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Years of Excellence



ANNUAL REPORT 2013



SURAJ COTTON MILLS LIMITED





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Company Profile

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



Company Information

Board of Directors

Mr. Khalid Bashir
(Chairman)

Mr. Nadeem Maqbool
(Chief Executive)

Mr. Ahsan Bashir

Mr. Amjad Mahmood

Mr. Asif Bashir

Mr. Humayun Maqbool

Mr. Mohammad Iqbal

Chief Financial Officer

Farooq Ahmad

Audit Committee

Mr. Humayun Maqbool
(Chairman)

Mr. Khalid Bashir
(Member)

Mr. Asif Bashir
(Member)

Mr. Khaleeqe Ahmad
(Secretary)

HR & R Committee

Mr. Ahsan Bashir
(Chairman)

Mr. Asif Bashir
(Member)

Mr. Humayun Maqbool
(Member)

Share Registrar

Crescent Group (Pvt) Ltd.
306, 3rd Floor, Siddiq Trade
Centre, 72 Main Boulevard,
Gulberg, Lahore.

Auditors

Ernst & Young Ford Rhodes
Sidat Hyder
Chartered Accountants

Bankers

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

Registered Office

7-B-III, Aziz Avenue, Gulberg-V,
Lahore.
Ph: +92-423-576 0379, 576 0382
Fax: +92-423-576 0376
Email: infor@suraj.com
Web: www.suraj.com

Project Locations

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



Financial Summary

| Rs 000 | Jun-13 | Jun-12 | Jun-11 | Jun-10 | Jun-09 | Jun-08 | |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-------|
| Sales - net | 9,593,325 | 8,257,042 | 8,797,929 | 6,896,059 | 4,790,418 | 4,130,287 | |
| Cost of sales | 8,145,758 | 7,432,717 | 7,628,389 | 5,751,905 | 4,235,024 | 3,676,027 | |
| Gross Profit | 1,447,567 | 824,325 | 1,169,540 | 1,144,154 | 555,394 | 454,260 | |
| Distribution cost | 254,750 | 189,659 | 244,538 | 135,003 | 112,460 | 102,728 | |
| Administrative expenses | 102,178 | 87,379 | 77,503 | 66,975 | 61,978 | 53,525 | |
| Other operating expenses | 98,257 | 38,796 | 60,746 | 64,540 | 84,048 | 68,436 | |
| | 455,185 | 315,834 | 382,787 | 266,518 | 258,486 | 224,689 | |
| | 992,382 | 508,491 | 786,753 | 877,636 | 296,908 | 229,571 | |
| Other operating income | 106,522 | 30,006 | 20,587 | 16,686 | 9,406 | 97,971 | |
| Operating profit | 1,098,904 | 538,497 | 807,340 | 894,322 | 306,314 | 327,542 | |
| Financial cost | 87,772 | 104,522 | 161,350 | 196,239 | 232,856 | 171,537 | |
| Profit before taxation | 1,011,132 | 433,975 | 645,990 | 698,083 | 73,458 | 156,005 | |
| Provision for taxation | 107,787 | 87,508 | 135,138 | 192,980 | 20,551 | 19,202 | |
| Profit after taxation | 903,345 | 346,467 | 510,852 | 505,103 | 52,907 | 136,803 | |
| Financial Position | | | | | | | |
| Current Assets | 3,015,342 | 2,066,041 | 2,279,728 | 1,634,455 | 1,223,109 | 1,395,527 | |
| Current Liabilities | 1,099,990 | 938,204 | 1,424,333 | 1,124,073 | 1,289,875 | 1,466,187 | |
| Operating Fixed Assets | 1,990,050 | 1,863,563 | 1,894,078 | 1,971,954 | 2,111,454 | 2,291,150 | |
| Total Assets | 5,058,833 | 3,948,305 | 4,186,629 | 3,629,932 | 3,350,457 | 3,708,230 | |
| Long Term Debts | 336,807 | 216,934 | 241,524 | 416,957 | 537,639 | 717,454 | |
| Share holders' Equity | 3,408,996 | 2,579,781 | 2,304,829 | 1,877,924 | 1,394,515 | 1,404,961 | |
| Break-up value per share (Rupees) | 172.17 | 130.29 | 116.41 | 104.33 | 77.47 | 78.05 | |
| Financial Ratios | | | | | | | |
| Current Ratio | % | 2.74 | 2.20 | 1.60 | 1.45 | 0.95 | 0.95 |
| Total Debts to Total Assets | % | 6.66 | 5.49 | 5.77 | 11.49 | 16.05 | 19.35 |
| Debt Equity | % | 09:91 | 08:92 | 09:91 | 18:82 | 28:72 | 34:66 |
| Average Collection Period | Days | 15.45 | 16.94 | 17.85 | 19.09 | 21.78 | 24.92 |
| Inventory Turnover | Times | 5.20 | 5.02 | 5.88 | 6.62 | 5.30 | 5.70 |
| Fixed Assets Turnover | Times | 1.24 | 1.10 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Assets Turnover | Times | 2.13 | 2.03 | 0.24 | 0.14 | 0.10 | 0.08 |
| Per Share Results and Returns | | | | | | | |
| Earning per share | Rupees | 45.62 | 17.50 | 25.80 | 28.06 | 2.94 | 7.60 |
| Return on capital employed - net | Rupees | 26.50 | 13.43 | 22.16 | 26.90 | 3.79 | 9.74 |
| Net Income to Sales | % | 9.42 | 4.20 | 5.81 | 7.32 | 1.10 | 3.31 |
| Return on average Equity | % | 33.77 | 17.77 | 30.89 | 42.66 | 5.25 | 11.26 |
| Return on average Assets | % | 22.45 | 10.67 | 16.53 | 20.00 | 2.08 | 4.28 |

Mission / Vision Statement

Our Business

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

Vision of Future Business

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

Our Strengths

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

Our Strategy

We are determined to convert our vision into reality by using innovation to create a market niche for our products and by investing in facilities, people,

systems and new technology, diversification into value addition and improvements in productivity and service to customers.

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

Our Values

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





Directors' Profile



| | | | |
|-------------|--|--|---|
| Name | Mr. Khalid Bashir, 72 Chairman Director (Non-Executive) | Mr. Nadeem Maqbool, 54 Chief Executive Officer Director (Executive) | Mr. Ahsan Bashir, 44 Director (Executive) |
|-------------|--|--|---|

| | | |
|---------------------------|---------------------------|---------------------------|
| Joined Board: 1998 | Joined Board: 1984 | Joined Board: 1994 |
|---------------------------|---------------------------|---------------------------|

| | | | |
|--------------------------|---|---|---|
| Other Engagements | <p>Chief Executive & Director: Shams Textile Mills Limited</p> <p>Director: Shakarganj Mills Limited The Crescent Textile Mills Limited Crescent Cotton Mills Limited Premier Insurance Limited</p> | <p>Director: Shams Textile Mills Limited Premier Insurance Limited Crescent Fibres Limited Equity Textile Mills Limited Premier Financial Services (Pvt) Limited Mohd Amin Mohd Bashir (Pvt) Limited</p> | <p>Chief Executive & Director: Crescent Powertec Limited</p> <p>Director: Pakistan State Oil Company Limited Crescent Bahuman Limited</p> |
|--------------------------|---|---|---|





Mr. Amjad Mahmood, 65
Director (Non-Executive)

Joined Board: 1988

Director:
Shams Textile Mills Limited



Mr. Asif Bashir, 41
Director (Non-Executive)

Joined Board: 1996

Director:
Shams Textile Mills Limited



Mr. Humayun Maqbool, 45
Director (Non-Executive)

Joined Board: 1996

Director:
Crescent Fibres Limited
Crescent Powertec Limited



Mr. Mohammad Iqbal, 64
Director (Non-Executive)

Joined Board: 2010

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

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

Chief Executive's Review

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 2013. The Company posted excellent results for the period under review and sales and profitability rose sharply. Profit after tax is Rs. 903.345 million and earnings per share of Rs. 45.62 (2012: Rs 17.50).



Operating Results

In the year under review the textile industry in general and your company in particular has performed well. This is mainly due to stable raw material and finished goods prices. Throughout the year this stability translated into a sustained growth in sales and higher operating margins. Demand for cotton yarn and cloth remained robust resulting in the results that we present to you with this report.

Due to this stable environment we were able to procure our raw materials at realistic levels and pursue an aggressive sales policy enabling us to market our products with higher operating margins.

The Company's sales increased by approximately 14%, due to higher end product prices and costs remained largely within control in spite of inflationary pressures. The company continued to develop and consolidate its export markets. For yarn, China remained a very important market for the company but we also managed to maintain our markets share in the domestic market as well. Domestic fabric demand increased during the year and we were also to hold our share of traditional export markets.

Administration costs increased by approximately 17% due to normal inflationary factor. Due to an increase in the company's sales, distribution costs increased by 34% on account of freight and forwarding as well as commission on sales. In addition, we increased our export sales by approximately Rs. 800 million.

For the period under review, financial charges decreased by about 16% compared to the corresponding period. Reduction on this account shows the

financial prudence being exercised by the management and also the strength of our financial health. Since no major investments were made during the year we were able to rely on our own resources to finance our operations and as a result our borrowing costs declined. A major thrust this year has been on increasing our exports so as to further reduce receivables on domestic sales.

The key financial results are as under;

| Particular | Rs. in Million | |
|------------------------|----------------|-------|
| | 2013 | 2012 |
| Sales | 9,593 | 8,257 |
| Gross profit | 1,448 | 824 |
| Operating profit | 1,099 | 538 |
| Financial cost | 88 | 105 |
| Profit before taxation | 1,011 | 434 |
| Provision for taxation | 108 | 88 |
| Profit after taxation | 903 | 346 |

The country's energy crisis continues unabated and the industry in Punjab bears the brunt of this shortage. In addition to gas supplies being severely curtailed, electricity is also in short supply with load shedding of up to 10 hours per day! In the rest of the country we also see weekly supply cutoffs of gas even though the summer months have no domestic demand for gas. Gas shortages are no longer restricted to the cold weather season. This is having an extremely detrimental effect on existing industries, which have to rely on higher cost alternate energy and in some cases, cease operations. This situation also results in having a dampening effect on new investment. At the risk of being repetitive we continue to highlight this issue in successive reviews in the hope that some decisive action will be taken.

The cotton crop output was just over 12 million bales which was

lower than the previous year. The cotton output has become stagnant and this quantity does not fulfill the requirements of the textile industry leading to imports to fill the shortfall. Although estimates were higher, unseasonal rains reduced the output. In view of a decline in international prices, the industry managed to meet its requirements at competitive prices,

Statements on Corporate and Financial Reporting Frame Work

- 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

Chief Executive's Review

followed in preparation of financial statements and any departure there from has been adequately disclosed and explained;

- e) The System of Internal Control is sound in design and has been effectively implemented and monitored; and
- f) There are no significant doubts upon the listed company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) Key operating and financial data of last six years in a summarized form is annexed.
- i) The following is the value of investment in respect of retirement benefit funds: Provident Fund: Rs. 122.143 Million (2012: Rs. 100.207 Million)
- j) Four meetings of the Board of Directors were held during the year 2012-13. Attendance by each director was as under:

| Sr. No. | Name of Director | No. Of Meetings Attended |
|---------|---------------------|--------------------------|
| 1. | Mr. Ahsan Bashir | 04 |
| 2. | Mr. Amjad Mahmood | 02 |
| 3. | Mr. Asif Bashir | 03 |
| 4. | Mr. Humayun Maqbool | 04 |
| 5. | Mr. Khalid Bashir | 04 |
| 6. | Mr. Nadeem Maqbool | 03 |
| 7. | Mr. Mohammad Iqbal | 03 |

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

Audit Committee

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

| Sr. No. | Name of Director | No. Of Meetings Attended |
|---------|---------------------|--------------------------|
| 1. | Mr. Humayun Maqbool | 05 |
| 2. | Mr. Khalid Bashir | 05 |
| 3. | Mr. Asif Bashir | 05 |

Human Resource & Remuneration Committee

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

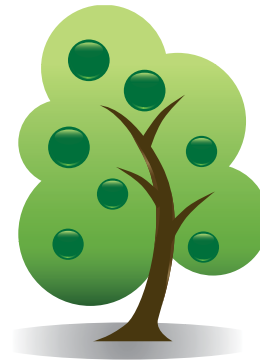
Directors' Training

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

Programme:

Mr. Nadeem Maqbool, CEO completed his Director certification from the Pakistan Institute of Corporate Governance and he also met the criteria of 14 years of education and 15 years of experience on the board of the listed Companies.

Further all other Directors also met the criteria of 14 years of education and 15 years of experience on the board of the listed Companies.



Investor Value

The Board of Directors has recommended a final cash dividend of Rs. 6/- per share & bonus 1 share for every 10 shares for approval by the shareholders in the next Annual general Meeting.

The Break up value per share for the year is Rs. 172.17 (2012: Rs. 130.29)

Directors

Election of Directors was held on March 26, 2013 and same board was re-elected unopposed whose term of office will expire on March 26, 2016.

The Board is pleased to inform that Mr. Nadeem Maqbool has been re-appointed by the new Board of Directors as the Chief Executive of the Company with effect from March 27, 2013 for a period of three years, Mr. Nadeem Maqbool is entitled a gross managerial remuneration of Rs. 797,500/- per month. The managerial remuneration is subject to a 10% annual increase and adjustment to related benefits effective from April 2013. Remaining entitlements remain unchanged.

Furthermore the Board has also revised the gross managerial

remuneration of Mr. Ahsan Bashir, Executive Director as Rs. 674,250/- per month. The managerial remuneration is subject to a 10% annual increase and adjustment to related benefits effective from April 2013. Remaining entitlements remain unchanged.

Auditors

As recommended by the Audit Committee, the present auditor M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholding, as required by section 236 of the Companies Ordinance 1984 and Code of Corporate Governance, is enclosed.

Key Operating and Financial Data

The key operating and financial data for the last six years is annexed.

Corporate Governance

Your Company has been complying with the rules of Securities and Exchange Commission of Pakistan and has implemented better internal control policies with more rigorous checks and balances.

Future Outlook

At the start of the current year we have seen a firm trend in raw cotton prices as well as product pricing. However, this has witnessed a change with cotton prices firming up and demand for finished products becoming

slack. Most of the cotton growing countries are forecasting bumper crops and estimates point towards abundant availability. However this optimism has not translated into lower prices for the moment and in the short term we expect to see higher prices of raw cotton. The prices of finished goods remain lower probably in anticipation of lower raw material prices. Until this happens we expect pressure on the margins and subsequently if cotton prices behave as per expectation then we can see a good performance by the industry. Carryover inventories of raw material should help to eliminate some of the expected negativity in operating margins during the first quarter.

China has become a very important market for Pakistani and regional textiles. It continues to import large quantities of yarn and fabrics from this region and this makes for lower price offerings by the major Chinese corporations. However, Pakistan has also become a major supplier to China and we feel that they must continue to buy from Pakistan because of its competitive pricing. The domestic market also continues to remain strong in terms of demand and pricing as the value added sector also continues to get significant orders and an increased share in the world trade.

Early estimates of the cotton crop point towards a good crop and it appears that last years output will be exceeded. The monsoon has been less than severe and the expected heavy rains and flood forecasts for September have not materialized and the crop is reported to be in good condition. However, the crop size will still not be sufficient to meet domestic demand and Pakistan

will have to import cotton to make up the shortfall. Although we have started the current year well, we need to add a note of caution with respect to increasing input costs. Electricity and gas tariffs have been sharply increased and more such increases are expected. This along with the depreciation of the Pakistan rupee has also led to across the board increase in all inputs. We think this will definitely reduce our profits as will the dampening of end product prices. With our focus on efficiency and higher productivity, we have completed the modernization of our Nooriabad unit. This has resulted in higher output with an improved product line. We have also achieved some savings in labour and electricity through use of these new machines. This modernization process is also being undertaken in other units of the company as for the moment major expansion plans are not being undertaken due to the energy situation. However, we are pursuing various diversification options and will be informing our stakeholders as soon as the proposals are finalized and approved by the Board of Directors.

Acknowledgements

On behalf of the Board of Directors, I would take this opportunity to thank all our partners and employees for their continued support. I would also take this opportunity to express my gratitude to the Board for their valuable insights and guidance.

Nadeem Maqbool
Chief Executive

October 01, 2013
Lahore



Statement of Compliance with the Best Practices of Corporate Governance

This statement is being presented to comply with the best practices of the Code of Corporate Governance as contained in the Listing Regulation of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. At present the Board included:

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

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No causal vacancy occurred during the financial year 2012-2013.
5. The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the company along with supporting policies & procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written

notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. The Company has arranged an orientation course for its directors and all of the Directors met the criteria of minimum of 14 years of education and 15 years of experience on the board of listed companies.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee. It comprises of 3 (three) members, all of whom are non executive Directors including the Chairman of the Committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed and HR and Remuneration Committee. It comprises three members, of whom two are non-executive and the chairman of the committee is an executive director.
18. The Board has set-up effective internal audit function by appointing a full-time Head of Internal Audit. The day to day operations of this function are being performed and supervised by the Head of Internal Audit, who is suitably qualified and

Statement of Compliance with the Best Practices of Corporate Governance

experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. There is no independent director as required by the clause i (b) of the Code of Corporate Governance and hence chairman of the audit committee is not independent director as required by clause xxiv of the Code of Corporate Governance.
24. We confirm that all other material principles enshrined in the CCG have been complied with except for the above paragraph, toward which reasonable progress is being made by the company to seek compliance by next election of directors.

Nadeem Maqbool
Chief Executive

October 01, 2013
Lahore



Pattern of Shareholding

As at June 30, 2013

| No. Of Shareholders | Shareholding | | |
|---------------------|--------------|-----------|------------|
| | From | To | Total |
| 138 | 1 | 100 | 4,429 |
| 231 | 101 | 500 | 60,689 |
| 109 | 501 | 1,000 | 74,313 |
| 109 | 1,001 | 5,000 | 275,579 |
| 33 | 5,001 | 10,000 | 252,474 |
| 18 | 10,001 | 15,000 | 219,453 |
| 15 | 15,001 | 20,000 | 253,759 |
| 2 | 20,001 | 25,000 | 49,750 |
| 1 | 25,001 | 30,000 | 26,950 |
| 2 | 30,001 | 35,000 | 65,500 |
| 3 | 35,001 | 40,000 | 113,976 |
| 1 | 40,001 | 45,000 | 42,500 |
| 3 | 45,001 | 50,000 | 149,087 |
| 1 | 50,001 | 55,000 | 55,000 |
| 1 | 55,001 | 60,000 | 58,657 |
| 1 | 60,001 | 65,000 | 65,000 |
| 2 | 65,001 | 70,000 | 134,200 |
| 1 | 75,001 | 80,000 | 79,750 |
| 1 | 85,001 | 90,000 | 89,100 |
| 2 | 95,001 | 100,000 | 199,154 |
| 1 | 125,001 | 130,000 | 129,093 |
| 2 | 130,001 | 135,000 | 262,050 |
| 1 | 160,001 | 165,000 | 160,930 |
| 1 | 195,001 | 200,000 | 200,000 |
| 1 | 205,001 | 210,000 | 205,414 |
| 1 | 245,001 | 250,000 | 250,000 |
| 1 | 330,001 | 335,000 | 332,250 |
| 1 | 400,001 | 405,000 | 403,600 |
| 1 | 425,001 | 430,000 | 428,540 |
| 1 | 430,001 | 435,000 | 432,094 |
| 2 | 550,001 | 555,000 | 1,107,426 |
| 1 | 625,001 | 630,000 | 627,105 |
| 1 | 655,001 | 660,000 | 659,890 |
| 1 | 835,001 | 840,000 | 836,816 |
| 1 | 950,001 | 955,000 | 953,579 |
| 1 | 1,150,001 | 1,155,000 | 1,151,500 |
| 1 | 1,265,001 | 1,270,000 | 1,266,893 |
| 1 | 8,120,001 | 8,125,000 | 8,123,500 |
| 694 | | | 19,800,000 |

| Categories of Shareholders | Number | Share Held | % |
|----------------------------|--------|------------|--------|
| Joint Stock Companies | 12 | 9,798,643 | 49.49 |
| Modaraba | 1 | 110 | 0.00 |
| Investment Companies | 2 | 131,890 | 0.67 |
| Insurance Companies | 2 | 659,989 | 3.33 |
| Mutual Funds | 2 | 65,082 | 0.33 |
| Financial Institution | 5 | 469,630 | 2.37 |
| Individuals | 669 | 8,673,622 | 43.81 |
| Punjab Corporative Board | 1 | 1,034 | 0.01 |
| | 694 | 19,800,000 | 100.00 |

INFORMATION REQUIRED AS PER CODE OF CORPORATE GOVERNANCE

As at June 30, 2013

| Categories of Share Holders | Net Holding | Percentage | |
|---|--------------------------|---------------|-------|
| Associated Companies, Undertakings & Related Parties: | | | |
| Crescent Powertec Limited | 8,750,605 | 44.19 | |
| Premier Insurance Limited | 659,890 | 3.33 | |
| National Investment Trust Limited: | | | |
| NBP-Trustee Department NI(U)T Fund | 428,540 | 2.16 | |
| Directors, Their Spouse & Minor Children: | | | |
| Mr. Khalid Bashir | Director/Chairman | 836,816 | 4.23 |
| Mr. Nadeem Maqbool | Director/Chief Executive | 67,187 | 0.34 |
| Mr. Ahsan Bashir | Director | 953,579 | 4.82 |
| Mr. Amjad Mahmood | Director | 7,701 | 0.04 |
| Mr. Asif Bashir | Director | 89,100 | 0.45 |
| Mr. Humayun Maqbool | Director | 15,537 | 0.08 |
| Mr. Mohammad Iqbal | Director | 99,154 | 0.50 |
| Mrs. Nazia Maqbool (W/o Mr. Nadeem Maqbool) | | 11,660 | 0.06 |
| Mrs. Tanveer Khalid (W/o Mr. Khalid Bashir) | | 552,476 | 2.79 |
| Mrs. Naheed Amjad (W/o Mr. Amjad Mahmood) | | 20,460 | 0.10 |
| Mrs. Amna Asif (W/o Mr. Asif Bashir) | | 12,100 | 0.06 |
| Mrs. Humera Iqbal (W/o Mr. Mohammad Iqbal) | | 1,266,893 | 6.40 |
| Executives | | 1,151,500 | 5.82 |
| Public Sector Companies & Corporations: | | 1,034 | 0.01 |
| Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas & Pension Funds | | 106,381 | 0.54 |
| Individuals, and Joint Stock Companies | | 4,769,387 | 24.09 |
| TOTAL NUMBER OF SHARES | 19,800,000 | 100.00 | |

Shareholders' Holding Five Percent or More Voting in the Co.:

| | | |
|---------------------------|-----------|-------|
| Crescent Powertec Limited | 8,750,605 | 44.19 |
| Mrs. Humera Iqbal | 1,266,893 | 6.40 |
| Mr. Adil Bashir | 1,151,500 | 5.82 |

Details of Purchase / Sale of shares by Directors / CEO / Comopany Secretary / CFO and Their Spouses / Minor Children during 2013

55,500 shares were purchased by Mr. Khalid Bashir, Director

500 shares were purchased by Mr. Nadeem Maqbool, Director

56,000 shares were purchased by Mr. Ahsan Bashir, Director

41,000 shares were purchased by Mrs. Tanveer Khalid (W/o Mr. Khalid Bashir, Director)



A decorative white floral illustration on the left side of the page, featuring a central stem with several leaves and smaller stems branching out, all rendered in a stylized, elegant manner.

Financial Statements

Suraj Cotton Mills Limited

For the year ended 30 June 2013

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Suraj Cotton Mills Limited (the Company) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

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

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

Further, regulations of Karachi Stock Exchange and Lahore Stock Exchange require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justifications for using such alternate pricing mechanism. Further, all such transactions also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

Without qualifying our conclusion, we would like to draw attention to the Clause 23 and 24 of Statement of Compliance with the best practices of Corporate Governance which state that currently there is no independent director as required by the clause i(b) of the Code of Corporate Governance and hence chairman of the audit committee is not independent director as required by clause xxiv of the Code of Corporate Governance.

Chartered Accountants

Engagement Partner: **Naseem Akbar**
Ernst & Young Ford Rhodes Sidat Hyder

Lahore
October 01, 2013



Auditors' Report to The Member

We have audited the annexed balance sheet of **Suraj Cotton Mills Limited** as at 30 June 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes as stated in note 4.1 of these financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants

Engagement Partner: **Naseem Akbar**
Ernst & Young Ford Rhodes Sidat Hyder

Lahore
October 01, 2013

Balance Sheet

as at 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|------|------------------------------|------------------|
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorized share capital | | | |
| 50,000,000 (2012: 50,000,000) ordinary shares of Rupees 10/- each | | 500,000 | 500,000 |
| Issued, subscribed and paid up share capital | 5 | 198,000 | 198,000 |
| Capital reserves | | 33,984 | 28,914 |
| Revenue reserves | | 3,177,012 | 2,352,867 |
| | | 3,408,996 | 2,579,781 |
| Non-current liabilities | | | |
| Long term financing | 6 | 336,807 | 216,934 |
| Liabilities against assets subject to finance lease | 7 | 854 | - |
| Deferred taxation | 8 | 212,186 | 213,386 |
| | | 549,847 | 430,320 |
| Current liabilities | | | |
| Trade and other payables | 9 | 770,582 | 536,709 |
| Accrued interest on financing | 10 | 21,132 | 26,265 |
| Short term borrowings | 11 | 224,216 | 287,391 |
| Current portion of long term liabilities | 12 | 84,060 | 87,839 |
| | | 1,099,990 | 938,204 |
| | | 1,649,837 | 1,368,524 |
| TOTAL EQUITY AND LIABILITIES | | 5,058,833 | 3,948,305 |

CONTINGENCIES AND COMMITMENTS

13

The annexed notes from 1 to 48 form an integral part of these financial statements.

(CHIEF EXECUTIVE OFFICER)



Balance Sheet

as at 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|------|------------------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | | |
| Operating fixed assets | 14 | 1,944,391 | 1,825,317 |
| Assets subject to finance lease | 15 | 1,450 | 980 |
| Capital work in progress | 16 | 44,209 | 37,266 |
| | | 1,990,050 | 1,863,563 |
| Available-for-sale investments | 17 | 34,467 | 13 |
| Long term deposits | 18 | 18,974 | 18,688 |
| | | 2,043,491 | 1,882,264 |
| Current assets | | | |
| Stores, spare parts and loose tools | 19 | 125,850 | 106,446 |
| Stock-in-trade | 20 | 1,716,673 | 1,183,983 |
| Trade debts | 21 | 406,138 | 383,246 |
| Loans and advances | 22 | 39,070 | 42,165 |
| Trade deposits and short term prepayments | 23 | 4,844 | 2,678 |
| Balances with statutory authorities | 24 | 66,044 | 39,857 |
| Taxation-net | | 11,786 | 22,015 |
| Other receivables | 25 | 912 | 3,074 |
| Short term investments | 26 | 548,515 | 276,823 |
| Cash and bank balances | 27 | 95,510 | 5,754 |
| | | 3,015,342 | 2,066,041 |
| TOTAL ASSETS | | 5,058,833 | 3,948,305 |

(DIRECTOR)

Profit and Loss Account

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|---|------|------------------------------|-----------|
| Sales - net | 28 | 9,593,325 | 8,257,042 |
| Cost of sales | 29 | 8,145,758 | 7,432,717 |
| Gross profit | | 1,447,567 | 824,325 |
| Operating expenses: | | | |
| Distribution cost | 30 | 254,750 | 189,659 |
| Administrative expenses | 31 | 102,178 | 87,379 |
| Other operating expenses | 32 | 98,257 | 38,796 |
| | | 455,185 | 315,834 |
| Other income | 33 | 106,522 | 30,006 |
| | | 1,098,904 | 538,497 |
| Finance cost | 34 | 87,772 | 104,522 |
| Profit before taxation | | 1,011,132 | 433,975 |
| Taxation | 35 | 107,787 | 87,508 |
| Profit for the year | | 903,345 | 346,467 |
| Earnings per share - basic and diluted (Rupees) | 36 | 45.62 | 17.50 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

(CHIEF EXECUTIVE OFFICER)

(DIRECTOR)



Statement of Comprehensive Income

For the year ended 30 June 2013

| | 2013 | 2012 |
|--|----------------------|----------------|
| | (Rupees in thousand) | |
| Profit for the year | 903,345 | 346,467 |
| Other comprehensive income: | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Net unrealized gain on available-for-sale investments | 5,070 | 485 |
| Items not to be reclassified to profit or loss in subsequent periods | - | - |
| Total other comprehensive income, net of tax | 5,070 | 485 |
| Total comprehensive income for the year | 908,415 | 346,952 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

(CHIEF EXECUTIVE OFFICER)

(DIRECTOR)

Cash Flow Statement

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|---|------|------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash generated from operations | 37 | 882,175 | 1,183,597 |
| Finance cost paid | | (92,905) | (113,353) |
| WPPF paid | | (22,841) | (34,693) |
| Income tax paid | | (123,759) | (89,969) |
| Dividend paid | | (78,986) | (71,694) |
| | | (318,491) | (309,709) |
| Net cash from operating activities | | 563,684 | 873,888 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (333,656) | (158,697) |
| Proceeds from disposal of operating fixed assets | | 38,673 | 3,445 |
| Investments made - net | | (238,187) | (202,824) |
| Dividend received | | 7,428 | 6,342 |
| Increase in long term deposits - net | | (286) | (5,878) |
| Net cash used in investing activities | | (526,028) | (357,612) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase / (decrease) in long term financing - net | | 116,215 | (33,631) |
| Decrease in short term borrowings - net | | (63,175) | (490,901) |
| Finance lease liabilities repaid | | (940) | (470) |
| Net cash from / (used in) financing activities | | 52,100 | (525,002) |
| Net increase / (decrease) in cash and cash equivalents | | 89,756 | (8,726) |
| Cash and cash equivalents at the beginning of year | | 5,754 | 14,480 |
| Cash and cash equivalents at the end of year | 27 | 95,510 | 5,754 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

(CHIEF EXECUTIVE OFFICER)

(DIRECTOR)



Statement of Changes in Equity

For the year ended 30 June 2013

| | Share capital | Capital Reserves | | | Revenue Reserves | | | Total |
|---|---------------|----------------------------|--|-----------|------------------|-----------------------|-----------|-----------|
| | | Premium on issue of shares | Unrealized gain / (loss) on available-for-sale investments | Sub total | General | Unappropriated profit | Sub total | |
| ------(Rupees in thousand)----- | | | | | | | | |
| Balance as at 01 July 2011 | 180,000 | 29,000 | (571) | 28,429 | 1,564,000 | 532,400 | 2,096,400 | 2,304,829 |
| Profit for the year ended 30 June 2012 | - | - | - | - | - | 346,467 | 346,467 | 346,467 |
| Other comprehensive income | - | - | 485 | 485 | - | - | - | 485 |
| Total comprehensive income for the year | - | - | 485 | 485 | - | 346,467 | 346,467 | 346,952 |
| Transfer to general reserve | - | - | - | - | 400,000 | (400,000) | - | - |
| Bonus shares issued for the year ended 30 June 2011 | 18,000 | - | - | - | - | (18,000) | (18,000) | - |
| Dividend for the year ended 30 June 2011 | - | - | - | - | - | (72,000) | (72,000) | (72,000) |
| Balance as at 30 June 2012 | 198,000 | 29,000 | (86) | 28,914 | 1,964,000 | 388,867 | 2,352,867 | 2,579,781 |
| Profit for the year ended 30 June 2013 | - | - | - | - | - | 903,345 | 903,345 | 903,345 |
| Other comprehensive income | - | - | 5,070 | 5,070 | - | - | - | 5,070 |
| Total comprehensive income for the year | - | - | 5,070 | 5,070 | - | 903,345 | 903,345 | 908,415 |
| Transfer to general reserve | - | - | - | - | 250,000 | (250,000) | - | - |
| Dividend for the year ended 30 June 2012 | - | - | - | - | - | (79,200) | (79,200) | (79,200) |
| Balance as at 30 June 2013 | 198,000 | 29,000 | 4,984 | 33,984 | 2,214,000 | 963,012 | 3,177,012 | 3,408,996 |

The annexed notes from 1 to 48 form an integral part of these financial statements.

(CHIEF EXECUTIVE OFFICER)

(DIRECTOR)

Notes to the Financial Statements

For the year ended 30 June 2013

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984) and is listed on Karachi and Lahore Stock Exchanges. The Company is engaged in the manufacturing, sale and trading of yarn, cloth and processing of cloth. Registered Office of the Company is situated at 7-B-III, Aziz Avenue, Gulberg-V, Lahore.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF PREPARATION

3.1 These financial statements have been prepared under the historical cost convention except for certain financial instruments, which are carried at their fair values.

3.2 Significant accounting judgments and critical accounting estimates / assumptions

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

a) **Income taxes (note 4.2)**

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

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

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

c) **Provision for slow moving /obsolete items (note 4.7)**

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

d) **Provision for doubtful debts (note 4.9)**

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



Notes to the Financial Statements

For the year ended 30 June 2013

3.3 Functional and presentation currency

These financial statements are presented in Pak rupee, which is the functional and presentation currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New and amended standards and interpretations become effective

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 1 – Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)

IAS 12 – Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any effect on the financial statements.

4.2 Taxation

Current

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

Deferred

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

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



Notes to the Financial Statements

For the year ended 30 June 2013

4.3 Trade and other payables

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

4.4 Provisions

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

4.5 Property, plant and equipment

Owned

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

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

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

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

Leased

Leased assets in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Leased assets are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of lease, less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. Financial charges element of the rental is charged to profit and loss account.

Depreciation on assets subject to finance lease is recognized in the same manner as for owned assets.



Notes to the Financial Statements

For the year ended 30 June 2013

Capital work in progress

Capital work-in-progress represents expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use.

Capital work-in-progress is stated at cost less any identified impairment loss.

Impairment

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

4.6 Investments

Investment in associates

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

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

Available for sale

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

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

Changes in carrying value are recognized in statement of comprehensive income until the investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognized in statement of comprehensive income is included in profit and loss account for the year.



Notes to the Financial Statements

For the year ended 30 June 2013

Held for trading

Investments that are acquired principally for the purpose of generating a profit from short term fluctuations in price are classified as held for trading investments and are included in current assets. These are initially measured at cost and at subsequent reporting dates, these investments are remeasured at fair value. Cost of purchase includes transaction cost. Realized and unrealized gains and losses arising from changes in fair value are included in profit and loss account for the year in which they arise.

The fair value of publicly traded securities is based on market prices quoted on the Karachi Stock Exchange at the balance sheet date. The investment for which a quoted market price is not available, is measured at cost as it is not practical to apply any other valuation methodology.

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

Impairment

At each balance sheet date, the Company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense. In respect of 'available for sale' financial assets, cumulative impairment loss less any impairment loss on that financial assets previously recognized in profit and loss account is removed from statement of comprehensive income at disposal or derecognition and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.7 Stores, spare parts and loose tools

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

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

4.8 Stock in trade

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

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



Notes to the Financial Statements

For the year ended 30 June 2013

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

4.9 Trade debts

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

4.10 Other receivables

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

4.11 Financial instruments

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

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

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

4.12 Impairment of financial assets

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

4.13 Off setting of financial assets and financial liabilities

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



Notes to the Financial Statements

For the year ended 30 June 2013

4.14 Derivative financial instruments

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

4.15 Foreign currency translation

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

4.16 Revenue recognition

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

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

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

4.17 Employees' benefits

Defined contribution plan

The Company operates a funded employee's provident fund scheme for its permanent employees. Equal monthly contributions at the rate of six percent of basic pay are made both by the Company and employees to the fund.

Compensated absences

Compensated absences are accounted for in the period in which the absences are earned.

4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account whenever incurred. Finance cost is accounted for on accrual basis.



Notes to the Financial Statements

For the year ended 30 June 2013

4.19 Related party transactions and transfer pricing

Transactions and contracts with the related parties are based on the policy that all transactions between the Company and related parties are carried out at an arm's length.

4.20 Business segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments are the primary reporting format and the Company is organized into two business segments:

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

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

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company mainly operates in one economic environment, hence there are no geographical segments.

4.20.1 Segment assets and liabilities

The assets of a segment include all operating assets used by a segment and consists principally of property, plant and equipment, long and short term investments, inventories, trade debts, receivables and cash & bank balances, net of allowances and provisions, if any.

Segment liabilities include all operating liabilities consisting principally of long term and short term financing, liabilities against assets subject to finance lease, deferred liabilities and trade & other payables.

4.20.2 Allocation of segment expenses

All identifiable expenses are directly attributed to the respective segments.

4.21 Cash and cash equivalents

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

4.22 Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the year in which dividends are approved by Company's shareholders.



Notes to the Financial Statements

For the year ended 30 June 2013

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

The following revised 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

| Standard | Effective Date (Annual periods beginning on or after) |
|---|---|
| IFRS 7 Financial Instruments : Disclosures-(Amendments) Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | 01 January 2013 |
| IAS 19 Employee Benefits – (Amendment) | 01 January 2013 |
| IAS 32 Offsetting Financial Assets and Financial liabilities – (Amendment) | 01 January 2014 |

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the year of initial application.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | IASB effective date (Annual periods beginning on or after) |
|--|--|
| IFRS 9 Financial Instruments: Classification and Measurement | 01 January 2015 |
| IFRS 10 Consolidated Financial Statements | 01 January 2013 |
| IFRS 11 Joint Arrangements | 01 January 2013 |
| IFRS 12 Disclosure of Interests in Other Entities | 01 January 2013 |
| IFRS 13 Fair Value Measurement | 01 January 2013 |



Notes to the Financial Statements

For the year ended 30 June 2013

5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

| 2013 | 2012 | | 2013 | 2012 |
|-----------------|------------|---|----------------------|---------|
| (No. of Shares) | | | (Rupees in thousand) | |
| 17,400,000 | 17,400,000 | Ordinary shares of Rupees 10 each fully paid up in cash | 174,000 | 174,000 |
| 2,400,000 | 2,400,000 | Ordinary shares of Rupees 10 each issued as fully paid bonus shares | 24,000 | 24,000 |
| 19,800,000 | 19,800,000 | | 198,000 | 198,000 |

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

| | (No. of Shares) | |
|---------------------------|-----------------|-----------|
| Crescent Powertec Limited | 8,750,605 | 8,706,605 |
| Premier Insurance Limited | 659,890 | 659,890 |
| | 9,410,495 | 9,366,495 |

| | Note | 2013 | 2012 |
|--|--------|----------------------|---------|
| | | (Rupees in thousand) | |
| 6. LONG TERM FINANCING | | | |
| From banking companies - secured | | | |
| Finance 1 | (6.1) | - | 33,332 |
| Finance 2 | (6.2) | 43,098 | 63,758 |
| Finance 3 | (6.3) | 38,469 | 57,703 |
| Finance 4 | (6.4) | 31,979 | 44,771 |
| Finance 5 | (6.5) | - | 7,550 |
| Finance 6 | (6.6) | - | 34,099 |
| Finance 7 | (6.7) | 44,130 | 63,248 |
| Finance 8 | (6.8) | 137,563 | - |
| Finance 9 | (6.9) | 26,600 | - |
| Finance 10 | (6.10) | 98,837 | - |
| | | 420,676 | 304,461 |
| Less: Current portion taken as current liability | (12) | 83,869 | 87,527 |
| | | 336,807 | 216,934 |

Notes to the Financial Statements

For the year ended 30 June 2013

- 6.1 This facility was obtained from United Bank Limited. It was transferred from working capital line to demand finance line. It carried mark-up at the rate of 3 month KIBOR plus 250 bps (2012: 3 month KIBOR plus 250 bps) per annum to be reset on first working day of each calendar quarter and was secured against first pari passu charge of Rs. 134,000 thousand by way of equitable mortgage of land, building and machinery and personal guarantees of sponsoring directors. This loan has been repaid during the year.
- 6.2 This facility represents the loan obtained from Habib Bank Limited under the EOP-LTF Scheme launched by SBP to retire import letter of credits for machinery under Balancing, Modernization and Replacement (BMR) of the project. It carries mark up at SBP refinance rate plus 2% (2012 : SBP refinance rate plus 2%) per annum payable quarterly. This is secured against first pari passu equitable mortgage on land and building, hypothecation charge on plant and machinery of the Company to the extent of Rs. 187,000 thousand and personal guarantees of sponsoring directors. The loan is repayable in twenty four equal quarterly installments. However, State Bank of Pakistan had granted one year moratorium on all loans installments payable in calendar year 2009 on the EOP-LTF loans.
- 6.3 This facility represents loan obtained from MCB Bank Limited. Loan amounting Rs. 115,406 thousand obtained specifically as EOP-LTF arrangement. This finance is secured against first pari passu charge for Rs. 154,000 thousand over fixed assets of the Company and personal guarantees of sponsoring directors. Loan is repayable in twelve equal semi annual installments within a period of six years with a grace period of one and half year. However, State Bank of Pakistan had granted one year moratorium on all loan installments payable in calendar year 2009 on the EOP-LTF loans. These finances carry mark up at SBP refinance rate plus 2% (2012 : SBP refinance rate plus 2%) per annum.
- 6.4 This term finance obtained from MCB Bank Limited to finance imported air jet looms. It carries mark up at SBP refinance rate plus 2% (2012 : SBP refinance rate plus 2%) per annum. This finance is secured against first pari passu charge of Rs. 170,000 thousand over fixed assets of the Company and personal guarantees of the sponsoring directors. The loan is repayable in twelve equal semi annual installments. However, State Bank of Pakistan had granted one year moratorium on all loans installments payable in calendar year 2009 on the EOP-LTF loans.
- 6.5 This term finance was obtained from MCB Bank Limited to finance imported textile machinery. The loan was sanctioned under LTFF scheme of SBP. It carried mark up at SBP refinance rate plus 3% (2012 : SBP refinance rate plus 3%) per annum. This finance was secured against first pari passu charge on fixed assets already held by the bank as mentioned in note 6.4. This loan has been repaid during the year.
- 6.6 This term finance was obtained from MCB Bank Limited to finance imported compact frames. The loan was sanctioned under LTFF scheme of SBP. It carried markup at SBP refinance rate plus 2.5% (2012 : SBP refinance rate plus 2.5%) per annum payable quarterly. This finance was secured against first pari passu charge of Rs. 897,000 thousand on fixed assets of the Company. The principal portion of loan was to be repaid semi-annually and the mark-up portion was to be repaid quarterly. This loan has been repaid during the year.
- 6.7 This finance has been obtained from MCB Bank Limited under LTF (EOP) scheme to retire LC's opened for importing compact frames and air compressor for industrial use. It carries markup at 1 month KIBOR plus 2.25% (2012: 1 month KIBOR plus 2.25%) per annum to be paid quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands. The principal portion is to be repaid in five years through eight equal half yearly installments starting from November 2013 after grace period of one and a half year. This loan is not yet converted into LTF (EOP), however the Company is in negotiation with State Bank of Pakistan for the conversion of this loan.



Notes to the Financial Statements

For the year ended 30 June 2013

- 6.8 This finance has been obtained during the year from MCB Bank Limited for import of compact frames, blow room medication and high production cards. It carries markup at 6 month KIBOR plus 1.75% per annum to be serviced quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands and personal guarantees of the sponsoring directors. The principal portion of loan is to be repaid in five years through sixteen equal quarterly installments starting from February 2014 with grace period of one year.
- 6.9 This finance has been obtained during the year from MCB Bank Limited to retire letter of credits for import of Simplex Frames. It carries markup at 6 month KIBOR plus 2.0% per annum to be serviced quarterly. This finance is secured against first pari passu charge over all present and future fixed assets of the Company aggregating to Rs. 897,000 thousands and personal guarantees of the sponsoring directors. The principal portion is to be repaid in five years through ten equal semi annual installments starting from June 2014 with grace period of 6 months.
- 6.10 This finance has been obtained during the year from United Bank Limited to retire letter of credit for import of new machinery. It carries markup at 3 month KIBOR plus 2.25% per annum to be serviced quarterly. This finance is secured against first pari passu charge by way of equitable mortgage charge of land, building and hypothecation of machinery aggregating to Rs. 334,000 thousands and personal guarantees of sponsoring directors. The principal portion is to be repaid in seven years through ten equal semi annual installments starting from October 2015 with grace period of two years.

| | Note | 2013 (Rupees in thousand) | 2012 |
|---|-------|------------------------------|------|
| 7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE | | | |
| The amount of future rentals and periods during which they fall due are as under: | | | |
| Not later than one year | | 333 | 328 |
| Later than one year and not later than five years | | 1,082 | - |
| | | 1,415 | 328 |
| Less : Future financial charges | | 370 | 16 |
| Present value of minimum lease payments | (7.1) | 1,045 | 312 |
| Less : Current portion taken as current liability | (12) | 191 | 312 |
| | | 854 | - |
| 7.1 Break up of net lease obligation | | | |
| Within one year | | 191 | 312 |
| Within two to five years | | 854 | - |
| | | 1,045 | 312 |

- 7.2 The value of the minimum lease payments has been discounted at an implicit interest rate of 12 month KIBOR plus 4% (2012: 15.80%) per annum. The balance rentals are payable in monthly installments. In case of termination of the agreement, the Company shall pay entire amount of rentals for un-expired period of lease agreement.

Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|-------|------------------------------|----------|
| 8. DEFERRED TAXATION | | | |
| Taxable temporary differences | | | |
| Accelerated tax depreciation | | 226,219 | 223,569 |
| Finance lease arrangements | | 6 | 139 |
| | | 226,225 | 223,708 |
| Deductible temporary differences | | | |
| Provision for doubtful debts | | (9,519) | (8,538) |
| Provision for slow moving items | | (4,520) | (1,784) |
| | | (14,039) | (10,322) |
| | | 212,186 | 213,386 |
| 9. TRADE AND OTHER PAYABLES | | | |
| Creditors | (9.1) | 411,397 | 273,037 |
| Accrued liabilities | | 255,824 | 188,176 |
| Workers' profit participation fund | (9.2) | 53,218 | 22,841 |
| Excise duty payable on loans | | 11,707 | 11,707 |
| Income tax deducted at source | | 1,334 | 859 |
| Payable to employees' provident fund trust | | 178 | 99 |
| Unclaimed dividend | | 1,983 | 1,769 |
| Workers welfare fund | | 34,941 | 38,221 |
| | | 770,582 | 536,709 |

9.1 These include an amount of Rs. 94,685 thousand (2012: Rs. 8,860 thousand) due to associated undertakings.

9.2 Workers' profit participation fund

| | | | |
|--------------------------------------|--|----------|----------|
| Balance at the beginning of the year | | 22,841 | 34,693 |
| Allocation for the year | | 53,218 | 22,841 |
| | | 76,059 | 57,534 |
| Payments made during the year | | (22,841) | (34,693) |
| Closing balance | | 53,218 | 22,841 |



Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|---|-------------|------------------------------|----------------|
| 10. ACCRUED INTEREST ON FINANCING | | | |
| Long term financing | | 10,847 | 6,154 |
| Short term borrowings | | 10,285 | 20,095 |
| Liabilities against assets subject to finance lease | | - | 16 |
| | | 21,132 | 26,265 |
| 11. SHORT TERM BORROWINGS | | | |
| From banking companies - secured | | | |
| Cash finance | (11.1&11.2) | 74,646 | 110,627 |
| Running finance | (11.1&11.2) | 149,570 | 176,764 |
| | | 224,216 | 287,391 |

11.1 The finances aggregate to Rs. 2,125,000 thousand (2012: Rs. 2,125,000 thousand) are available under mark-up agreements and carry mark up ranging from KIBOR / LIBOR plus 0.20% % to 1.75 % (2012: KIBOR / LIBOR plus 1 % to 2.75 %) per annum.

11.2 The aggregate short term finances are secured by way of charge on all present and future current assets of the Company and lien on export letters of credit or firm contracts.

12. CURRENT PORTION OF LONG TERM LIABILITIES

| | | | |
|---|-----|---------------|---------------|
| Long term financing | (6) | 83,869 | 87,527 |
| Liabilities against assets subject to finance lease | (7) | 191 | 312 |
| | | 84,060 | 87,839 |

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

There is contingent liability in respect of bank guarantees issued by the Company's bankers in the ordinary course of business in favour of collector of customs aggregating to Rs. 810 thousand (2012: Rs. 810 thousand) against cases pending in the court of law.

13.2 Commitments

Commitment in respect of letter of credit for capital expenditures amounts to Rs. Nil (2012: Rs. 145,242 thousand).

Commitment for construction of building as at balance sheet date amounts to Rs. Nil (2012: Rs. 1,210 thousand).

Notes to the Financial Statements

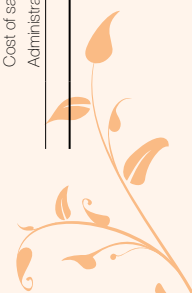
For the year ended 30 June 2013

14. OPERATING FIXED ASSETS

| DESCRIPTION | 2013 | | | | 2012 | | | | RATES % | | | | |
|----------------------------|-----------|--------------------------|----------------|-----------|--|--|---------------------|-----------|--------------------------|----------------|-----------|------|------|
| | Cost | Accumulated depreciation | Net Book Value | Additions | Transfer Cost / (accumulated depreciation) | Disposal Cost / (accumulated depreciation) | Depreciation charge | Cost | Accumulated depreciation | Net Book Value | | | |
| Land - Freehold | 52,479 | - | 52,479 | - | - | - | - | 52,479 | - | 52,479 | - | - | - |
| Land - Leasehold | 2,108 | 574 | 1,534 | - | - | - | 21 | 2,108 | 595 | 1,513 | 1,513 | 1.01 | 1.01 |
| Building on freehold land | 73,095 | 45,823 | 27,272 | 2,109 | - | - | 2,828 | 75,204 | 48,651 | 26,553 | 26,553 | 10 | 10 |
| Building on leasehold land | 330,973 | 203,980 | 126,993 | 1,601 | - | - | 12,815 | 332,574 | 216,795 | 115,779 | 115,779 | 10 | 10 |
| Plant and machinery | 3,443,500 | 1,915,071 | 1,528,429 | 307,583 | - | 92,271 (77,409) | 160,798 | 3,658,812 | 1,998,461 | 1,660,351 | 1,660,351 | 10 | 10 |
| Electric installations | 78,123 | 48,901 | 29,222 | - | - | - | 3,067 | 78,123 | 51,968 | 26,155 | 26,155 | 10 | 10 |
| Furniture and fixtures | 5,058 | 3,533 | 1,525 | - | - | 1,509 | 138 | 3,549 | 2,369 | 1,180 | 1,180 | 10 | 10 |
| Office equipments | 42,338 | 25,198 | 17,140 | - | - | 4,812 (4,099) | 1,528 | 37,526 | 22,627 | 14,899 | 14,899 | 10 | 10 |
| Vehicles | 72,453 | 31,730 | 40,723 | 15,420 | 1,702 (722) | 8,594 (6,857) | 9,904 | 80,981 | 35,499 | 45,482 | 45,482 | 20 | 20 |
| | 4,100,127 | 2,274,810 | 1,825,317 | 326,713 | 1,702 (722) | 107,186 (89,666) | 191,099 | 4,321,356 | 2,376,965 | 1,944,391 | 1,944,391 | | |
| | | | | | | | | | | | | | |
| DESCRIPTION | 2013 | | | | 2012 | | | | RATES % | | | | |
| | Cost | Accumulated depreciation | Net Book Value | Additions | Transfer Cost / (accumulated depreciation) | Disposal Cost / (accumulated depreciation) | Depreciation charge | Cost | Accumulated depreciation | Net Book Value | | | |
| Land - Freehold | 52,479 | - | 52,479 | - | - | - | - | 52,479 | - | 52,479 | - | - | - |
| Land - Leasehold | 2,108 | 553 | 1,555 | - | - | - | 21 | 2,108 | 574 | 1,534 | 1,534 | 1.01 | 1.01 |
| Building on freehold land | 73,095 | 42,608 | 30,287 | - | - | - | 3,015 | 73,095 | 45,823 | 27,272 | 27,272 | 10 | 10 |
| Building on leasehold land | 330,973 | 189,855 | 141,118 | - | - | - | 14,125 | 330,973 | 203,980 | 126,993 | 126,993 | 10 | 10 |
| Plant and machinery | 3,308,521 | 1,756,185 | 1,550,336 | 136,979 | - | - | 158,886 | 3,443,500 | 1,915,071 | 1,528,429 | 1,528,429 | 10 | 10 |
| Electric installations | 78,123 | 45,654 | 32,469 | - | - | - | 3,247 | 78,123 | 48,901 | 29,222 | 29,222 | 10 | 10 |
| Furniture and fixtures | 5,058 | 3,363 | 1,695 | - | - | - | 170 | 5,058 | 3,533 | 1,525 | 1,525 | 10 | 10 |
| Office equipments | 41,383 | 23,354 | 18,029 | 955 | - | - | 1,844 | 42,338 | 25,198 | 17,140 | 17,140 | 10 | 10 |
| Vehicles | 56,891 | 28,230 | 27,661 | 20,720 | - | 4,158 (2,938) | 6,438 | 72,453 | 31,730 | 40,723 | 40,723 | 20 | 20 |
| | 3,945,631 | 2,090,002 | 1,855,629 | 158,654 | - | 4,158 (2,938) | 187,746 | 4,100,127 | 2,274,810 | 1,825,317 | 1,825,317 | | |

14.1 Depreciation charge for the year on operating fixed assets: has been allocated as follows:

| | 2013 | 2012 |
|-------------------------|---------|---------|
| Cost of sales | 179,529 | 179,294 |
| Administrative expenses | 11,570 | 8,452 |
| | 191,099 | 187,746 |



Notes to the Financial Statements

For the year ended 30 June 2013

14.2 Disposal of operating fixed assets

| Description | Cost | Accumulated Depreciation | Net Book Value | Sale Proceeds | Mode of Disposal | Sold to |
|-----------------------------|--------|--------------------------|----------------|---------------|------------------|--|
| Plant and Machinery: | | | | | | |
| Auto Coner Machine | 17,498 | 16,520 | 978 | 646 | Negotiation | M/s Star Textile Mills Limited |
| Carding Machine Crosrol | 6,588 | 3,860 | 2,728 | 3,960 | Negotiation | M/s Al-Karam Textile Mills (Pvt) Limited |
| Carding Machine Crosrol | 2,196 | 1,287 | 909 | 1,320 | Negotiation | M/s Ayesha Spinning Mills Limited |
| Carding Machine Crosrol | 2,196 | 1,286 | 910 | 1,650 | Negotiation | M/s Nagina Cotton Mills Limited |
| Carding Machine Crosrol | 7,546 | 6,962 | 584 | 1,680 | Negotiation | M/s Imitiaz Textile Mills Limited |
| Cone Winding | 8,769 | 5,991 | 2,778 | 9,000 | Negotiation | M/s Shams Textile Mills Limited |
| Comber E60H | 17,454 | 13,389 | 4,065 | 9,000 | Negotiation | M/s Crescent Fibres Limited |
| Draw Frame | 11,796 | 11,076 | 720 | 1,650 | Negotiation | M/s Shahzad Textile Mills Limited |
| RV Beater Trutzschler | 2,859 | 2,683 | 176 | 340 | Negotiation | M/s S.S.Fabrics Limited |
| Scoutcher Trutzschler | 5,720 | 5,361 | 359 | 620 | Negotiation | M/s Imitiaz Textile Mills Limited |
| Set Scoutcher | 9,649 | 8,993 | 656 | 2,250 | Negotiation | M/s Shahzad Textile Mills Limited |
| Vehicles: | | | | | | |
| Honda City | 901 | 731 | 170 | 820 | Negotiation | Mr.Muhammad Mansoor |
| Honda City | 428 | 253 | 175 | 730 | Negotiation | Mr Javed Roshan |
| Honda Civic | 1,498 | 1,039 | 459 | 1,400 | Negotiation | Mr.Aamir Shehzad Shah |
| Honda Civic | 1,573 | 1,209 | 364 | 800 | Negotiation | Mr.Muhammad Nawaz |
| Hyundai Santro | 592 | 492 | 100 | 472 | Negotiation | Mr.Muhammad Anwar |
| Suzuki Alto | 504 | 365 | 139 | 400 | Negotiation | Mr. Mehmood Bhatti |
| Suzuki Cultus | 590 | 530 | 60 | 200 | Negotiation | Mr.Sheikh Anwar Saleem |
| Suzuki Mehran | 322 | 280 | 42 | 260 | Negotiation | Mr Zahid Husain |
| Toyota Corolla | 968 | 863 | 105 | 700 | Negotiation | Mr.Tarveer Ahmad Khan |
| Toyota Corolla | 1,218 | 1,095 | 123 | 775 | Negotiation | Mr.Yawar Zaidi |

(Rupees thousand)

Notes to the Financial Statements

For the year ended 30 June 2013

15. ASSETS SUBJECT TO FINANCE LEASE

2013

| DESCRIPTION | BALANCE AS AT 01 JULY 2012 | | | FOR THE YEAR | | | BALANCE AS AT 30 JUNE 2013 | | | RATES % |
|-------------|----------------------------|--------------------------|----------------|--------------|--|---------------------|----------------------------|--------------------------|----------------|------------|
| | Cost | Accumulated depreciation | Net Book Value | Additions | Transfer Cost / (accumulated depreciation) | Depreciation charge | Cost | Accumulated depreciation | Net Book Value | |
| Vehicles | 1,702 | 722 | 980 | 1,673 | 1,702 (722) | 223 | 1,673 | 223 | 1,450 | 20 |

(Rupees in thousand)

2012

| DESCRIPTION | BALANCE AS AT 01 JULY 2011 | | | FOR THE YEAR | | | BALANCE AS AT 30 JUNE 2012 | | | RATES % |
|-------------|----------------------------|--------------------------|----------------|--------------|--|---------------------|----------------------------|--------------------------|----------------|------------|
| | Cost | Accumulated depreciation | Net Book Value | Additions | Transfer Cost / (accumulated depreciation) | Depreciation charge | Cost | Accumulated depreciation | Net Book Value | |
| Vehicles | 1,702 | 476 | 1,226 | - | - | 246 | 1,702 | 722 | 980 | 20 |

(Rupees in thousand)

15.1 Depreciation charge for the year on assets subject to finance lease has been allocated to administrative expenses.



Notes to the Financial Statements

For the year ended 30 June 2013

16. CAPITAL WORK IN PROGRESS

This represents advance given to M/s Tricon Developers for purchase of office. The title of the office is executed in the favour of Company as on November 2012. The office is still under construction as on 30 June 2013.

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|------|------------------------------|------|
| 17. AVAILABLE-FOR-SALE-INVESTMENTS | | | |
| Quoted | | | |
| Investments in related party: | | | |
| Premier Insurance Limited | | | |
| 721,353 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | | 8,146 | - |
| Others | | | |
| Pakistan International Airlines Corporation | | | |
| 6,124 (2012: 6,124) fully paid ordinary shares of Rupees 10 each. | | 45 | 45 |
| Samba Bank Limited | | | |
| 2,930,493 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | | 15,875 | - |
| PICIC Energy Fund | | | |
| 63,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | | 745 | - |
| NIB Bank Limited | | | |
| 1,000,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | | 4,573 | - |
| Adamjee Insurance Company Limited | | | |
| 200,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | | 21,752 | - |

Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|--------|------------------------------|---------|
| Nimir Industrial Chemical Limited | | | |
| 250,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | | 1,035 | - |
| Jahangir Siddiqui & Co. Limited | | | |
| 149,878 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | | 1,733 | - |
| Unquoted: | | | |
| Investments in related party | | | |
| Premier Financial Services (Private) Limited | | | |
| 2,200 (2012: 2,200) fully paid ordinary shares of Rupees 1,000 each. | | 2,200 | 2,200 |
| Others | | | |
| Crescent Spinning Mills Limited | | | |
| 208,800 (2012: 208,800) fully paid ordinary shares of Rupees 10 each. | (17.1) | 2,088 | 2,088 |
| | | 58,192 | 4,333 |
| Unrealized gain / (loss) on revaluation of investments - net | | 4,984 | (3) |
| Impairment loss | | (28,709) | (4,317) |
| | | 34,467 | 13 |

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

18. LONG TERM DEPOSITS

This amount represents security deposits against utilities.

19. STORES, SPARE PARTS AND LOOSE TOOLS

| | | | |
|---|--------|---------|---------|
| Stores in transit | | 26,075 | 7,361 |
| Stores | | 119,760 | 103,769 |
| Spare parts | | 4,098 | 3,803 |
| Loose tools | | 88 | 82 |
| | | 150,021 | 115,015 |
| Less : Provision for slow moving / obsolete items | (19.1) | 24,171 | 8,569 |
| | | 125,850 | 106,446 |



Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|------|---|------------------------------|-----------|
| 19.1 | Provision for slow moving / obsolete items | | |
| | Opening balance | 8,569 | 8,569 |
| | Addition during the year | 16,869 | - |
| | | 25,438 | 8,569 |
| | Adjusted during the year | (1,267) | - |
| | | 24,171 | 8,569 |
| 20. | STOCK-IN-TRADE | | |
| | Raw material in transit | - | 18,384 |
| | Raw material | 1,066,098 | 705,384 |
| | Work in process | 98,952 | 98,485 |
| | Finished goods | 539,291 | 345,776 |
| | Waste | 12,332 | 15,954 |
| | | 1,716,673 | 1,183,983 |
| 21. | TRADE DEBTS | | |
| | Considered good: | | |
| | Secured against letters of credit | 123,177 | 37,877 |
| | Unsecured (21.1) | 282,961 | 345,369 |
| | | 406,138 | 383,246 |
| | Considered doubtful - unsecured | 27,999 | 24,395 |
| | Less: Provision for doubtful debts (21.3) | 27,999 | 24,395 |
| | | - | - |
| | | 406,138 | 383,246 |
| 21.1 | This includes amount due from following associated companies: | | |
| | Equity Textile Mills Limited | - | 60,129 |
| | Crescent Cotton Mills Limited | - | 54 |
| | Crescent Bahuman Limited | 14,963 | 72 |
| | | 14,963 | 60,255 |

21.2 There are no past due or impaired receivables from related parties as on 30 June 2013.

Notes to the Financial Statements

For the year ended 30 June 2013

| Note | 2013 (Rupees in thousand) | 2012 |
|--|------------------------------|---------|
| 21.3 Provision for doubtful debts | | |
| Opening balance | 24,395 | 21,798 |
| Addition during the year | 3,604 | 3,935 |
| | 27,999 | 25,733 |
| Written off during the year | - | (1,338) |
| | 27,999 | 24,395 |
| 21.4 The ageing of trade debts and related impairment loss at balance sheet date was: | | |
| Age analysis of trade debts | | |
| Not past due | 251,163 | 194,548 |
| Past due 0 - 180 days | 136,788 | 163,710 |
| Past due 180 - 365 days | 1,522 | 10,824 |
| 1 - 2 years | 3,051 | 3,422 |
| More than 2 years | 41,613 | 35,137 |
| | 434,137 | 407,641 |
| Age of impaired trade debts | | |
| Past due 0 - 180 days | - | - |
| Past due 180 - 365 days | - | - |
| 1 - 2 years | - | - |
| More than 2 years | 27,999 | 24,395 |
| | 27,999 | 24,395 |
| 22. LOANS AND ADVANCES | | |
| Loans to employees - considered good - unsecured | 3,327 | 2,458 |
| Advances - considered good: | | |
| To suppliers - unsecured | 35,106 | 37,482 |
| Against letters of credit - secured | 637 | 2,225 |
| | 35,743 | 39,707 |
| | 39,070 | 42,165 |
| 23. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS | | |
| Security deposits | 3,105 | 355 |
| Short term prepayments | 1,739 | 2,323 |
| | 4,844 | 2,678 |



Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|---|--------|------------------------------|----------------|
| 24. BALANCES WITH STATUTORY AUTHORITIES | | | |
| Sales tax refundable | | 63,805 | 36,502 |
| Export rebate | | 2,239 | 3,355 |
| | | 66,044 | 39,857 |
| 25. OTHER RECEIVABLES | | | |
| These represent cotton claims receivables which are considered good by the management of the Company. | | | |
| 26. SHORT TERM INVESTMENTS | | | |
| Available for sale | (26.1) | - | 21,210 |
| Held for trading | (26.2) | 548,515 | 255,613 |
| | | 548,515 | 276,823 |
| 26.1 Quoted | | | |
| Investments in related party | | | |
| Premier Insurance Limited | | | |
| Nil (2012: 721,353) fully paid ordinary shares of Rupees 10 each. | | - | 8,146 |
| Others | | | |
| Samba Bank Limited | | | |
| Nil (2012: 2,930,493) fully paid ordinary shares of Rupees 10 each. | | - | 15,875 |
| PICIC Energy Fund | | | |
| Nil (2012: 63,000) fully paid ordinary shares of Rupees 10 each. | | - | 745 |
| NIB Bank Limited | | | |
| Nil (2012: 96,842) fully paid ordinary shares of Rupees 10 each. | | - | 2,478 |
| Adamjee Insurance Company Limited | | | |
| Nil (2012: 150,000) fully paid ordinary shares of Rupees 10 each. | | - | 18,442 |
| | | - | 45,686 |
| Unrealized loss on revaluation of investments - net | | - | (84) |
| Impairment loss | | - | (24,392) |
| | | - | 21,210 |

Notes to the Financial Statements

For the year ended 30 June 2013

| | 2013 | | | 2012 | | |
|---|----------------|--------------------------|--------------|----------------|--------------------------|--------------|
| | Carrying value | Unrealized gain / (loss) | Market value | Carrying value | Unrealized gain / (loss) | Market value |
| ----- (Rupees in thousand) ----- | | | | | | |
| 26.2 Held for trading | | | | | | |
| Quoted - other than related parties: | | | | | | |
| NIB Bank Limited | | | | | | |
| Nil (2012: 776,775) fully paid ordinary shares of Rupees 10 each. | - | - | - | 1,173 | 373 | 1,546 |
| National Bank of Pakistan | | | | | | |
| 400,000 (2012: 281,562) fully paid ordinary shares of Rupees 10 each. | 16,110 | 338 | 16,448 | 11,066 | 1,194 | 12,260 |
| Tripack Films Limited | | | | | | |
| 45,000 (2012: 45,000) fully paid ordinary shares of Rupees 10 each. | 9,450 | (360) | 9,090 | 7,707 | 1,742 | 9,449 |
| Nimir Industrial Chemical Limited | | | | | | |
| Nil (2012: 250,000) fully paid ordinary shares of Rupees 10 each. | - | - | - | 700 | 160 | 860 |
| Pakistan Tobacco Company Limited | | | | | | |
| 50,000 (2012: 50,000) fully paid ordinary shares of Rupees 10 each. | 2,642 | 5,208 | 7,850 | 4,836 | (2,194) | 2,642 |
| Pakistan State Oil Limited | | | | | | |
| Nil (2012: 25,000) fully paid ordinary shares of Rupees 10 each. | - | - | - | 6,615 | (719) | 5,896 |
| Standard Chartered Bank (Pakistan) Limited | | | | | | |
| 50,000 (2012: 50,000) fully paid ordinary shares of Rupees 10 each. | 573 | 294 | 867 | 411 | 162 | 573 |
| MCB Bank Limited | | | | | | |
| 10,359 (2012: 53,327) fully paid ordinary shares of Rupees 10 each. | 1,565 | 948 | 2,513 | 9,591 | (726) | 8,865 |
| Jahangir Siddiqui & Co. Limited | | | | | | |
| Nil (2012: 120,378) fully paid ordinary shares of Rupees 10 each. | - | - | - | 780 | 714 | 1,494 |



Notes to the Financial Statements

For the year ended 30 June 2013

| | 2013 | | | 2012 | | |
|---|----------------|--------------------------|--------------|----------------|--------------------------|--------------|
| | Carrying value | Unrealized gain / (loss) | Market value | Carrying value | Unrealized gain / (loss) | Market value |
| ----- (Rupees in thousand) ----- | | | | | | |
| Pakistan Oilfield Limited | | | | | | |
| 18,000 (2012: 18,000) fully paid ordinary shares of Rupees 10 each. | 6,605 | 2,348 | 8,953 | 6,462 | 143 | 6,605 |
| DG Khan Cement Company Limited | | | | | | |
| 100,000 (2012: 200,000) fully paid ordinary shares of Rupees 10 each. | 7,735 | 634 | 8,369 | 6,705 | 1,171 | 7,876 |
| Engro Corporation Limited | | | | | | |
| 60,000 (2012: 75,000) fully paid ordinary shares of Rupees 10 each. | 6,110 | 1,202 | 7,312 | 7,589 | 49 | 7,638 |
| Attock Refinery Limited | | | | | | |
| 50,000 (2012: 50,000) fully paid ordinary shares of Rupees 10 each. | 6,144 | 2,484 | 8,628 | 6,476 | (332) | 6,144 |
| Fauji Cement Company | | | | | | |
| 800,000 (2012: 200,000) fully paid ordinary shares of Rupees 10 each. | 6,319 | 4,313 | 10,632 | 1,117 | 9 | 1,126 |
| Fatima Fertilizer Company Limited | | | | | | |
| 400,000 (2012: 200,000) fully paid ordinary shares of Rupees 10 each. | 9,705 | 227 | 9,932 | 4,848 | 86 | 4,934 |
| The Hub Power Company Limited | | | | | | |
| 50,000 (2012: 50,000) fully paid ordinary shares of Rupees 10 each. | 2,095 | 988 | 3,083 | 1,874 | 221 | 2,095 |
| Fauji Fertilizer Company Limited | | | | | | |
| 100,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | 11,495 | (752) | 10,743 | - | - | - |
| Pakistan Telecommunication Company Limited | | | | | | |
| 200,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | 3,688 | 750 | 4,438 | - | - | - |

Notes to the Financial Statements

For the year ended 30 June 2013

| | 2013 | | | 2012 | | |
|--|----------------|--------------------------|--------------|----------------|--------------------------|--------------|
| | Carrying value | Unrealized gain / (loss) | Market value | Carrying value | Unrealized gain / (loss) | Market value |
| ----- (Rupees in thousand) ----- | | | | | | |
| Pakistan Petroleum Limited | | | | | | |
| 30,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | 6,111 | 236 | 6,347 | - | - | - |
| Crescent Steel and Allied Products Limited | | | | | | |
| 25,000 (2012: Nil) fully paid ordinary shares of Rupees 10 each. | 1,191 | (66) | 1,125 | - | - | - |
| HBL Asset Management Fund | | | | | | |
| 1,238,700 (2012: Nil) Units | 125,000 | 411 | 125,411 | - | - | - |
| NAFA Money Market Fund | | | | | | |
| 10,578,446 (2012: Nil) Units | 100,000 | 5,944 | 105,944 | - | - | - |
| Metro Bank Perpatual Scheme | | | | | | |
| 3,912,948 (2012: Nil) Units | 203,752 | (2,979) | 200,773 | - | - | - |
| MCB Dynamic Cash Fund | | | | | | |
| 548 (2012: 510) Units | 56 | 1 | 57 | - | 52 | 52 |
| MCB Pakistan Cash Management Fund | | | | | | |
| Nil (2012: 3,507,131) Units | - | - | - | 175,163 | 395 | 175,558 |
| | 526,346 | 22,169 | 548,515 | 253,113 | 2,500 | 255,613 |



Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|---|------------------------------|-----------|
| 27. CASH AND BANK BALANCES | | | |
| Cash in hand | | 929 | 275 |
| Balances with banks in: | | | |
| Current accounts | | 32,906 | 5,430 |
| Deposit accounts | (27.1) | 61,675 | 49 |
| | | 94,581 | 5,479 |
| | | 95,510 | 5,754 |
| 27.1 | The rate of return on deposit accounts ranges from 6% to 7% (2012: 5% to 6%) per annum. | | |
| 28. SALES | | | |
| Local | | 6,379,036 | 5,904,719 |
| Export | | 3,081,798 | 2,221,321 |
| Waste | | 173,112 | 131,002 |
| | | 9,633,946 | 8,257,042 |
| Less: Sales tax | | 40,621 | - |
| | | 9,593,325 | 8,257,042 |
| 29. COST OF SALES | | | |
| Raw materials: | | | |
| Opening stock | | 705,384 | 548,205 |
| Purchases | | 6,710,783 | 5,422,012 |
| | | 7,416,167 | 5,970,217 |
| Closing stock | (20) | (1,066,098) | (705,384) |
| Raw material consumed | | 6,350,069 | 5,264,833 |
| Sizing expenses | | 63,098 | 54,999 |
| Stores, spare parts and loose tools consumed | | 164,410 | 148,428 |
| Packing material consumed | | 93,528 | 80,515 |
| Salaries, wages and other benefits | (29.1) | 458,925 | 356,443 |
| Fuel and power | | 905,460 | 780,238 |
| Repairs and maintenance | | 77,993 | 55,140 |
| Insurance | | 25,595 | 22,919 |
| Depreciation | (14.1) | 179,529 | 179,294 |
| Other overheads | | 18,381 | 14,502 |
| | | 1,986,919 | 1,692,478 |
| | | 8,336,988 | 6,957,311 |

Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|----------------------------|------|------------------------------|-----------|
| Work-in-process | | | |
| Opening stock | | 98,485 | 108,148 |
| Closing stock | (20) | (98,952) | (98,485) |
| | | (467) | 9,663 |
| Cost of goods manufactured | | 8,336,521 | 6,966,974 |
| Finished goods | | | |
| Opening stock | | 361,730 | 828,128 |
| Closing stock | | (551,623) | (361,730) |
| | | (189,893) | 466,398 |
| Less: Export rebate | | 870 | 655 |
| | | 8,145,758 | 7,432,717 |

29.1 This includes contribution made to provident fund by the Company amounting to Rs 8,999 thousand (2012: 7,000 thousand).

30. DISTRIBUTION COST

| | | | |
|------------------------------------|--------|---------|---------|
| Salaries, wages and other benefits | (30.1) | 3,151 | 3,296 |
| Commission on sales | | 142,903 | 101,290 |
| Freight and shipment | | 77,518 | 51,375 |
| Clearing and forwarding | | 23,576 | 28,323 |
| Export development surcharge | | 7,602 | 5,375 |
| | | 254,750 | 189,659 |

30.1 This includes contribution made to provident fund by the Company amounting to Rs 116 thousand (2012: 123 thousand).

31. ADMINISTRATIVE EXPENSES

| | | | |
|------------------------------------|-------------|---------|--------|
| Salaries, wages and other benefits | (31.1) | 60,386 | 51,123 |
| Rent, rates and taxes | | 4,515 | 4,028 |
| Electricity and gas | | 3,642 | 3,347 |
| Traveling and conveyance | | 1,204 | 3,729 |
| Repair and maintenance | | 3,969 | 1,842 |
| Vehicle running and maintenance | | 4,941 | 3,806 |
| Printing and stationery | | 3,409 | 2,640 |
| Communication | | 2,780 | 3,061 |
| Fee and subscription | | 1,566 | 1,510 |
| Advertisement | | 231 | 100 |
| Insurance | | 2,019 | 1,538 |
| Depreciation | (14.1&15.1) | 11,793 | 8,698 |
| Entertainment | | 606 | 509 |
| Research and development | | 117 | 248 |
| Donation | (31.2) | 1,000 | 1,200 |
| | | 102,178 | 87,379 |



Notes to the Financial Statements

For the year ended 30 June 2013

31.1 This includes contribution made to provident fund by the Company amounting to Rs 1,863 thousand (2012: 1,626 thousand).

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

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|--------|------------------------------|--------|
| 32. OTHER OPERATING EXPENSES | | | |
| Legal and professional | | 1,495 | 1,347 |
| Auditors' remuneration | | | |
| Statutory audit | | 1,150 | 1,150 |
| Half yearly review and other certifications | | 150 | 150 |
| Out of pocket expenses | | 50 | 50 |
| | | 1,350 | 1,350 |
| Workers' profit participation fund | | 53,218 | 22,841 |
| Workers welfare fund | | 21,721 | 9,323 |
| Provision for doubtful trade debts | | 3,604 | 3,935 |
| Provision for slow moving stores | | 16,869 | - |
| | | 98,257 | 38,796 |
| 33. OTHER INCOME | | | |
| Income from financial assets | (33.1) | 8,990 | 3,761 |
| Income from investments | (33.2) | 70,317 | 20,076 |
| Income from assets other than financial assets | (33.3) | 27,215 | 6,169 |
| | | 106,522 | 30,006 |
| 33.1 Income from financial assets | | | |
| Exchange gain - net | | 6,458 | 3,469 |
| Profit on bank deposits | | 2,532 | 292 |
| | | 8,990 | 3,761 |
| 33.2 Income from investments | | | |
| Dividend income | | 7,428 | 6,342 |
| Unrealized gain on investments - held for trading | | 18,792 | 2,500 |
| Gain on disposal of investments - held for trading | | 44,097 | 11,234 |
| | | 70,317 | 20,076 |
| 33.3 Income from assets other than financial assets | | | |
| Sale of empties and scrap | | 6,062 | 3,944 |
| Gain on disposal of operating fixed assets | | 21,153 | 2,225 |
| | | 27,215 | 6,169 |

Notes to the Financial Statements

For the year ended 30 June 2013

| | Note | 2013 (Rupees in thousand) | 2012 |
|--|--------|------------------------------|----------|
| 34. FINANCE COST | | | |
| Interest / markup on: | | | |
| Long term financing | | 34,463 | 25,857 |
| Short term borrowings | | 41,721 | 68,547 |
| Liabilities against assets subject to finance lease | | 119 | 90 |
| | | 76,303 | 94,494 |
| Bank charges and commission | | 11,469 | 10,028 |
| | | 87,772 | 104,522 |
| 35. TAXATION | | | |
| Charge for the year: | | | |
| Current | | 108,987 | 90,065 |
| Deferred | (35.1) | (1,200) | (2,557) |
| | (35.2) | 107,787 | 87,508 |
| 35.1 Deferred tax effect due to | | | |
| Accelerated tax depreciation | | 2,650 | (1,709) |
| Finance lease arrangements | | (133) | 46 |
| Provision for doubtful debts | | (981) | (909) |
| Provision for slow moving / obsolete items | | (2,736) | 15 |
| | | (1,200) | (2,557) |
| 35.2 Relationship between tax expense and accounting profit | | | |
| Profit before taxation | | 1,011,132 | 433,975 |
| Tax at applicable rate of 35% (2012: 35%) | | 353,896 | 151,891 |
| Tax effect of: | | | |
| Expenses that are not deductible in determining taxable income | | (36,278) | (3,383) |
| Presumptive tax regime | | (204,969) | (61,634) |
| Reduction in opening deferred taxes resulting from reduction in tax rate | | (6,097) | - |
| Lower tax rate, minimum tax credit and others | | 1,235 | 634 |
| | | 107,787 | 87,508 |



Notes to the Financial Statements

For the year ended 30 June 2013

| | 2013 | 2012 |
|--|--------------------|------------|
| 36. EARNINGS PER SHARE - BASIC AND DILUTED | | |
| Profit attributable to ordinary shareholders | 903,345 | 346,467 |
| | (Number of shares) | |
| Weighted average number of ordinary shares outstanding during the year | 19,800,000 | 19,800,000 |
| | Rupees | |
| Earnings per share - basic (Rupees) | 45.62 | 17.50 |

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

| | Note | 2013 (Rupees in thousand) | 2012 |
|---|------|------------------------------|----------------|
| 37. CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | | 1,011,132 | 433,975 |
| Adjustments to reconcile profit to net cash provided by operating activities | | | |
| Depreciation on operating fixed assets | (14) | 191,099 | 187,746 |
| Depreciation on leased assets | (15) | 223 | 246 |
| Unrealized gain on investments held for trading | | (18,792) | (2,500) |
| Gain on disposal of investments - held for trading | | (44,097) | (11,234) |
| Provision for doubtful debts | | 3,604 | 3,935 |
| Provision for slow moving / obsolete items | | 16,869 | - |
| Exchange gain - net | | (6,458) | (3,469) |
| Dividend income | | (7,428) | (6,342) |
| Gain on disposal of operating fixed assets | | (21,153) | (2,225) |
| Provision for WPPF | | 53,218 | 22,841 |
| Provision for WWF | | 21,721 | 9,323 |
| Finance cost | | 87,772 | 104,522 |
| Cash flows from operating activities before working capital changes | | 1,287,710 | 736,818 |

Notes to the Financial Statements

For the year ended 30 June 2013

| Note | 2013 (Rupees in thousand) | 2012 |
|---|------------------------------|------------------|
| Working capital changes | | |
| (Increase) / decrease in current assets: | | |
| Stores, spare parts and loose tools | (36,273) | (3,071) |
| Stock-in-trade | (532,690) | 383,476 |
| Trade debts | (20,038) | 48,462 |
| Loans and advances | 3,095 | 11,677 |
| Trade deposits and short term prepayments | (2,166) | (246) |
| Balances with statutory authorities | (26,187) | (23,112) |
| Other receivables | 2,162 | 4,256 |
| Increase in current liabilities: | | |
| Trade and other payables | 206,562 | 25,337 |
| | (405,535) | 446,779 |
| Cash generated from operations | 882,175 | 1,183,597 |

38. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES' REMUNERATION

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

| Description | 2013 | | | 2012 | | |
|---------------------------------|-----------------|--------------|---------------|-----------------|--------------|---------------|
| | Chief Executive | Director | Executives | Chief Executive | Director | Executives |
| ------(Rupees in thousand)----- | | | | | | |
| Managerial remuneration | 6,006 | 5,098 | 13,650 | 5,411 | 4,600 | 12,496 |
| House rent | 2,102 | 1,784 | 5,278 | 1,894 | 1,610 | 4,900 |
| Provident fund contribution | 360 | 306 | 811 | 295 | 282 | 750 |
| Reimbursable expenses | 601 | 510 | 2,760 | 541 | 460 | 2,421 |
| Others | 344 | 1,097 | 262 | 387 | 1,097 | 215 |
| | 9,413 | 8,795 | 22,761 | 8,528 | 8,049 | 20,782 |
| No. of persons | 1 | 1 | 11 | 1 | 1 | 11 |

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

38.2 The aggregate amount charged in financial statements for the year against fees for attending four board meetings and seven audit committee meetings was Rs. 250 thousand (2012: Rs. 270 thousand).



Notes to the Financial Statements

For the year ended 30 June 2013

39. RELATED PARTY DISCLOSURES

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

| Relationship with the Company | Nature of transactions | 2013 (Rupees in thousand) | 2012 |
|--|---------------------------------|------------------------------|---------|
| Associated Companies | Purchases of goods and services | 1,011,472 | 664,351 |
| | Sales of goods and services | 445,660 | 219,227 |
| | Insurance claim | 8,770 | 2,270 |
| | Dividend paid | 37,466 | 34,060 |
| | Dividend received | 721 | 721 |
| | Bonus shares issued | - | 8,515 |
| Provident Fund Trust | Amount contributed | 10,979 | 8,749 |
| Directors and key management personnel | Bonus shares issued | - | 1,684 |
| | Remuneration | | |

Such transactions have been disclosed in Note 38

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

40. OPERATING SEGMENT INFORMATION

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

40.1 Business segments

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2013

| | Spinning | | Weaving | | Elimination of Inter-segment transactions | | Total | |
|--|-----------|-----------|-----------|-----------|---|---------|-----------|-----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| ------(Rupees in thousand)----- | | | | | | | | |
| Sales | | | | | | | | |
| External | 5,081,057 | 5,256,396 | 4,512,268 | 3,000,646 | - | - | 9,593,325 | 8,257,042 |
| Inter-segment | 985,385 | 545,219 | - | - | 985,385 | 545,219 | - | - |
| | 6,066,442 | 5,801,615 | 4,512,268 | 3,000,646 | 985,385 | 545,219 | 9,593,325 | 8,257,042 |
| Cost of sales | | | | | | | | |
| External | 5,005,629 | 5,029,856 | 3,140,129 | 2,402,861 | - | - | 8,145,758 | 7,432,717 |
| Inter-segment | - | - | 985,385 | 545,219 | 985,385 | 545,219 | - | - |
| | 5,005,629 | 5,029,856 | 4,125,514 | 2,948,080 | 985,385 | 545,219 | 8,145,758 | 7,432,717 |
| Gross profit | 1,060,813 | 771,759 | 386,754 | 52,566 | - | - | 1,447,567 | 824,325 |
| Distribution cost | 113,450 | 84,721 | 141,300 | 104,938 | - | - | 254,750 | 189,659 |
| Administrative expenses | 84,002 | 70,825 | 18,177 | 16,554 | - | - | 102,178 | 87,379 |
| | 197,452 | 155,546 | 159,477 | 121,492 | - | - | 356,928 | 277,038 |
| Profit before taxation and unallocated income and expenses | 863,361 | 616,213 | 227,277 | (68,926) | - | - | 1,090,639 | 547,287 |
| Unallocated income and expenses: | | | | | | | | |
| Other operating expenses | | | | | | | (98,257) | (38,796) |
| Other income | | | | | | | 106,522 | 30,006 |
| Finance cost | | | | | | | (87,772) | (104,522) |
| | | | | | | | (79,507) | (113,312) |
| Profit before taxation | | | | | | | 1,011,132 | 433,975 |
| Taxation | | | | | | | 107,787 | 87,508 |
| Profit for the year | | | | | | | 903,345 | 346,467 |

Inter segment sales and purchases have been eliminated on consolidation.



Notes to the Financial Statements

For the year ended 30 June 2013

| | Spinning | | Weaving | | Elimination of Inter-segment transactions | | Total | |
|-------------------------------------|-----------|-----------|---------|---------|---|------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| ------(Rupees in thousand)----- | | | | | | | | |
| Segment operating assets | 3,362,032 | 2,694,233 | 991,780 | 878,098 | - | - | 4,353,812 | 3,572,331 |
| Unallocated: | | | | | | | | |
| Capital work in progress | | | | | | | 44,209 | 37,266 |
| Long term investments | | | | | | | 34,467 | 13 |
| Balances with statutory authorities | | | | | | | 66,044 | 39,857 |
| Taxation-net | | | | | | | 11,786 | 22,015 |
| Short term investments | | | | | | | 548,515 | 276,823 |
| Total operating assets | | | | | | | 5,058,833 | 3,948,305 |
| Segment operating liabilities | 1,067,215 | 851,480 | 282,277 | 242,596 | - | - | 1,349,492 | 1,094,076 |
| Unallocated: | | | | | | | | |
| Deferred taxation | | | | | | | 212,186 | 213,386 |
| Workers' profit participation fund | | | | | | | 53,218 | 22,841 |
| Workers welfare fund | | | | | | | 34,941 | 38,221 |
| Total operating liabilities | | | | | | | 1,649,837 | 1,368,524 |
| Other disclosures | | | | | | | | |
| Capital expenditure | 325,823 | 136,337 | 7,833 | 22,360 | - | - | 333,656 | 158,697 |

40.2 Geographical segments

Secondary information is reported geographically.

The Company operates in only one geographical segment i.e. Pakistan, as the Company has no distinguishable component other than Pakistan that is engaged in providing products within a particular economic environment.

Notes to the Financial Statements

For the year ended 30 June 2013

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The Company's financial liabilities comprise long term financing, liabilities against assets subject to finance lease, short term borrowings and trade and other payables. The main purpose of these financial liabilities is to raise finances for Company's operations. The Company has trade debts, short term loans and advances, other receivables and cash and short term deposits that arrive directly from its operations. The Company also holds available for sale and held for trading investments.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, 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 financial performance.

Risk management is carried out by the Board of Directors (the Board), Audit Committee and Chief Financial Officer (CFO). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, equity price risk, interest rate risk, credit risk and liquidity risk.

(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.

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

| | 2013 | 2012 |
|----------------------|-----------------------|------------------------------|
| Rupees per US Dollar | | |
| Reporting date rate | 99.66 | 94.02 |
| | Changes in US \$ Rate | Effects on Profit Before Tax |
| | | (Rupees in thousand) |
| 2013 | +10% | 1,237 |
| | -10% | (1,237) |
| 2012 | +10% | 1,663 |
| | -10% | (1,663) |



Notes to the Financial Statements

For the year ended 30 June 2013

(ii) Equity price risk

Equity price risk represents the risk that the fair value of equity investments will fluctuate because of changes in levels of indices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is exposed to equity price risk as Company hold available for sale and held for trading investments.

| | | 2013 | 2012 |
|---------------------------------|------|--------------------------------|--|
| Reporting date all index points | | 14988 | 9708 |
| | | Changes in KSE all Index | Effects on Profit Before Tax |
| | | | Effects on Other Comprehensive Income |
| | | (Rupees in thousand) | |
| Available for sale investments | 2013 | +10% | 3,447 |
| | | -10% | (3,447) |
| | 2012 | +10% | 2,122 |
| | | -10% | (2,122) |
| Held for trading investments | 2013 | +10% | 54,852 |
| | | -10% | (54,852) |
| | 2012 | +10% | 25,561 |
| | | -10% | (25,561) |

(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 has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, short term borrowings and liabilities against assets subject to finance lease. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

Notes to the Financial Statements

For the year ended 30 June 2013

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

| | 2013 | 2012 |
|---|----------------------|---------|
| | (Rupees in thousand) | |
| Fixed rate instruments | | |
| Financial liabilities | | |
| Long term financing | 113,546 | 207,881 |
| Floating rate instruments | | |
| Financial assets | | |
| Bank balances - deposit accounts | 61,675 | 49 |
| Financial liabilities | | |
| Long term financing | 307,130 | 96,580 |
| Liabilities against assets subject to finance lease | 1,045 | 312 |
| Short term borrowings | 224,216 | 287,391 |

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

| | | Changes in Interest Rate | Effects on Profit Before Tax |
|----------------------------------|------|--------------------------|------------------------------|
| | | | (Rupees in thousand) |
| Bank balances - deposit accounts | 2013 | +1.00 | 617 |
| | | -1.00 | (617) |
| | 2012 | +1.00 | - |
| | | -1.00 | - |
| Long term financing | 2013 | +2.00 | (6,143) |
| | | -2.00 | 6,143 |
| | 2012 | +2.00 | (1,932) |
| | | -2.00 | 1,932 |



Notes to the Financial Statements

For the year ended 30 June 2013

| | | Changes in Interest Rate | Effects on Profit Before Tax |
|---|------|--------------------------------|------------------------------------|
| | | (Rupees in thousand) | |
| Liabilities against assets subject to finance lease | 2013 | +2.00 | (21) |
| | | -2.00 | 21 |
| | 2012 | +2.00 | (6) |
| | | -2.00 | 6 |
| Short term borrowings | 2013 | +2.00 | (4,484) |
| | | -2.00 | 4,484 |
| | 2012 | +2.00 | (5,748) |
| | | -2.00 | 5,748 |

(b) Credit risk

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

| | 2013 | 2012 |
|--------------------|----------------------|---------|
| | (Rupees in thousand) | |
| Long term deposits | 18,974 | 18,688 |
| Trade debts | 282,961 | 345,369 |
| Loans to employees | 3,327 | 2,458 |
| Trade deposits | 3,105 | 355 |
| Other receivables | 912 | 3,074 |
| Bank balances | 94,581 | 5,479 |
| | 403,860 | 375,423 |

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

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

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

Notes to the Financial Statements

For the year ended 30 June 2013

| | Rating | | | 2013 | 2012 |
|--|------------|-----------|-----------|----------------------|--------------|
| | Short Term | Long term | Agency | (Rupees in thousand) | |
| Banks | | | | | |
| MCB Bank Limited | A1+ | AA+ | PACRA | 87,745 | 849 |
| National Bank of Pakistan | A-1+ | AAA | JCR - VIS | 3,568 | 2,012 |
| United bank Limited | A-1+ | AA+ | JCR - VIS | 320 | 472 |
| Allied Bank Limited | A1+ | AA+ | PACRA | 38 | 1,195 |
| Askari Bank Limited | A1+ | AA | PACRA | - | 9 |
| Habib Metropolitan Bank Limited | A1+ | AA+ | PACRA | 85 | 124 |
| Royal Bank of Scotland Limited | A1+ | AA | PACRA | 26 | 290 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | 2,274 | 150 |
| Faysal Bank Limited | A1+ | AA | PACRA | - | 5 |
| Standard Chartered Bank (Pakistan) Limited | A1+ | AAA | PACRA | 411 | 221 |
| NIB Bank Limited | A1 | AA- | PACRA | 102 | 113 |
| Silk Bank Limited | A-2 | A- | JCR - VIS | - | 2 |
| Dubai Islamic Bank Limited | A-1 | A | JCR - VIS | 12 | 37 |
| | | | | 94,581 | 5,479 |

At 30 June 2013, the Company has 41 customers (2012: 35 customers) that owed the Company more than Rs. 2,500 thousand each and accounted for approximately 92 % (2012: 88 %) of all receivables.

There are 14 customers (2012: 10 customers) with balance greater than Rs. 7,000 thousand accounted for over 62 % (2012: 60 %) of total amount receivables.

The Company's exposure to credit risk related to trade debts is disclosed in Note 21.

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

(c) Liquidity risk

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

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



Notes to the Financial Statements

For the year ended 30 June 2013

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

| | Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years |
|---|------------------|------------------------|------------------|-----------------------|---------------|
| ----- (Rupees in thousand) ----- | | | | | |
| 30 June 2013 | | | | | |
| Long term financing | 420,676 | 560,609 | 126,913 | 412,170 | 21,526 |
| Liabilities against assets subject to finance lease | 1,045 | 1,415 | 333 | 1,082 | - |
| Trade and other payables | 770,582 | 770,582 | 770,582 | - | - |
| Accrued interest on financing | 21,132 | 21,132 | 21,132 | - | - |
| Short term borrowings | 224,216 | 256,593 | 256,593 | - | - |
| | 1,437,651 | 1,610,331 | 1,175,553 | 413,252 | 21,526 |
| ----- (Rupees in thousand) ----- | | | | | |
| | Carrying Amount | Contractual cash flows | Less than 1 year | Between 1 and 5 years | Over 5 years |
| 30 June 2012 | | | | | |
| Long term financing | 304,461 | 374,029 | 115,064 | 251,597 | 7,368 |
| Liabilities against assets subject to finance lease | 312 | 328 | 328 | - | - |
| Trade and other payables | 536,709 | 536,709 | 536,709 | - | - |
| Accrued interest on financing | 26,265 | 26,265 | 26,265 | - | - |
| Short term borrowings | 287,391 | 328,890 | 328,890 | - | - |
| | 1,155,138 | 1,266,221 | 1,007,256 | 251,597 | 7,368 |

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June. The rates of mark up have been disclosed in respective notes to the financial statements.

41.2 Fair values of financial assets and liabilities

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

Fair value hierarchy

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

Notes to the Financial Statements

For the year ended 30 June 2013

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

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

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

As at 30 June 2013, the Company hold the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

| | 2013 | Level 1 | Level 2 | Level 3 |
|--|----------------------------------|---------|---------|---------|
| | ----- (Rupees in thousand) ----- | | | |
| Held for trading | | | | |
| Equity shares and mutual fund units | 548,515 | 548,515 | - | - |
| Available for sale financial assets | | | | |
| Equity shares | 34,467 | 34,467 | - | -* |

There were no liabilities measured at fair value as at 30 June 2013.

During the reporting year ended 30 June 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

As at 30 June 2012, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

| | 2012 | Level 1 | Level 2 | Level 3 |
|--|----------------------------------|---------|---------|---------|
| | ----- (Rupees in thousand) ----- | | | |
| Held for trading | | | | |
| Equity shares and mutual fund units | 255,613 | 255,613 | - | - |
| Available for sale financial assets | | | | |
| Equity shares | 21,223 | 21,223 | - | -* |

There were no liabilities measured at fair value as at 30 June 2012.

During the reporting year ended 30 June 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

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



Notes to the Financial Statements

For the year ended 30 June 2013

41.3 Financial instruments by categories

| | 2013 | | | | |
|------------------------------------|----------------------------------|--------------------|--------------------|------------------|-----------|
| | Cash and cash equivalents | Loans and advances | Available for sale | Held for trading | Total |
| | ----- (Rupees in thousand) ----- | | | | |
| Assets as per balance sheet | | | | | |
| Available for sale investments | - | - | 34,467 | - | 34,467 |
| Long term deposits | - | 18,974 | - | - | 18,974 |
| Trade debts | - | 406,138 | - | - | 406,138 |
| Loans | - | 3,327 | - | - | 3,327 |
| Trade deposits | - | 3,105 | - | - | 3,105 |
| Short term investments | - | - | - | 548,515 | 548,515 |
| Other receivables | - | 912 | - | - | 912 |
| Cash and bank balances | 95,510 | - | - | - | 95,510 |
| | 95,510 | 432,456 | 34,467 | 548,515 | 1,110,948 |

| | 2013 | |
|---|--|-----------|
| | Financial Liabilities at amortized cost (Rupees in thousand) | |
| Liabilities as per balance sheet | | |
| Long term financing | | 420,676 |
| Liabilities against assets subject to finance lease | | 1,045 |
| Trade and other payables | | 770,582 |
| Accrued interest on financing | | 21,132 |
| Short term borrowings | | 224,216 |
| | | 1,437,651 |

| | 2012 | | | | |
|------------------------------------|----------------------------------|--------------------|--------------------|------------------|---------|
| | Cash and cash equivalents | Loans and advances | Available for sale | Held for trading | Total |
| | ----- (Rupees in thousand) ----- | | | | |
| Assets as per balance sheet | | | | | |
| Available for sale investments | - | - | 13 | - | 13 |
| Long term deposits | - | 18,688 | - | - | 18,688 |
| Trade debts | - | 383,246 | - | - | 383,246 |
| Loans | - | 2,458 | - | - | 2,458 |
| Trade deposits | - | 355 | - | - | 355 |
| Short term investments | - | - | 21,210 | - | 21,210 |
| Short term investments | - | - | - | 255,613 | 255,613 |
| Other receivables | - | 3,074 | - | - | 3,074 |
| Cash and bank balances | 5,754 | - | - | - | 5,754 |
| | 5,754 | 407,821 | 21,223 | 255,613 | 690,411 |

Notes to the Financial Statements

For the year ended 30 June 2013

| | 2012 |
|---|--|
| | Financial Liabilities at amortized cost (Rupees in thousand) |
| Liabilities as per balance sheet | |
| Long term financing | 304,461 |
| Liabilities against assets subject to finance lease | 312 |
| Trade and other payables | 536,709 |
| Accrued interest on financing | 26,265 |
| Short term borrowings | 287,391 |
| | 1,155,138 |

41.4 Capital risk management

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

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

| | Note | 2013 | 2012 |
|---|------------------|----------------------|-----------|
| | | (Rupees in thousand) | |
| The gearing ratio as at year ended 30 June 2013 and 30 June 2012 is as follows: | | | |
| Debt | (6) & (7) & (11) | 645,937 | 592,164 |
| Equity | | 3,408,996 | 2,579,781 |
| Total capital employed | | 4,054,933 | 3,171,945 |
| Gearing ratio | | 15.93% | 18.67% |



Notes to the Financial Statements

For the year ended 30 June 2013

| | 2013 | 2012 |
|--|------------|------------|
| 42. PLANT CAPACITY AND ACTUAL PRODUCTION | | |
| Spinning: | | |
| Spindle installed - Numbers | 92,928 | 92,928 |
| Spindle operated - Numbers | 87,342 | 90,639 |
| Production at normal capacity in 20 s count based on 3 shifts per day - Kgs | 38,160,051 | 38,162,110 |
| Actual production converted to 20 s count based on 3 shifts per day - Kgs | 34,626,227 | 33,382,665 |
| Weaving: | | |
| Looms installed - Numbers | 204 | 204 |
| Looms worked - Numbers | 204 | 204 |
| Production at normal capacity in 50 picks based on 3 shifts per day - Square Meters | 80,160,453 | 79,497,970 |
| Actual production at normal capacity converted to 50 picks based on 3 shifts per day - Square Meters | 69,189,739 | 68,516,973 |

42.1 Reason for low production

Under utilization of available capacity is due to normal repair and maintenance of plant and machinery and gas load shedding.

43. PROVIDENT FUND TRUST

43.1 The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose except the investments in the unit trusts schemes which exceed the limit prescribed in the clause (i) of the SRO 261(I)/2002 regarding the investment in listed unit trusts schemes.

The salient information of the fund is as follows:

| | 2013 | 2012 |
|-------------------------------|----------------------|---------|
| | (Rupees in thousand) | |
| Size of the fund | 99,285 | 80,128 |
| Cost of investment made | 99,014 | 78,314 |
| Percentage of investment made | 99.73% | 97.74% |
| Fair value of investment | (43.2) 122,143 | 100,207 |

Notes to the Financial Statements

For the year ended 30 June 2013

| | 2013 | 2012 |
|-----------------------------------|----------------------|---------|
| | (Rupees in thousand) | |
| 43.2 Breakup of investment | | |
| Investment in listed securities | 4,602 | 2,990 |
| Investment in funds | 117,541 | 97,217 |
| | 122,143 | 100,207 |

| | 2013 | 2012 |
|---|-------|-------|
| 44. NUMBER OF EMPLOYEES | | |
| Number of employees at the end of the year | 2,653 | 2,683 |
| Average number of employees during the year | 2,639 | 2,613 |

45. EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on October 01, 2013 has proposed a cash dividend in respect of the year ended 30 June 2013 of Rupees 6 per share (2012: Rupees 4 per share) and 10% bonus shares (2012 : Nil). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. DATE OF AUTHORIZATION

These financial statements have been authorized for issue by Board of Directors of the Company on October 01, 2013.

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, wherever necessary, for the purposes of comparison, however no significant rearrangement / reclassification have been made.

48. GENERAL

Figures have been rounded off to the nearest thousand of rupees.

(CHIEF EXECUTIVE OFFICER)

(DIRECTOR)



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 29th Annual General Meeting of the shareholders of Suraj Cotton Mills Limited will be held on Monday, October 28, 2013 at 10:30 a.m at the Registered Office, 7-B III, Aziz Avenue, Gulberg V, Lahore to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' reports thereon for the year ended June 30, 2013.
2. To approve as recommended by Directors, the payment of Cash Dividend @ 60% i.e. Rs. 6/- per share and bonus @ 10 % i.e. 1 share of every 10 shares for the year ended June 30, 2013.
3. To appoint auditors of the Company and fix their remuneration. The present auditor M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retires and offers themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

Lahore

By Order of the Board

October 07, 2013

Company Secretary

BOOK CLOSURE:

The Members' Register will remain closed from October 22, 2013 to October 28, 2013 (both day inclusive)

NOTES:

1. Transfer received in order at the Registered Office by the close of business hours on Monday, October 21, 2013 will be treated in time.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:

For Attending the Meeting:

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

For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and whose registration details are uploaded as per the Regulations, shall submit the proxy form as per above requirement



Notice of Annual General Meeting

- ii. Attested copies of valid CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- iii. The proxy shall produce his/her original valid CNIC or original passport at the time of the meeting. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be produced (unless it has been provided earlier) at the time of meeting.
5. SECP has directed vide SRO No. 779(1)/2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card (CNIC) of the registered members. Members who have not yet submitted photocopy of their valid CNIC are requested to send the same to the Company's Registrar.
6. As directed by SECP vide Circular NO. 18 of 2012 dated June 5, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in your bank account with cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly, credited into your bank account, instead of issuing a dividend warrants, please provide the following details:

| Folio No. | |
|---------------------------------------|--|
| Name | |
| Title of Bank Account | |
| Bank Account Number | |
| Bank's Name | |
| Branch Name & Address | |
| Cell Number of Transferee | |
| Landline Number of Transferee, if any | |

Form of Proxy

Twenty Ninth 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 29th Annual General Meeting of the Company to be held on Monday, October 28, 2013 at 10:30 a.m. at Registered Office, 7-B-III, Aziz Avenue, Gulberg-V Lahore and at any adjournment thereof.

Dated this _____ day of _____, 2013.

Witness 1:

Signature: _____

Name: _____

Address: _____

Affix
 Revenue of Stamp
 of Rs. 5/-

Witness 2 :

Signature: _____

Name: _____

Address: _____

Signature of Member(s)

Note:

- 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.
- CDC Shareholders and their Proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.

Second Fold

Affix Revenue
Stamp

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

Third Fold and Tuck In

First Fold





SURAJ COTTON MILLS LIMITED

7-B III, Aziz Avenue, Gulberg-V, Lahore – Pakistan

Tel: +92 42 35711138, 35760379, 35760381 Fax: +92 42 35760376

E-mail: info@suraj.com