

**ELAHI COTTON
MILLS LIMITED**

50th

*Annual Report
2020*

COMPANY'S INFORMATION

BOARD OF DIRECTORS

MAHBOOB ELAHI
MAHFOOZ ELAHI
MAHMOOD ELAHI
AHMED SHAFFI
FARRUKH AHMED
M. AZEEM AFZAL HASHMI
SAMINA BEGUM

CHAIRMAN

MAHBOOB ELAHI

CHIEF EXECUTIVE

MAHFOOZ ELAHI

AUDIT COMMITTEE

FARRUKH AHMED
MAHBOOB ELAHI
AHMED SHAFFI

HRR COMMITTEE

MAHMOOD ELAHI
M. AZEEM AFZAL HASHMI
FARRUKH AHMED

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,
I-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, 2019.

Further, the Board during the year ended 30 June 2020 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 members of the Board. 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 three Directors of the Company are exempt from Directors Training Programme due to their qualification and experience and that the SECP has granted exemption to three Directors. One Director has taken certification under the Directors Training Program and the remaining 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 28, 2020

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ELAHI COTTON MILLS LIMITED

NOTICE OF 50TH
ANNUAL GENERAL MEETING

Notice is hereby given that 50th 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, 2020 at 09.30 a.m. to transact the following business:-

1. To Confirm the minutes of the 49th 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, 2020.
3. To appoint Auditors of the Company for the next financial year and to fix their remuneration.
4. To transact any other ordinary business of the Company with the prior permission of the Chairman.

BY ORDER OF THE BOARD

Islamabad,
September 28, 2020.


(MAHFOOZ ELAHI)
Chief Executive

NOTES:

1. The Share Transfer Books of the Company will be closed from October 20, 2020 to October 26, 2020 (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, 2020 will be treated in time for attending the Annual General Meeting. The Company shall arrange all protective measures to the participant in this AGM.
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. 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, 2020 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.
6. 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, 2020 have been placed on the Company's website: www.elahicotton.com for the information, download and review of shareholders.
7. 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 Folio/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 50th Annual Report which includes the audited financial statements of the Company together with the auditors' report thereon for the year ended June 30, 2020.

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. 436.156 million as compared to Rs. 503.031 million in the preceding year showing decrease of Rs. 66.875 million (13.29 %) whereas the cost of sales decreased from Rs. 489.140 million to Rs. 415.323 million showing decrease of Rs. 73.817 million (15.09%). The Company earned gross profit of Rs. 20.833 million as compared to gross profit of 13.890 million. The decrease in turnover as compared to previous year is due to suspension of operations during lockdown period from March 27, 2020 to May 31, 2020. The financial results of the Company for the year under review are as under:

	<u>RUPEES IN MILLION</u>
Sales	436.156
Cost of Sales	415.323
Gross Profit	20.833
Administrative expenses	7.973
Other operating expenses	1.458
Other income	0.682
Financial Charges	0.052
Profit before taxation	12.033
Provision for taxation	5.628
Profit after taxation	6.404
Earning per share (Rs.)	4.93

The Company earned profit before taxation of Rs. 12.033 million as compared to profit of Rs. 6.394 million in the last year and profit after taxation of Rs. 6.404 million as compared to profit of Rs. 0.716 million. The increase in profitability is due to increase in the rates of finished goods and decrease in the rates of raw material. 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 could not make payment of current portion of loan from Directors and Associated Undertaking of Rs. 68.848 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. 44.840 million. The Company has accumulated loss of Rs. 58.480 million that exceeds the issued, subscribed and paid up capital by Rs. 45.480 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. 12.033 million and net profit after taxation amounting to Rs. 6.404 million. Accumulated loss has been reduced from Rs. 66.292 million to Rs. 58.480 million. The current ratio of the Company has also improved as compared to previous year. The Company generated cash amounting to Rs. 15.343 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 do not recommend any cash dividend/bonus shares to the shareholders due to accumulated loss and outstanding debts.

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, 2021.

Shareholders:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2020 is annexed herewith.

Future Prospects and Outlook:

The Management expects the coming year to be a favourable as the prices of finished goods presently seems to be better. However it also depends upon the restoration of electric tariff policy as applicable in the last fiscal year and stability in the rate of dollar.

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, 2020 consists of:

Total number of Directors:			
	Male	6	
	Female	1	
Composition:			
(i)	Independent Directors	2	Ahmed Shaffi, M. Azeem Afzal Hashmi
(ii)	Non-executive Directors	2	Mahboob Elahi, Farrukh Ahmed,

- (iii) Executive Directors
- (iv) Female Director

- 2 Mahfooz Elahi, Mahmood Elahi
- 1 Samina Begum

Committees of the Board

The names of Members of Board Committees are as under:

Audit Committee:

- (i) Farrukh Ahmed
- (ii) Mahboob Elahi
- (iii) Ahmed Shaffi

Human Resources & Remuneration Committee:

- (i) Mahmood Elahi
- (ii) Farrukh Ahmed
- (iii) M. Azeem Afzal Hashmi

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) Ten meetings of the Board of Directors, six meetings of the Audit Committee and two 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	9	6	N/A
Mr. Mahfooz Elahi	10	N/A	N/A
Mr. Mahmood Elahi	10	N/A	2
Mr. Naveed Akhter	5	3	0
Mr. Farrukh Ahmed	10	6	2
Syed Muhammad Raunaq ud din	2	N/A	0
Mr. Ahmed Shaffi	4	5	N/A
M. Azeem Afazl Hashmi	4	N/A	2
Mrs. Samina Begum	3	N/A	N/A

- m) Three 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 directors 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 28, 2020

مالی کاشن ملزملیڈ

ممبرز کوڈائزیکٹرز کی سالانہ رپورٹ

کمپنی کے ڈائریکٹرز پچاسویں سالانہ رپورٹ اور آڈٹ شدہ کمپنی کے حسابات بشمول آڈیٹر رپورٹ مختصرہ جون ۲۰۲۰ء پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج:-

کمپنی کا بنیادی کام ٹرانسپورٹیشن کا دھماکا ہے۔ اس سال کے دوران کمپنی نے 436.156 ملین روپے کا کاروبار کیا جبکہ گزشتہ سال 503.031 ملین روپے تھا جو کہ 66.875 ملین روپے (13.29%) کی کمی ظاہر کر رہا ہے۔ فروخت کے اخراجات 489.140 ملین روپے سے کم ہو کر 415.323 ملین روپے ہو گئے جو کہ 73.817 ملین روپے (15.09%) کی کمی ظاہر کر رہے ہیں۔ کمپنی کا مجموعی منافع 20.833 ملین روپے رہا جبکہ گزشتہ سال اسی دورانیہ کا مجموعی منافع 13.890 ملین روپے تھا۔ اس سال کاروبار میں پچھلے سال کی نسبت کمی کی وجہ لاک ڈاؤن ہے جس کی وجہ سے کاروبار مارچ ۲۰۲۰ء سے لے کر مئی ۲۰۲۱ء تک بند رہا۔ کمپنی کے موجودہ سال کے مالیاتی نتائج مندرجہ ذیل ہیں:

روپے (ملین)	
436.156	فروخت
415.323	فروخت کے اخراجات
20.833	مجموعی منافع
7.973	کاروباری اخراجات
1.458	دیگر کاروباری اخراجات
0.682	دیگر آمدنی
0.052	مالیاتی اخراجات
12.033	فصلی انٹرنس منافع
5.628	ٹیکس کی پیش بینی
6.404	بعد از ٹیکس منافع

آمدنی فی حصص

کمپنی کو 12.033 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا جبکہ اسی دورانیہ میں گزشتہ سال 6.394 ملین روپے منافع ہوا اور ٹیکس کی ادائیگی کے بعد 6.404 ملین روپے منافع ہوا جبکہ گزشتہ برس 0.716 ملین روپے منافع تھا۔ کمپنی کے منافع میں اضافے کی وجہ تیار مال کی قیمتوں میں اضافہ اور خام مال کی قیمتوں میں کمی ہے۔ مسلسل بجلی کے بحران کی وجہ سے کمپنی کو پورا سال ایک شفٹ بند رکھنا پڑی اور مل سو فیصد کارکردگی نہ دکھائی۔ اس سال کمپنی مالی مشکلات کی وجہ سے قرض کے موجودہ واجب الادا حصہ ملٹ 68.848 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 44.840 ملین روپے سے تجاوز کر گئی ہیں۔ کمپنی کا کل خسارہ 58.480 ملین روپے ہے جو کہ اس کے جاری شدہ، ادا شدہ سرمایہ سے 45.480 ملین روپے زیادہ ہے۔ یہ حالات کمپنی کے جاری رہنے پر شکوک و شبہات کا اظہار کرتے ہیں۔

اس سال کے دوران کمپنی کو 12.033 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا اور ٹیکس کی ادائیگی کے بعد 6.404 ملین روپے منافع ہوا مجموعی خسارہ 66.292 ملین روپے سے کم ہو کر 58.480 ملین روپے ہوا ہے۔ کمپنی کا موجودہ تناسب گزشتہ سال کے مقابل بڑھا ہے۔ کمپنی نے اپنی ملٹی ہوتی سرگرمیوں سے اپنی نقد ضروریات پورا کرنے کے بعد 15.343 ملین روپے کی کش جزیٹ کی ہے۔ انتظامیہ پوری کوشش کر رہی ہے کہ وہ ان اثرات کو اپنی کارکردگی اور بہتر مارکیٹنگ سے کم از کم کرے۔ سپائر ڈائریکٹرز کمپنی سے مسلسل مالی تعاون کر رہے ہیں مستقبل قریب میں انتظامیہ کا نہ تو ارادہ کمپنی کو ختم کرنے کا ہے اور نہ ہی پیداداری سرگرمیاں بند کرنے کا ہے لہذا وہ پرمز میں ہیں کہ کمپنی انتظامیہ کی بھرپور کوشش سے جاری و ساری رہے گی۔

منافع:- کمپنی کے ڈائریکٹرز رواں سال مجموعی خسارے اور واجب الادا قرضے کی وجہ سے کسی بھی قسم کے ڈیویڈنڈ کی سفارش نہیں کرتے۔

محاسب:- موجودہ محاسب بی ڈی ادا رہا ایم 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 مختصرہ جون ۲۰۲۱ء میں برقرار رکھنے کی تجویز دی ہے۔

شیئر ہولڈنگ:- کمانڈروں کی فہرست مطابق ۳۰ جون ۲۰۲۰ء منسلک ہے۔

مستقبل پر ایک نظر:- انتظامیہ آنے والے سال کو مثبت سمجھتی ہے کیونکہ تیار مال کی قیمت میں اس وقت بہتری ہے۔ تاہم یہ پچھلے مالی سال میں قابل اطلاق الیکٹرک میٹروپولیسی کی بحالی اور ڈالر کی شرح میں استحکام پر منحصر ہے۔

کارپوریٹ سماجی ذمہ داری (CSR):- کمپنی اپنی روزمرہ کی کاروباری سرگرمیوں میں مجموعی سماجی ذمہ داری کے ساتھ پرمز ہے۔ (سی ایس آر) ایک اہم حصہ ہے جو ہم ہیں اور ہم کس طرح کام کرتے ہیں۔ ہم اپنی کامیابی کی پیمائش 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 لیے 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 عملی اعتبار کی جائے تو حادثات سے بچا جاسکتا ہے۔ ملازمین کے لئے کام کرنے کے محفوظ، صحت مند اور آرام دہ حالات کی فراہمی کے لیے مسلسل کوشاں ہے۔ ہم تمام واقعات اور حادثات کی تہیک پتہ چنے کے لئے عملی 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 لیے اقدامات جاری رکھیں گے۔ ہماری پیداداری مہولیات کسی قسم کا نقصان دہ مواد خارج نہیں کرتی۔

اندرونی مالیاتی کنٹرول:- بورڈ نے کاروبار کے منظم اور موثر طرز عمل کو یقینی بنانے، اپنے اجاثوں کی حفاظت، دھوکہ دہی اور غلطیوں کی روک تھام، کمپنی کے محکمہ اکاؤنٹ کے ریکارڈ کی درستگی اور بروقت مالیاتی گوشواروں کی تیاری کے لیے مؤثر پالیسیوں اور طریقہ کار کو اپنایا ہے۔ کمپنی کا اندرونی آڈٹ ڈیپارٹمنٹ باقاعدگی سے آڈٹ کرتا ہے۔

بورڈ کی ساخت:- ۳۰ جون ۲۰۲۰ تک بورڈ آف ڈائریکٹرز مندرجہ ذیل پر مشتمل ہے:

کل تعداد:	مرد	عورت	مقامی
۶	۱	۱	۱
۲	۲	۲	۲
۲	۲	۲	۲
۲	۲	۲	۲
۱	۱	۱	۱

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

آڈٹ کمیٹی:-

- ۱۔ جناب محبوب الہی
- ۲۔ جناب فرخ احمد
- ۳۔ جناب احمد شفیع

انسانی وسائل اور معاوضہ کمیٹی:-

- ۱۔ جناب محمود الہی
- ۲۔ جناب فرخ احمد
- ۳۔ جناب عظیم افضل ہاشمی

ڈائریکٹران معاوضہ کی اہم خصوصیات:- بورڈ ڈائریکٹران نے ایچ آر اینڈ آر کمیٹی کی جانب سے پیش کردہ انتظامی اور غیر انتظامی ڈائریکٹران کے لیے ایک باضابطہ پالیسی کی منظوری دی ہے۔ جیسا کہ پالیسی کے مطابق کمپنی اپنے آزاد اور غیر انتظامی ڈائریکٹران بورڈ اور کمیٹی کے اجلاس میں شرکت کی فیس کے علاوہ اور کوئی معاوضہ ادا نہیں کرے گی۔ انتظامی اور غیر انتظامی ڈائریکٹران 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۔ مسابقتی رہنے کے لئے اور پائیدار کامیابی کو یقینی بنانے کے لیے خطرات لینا بہت اہم ہے۔ ہمارا خطرے 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

پولیسٹری فراہمی اور قیمت:- مقامی اور بین الاقوامی مارکیٹوں میں پولیسٹری 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 مینوفیکچرنگ 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 اس کے تجارتی قرضوں سے متعلق نقصانات کا خطرہ اس کے ٹریڈ ڈسک 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۔

لیکچوریٹ رسک:- سپلائرز ڈائریکٹران 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۔ کارپوریٹ گورننس:- کمپنی کے ڈائریکٹران انتہائی سرعت 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 افحال کے نتائج برسرِ ایلانڈر قوم اور حصص میں رد و بدل 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 معقولیت 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 مفوض ہے اور نوٹرو طور پر عمل درآمد اور نگرانی کی جاتی ہے۔
- ۶۔ انتظامیہ نے کمپنی کو جاری و ساری رکھنے کیلئے ایک نوٹرو منصوبہ بندی کر رکھی ہے۔
- ۷۔ کارپوریٹ 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 تبدیلی اور ان کی وجوہات بیان کر دی گئی ہیں۔
- ۹۔ گزشتہ چھ سال کا مالیاتی گوشوارہ منسلک ہے۔
- ۱۰۔ اکاؤنٹس کے نوٹس میں درج کردہ ادائیگیوں کے علاوہ ٹیکس و غیرہ کی کوئی قانونی ادائیگیاں ذرا نوا نہیں ہیں۔
- ۱۱۔ کمپنی ایک ان فنڈ گریجویٹ سیم جاری 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 دس اجلاس، آڈٹ کمیٹی کے چھ اجلاس اور ایچ آر آر کمیٹی کے دوا اجلاس منعقد کئے گئے ہیں۔ ہر ڈائریکٹر کی حاضری اس طرح رہی:

نام ڈائریکٹر	بورڈ میٹنگ	آڈٹ کمیٹی میٹنگ	ایچ آر آر میٹنگ
جناب محبوب الہی	۹	۶	-
جناب محفوظ الہی	۱۰	-	-
جناب محمود الہی	۱۰	-	۲
جناب نوید اختر	۵	۳	-
جناب فرخ احمد	۱۰	۶	۲
سید محمد رفیق الدین	۲	-	-
جناب احمد شفیع	۳	۵	-
جناب عظیم افضل ہاشمی	۳	-	۲
سر شمیمہ بیگم	۳	-	-

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

۱۴۔ کوڈ آف کارپوریٹ گورننس کے مطابق حصص یافتگی کا انداز 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 شفاف کے مابین تعلقات نہایت خوشگوار ہے۔ میں اور ساتھی ڈائریکٹرز شفاف ممبر ڈکوائپنی ذمہ داریاں احسن طریقہ سے انجام دینے پر مہمیت کا اظہار کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

Mahmud E. Anwar

محمود الہی
(ڈائریکٹر)

Mahmud E. Anwar
محفوظ الہی
(چیف ایگزیکٹو)

اسلام آباد
۲۸ جنوری ۲۰۲۰ء

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE)
FOR THE YEAR ENDED JUNE 30, 2020

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: 6 b Female: 1

- 2 The composition of board is as follows:

Category	Names
Independent Directors	Ahmed Shaffi, M. Azeem Afzal Hashmi
Executive Directors	Mahfooz Elahi, Mahmood Elahi
Non-Executive Directors	Mahboob Elahi, Farrukh Ahmad
Female Director	Samina Begum

Fractional figures on account of Independent Directors and Executive Directors have been rounded off to the nearest digit.

- 3 The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this company.
- 4 The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5 The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. 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 the 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 Three Directors of the Company are exempt from Directors Training Program due to their qualification and relevant experience and SECP has granted exemption to these three Directors. One Board member has attained certification of Directors Training Program. The remaining Directors 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

b) Human Resource and Remuneration Committee;

- M. Azeem Afzal Hashmi– Chairman
- Mahmood Elahi – Member
- Farrukh Ahmed – 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: -
- 3rd Quarter: -
- 4th Quarter: 2 meetings.

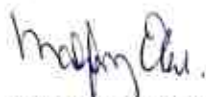
15 The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

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 requirements of regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with; and

ON BEHALF OF THE BOARD



(MAHFOOZ ELAHI)
Chief Executive



(MAHMOOD ELAHI)
Director

Islamabad.
September 28, 2020

ELAHI COTTON MILLS LIMITED

LAST SIX YEARS AT A GLANCE

PARTICULARS	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
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)	129,465,424	133,020,393	90,645,274	94,371,045	97,401,104	100,281,359
Accumulated depreciation	13,826,943	86,144,198	84,727,566	81,231,098	77,246,989	72,951,834
Long term investment	--	--	--	--	--	--
Current assets	38,053,231	33,872,243	27,278,616	25,171,495	22,016,109	17,887,760
Current Liabilities	93,949,275	92,055,774	94,260,651	92,618,996	88,812,079	10,974,549
Income						
Sales	503,030,973	395,284,245	320,825,272	283,618,449	288,805,082	301,384,062
Other Income	752,358	2,388,879	1,273,500	87,637	312,314	119,287
Gross profit / (loss)	13,890,493	11,626,378	2,335,957	4,541,755	6,517,203	9,975,947
Pre tax profit / (loss)	6,393,822	7,699,736	(1,987,532)	(2,212,191)	1,411,310	5,133,726
Taxation (prior year)	441,140	--	(92,305)	(135,400)	(242,038)	--
Taxation (current year)	6,196,233	3,760,566	(2,443,848)	1,949,945	1,779,382	2,442,638
Profit/(loss) after taxation	716,445	3,939,170	(4,339,074)	(4,026,736)	(126,034)	2,691,088
Un-appropriated profit/(loss)	(66,292,141)	(69,462,716)	(76,677,660)	(73,963,389)	(71,943,701)	(73,671,288)

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Elahi Cotton Mills Limited** (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

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

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions 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, 2020.

ISLAMABAD

DATED: 28 SEP 2020

Bdo ebrahim & Co.

CHARTERED ACCOUNTANTS

Engagement Partner: Iffat Hussain

BDO Ebrahim & Co. Chartered Accountants

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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, 2020, 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, 2020 and of the profit and other comprehensive loss, 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

We draw attention to Note 1.2 in the financial statements which indicates that as of June 30, 2020, the Company's current liabilities exceeded its current assets by Rs. 44.840 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 45.480 million as at June 30, 2020 and accumulated losses as of that date amounted to Rs. 58.480. 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. Our opinion is not modified in respect of its matter.

Advised.

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 5.16 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

S. No	Key audit matters	How the matter was addressed in our audit
		receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers.
3.	Impact of COVID 19 on the financial statements	
	<p>Due to the COVID-19 situation and lockdown in the Pakistan since March 2020, business activity has been adversely affected. The Company factory and offices were closed that resulted in a decline in the Company's sales from March 2020 to June 2020. This affected the overall audit strategy.</p> <p>In relation to the accounting and reporting obligations, the management assessed the following significant areas for incorporating COVID-19 impact in the financial statements:</p> <ul style="list-style-type: none"> • expected credit losses (ECL) under IFRS 9, 'Financial Instruments'; • the net realizable value (NRV) of inventory under IAS 2, 'Inventories'; and • Going concern assumption used for the preparation of the financial statements. <p>Refer to note 42 of the financial statements.</p>	<p>Our audit procedures included evaluation of the impact of COVID-19 on the company and its financial statements.</p> <ul style="list-style-type: none"> • Obtained an overall understanding of the changes in financial reporting process and underlying controls in order to determine the audit strategy. • For record provided by the management, the original records were checked subsequently when the lockdown was relaxed; • Assessed the reasonableness of forward-looking factors under the COVID-19 situation used by management in preparing ECL model • Obtained the computation of NRV of inventory and checked its reasonableness • Evaluated management's going concern assessment by reviewing the approved future cash flow forecast and assessed whether going concern assumption is appropriate.

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.

Advised

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 *Balance*.

of that Ordinance instead of certain amount which is payable at the year end against balance of unpaid/unclaimed dividend at year end.

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

ISLAMABAD

DATED: 28 SEP 2020


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS


ELAHI COTTON MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	125,430,225	129,465,424
Operating fixed assets		918,810	918,810
Long term security deposits	7	2,614,508	2,368,508
Loans and advances		<u>128,963,543</u>	<u>132,752,742</u>
CURRENT ASSETS			
Stores, spares and loose tools	8	2,114,022	1,195,411
Stock in trade	9	12,896,840	13,474,254
Trade debts	10	4,619,018	3,737,029
Loans and advances	11	675,921	404,621
Short term prepayments		74,452	295,012
Tax refunds due from government	12	-	794,397
Taxation - net	13	371,515	-
Cash and bank balances	14	30,519,406	18,152,507
		<u>51,271,174</u>	<u>38,053,231</u>
TOTAL ASSETS		<u>180,234,717</u>	<u>170,805,973</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	13,000,000	13,000,000
Revaluation surplus on property, plant and equipment	16	106,235,835	108,328,237
Accumulated loss		(58,480,232)	(66,292,141)
		<u>60,755,603</u>	<u>55,036,096</u>
NON-CURRENT LIABILITIES			
Deferred liabilities	17	23,367,037	21,820,602
Long term loan from directors	18	-	-
		<u>23,367,037</u>	<u>21,820,602</u>
CURRENT LIABILITIES			
Taxation - net	13	-	1,064,926
Current portion of long term loan from directors	18	63,282,547	66,782,547
Due to associated undertaking	19	5,566,077	5,566,077
Short term loan from directors	20	9,100,000	7,600,000
Trade and other payables	21	17,895,782	12,687,560
Dividend payable	22	19,506	-
Unclaimed dividend	22	248,165	248,165
		<u>96,112,077</u>	<u>93,949,275</u>
CONTINGENCIES AND COMMITMENTS	23	-	-
TOTAL EQUITY AND LIABILITIES		<u>180,234,717</u>	<u>170,805,973</u>

The annexed notes from 1 to 46 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, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	24	436,156,028	503,030,973
Cost of sales	25	415,323,038	489,140,480
Gross profit		20,832,990	13,890,493
Administrative expenses	26	7,972,744	7,246,912
Other operating charges	27	1,457,900	998,764
		9,430,644	8,245,676
Operating profit		11,402,346	5,644,817
Other income	28	681,809	752,358
Financial charges	29	51,525	3,353
Profit before taxation		12,032,630	6,393,822
Taxation	30	(5,628,417)	(5,677,377)
Profit after taxation		6,404,213	716,445
Earning per share - basic and diluted	32	4.93	0.55

The annexed notes from 1 to 46 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, 2020

	Note	2020 Rupees	2019 Rupees
Profit after taxation		6,404,213	716,445
Other comprehensive income			
Items that will not be subsequently classified to profit or loss			
- (Loss)/gain on remeasurement of defined benefit liability	17.1	(34,706)	137,707
Total other comprehensive (loss)/income for the year		(34,706)	137,707
Total comprehensive income for the year		<u>6,369,507</u>	<u>854,152</u>

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 46 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, 2020

	Reserves			Total
	Share capital	Capital	Revenue	
	Issued, subscribed and paid-up capital	Revaluation surplus on property, plant and equipment	Accumulated loss	
Note				
		Rupees		
Balance as at July 01, 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
	-	-	854,152	854,152
Transfer from revaluation surplus on property, plant and equipment:				
- On account of incremental depreciation-net of deferred tax	16	(2,316,423)	2,316,423	-
Balance as at June 30, 2019	13,000,000	108,328,237	(66,292,141)	55,036,096
- Final dividend for the year ended June 30, 2019 at the rate Rs. 0.5 per share	-	-	(650,000)	(650,000)
Total comprehensive income for the year ended June 30, 2020				
Profit for the year	-	-	6,404,213	6,404,213
Other comprehensive loss for the year	-	-	(34,706)	(34,706)
	-	-	6,369,507	6,369,507
Transfer from revaluation surplus on property, plant and equipment:				
- On account of incremental depreciation-net of deferred tax	16	(2,092,402)	2,092,402	-
Balance as at June 30, 2020	13,000,000	106,235,835	(58,480,232)	60,755,603

The annexed notes from 1 to 46 form an integral part of these financial statements.

Three


CHIEF EXECUTIVE


DIRECTOR



CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,032,630	6,393,822
Adjustment for non-cash charges and other items:		
Depreciation	4,135,199	4,511,469
Financial charges	51,525	3,353
Provision for gratuity	4,235,346	4,021,898
	<u>8,422,070</u>	<u>8,536,720</u>
Profit before working capital changes	20,454,700	14,930,542
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(918,611)	(52,969)
Stock in trade	577,414	4,457,536
Trade debts	(881,989)	861,270
Loans and advances	(271,301)	(174,452)
Short term prepayments	220,560	(134,694)
Tax refunds due from government	794,397	(668,823)
Increase / (decrease) in current liabilities		
Trade and other payables	5,208,222	2,879,061
	<u>4,728,692</u>	<u>7,166,929</u>
Cash generated from operations	25,183,392	22,097,471
Financial charges paid	(51,525)	(3,353)
Income tax paid	(7,961,724)	(5,733,626)
Gratuity paid	(1,826,750)	(4,642,750)
	<u>(9,839,999)</u>	<u>(10,379,729)</u>
Net cash generated from operating activities	15,343,393	11,717,742
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans given to employees	(246,000)	(403,080)
Purchase of property, plant and equipment	(100,000)	(956,500)
Net cash used in investing activities	<u>(346,000)</u>	<u>(1,359,580)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan from directors	(3,500,000)	(550,000)
Repayment to associated undertaking	-	(3,850,000)
Dividend paid during the year	(630,494)	-
Short term loan from directors	1,500,000	2,500,000
Net cash used in financing activities	<u>(2,630,494)</u>	<u>(1,900,000)</u>
Net increase in cash and cash equivalents	12,366,899	8,458,162
Cash and cash equivalents at the beginning of the year	18,152,507	9,694,345
Cash and cash equivalents at the end of the year	<u>30,519,406</u>	<u>18,152,507</u>

The annexed notes from 1 to 46 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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. The principal business of the Company is manufacture and sale of yarn.

1.2 As of June 30, 2020, the Company's current liabilities exceeded its current assets by Rs. 44.840 million (2019: Rs. 55.896 million). The Company has accumulated loss of Rs. 58.480 million (2019: Rs. 66.292 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 45.480 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.

Advised

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 recognized 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.

3.4 Key judgements and estimates

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment – Note 5.25.3 & 6
- Provision for impairment of inventories - Note 5.25.1 & 9
- Provision for impairment of stores and spares - Note 5.25.4 & 8
- Obligation of defined benefit obligation - Note 5.25.5 & 17.1
- Provision for expected credit losses – Note 5.25.6 & 10
- Estimation of contingent liabilities - Note 5.25.7 & 23

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 standard as applicable in Pakistan which became effective during the current year.

4.1.1 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 01, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The Company applied IFRS-16 with a date of initial application of July 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. The lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligation to make lease payment. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risk arising from its residual interest in leased assets.

There is no material impact of transition to IFRS 16 on the financial position of the Company and there is no effect on the accounting policies of the Company in respect of leases.

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:

		Effective date (annual periods beginning on or after)
IFRS 16	Leases - Original issue	January 01, 2019
IFRS 8	Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019 <i>Adopted</i>

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019
IFRS 16	Leases - Original issue	January 01, 2019
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

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

		Effective date (annual periods beginning on or after)
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

4.3 Amendments that are effective in current year and not 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:

please

4.4 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:

		Effective date (annual periods beginning on or after)
	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 3	Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022

		Effective date (annual periods beginning on or after)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

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

		Effective date (annual periods beginning on or after)
Annual improvements to IFRSs (2018 – 2020) Cycle:		
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022
IFRS 41	Agriculture	January 01, 2020

4.5 Standards or interpretations not yet effective

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 17	Insurance Contracts

Refer:

The Company's 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 (unappropriated profit).

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

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) Revaluation surplus on property, plant and equipment

Any revaluation increase arising on the revaluation of land, buildings and plant and machinery is recognized 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 recognized 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 statement of profit and loss.

5.3 Stores, spares and loose tools

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

Refer.

- 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 recognized 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 Loans and advances

These are classified at amortized cost and are initially recognized 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 which is the fair value of cash and bank balances.

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.

5.9 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 recognizes expense in accordance with IAS 19 "Employee Benefits".

refer.

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

5.11 Borrowing

Loans and borrowings are recorded at the amortized cost unless classified as fair value through profit and loss they are initially recognized when they are received and measured at amortized cost which is fair value of consideration. 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.

5.12 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.

5.13 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.

5.14 Leases

leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of 12 months or less and leases of low-value assets are recognized as an expense in the statement of profit or loss.

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. Revenue is recognized when the company completes its performance obligation in the contract. Due to nature of the business, revenue is recognized at point at time basis.

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
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of

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.

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 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:-

5.25.1 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.

5.25.2 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.

5.25.3 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.

5.25.4 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.

5.25.5 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.

5.25.6 Expected credit losses

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. Company uses a provision matrix to calculate ECLs for trade receivables.

The provision matrix is initially based on the Company's historical observed default rates and forecast of economic conditions that are expected to deteriorate over the next year which can lead to an increased number of defaults. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analyzed.

5.25.7 Contingencies

The Company reviews the status of all the legal cases on regular basis. Based on expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

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
		Residential	Factory							
Rupees										
Year ended June 30, 2020										
Net carrying value basis										
Opening 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
Additions (at cost)	-	-	-	100,000	-	-	-	-	-	100,000
Depreciation charge	-	(218,790)	(1,324,893)	(2,503,821)	(7,996)	(21)	(16,760)	(6,391)	(56,527)	(4,135,199)
Closing net book value	86,250,000	4,157,000	11,924,033	22,592,715	71,968	43	150,838	57,522	226,106	125,430,225
Gross carrying value basis										
Cost/revalue	86,250,000	4,724,200	15,454,299	29,247,366	1,048,652	5,000	2,260,443	2,001,887	2,400,520	143,392,367
Accumulated depreciation	-	567,200	3,530,266	6,654,651	976,684	4,957	2,109,605	1,944,365	2,174,414	17,962,142
Net book value	86,250,000	4,157,000	11,924,033	22,592,715	71,968	43	150,838	57,522	226,106	125,430,225
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
Annual rate of depreciation (%)	-	5%	10%	10%	10%	33%	10%	10%	20%	

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:

None

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 M/s Arsem (Private) Limited are at the panel of professional valuers maintained by the state bank of Pakistan and they have appropriate qualification and relevant experience in the fair value measurement of properties in the relevant location. The fair value of land was determined based on the market comparable approach that reflects recent transaction price for similar properties. the fair value of building was determined using cost approach, reflects the cost to a market participant to conduct assess of comparable utility and age ,adjusted for depreciation factor , price factor and obsolescence.

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

	2020 Rupees	2019 Rupees
Freehold land	<u>299,995</u>	<u>299,995</u>
Buildings on freehold land	<u>994,544</u>	<u>1,046,888</u>
Plant and machinery	<u>5,510,404</u>	<u>6,122,671</u>

6.2.4 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.

	Note	2020 Rupees	2019 Rupees
6.3 Depreciation has been allocated as follows:			
Cost of sales		3,851,865	4,201,590
Administrative expenses		283,334	309,879
		<u>4,135,199</u>	<u>4,511,469</u>

7 LOANS AND ADVANCES

Unsecured - considered good

Opening balance		2,574,508	2,143,428
Loan given to employees during the year		4,355,500	3,591,027
Payment received during the year		<u>(4,024,500)</u>	<u>(3,159,947)</u>
		2,905,508	2,574,508
Current portion shown under current assets	11	<u>(291,000)</u>	<u>(206,000)</u>
		<u>2,614,508</u>	<u>2,368,508</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. These balances are carried at cost as the impact of amortization is not material in respect of these financial statements.

	2020 Rupees	2019 Rupees
8 STORES, SPARES AND LOOSE TOOLS		
Stores	1,829,322	1,160,783
Spares	284,700	34,628
	<u>2,114,022</u>	<u>1,195,411</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.

- 8.2 Cost of stores and spares recognized as expense amounts to Rs. 8,847,179 (2019: 10,628,822).

	2020 Rupees	2019 Rupees
9 STOCK IN TRADE		
Raw material	6,690,537	7,557,976
Work in process	2,678,451	2,666,743
Finished goods	3,422,832	3,236,425
Waste	105,020	13,110
	<u>12,896,840</u>	<u>13,474,254</u>

9.1 Cost of inventories recognized as expense amounts to Rs. 298,221,462 (2019: 370,702,103).

		Note	2020 Rupees	2019 Rupees
10	TRADE DEBTS			
	Unsecured - considered good		4,619,018	3,737,029
10.1	All trade receivables are in respect of local sales.			
11	LOANS AND ADVANCES			
	Unsecured-considered good			
	Loans			
	Current portion of long-term loans	7	291,000	206,000
	Advances to suppliers	11.1	384,921	198,621
			675,921	404,621
11.1	This represents advances to suppliers in the normal course of business. These are unsecured 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	2020 Rupees	2019 Rupees
12	TAX REFUNDS DUE FROM GOVERNMENT			
	Income tax		-	21,491
	Sales tax		-	772,906
			-	794,397
13	TAXATION - NET			
	Balance at beginning of the year		(1,064,926)	(150,486)
	Prior year adjustment		21,943	(441,140)
			(1,042,983)	(591,626)
	Adjusted against / transferred to tax refunds due from government		21,491	(10,693)
			(1,021,492)	(602,319)
	Provision for the year	30	(6,547,226)	(6,196,233)
			(7,568,718)	(6,798,552)
	Less: Payment/adjustment		7,940,233	5,733,626
	Closing balance receivable / (payable)		371,515	(1,064,926)

- 13.1 Adequate provision in respect of taxation have been made in these financial statements for the year ended June 30, 2020 (Tax year 2020).

14	CASH AND BANK BALANCES	Note	2020 Rupees	2019 Rupees
	Cash in hand		28,354	33,565
	Cash at bank Local currency:			
	Current accounts		6,595,276	4,491,893
	Saving account	14.1	23,895,776	13,627,049
			<u>30,519,406</u>	<u>18,152,507</u>

- 14.1 Saving account carries mark up at the rates ranging from 0.02% to 0.06% (2019: 0.02% to 0.06%) per annum.

15 SHARE CAPITAL

15.1 Authorized share capital:

This represents 5,000,000 (2019 : 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (2019 : Rs. 50,000,000).

15.2	Issued, subscribed and paid up capital:		2020 Rupees	2019 Rupees
	Number of ordinary shares of Rs. 10/- each			
	2020	2019		
	<u>1,300,000</u>	<u>1,300,000</u>	Fully paid in cash	
			<u>13,000,000</u>	<u>13,000,000</u>

- 15.3 All ordinary shares rank equally with regard to entitlement of dividend, voting rights, board selection, right of final refusal and block voting.

		2020 Rupees	2019 Rupees
16	Revaluation surplus on property, plant and equipment		
	Balance brought forward	117,468,643	120,731,211
	Add: Revaluation during the period	-	-
	Less: Transferred to equity in respect of incremental depreciation charged during the year-net of deferred tax	2,092,402	2,316,423
	Related deferred tax liability during the year transferred to profit or loss account	854,643	946,145
		2,947,045	3,262,568
		114,521,598	117,468,643
	Less: Related deferred tax effect:		
	Balance as at July 01	9,140,406	10,086,551
	Related deferred tax liability during the year transferred to profit or loss account	(854,643)	(946,145)
		8,285,763	9,140,406
		106,235,835	108,328,237

16.1 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.

		2020 Rupees	2019 Rupees
17	DEFERRED LIABILITIES		
	Staff retirement benefits - gratuity	17.1 13,832,848	11,389,546
	Deferred taxation	17.2 9,534,189	10,431,056
		23,367,037	21,820,602

17.1 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, 2020 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:

	2020	2019
Discount rate (%)	8.5	12.5
Expected rate of return on plan assets (%)	-	-
Expected rate of increase in salary (%)	7.5	11.5
Average expected remaining working life time of employee (Years)	6	4
Weighted average duration of the defined benefits obligation (Years)	5	4
Maturity profile	SLIC(2001-05)	

	2020 Rupees	2019 Rupees
17.1.1 Reconciliation of balance due to defined benefit plan		
Present value of defined benefit obligation	13,832,848	11,389,546
Fair value of plan assets	-	-
Closing net liability	<u>13,832,848</u>	<u>11,389,546</u>

	2020 Rupees	2019 Rupees
17.1.2 Movement of the liability recognized in the balance sheet		
Opening net liability	11,389,546	12,148,105
Non current portion	-	-
Current portion	-	-
Charge for the year	4,235,346	4,021,898
Premeasurement chargeable to other comprehensive income	34,706	(137,707)
Benefits paid during the year	(1,826,750)	(4,642,750)
Closing net liability	<u>13,832,848</u>	<u>11,389,546</u>
17.1.3 Movement in present value of defined benefit obligations		
Opening present value of defined benefit obligations	11,389,546	12,148,105
Non current portion	-	-
Current portion	-	-
Current service cost for the year	2,925,825	3,260,326
Interest cost for the year	1,309,521	761,572
Benefits paid during the year	(1,826,750)	(4,642,750)
Premeasurement loss / (gain) on obligation	34,706	(137,707)
Closing present value of defined benefit obligations	<u>13,832,848</u>	<u>11,389,546</u>
17.1.4 Charge for the year		
Current service cost	2,925,825	3,260,326
Interest cost	1,309,521	761,572
Charge for the year	<u>4,235,346</u>	<u>4,021,898</u>
17.1.5 Premeasurement chargeable to other comprehensive income		
Premeasurement loss / (gain) on defined obligation due to:		
Change in demographic assumptions	-	-
Change in financial assumptions	-	-
Experience adjustment	34,706	(137,707)
Premeasurement loss / (gain) on obligation	<u>34,706</u>	<u>(137,707)</u>
17.1.6		
The Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.		

17.1.7 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	12,667,665	15,192,082
Salary increase	15,192,082	12,647,427

17.1.8 The charge in respect of defined benefit plan for the year ending June 30, 2021 is estimated to be Rs. 4.825 million.

17.1.9 There are no plan assets, therefore, disclosure in respect to plan assets required as per IAS 19 "Employee Benefits" has not been made in these financial statements.

17.1.10 Comparison of five years

Comparison of present value of defined benefit obligation and experience adjustment on obligation for the current and preceding four years is as follows:

	2020	2019	2018	2017	2016
	Rupees in thousand				
Present value of benefit obligation	13,832,848	11,389,546	12,148,105	9,791,152	7,118,595

17.1.11 Undiscounted expected benefit payments from active employees

	Year 1	Year 2 to 5	Year 6 to 10
	----- (Rupees in thousand) -----		
Expected benefits payments	<u>2,589,760</u>	<u>7,769,280</u>	<u>10,359,040</u>

17.2 Deferred taxation

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

	2020 Rupees	2019 Rupees
Accelerated tax depreciation	1,248,426	1,290,649
Surplus on revaluation of property plant and equipment	8,285,763	9,140,406
	<u>9,534,189</u>	<u>10,431,055</u>
Tax rate used	<u>29%</u>	<u>29%</u>

17.2.2 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.

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

	Note	2020 Rupees	2019 Rupees
Balance as at July 01		10,431,055	11,391,051
Charged/(credit) to profit and loss account		(896,866)	(959,996)
		<u>9,534,189</u>	<u>10,431,055</u>

18 LONG TERM LOAN FROM DIRECTORS

Balance brought forward	18.1	66,782,547	67,332,547
Payments during the year		(3,500,000)	(550,000)
		<u>63,282,547</u>	<u>66,782,547</u>
Less: Current portion shown under current liabilities		<u>(63,282,547)</u>	<u>(66,782,547)</u>
		<u>-</u>	<u>-</u>

18.1 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.

18.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 66,782,547 (2019: Rs. 67,332,547).

	Note	2020 Rupees	2019 Rupees
19 DUE TO ASSOCIATED UNDERTAKING			
Unsecured			
International Beverages (Private) Limited			
Opening balance		5,566,077	9,416,077
Paid during the year		-	(3,850,000)
	19.1	<u>5,566,077</u>	<u>5,566,077</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. 5,566,077 (2019: Rs. 9,416,077).

	Note	2020 Rupees	2019 Rupees
20	SHORT TERM LOAN FROM DIRECTORS		
Balance brought forward		7,600,000	5,100,000
Additions during the year		1,500,000	2,500,000
	20.1	<u>9,100,000</u>	<u>7,600,000</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	2020 Rupees	2019 Rupees
21	TRADE AND OTHER PAYABLES		
Creditors		40,965	129,368
Accrued expenses		12,206,013	8,730,751
Advances from customers		4,004,732	2,593,674
Government dues		519,274	462,048
Workers' Profit Participation Fund	21.1	649,528	346,940
Workers' Welfare Fund		325,971	199,244
Income tax payable		23,364	39,446
Sales tax due to government		122,144	186,089
Zakat payable		3,791	-
		<u>17,895,782</u>	<u>12,687,560</u>

	Note	2020 Rupees	2019 Rupees
21.1 Workers' Profit Participation Fund			
Balance at July 01,		346,940	414,183
Interest on funds utilized in Company's business		-	-
Allocation for the year		649,528	346,940
		<u>996,468</u>	<u>761,123</u>
Amount paid during the year		(346,940)	(414,183)
Balance at June 30, 2020		<u>649,528</u>	<u>346,940</u>

22 DIVIDEND PAYABLE/ UNCLAIMED DIVIDEND

Dividend payable		19,506	-
Unclaimed dividend		248,165	248,165
	22.1	<u>267,671</u>	<u>248,165</u>
Amounts transferred into dividend account		680,000	-
Dividend claims received and settled		-	-
Profits generated from unpaid dividend account		-	-
Profits utilized		-	-

22.1 The reconciliation of carrying amount is as follows:

Opening balance	248,165	248,165
Dividends declared	650,000	-
Interest on dividend	-	-
Less: Dividends paid	(630,494)	-
	<u>267,671</u>	<u>248,165</u>

23 CONTINGENCIES AND COMMITMENTS

23.1 CONTINGENCIES

There was no contingent liability of the Company as at the June 30, 2020 (2019: Nil).

23.2 COMMITMENTS

There were no commitments for capital expenditures as at the June 30, 2020 (2019: Nil).

		2020 Rupees	2019 Rupees
24	SALES		
	Yarn	509,812,159	503,252,329
	Waste	490,394	577,678
		510,302,553	503,830,007
	Less: sales tax	24.1 (74,146,525)	(799,034)
		436,156,028	503,030,973

24.1 Sales tax became applicable on the company as per notification SRO 694(I)/2019 issued on June 29, 2019 by the ministry of Finance ,Economic Affairs Statistics and Revenue.

		2020 Rupees	2019 Rupees
25	COST OF SALES		
	Raw material consumed	25.1 298,419,577	367,769,555
	Store and spares consumed	25.2 8,847,179	10,628,822
	Salaries, wages and other benefits	25.3 62,042,849	60,935,644
	Power charges	42,060,442	42,391,363
	Insurance	311,331	168,067
	Repairs and maintenance	79,820	119,365
	Depreciation	6.3 3,851,865	4,201,590
		415,613,063	486,214,406
	Work in process		
	Opening	2,666,743	2,195,025
	Closing	9 (2,678,451)	(2,666,743)
		(11,708)	(471,718)
		415,601,355	485,742,688
	Cost of goods manufactured		
	Finished goods		
	Opening	3,236,425	6,640,691
	Closing	9 (3,422,832)	(3,236,425)
		(186,407)	3,404,266
	Waste		
	Opening	9 13,110	6,636
	Closing	(105,020)	(13,110)
		(91,910)	(6,474)
		415,323,038	489,140,480

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		2020 Rupees	2019 Rupees
25.1	Raw material consumed		
	Opening stock	7,557,976	9,089,438
	Add: Purchases	297,552,138	366,238,093
	Cost of raw materials available for use	305,110,114	375,327,531
	Less: Closing stock	(6,690,537)	(7,557,976)
		<u>298,419,577</u>	<u>367,769,555</u>

25.2 Stores and loose tools consumed

Opening stock	1,195,411	1,142,442
Add: Purchases	9,765,790	10,681,791
	10,961,201	11,824,233
Less: Closing stock	(2,114,022)	(1,195,411)
	<u>8,847,179</u>	<u>10,628,822</u>

25.3 Salaries, wages and other benefits includes an amount of Rs. 3,195,912 (2019: Rs. 3,232,756) in respect of staff retirement benefits.

	Note	2020 Rupees	2019 Rupees
26			
Directors' remuneration	31	278,400	285,400
Salaries and other benefits	26.1	4,924,509	3,906,347
Telephone expenses		106,828	79,813
Motor running expenses		477,437	449,489
Printing, stationery and periodicals		1,000	24,808
Rent		600,000	300,000
Rates and taxes		4,626	106,915
Advertisement		86,640	24,310
Traveling and conveyance		39,390	63,430
Entertainment		47,416	88,449
Subscription and membership fee		354,778	317,105
Depreciation	6.3	283,334	309,879
Donation	26.2	700,000	1,084,000
Other expenses		68,386	206,967
		<u>7,972,744</u>	<u>7,246,912</u>

26.1 Salaries and other benefits include Rs. 1,039,434 (2019: Rs. 789,142) in respect of staff retirement benefits.

- 26.2 This represent donation given to Al-Shifa Eye Trust amounting to Rs.200,000 and to Shoukat Khanum Memorial Trust amounting to Rs.500,000. Director of the Company or his spouse did not had any interest at any time during the year in the donee.

	Note	2020 Rupees	2019 Rupees
27 OTHER OPERATING CHARGES			
Legal and professional expenses		169,978	123,780
Auditor's remuneration			
Statutory audit		260,000	260,000
Half yearly review		50,000	50,000
Fee for other certification		20,000	20,000
		330,000	330,000
Workers' Profit Participation Fund		649,528	346,940
Workers' Welfare Fund		308,394	198,044
		<u>1,457,900</u>	<u>998,764</u>

28 OTHER INCOME

Income from non-financial assets

Scrap sales		325,702	319,662
Bank profit		19,618	4,957
Liabilities written back	28.1	336,489	427,739
		<u>681,809</u>	<u>752,358</u>

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

	Note	2020 Rupees	2019 Rupees
29 FINANCIAL CHARGES			
Bank commission and charges		<u>51,525</u>	<u>3,353</u>

30 TAXATION

Provision for taxation			
Current		6,547,226	6,196,233
Prior years'			
- Tax on undistributed profits	30.2	-	577,480
- Prior year		(21,943)	(136,340)
		(21,943)	441,140
		(896,866)	(959,996)
Deferred		<u>5,628,417</u>	<u>5,677,377</u>

30.1 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.

30.2 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 had reported profit after tax for Tax Year 2018 and the requisite dividend had not been distributed by the year end, therefore, the Company accounted for provision 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.

30.3 The applicable income tax rate for subsequent years beyond Tax Year 2020 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 / utilized.

31 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:

	2020			2019				
	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	65,276	-	-	65,276	-	-	-	-
Utilities	46,136	-	-	46,136	29,669	-	-	29,669
Others	4,000	19,000	-	23,000	1,000	6,000	-	7,000
Total	393,812	19,000	-	412,812	309,069	6,000	-	315,069
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:

	2020			2019		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	(Rupees)					
Managerial remuneration	393,812	-	393,812	309,069	-	309,069
Number of persons	2	5	7	2	5	7

- c) Board meeting fee was paid to non-executive directors amounting to Rs.10,500 during the year.

32 EARNING PER SHARE - BASIC AND DILUTED

	2020 Rupees	2019 Rupees
Profit after taxation (Rupees)	<u>6,404,213</u>	<u>716,445</u>
Weighted average number of ordinary shares at the end of the year (Numbers)	<u>1,300,000</u>	<u>1,300,000</u>
Earning per share - basic and diluted (Rupees)	<u>4.93</u>	<u>0.55</u>

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

33 TRANSACTIONS WITH RELATED PARTIES

33.1 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:

			2020 Rupees	2019 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
		Amount payable at year end	<u>5,566,077</u>	<u>5,566,077</u>
Taj Mills Limited	Associated company by virtue of common directorship	Office Rent paid /payable	600,000	300,000
		Amount payable at year end	<u>-</u>	<u>-</u>
Mahboob Elahi	Director	No transaction	-	2,500,000
		Amount payable at year end	<u>53,775,546</u>	<u>53,775,546</u>

			2020 Rupees	2019 Rupees
Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances		
Mahfooz Elahi	Chief Executive	Adjustment / repayment of long term loan	(3,500,000)	(550,000)
		Loan received	1,500,000	-
		Amount payable at year end (Loan obtained previously)	<u>13,432,000</u>	<u>15,432,000</u>
Mahmood Elahi	Director	No transaction	-	-
		Amount payable at year end (Loan obtained previously)	<u>5,175,000</u>	<u>5,175,000</u>

33.2 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 31)". There are no transactions with key management personnel other than under their terms of employment.

33.3 The status of outstanding balances of related parties as at June 30, 2020 are included in "Long/short term loan from directors" (note 18 and 20) and "Due to associated undertaking" (note 19).

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34 FINANCIAL ASSETS AND LIABILITIES

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

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

2020					
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	4,619,018	-	-	-	4,619,018
Loans and advances	2,905,508	-	-	-	2,905,508
Cash and bank balances	30,519,406	23,895,776	-	23,895,776	6,623,630
	38,962,742	23,895,776	-	23,895,776	15,066,966
Financial liabilities					
At amortized cost					
Current portion of long term loan from directors	63,282,547	-	-	-	63,282,547
Short term loan from directors	9,100,000	-	-	-	9,100,000
Provision for gratuity	13,832,848	-	-	-	13,832,848
Due to associated undertaking	5,566,077	-	-	-	5,566,077
Trade and other payables	13,226,268	-	-	-	13,226,268
Dividend payable	19,506	-	-	-	19,506
Unclaimed dividend	248,165	-	-	-	248,165
	105,275,411	-	-	-	105,275,411
On balance sheet gap	(66,312,669)	23,895,776	-	23,895,776	(90,208,445)
Off balance sheet items					
Financial commitments:	-	-	-	-	-
Total Gap	(66,312,669)	23,895,776	-	23,895,776	(90,208,445)
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	4,525,458
	25,382,854	13,627,049	-	13,627,049	11,755,805
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	9,406,303	-	-	-	9,406,303
Unclaimed dividend	248,165	-	-	-	248,165
	100,992,638	-	-	-	100,992,638
On balance sheet gap	(75,609,784)	13,627,049	-	13,627,049	(89,236,833)
Off balance sheet items					
Financial commitments:	-	-	-	-	-
Total Gap	(75,609,784)	13,627,049	-	13,627,049	(89,236,833)

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

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

- 35.1 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.

35.2 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:

	2020 Rupees	2019 Rupees
Long term security deposits	918,810	918,810
Trade debts	4,619,018	3,737,029
Loans and advances	2,905,508	2,574,508
Bank balances	30,491,052	18,118,942
	<u>38,934,388</u>	<u>25,349,289</u>

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

Past due 1-30 days	3,065,334	2,475,389
Past due 30-90 days	431,350	1,214,311
Past due 90 days	1,217,680	47,329
	<u>4,714,364</u>	<u>3,737,029</u>

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.

35.3 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			
2020							
Deferred liabilities	13,832,848	13,832,848	-	-	-	-	13,832,848
Long term loan							
from directors	63,282,547	63,282,547	-	63,282,547	-	-	-
Short term loan							
from directors	9,100,000	9,100,000	-	9,100,000	-	-	-
Due to associated undertaking	5,566,077	5,566,077	-	5,566,077	-	-	-
Trade and other payables	17,895,782	17,895,782	8,947,891	8,947,891	-	-	-
Dividend payable	19,506	-	-	19,506			
Unclaimed dividend	248,165	248,165	-	248,165	-	-	-
	109,944,925	109,925,419	8,947,891	87,164,186	-	-	13,832,848

	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

35.4 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 instruments is as follows:

	2020	2019	2020	2019
	Rates		Carrying amount	
	In Percent		----- Rupees -----	
Financial assets				
Bank balances	0.02 to 0.06	0.02 to 0.06	23,895,776	13,627,049

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, 2020		
Cash flow sensitivity - Variable rate financial assets	<u>167,270</u>	<u>(167,270)</u>
As at June 30, 2019		
Cash flow sensitivity - Variable rate financial assets	<u>95,389</u>	<u>(95,389)</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.

36 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:

- 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.

Balance

- 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 recognized 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.

36.1 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.

36.2 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.

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.

36.3 A reconciliation from opening balances to closing balances of fair value measurements categorized in level 3 is provided below:

	2020	2019
	Rupees	Rupees
Opening balance (level 3 recurring fair values)	24,996,536	26,743,799
Additions - Cost	100,000	956,500
Depreciation charge	(2,503,821)	(2,703,763)
Closing balance (level 3 recurring fair values)	22,592,715	24,996,536

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

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

37 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities		Equity		Total
	Loan from Director		Share Capital	Retained earnings	
	Long term	Short term			
			----- Rupees -----		
Balance at June 30, 2019	66,782,547	7,600,000	13,000,000	(66,292,141)	21,090,406
Changes from financing cash flows					
Proceeds from loan and borrowings	-	1,500,000	-	-	1,500,000
Repayments of loan and borrowings	(3,500,000)	-	-	-	(3,500,000)
Total changes from financing cash flows	(3,500,000)	1,500,000	-	-	(2,000,000)
Equity related					
Total comprehensive income for the year	-	-	-	6,369,507	6,369,507
Transfer from revaluation surplus	-	-	-	2,092,402	2,092,402
Dividend paid during the year	-	-	-	(650,000)	-
Total equity related other changes	-	-	-	7,811,909	8,461,909
Balance as at June 30, 2020	63,282,547	9,100,000	13,000,000	(58,480,232)	27,552,315

38 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, 2020 Rupees	June 30, 2019 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	- 23,895,776	- 13,627,094
Income on bank deposits	Placed under interest arrangement Placed under Shariah permissible	- -	- -
Gain/(loss) on available-for-sale		-	-
Dividend income		-	-
All sources of other income disclosed in note 28		19,618	4,957
Exchange gain	Earned from actual currency	-	-
Relationship with banks having Islamic	Meezan Bank Limited	-	-

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

39 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.

	2020 Rupees	2019 Rupees
Capital structure of company is as follows		
Equity	60,755,603	55,036,096
Long term Loan from	-	-
Short Term Loan from directors	72,382,547	74,382,547
	<u>133,138,150</u>	<u>129,418,643</u>

2020 Numbers	2019 Numbers
-----------------	-----------------

40 PLANT CAPACITY, PRODUCTION AND EMPLOYEES

No. of spindles installed	8,388	8,388
Installed capacity converted into 20's count lbs.	6,601,618	6,601,618
Actual production converted into 20's count lbs.	3,738,140	4,334,700
Actual production in lbs.	3,616,000	4,247,800
Average count manufactured	21	20
No. of shifts worked daily	2	2

40.1 Reasons for under utilization of capacity

The Company could not achieve the installed capacity due to closure of factory in the month of April and May because of Covid-19 and excessive electricity shut down which resulted in decrease

41 NUMBER OF EMPLOYEES

	2020 Numbers	2019 Numbers
Total number of employees as at June 30,	282	275
Average during the year	<u>274</u>	<u>268</u>

42 IMPACT OF COVID-19 ON THE FINANCIAL STATMENTS

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. In March, 2020, the Government of the Pakistan announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 27, 2020. The lockdown was subsequently relaxed from end of May, 2020. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations from June 1, 2020 and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The lockdown has caused disruptions in supply chain including supply to the customers resulting in a decline in sales. It is also expected that the outbreak may result in lower demand in future. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- the net realisable value of inventory under IAS 2, 'Inventories and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements except a decline in sales as compared to previous year due to suspension of operations during lockdown period from March 27, 2020 to May 31, 2020.

43 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.

44 SUBSEQUENTS EVENTS

Subsequent to the year ended June 30, 2020, the board of directors have proposed cash dividend for the year ended June 30, 2020 of Rs. Nil per share, amounting to Rs. Nil at their meeting held on September 28, 2020, for approval of the members at Annual General Meeting to be held on

26 OCT 2020

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 28 SEP 2020.

46 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

30-06-2020

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
39	1	100	995
24	101	500	10,206
37	501	1,000	24,207
23	1,001	5,000	47,080
1	5,001	10,000	9,000
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
130			1,300,000

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	1,058,369	81.4130%
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 Shareholders holding 10% or more	1,115,868	85.8360%
2.3.8 General Public		
a. Local	88,888	6.8375%
b. Foreign	0	0.0000%
2.3.9 Others (to be specified)		
Joint Stock Companies	152,743	11.7495%

ELAHI COTTON MILLS LIMITED
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2020

Sr. No.	Name	No. of Shares Held	Percentage
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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 (CDC)	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. AHMED SHAFFI	19,244	1.4803
6	MRS. SAMINA BEGUM (CDC)	73,500	5.6538
7	MR. MUHAMMAD AZEEM AFZAL HASHMI	-	0.0000

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 interest 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. (CDC)	152,743	11.7495
5	MRS. SAMINA BEGUM (CDC)	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, 2020 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)

Witness 1

Signature

Name

CNIC No.

Address

Witness 2

Signature

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.

فولیڈ نمبر	سی ڈی ای اکاؤنٹ نمبر	
	شرکت داری شناخت	اکاؤنٹ نمبر
	-	

پراکسی فارم

میں رہتم ساکن بحیثیت ممبر الٹی ٹائن لمیٹڈ مسی / اسمت (کمل پتہ)
یا پراکسی کے غیر حاضر ہونے کی صورت میں مسی / اسمت ساکن کو بطور مقرر (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری
غیر موجودگی میں میری طرف سے کمپنی کے پچاسویں سالانہ اجلاس عام، جو کہ مورخہ ۲۶ اکتوبر ۲۰۲۰ کو پراکسی اور متولی شدہ تاریخ پر کمپنی کے رجسٹرڈ دفتر واقع ۷۷، کیکٹر آئی ڈی ٹن انڈسٹریل ایریا، اسلام آباد پر منعقد ہوگا، میں شرکت
کرے یا ووٹ ڈالے۔
دستخط منطور کنندہ بتاریخ مورخہ دس دسمبر ۲۰۲۰ کو ملان

دستخط (دوپے کے بعد نیوٹیلپ پر) تاریخ

گواہان:

دستخط	دستخط
۱۔ نام	۲۔ نام
۳۔ شناختی کارڈ نمبر	۴۔ شناختی کارڈ نمبر
۵۔ پتہ	۶۔ پتہ

نوٹس:

- ۱۔ دور کن جسے اجلاس میں شریک ہونے کا حق حاصل ہے وہ کسی تاگز پر 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 ممبر نہ ہو۔
- ۲۔ دور کن جو پراکسی مقرر کرے گا اس کے اپنے دستخط یا مہراز لٹاری کے دستخط ہونا لازمی ہیں اور کارپوریٹ ادارہ ہونے کی صورت میں کمپنی کی (common seal) مخصوص مهر ثبت ہونی چاہیے۔
- ۳۔ پراکسی ووٹ 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 ہر اوپنٹا مل شناختی کارڈ پر 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 منتول منسلک کرنا ضروری ہے۔
- ۶۔ کارپوریٹ پراکسی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد، پارہ آف لٹاری، شناختی کارڈ / پاسپورٹ کی تصدیق شدہ منتول منسلک کرنا لازمی ہے۔