were applied during the year:		
<b>Rupees per US Dollar</b>		
Average rate	<b>159.81</b>	158.82
Reporting date rate	<b>157.80</b>	168.25

## Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees Nil (2020: Rupees 2.905 million) higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

## (ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to commodity price risk.

## Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Pakistan Stock Exchange (PSX) Index on the Company's equity investments. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

# Notes to the Financial Statements

For the year ended 30 June 2021

Index

	Impact on profit after taxation		Impact on statement of other comprehensive income (fair value reserve on FVTOCI investments)	
	2021	2020	2021	2020
	----- (Rupees in thousand) -----			
PSX Index (5% increase)	130,659	53,650	42,232	29,529
PSX Index (5% decrease)	(130,659)	(53,650)	(42,232)	(29,529)

## (iii) Interest rate risk

This 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's interest rate risk arises from long term financing, short term borrowings, lease liability, loans and advances to employees and bank balances in saving accounts. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2021	2020
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial liabilities</b>		
Long term financing	2,933,193	2,559,246
Short term borrowings	-	60,639
<b>Financial assets</b>		
Loans and advances to employees	6,337	6,511
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Bank balances - saving accounts	265,797	192,471
<b>Financial liabilities</b>		
Long term financing	29,521	31,408
Short term borrowings	429,454	1,217,726
Lease liability	1,773	-

# Notes to the Financial Statements

For the year ended 30 June 2021

## 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 reporting date would not affect profit or loss of the Company.

## Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 2.691 million (2020: Rupees 14.585 million) lower / higher, mainly as a result of higher / lower interest expense / income on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at reporting dates were outstanding for the whole year.

## (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 was as follows:

	2021	2020
	(Rupees in thousand)	
Long term investments	965,497	675,144
Long term deposits	22,076	21,871
Trade debts	1,439,847	974,012
Loans and advances	8,841	6,573
Short term deposits	96,732	68,097
Other receivables	23,018	29,624
Short term investments	3,211,269	1,318,597
Bank balances	281,964	206,082
	6,049,244	3,300,000



# Notes to the Financial Statements

For the year ended 30 June 2021

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:

	Rating			2021	2020
	Short Term	Long term	Agency	(Rupees in thousand)	
Banks					
MCB Bank Limited	A1+	AAA	PACRA	252,533	193,514
National Bank of Pakistan	A1+	AAA	PACRA	2,200	1,864
United Bank Limited	A1+	AAA	JCR-VIS	137	63
Allied Bank Limited	A1+	AAA	PACRA	-	519
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,143	3,887
Habib Bank Limited	A1+	AAA	JCR-VIS	322	111
Bank Al-Habib Limited	A1+	AAA	PACRA	19,594	5,359
Dubai Islamic Bank Pakistan Limited	A1+	AA	JCR-VIS	97	108
Finca Microfinance bank Limited	A1	A	PACRA	4,392	32
MCB Islamic Bank Limited	A1	A	PACRA	234	625
Samba Bank Limited	A1	AA	JCR-VIS	534	-
Bank Alfalah Limited	A1+	AA+	PACRA	336	-
Meezan Bank Limited	A1+	AAA	JCR-VIS	442	-
				281,964	206,082
Investments					
Premier Insurance Limited		A	PACRA	7,144	4,762
The Crescent Textile Mills Limited		Unknown		44,988	34,322
Kot Addu Power Company Limited	A1+	AA+	JCR-VIS	23,284	10,579
Nishat Mills Limited	A1+	AA	PACRA	104,963	87,761
Pakistan State Oil Company Limited	A1+	AA+	JCR-VIS	44,482	31,373
Oil & Gas Development Company Limited	A1+	AAA	JCR-VIS	52,266	43,600
The Searle Company Limited	A1	AA-	JCR-VIS	36,781	26,728
D.G. Khan Cement Company Limited	A1+	AA-	PACRA	142,966	94,921
Fauji Fertilizer Company Limited	A1+	AA+	PACRA	34,483	35,747
Fatima Fertilizer Company Limited	A1+	AA-	PACRA	28,145	26,169
Engro Corporation Limited	A1+	AA+	PACRA	27,900	20,417
Engro Fertilizers Limited	A1+	AA	PACRA	133,513	114,532
Crescent Steel and Allied Products Limited	A2	A-	JCR-VIS	102,623	55,601
United Bank Limited	A1+	AAA	JCR-VIS	26,970	20,228
Kohinoor Textile Mills Limited	A1	A+	JCR-VIS	60,152	28,404
Attock Refinery Limited	A1+	AA	PACRA	32,056	11,165
MCB Bank Limited	A1+	AAA	PACRA	31,988	9,261
Habib Bank Limited	A1+	AAA	JCR-VIS	30,593	19,374

# Notes to the Financial Statements

For the year ended 30 June 2021

	Short Term	Rating		2021	2020
		Long term	Agency	(Rupees in thousand)	
TCC Management Services (Private) Limited		Unknown		200	200
Samba Bank Limited	A1	AA	JCR-VIS	11,037	12,905
Fauji Cement Company Limited		Unknown		34,500	25,320
GlaxoSmithKline Pakistan Limited		Unknown		13,204	13,874
Pakistan Telecommunication Company Limited	A1+	AAA	JCR-VIS	6,512	6,216
TPL Corp Limited	A2	A-	PACRA	3,128	1,716
First Equity Modaraba		Unknown		12,474	4,699
Nishat Chunian Power Limited	A2	A	JCR-VIS	12,016	12,096
TRG Pakistan Limited - Class 'A'		Unknown		16,633	25,176
Ghani Global Glass Limited		Unknown		-	2,392
Aisha Steel Mills Limited	A2	A-	JCR-VIS	21,286	5,107
ICI Pakistan Limited	A1+	AA	JCR-VIS	8,688	6,947
Arif Habib Corporation Limited	A1	AA-	JCR-VIS	4,003	3,000
Power Cement Limited	A2	A-	JCR-VIS	19,220	12,400
Sui Northern Gas Pipelines Limited	A1	AA-	PACRA	4,858	5,460
Colony Textile Mills Limited		Unknown		-	1,428
Pak Elektron Limited	A1	A+	PACRA	-	6,306
The Bank of Punjab	A1+	AA+	PACRA	-	5,460
Service Global Footwear Limited		Unknown		24,841	-
Hi-Tech Lubricants Limited	A-2	A	JCR-VIS	56,728	-
Azgard Nine Limited		Unknown		50,835	-
National Refinery Limited	A1+	AA+	PACRA	26,160	-
Netsol Technologies Limited		Unknown		22,097	-
Indus Motor Company Limited	A-1+	AA+	JCR-VIS	12,541	-
Maple Leaf Cement Factory Limited	A-1	A-	JCR-VIS	14,094	-
The HUB Power Company Limited	A1+	AA+	PACRA	23,213	-
Alfalsh GHP Money Market Fund B Growth units	Unknown	AA+(f)	PACRA	368,648	204,561
NBP Savings Fund	Unknown	A+(f)	PACRA	-	249
NBP Money Market Fund	Unknown	AA(f)	PACRA	451,133	185,299
Atlas Money Market Fund	Unknown	AA+(f)	PACRA	326,277	173,429
ABL Cash Fund	Unknown	AA+(f)	JCR-VIS	367,118	177,842
HLB Cash Fund	Unknown	AA+(f)	JCR-VIS	501,041	181,681
MCB DCF Income Fund	Unknown	AA-(f)	PACRA	-	241
MCB Cash Management Optimizer	Unknown	AA+(f)	PACRA	386,467	244,793
UBL Liquidity Plus Fund - Class 'C'	Unknown	AA+(f)	JCR-VIS	412,517	-
				4,176,766	1,993,741
				4,458,730	2,199,823

# Notes to the Financial Statements

For the year ended 30 June 2021

The Company's exposure to credit risk and allowance for expected credit losses related to trade debts is disclosed in Note 20.

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 counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debts.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. These trade receivables are netted off with the collateral obtained, if any, from these customers to calculate the net exposure towards these customers. The Company has concluded that the expected loss rates for trade debts against local sales are different from the expected loss rates for trade debts against export sales.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product, Unemployment, Interest, and the inflation Index of the country in which it majorly sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows:

## At 30 June 2021

	Local Sales			Export Sales		
	Expected loss rate %	Trade debts (RUPEES IN THOUSAND)	Loss allowance	Expected loss rate %	Trade debts (RUPEES IN THOUSAND)	Loss allowance
Not past due	0.00%	1,170,864	-	0.00%	-	-
Up to 30 days	1.50%	246,523	3,699	0.00%	-	-
31 to 60 days	4.51%	25,277	1,140	0.00%	-	-
61 to 90 days	33.94%	3,060	1,038	0.00%	-	-
Above 90 days	100.00%	43,313	43,313	0.00%	-	-
Total		1,489,037	49,190		-	-

## At 30 June 2020

Not past due	0.00%	602,542	-	0.00%	43,788	-
Up to 30 days	2.95%	242,084	7,141	0.00%	-	-
31 to 60 days	4.80%	51,792	2,486	0.00%	-	-
61 to 90 days	21.03%	54,997	11,564	0.00%	-	-
Above 90 days	100.00%	64,816	64,816	0.00%	-	-
Total		1,016,231	86,007		43,788	-

# Notes to the Financial Statements

For the year ended 30 June 2021

## (c) Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2021, the Company had Rupees 12,147.179 million (2020: Rupees 6,212.270 million) available borrowing limits from financial institutions and Rupees 282.975 million (2020: Rupees 207.139 million) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

### Contractual maturities of financial liabilities as at 30 June 2021

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
----- (Rupees in thousand) -----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	2,962,714	3,126,638	183,667	183,667	367,334	2,391,971
Lease liability	1,773	1,979	355	355	710	559
Trade and other payables	1,657,393	1,657,393	1,657,393	-	-	-
Accrued mark-up	26,293	26,293	26,293	-	-	-
Short term borrowings	429,454	436,676	436,676	-	-	-
Unclaimed dividend	6,387	6,387	6,387	-	-	-
	<b>5,084,014</b>	<b>5,255,366</b>	<b>2,310,771</b>	<b>184,022</b>	<b>368,044</b>	<b>2,392,530</b>

### Contractual maturities of financial liabilities as at 30 June 2020

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 year	More than 2 years
----- (Rupees in thousand) -----						
<b>Non-derivative financial liabilities:</b>						
Long term financing	2,590,654	2,909,196	50,306	111,321	371,965	2,375,604
Trade and other payables	2,034,322	2,034,322	2,034,322	-	-	-
Accrued mark-up	38,592	38,592	38,592	-	-	-
Short term borrowings	1,278,365	1,301,385	1,301,385	-	-	-
Unclaimed dividend	6,731	6,731	6,731	-	-	-
<b>Derivative financial liabilities</b>	<b>9,550</b>	<b>9,550</b>	<b>9,550</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>5,958,214</b>	<b>6,299,776</b>	<b>3,440,886</b>	<b>111,321</b>	<b>371,965</b>	<b>2,375,604</b>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark-up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 5. note 6 and note 10 to these financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2021

	FVTPL	Amortised cost	FVTOCI	Total
	----- (Rupees in thousand) -----			
<b>45.2 Financial instruments by categories</b>				
<b>As at 30 June 2021</b>				
<b>Assets as per statement of financial position</b>				
Long term investments	-	-	965,497	965,497
Long term deposits	-	22,076	-	22,076
Trade debts	-	1,439,847	-	1,439,847
Loans and advances	-	8,841	-	8,841
Short term deposits	-	96,732	-	96,732
Other receivables	1,185	21,833	-	23,018
Short term investments	3,211,269	-	-	3,211,269
Cash and bank balances	-	282,975	-	282,975
	3,212,454	1,872,304	965,497	6,050,255

	Financial liabilities at amortized cost	FVTPL	Total
	----- (Rupees in thousand) -----		
<b>Liabilities as per statement of financial position</b>			
Long term financing	2,962,714	-	2,962,714
Lease liability	1,773	-	1,773
Trade and other payables	1,657,393	-	1,657,393
Accrued mark-up	26,293	-	26,293
Short term borrowings	429,454	-	429,454
Unclaimed dividend	6,387	-	6,387
	5,084,014	-	5,084,014

	FVTPL	Amortised cost	FVTOCI	Total
	----- (Rupees in thousand) -----			
<b>As at 30 June 2020</b>				
<b>Assets as per statement of financial position</b>				
Long term investments	-	-	675,144	675,144
Long term deposits	-	21,871	-	21,871
Trade debts	-	974,012	-	974,012
Loans and advances	-	6,573	-	6,573
Short term deposits	-	68,097	-	68,097
Other receivables	-	29,624	-	29,624
Short term investments	1,318,597	-	-	1,318,597
Cash and bank balances	-	207,139	-	207,139
	1,318,597	1,307,316	675,144	3,301,057

	Financial liabilities at amortized cost	FVTPL	Total
	(Rupees in thousand)		
<b>Liabilities as per statement of financial position</b>			
Long term financing	2,590,654	-	2,590,654
Trade and other payables	2,034,322	9,550	2,043,872
Accrued mark-up	38,592	-	38,592
Short term borrowings	1,278,365	-	1,278,365
Unclaimed dividend	6,731	-	6,731
	5,948,664	9,550	5,958,214

# Notes to the Financial Statements

For the year ended 30 June 2021

45.3 Reconciliation of financial assets and financial liabilities to the line items presented in the statement of financial position is as follows:

	2021		
	Financial assets	Non-financial assets	Assets as per statement of financial position
	(RUPEES IN THOUSAND)		
<b>Assets</b>			
Long term investments	965,497	6,130	971,627
Long term deposits	22,076	-	22,076
Trade debts	1,439,847	-	1,439,847
Loans and advances	8,841	31,131	39,972
Short term deposits and prepayments	96,732	8,882	105,614
Other receivables	23,018	-	23,018
Short term investments	3,211,269	-	3,211,269
Cash and bank balances	282,975	-	282,975
	6,050,255	46,143	6,096,398
<b>Liabilities</b>			
Long term financing	2,962,714	-	2,962,714
Lease Liability	1,773	-	1,773
Trade and other payables	1,657,393	549,440	2,206,833
Accrued mark-up	26,293	-	26,293
Short term borrowings	429,454	-	429,454
Unclaimed dividend	6,387	-	6,387
	5,084,014	549,440	5,633,454

# Notes to the Financial Statements

For the year ended 30 June 2021

	2020		Assets as per statement of financial position
	Financial assets	Non-financial assets	
	(RUPEES IN THOUSAND)		
<b>Assets</b>			
Long term investments	675,144	70,883	746,027
Long term deposits	21,871	-	21,871
Trade debts	974,012	-	974,012
Loans and advances	6,573	48,564	55,137
Short term deposits and prepayments	68,097	6,028	74,125
Other receivables	29,624	67,861	97,485
Short term investments	1,318,597	-	1,318,597
Cash and bank balances	207,139	-	207,139
	3,301,057	193,336	3,494,393
<b>Liabilities</b>			
Long term financing	2,590,654	-	2,590,654
Trade and other payables	2,043,872	227,005	2,270,877
Accrued mark-up	38,592	-	38,592
Short term borrowings	1,278,365	-	1,278,365
Unclaimed dividend	6,731	-	6,731
	5,958,214	227,005	6,185,219

## 45.4 Offsetting financial assets and financial liabilities

As on reporting date, recognized financial instruments are not subject to off setting as there are no enforceable master netting arrangements and similar agreements.

## 45.5 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 returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, and short term borrowings obtained by the Company as referred to in note 5 and note 10 respectively. Total capital employed includes 'total equity' as shown in the statement of financial position plus 'borrowings'. The Company's strategy, remained unchanged from last year. In accordance with the terms of agreement with the lenders of long term finances in connection with deferment of principal amount for twelve months, there is restriction on distribution of dividends by the Company during the relief period.



# Notes to the Financial Statements

For the year ended 30 June 2021

		2021 (Rupees in thousand)	2020
Borrowings	Rupees in thousand	3,392,168	3,869,019
Total equity	Rupees in thousand	9,268,002	6,616,613
Total capital employed	Rupees in thousand	12,660,170	10,485,632
Gearing ratio	Percentage	26.79	36.90

The decrease in the gearing ratio resulted primarily from increase in equity of the Company.

## 46. 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 recognized and measured at fair value in these 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 June 2021				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
<b>Financial assets</b>				
Fair value through other comprehensive income	965,297	-	-	965,297
Fair value through profit or loss	3,211,269	-	-	3,211,269
Derivative financial assets	-	1,185	-	1,185
<b>Total financial assets</b>	<b>4,176,566</b>	<b>1,185</b>	<b>-</b>	<b>4,177,751</b>
Recurring fair value measurements At 30 June 2020				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
<b>Financial assets</b>				
Fair value through other comprehensive income	674,944	-	-	674,944
Fair value through profit or loss	1,318,597	-	-	1,318,597
<b>Total financial assets</b>	<b>1,993,541</b>	<b>-</b>	<b>-</b>	<b>1,993,541</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	9,550	-	9,550
<b>Total financial liabilities</b>	<b>-</b>	<b>9,550</b>	<b>-</b>	<b>9,550</b>

# Notes to the Financial Statements

For the year ended 30 June 2021

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.

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

The Company's policy is to recognize 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 maximize 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 fair values

Specific valuation techniques used to value financial instruments include the use of quoted market prices or dealer quotes for similar instruments.

## 47. FAIR VALUE MEASUREMENTS - NON-FINANCIAL ASSETS

### i) Fair value hierarchy

Judgements and estimates are made for non-financial assets not measured at fair value in these financial statements but for which the fair value is described in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its non-financial assets into the following three levels.

At 30 June 2021	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
Investment properties	-	722,750	-	722,750
<b>Total non-financial assets</b>	-	722,750	-	722,750

At 30 June 2020	Level 1	Level 2	Level 3	Total
	----- (Rupees in thousand) -----			
<b>Financial assets</b>				
Investment properties	-	285,500	-	285,500
<b>Total non-financial assets</b>	-	285,500	-	285,500

# Notes to the Financial Statements

For the year ended 30 June 2021

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

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

## ii) Valuation techniques used to determine level 2 fair values

The Company obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the management updates the assessment of the fair value of each property, taking into account the most recent independent valuations. The management determines a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties.

### Valuation processes

The Company engages external, independent and qualified valuer to determine the fair value of the Company's investment properties at the end of every financial year. The fair values of the investment properties have been determined by Jasper & Jasper (an approved valuer).

Changes in fair values are analyzed at the end of each year during the valuation discussion between the Chief Financial Officer and the valuer. As part of this discussion the team presents a report that explains the reason for the fair value movements.

## 48. IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. During the year, the Government of the Punjab from time to time announced temporary smart lock downs as a measure to reduce the spread of the COVID-19. However, after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Management is actively monitoring the impact of the pandemic on its financial condition, liquidity, operations, supply chain, and workforce, which at this point is not considered to be significant. During the year, the Company has availed Temporary Economic Refinance Facilities (TERF) as explained in note 5 to these financial statements. Further, management believes that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future when they become due. From the very outset of COVID-19, the management has adopted various policies and practices to minimize adverse impact of COVID-19 on the business and is continuously monitoring the situation in order to proactively address any challenges which may arise from COVID-19.

# Notes to the Financial Statements

For the year ended 30 June 2021

	2021 (RUPEES IN THOUSAND)	2020
<b>49. DISCLOSURES BY COMPANY LISTED ON ISLAMIC INDEX</b>		
<b>Description</b>		
<b>Loan / advances obtained as per Islamic mode:</b>		
Loans	36,171	101,313
Advances	58,196	41,902
<b>Shariah compliant bank deposits / bank balances</b>		
Bank balances	773	733
<b>Profit earned from shariah compliant bank deposits / bank balances</b>		
Profit on deposits with banks	-	-
<b>Revenue earned from shariah compliant business</b>	17,374,800	12,882,572
<b>Gain or dividend earned from shariah complaint investments</b>		
Dividend income	53,037	41,133
Unrealized gain on re-measurement of investments at FVTOCI	139,291	26,739
Unrealized gain on re-measurement of investments at FVTPL	22,189	8,481
Realized gain on investments at FVTPL	76,352	712
<b>Exchange gain / (loss)</b>	4,126	(69,626)
<b>Mark-up paid on Islamic mode of financing</b>	10,313	4,370
<b>Profits earned or interest paid on any conventional loan</b>		
Interest on loans	125,564	181,261
Profit earned on deposits with banks	10,932	15,989
<b>Relationship with shariah compliant banks</b>		
<b>Name</b>	<b>Relationship</b>	
Dubai Islamic Bank Pakistan Limited	Bank balance	
MCB Islamic Bank Limited	Bank balance, and short term borrowings	
Meezan Bank Limited	Bank balance	
First Habib Modaraba	Lease	

# Notes to the Financial Statements

For the year ended 30 June 2021

## 50. UNUTILIZED CREDIT FACILITIES

	Non-funded		Funded	
	2021	2020	2021	2020
	----- (RUPEES IN THOUSAND) -----			
Total facilities	8,003,040	3,450,000	12,467,000	4,782,000
Utilized at the end of the year	3,385,148	299,770	4,937,713	1,719,960
Unutilized at the end of the year	4,617,892	3,150,230	7,529,287	3,062,040

## 51. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 20 September, 2021 by the Board of Directors of the Company.

## 52. CORRESPONDING FIGURES

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

## 53. GENERAL

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

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## Notice of Annual General Meeting

Notice is hereby given that the 37th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Wednesday, October 27, 2021 at 10:00 A.M. Due to prevailing conditions owing to COVID – 19 Pandemic, the meeting will be held through Video Conference facility to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Annual Audited Accounts together with the Directors' and Auditor's reports thereon for the year ended June 30, 2021.
2. To approve as recommended by Directors, the payment of Final Cash Dividend @ 100 % i.e. Rs. 10 /- per share for the year ended June 30, 2021.
3. To appoint auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing below as ordinary resolutions for the capitalization of free reserves to issue bonus shares as recommended by the Directors.

**"RESOLVED THAT** a sum of Rs. 40,338,443/- be capitalized out of the free reserves of the Company and applied towards issue of 4,033,844 ordinary shares of Rs. 10 each, as 10 % fully paid bonus shares i.e. in the proportion of one (01) ordinary share for every ten (10) ordinary shares held by the members of the Company whose names appear in the Members' Register as at the close of the business on October 20, 2021".

**"FURTHER RESOLVED THAT** the bonus shares shall rank pari passu in all respects with the existing shares of the Company as regards the future entitlements, however, these shares shall not be eligible for final dividend declared by the Company for the year ended June 30, 2021".

**"FURTHER RESOLVED THAT** member's fractional entitlement, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings shall be deposited into a charity account to be proposed and approved by the Shareholders in the Annual General Meeting on October 27, 2021".

**"FURTHER RESOLVED THAT** the Chief Executive and Company Secretary be and are hereby jointly and/or severally authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares and the deposit of sale proceeds of the fractions into aforementioned account".

5. To transact any other business with the permission of the Chair.

Statement U/s 134(3) of the Companies Act, 2017 pertaining to the Special Business mentioned in Agenda Item No. 4 is being sent to the shareholders along with this notice.

By Order of the Board

Lahore: October 05, 2021

Company Secretary

# Notice of Annual General Meeting

## BOOK CLOSURE:

The Members' Register will remain closed from October 21, 2021 to October 27, 2021 (both days inclusive)

## NOTES:

1. Transfers received in order at the company's Share Registrar Office, M/s Corptec Associates Private Limited, 503-E, Johar Town, Lahore by the close of business hours on or before October 20, 2021 will be considered in time.
2. Due to COVID-19 situation, the Government has suspended large public gatherings at one place. Additionally, Securities and Exchange Commission of Pakistan (SECP) in terms of its Circular No.5 issued on March 17, 2020 had advised companies to modify their usual planning for general meetings for the safety and well-being of shareholders and the public at large.

Considering the SECP's directives, the Company intends to convene this AGM with minimal physical interaction of shareholders while ensuring compliance with the quorum requirements and requests the members to consolidate their attendance and voting at AGM through proxies.

Shareholders interested to participate in the AGM are requested to share below information at [info@corptec.com.pk](mailto:info@corptec.com.pk) for their appointment and proxy's verification by or before Wednesday, October 20, 2021 by 3:00 P.M.

Name of Shareholder	CNIC No.	Folio No. / CDC Account No.	Cell No.	E-mail Address

Shareholders who will be registered, after necessary verification as per the above requirement, will be provided a password protected video link by the Company via email. The said link will be available at the start of AGM till the end of the meeting. Shareholders can also provide their comments and questions for the agenda items of AGM at aforementioned e-mail on or before Monday, October 18, 2021 by 05:00 p.m.

3. 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. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time of holding the meeting. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form. A proxy must be a member of the Company. The proxy form is annexed to the notice sent to the members. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be submitted along with copy of CNIC of the representative.

## Replacement of Physical Shares with Book-entry Form

As per Section 72 of The Companies Act, 2017 every existing company shall replace its physical shares with book-entry form in a manner as may be specified and from the date notified by The SECP, within a period not exceeding four years from the commencement of the Companies Act, 2017 i.e. May 31, 2017. The shareholders holding shares in physical form are requested to please convert their shares in the book entry form. For this purpose, the shareholders may open CDC Sub-account with any of the brokers or investor account directly with the CDC to place their physical shares into scrip-less form. This will facilitate them in many ways including safe custody and sale of shares at any time they want as the trading of physical shares is not permitted as per existing Regulations of the Pakistan Stock Exchange Limited.

## 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



# Notice of Annual General Meeting

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, 2021

It is hereby informed that pursuant to the Finance Act, 2021, 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.	National Tax 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 Financial Statements for the year ended 30 June 2021 along with Auditors and Directors Reports thereon and Chairman's Review on the website of the Company: [www.suraj.com](http://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

## STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement set out all the material facts concerning Special Business under Agenda Item No.4 be transacted at the 37th Annual General Meeting.

## AGENDA ITEM NO. 4

### ISSUE OF BONUS SHARES BY CAPITALIZATION OF FREE RESERVES

The Board of Directors in their meeting held on September 20, 2021, have recommended capitalization of a sum of Rs. 40,338,443/- out of free reserves of the Company for issue of 4,033,844 ordinary shares of Rs. 10 each, as 10 % fully paid bonus shares. The directors are of the view that the Company's financial position and its reserves justify the capitalization of free reserves.

The Directors of the Company have not, direct or indirect interest in this special business, except to the extent of their entitlements of bonus shares and their relatives who are also shareholders of the Company.

# Suraj Cotton Mills Limited

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

Date: October 03, 2021

Dear Shareholder,

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

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

Second Fold

Affix Revenue  
Stamp

**Corptec Associates (Pvt) Ltd.**

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

First Fold

Third Fold and Tuck In

# Suraj Cotton Mills Limited

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

Dear Shareholder,

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

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

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

Yours sincerely

Company Secretary

Second Fold

Affix Revenue  
Stamp

**Corptec Associates (Pvt) Ltd.**

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

First Fold

Third Fold and Tuck In

# Form of Proxy

Thirty Seventh Annual General Meeting

I/We \_\_\_\_\_ of \_\_\_\_\_  
being a member of **Suraj Cotton Mills Limited** and holder of \_\_\_\_\_  
shares as per Registered Folio No. \_\_\_\_\_

## For Beneficial Owners as per CDC list

CDC Participant I. D. No. \_\_\_\_\_

Sub-Account No. \_\_\_\_\_

NIC No. \_\_\_\_\_ or Passport No. \_\_\_\_\_.

hereby appoint \_\_\_\_\_ of \_\_\_\_\_ Who is also a member of the Company, Folio No. \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ who is also member of the Company vide Registered Folio No. \_\_\_\_\_ as my/our Proxy to attend, speak and vote for me/us and on my/our behalf at the **37th Annual General Meeting** of the Company to be held on Wednesday, October 27, 2021 at 10:00 a.m. at Registered Office, 7-B-III, Aziz Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

Witness 1:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Affix  
Revenue of Stamp  
of Rs. 5/-

Witness 2 :

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Signature of Member(s)

Note:

1. Proxies in order to be effective, must be received at the Registered Office of the Company at 7-B-III, Aziz Avenue, Gulberg-V, Lahore not later than 48 hours before the meeting.
2. CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.

سورج کاٹن ملز لمیٹڈ  
پراکسی فارم (مختار نامہ)  
37 واں سالانہ اجلاس عام

میں / ہم \_\_\_\_\_  
ساکن \_\_\_\_\_  
بجائیت رکن سورج کاٹن ملز لمیٹڈ حامل \_\_\_\_\_  
برائے پیشکش اونرز برطانیہ سی ڈی سی فہرست \_\_\_\_\_  
سی ڈی سی پارٹیشن آئی ڈی نمبر \_\_\_\_\_  
NIC نمبر \_\_\_\_\_  
یا پاسپورٹ نمبر \_\_\_\_\_  
بذریعہ ہذا محترم / محترمہ \_\_\_\_\_  
ساکن \_\_\_\_\_  
فولیو نمبر \_\_\_\_\_  
یا اسکی غیر موجودگی میں محترم / محترمہ \_\_\_\_\_  
ساکن \_\_\_\_\_  
برطانیہ رجسٹرڈ فولیو نمبر \_\_\_\_\_  
سورج کاٹن ٹیکسٹائل ملز لمیٹڈ کارکن بھی ہے،  
کو اپنے / ہمارے ایماء پر 27 اکتوبر 2021ء کو صبح 10:00 بجے رجسٹرڈ دفتر، III-B-7، عزیز الینو، گلبرگ V، لاہور میں منعقد ہونے والے کمپنی کے 37 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے،  
تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں / کرتے ہیں۔  
آج بروز ..... تاریخ ..... 2021ء کو میرے / ہمارے دستخط سے گواہوں کی تصدیق سے جاری ہوا۔

گواہان

1۔

50/- روپے کا رسیدی ٹکٹ

2۔

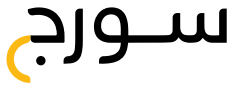
دستخط رکن

اہم نوٹ:

1۔ پراکسیز تا نکلہ موثر ہو سکیں کمپنی کے رجسٹرڈ دفتر رجسٹرڈ دفتر III-B-7، عزیز الینو، گلبرگ V، لاہور میں اجلاس کے وقت سے کم از کم 48 (اڑتالیس) گھنٹے قبل لازماً وصول ہو جانی چاہئیں۔







**SURAJ COTTON MILLS LIMITED**

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

T: 92 42 3576 0381

F: 92 42 3576 0376



[www.suraj.com](http://www.suraj.com)

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