



ELAHI COTTON MILLS LIMITED

49th

***Annual Report
2019***

COMPANY'S INFORMATION

BOARD OF DIRECTORS

MAHBOOB ELAHI
MAHFOOZ ELAHI
MAHMOOD ELAHI
AHMED SHAFFI
FARRUKH AHMED
NAVEED AKHTER
S. M. RAUNAQ UD DIN

CHAIRMAN

MAHBOOB ELAHI

CHIEF EXECUTIVE

MAHFOOZ ELAHI

AUDIT COMMITTEE

FARRUKH AHMED
MAHBOOB ELAHI
NAVEED AKHTER
AHMED SHAFFI

HRR COMMITTEE

MAHMOOD ELAHI
NAVEED AKHTER
ROUNAQ-UD-DIN

CHIEF FINANCIAL OFFICER

MUHAMMAD IMTIAZ

COMPANY SECRETARY

SALEEM AHMED

AUDITORS

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
23, EAST SAEED PLAZA
BLUE AREA, ISLAMABAD

REGISTRAR OFFICE

CORPLINK (PVT) LIMITED
WINGS ARCADE,
1-K, COMMERCIAL,
MODEL TOWN, LAHORE

LEGAL ADVISER

KHAN & PIRACHA
NO.1, 2ND FLOOR, 6-B,
MARKAZ F-6, ISLAMABAD

REGISTERED OFFICE

270-SECTOR I-9,
INDUSTRIAL AREA,
ISLAMABAD.

MILLS

JURIAN, MANDRA,
TEHSIL GUJAR KHAN,
DISTRICT RAWALPINDI.

WEBSITE

www.elahicotton.com

Vision

Elahi Cotton Mills Limited's vision is to run on purely professional grounds and to accomplish, build up and sustain a good reputation within textile industry by marketing premium quality yarn by means of honesty, integrity and commitment.

Mission Statement

It is the mission of the Company:

- To transform the Company into a modern and dynamic yarn manufacturer and to provide premium quality products to customers.
- To foster a culture of trust in order to make professional life at the Elahi Cotton Mills Limited a stimulating and challenging experience for all our people.
- To build the Company on sound financial footings, increase earning distribution of adequate return to shareholders, employees and to contribute towards the government revenues.
- To expand sales of the Company through good Governance and foster a sound and dynamic team so as to achieve optimum profitability for the Company for sustaining and equitable growth and prosperity of the Company.
- To make comprehensive arrangements for the training of our workers technicians.
- To strive for the continuous development of Pakistan while adding value to the textile sector.
- To continue to earn the respect, confidence and goodwill of our customers and suppliers.
- To earn and sustain the trust of our stakeholders through efficient resource management.

CHAIRMAN'S REVIEW REPORT:

The Board of Directors (the Board) of Elahi Cotton Mills Limited (ELCM) has performed their duties diligently in upholding the best interest of shareholders of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and Listed Companies (Code of Corporate Governance) Regulations, 2017.

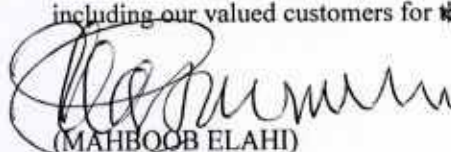
Further, the Board during the year ended 30 June 2019 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

- The Board has ensured that there is adequate representation of Executives, non-executive and independent directors on the Board and its committees as required under the Code and that members of the Board and its respective committees has adequate skill, experience and knowledge to manage the affairs of the Company;
- The Board has developed and put in place a formal and effective mechanism for an annual evaluation of its own performance and that of its Committees and individual Directors. On the basis of the feedback received through this mechanism overall performance of the Board has been found to be Good and effective;
- The Board has formed an Audit and HRR Committees and has approved their respective terms of references and has assigned adequate resources so that the committees perform their responsibilities diligently;
- The Board has ensured that five Directors of the Company are exempt from Directors Training Programme due to their qualification and experience and that the SECP has granted exemption to five Directors. One Director has taken certification under the Directors Training Program and the remaining one shall obtain certification under the DTP program in due course of time;
- The Board has ensured that the meetings of the Board and its committee were held with the requisite quorum and that the minutes of all the meetings (including committees) are appropriately recorded and maintained;
- The Board has developed a code of conduct setting forth the professional standards and corporate values adhered through the Company and have developed significant policies for smooth functioning;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process;
- The Board has ensured that the adequate system of internal control is in place;
- The Board has prepared and approved the Director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings;
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company.

Based on aforementioned it can reasonably be stated that Board of Elahi Cotton Mills Limited has played instrumental role in ensuring that corporate objectives are achieved in line with the expectation of shareholders and other important stakeholders.

Acknowledgement

On behalf of the Board, I appreciate untiring efforts of our employees and express gratitude to all stakeholders including our valued customers for their continued cooperation and support.


(MAHBOOB ELAHI)
Chairman
September 27, 2019

ELAHI COTTON MILLS LIMITED

NOTICE OF 49TH
ANNUAL GENERAL MEETING

Notice is hereby given that 49th Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 270-Sector I/9, Industrial Area, Islamabad on October 26, 2019 at 10.30 a.m. to transact the following business:-

1. To Confirm the minutes of the 48th Annual General Meeting.
2. To consider, approve and adopt the Chairman's Review Report, the Reports of Directors and Auditors together with Audited Financial Statements of the Company for the year ended June 30, 2019.
3. To appoint Auditors of the Company for the next financial year and to fix their remuneration.
4. To consider and approve payment of final cash dividend at Rupee 0.50 per share of Rs. 10/- each (5%) for the year ended June 30, 2019, as recommended by the Board of Directors.
5. To transact any other ordinary business of the Company with the prior permission of the Chairman.

BY ORDER OF THE BOARD

Islamabad,
September 27, 2019.


(MAHFOOZ ELAHI)
Chief Executive

NOTES:

1. The Share Transfer Books of the Company will be closed from October 20, 2019 to October 26, 2019 (both days inclusive). Transfers received at the office of Share Registrar M/s. Corplink (Pvt) limited, Wings Arcade, I-K Commercial, Model Town, Lahore; at the close of business on October 19, 2019 will be treated in time for determining the entitlements and for attending the meeting.
2. A member entitled to attend and vote in the meeting is authorized to appoint any other member a proxy to attend, speak and vote for him or her.
3. Any individual Beneficial Owner of CDC, entitled to vote at this meeting must bring his/her original NIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholders attested NIC must be attached with the proxy form and shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or passport at the time of attending the meeting. Representatives of corporate members should bring the usual documents required for such purpose.
4. In order to valid, an instrument of proxy and the power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or Authority, must be reached at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
5. Pursuant to Section 242 of the Companies Act, 2017 read with relevant provisions of the Companies (Distribution of Dividends) Regulations, 2017, all listed companies have been mandated to pay dividend only by way of electronic mode, directly into the bank accounts of entitled shareholders designated by them. Accordingly, all shareholders of the Company who have not yet provided their Bank Account details (including IBAN), are requested to provide the same at the earliest to Company Share Registrar M/s. Corplink (Pvt) limited, Wings Arcade, I-K Commercial, Model Town, Lahore, otherwise, the Company would be constrained to withhold their amount of dividend, if any, in accordance with the requirements of the Act and the Regulations. For the convenience of the shareholders, e-Dividend Mandate Form is available on the Company's website (<http://www.elahicotton.com>).
6. The Government of Pakistan through Finance Act, 2019, has made certain amendments in withholding tax provision by substituting the definition of "Filers" with "Active Taxpayer List" (ATL), whereby the Company is required to collect tax on dividend under Section 150 of the Income Tax Ordinance, 2001 from the person not appearing in the ATL at the rates specified in the Ordinance. These tax rates are as under:
(a) For persons appearing in Active Taxpayer List 15% (b) For persons not appearing in Active Taxpayer List 30%
Shareholders, who are filers, are advised to make sure that their names are entered into latest ATL provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as person not appearing in ATL and tax on their cash dividend will be deducted at the rate of 30% instead of 15%. The joint shareholders are requested to provide shareholding proportions of principal shareholders & joint shareholders as withholding tax will be determined

separately on Filer/Non-filer status based on their shareholding proportions otherwise it will be assumed that shares are equally held.

7. In agreement with SRO 470(1)/2016 dated May 31, 2016, SECP has allowed circulating the annual financial statements to its members through CD/DVD/USB instead of transmitting hard copies. The Company has obtained its members approval in the 48th AGM to transmit the Annual Financial Statements and Notices of General Meetings through Compact Disk. Accordingly the Audited Financial Statements for the year ended June 30, 2019 are being dispatched through CD. However, if any member desires to get the hard copy of the same, it shall be provided free of cost as per request.
8. In compliance with SECP notification No. 634(1)/2014 dated: July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2019 have been placed on the Company's website: www.elahicotton.com for the information, download and review of shareholders.
9. Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if Company receives Consent Form from at least five members or any member holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to registered office of the Company:

I/We _____ of _____ being a member of Elahi Cotton Mills Limited, holding _____ ordinary shares as per Register Folia/CDC Account No. _____ hereby opt for video conference facility at _____. Signature of Member(s)

ELAHI COTTON MILLS LIMITED

DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Company are pleased to present the 49th Annual Report which includes the audited financial statements of the Company together with the auditors' report thereon for the year ended June 30, 2019.

Financial Results

The principal business activity of the Company is to manufacture and sale of Pure Polyester Yarn. During the year under review, the Company registered a turnover of Rs. 503.031 million as compared to Rs. 395.284 million in the preceding year showing increase of Rs. 107.747 million (27.26 %) whereas the cost of sales increased from Rs. 383.658 million to Rs. 489.140 million showing increase of Rs. 105.482 million (27.49%). The Company earned gross profit of Rs. 13.890 million as compared to gross profit of 11.626 million. The increase in turnover is due to increase in production and increase in the prices of end products. The financial results of the Company for the year under review are as under:

	<u>RUPEES IN MILLION</u>
Sales	503.031
Cost of Sales	489.140
Gross Profit	13.890
Administrative expenses	7.247
Other operating expenses	0.999
Other income	0.752
Financial Charges	.003
Profit before taxation	6.394
Provision for taxation	5.677
Profit after taxation	0.716
Earning per share (Rs.)	0.55

The Company earned profit before taxation of Rs. 6.394 million as compared to profit of Rs. 7.700 million in the last year and profit after taxation of Rs. 0.716 million as compared to profit of Rs. 3.939 million. The decrease in profitability is due to increase in the cost of salary & wages, electricity, depreciation and provision for taxation. Due to excessive electric shutdown the Company has closed one shift throughout the year and hence could not utilized 100% capacity. During the year the Company couldn't make payment of current portion of loan from Directors and Associated Undertaking of Rs. 72.349 million due to financial constraints.

The auditors have drawn attention to Note 1.2 in the financial statements that the Company's current liabilities exceeded its current assets by Rs. 55.896 million. The Company has accumulated loss of Rs. 66.292 million that exceeds the issued, subscribed and paid up capital by Rs. 53.292 million. These conditions indicate the existence of a material uncertainty that cast doubt about the Company's ability to continue as a going concern.

During the year under review, the Company earned profit before tax amounting to Rs. 6.394 million and net profit after taxation amounting to Rs. 0.716 million. Accumulated loss has been reduced from Rs. 69.463 million to Rs. 66.292 million. The current ratio of the Company has also improved as compared to previous year. The Company generated cash amounting to Rs. 11.718 million from its operating activities after meeting its cash outflows over the year. The Management is making every effort to minimize the impact through improve efficiency and better marketing. The Sponsor Directors are continuously supporting in the form of funds as and when required by the Company. The Management has neither intention nor the necessity of liquidation or ceasing manufacturing operation in foreseeable future. So, with the successful efforts of the Management, the Company will continue as a going concern.

Dividend:

The Directors of the company are recommending a final cash dividend of Rs. 0.50/- per share (5%) for the year ended 30.06.2019.

Auditors:

The present Auditors M/S. BDO Ebrahim & Company, Chartered Accountants have retired and being eligible, offered themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee has proposed appointment of M/S. BDO Ebrahim & Company, Chartered Accountants as auditors of the Company for the year ending June 30, 2020.

Shareholders:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2019 is annexed herewith.

Future Prospects and Outlook:

The Management expects the coming year to be an uncertain due to textile crises in the local market, increase in electric tariff and increase in the rate of dollar as the prices of electricity are linked with the dollar rate.

Corporate Social Responsibility

We are also committed to Corporate Social Responsibilities (CSR) and integrating sound social practices in our day to day business activities. CSR is important part of who we are and how we operate. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we serve.

Health Safety and Environment

The Management of the Company is aware of its responsibilities to provide safe and healthy working environment to our associates and give highest priority to it. Our safety culture is founded on the premise that all injuries are preventable if due care is taken. Continual efforts for provision of safe, healthy and comfortable working conditions for the employees are made. We follow up and investigate on all incidents and injuries to address their root causes. We believe that safety and health is a journey of continuous improvement and eternal diligence. We will continue to take steps to improve the safety and health of all of our associates. Our production facility does not discharge any harmful material.

Internal Financial Control

The Board has adopted effective policies and procedures for ensuring the orderly and efficient conduct of business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable financial statements. The internal audit department of the Company conducts audit regularly.

Composition of Board

The Board of Directors as at June 30, 2019 consists of:

Total number of Directors:			
	Male	7	
	Female	Nil	
Composition:			
(i)	Independent Directors	1	Ahmed Shaffi
(ii)	Other Non-executive Directors	4	Mahboob Elahi, Farrukh Ahmed, Naveed Akhter, Rounaq-ud-din
(iii)	Executive Directors	2	Mahfooz Elahi, Mahmood Elahi

Committees of the Board

The names of Members of Board Committees are as under:

Audit Committee:

- (i) Farrukh Ahmed
- (ii) Mahboob Elahi
- (iii) Naveed Akhter
- (iv) Ahmed Shaffi

Human Resources & Remuneration Committee:

- (i) Mahmood Elahi
- (ii) Naveed Akhter
- (iii) Rounaq-ud-din

Significant Features of Directors' Remuneration

The Board of Directors has approved a formal policy for remuneration of Executive and Non-executive Directors, as recommended by the Human Resource and Remuneration Committee. As per policy the Company will not pay any remuneration to non-executive directors and independent directors except fees for attending the meetings of the Board and its committees. The detail of aggregate amount of remuneration separately of executive and non-executive directors is attached in the annual report.

Risks and Opportunities

Elahi Cotton Mills Limited takes risks and creates opportunities in the normal course of business. Taking risk is important to remain competitive and ensure sustainable success. Our risk and opportunity management encompass an effective framework to conduct business in a well-controlled environment where risk is mitigated and opportunities are availed. Each risk and opportunity is properly weighted and considered before making any choice. Decisions are formulated only if opportunities outweigh risks. Following is the summary of risks and strategies to mitigate those risks:

Business Risks

The Company faces a number of following business risks:

Polyester Price Risk

There is always a risk of upward shift in the polyester prices in local and international markets. The Company mitigates this risk by the procurement of the polyester in bulk depending upon the availability of funds.

Demand and Price

We face the risk of competition and decline in demand of our products in local markets. We minimize this risk by building strong relations with customers, broadening our customer base, without compromising on quality and providing timely deliveries to customers.

Energy Availability and Cost

The rising cost and un-availability of energy i.e. electricity shortage is a major threat to manufacturing industry. The Company is unable to achieve the installed capacity due to excessive electric shut down. The Company is also unable to mitigate this risk as it is beyond the Company's control.

Financial Risks

The Company faces the following financial risks:

Credit risk

The Company's credit exposure to credit risk relates to its trade debts. This risk is mitigated by the fact that majority of our customers have a strong financial standing and we have a long standing business relationship with all our customers. We do not expect nonperformance by our customers; hence, the credit risk is minimal.

Liquidity risk

It is at the minimum due to the availability of funds from the sponsor's Directors in order to meet liabilities when due under both normal and stressed conditions.

Capital risk

When managing capital, it is our objective to safeguard the Company's ability to continue as a going concern in order to generate profits for providing returns for shareholders and benefits to other.

Price Risk of Financial Instruments

The Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flow will fluctuate because of changes in market prices.

Corporate Governance

The Directors are pleased to report that:

- a) The Financial Statements prepared by the Management present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
- b) Proper Books of Accounts have been maintained.
- c) Appropriate Accounting Policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of Financial Statements.
- e) The system of Internal Control is sound in design and has been effectively implemented and monitored.
- f) The Management has devised a plan to enable the Company to continue as a going concern.
- g) There is no reported instance of any material departure from the best practices of Corporate Governance.
- h) Significant deviation from last year in operating results of the Company and reasons thereof has been explained.
- i) The key operating and financial data for the last six years is annexed.
- j) There are no outstanding statutory payments on account of taxes, duties, levies and charges except as shown in notes to the accounts.
- k) The Company is operating as un-funded Gratuity scheme which was not invested and was retained for business of the Company.

- l) Nine meetings of the Board of Directors, six meetings of the Audit Committee and four meetings of the Human Resource & Remuneration Committee were held during the year. The attendance of each Director at the meetings is as under: -

<u>Name of Director</u>	<u>Board</u>	<u>Audit Committee</u>	<u>HR&R Committee</u>
Mr. Mahboob Elahi	5	6	N/A
Mr. Mahfooz Elahi	9	N/A	N/A
Mr. Mahmood Elahi	9	N/A	4
Mr. Naveed Akhter	7	6	4
Mr. Farrukh Ahmed	9	6	N/A
Syed Muhammad Raunaq ud din	5	N/A	4
Mr. Ahmed Shaffi	5	6	N/A

- m) Five Directors of the Company are exempt from Directors Training Program due to their qualification and relevant experience and SECP has granted exemption to these Directors. One Board member has attained certification of Directors Training Program. The remaining one director shall obtain certification under the DTP program in due course of time.
- n) The pattern of shareholding as required by the code along-with trading of shares by Directors, executives and their spouses has been included in this annual report.

ACKNOWLEDGEMENT:

The Board of Directors is pleased to record word of thanks to its members. The Staff – management remained pleasantly co-operative. I together with fellow Directors, wish to acknowledge our gratitude to the staff members for performing their duties.

ON BEHALF OF THE BOARD


(MAHFOOZ ELAHI)
Chief Executive


(MAHMOOD ELAHI)
Director

Islamabad.
September 27, 2019

الہی کاٹن ملز لمیٹڈ

ممبرز کوڈ انریکٹرز کی سالانہ رپورٹ

کمپنی کے ڈائریکٹرز انچاسویں سالانہ رپورٹ اور آڈٹ شدہ کمپنی کے حسابات بشمول آڈیٹر رپورٹ تھم ۳۰ جون ۲۰۱۹ء پیش کرتے ہوئے خوش محسوس کرتے ہیں۔ مالیاتی نتائج:-

کمپنی کا بنیادی کام ٹائلز پالیشر کا دھماکہ بنانا ہے۔ اس سال کے دوران کمپنی نے 503,031 ملین روپے کا کاروبار کیا جبکہ گزشتہ سال 395,284 ملین روپے تھا جو کہ 107,747 ملین روپے (27.26%) کا اضافہ ظاہر کر رہا ہے، فروخت کے اخراجات 383,658 ملین روپے سے بڑھ کر 489,140 ملین روپے ہو گئے جو کہ 105,482 ملین روپے (27.49%) کا اضافہ ظاہر کر رہے ہیں۔ کمپنی کا مجموعی منافع 13,890 ملین روپے رہا جبکہ گزشتہ سال اسی دورانیہ کا مجموعی منافع 11,626 ملین روپے تھا۔ اس سال کاروبار میں اضافہ پیداوار کے زائد ہونے اور تیار مصنوعات کی قیمتوں میں اضافہ ہونے سے ہوا ہے۔ کمپنی کے موجودہ سال کے مالیاتی نتائج مندرجہ ذیل ہیں:

روپے (ملین)	
503,031	فروخت
489,140	فروخت کے اخراجات
13,890	مجموعی منافع
7,247	کاروباری اخراجات
0,999	دیگر کاروباری اخراجات
0,752	دیگر آمدنی
.003	مالیاتی اخراجات
6,394	قبل از ٹیکس منافع
5,677	ٹیکس کی پیش بندی
0,716	بعد از ٹیکس منافع

آمدنی فی حصص

کمپنی کو 6,394 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا جبکہ اسی دورانیہ میں گزشتہ سال 7,700 ملین روپے منافع ہوا اور ٹیکس کے بعد 0,716 ملین روپے منافع ہوا جبکہ گزشتہ برس 3,939 ملین روپے منافع تھا۔ کمپنی کے منافع میں کمی کی وجہ جرت، تنخواہوں، بجلی کی قیمتوں میں اضافہ، فرسودگی اور ٹیکس میں اضافہ ہے۔ مسلسل بجلی کے بحران کی وجہ سے کمپنی کو پورا سال ایک شفٹ بند رکھنا پڑی اور مل فیصد کارکردگی نہ دکھاسکی۔ اس سال کمپنی مالی مشکلات کی وجہ سے قرض کے موجودہ واجب الادا حصہ 72,349 ملین روپے جو کہ ڈائریکٹرز اور ساتھی کمپنیوں کو ادا کرنا تھا، ادا نہ کر سکی۔

محاسب نے کمپنی کی مالیاتی رپورٹ میں نوٹ نمبر 1.2 کے متعلق کہا ہے کہ کمپنی کی موجودہ واجب الادا رقم اس کے موجودہ اثاثہ جات سے 55,896 ملین روپے سے تجاوز کر گئی ہیں۔ کمپنی کا کل خسارہ 66,292 ملین روپے ہے جو کہ اس کے جاری شدہ، ادا شدہ سرمایہ سے 53,292 ملین روپے زیادہ ہے۔ یہ حالات کمپنی کے جاری رہنے پر شکوک و شبہات کا اظہار کرتے ہیں۔

اس سال کے دوران کمپنی کو 6,394 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا اور ٹیکس کے بعد 0,716 ملین روپے منافع ہوا مجموعی خسارہ 69,463 ملین روپے سے کم ہو کر 66,292 ملین روپے ہوا ہے۔ کمپنی کا موجودہ تناسب گزشتہ سال کے مقابل بڑھا ہے۔ کمپنی نے اپنی چلتی ہوئی سرگرمیوں سے اپنی نقد ضروریات پورا کرنے کے بعد 11,718 ملین روپے کیش بزیٹ کی ہے۔ انتظامیہ پوری کوشش کر رہی ہے کہ وہ ان اثرات کو اپنی کارکردگی اور بہتر مارکیٹنگ سے کم از کم کرے۔ سائرس ڈائریکٹرز کمپنی سے مسلسل مالی تعاون کر رہے ہیں مستقبل قریب میں انتظامیہ کا نہ تو ارادہ کمپنی کو قائم کرنے کا ہے اور نہ ہی پیداواری سرگرمیاں بند کرنے کا ہے لہذا وہ ہر عزم ہیں کہ کمپنی انتظامیہ کی بھرپور کوشش سے جاری و ساری رہے گی۔

منافع:- کمپنی کے ڈائریکٹرز ۳۰ جون ۲۰۱۹ کو قائم ہونے والے سال کے لئے -Rs.0.50/- فی شیئر (5%) کمیشن ڈیویڈنڈ کی سفارش کرتے ہیں۔

محاسب:- موجودہ محاسب بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ اپنی مدت پوری کرنے کے بعد اگلے مالی سال کے لئے اپنی خدمات پیش کرتے ہیں۔ بورڈ ممبران نے آڈٹ کمپنی کی سفارش پر موجودہ محاسب کو اگلے مالی سال تھم ۳۰ جون ۲۰۲۰ء میں برقرار رکھنے کی تجویز دی ہے۔

شیئر ہولڈنگ:- کھاتہ داروں کی فہرست بمطابق ۳۰ جون ۲۰۱۹ منسلک ہے

مستقبل پر ایک نظر:- کمپنی کی انتظامیہ مقامی مارکیٹ میں ٹیکسٹائل بحران، بجلی کی قیمتوں میں اضافہ اور ڈالر کی قیمت جو کہ بجلی کی قیمتوں کے ساتھ منسلک ہے، کی وجہ سے آنے والے سال کو ایک اچھا سال نہیں دیکھتی۔

کارپوریٹ سماجی ذمہ داری (CSR):- کمپنی اپنی روزمرہ کی کاروباری سرگرمیوں میں مجموعی سماجی ذمہ داری کے ساتھ ہر عزم ہے۔ (سی ایس آر) ایک اہم حصہ ہے جو ہم ہیں اور ہم کس طرح کام کرتے ہیں۔ ہم اپنی کامیابی کی بنیادیں نہ صرف مالیاتی طریقہ کار بلکہ صحت و سلامتی اور ماحولیات کی خدمت کی صورت میں بھی کرتے ہیں۔

صحت و سلامتی اور ماحولیات:- کمپنی کی انتظامیہ اپنے ساتھیوں کو محفوظ اور صحت مند ماحول فراہم کرنے کے لئے اپنی ذمہ داریوں سے بخوبی آگاہ ہے اور اس کو ترجیح دیتے ہیں۔ ہماری حفاظتی ثقافت اس بنیاد پر قائم کی گئی ہے کہ اگر کھل احتیاط کی جائے تو حادثات سے بچا جاسکتا ہے۔ ملازمین کے لئے کام کرنے کے محفوظ ماحول اور آرام دہ حالات کی فراہمی کے لئے مسلسل کوشاں ہے۔ ہم تمام واقعات اور حادثات کی تہہ تک پہنچنے کے لئے مکمل تحقیقات کرتے ہیں۔ ہم یقین رکھتے ہیں کہ صحت اور حفاظت مسلسل بہتری اور صحت کا سفر ہے۔ ہم اپنے تمام ساتھیوں کی صحت اور حفاظت کو بہتر بنانے کے لئے اقدامات جاری رکھیں گے۔ ہماری پیداواری سہولیات کسی قسم کا نقصان دہ مواد خارج نہیں کرتی۔

اندرونی مالیاتی کنٹرول:- بورڈ نے کاروبار کے منظم اور موثر عمل کو یقینی بنانے، اپنے اثاثوں کی حفاظت، وجوہ دی اور غلطیوں کی روک تھام، کمپنی کے مندرجہ ذیل پر مشتمل اور بروقت مالیاتی گوشواروں کی تیاری کے لیے میٹرز پالیسیوں اور طریقہ کار اپنایا ہے۔ کمپنی کا اندرونی آڈٹ ڈیپارٹمنٹ ہاتھ کی تہ آڈٹ کرتا ہے۔

بورڈ کی ساخت :- ۳۰ جون ۲۰۱۹ تک بورڈ آف ڈائریکٹرز مندرجہ ذیل پر مشتمل ہے:

کل تعداد	۷
مرد	۷
خاتون	-
ساخت	
۱۔ آزاد ڈائریکٹر	۱ جناب احمد شفیق
۲۔ دیگر غیر انتظامی ڈائریکٹر	۳ جناب محبوب الہی، جناب فرخ احمد، جناب نوید اختر، جناب رونی الدین
۳۔ انتظامی ڈائریکٹر	۲ جناب محفوظ الہی، جناب محمود الہی

بورڈ کمیٹیاں :- بورڈ کمیٹیوں کے ارکان کے نام مندرجہ ذیل ہیں

آڈٹ کمیٹی:-

- ۱۔ جناب محبوب الہی
- ۲۔ جناب فرخ احمد
- ۳۔ جناب نوید اختر
- ۴۔ جناب احمد شفیق

انسانی وسائل اور معاوضہ کمیٹی:-

(ایچ آر اینڈ آر)

- ۱۔ جناب محبوب الہی
- ۲۔ جناب نوید اختر
- ۳۔ جناب رونی الدین

ڈائریکٹر ان امور معاوضہ کی اہم خصوصیات :- بورڈ ڈائریکٹر ان امور نے ایچ آر اینڈ آر کمیٹی کی جانب سے پیش کردہ انتظامی اور غیر انتظامی ڈائریکٹر ان امور کے لیے ایک ہدایت پالیسی کی منظوری دی ہے۔ جیسا کہ پالیسی کے مطابق کمپنی اپنے آزاد اور غیر انتظامی ڈائریکٹر ان امور اور بورڈ اور کمیٹی کے اجلاس میں شرکت کی فیس کے علاوہ اور کوئی معاوضہ ادا نہیں کرے گی۔ انتظامی اور غیر انتظامی ڈائریکٹر ان امور کے مجموعی معاوضہ کی تفصیلات سالانہ رپورٹ کے ساتھ منسلک ہے۔

خطرات اور مواقع :- کمپنی معمول کے مطابق کاروبار میں خطرات کا مقابلہ کرتی ہے اور بہتر مواقع فراہم کرتی ہے۔ مستقبل پر رہنے کے لئے اور پائیدار کامیابی کو یقینی بنانے کے لیے خطرات لینا بہت اہم ہے۔ ہمارا خطرہ اور مواقع کا انتظام ایک مؤثر فریم ورک کا احاطہ کرتا ہے جس میں کاروبار کو بہتر ماحول میں منظم کیا جاسکتا ہے، خطرے کو کم کیا جاسکتا ہے اور بہتر مواقع حاصل ہوتے ہیں۔ کسی بھی انتخاب سے پہلے ہر خطرہ اور موقع کی مناسب طریقہ سے جانچ کی جاتی ہے۔ فیصلے صرف اس صورت میں لیے جاتے ہیں اگر مواقع خطرات سے زیادہ ہوں۔

کاروباری خطرات: کمپنی کو مندرجہ ذیل کاروباری خطرات کا سامنا ہے

پولیسٹر فراہمی اور قیمت: مقامی اور بین الاقوامی مارکیٹوں میں پولیسٹر کی قیمتوں میں اضافہ ایک خطرہ ہے۔ کمپنی رقم کی دستیابی کو دیکھتے ہوئے بڑی مقدار میں پولیسٹر خرید کر اس خطرے کو کم کرتی ہے۔

طلب اور قیمت: ہمیں مقامی مارکیٹ میں اپنی مصنوعات کی طلب میں کمی اور مقابلہ کے خطرے کا سامنا ہے۔ ہم معیار پر سمجھوتہ کیے بغیر صارفین کے ساتھ مضبوط تعلقات استوار کر کے، اپنے گاہکوں کی بنیاد کو وسعت دے کر، صارفین کو بروقت ترسیل فراہم کر کے اس خطرے کو کم کرتے ہیں۔

توانائی کی دستیابی اور اخراجات: توانائی کی بڑھتی ہوئی لاگت، بجلی کی عدم دستیابی، میٹیریل کی صنعت کے لئے ایک بڑا خطرہ ہے۔ بجلی کی بندش کی وجہ سے کمپنی نصب صلاحیت کو حاصل نہیں کر سکتی۔ جیسا کہ یہ کمپنی کے اختیار میں نہیں ہے اس لئے کمپنی اس خطرے کو کم نہیں کر سکتی۔

مالیاتی خطرات: کمپنی کو مندرجہ ذیل مالیاتی خطرات کا سامنا ہے،

کریڈیٹ رسک: کمپنی کا کریڈیٹ رسک اور اسکے تجارتی قرضوں سے متعلق نقصانات کا خطرہ اس کے لریڈز میں سے متعلق ہے۔ یہ خطرہ اس حقیقت سے کم کیا جاتا ہے کہ ہمارے صارفین کی اکثریت ایک مضبوط مالی حیثیت رکھتے ہیں اور ہمارا اپنے گاہکوں کے ساتھ ایک طویل عرصے سے کاروباری تعلق ہے۔ ہمیں اپنے صارفین سے غیر کارکردگی کی توقع نہیں ہے، اس وجہ سے، کریڈیٹ رسک کم سے کم ہے۔

لیکوڈیٹری رسک: سپائر ڈائریکٹر ان امور سے فنڈز کی دستیابی کی وجہ سے عام اور مشکل حالات میں یہ خطرہ کم سے کم ہے۔

سرمایہ کا خطرہ: سرمایہ کے انتظام کے وقت ہمارا مقصد حصص یافتگان اور دیگر حصہ داران کو منافع مہیا کرنے کے لئے کمپنی کی کاروباری صلاحیت کی حفاظت کرنا ہوتا ہے۔

مالی آلات میں قیمت کا خطرہ: کمپنی کو قیمت کا کوئی خطرہ نہیں ہے کیونکہ کمپنی کے پاس ایسے کوئی مالی آلات نہیں ہیں جن کی قیمت یا مستقبل کا نقد بہاؤ مارکیٹ میں تبدیلی کی وجہ سے متاثر ہوں۔

کارپورٹ گورننس: کمپنی کے ڈائریکٹر انجینئر کی مسرت کے ساتھ آپ کو آگاہ کرتے ہیں کہ:

- ۱۔ کمپنی کی انتظامیہ کی جانب سے تیار کی گئی مالی دستاویزات میں اس بات کو یقینی بنایا جاتا ہے کہ کمپنی کے معاملات، کاروباری افعال کے نتائج، برزسٹل فنڈ رقوم اور حصص میں رویدادیں جیسے معاملات کو ان دستاویزات میں شفاف انداز سے پیش کیا جائے۔
- ۲۔ کمپنی میں حساب کتاب سے متعلق باقاعدہ کھاتے مرتب کئے جاتے ہیں۔
- ۳۔ مالی دستاویزات کی تیاری کے سلسلے میں اکاؤنٹنگ کی مناسب پالیسیوں کو مستحکم اپنایا جاتا ہے اور اکاؤنٹنگ کے تمام ترجیحیہ معیروں کی بنیاد پر لگائے جاتے ہیں۔
- ۴۔ مالی دستاویزات کی تیاری کے سلسلے میں پاکستان میں قابل اطلاق بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈز کا لحاظ بھی رکھا گیا ہے۔
- ۵۔ اندرونی کنٹرول کا پروگرام مخصوص ہے اور نوٹر پبلشر پر عمل درآمد گمرانی کی جاتی ہے۔
- ۶۔ انتظامیہ نے کمپنی کو جاری و ساری رکھنے کیلئے ایک موثر منصوبہ بندی کر رکھی ہے۔
- ۷۔ کارپورٹ گورننس کے ضوابط کی پاسداری سے ایسی کوئی روگردانی نہیں کی گئی جو قابل ذکر نہ ہو۔
- ۸۔ کمپنی کے گزشتہ سال کے آپریشنل نتائج میں معنی خیز ترقی ملی اور ان کی وجوہات بیان کر دی گئی ہیں۔
- ۹۔ گزشتہ چار سال کا مالیاتی گوشوارہ منسلک ہے۔
- ۱۰۔ اکاؤنٹس کے نوٹس میں درج کردہ ادائیگیوں کے علاوہ ٹیکس وغیرہ کی کوئی قانونی ادائیگیاں زیر التوا نہیں ہیں۔
- ۱۱۔ کمپنی ایک ان فنانسنگ کمپنی ہے جسکی سرمایہ کاری نہیں کی گئی اور کمپنی کے کاروبار میں استعمال کے لئے رکھ دی گئی ہے۔
- ۱۲۔ اس سال بورڈ آف ڈائریکٹرز کے نو اجلاس، آڈٹ کمیٹی کے چار اجلاس اور ایف آر آر کمیٹی کے چار اجلاس منعقد کئے گئے ہیں۔ ہر ڈائریکٹر کی حاضری اسطرح رہی:

نام ڈائریکٹر	بورڈ میٹنگ	آڈٹ کمیٹی میٹنگ	ایف آر آر میٹنگ
جناب محبوب الہی	۵	۶	-
جناب محفوظ الہی	۹	-	-
جناب محمود الہی	۹	-	۴
جناب نوید اختر	۷	۶	۴
جناب فرخ احمد	۹	۶	-
سید محمد رفیق الدین	۵	-	۴
جناب احمد شفیع	۵	۶	-

۱۳۔ کمپنی کے پانچ ڈائریکٹرز اپنی تعلیمی قابلیت اور مطلوبہ تجربہ کی وجہ سے ڈائریکٹر ٹریننگ پروگرام سے مرہا ہیں اور ایس ای سی پی نے ان ڈائریکٹرز کو چھوٹ دی ہوئی ہے۔ ایک بورڈ ممبر نے مطلوبہ کورس اور سرٹیفکیٹ حاصل کیا ہے۔ البتہ ایک ڈائریکٹر مقررہ وقت کے اندر ڈی ٹی پی پروگرام کے تحت سرٹیفکیٹ حاصل کر لیں گے۔

۱۴۔ کوڈ آف کارپورٹ گورننس کے مطابق حصص یافتگی کا اندازہ بشمول ڈائریکٹرز، ایگزیکٹوز اور ان کے اہل خانہ کے حصص کے لین دین کو اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

اعتراف:- بورڈ آف ڈائریکٹرز اپنے حصہ داران کے تعاون کے شکر گزار ہیں۔ انتظامیہ اور سٹاک کے مابین تعلقات نہایت خوشگوار ہے۔ میں اور ساتھی ڈائریکٹر سٹاک ممبرز کو اپنی ذمہ داریاں احسن طریقہ سے انجام دینے پر یمنیت کا اظہار کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

Malik Muhammad Iqbal
محمود الہی
(ڈائریکٹر)

Malik Muhammad Iqbal
محفوظ الہی
(چیف ایگزیکٹو)

اسلام آباد
۲۷ ستمبر ۲۰۱۹ء

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE)
FOR THE YEAR ENDED JUNE 30, 2019

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

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

a Male: 7 b Female: Nil

2 The composition of board is as follows:

Category	Names
Independent Director	Ahmed Shaffi
Executive Directors	Mahfooz Elahi, Mahmood Elahi
Non-Executive Directors	Mahboob Elahi, Naveed Akhtar, Farrukh Ahmad, S.M. Raunaq-ud-Din

3 The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this company.

4 The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5 The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6 All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Act and these regulations.

7 The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8 The Board of directors have a formal policy and transparent procedure for remuneration of directors in accordance with the Act and Regulations.

9 Five Directors of the Company are exempt from Directors Training Program due to their qualification and relevant experience and SECP has granted exemption to these five Directors. One Board member has attained certification of Directors Training Program. The remaining one Director shall obtain certification under the DTP program in due course of time.

10 There was no new appointment of CFO, Company Secretary and Head of Internal Audit.

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

12 The Board has formed Committees comprising of members given below:

a) Audit Committee;

- Ahmed Shaffi – Chairman
- Mahboob Elahi – Member
- Farrukh Ahmed – Member
- Naveed Akhtar – Member

b) Human Resource and Remuneration Committee;

- Mahmood Elahi– Chairman
- Naveed Akhter – Member
- Rounaq-ud-din – Member

13 The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.

14 The frequency of meetings of the Committees were as per following:

a) Audit Committee

- 1st Quarter: 2 meetings.
- 2nd Quarter: 1 meeting.
- 3rd Quarter: 1 meeting.
- 4th Quarter: 2 meetings.

b) Human Resource and Remuneration Committee

- 1st Quarter: -
- 2nd Quarter: 2 meetings.
- 3rd Quarter: -
- 4th Quarter: 2 meetings.

15 The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

16 The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18 We confirm that all other requirements of the Regulations have been complied with.

ON BEHALF OF THE BOARD


(MAHFOOZ ELAHI)
Chief Executive

Islamabad.
September 27, 2019


(MAHMOOD ELAHI)
Director

ELAHI COTTON MILLS LIMITED

LAST SIX YEARS AT A GLANCE

PARTICULARS	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Paid up capital	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Reserve	--	--	--	--	--	--
Fixed asset (at cost less depreciation)	133,020,393	90,645,274	94,371,045	97,401,104	100,281,359	57,022,331
Accumulated depreciation	86,144,198	84,727,566	81,231,098	77,246,989	72,951,834	69,994,946
Long term investment	--	--	--	--	--	--
Current assets	33,872,243	27,278,616	25,171,495	22,016,109	17,887,760	13,181,133
Current Liabilities	92,055,774	94,260,651	92,618,996	88,812,079	10,974,549	10,178,415
Income						
Sales	395,284,245	320,825,272	283,618,449	288,805,082	301,384,062	255,845,239
Other Income	2,388,879	1,273,500	87,637	312,314	119,287	3,158,786
Gross profit / (loss)	11,626,378	2,335,957	4,541,755	6,517,203	9,975,947	3,800,913
Pre tax profit / (loss)	7,699,736	(1,987,532)	(2,212,191)	1,411,310	5,133,726	3,319,282
Taxation (prior year)	--	(92,305)	(135,400)	(242,038)	--	--
Taxation (current year)	3,760,566	(2,443,848)	1,949,945	1,779,382	2,442,638	(505,109)
Profit/(loss) after taxation	3,939,170	(4,339,074)	(4,026,736)	(126,034)	2,691,088	2,814,173
Un-appropriated profit/(loss)	(69,462,716)	(76,677,660)	(73,963,389)	(71,943,701)	(73,671,288)	(77,512,626)

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

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

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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

ISLAMABAD**DATED: 27 SEP 2019***Bdo ebrahim & Co.*
CHARTERED ACCOUNTANTS
Engagement Partner: Iffat Hussain**BDO Ebrahim & Co. Chartered Accountants**BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ELAHI COTTON MILLS LIMITED**Report on the Audit of the Financial Statements****Opinion**

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1.2 in the financial statements which indicates that as of June 30, 2019, the Company's current liabilities exceeded its current assets by Rs. 55.896 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 53.292 million as at June 30, 2019 and accumulated losses as of that date amounted to Rs. 66.292. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

Key Audit Matters

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

"Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

S. No	Key audit matters	How the matter was addressed in our audit
1.	Control environment relating to the financial reporting process and related IT systems	
	<p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<p>Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights.</p> <p>Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.</p>
2.	Revenue Recognition	
	<p>The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred, resulting in a significant risk associated with revenue from an audit procedure.</p> <p>Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.</p> <p>Refer to note 5.15 of the financial statements</p>	<p>Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework.</p> <ul style="list-style-type: none"> • Control testing over the point of transfer of risk and rewards was supported by substantive audit procedures including, amongst others: • Performing analytical tests on the revenue. • Testing a sample of sales transactions around year end to ensure inclusion in the correct Period • Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers.

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Information Other than the Financial Statements and Auditors Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

also

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors report is Iffat Hussain.

ISLAMABAD

DATED: 27 SEP 2019

Bdo ebrahim & Co.
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
Review

ELAHI COTTON MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	129,465,424	133,020,393
Long term security deposits		918,810	918,810
Loans and advances	7	2,368,508	1,965,428
		<u>132,752,742</u>	<u>135,904,631</u>
CURRENT ASSETS			
Stores, spares and loose tools	8	1,195,411	1,142,442
Stock in trade	9	13,474,254	17,931,790
Trade debts	10	3,737,029	4,598,298
Loans and advances	11	404,621	230,169
Short term prepayments		295,012	160,318
Tax refunds due from government	12	794,397	114,881
Cash and bank balances	13	18,152,507	9,694,345
		<u>38,053,231</u>	<u>33,872,243</u>
TOTAL ASSETS		<u><u>170,805,973</u></u>	<u><u>169,776,874</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	13,000,000	13,000,000
Revaluation surplus on property, plant and equipment	15	108,328,237	110,644,660
Accumulated loss		(66,292,141)	(69,462,716)
		<u>55,036,096</u>	<u>54,181,944</u>
NON-CURRENT LIABILITIES			
Deferred liabilities	16	21,820,602	23,539,156
Long term loan from directors	17	-	-
		<u>21,820,602</u>	<u>23,539,156</u>
CURRENT LIABILITIES			
Taxation - net	18	1,064,926	150,486
Current portion of long term loan from directors	17	66,782,547	67,332,547
Due to associated undertaking	19	5,566,077	9,416,077
Short term loan from directors	20	7,600,000	5,100,000
Trade and other payables	21	12,687,560	9,808,499
Unclaimed dividend		248,165	248,165
		<u>93,949,275</u>	<u>92,055,774</u>
CONTINGENCIES AND COMMITMENTS	22	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>170,805,973</u></u>	<u><u>169,776,874</u></u>

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	23	503,030,973	395,284,245
Cost of sales	24	489,140,480	383,657,867
Gross profit		13,890,493	11,626,378
Administrative expenses	25	7,246,912	5,176,423
Other operating charges	26	998,764	1,137,105
		8,245,676	6,313,528
Operating profit		5,644,817	5,312,850
Other income	27	752,358	2,388,879
Financial charges	28	3,353	1,993
Profit before taxation		6,393,822	7,699,736
Taxation	29	(5,677,377)	(3,760,566)
Profit after taxation		716,445	3,939,170
Earning per share - basic and diluted	31	0.55	3.03

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Profit after taxation		716,445	3,939,170
Other comprehensive income			
Item that will not be reclassified to profit and loss			
Revaluation surplus on property, plant and equipment		-	46,914,451
Loss on revaluation of property, plant and equipment		-	(869,727)
Related deferred tax impact		-	(4,425,654)
		-	41,619,070
Gain / (Loss) on remeasurement of defined benefit liability	16.1	137,707	(8,388)
Total other comprehensive income for the year		137,707	41,610,682
Total comprehensive income for the year		854,152	45,549,852

No deferred tax asset/liability has been recognized on gratuity as the Company is claiming it as tax expense for the period.

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,393,822	7,699,736
Adjustment for non-cash charges and other items:		
Depreciation	4,511,469	3,971,835
Financial charges	3,353	1,993
Gain on disposal of fixed asset - net	-	(1,841,034)
Impairment loss	-	107,923
Provision for gratuity	4,021,898	4,096,165
	8,536,720	6,336,882
Profit before working capital changes	14,930,542	14,036,618
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(52,969)	307,370
Stock in trade	4,457,536	(8,137,512)
Trade debts	861,270	2,604,126
Loans and advances	(174,452)	(21,793)
Short term prepayments	(134,694)	13,244
Tax refunds due from government	(668,823)	84,857
Increase / (decrease) in current liabilities		
Trade and other payables	2,879,061	(1,408,232)
	7,166,929	(6,557,940)
Cash generated from operations	22,097,471	7,478,678
Financial charges paid	(3,353)	(1,993)
Income tax paid	(5,733,626)	(4,811,936)
Gratuity paid	(4,642,750)	(1,829,200)
	(10,379,729)	(6,643,129)
Net cash generated from operating activities	11,717,742	835,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans given to employees	(403,080)	(593,669)
Deletion from/(addition to capital work in progress)	-	636,689
Proceeds from disposal of fixed asset	-	3,838,971
Purchase of property, plant and equipment	(956,500)	(2,408,090)
Net cash (used in) / generated from investing activities	(1,359,580)	1,473,901
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan from directors	(550,000)	(350,000)
Repayment to associated undertaking	(3,850,000)	(500,000)
Short term loan from directors	2,500,000	-
Net cash used in financing activities	(1,900,000)	(850,000)
Net increase in cash and cash equivalents	8,458,162	1,459,450
Cash and cash equivalents at the beginning of the year	9,694,345	8,234,895
Cash and cash equivalents at the end of the year	18,152,507	9,694,345

The annexed notes from 1 to 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2019

	Share capital	Reserves			Total
		Capital	Revaluation surplus on property, plant and equipment	Accumulated loss	
	Issued, subscribed and paid-up capital				
Balance as at July 01, 2017	13,000,000	72,309,752	(76,677,660)		8,632,092
Total comprehensive income for the year ended June 30, 2018					
Profit for the year	-	-	3,939,170		3,939,170
Other comprehensive income for the year	-	41,619,070	(8,388)		41,610,682
Transfer from revaluation surplus on property, plant and equipment	-	41,619,070	3,930,782		45,549,852
- On account of incremental depreciation-net of deferred tax	-	(2,065,078)	2,065,078		-
- Upon disposal of revalued property, plant and equipment	-	(1,219,084)	1,219,084		-
Balance as at June 30, 2018	13,000,000	110,644,660	(69,462,716)		54,181,944
Total comprehensive income for the year ended June 30, 2019					
Profit for the year	-	-	716,445		716,445
Other comprehensive income for the year	-	-	137,707		137,707
Transfer from revaluation surplus on property, plant and equipment:	-	-	854,152		854,152
- On account of incremental depreciation-net of deferred tax	-	(2,316,423)	2,316,423		-
- Upon disposal of revalued property, plant and equipment	-	-	-		-
Balance as at June 30, 2019	13,000,000	108,328,237	(66,292,141)		55,036,096

The annexed notes from 1 to 43 form an integral part of these financial statements.

Mahmud Z. Elahi
CHIEF EXECUTIVE

Mahmud Z. Elahi
DIRECTOR

Asad Ali
CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

1 STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated as a public limited company on June 22, 1970 under the repealed Companies Act, 1913 (now the Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited in which Lahore and Islamabad stock exchanges have merged). The principal business of the Company is manufacture and sale of yarn.
- 1.2 As of June 30, 2019, the Company's current liabilities exceeded its current assets by Rs. 55.896 million (2018: Rs. 58.183 million). The Company has accumulated loss of Rs. 66.292 million (2018: Rs. 69.462 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 53.292 million. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

These financial statements have been prepared on going concern basis without any adjustment to assets and liabilities based on the profitable future projections. The management is also confident of improving profitability through streamlining the operations of the Company and based on projections, demonstrate increases in revenue and cash flows and hence improvement in the financial performance and position of the company, for the year ending June 30, 2020 and onwards.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 270, sector I-9, Industrial Area, Islamabad. The mill (plant) of the Company is located at Mandra - Chakwal Road, Tehsil Gujar Khan, District Rawalpindi, Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount and recognition of certain staff retirement benefits at present value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

The preparation of these financial statements in conformity with approved accounting standards requires the management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historic experience and other factors including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 5.25.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Effective in current year and are relevant to the Company.

The Company has adopted all the new standards and amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year:

4.1.1 IFRS 9: Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

The revised provisions on the classification and measurement of financial assets and financial liabilities have not affected Company's financial information. Consequently, the comparative figures have not been restated on the introduction of IFRS 9.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at July 1, 2018.

		Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
	Note			————— (Rupees in '000) —————	
Financial assets					
Trade debts	(a)	Loans and receivables	Amortised cost	3,737,029	3,737,029
Long term security	(a)	Loans and receivables	Amortised cost	918,810	918,810
Loans and advances	(a)	Loans and receivables	Amortised cost	2,574,508	2,574,508
Cash and bank balances	(a)	Loans and receivables	Amortised cost	18,152,507	18,152,507

- (a) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Company's financial assets include mainly trade debts, deposits, advances, other receivables and bank balances.

The Company's trade receivables do not contain a significant financing component (as determined in terms of the requirements of IFRS 15 "Revenue from Contracts with

Customers"), therefore, the Company is using simplified approach, that does not require the Company to track the changes in credit risk, but, instead, requires to recognise a loss allowance based on lifetime ECLs at each reporting date.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Company's customers. The Company has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors.

iii. Transition

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on July 1, 2018. However, the adoption of IFRS 9 did not have any impact on opening retained earnings as on July 1, 2018. Accordingly, the comparative information is presented as per the requirements of IAS 39.

4.1.2 IFRS 15 'Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting period beginning on or after July 1, 2018. This standard has replaced IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers.

The IFRS 15 establish a five-steps mode to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires the entities to exercise judgment, taking in to consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. Hence, the Company has concluded that the impact of adoption of revenue recognition model as laid down in IFRS 15 is not material.

There is no material impact of transition to IFRS 15 on the financial position of the Company and there is no effect on the accounting policies of the Company in respect of revenue from contracts with Customers.

4.2 Amendments that are effective in current year and are relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

Below.

		Effective date (annual periods beginning on or after)
	Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018
IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 5	Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 8	Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 15	Original issue	July 01, 2018
IFRS 15	Clarifications to IFRS 15 <i>Address -</i>	July 01, 2018

		Effective date (annual periods beginning on or after)
IAS 39	Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IAS 40	Investment Property - amendments to clarify transfers of property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

4.3 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 17	Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	amendments regarding long-term interests in associates and joint ventures	January 01, 2019

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.4 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

IFRS 16	Leases <i>Revised</i>	January 01, 2019
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The effects of IFRS 16 -Leases are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Property, plant and equipment

a) Operating fixed assets

Operating fixed assets except for freehold land, building and plant and machinery are stated at cost less accumulated depreciation or impairment, if any. Freehold land, building and plant and machinery are stated at cost/revalued amount less accumulated depreciation or impairment, if any.

Depreciation is charged on the basis of written down value method whereby cost or revalued amount of an asset is written off over its useful life without taking into account any residual value. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

Major renewals and repairs are capitalized and the assets so replaced are retired. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred. Gains or losses on disposal of property, plant and equipment are accounted for as profit or loss for the year.

Amount equivalent to incremental depreciation charged on revalued assets is transferred from surplus on revaluation of building and plant and machinery net of deferred taxation to retained earnings (unappropriate profit).

The assets' residual value and useful lives are reviewed, and adjusted if significant, at each balance sheet date.

Balance

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss accounts.

b) Capital work-in-progress

Capital work-in-progress are stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

c) Revaluation surplus on property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings and plant and machinery is recognised in other comprehensive income and presented as a separate component of equity as "Revaluation surplus on property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of land, buildings and plant and machinery is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation surplus on property, plant and equipment relating to a previous revaluation of that asset. The revaluation reserve is not available for distribution to the Company's shareholders. The surplus on revaluation buildings and plant and machinery to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

5.2 Impairment losses

The carrying amount of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indications exist, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss, if any.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that is largely independent from other assets and group. Impairment losses are recognized as expense in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Impaired assets are reviewed for possible reversal of the impairment at each statement of financial position date. Reversal of the impairment losses are restricted to the extent that asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment losses had been recognized. A reversal of impairment loss is recognized in the profit and loss account.

5.3 Stores, spares and loose tools

Stores and spares are stated at cost less provision for slow moving and obsolete items. Cost is *Belarus*.

determined by using the moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

The Company reviews the carrying amount of stores and spares on a periodic basis and provision is made for slow moving and obsolescence on periodic basis.

5.4 Stock in trade

Stock in trade, except stock in transit, are valued at lower of cost and net realizable value. Cost is determined as follows:

- Raw materials - at moving average method except stock in transit
- Work in process - at cost of material plus proportionate production overheads
- Finished goods - at cost of material as above plus proportionate production overheads

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

Stock in transit is valued at cost comprising invoice value plus other charges thereon.

5.5 Trade receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.6 Other receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.7 Cash and bank balances

Cash in hand and at banks are carried at nominal amounts.

5.8 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

Refer.

5.10 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation is carried out at June 30, 2019 using the projected unit credit method (refer note 16). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

5.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income on current rates of taxation after taking into account the rebates and tax credits available, if any, or one percent of turnover, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

The Company recognizes tax liabilities for pending tax assessments using estimates based on expert opinion obtained from tax/legal advisors. Differences, if any, between the income tax provision and the tax liability finally determined is recorded when such liability is so determined.

Deferred

Deferred tax is computed using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available and the credits can be utilized.

Further, the Company has recognized the deferred tax liability on surplus on revaluation of fixed assets which has been adjusted against the related surplus.

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior *periods*.

years, arising from assessments and changes in estimates made during the current year, except otherwise stated.

5.12 Borrowing

Loans and borrowings are recorded at the proceeds received. Mark up, interest and other borrowing costs are charged to profit and loss in the period in which they are incurred.

Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets are capitalized up to the date of commencement of commercial production on the respective assets. All other borrowing costs are charged to profit and loss account in the period in which these are incurred.

5.13 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 the goods and services received, whether or not billed to the Company.

5.14 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting future cash flows at appropriate discount rate where ever required. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

5.15 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax.

The revenue arising from different activities of the Company is recognized on the following basis:

- Local sales are recorded on dispatch of goods to customers.
- Scrap sales are recognized when delivery is made to customers.
- Interest income is recognized as revenue on time proportion basis.

5.16 Earnings per share

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

average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.17 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand, cash at bank and short term investments with maturity of not later than three months at known amount in rupees.

5.18 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

5.19 Dividend and apportioning to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the period in which these are approved.

5.20 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

- (i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity Investments at FVOCI

These assets are initially measured at cost plus transaction cost that are directly attributable to its acquisition. Subsequently, these are measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

Adviso

Financial assets at FVTPL

These assets are initially recognized at cost. Subsequently, these are measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or

5.21 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance *sheet*.

sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

5.22 Foreign currency translation

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

5.23 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.24 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

5.25 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

- exercise its judgment in process of applying the Company's accounting policies, and
- use of certain critical accounting estimates and assumptions concerning the future.

Judgments and assumptions have been required 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.

The areas involving critical accounting estimates and significant assumptions concerning the future are discussed below:-

a) Provision for inventory obsolescence

The Company reviews the carrying amounts of stores, spares and loose tools and stock in trade on regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools and stock in trade.

b) Income taxes

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

c) Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and useful lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in these estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

d) Stores and spares

Management has made estimates for realizable amount of slow moving and obsolete stores and spares items to determine provision for slow moving and obsolete items. Any future change in the estimated realizable amounts might affect carrying amount of stores and spares with corresponding effect on amounts recognized in profit and loss account as provision / reversal.

e) Defined benefits plan

The management has exercised judgment in applying Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan (refer note 5.10) that have the most significant effects on the amount recognized in the financial statements. *plw*

6 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Free hold land	Buildings		Plant and machinery	Furniture fixture and office equipment	Computer equipment	Power and other installations	Factory equipment and scientific instruments	Motor vehicles	Total
		Buildings								
		Residential	Factory							
Rupees										
Year ended June 30, 2019										
Net carrying value basis										
Opening book value	86,250,000	4,606,095	14,721,029	26,743,799	88,849	95	186,220	71,015	353,291	133,020,393
Additions (at cost)	-	-	-	956,500	-	-	-	-	-	956,500
Depreciation charge	-	(230,305)	(1,472,103)	(2,703,763)	(8,885)	(31)	(18,622)	(7,102)	(70,658)	(4,511,469)
Closing net book value	86,250,000	4,375,790	13,248,926	24,996,536	79,964	64	167,598	63,913	282,633	129,465,424
Gross carrying value basis										
Cost/revalue	86,250,000	4,724,200	15,454,299	29,147,366	1,048,652	5,000	2,260,443	2,001,887	2,400,520	143,292,367
Accumulated depreciation	-	348,410	2,205,373	4,150,830	968,688	4,936	2,092,845	1,937,974	2,117,887	13,826,943
Net book value	86,250,000	4,375,790	13,248,926	24,996,536	79,964	64	167,598	63,913	282,633	129,465,424
Year ended June 30, 2018										
Net carrying value basis										
Opening book value	56,700,000	3,435,844	7,339,967	22,357,140	91,000	136	206,338	78,687	436,162	90,645,274
Additions (at cost)	-	-	788,899	1,611,791	7,400	-	-	-	-	2,408,090
Revaluation surplus	30,000,000	1,374,252	7,692,431	7,847,768	-	-	-	-	-	46,914,451
Revaluation loss	-	-	-	(869,727)	-	-	-	-	-	(869,727)
Impairment loss	-	-	-	(107,923)	-	-	-	-	-	(107,923)
Disposal (NBV)	(450,000)	-	-	(1,547,937)	-	-	-	-	-	(1,997,937)
Depreciation charge	-	(204,001)	(1,100,268)	(2,547,313)	(9,551)	(41)	(20,118)	(7,672)	(82,871)	(3,971,835)
Closing net book value	86,250,000	4,606,095	14,721,029	26,743,799	88,849	95	186,220	71,015	353,291	133,020,393
Gross carrying value basis										
Cost/revalue	86,250,000	7,019,637	31,576,414	86,602,038	1,048,652	5,000	2,260,443	2,001,887	2,400,520	219,164,591
Revaluation adjustments	-	(2,295,437)	(16,122,115)	(58,411,172)	-	-	-	-	-	(76,828,724)
Accumulated depreciation	86,250,000	4,724,200	15,454,299	28,190,866	1,048,652	5,000	2,260,443	2,001,887	2,400,520	142,335,867
Revaluation adjustments	-	2,413,542	16,855,385	59,858,239	959,803	4,905	2,074,223	1,930,872	2,047,229	86,144,198
	-	(2,295,437)	(16,122,115)	(58,411,172)	-	-	-	-	-	(76,828,724)
Net book value	86,250,000	4,606,095	14,721,029	26,743,799	88,849	95	186,220	71,015	353,291	133,020,393

6.1 Free hold land of the Company is located at Mandra - Chakwal road, Tehsil Gujar Khan, District Rawalpindi, Punjab, Pakistan with an area of 23.4 acres. Details of factory and residential buildings of the company constructed on this land are as follows:

As at 30/06/2020

Location	Particulars	Covered Area (In sq.ft)
Mandra-Chakwal road, Tehsil Gujar Khan, District Rawalpindi, Punjab, Pakistan.	a) Main mill building including cotton godown, store room, canteen block, workshops and other civil works.	70,827
	b) Workers' accommodations, guard rooms, bungalows and BOQs houses.	14,744
		<u>85,571</u>

6.2 Revaluation of freehold land, building and plant and machinery

6.2.1 The Company has adopted the revaluation model for subsequent measurement of freehold land, buildings and plant and machinery. Further details of revaluation carried out by the Company to date are as follows:

Name of independent valuer	Date of revaluation	Revaluation surplus (Rupees)
M/s Asrem (Private) Limited	December 31, 2017	46,914,451
M/s Asrem (Private) Limited	June 30, 2014	43,795,541
M/s Asrem (Private) Limited	June 7, 2010	22,258,957
M/s Zia Consultants	June 30, 1996	33,215,659

6.2.2 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	2019 Rupees	2018 Rupees
Freehold land	<u>299,995</u>	<u>299,995</u>
Buildings on freehold land	<u>1,046,888</u>	<u>1,101,987</u>
Plant and machinery	<u>6,122,671</u>	<u>6,835,615</u>

6.2.3 The forced sale value of the revalued freehold land, buildings and plant and equipment has been assessed at Rs. 77,625,000, Rs. 15,512,000 and Rs. 21,808,000 respectively.

6.3 Depreciation has been allocated as follows:

	2019 Rupees	2018 Rupees
Cost of sales	4,201,590	3,675,371
Administrative expenses	<u>309,879</u>	<u>296,464</u>
	<u>4,511,469</u>	<u>3,971,835</u>

Adopted

		2019 Rupees	2018 Rupees
7	LOANS AND ADVANCES		
	Unsecured - considered good		
	Opening balance	2,143,428	1,474,759
	Loan given to employees during the year	3,591,027	1,064,919
	Payment received during the year	(3,159,947)	(396,250)
		2,574,508	2,143,428
	Current portion shown under current assets	11 (206,000)	(178,000)
		<u>2,368,508</u>	<u>1,965,428</u>

- 7.1 These balances represent interest free loans and advances given to employees. The Chief Executive Officer and Directors have not taken any loans and advances from the Company.

		2019 Rupees	2018 Rupees
8	STORES, SPARES AND LOOSE TOOLS		
	Stores	1,160,783	1,115,732
	Spares	34,628	26,710
		<u>1,195,411</u>	<u>1,142,442</u>

- 8.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

		2019 Rupees	2018 Rupees
9	STOCK IN TRADE		
	Raw material	7,557,976	9,089,438
	Work in process	2,666,743	2,195,025
	Finished goods	3,236,425	6,640,691
	Waste	13,110	6,636
		<u>13,474,254</u>	<u>17,931,790</u>

10 TRADE DEBTS

Unsecured - considered good	<u>3,737,029</u>	<u>4,598,298</u>
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para 10.

	Note	2019 Rupees	2018 Rupees
11 LOANS AND ADVANCES			
Unsecured-considered good Loans			
Current portion of long-term loans	7	206,000	178,000
Advances to suppliers	11.1	198,621	52,169
		<u>404,621</u>	<u>230,169</u>

- 11.1 This represents advances to suppliers in the normal course of business and does not carry any interest or mark-up. The Chief Executive Officer and Directors have not taken any loans and advances from the Company.

	Note	2019 Rupees	2018 Rupees
12 TAX REFUNDS DUE FROM GOVERNMENT			
Income tax		21,491	106,878
Sales tax		772,906	8,003
		<u>794,397</u>	<u>114,881</u>

13 CASH AND BANK BALANCES

Cash in hand		33,565	332,633
Cash at banks:			
Current accounts		4,491,893	5,063,267
Saving account	13.1	13,627,049	4,298,445
		<u>18,152,507</u>	<u>9,694,345</u>

- 13.1 Saving account carries mark up at the rates ranging from 0.02% to 0.06% (2018: 0.02% to 0.06%) per annum.

14 SHARE CAPITAL

14.1 Authorized share capital:

This represents 5,000,000 (2018 : 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (2018 : Rs. 50,000,000).
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			2019 Rupees	2018 Rupees
14.2	Issued, subscribed and paid up capital:			
	Number of ordinary shares of Rs. 10/- each			
	2019	2018		
	1,300,000	1,300,000	Fully paid in cash	
			13,000,000	13,000,000
			2019 Rupees	2018 Rupees
15	Revaluation surplus on property, plant and equipment			
	Balance brought forward		120,731,211	79,129,244
	Add: Revaluation during the period		-	46,914,451
	Less: Transferred to equity in respect of incremental depreciation charged during the year-net of deferred tax		2,316,423	2,065,078
	Revaluation surplus reversed		-	869,727
	Realized on disposal of revalued assets - net of deferred tax		-	1,219,084
	Related deferred tax liability during the year transferred to profit or loss account		946,145	1,158,595
			3,262,568	5,312,484
			117,468,643	120,731,211
	Less: Related deferred tax effect:			
	Balance as at July 01		10,086,551	6,819,492
	Revaluation during the year		-	4,905,191
	Effect of change in rate		-	(227,316)
	Reversal during the year		-	(252,221)
	Related deferred tax liability during the year transferred to profit or loss account		(946,145)	(1,158,595)
			9,140,406	10,086,551
			108,328,237	110,644,660

- 15.1 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

As per

		2019	2018
	Note	Rupees	Rupees
16 DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	16.1	11,389,546	12,148,105
Deferred taxation	16.2	10,431,056	11,391,051
		<u>21,820,602</u>	<u>23,539,156</u>

16.1 Staff retirement benefits - gratuity

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2019 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Presently the Company is not exposed to asset volatility risk.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

Principal actuarial assumptions

Following are a few important actuarial assumptions used in the valuation:

Baldev

	2019 Rupees	2018 Rupees
Discount rate (%)	13%	7.25
Expected rate of return on plan assets (%)	-	-
Expected rate of increase in salary (%)	11.5	6.75
Maturity profile	SLIC(2001-05)	

16.1.1 Reconciliation of balance due to defined benefit plan

Present value of defined benefit obligation	11,389,546	12,148,105
Fair value of plan assets	-	-
Closing net liability	<u>11,389,546</u>	<u>12,148,105</u>

16.1.2 Movement of the liability recognized in the balance sheet

Opening net liability		
Non current portion	12,148,105	9,791,152
Current portion	-	137,600
Charge for the year	4,021,898	4,096,165
Remeasurement chargeable to other comprehensive income	(137,707)	8,388
Transferred to current liabilities	-	(56,000)
Benefits paid during the year	(4,642,750)	(1,829,200)
Closing net liability	<u>11,389,546</u>	<u>12,148,105</u>

16.1.3 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations		
Non current portion	12,148,105	9,791,152
Current portion	-	137,600
Current service cost for the year	3,260,326	3,449,657
Interest cost for the year	761,572	646,508
Transferred to current liabilities	-	(56,000)
Benefits paid during the year	(4,642,750)	(1,829,200)
Remeasurement (gain) / loss on obligation	(137,707)	8,388
Closing present value of defined benefit obligations	<u>11,389,546</u>	<u>12,148,105</u>

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	2019 Rupees	2018 Rupees
16.1.4 Charge for the year		
Current service cost	3,260,326	3,449,657
Interest cost	761,572	646,508
Charge for the year	<u>4,021,898</u>	<u>4,096,165</u>

16.1.5 Remeasurement chargeable to other comprehensive income

Remeasurement (gain) / loss on obligation	<u>(137,707)</u>	<u>8,388</u>
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16.1.6 The Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

16.1.7 Sensitivity analysis

The calculation of the defined benefit obligations sensitive to the assumption set out above. The following table summaries how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in the respective assumptions by one percent.

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	10,661,115	12,246,770
Salary increase	12,246,770	10,648,966

16.1.8 The charge in respect of defined benefit plan for the year ending June 30, 2020 is estimated to be Rs. 4.728 million.

16.2 Deferred taxation

16.2.1 Deferred tax liabilities / (assets) arising due to temporary timing differences are as follows:

	2019 Rupees	2018 Rupees
Accelerated tax depreciation	1,290,649	1,304,500
Surplus on revaluation of property plant and equipment	9,140,406	10,086,551
	<u>10,431,055</u>	<u>11,391,051</u>
Tax rate used	<u>29%</u>	<u>29%</u>

16.2.2 Deferred tax asset on the difference of turnover tax and normal tax carried forward has not been recognized as there is no reasonable certainty about future profits against which it can be utilized.

16.2.3 The gross movement in the deferred tax liability during the year is as follow:

	Note	2019 Rupees	2018 Rupees
Balance as at July 01		11,391,051	8,167,253
Charged/(credit) to profit and loss account		(959,996)	(1,201,856)
Charge/(credit) to other comprehensive income		-	4,425,654
		<u>10,431,055</u>	<u>11,391,051</u>

17 LONG TERM LOAN FROM DIRECTORS

Balance brought forward	17.1	67,332,547	67,682,547
Payments during the year		(550,000)	(350,000)
		<u>66,782,547</u>	<u>67,332,547</u>
Less: Current portion shown under current liabilities		<u>(66,782,547)</u>	<u>(67,332,547)</u>
		<u>-</u>	<u>-</u>

17.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company. The loan was payable on July 01, 2015. As these are now payable on demand, therefore all amounts have been transferred to current liabilities in the financial statements.

17.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 67,332,547 (2018: Rs. 67,682,547).

	Note	2019 Rupees	2018 Rupees
18 TAXATION - NET			
Balance at beginning of the year		150,486	15,531
Prior year adjustment		441,140	-
		<u>591,626</u>	<u>15,531</u>
Adjusted against / transferred to tax refunds due from government		10,693	(15,531)
		<u>602,319</u>	<u>-</u>
Provision for the year	29	6,196,233	4,962,422
		<u>6,798,552</u>	<u>4,962,422</u>
Less: Payment/adjustment		<u>(5,733,626)</u>	<u>(4,811,936)</u>
Closing balance payable		<u>1,064,926</u>	<u>150,486</u>

18.1 Adequate provision in respect of taxation have been made in these financial statements for the year ended June 30, 2019 (Tax year 2019).

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	Note	2019 Rupees	2018 Rupees
19 DUE TO ASSOCIATED UNDERTAKING			
Unsecured			
International Beverages (Private) Limited			
Opening balance		9,416,077	9,916,077
Paid during the year		(3,850,000)	(500,000)
	19.1	<u>5,566,077</u>	<u>9,416,077</u>

19.1 This represents the amount payable to International Beverages (Private) Limited (IBL) against MCB Bank Limited long term facility restructured during the year ended June 30, 2008, as per settlement agreement dated May 29, 2008 signed between the Company, IBL and MCB Bank Limited. As per above agreement this facility now stands transferred in the name of IBL.

19.2 As per agreement the settled amount is Rs. 17.866 million which includes Rs. 16.668 million as principal and Rs. 1.198 million as markup payable at 6% by the Company.

The amount due was repayable to IBL on July 01, 2015. As these are now payable on demand, therefore all amounts had been transferred to current liabilities in the financial statements.

The maximum aggregate amount due to associated undertaking at the end of any month during the year was Rs. 9,416,077 (2018: Rs. 9,916,077).

Ref: 11/15.

	Note	2019 Rupees	2018 Rupees
20			
SHORT TERM LOAN FROM DIRECTORS			
Balance brought forward		5,100,000	5,100,000
Additions during the year		2,500,000	-
	20.1	<u>7,600,000</u>	<u>5,100,000</u>

- 20.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company to meet the working capital requirements. These are payable on demand.

	Note	2019 Rupees	2018 Rupees
21			
TRADE AND OTHER PAYABLES			
Creditors		129,368	94,895
Accrued expenses		8,730,751	4,919,201
Advances from customers		2,593,674	3,661,983
Government dues		462,048	429,625
Workers' Profit Participation Fund	21.1	346,940	414,183
Workers' Welfare Fund		199,244	157,389
Income tax payable		39,446	27,623
Sales tax due to government		186,089	47,600
Gratuity payable		-	56,000
		<u>12,687,560</u>	<u>9,808,499</u>

21.1 Workers' Profit Participation Fund

Balance at July 01,	414,183	-
Allocation for the year	346,940	414,183
	<u>761,123</u>	<u>414,183</u>
Amount paid during the year	(414,183)	-
Balance at June 30, 2019	<u>346,940</u>	<u>414,183</u>

22 CONTINGENCIES AND COMMITMENTS

22.1 CONTINGENCIES

There was no contingent liability of the Company as at the June 30, 2019 (2018: Nil).

22.2 COMMITMENTS

There were no commitments for capital expenditures as at the June 30, 2019 (2018: Nil).

	Note	2019 Rupees	2018 Rupees
23 SALES			
Yarn		503,252,329	395,734,931
Waste		577,678	453,528
		<u>503,830,007</u>	<u>396,188,459</u>
Less: sales tax		(799,034)	(904,214)
		<u><u>503,030,973</u></u>	<u><u>395,284,245</u></u>

24 COST OF SALES

Raw material consumed	24.1	367,769,555	273,764,458
Store and spares consumed	24.2	10,628,822	11,010,258
Salaries, wages and other benefits	24.3	60,935,644	57,911,309
Power charges		42,391,363	40,079,960
Insurance		168,067	182,643
Repairs and maintenance		119,365	226,970
Depreciation	6.3	4,201,590	3,675,371
		<u>486,214,406</u>	<u>386,850,969</u>
Work in process			
Opening		2,195,025	1,952,731
Closing	9	(2,666,743)	(2,195,025)
		<u>(471,718)</u>	<u>(242,294)</u>
Cost of goods manufactured		<u>485,742,688</u>	<u>386,608,675</u>
Finished goods			
Opening		6,640,691	3,679,685
Closing	9	(3,236,425)	(6,640,691)
		<u>3,404,266</u>	<u>(2,961,006)</u>
Waste			
Opening	9	6,636	16,834
Closing		(13,110)	(6,636)
		<u>(6,474)</u>	<u>10,198</u>
		<u><u>489,140,480</u></u>	<u><u>383,657,867</u></u>

24.1 Raw material consumed

Opening stock	9,089,438	4,145,028
Add: Purchases	366,238,093	278,708,868
Cost of raw materials available for use	<u>375,327,531</u>	<u>282,853,896</u>
Less: Closing stock	(7,557,976)	(9,089,438)
	<u><u>367,769,555</u></u>	<u><u>273,764,458</u></u>

Balance

	2019 Rupees	2018 Rupees
24.2 Stores and loose tools consumed		
Opening stock	1,142,442	1,416,715
Add: Purchases	10,681,791	10,735,985
	11,824,233	12,152,700
Less: Closing stock	(1,195,411)	(1,142,442)
	<u>10,628,822</u>	<u>11,010,258</u>

- 24.3 Salaries, wages and other benefits includes an amount of Rs. 3,232,756 (2018: Rs. 4,597,662) in respect of staff retirement benefits.

	Note	2019 Rupees	2018 Rupees
25 ADMINISTRATIVE EXPENSES			
Directors' remuneration	30	285,400	278,400
Salaries and other benefits	25.1	3,906,347	3,180,555
Telephone expenses		79,813	88,697
Motor running expenses		449,489	427,339
Printing, stationery and periodicals		24,808	42,040
Rent		300,000	300,000
Rates and taxes		106,915	28,512
Advertisement		24,310	29,850
Traveling and conveyance		63,430	70,565
Entertainment		88,449	105,912
Subscription and membership fee		317,105	207,950
Depreciation	6.3	309,879	296,464
Donation	25.2	1,084,000	-
Other expenses		206,967	120,139
		<u>7,246,912</u>	<u>5,176,423</u>

- 25.1 Salaries and other benefits include Rs. 789,142 (2018: Rs. 202,203) in respect of staff retirement benefits.

- 25.2 Donations were not made to any donee in which any director of the Company or his spouse had any interest at any time during the year.

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	Note	2019 Rupees	2018 Rupees
26 OTHER OPERATING CHARGES			
Legal and professional expenses		123,780	162,610
Auditor's remuneration			
Statutory audit		260,000	225,000
Half yearly review		50,000	50,000
Fee for other certification		20,000	20,000
		330,000	295,000
Workers' Profit Participation Fund		346,940	414,183
Workers' Welfare Fund		198,044	157,389
Impairment loss		-	107,923
		<u>998,764</u>	<u>1,137,105</u>

27 OTHER INCOME

Income from non-financial assets

Scrap sales		319,662	113,013
Bank profit		4,957	1,470
Gain on sale of operating fixed asset - net		-	1,841,034
Liabilities written back	27.1	427,739	433,362
		<u>752,358</u>	<u>2,388,879</u>

27.1 This represents the long unclaimed outstanding balances payable to vendors written back with the approval of the Board.

	Note	2019 Rupees	2018 Rupees
28 FINANCIAL CHARGES			
Bank commission and charges		<u>3,353</u>	<u>1,993</u>

29 TAXATION

Provision for taxation			
Current		6,196,233	4,962,422
Prior years'			
- Tax on undistributed profits	29.2	577,480	-
- Prior year		(136,340)	-
		441,140	-
Deferred		(959,996)	(1,201,856)
		<u>5,677,377</u>	<u>3,760,566</u>

- 29.1 Numerical reconciliation between applicable tax rate and average effective tax rate has not been prepared as the Company was subject to minimum tax in the current year and prior year.
- 29.2 This represents tax on undistributed profits for the year ended June 30, 2018 under section 5A of Income Tax Ordinance, 2001.

Under section 5A of the Income Tax Ordinance, 2001, every public company is obliged to pay tax at the rate of 5% (2018: 7.5%) on its accounting profit before tax if it derives profit for a tax year but does not distribute at least 20% (2018: 40%) of its after tax profits within six months of the end of the tax year through cash.

The Company has reported profit after tax for Tax Year 2018 and the requisite dividend has not been distributed by the year end, therefore, the Company has accounted for tax at the rate of 7.5% of its accounting profit before tax for the year ended June 30, 2018 as prior year charge.

- 29.3 The applicable income tax rate for subsequent years beyond Tax Year 2019 was retained at 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2019. Therefore, deferred tax is computed at the rate of 29% applicable to the period when temporary differences are expected to be reversed / utilised.

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30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2019			2018				
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
(Rupees)								
Managerial remuneration	278,400	-	-	278,400	278,400	-	-	278,400
Bonus	-	-	-	-	-	-	-	-
Staff retirement benefits	-	-	-	-	-	-	-	-
Medical	-	-	-	-	10,130	-	-	10,130
Utilities	29,669	-	-	29,669	20,447	-	-	20,447
Others	1,000	6,000	-	7,000	-	-	-	-
Total	309,069	6,000	-	315,069	308,977	-	-	308,977
Number of persons	1	6	-	7	1	6	-	7

- b) The aggregate amount charged in the financial statements for remuneration, including all benefits to Executive directors and Non executive directors of the Company is as follows:

	2019			2018		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
(Rupees)						
Managerial remuneration	309,069	-	309,069	308,977	-	308,977
Number of persons	2	5	7	2	5	7

- c) No remuneration / benefits were paid to the non executive directors during the current year and preceding financial years.

31 EARNING PER SHARE - BASIC AND DILUTED

	2019 Rupees	2018 Rupees
Profit after taxation	<u>716,445</u>	<u>3,939,170</u>
	Number of shares	
Weighted average number of ordinary shares at the end of the year	<u>1,300,000</u>	<u>1,300,000</u>
	Rupees	
Earning per share - basic and diluted	<u>0.55</u>	<u>3.03</u>

There is no dilutive effect on the basic earnings per share of the Company.

32 TRANSACTIONS WITH RELATED PARTIES

- 32.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve advance for working capital requirements. These transactions are as follows:

			2019 Rupees	2018 Rupees
Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances		
International Beverages (Private) Limited	Associated company by virtue of common directorship	Payment made against balance due to associated undertaking	3,850,000	500,000
		Amount payable at year end	<u>5,566,077</u>	<u>9,416,077</u>
Taj Mills Limited	Associated company by virtue of common directorship	Office Rent paid / payable	300,000	300,000
		Amount payable at year end	<u>-</u>	<u>-</u>

			2019 Rupees	2018 Rupees
Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances		
Mahboob Elahi	Director	Loan received	2,500,000	-
		Amount payable at year end	53,775,546	51,275,546
Mahfooz Elahi	Chief Executive	Adjustment / repayment of long term loan	(550,000)	(350,000)
		Amount payable at year end (Loan obtained previously)	15,432,000	15,982,000
Mahmood Elahi	Director	No transaction	-	-
		Amount payable at year end (Loan obtained previously)	5,175,000	5,175,000

32.2 Compensation to key management personnel

The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 30)". There are no transactions with key management personnel other than under their terms of employment.

32.3 The status of outstanding balances of related parties as at June 30, 2019 are included in "Long/short term loan from directors" (note 17 and 20) and "Due to associated undertaking" (note 19).

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33 FINANCIAL ASSETS AND LIABILITIES

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows: -

2019				
Total	Interest/mark up bearing		Sub-total	Not interest /mark up bearing
	Maturity up to one year	Maturity after one year Rupees		
Financial assets				
At amortized cost				
Long term security deposits	918,810	-	-	918,810
Trade debts	3,737,029	-	-	3,737,029
Loans and advances	2,574,508	-	-	2,574,508
Cash and bank balances	18,152,507	13,627,049	-	13,627,049
	25,382,854	13,627,049	-	13,627,049
Financial liabilities				
At amortized cost				
Current portion of long term loan from directors	66,782,547	-	-	66,782,547
Short term loan from directors	7,600,000	-	-	7,600,000
Provision for gratuity	11,389,546	-	-	11,389,546
Due to associated undertaking	5,566,077	-	-	5,566,077
Trade and other payables	9,207,059	-	-	9,207,059
Unclaimed dividend	248,165	-	-	248,165
	100,793,394	-	-	100,793,394
On balance sheet gap	(75,410,540)	13,627,049	-	13,627,049
Off balance sheet items				
Financial commitments:	-	-	-	-
Total Gap	(75,410,540)	13,627,049	-	13,627,049
				(89,037,589)

	Total	2018		Sub-total	Not interest /mark up bearing
		Interest/mark up bearing			
		Maturity up to one year	Maturity after one year Rupees		
Financial assets					
At amortized cost					
Long term security deposits	918,810	-	-	-	918,810
Trade debts	4,598,298	-	-	-	4,598,298
Loans and advances	2,143,428	-	-	-	2,143,428
Cash and bank balances	9,694,345	4,298,445	-	4,298,445	5,395,900
	17,354,881	4,298,445	-	4,298,445	13,056,436
Financial liabilities					
At amortized cost					
Current portion of long term loan from directors	67,332,547	-	-	-	67,332,547
Short term loan from directors	5,100,000	-	-	-	5,100,000
Provision for gratuity	12,148,105	-	-	-	12,148,105
Due to associated undertaking	9,416,077	-	-	-	9,416,077
Trade and other payables	5,484,279	-	-	-	5,484,279
Unclaimed dividend	248,165	-	-	-	248,165
	99,729,173	-	-	-	99,729,173
On balance sheet gap	(82,374,292)	4,298,445	-	4,298,445	(86,672,737)
Off balance sheet items					
Financial commitments:	-	-	-	-	-
Total Gap	(82,374,292)	4,298,445	-	4,298,445	(86,672,737)

Effective interest rates are mentioned in the respective notes to the financial statements.

Below

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

- 34.1 The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes currency risk, interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

34.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets of Rs. 25.382 million (2018: Rs. 17.354 million), the financial assets which are subject to credit risk amounted to Rs. 25.349 million (2018: Rs. 17.022 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2019 Rupees	2018 Rupees
Long term security deposits	918,810	918,810
Trade debts	3,737,029	4,598,298
Loans and advances	2,574,508	2,143,428
Bank balances	18,118,942	9,361,712
	<u>25,349,289</u>	<u>17,022,248</u>

The aging of trade debts at the reporting date is as follows:

Past due 1-30 days	2,475,389	3,433,145
Past due 30-90 days	1,214,311	859,822
Past due 90 days	47,329	305,331
	<u>3,737,029</u>	<u>4,598,298</u>

Advised

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The ratings of banks range from A to AAA.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

During the year no assets have been impaired.

34.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. 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 stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
	Rupees						
2019							
Deferred liabilities	11,389,546	11,389,546	-	-	-	-	11,389,546
Long term loan							
from directors	66,782,547	66,782,547	-	66,782,547	-	-	-
Short term loan							
from directors	7,600,000	7,600,000	-	7,600,000	-	-	-
Due to associated undertaking	5,566,077	5,566,077	-	5,566,077	-	-	-
Trade and other payables	12,687,560	12,687,560	6,343,780	6,343,780	-	-	-
Unclaimed dividend	248,165	248,165	-	248,165	-	-	-
	104,273,895	104,273,895	6,343,780	86,540,569	-	-	11,389,546

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
				Rupees			
2018							
Deferred liabilities	12,148,105	12,148,105	-	-	-	-	12,148,105
Long term loan							
from directors	67,332,547	67,332,547	-	67,332,547	-	-	-
Short term loan							
from directors	5,100,000	5,100,000	-	5,100,000	-	-	-
Due to associated undertaking	9,416,077	9,416,077	-	9,416,077	-	-	-
Trade and other payables	9,808,499	9,808,499	4,904,250	4,904,250	-	-	-
Unclaimed dividend	248,165	248,165	-	248,165	-	-	-
	104,053,393	104,053,393	4,904,250	87,001,039	-	-	12,148,105

34.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(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 arise in financial instruments that are denominated in foreign currencies i.e. in a currency other than the functional currency in which they are measured.

Presently the Company is not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short borrowings. At the statement of financial position date, the interest rate profile of the Company's interest bearing financial instrumnets is as follows:

	2019	2018	2019	2018
	Rates		Carrying amount	
	In Percent		----- Rupees -----	
Financial assets				
Bank balances	0.02 to 0.06	0.02 to 0.06	13,627,049	4,298,445
<i>Adocw.</i>				

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increase / (decrease) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.

	Profit and loss (post tax)	
	100 bps increase	100 bps decrease
	----- Rupees -----	
As at June 30, 2019		
Cash flow sensitivity - Variable rate financial assets	<u>95,389</u>	<u>(95,389)</u>
As at June 30, 2018		
Cash flow sensitivity - Variable rate financial assets	<u>30,089</u>	<u>(30,089)</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(iii) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At the year end the Company is not exposed to price risk since there are no financial instruments whose fair value or future cash flows will fluctuate because of changes in market prices.

35 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

per page

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

As of the reporting date, none of the financial instruments of the Company are carried at fair value.

The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

- 35.1 The Company has revalued its freehold land, buildings and plant and machinery on December 31, 2017. Fair value of property plant and equipment are based on the valuations carried out by an independent valuer M/s Asrem (Private) Limited on the basis of market value.
- 35.2 Fair value of land and building are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery are considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

Valuation techniques used to derive level 2 fair values - Land and Building

Fair value of land and building has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

Valuation techniques used to derive level 3 fair values - Plant and Machinery

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Make, model, country of origin and etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

Asrem

The valuation is considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation is the current replacement cost which is adjusted for factors above.

- 35.3 A reconciliation from opening balances to closing balances of fair value measurements categorised in level 3 is provided below:

	2019 Rupees	2018 Rupees
Opening balance (level 3 recurring fair values)	26,743,799	22,357,140
Additions - Cost	956,500	1,611,791
Revaluation surplus during the year	-	7,847,768
Reversal of revaluation surplus	-	(869,727)
Impairment loss	-	(107,923)
Disposals (NBV)	-	(1,547,937)
Depreciation charge	(2,703,763)	(2,547,313)
Closing balance (level 3 recurring fair values)	<u>24,996,536</u>	<u>26,743,799</u>

There were no transfers between levels 2 and 3 for recurring fair value measurements during the year.

- 35.4 Had there been no revaluation, the net book value of the specific classes of operating assets have been disclosed in note 6.
fewer

36 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to "All Shares Islamic Index".

		June 30, 2019 Rupees	June 30, 2018 Rupees
Description	Explanation		
Loans and advances	Non-interest bearing	-	-
Deposits	Non-interest bearing	-	-
Segment revenue	The Company has only one segment	-	-
Bank balances as at June 30,	Placed under interest arrangement Placed under Shariah permissible	- 13,627,049	- 4,298,445
Income on bank deposits	Placed under interest arrangement Placed under Shariah permissible	- -	- -
Gain/(loss) on available-for-sale investments		-	-
Dividend income		-	-
All sources of other income	Disclosed in note 27	752,358	2,388,879
Exchange gain	Earned from actual currency	-	-
Relationship with banks having Islamic windows	Meezan Bank Limited	-	-

There is no other bank balance / investments which carry any interest or markup arrangements.

37 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitors the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

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	2019 Numbers	2018 Numbers
38 PLANT CAPACITY, PRODUCTION AND EMPLOYEES		
No. of spindles installed	8,388	7,968
Installed capacity converted into 20's count lbs.	6,601,618	6,271,065
Actual production converted into 20's count lbs.	4,334,700	4,218,900
Actual production in lbs.	4,247,800	4,148,400
Average count manufactured	20	20
No. of shifts worked daily	2	2

38.1 Reasons for under utilization of capacity

The Company could not achieve the installed capacity due to excessive electricity shut down which resulted in decrease in one production shift.

39 NUMBER OF EMPLOYEES

	2019 Numbers	2018 Numbers
Total number of employees		
At June 30,	275	259
Average during the year	268	261

40 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and for better presentation. However, no significant reclassification has been made during the year.

41 SUBSEQUENTS EVENTS

Subsequent to the year ended June 30, 2019, the board of directors have proposed cash dividend for the year ended June 30, 2019 of Rs. 0.5 per share, amounting to Rs. 650,000 at their meeting held on September 27, 2019 for approval of the members at Annual General Meeting to be held on October 26, 2019.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 27 SEP 2019

43 GENERAL

Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

THE COMPANIES ACT, 2017
(Section 227(2)(f))
PATTERN OF SHAREHOLDING

1.1 Name of the Company **ELAHI COTTON MILLS LIMITED**

2.1. Pattern of holding of the shares held by the shareholders as at

30-06-2019

-----Shareholdings-----

2.2 No. of Shareholders	From	To	Total Shares Held
38	1	100	1,043
24	101	500	9,873
34	501	1,000	21,992
22	1,001	5,000	42,580
2	5,001	10,000	16,000
1	15,001	20,000	19,244
1	70,001	75,000	73,500
1	150,001	155,000	152,743
1	195,001	200,000	199,625
1	200,001	205,000	200,200
1	560,001	565,000	563,200
126			1,300,000

2.3 Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	1,063,369	81.7976%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	0	0.0000%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Share holders holding 10% or more	1,115,868	85.8360%
2.3.8 General Public		
a. Local	83,888	6.4529%
b. Foreign	0	0.0000%
2.3.9 Others (to be specified)		
Joint Stock Companies	152,743	11.7495%

ELAHI COTTON MILLS LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As at June 30, 2019

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

- -

Directors and their Spouse and Minor Children (Name Wise Detail):

1	MR. MAHBOOB ELAHI	563,200	43.3231
2	MR. MAHFOOZ ELAHI	199,675	15.3596
3	MR. MAHMOOD ELAHI	200,250	15.4038
4	SH. FARRUKH AHMED	2,500	0.1923
5	MR. NAVEED AKHTER IDREES	2,500	0.1923
6	SYED MUHAMMAD RAUNAQ-UD-DIN	2,500	0.1923
7	MR. AHMED SHAFFI	19,244	1.4803
8	MRS. SAMINA BEGUM W/O MAHBOOB ELAHI	73,500	5.6538

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance

- -

Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:

Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)

1	MR. MAHBOOB ELAHI	563,200	43.3231
2	MR. MAHMOOD ELAHI	200,250	15.4038
3	MR. MAHFOOZ ELAHI	199,675	15.3596
4	SALIM SOZER SECURITIES (PVT) LTD.	152,743	11.7495
5	MRS. SAMINA BEGUM W/O MAHBOOB ELAHI	73,500	5.6538

All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:

Sr. No.	Name	Sale	Purchase
	NIL	-	-

Folio No.	CDC Account No.	
	Participant I. D.	Account No.

PROXY FORM

I/We _____ of _____ being a member/members of
ELAHI COTTON MILLS LIMITED hereby appoint _____ (name)
of _____ (Full address) or failing him/her
_____ (name) of _____

_____ (Full address) another member of
the company as my/our proxy to attend and vote for me/us and on my/our behalf, at the 49th Annual General
Meeting of the company to be held at registered office of the Company at Plot # 270, Sector I-9, Industrial Area,
Islamabad on Saturday October 26, 2019 at 10.30 or at any adjournment thereof.

Signed this _____ day of _____ in the presence of
the following witnesses

Signature on Rupees Five
Revenue Stamp
(Signature should agree with the
specimen signature registered with
the company)

Signature
Witness 1
Name _____
CNIC No. _____
Address _____

Signature
Witness 2
Name _____
CNIC No. _____
Address _____

Important

1. A member entitled to attend and vote at this Annual General Meeting of the company may appoint another member as proxy to attend and vote instead of him / her. No person shall act as proxy, who is not a member.
2. The instrument appointing a proxy should be signed by the member (s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. This Proxy Form, duly completed, must be deposited at the company's Registered Office, at Plot # 270, Sector I-9, Industrial Area, Islamabad, not less than 48 hours before the time of holding the meeting.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted along-with this Proxy.

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر
	-	

پراکسی فارم

میں رہم ساکن بحیثیت ممبر الٹی کاٹن ملز لمیٹڈ مسی / اسمت (مکمل پتہ)
پراکسی کے غیر حاضر ہونے کی صورت میں مسی / اسمت ساکن (مکمل پتہ) کو بطور مجری (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری غیر موجودگی میں میری طرف سے کمپنی کے انچاسویں سالانہ اجلاس عام، جو کہ مورخہ ۲۶ اکتوبر ۲۰۱۹ء کو پاکستانی اور ملٹوی شدہ تاریخ پر کمپنی کے رجسٹرڈ دفتر واقع ۷۰ میکینکس آئی ٹائن انڈسٹریل ایریا، اسلام آباد پر منعقد ہوگا، میں شرکت کرے یا ووٹ ڈالے۔
دستخط منظور کنندہ بتاریخ رو برومندرجہ ذیل گواہان

دستخط (دروپ کے ریونیو سٹیپ پر) تاریخ

گواہان:

دستخط	دستخط
۱۔ نام	۱۔ نام
۲۔ شناختی کارڈ نمبر	۲۔ شناختی کارڈ نمبر
۳۔ پتہ	۳۔ پتہ

نوٹس:








- ۱۔ وہ رکن جسے اجلاس میں شریک ہونے کا حق حاصل ہے وہ کسی ناگزیر صورت حال میں اپنی جگہ دوسرے ممبر کو یہ حق دے سکتا ہے کہ وہ اس کی جگہ اجلاس میں شرکت کر سکتا ہے اور ووٹ کا اندراج کر سکتا ہے۔ کوئی بھی ایسا شخص پراکسی مقرر نہیں ہو سکتا جو کہ غیر متحرک ہو۔
- ۲۔ وہ رکن جو پراکسی مقرر کرے گا اس کے اپنے دستخط یا مجاز انٹرنی کے دستخط ہونا لازمی ہیں اور کارپوریٹ ادارہ ہونے کی صورت میں کمپنی کی (common seal) مخصوص مہر ثبت ہونی چاہیے۔
- ۳۔ پراکسی موثر ہونے کے لیے ہمارے رجسٹرڈ آفس میں اجلاس سے کم از کم ۴۸ گھنٹے قبل موصول ہونا لازمی ہے۔ فارم میں درج تمام معلومات کا اندراج ضروری ہے۔
- ۴۔ پراکسی اپنے ہمراہ اپنا اصل شناختی کارڈ / پاسپورٹ لے کر آئے تاکہ اس کی شناخت ہو سکے۔
- ۵۔ انفرادی رکن کی صورت میں اصل مالک اور پراکسی کے شناختی کارڈ / پاسپورٹ کی تصدیق شدہ فتول منسلک کرنا ضروری ہے۔
- ۶۔ کارپوریٹ پراکسی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد، پاور آف اٹارنی، شناختی کارڈ / پاسپورٹ کی تصدیق شدہ فتول منسلک کرنا لازمی ہے۔










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