



Half Yearly Report
December 31,
2018
Un-Audited



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Company Information

Board of Directors

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

Chief Executive Officer

Nadeem Maqbool

Chief Financial Officer

Farooq Ahmed

Audit Committee

Humayun Maqbool
Ahsan Bashir
Adil Bashir

HR & R Committee

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

Share Registrar

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

Auditors

EY Ford Rhodes
Chartered Accountants

Bankers

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

Registered Address

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

Ph: +92-423-5760379, 35760382

Fax: +92-423-5760376

Email: infor@suraj.com

Web: www.suraj.com

Project Locations

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

Chief Executive's Review

We are pleased to present the six-month financial statements for the period up to 31 December 2018 which have been reviewed by the auditors.

In the period under review, the Company's operating results have shown significant improvement with profit after tax at Rs. 186.059 million. Annualized earnings per share for the period R. 5.07 (HY2017: Rs. 3.30). Net sales of the company were Rs. 6.737 billion as compared to Rs. 4.881 billion for the corresponding period, an increase of approximately 38%. This can be attributed to better sales volume and an increase in rupee terms due to devaluation. Distribution costs decreased due to lower export sales as the demand in international markets continued to remain weak. Administrative costs remained within control. Financial Charges have primarily increased due to increased borrowing and additional long term borrowing and due a steady increase in KIBOR. Other operating expenses for the half year are Rs. 123.789 million which are largely due to the impairment loss on the company's investment portfolio. The PSX has been steadily declining and a total impairment of Rs. 96 million has been provided for the period under review.

The cotton crop output for this year is estimated at approximately 10.8 million bales which will once again fall short of the industry requirements. The additional cotton needed by the industry to operate at full capacity will have to be met through imports. Most of these imports have been delayed due to imposition of duty and sales tax which has only been removed on 01 February 2019. This has resulted in inflated prices of raw cotton during the first six months of the accounting year. Yarn and fabric demand remained very sluggish and export of yarn and fabric declined to historically low levels. Our market share is being continuously eroded and we find ourselves unable to compete with the other regional countries.

The energy situation in Punjab has been consistently improving and since October, the government has provided better pricing mechanisms for the export industry in a bid to boost this sector so that it is able to arrest the declining trend. The government has provided competitive RLNG rates and since January, the price of electricity has also been reduced for the export sector. This has enabled the industry to become competitive and we expect further improvements in the second half of the year.

Future Prospects

We view the next six months with optimism and hope that the demand for yarn and fabrics, especially from China, will improve. This belief is reinforced by the current positive climate of USA- China talks which may lead to US tariffs on China being reduced leading to increased demand for our products. Since January, the export markets have started to show some signs of improvement and we hope that this will continue. Having said this we still are concerned about competition from India which is aggressively eroding our market share in traditional markets. Indian yarn imports into Pakistan are also showing a steady trend.

We continue to stress the importance of addressing the declining trend in cotton production. Shortage of cotton in the country necessitates imports which means spending foreign exchange and also due to the declining value of the Pak rupee makes this cotton very expensive thus eroding our margins. We hope that the government will take immediate remedial measures and institute measures to increase the size of the cotton crop in Pakistan.

In our earlier reports we had indicated that the company was seeking new avenues of investment with an emphasis on diversification. We are examining different avenues and will apprise the stakeholders in the near future.

Acknowledgements

We would take this opportunity to thank all our shareholders and partners for their valued support and our employees for their dedication. We would also like to thank the Board of Directors for their guidance and advice at all times.



Nadeem Maqbool

27 February 2019
Lahore

چیف ایگزیکٹو کی رائے

ہم 31 دسمبر 2018 تک کے آڈیٹرز کی جانب سے نظر ثانی شدہ ششماہی مالیاتی گوشوارے پیش کرنے پر خوشی محسوس کر رہے ہیں۔

دورانہ ہذا میں کمپنی کے آپریٹنگ نتائج میں خاطر خواہ بہتری دیکھنے کو ملی ہے اور اس دوران ٹیکسز کی ادائیگی کے بعد حاصل ہونے والا منافع مبلغ 186.059 ملین روپے رہا۔ اس عرصہ کے دوران سالانہ آمدن فی شیئر مبلغ 5.07 روپے جو پچھلے دورانیے میں (مبلغ 3.30) رہی۔ کمپنی کی مجموعی فروخت 6.737 ملین روپے رہی، جو پچھلے دورانیے میں 4.881 ارب روپے تھی اور اس طرح سیل میں 38 فیصد اضافہ ہوا۔ اس کی وجہ بہترین سٹیز اور روپے کی قدر میں کمی کی وجہ سے قیمتوں میں اضافہ ہے۔ تریسیل لاگت میں کمی آئی، کیونکہ بین الاقوامی مارکیٹ میں طلب کم ہونے کی وجہ سے برآمدات کم ہوئیں۔ انتظامی اخراجات بھی کنٹرول میں رہے۔ KIBOR میں مسلسل اضافے کی وجہ سے مالیاتی چارجز میں اضافہ ہوا۔ ششماہی کے دوران کمپنی کو چلانے کے دیگر اخراجات 123.789 ملین روپے ہیں جو کمپنی کے انویسٹمنٹ پورٹ فولیو میں اثاثوں کی قیمت میں کمی (امیٹرز منٹ لاس) کی وجہ سے ہیں۔ PSX میں مسلسل مندی کا رجحان ہے اور دورانہ ہذا کے دوران کل 96 ملین روپے امیٹرز منٹ کی مدد میں فراہم کیے جا چکے ہیں۔

اس سال کپاس کی پیداوار کا تخمینہ 10.8 ملین گانٹھیں ہے، جو ایک بار پھر صنعت کی ضرورت سے کم ہے۔ کمپنی کو مکمل آپریٹنگ کپاسٹی پر کام کرنے کے لیے ضرورت پڑنے والی اضافی کپاس درآمد کے ذریعے پوری کی جائے گی۔ ان میں سے زیادہ تر درآمدات ڈیوٹی اور دیگر ٹیکس عائد کیے جانے کی وجہ سے تاخیر کا شکار ہیں۔ یہ (ٹیکسز اور ڈیوٹی) صرف یکم فروری کو پٹائی گئی۔ اس کی وجہ سے رواں مالی سال کے پہلے چھ ماہ میں خام کپاس مہنگی ہوئی۔ کپڑے اور دھاگے کی طلب سستی کا شکار رہی اور ان دونوں کی برآمد تاریخ کی کم ترین سطح پر آگئی۔ ہمارا مارکیٹ شیئر مسلسل کم ہوتا جا رہا ہے اور ہم دیگر علاقائی ملکوں کا مقابلہ نہیں کر پارہے۔

پنجاب میں ازبجی کی صورت حال مسلسل بہتری کی طرف گامزن ہے اور اکتوبر سے حکومت نے برآمدی صنعت کے لیے ازبجی کی قیمتوں کا بہتر لائحہ عمل فراہم کیا ہے تاکہ اس شعبہ کو اٹھایا جاسکے اور یہ کہ اس میں زوال پذیری کے رجحان پر قابو پایا جاسکے۔ حکومت نے RNGL مناسب نرخوں پر فراہم کی اور جنوری سے برآمدی شعبہ کے لیے بجلی کی قیمتوں میں کمی کی گئی ہے۔ اس سے صنعت میں مقابلہ کرنے کی سکت پیدا ہوئی ہے اور ہمیں امید ہے کہ سال کی اگلی ششماہی میں مزید بہتری آئے گی۔

مستقبل کے امکانات

اگلی ششماہی کے بارے میں ہم پُر امید ہیں اور توقع کرتے ہیں کہ کپڑے اور دھاگے کی طلب میں خاص طور پر چین کی طرف سے بہتری آئے گی۔ ہماری اس امید کو امریکہ اور چین کے حالیہ مثبت ماحول میں ہونے والے مذاکرات بڑھاوا دیتے ہیں، جن کے نتیجے میں امریکہ کی طرف سے چین پر عائد ٹیکسز میں کمی کے امکانات ہیں، جس سے ہماری مصنوعات کی طلب میں اضافہ ہوگا۔ جنوری سے ایکسپورٹ مارکیٹ میں بہتری دیکھنے کو ملی ہے اور ہمیں امید ہے کہ یہ جاری رہے گی۔ اس سب کے باوجود ہمیں بھارت کا مقابلہ کرنے سے متعلق خدشات ہیں، جو مقامی مارکیٹوں میں ہمارے مارکیٹ شیئر کو بری طرح متاثر کر رہا ہے۔ پاکستان میں بھارتی دھاگے کی درآمد کا رجحان بھی بڑھتا جا رہا ہے۔

ہم اس بات پر زور دیتے رہیں گے کہ کپاس کی پیداوار کے کم ہوتے رہ جانے پر قابو پانا بہت ضروری ہے۔ ملک میں کپاس کی کمی کی وجہ سے درآمد کرنا ضروری ہو جاتا ہے، جس کے لیے غیر ملکی زرمبادلہ خرچ کرنا پڑتا ہے اور پاکستانی روپے کی گرتی قدر کی وجہ سے یہ کپاس ہمیں بہت مہنگی پڑتی ہے اور یوں ہمارا منافع کم ہو جاتا ہے۔ ہمیں امید ہے کہ حکومت اس ضمن میں فوری اقدامات اٹھائے گی اور پاکستان میں کپاس کی پیداوار میں اضافے کے لیے اقدامات کرے گی۔

اپنی بجلی رپورٹس میں ہم نے نشاندہی کی تھی کہ کمپنی تنوع کو فوٹو دیتے ہوئے سرمایہ کاری کے نئے راستوں کے لیے دیکھ رہی ہے۔ ہم مختلف راستوں کا جائزہ لے رہے ہیں اور مستقبل قریب میں اپنے سٹیک ہولڈرز کو اس بارے میں مطلع کریں گے۔

اعتراف

ہم اس موقع پر اپنے تمام شیئرز ہولڈرز و شرکاء داروں کا ان کی قیمتی معاونت پر شکریہ ادا کرتے ہیں اور اپنے ملازمین کی کام سے وابستگی پر ان کے بھی مشکور ہیں۔ ہم بورڈ آف ڈائریکٹرز کی ہمدردت و رہنمائی اور مشوروں پر ان کا بھی شکریہ ادا کرتے ہیں۔

ندیم مقبول

27 فروری 2019

لاہور

Independent Auditors' Review Report

To the members of Suraj Cotton Mills Limited

Reports on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Suraj Cotton Mills Limited** as at **31 December 2018** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures of condensed interim statement of profit or loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2018 and 2017 have not been reviewed as we are required to review only the cumulative figures for the half year ended 31 December 2018.

This engagement partner on the review resulting in this independent auditor's review report is Naseem Akbar.



Chartered Accountants

Lahore: 27 February 2019

Financial Statements

For the Half Yearly ended December 31, 2018

Condensed Interim Statement of Financial Position

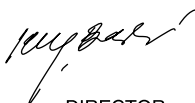
As At December 31, 2018

| | | Un-Audited Dec 31, 2018 | Audited June 30, 2018 |
|---|------|-------------------------------|-----------------------------|
| | Note | (Rupees in thousand) | |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized share capital | | | |
| 50,000,000 (30 June 2018: 50,000,000) ordinary shares of Rupees 10/- each | | 500,000 | 500,000 |
| Issued, subscribed and paid up share capital | 5 | 366,713 | 318,881 |
| Share premium | | 29,000 | 29,000 |
| Revenue reserves | | 5,241,017 | 5,230,342 |
| Available for sale reserve | | (18,006) | 41,976 |
| | | 5,618,724 | 5,620,199 |
| NON CURRENT LIABILITIES | | | |
| Long term financing | 6 | 2,739,153 | 2,885,828 |
| Deferred tax | | 217,886 | 66,511 |
| | | 2,957,039 | 2,952,339 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 7 | 1,910,646 | 1,581,088 |
| Unclaimed dividend | | 3,359 | 3,293 |
| Short term borrowings | | 671,907 | 993,116 |
| Current portion of non current liabilities | 8 | 155,258 | 40,708 |
| | | 2,741,170 | 2,618,205 |
| | | 5,698,209 | 5,570,544 |
| TOTAL EQUITY AND LIABILITIES | | 11,316,933 | 11,190,743 |
| CONTINGENCIES AND COMMITMENTS | 9 | | |

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

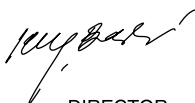


CHIEF FINANCIAL OFFICER

| | Note | Un-Audited | Audited |
|---|------|-------------------|-------------------|
| | | Dec 31, 2018 | June 30, 2018 |
| (Rupees in thousand) | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 5,332,086 | 5,483,352 |
| Investment properties | | 100,000 | 100,000 |
| Investment in joint venture | | 50,000 | 50,000 |
| Long term deposits | | 19,879 | 19,879 |
| | | 5,501,965 | 5,653,231 |
| CURRENT ASSETS | | | |
| Stores, spares and loose tools | 11 | 180,404 | 182,562 |
| Stock in trade | 12 | 2,907,083 | 2,714,766 |
| Trade debts | 13 | 706,752 | 732,216 |
| Loans and advances | 14 | 111,566 | 103,274 |
| Trade deposits and short term prepayments | | 38,006 | 18,692 |
| Balances with statutory authorities | | 4,686 | 6,554 |
| Tax refunds due from the government | | 570,092 | 565,662 |
| Other receivables | | 13,112 | 31,511 |
| Short term investments | 15 | 932,014 | 1,052,384 |
| Cash and bank balances | | 286,189 | 64,827 |
| | | 5,749,904 | 5,472,448 |
| Assets held for sale | | 65,064 | 65,064 |
| | | 5,814,968 | 5,537,512 |
| TOTAL ASSETS | | 11,316,933 | 11,190,743 |



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

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

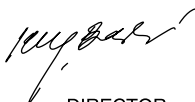
For The Half Year Ended December 31, 2018

| | Note | Half year ended | | Quarter ended | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 |
| (Rupees in thousand) | | | | | |
| Sales | 16 | 6,737,873 | 4,881,451 | 3,646,262 | 2,724,163 |
| Cost of sales | 17 | 6,105,422 | 4,508,469 | 3,337,972 | 2,480,954 |
| Gross profit | | 632,451 | 372,982 | 308,290 | 243,209 |
| Distribution cost | 18 | 56,455 | 70,794 | 26,074 | 41,872 |
| Administrative expenses | 19 | 80,108 | 70,817 | 40,582 | 35,475 |
| Other operating expenses | 20 | 123,789 | 96,816 | 44,013 | 80,200 |
| | | 260,352 | 238,427 | 110,669 | 157,547 |
| Other income | 21 | 372,099 | 134,555 | 197,621 | 85,662 |
| | | 52,572 | 44,568 | 45,683 | 40,131 |
| | | 424,671 | 179,123 | 243,304 | 125,793 |
| Finance cost | 22 | 87,237 | 54,318 | 49,182 | 24,265 |
| Profit before taxation | | 337,434 | 124,805 | 194,122 | 101,528 |
| Taxation | 23 | 151,375 | 3,801 | 151,375 | 3,088 |
| Profit after taxation | | 186,059 | 121,004 | 42,747 | 98,440 |
| | | | (Restated) | | (Restated) |
| Earnings per share - Basic and diluted (Rupees) | | 5.07 | 3.30 | 1.17 | 2.68 |

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Comprehensive Income (Un-Audited)
For The Half Year Ended December 31, 2018

| | Half year ended | | Quarter ended | |
|---|----------------------|-----------------|-----------------|-----------------|
| | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 |
| | (Rupees in thousand) | | | |
| Profit for the period | 186,059 | 121,004 | 42,747 | 98,440 |
| Other comprehensive income : | | | | |
| <i>Other comprehensive income to be reclassified to loss and loss in subsequent periods :</i> | | | | |
| Net realized loss on available for sale investment | (59,982) | (193,204) | (89,526) | (43,857) |
| Total comprehensive income / (loss) for the period | 126,077 | (72,200) | (46,779) | 54,583 |

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


CHIEF FINANCIAL OFFICER

Condensed Interim Cash Flow Statement (Un-Audited)

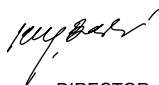
For The Half Year Ended December 31, 2018

| | Dec 31, 2018 | Dec 31, 2017 |
|---|------------------|------------------|
| (Rupees in thousand) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 337,434 | 124,805 |
| Adjustment for non-cash and other items | | |
| Depreciation | 247,755 | 160,657 |
| Net gain on disposal of short term investments | (1,551) | (4,458) |
| Exchange (gain) / loss | (3,057) | (62) |
| Dividend income | (38,757) | (31,318) |
| Gain on disposal of property, plant and equipment | (3,864) | (62) |
| Provision for Workers' Profit Participation Fund | 18,122 | 6,569 |
| Provision for Workers Welfare Fund | 6,886 | - |
| Finance cost | 87,237 | 54,318 |
| Impairment loss on available for sale investment | 96,063 | 72,864 |
| Profit on bank deposits | (2,202) | (831) |
| Cash flows from operating activities before working capital changes | 744,066 | 382,482 |
| EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGES | | |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | 2,158 | 51,710 |
| Stock in trade | (192,317) | (433,729) |
| Trade debts | 28,521 | (146,501) |
| Loans and advances | (8,292) | (10,203) |
| Trade deposits and short term prepayments | (19,314) | (16,588) |
| Balances with statutory authorities | 1,868 | 1,014 |
| Other receivables | 18,399 | 4,780 |
| Increase in current liabilities: | | |
| Trade and other payables | 325,424 | 323,425 |
| Net cash from / (used in) working capital | 156,447 | (226,092) |
| CASH GENERATED FROM / (USED IN) OPERATIONS | | |
| Finance cost paid | 900,513 | 156,390 |
| Workers' Profit Participation Fund Paid | (89,014) | (62,529) |
| Income tax paid | (19,097) | (25,951) |
| Dividend paid | (4,430) | (39,971) |
| Return on bank deposit received | (127,486) | (86,968) |
| | 2,202 | 831 |
| NET CASH FROM / (USED IN) OPERATING ACTIVITIES | 662,688 | (58,198) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure incurred | (98,054) | (396,653) |
| Proceeds from disposal of property, plant and equipment | 5,430 | (8,077) |
| Investments - net | (34,124) | 199,671 |
| Dividend received | 38,757 | 31,318 |
| NET CASH USED IN INVESTING ACTIVITIES | (87,991) | (173,741) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long term financing - net | (31,556) | 7,631 |
| Finance lease liabilities repaid | (570) | (1,170) |
| (Decrease)/ increase in short term borrowings - net | (321,209) | 292,623 |
| NET CASH (USED IN) / FROM FINANCING ACTIVITIES | (353,335) | 299,084 |
| NET CASH (USED IN) / FROM FINANCING ACTIVITIES | 221,362 | 67,145 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 64,827 | 41,676 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 286,189 | 108,821 |

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

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

For The Half Year Ended December 31, 2018

| | Capital reserves | | | | Revenue reserves | | | Total |
|---|------------------|---------------|----------------------------|---------------|------------------|-----------------------|------------------|------------------|
| | Share Capital | Share premium | Available for sale reserve | Sub total | General | Unappropriated profit | Sub total | |
| (Rupees in thousand) | | | | | | | | |
| Balance as on 01 July 2017 | 289,892 | 29,000 | 180,506 | 209,506 | 3,714,000 | 1,066,838 | 4,780,838 | 5,280,236 |
| Net profit for the period from 01 July 2017 to 31 December 2017 | - | - | - | - | - | 121,004 | 121,004 | 121,004 |
| Other comprehensive income | - | - | (193,204) | (193,204) | - | - | - | (193,204) |
| Total comprehensive income for the period | - | - | (193,204) | (193,204) | - | 121,004 | 121,004 | (72,200) |
| Issue of bonus shares for the year ended 30 June 2017 at the rate of 10% | 28,989 | - | - | - | - | (28,989) | (28,989) | - |
| Final dividend for the year ended 30 June 2017 at the rate of Rs. 3 per share | - | - | - | - | - | (86,968) | (86,968) | (86,968) |
| Balance as on 31 December 2017 | 318,881 | 29,000 | (12,698) | 16,302 | 3,714,000 | 1,071,885 | 4,785,885 | 5,121,068 |
| Balance as on 01 July 2018 | 318,881 | 29,000 | 41,976 | 70,976 | 3,714,000 | 1,516,342 | 5,230,342 | 5,620,199 |
| Net profit for the period from 01 July 2018 to 31 December 2018 | - | - | - | - | - | 186,059 | 186,059 | 186,059 |
| Other comprehensive (loss) | - | - | (59,982) | (59,982) | - | - | - | (59,982) |
| Total comprehensive (loss) for the period | - | - | (59,982) | (59,982) | - | 186,059 | 186,059 | 126,077 |
| Issue of bonus shares for the year ended 30 June 2018 at the rate of 15% | 47,832 | - | - | - | - | (47,832) | (47,832) | - |
| Final dividend for the year ended 30 June 2018 at the rate of Rs. 4 per share | - | - | - | - | - | (127,552) | (127,552) | (127,552) |
| Balance as on 31 December 2018 | 366,713 | 29,000 | (18,006) | 10,994 | 3,714,000 | 1,527,017 | 5,241,017 | 5,618,724 |

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



CHIEF EXECUTIVE OFFICER



DIRECTOR



CHIEF FINANCIAL OFFICER

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

For The Half Year Ended December 31, 2018

1. THE COMPANY AND ITS ACTIVITIES

Suraj Cotton Mills Limited (the Company) was incorporated in Pakistan as a public limited company under the Companies Act, 1913 (now Companies Act, 2017), and is listed on Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth. Registered Head Office of the Company is situated at 7-B-III, Aziz Avenue, Gulberg-V, Lahore.

The Company is currently operating the following four business units:

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

2. STATEMENT OF COMPLIANCE

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

International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

3.1 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 30 June 2018.

3.2 The accounting policies and method of computation adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 30 June 2018, except for the adoption of new standards effective as of 1 July 2018 as notified by Security and Exchange Commission of Pakistan (SECP). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers. As required by IAS 34, the nature and effect of these changes are disclosed below.

3.2.1 IFRS 15: Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires companies to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company is in the business of selling yarn and griega fabric locally and also in the international markets. Yarn and griega fabric are sold both on their own in separately identified contracts with customers and together as a bundled package of goods.

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

For The Half Year Ended December 31, 2018

a) Sales of goods:

The Company's contracts with customers for the sale of goods generally include one performance obligation. The management has concluded that revenue from sale of goods should be recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the recognition of local and export sales.

b) Presentation and disclosure requirements

As required for the interim financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. (Refer to Note 15)

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

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

| Standard or Interpretation | Effective Date (Annual periods beginning on or after) |
|---|---|
| IFRS 16 – Leases | 01 January 2019 |
| IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments) | 01 January 2019 |
| IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments) | 01 January 2019 |
| IFRIC 23 Uncertainty over Income Tax Treatments | 01 January 2019 |
| IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments) | 01 January 2019 |
| IAS 1 and 8 Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (Amendments) | 01 January 2019 |
| | (Annual periods ending on or after) |
| IFRS 9 – Financial Instruments* | 30 June 2019 |

* The SECP has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I)/2019, dated: 14 February, 2019, as reporting period / year ending on or after June 30, 2019.

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

For The Half Year Ended December 31, 2018

| | Un-Audited | Audited |
|--|------------------|------------------|
| | Dec 31, 2018 | Dec 31, 2017 |
| (Rupees in thousand) | | |
| 7 TRADE AND OTHER PAYABLES | | |
| Creditors | 637,042 | 451,170 |
| Accrued liabilities | 1,204,315 | 1,067,574 |
| Payable to employees' provident fund trust | 39 | 164 |
| Workers welfare fund | 6,886 | - |
| Workers' profit participation fund | 21,446 | 22,421 |
| Income tax deducted at source | 2,392 | 3,010 |
| Accrued markup | 38,526 | 36,749 |
| | 1,910,646 | 1,581,088 |
| 8 CURRENT PORTION OF LONG TERM LIABILITIES | | |
| Long term financing | 154,999 | 39,880 |
| Liabilities against assets subject to finance lease | 259 | 828 |
| | 155,258 | 40,708 |
| 9 CONTINGENCIES AND COMMITMENTS | | |
| CONTINGENCIES | | |
| - There has been no significant change in the contingencies since the date of preceding published annual financial statements. | | |
| COMMITMENTS | | |
| - As at the balance sheet date, the commitments in respect of capital expenditure amounted to Rs. 160,840 thousand (30 June 2018: Rs.31,183 thousand). | | |
| 10 PROPERTY, PLANT AND EQUIPMENT | | |
| Operating fixed assets - tangible | 10.1 5,102,530 | 5,318,000 |
| Assets subject to finance lease | 10.2 1,941 | 2,157 |
| Capital work-in-progress | 227,615 | 163,195 |
| | 5,332,086 | 5,483,352 |
| 10.1 OPERATING FIXED ASSETS - TANGIBLE | | |
| Opening book value | 5,318,000 | 2,441,092 |
| Add: Additions during the period / year -cost | 10.1.1 33,634 | 3,363,939 |
| | 5,351,634 | 5,805,031 |
| Less: Deletions during the period / year | 1,566 | 81,066 |
| | 5,350,068 | 5,723,965 |
| Less: Depreciation during the period / year | 247,538 | 405,965 |
| Book value at the end of the period / year | 5,102,530 | 5,318,000 |
| 10.1.1 ADDITIONS DURING THE PERIOD / YEAR - COST | | |
| Factory building | - | 425,520 |
| Residential building | - | 81,418 |
| Plant and machinery | 28,454 | 2,759,465 |
| Electric installations | - | 73,002 |
| Office equipment | - | 2,191 |
| Vehicles | 5,180 | 22,343 |
| | 33,634 | 3,363,939 |
| 10.2 ASSETS SUBJECT TO FINANCE LEASE | | |
| Opening book value | 2,157 | 3,290 |
| Add: Additions during the period / year -cost | - | 554 |
| Less: Depreciation during the period / year | 216 | 579 |
| Book value at the end of the period / year | 1,941 | 2,157 |

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

For The Half Year Ended December 31, 2018

| | Un-Audited | Audited |
|--|------------------|------------------|
| | Dec 31, 2018 | Dec 31, 2017 |
| (Rupees in thousand) | | |
| 11 STORE , SPARE PARTS AND LOOSE TOOLS | | |
| Stores in transit | 5,890 | 7,747 |
| Stores | 192,294 | 194,748 |
| Spares parts | 12,412 | 10,309 |
| Loose tools | 299 | 249 |
| | 210,895 | 213,053 |
| Less : Provision for slow moving / obsolete items | 30,491 | 30,491 |
| | 180,404 | 182,562 |
| 12 STOCK IN TRADE | | |
| Raw material | 1,808,879 | 1,818,001 |
| Raw material in transit | 36,668 | 33,772 |
| Work in process | 164,082 | 148,646 |
| Finished goods | 882,875 | 682,551 |
| Waste | 14,579 | 31,796 |
| | 2,907,083 | 2,714,766 |
| 13 TRADE DEBTS | | |
| Considered good: | | |
| Secured against letters of credit | 32,928 | 10,977 |
| Unsecured | 673,824 | 721,239 |
| | 706,752 | 732,216 |
| Considered doubtful - unsecured | 29,599 | 29,599 |
| Less: Provision for doubtful debts | (29,599) | (29,599) |
| | - | - |
| | 706,752 | 732,216 |
| 14 LOANS AND ADVANCES | | |
| Considered good: | | |
| Loans to employees | 6,040 | 5,026 |
| Advances to suppliers | 70,096 | 67,414 |
| Due from related parties - unsecured | 21,730 | 18,480 |
| Advance against letter of credit | 13,700 | 12,354 |
| | 111,566 | 103,274 |
| 15 SHORT TERM INVESTMENTS | | |
| Available for sale | 15.1 932,014 | 1,052,384 |
| | 932,014 | 1,052,384 |
| 15.1 AVAILABLE FOR SALE | | |
| Related party - unquoted | 2,200 | 2,200 |
| Related party - quoted | 49,999 | 49,999 |
| Other - quoted | 1,234,532 | 1,198,857 |
| | 1,286,731 | 1,251,056 |
| Unrealized gain on revaluation of investment - net | (18,006) | 41,976 |
| Impairment (loss) | (336,711) | (240,648) |
| | 932,014 | 1,052,384 |

Selected Notes To The Interim Financial Information (Un-Audited)
For The Half Year Ended December 31, 2018

| | | Un-Audited | | | |
|-----------------|---|---------------------------------|------------------|---------------------------------|------------------|
| | | Half year ended Dec 31, 2018 | | Half year ended Dec 31, 2017 | |
| | | Spinning | Weaving | Spinning | Weaving |
| | | Total (Rupees in thousands) | | | |
| 16 SALES | | | | | |
| Local | | 5,306,387 | 2,271,533 | 3,679,426 | 1,539,294 |
| Export | | 37,903 | 190,802 | 39,546 | 288,736 |
| Inter Segments | | (1,068,751) | - | (665,551) | - |
| | | 4,275,539 | 2,462,335 | 3,053,421 | 1,828,030 |
| | | | 6,737,873 | | 4,881,451 |
| 16.1 | Disaggregation of the Company's revenue from contracts with customer is as follows. | | | | |
| | Segments | | | | |
| | Sale of yarn | 4,999,300 | - | 4,999,300 | - |
| | Sale of fabric | - | 2,446,096 | - | 1,815,000 |
| | Sale of waste | 344,990 | 16,238 | 361,228 | 13,030 |
| | Inter-segment eliminations | (1,068,751) | - | (1,068,751) | - |
| | Total revenue from contracts with customers | 4,275,539 | 2,462,334 | 3,053,421 | 1,828,030 |
| | Geographic markets | | | | |
| | Pakistan | 5,306,387 | 2,271,533 | 3,679,426 | 1,539,294 |
| | Bangladesh | - | - | - | 27,048 |
| | Germany | - | - | - | 2,630 |
| | Hong Kong | - | 110,546 | - | 146,828 |
| | Italy | - | 36,573 | - | 48,329 |
| | Portugal | - | - | - | 3,448 |
| | Spain | - | - | - | 49,504 |
| | Sri Lanka | 1,704 | - | 1,252 | 1,252 |
| | Switzerland | - | - | - | 2,455 |
| | South Korea | - | 25,972 | 9,908 | 1,715 |
| | Turkey | - | 17,711 | - | 297 |
| | UAE | 36,199 | - | 28,386 | - |
| | United Kingdom | - | - | - | 6,482 |
| | Turkey | - | - | - | - |
| | Inter-segment eliminations | (1,068,751) | - | (665,551) | - |
| | Total revenue from contracts with customers | 4,275,539 | 2,462,334 | 3,053,421 | 1,828,030 |
| | Timing of revenue recognition | | | | |
| | Goods transferred at a point in time | 4,275,539 | 2,462,334 | 3,053,421 | 1,828,030 |
| | Total revenue from contracts with customers | 4,275,539 | 2,462,334 | 3,053,421 | 1,828,030 |
| | Total revenue from contracts with customers | | | | |
| | | | 6,737,873 | | 4,881,451 |

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

For The Half Year Ended December 31, 2018

| | Un-Audited | | | |
|---|------------------|------------------|------------------|------------------|
| | Half year ended | | Quarter ended | |
| | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 |
| (Rupees in thousand) | | | | |
| 17 COST OF SALES | | | | |
| Raw material consumed | 4,609,601 | 3,176,169 | 2,227,396 | 1,703,038 |
| Sizing expenses | 31,513 | 27,527 | 15,769 | 13,777 |
| Stores, spares and loose tools consumed | 102,608 | 102,933 | 57,736 | 44,777 |
| Packing materials | 71,994 | 53,119 | 39,206 | 31,681 |
| Salaries, wages and other benefits | 432,057 | 373,446 | 210,403 | 182,642 |
| Fuel and power | 777,280 | 579,343 | 376,747 | 327,174 |
| Repairs and maintenance | 14,249 | 18,462 | 7,196 | 7,026 |
| Insurance | 14,787 | 13,241 | 7,610 | 6,727 |
| Depreciation | 239,638 | 152,040 | 120,027 | 104,586 |
| Other factory overheads | 10,237 | 8,486 | 5,404 | 3,517 |
| | 6,303,965 | 4,504,766 | 3,067,494 | 2,424,945 |
| Work-in-process: | | | | |
| Opening stock | 148,646 | 104,445 | 162,354 | 119,297 |
| Closing stock | (164,082) | (121,214) | (164,082) | (121,214) |
| | (15,436) | (16,769) | (1,728) | (1,917) |
| Cost of goods manufactured | 6,288,529 | 4,487,997 | 3,065,766 | 2,423,028 |
| Finished goods: | | | | |
| Opening stock | 714,347 | 715,798 | 1,169,660 | 753,252 |
| Closing stock | (897,454) | (695,326) | (897,454) | (695,326) |
| | (183,107) | 20,472 | 272,206 | 57,926 |
| | 6,105,422 | 4,508,469 | 3,337,972 | 2,480,954 |
| 18 DISTRIBUTUION COST | | | | |
| Salaries, wages and other benefits | 2,227 | 1,362 | 1,315 | 620 |
| Commission on sales | 37,898 | 45,058 | 19,148 | 27,069 |
| Freight and shipment | 13,032 | 13,563 | 7,113 | 7,809 |
| Clearing and forwarding | 2,725 | 9,977 | (1,912) | 5,865 |
| Export development surcharge | 573 | 834 | 410 | 509 |
| | 56,455 | 70,794 | 26,074 | 41,872 |
| 19 ADMINISTRATIVE EXPENSES | | | | |
| Salaries, wages and other benefits | 47,824 | 43,643 | 24,409 | 22,356 |
| Rent, rates and taxes | 3,233 | 3,120 | 1,467 | 1,702 |
| Electricity and gas | 2,843 | 2,198 | 1,192 | 931 |
| Traveling and conveyance | 2,580 | 3,108 | 699 | 480 |
| Repair and maintenance | 3,717 | 1,622 | 2,329 | 756 |
| Vehicle running and maintenance | 3,236 | 2,792 | 1,816 | 1,563 |
| Printing and stationery | 3,787 | 1,557 | 1,594 | 1,110 |
| Communication | 1,148 | 1,160 | 817 | 680 |
| Fee and subscription | 2,196 | 1,613 | 1,533 | 1,017 |
| Advertisement | 296 | 15 | 47 | 15 |
| Insurance | 1,101 | 1,253 | 555 | 629 |
| Depreciation | 8,115 | 8,063 | 4,115 | 4,236 |
| Entertainment | 32 | 79 | 9 | - |
| Research and Development | - | 95 | - | - |
| Donation | - | 500 | - | - |
| | 80,108 | 70,817 | 40,582 | 35,475 |

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

For The Half Year Ended December 31, 2018

| | Un-Audited | | | |
|---|----------------------|-----------------|-----------------|-----------------|
| | Half year ended | | Quarter ended | |
| | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 |
| | (Rupees in thousand) | | | |
| 20 OTHER OPERATING EXPENSES | | | | |
| Workers profit participation fund | 18,122 | 6,569 | 10,579 | 5,436 |
| Workers' welfare fund | 6,886 | - | 6,886 | - |
| Loss on short term investment | 14,666 | 283 | | |
| Impairment loss on short term investment | 96,063 | 72,864 | 25,149 | 72,865 |
| Loss on disposal of short term investments Others | 2,718 | 2,717 | 1,399 | 1,616 |
| | 123,789 | 96,816 | 44,013 | 80,200 |
| 21 OTHER INCOME | | | | |
| Income from financial assets | 45,568 | 36,669 | 40,814 | 35,599 |
| Income from assets other than financial assets | 7,004 | 7,899 | 4,869 | 4,532 |
| | 52,572 | 44,568 | 45,683 | 40,131 |
| Income from financial assets | | | | |
| Exchange gain / (loss) | 3,057 | 62 | 1,835 | 62 |
| Profit on bank deposits | 2,202 | 831 | 1,841 | 461 |
| Dividend income | 38,757 | 31,318 | 36,555 | 30,618 |
| Net gain on short term investment | 1,551 | 4,458 | 583 | 4,458 |
| | 45,568 | 36,669 | 40,814 | 35,599 |
| Income from assets other than financial assets | | | | |
| Sale of empties and scrap | 3,140 | 4,272 | 1,984 | 2,892 |
| Gain on disposal of operating fixed assets | 3,864 | 3,627 | 2,885 | 1,640 |
| | 7,004 | 7,899 | 4,869 | 4,532 |
| 22 FINANCE COST | | | | |
| Interest / mark-up on: | | | | |
| Long term financing | 54,834 | 35,832 | 29,160 | 13,855 |
| Short term borrowings | 28,364 | 14,384 | 17,694 | 8,226 |
| Liabilities against assets subject to finance lease | 26 | 76 | 9 | 39 |
| | 83,224 | 50,292 | 46,863 | 22,120 |
| Bank charges and commission | 4,012 | 4,026 | 2,318 | 2,145 |
| | 87,237 | 54,318 | 49,182 | 24,265 |
| 23 TAXATION | | | | |
| Current income tax | - | 3,801 | - | 3,088 |
| Deferred income tax | 151,375 | - | 151,375 | - |
| | 151,375 | 3,801 | 151,375 | 3,088 |

23.1 This is net off income tax credit under Section 65B of the Income Tax Ordinance, 2001 amounting to Rs. 133,156 thousand (30 June 2018: Rs. 130,311 thousand).

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

For The Half Year Ended December 31, 2018

24. OPERATING SEGMENT INFORMATION

The textile sector comprises of spinning, combing, weaving, dyeing, bleaching, printing, stitching, buying, selling and dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber(s). This sector also includes power generation facilities which provide electricity for internal consumption purposes.

24.1 BUSINESS SEGMENTS

For management purposes, Suraj Cotton Mills Limited is organized into business units based on their products and services and has two reportable operating segments as follows:

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

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

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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

| | Spinning | | Weaving | | Un-Audited | | Elimination of Inter-segment Transactions | | Total | |
|--|-----------------------|------------------|------------------|------------------|------------------|----------------|---|------------------|--------------|--------------|
| | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 |
| | (Rupees in thousands) | | | | | | | | | |
| SALES | | | | | | | | | | |
| External | 4,275,589 | 3,053,421 | 2,462,334 | 1,828,030 | - | - | 6,737,873 | 4,881,451 | | |
| Inter-segment | 1,068,751 | 665,551 | - | - | 1,068,751 | 665,551 | - | - | | |
| | 5,344,290 | 3,718,972 | 2,462,334 | 1,828,030 | 1,068,751 | 665,551 | 6,737,873 | 4,881,451 | | |
| COST OF SALES | | | | | | | | | | |
| External | 4,834,010 | 3,412,471 | 1,271,412 | 1,095,998 | - | - | 6,105,422 | 4,508,469 | | |
| Inter-segment | - | - | 1,068,751 | 665,551 | 1,068,751 | 665,551 | - | - | | |
| | 4,834,010 | 3,412,471 | 2,340,163 | 1,761,549 | 1,068,751 | 665,551 | 6,105,422 | 4,508,469 | | |
| Gross profit | 510,280 | 306,501 | 122,171 | 66,481 | - | - | 632,451 | 372,982 | | |
| Distribution cost | 30,708 | 36,328 | 25,747 | 34,466 | - | - | 56,455 | 70,794 | | |
| Administrative expenses | 60,392 | 55,884 | 19,714 | 14,933 | - | - | 80,106 | 70,817 | | |
| | 91,100 | 92,212 | 45,461 | 49,399 | - | - | 136,561 | 141,611 | | |
| Profit before taxation and unallocated income and expenses | 419,180 | 214,289 | 76,710 | 17,082 | - | - | 495,890 | 231,371 | | |
| Unallocated income and expenses: | | | | | | | | | | |
| Other operating expenses | | | | | | | (123,789) | (96,816) | | |
| Other operating income / (loss) | | | | | | | 52,572 | 44,568 | | |
| Finance cost | | | | | | | (87,237) | (54,318) | | |
| | | | | | | | (158,454) | (106,566) | | |
| Profit before taxation | | | | | | | 337,436 | 124,805 | | |
| Taxation | | | | | | | 151,375 | 3,801 | | |
| Profit for the period | | | | | | | 186,059 | 121,004 | | |

Inter segment sales and purchases have been eliminated on consolidation.

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

For The Half Year Ended December 31, 2018

25 TRANSACTIONS WITH RELATED PARTIES

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

| Relationship with the Company | Percentage of shareholding | Nature of transactions | Un-Audited | |
|--|--|-------------------------|-----------------|--------------|
| | | | Half Year Ended | |
| | | | Dec 31, 2018 | Dec 31, 2017 |
| (Rupees in thousand) | | | | |
| Associated Companies due to significant influence | | | | |
| The Crescent Powertech Limited | Share holding in Company 44.20% (2018: 44.20%) | Purchase of electricity | 5,518 | 17,695 |
| Associated Companies due to common directorship | | | | |
| ACME Mills (Pvt) Limited | | Sale of goods | 6,455 | 14,788 |
| Premier Insurance Limited | | Services received | 32,518 | 33,073 |
| The Crescent Textile Mills Ltd | | Sale of goods | 54,141 | 2,382 |
| | | Purchase of goods | 85,992 | 15,026 |
| Crescent Fibers Limited | | Purchase of goods | 55,795 | 39,417 |
| Other related party | | | | |
| Employees Provident Fund Trust | | Amount contributed | 10,266 | 8,594 |
| Key management personnel | | Remuneration | 19,203 | 17,358 |
| Transactions entered into with the key management personnel as per their terms of employment are excluded from related party transactions. | | | | |

The outstanding balances of such parties are as under:

Associated Companies due to significant influence

| Relationship with the Company | Percentage of shareholding | Nature of transactions | Un-Audited | Audited |
|--|--|--------------------------|--------------|---------------|
| | | | Dec 31, 2018 | June 30, 2018 |
| (Rupees in thousand) | | | | |
| The Crescent Powertech Limited | Share holding in Company 44.20% (2018: 44.20%) | Trade creditors | 5,630 | 1,139 |
| Associated Companies due to common directorship | | | | |
| Premier Insurance Limited | | Payable against services | 14,131 | 18,694 |
| The Crescent Textile Mills Ltd | | Trade debtors | 8,892 | 1,484 |
| S2 Hydro Limited | | Advances | 17,972 | 14,717 |
| S2 Solar Limited | | Advances | 2,997 | 2,997 |
| S2 Power Limited | | Advances | 761 | 754 |
| Crescent Fibers Limited | | Trade creditors | 9,173 | 2,536 |
| Others | | | | |
| Employees provident fund trust | | Provident fund payable | 39 | 164 |

Selected Notes To The Interim Financial Information (Un-Audited) For The Half Year Ended December 31, 2018

26 FINANCIAL RISK MANAGEMENT

26.1 Financial risk of factors

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

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

- Market risk
- Credit risk
- Liquidity risk

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

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

26.2 Fair values of financial assets and liabilities

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

Fair value hierarchy

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

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

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

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

As at 31 December 2018, the Company hold the following financial instruments carried at fair value on the statement of financial position:

| | Dec 31, 2018 | Level 1 | Level 2 | Level 3 |
|--|-----------------------|---------|---------|---------|
| | (Rupees in thousands) | | | |

Assets measured at fair value

Available for sale financial assets

| | | | | |
|---------------|---------|---------|--|--|
| Equity shares | 932,014 | 932,014 | | |
|---------------|---------|---------|--|--|

There were no other financial liabilities measured at fair value as at 31 December 2018.

During the six month period ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

- * The Company carries unquoted equity shares in Crescent Spinning Mills Limited, Premier Financial Services (Private) Limited as fair value through OCI financial instruments classified as Level 1 within the fair value hierarchy. The investment in Crescent Spinning Mills Limited, Premier Financial Services (Private) Limited have been fully impaired and are carried at nil value.

| | June 30, 2018 | Level 1 | Level 2 | Level 3 |
|--|-----------------------|---------|---------|---------|
| | (Rupees in thousands) | | | |

Assets measured at fair value

Available for sale financial assets

| | | | | |
|---------------|-----------|-----------|--|--|
| Equity shares | 1,052,384 | 1,052,384 | | |
|---------------|-----------|-----------|--|--|

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

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

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

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

For The Half Year Ended December 31, 2018

26.3 Financial instruments by categories

| | Dec 31, 2018 | | | |
|---|---------------------------|-------------------|--------------------|---------------------------------|
| | Cash and cash equivalents | Loan and advances | Available for sale | Total |
| | (Rupees in thousand) | | | |
| Financial assets as per balance sheet | | | | |
| Long term deposits | - | 19,879 | - | 19,879 |
| Trade debts | - | 706,752 | - | 706,752 |
| Loans to employees | - | 6,040 | - | 6,040 |
| Trade deposits | - | 6,664 | - | 6,664 |
| Short term investments | - | - | 932,014 | 932,014 |
| Other receivables | - | 13,112 | - | 13,112 |
| Cash and bank balances | 286,189 | - | - | 286,189 |
| Total | 286,189 | 752,447 | 932,014 | 1,970,650 |
| Total current | | | | 1,950,771 |
| Total non current | | | | 19,879 |
| Total | | | | 1,970,650 |
| | | | | Dec 31, 2018 |
| | | | | Financial Liabilities at |
| | | | | amortized cost |
| | | | | (rs. in 000's) |
| Financial liabilities as per balance sheet | | | | |
| Long term financing | | | | 2,894,152 |
| Liabilities against assets subject to finance lease | | | | 259 |
| Trade and other payables | | | | 1,796,770 |
| Accrued interest on financing | | | | 38,526 |
| Short term borrowings | | | | 671,907 |
| Total | | | | 5,401,614 |
| Total current | | | | 2,507,462 |
| Total non current | | | | 2,894,152 |
| Total | | | | 5,401,614 |
| | June 30, 2018 | | | |
| | Cash and cash equivalents | Loan and advances | Available for sale | Total |
| | (Rupees in thousand) | | | |
| Financial assets as per balance sheet | | | | |
| Long term deposits | - | 19,879 | - | 19,879 |
| Trade debts | - | 732,216 | - | 732,216 |
| Loans to employees | - | 5,026 | - | 5,026 |
| Trade deposits | - | 6,555 | - | 6,555 |
| Short term investments | - | - | 1,052,384 | 1,052,384 |
| Other receivables | - | 31,511 | - | 31,511 |
| Cash and bank balances | 64,827 | - | - | 64,827 |
| Total | 64,827 | 795,187 | 1,052,384 | 1,912,398 |
| Total current | | | | 1,892,519 |
| Total non current | | | | 19,879 |
| Total | | | | 1,912,398 |

Selected Notes To The Interim Financial Information (Un-Audited) For The Half Year Ended December 31, 2018

| | June 30, 2018 Financial Liabilities at amortized cost (rs. in 000's) |
|---|--|
| Financial liabilities as per balance sheet | |
| Long term financing | 2,925,708 |
| Liabilities against assets subject to finance lease | 828 |
| Trade and other payables | 1,518,744 |
| Accrued interest on financing | 36,750 |
| Short term borrowings | 993,116 |
| Total | 5,475,146 |
| Total current | 2,549,438 |
| Total non current | 2,925,708 |
| Total | 5,475,146 |

26.4 Fair values

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2018 and 30 June 2018.

| | Dec 31, 2018 Carrying Amount | Dec 31, 2018 Fair Value | June 30, 2018 Carrying Amount | June 30, 2018 Fair Value |
|-------------------------|------------------------------------|----------------------------|-------------------------------------|-----------------------------|
| Financial Assets | | | | |
| Long term deposits | 19,879 | 19,879 | 19,879 | 19,879 |
| Trade debts | 706,752 | 706,752 | 732,216 | 732,216 |
| Loans to employees | 6,040 | 6,040 | 5,026 | 5,026 |
| Trade deposits | 6,664 | 6,664 | 6,555 | 6,555 |
| Short term investments | 932,014 | 932,014 | 1,052,384 | 1,052,384 |
| Other receivables | 13,112 | 13,112 | 31,511 | 31,511 |
| Cash and bank balances | 286,189 | 286,189 | 64,827 | 64,827 |
| Total | 1,970,650 | 1,970,650 | 1,912,398 | 1,912,398 |

There were no financial liabilities measured at fair value as at 31 December 2018 and 30 June 2018.

27 DATE OF AUTHORIZATION

These condensed interim financial statements was authorized for issue by the Board of Directors of the Company on 27 February 2019.

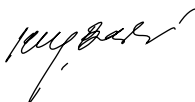
28 GENERAL

28.1 Provisions in respect of Worker's Welfare Fund, Worker's Profit Participation Fund and taxation are estimated and these are subject to final adjustment in the annual financial statements.

28.2 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.



CHIEF EXECUTIVE OFFICER



DIRECTOR

















CHIEF FINANCIAL OFFICER



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