

**ELAHI COTTON
MILLS LIMITED**

48th

*Annual Report
2018*

COMPANY'S INFORMATION

BOARD OF DIRECTORS

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

CHAIRMAN

MAHBOOB ELAHI

CHIEF EXECUTIVE

MAHFOOZ ELAHI

AUDIT COMMITTEE

FARRUKH AHMED
MAHBOOB ELAHI
NAVEED AKHTER
AHMED SHAFFI

HRR COMMITTEE

MAHMOOD ELAHI
NAVEED AKHTER
ROUNAQ-UD-DIN

CHIEF FINANCIAL OFFICER

MUHAMMAD IMTIAZ

COMPANY SECRETARY

SALEEM AHMED

AUDITORS

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

REGISTRAR OFFICE

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

LEGAL ADVISER

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

REGISTERED OFFICE

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

MILLS

JURIAN, MANDRA,
TEHSIL GUJAR KHAN,
DISTRICT RAWALPINDI.

WEBSITE

www.elahicotton.com

Vision

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

Mission Statement

It is the mission of the Company:

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

CHAIRMAN'S REVIEW REPORT:

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

Further, the Board during the year ended 30 June 2018 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

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

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

Acknowledgement

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



(MAHBOOB ELAHI)
Chairman

September 27, 2018

ELAHI COTTON MILLS LIMITED

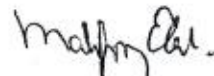
NOTICE OF 48TH
ANNUAL GENERAL MEETING

Notice is hereby given that 48th 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 25, 2018 at 10.30 a.m. to transact the following business:-

1. To Confirm the minutes of the last Annual General Meeting.
2. To consider, approve and adopt the Chairman's Review Report, the Reports of Directors and Auditors together with Audited Accounts of the Company for the year ended June 30, 2018.
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 27, 2018.



(MAHFOOZ ELAHI)
Chief Executive

NOTES:

1. Share transfer Books of the Company shall remain closed from October 19, 2018 to October 25, 2018 (both days inclusive)
2. A member entitled to attend and vote in the meeting is authorized to appoint any other person 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 accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to its shareholder only through electronic mode directly into the bank account designated by the entitled shareholder. Shareholders are requested to provide the information as reproduced below and send the duly signed Electronic Mandate Form along with a copy of valid CNIC/NTN to their respective CDC participant / CDC Investor account services. (In case of shareholding in Book Entry Form) or to the Company's Share Registrar i.e. M/s. CorpLink (Pvt) Limited: (i) Shareholder's details: Name of the Shareholder(s) Folio No. / CDS Account No. CNIC No. (Copy attached) Mobile / Landline No. (ii) Shareholder's Bank details: Title of Bank Account International Bank Account Number (IBAN) Bank's Name Branch's Name and Address and a certificate that the above mentioned information is correct and in case of any change therein will be immediately intimated the Share Registrar accordingly.
6. In pursuance of the directions given by SECP vide SRO 787(I)/2014 dated: September 8, 2014, those shareholders who desire to receive Annual Financial Statements in future through email instead of receiving the same by Post are advised to give their formal consent along with their valid email address on a standard request form which is available at the Company's website and send the said form duly filled in and signed along with copy of his/her/its CNIC/Passport or other such information in the case of a body corporate to the Company's share registrar. Copies of financial statement and reports will be furnished in Compact Disk form or through email as consented by the member.
7. In compliance with SECP notification No. 634(I)/2014 dated: July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2018 have been placed on the Company's website: www.elahicotton.com. for the information, download and review of shareholders.
8. 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 48th Annual Report which includes the Audited financial statements of the Company together with the auditors' report thereon for the year ended June 30, 2018.

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. 395.284 million as compared to Rs. 320.825 million in the preceding year showing increase of Rs. 74.459 million (23.21 %) whereas the cost of sales increased from Rs. 318.490 million to Rs. 383.658 million showing increase of Rs. 65.168 million (20.46%). The Company earned gross profit of Rs. 11.626 million as compared to gross profit of 2.334 million. The increase in turnover is due to increase in production and increase in the prices of end products. The financial results of the Company for the year under review are as under:

	<u>RUPEES IN MILLION</u>
Sales	395.284
Cost of Sales	383.658
Gross Profit	11.626
Administrative expenses	5.176
Other operating expenses	1.137
Other income	2.389
Financial Charges	.002
Profit before taxation	7.700
Provision for taxation	3.761
Profit after taxation	3.939
Earning per share (Rs.)	3.03

The Company earned profit before taxation of Rs. 7.700 million as compared to loss of Rs. 1.988 million in the last year and profit after taxation of Rs. 3.939 million as compared to loss of Rs. 4.339 million. The net profit earned by the Company is due to increase in production and increase in the prices of end products. Due to excessive electric shutdown the Company has closed one shift throughout the year and hence could not utilized 100% capacity. During the year the Company couldn't make payment of current portion of loan from Directors and Associated Undertaking of Rs. 76.749 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. 58.183 million. The Company has accumulated loss of Rs. 69.462 million that exceeds the issued, subscribed and paid up capital by Rs. 56.462 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. 7.700 million and net profit after taxation amounting to Rs. 3.939 million. Accumulated loss has been reduced from Rs. 76.678 million to Rs. 69.463 million. The current ratio of the Company has also improved as compared to previous year. The Company generated cash 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, outstanding debts, and liquidity crunch.

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, 2019.

Shareholders:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2018 is annexed herewith.

Future Prospects and Outlook:

The Management expects the coming year to be an uncertain due to increase in the prices of raw material (Polyester Staple Fibre) and energy crises.

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, 2018 consists of:

Total number of Directors:			
	Male	7	
	Female	Nil	
Composition:			
(i)	Independent Directors	1	Ahmed Shaffi
(ii)	Other Non-executive Directors	4	Mahboob Elahi, Farrukh Ahmed,

Committees of the Board

The name of Members of Board Committees are as under:

Audit Committee:

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

Human Resources & Remuneration Committee:

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

Significant Features of Directors' Remuneration

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

Risks and Opportunities

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

Business Risks

The Company faces a number of following business risks:

Polyester Price Risk

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

Demand and Price

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

Energy Availability and Cost

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

Financial Risks

The Company faces the following financial risks:

Credit risk

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

Liquidity risk

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

Capital risk

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

Price Risk of Financial Instruments

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

Corporate Governance

The Directors are pleased to report that:

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

- l) Twelve meetings of the Board of Directors, six meetings of the Audit Committee and five 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	6	5	N/A
Mr. Mahfooz Elahi	12	N/A	N/A
Mr. Mahmood Elahi	12	N/A	5
Mr. Naveed Akhter	11	6	5
Mr. Farrukh Ahmed	12	6	N/A
Syed Muhammad Raunaq ud din	6	N/A	5
Mr. Ahmed Shaffi	7	5	N/A

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

ACKNOWLEDGEMENT:

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

ON BEHALF OF THE BOARD


(MAHFOOZ ELAHI)
Chief Executive


(MAHMOOD ELAHI)
Director

September 27, 2018

الہی کاشن ملز لمیٹڈ

ممبرز کو ڈائریکٹرز کی سالانہ رپورٹ

کمپنی کے ڈائریکٹرز اڑتالیسویں سالانہ رپورٹ اور آڈٹ شدہ کمپنی کے حسابات بشمول ڈیٹا رپورٹ تختہ جون ۳۰، ۲۰۱۸ء پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج:

کمپنی کا بنیادی کام خالص پولیسٹر کا دھاگہ بنانا ہے۔ اس سال کے دوران کمپنی نے 395.284 ملین روپے کا کاروبار کیا جبکہ گزشتہ سال 320.825 ملین روپے تھا جو کہ 74.459 ملین روپے (23.21%) کا اضافہ ظاہر کر رہا ہے، فروخت کے اخراجات 318.490 ملین روپے سے بڑھ کر 383.658 ملین روپے ہو گئے جو کہ 65.168 ملین روپے (20.46%) کا اضافہ ظاہر کر رہے ہیں۔ کمپنی کا مجموعی منافع 11.626 ملین روپے رہا جبکہ گزشتہ سال اسی دورانیہ کا مجموعی منافع 2.334 ملین روپے تھا۔ اس سال کاروبار میں بڑھتی پیداوار کے زائد ہونے اور تیار مصنوعات کی قیمتوں میں اضافہ ہونے سے ہوا ہے۔ کمپنی کے موجودہ سال کے مالیاتی نتائج مندرجہ ذیل ہیں:

روپے (ملین)	
395.284	فروخت
383.658	فروخت کے اخراجات
11.626	مجموعی منافع
5.176	کاروباری اخراجات
1.137	دیگر کاروباری اخراجات
2.389	دیگر آمدنی
.002	مالیاتی اخراجات
7.700	قبل از ٹیکس منافع
3.761	ٹیکس کی پیش بندی
3.939	بعد از ٹیکس منافع
3.03	آمدنی فی حصص

کمپنی کو 7.700 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا جبکہ اسی دورانیہ میں گزشتہ سال 1.988 ملین روپے خسارہ ہوا اور ٹیکس کی ادائیگی کے بعد 3.939 ملین روپے منافع ہوا جبکہ گزشتہ برس 4.339 ملین روپے خسارہ تھا۔ کمپنی کا مجموعی منافع پیداوار میں بڑھتی اور تیار شدہ مال کی قیمتوں میں اضافے کی وجہ سے ہے۔ مسلسل بجلی کے بحران کی وجہ سے کمپنی کو پورا سال ایک شفٹ بند رکھنا پڑی اور مل سو فیصد کارکردگی نہ دکھاسکی۔ اس سال کمپنی مالی مشکلات کی وجہ سے قرض کے موجودہ واجب الادا حصہ مبلغ 76.749 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 58.183 ملین روپے سے تجاوز کر گئی ہیں۔ کمپنی کا کل خسارہ 69.462 ملین روپے ہے جو کہ اس کے جاری شدہ، ادا شدہ سرمایہ سے 56.462 ملین روپے زیادہ ہے۔ یہ حالات کمپنی کے جاری رہنے پر شکوک و شبہات کا اظہار کرتے ہیں۔ اس سال کے دوران کمپنی کو 7.700 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا اور ٹیکس کی ادائیگی کے بعد 3.939 ملین روپے منافع ہوا مجموعی خسارہ 76.678 ملین روپے سے کم ہو کر 69.463 ملین روپے ہوا ہے۔ کمپنی کا موجودہ تناسب گزشتہ سال کے مقابل بڑھا ہے۔ کمپنی نے اپنی چلتی ہوئی سرگرمیوں سے اپنی نقد ضروریات پورا کرنے کے بعد کیش ہزریٹ کی ہے۔ انتظامیہ پوری کوشش کر رہی ہے کہ وہ ان اثرات کو اپنی کارکردگی اور بہتر مارکیٹنگ سے کم سے کم کرے۔ سپانسر ڈائریکٹرز کمپنی سے مسلسل مالی تعاون کر رہے ہیں مستقبل قریب میں انتظامیہ کا نیا توازنہ کمپنی کو ختم کرنے کا ہے اور نئی پیداواری سرگرمیاں بند کرنے کا ہے لہذا وہ پر عزم ہیں کہ کمپنی انتظامیہ کی بھرپور کوشش سے جاری و ساری رہے گی۔

منافع:۔ مجموعی خسارہ، واجب الادا قرضہ اور سیالیت میں کمی کی وجہ سے ڈائریکٹرز کسی ڈیویڈنڈ اور بونس شیئر کی سفارش نہیں کرتے۔

محاسب:۔ موجودہ محاسب بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ اپنی مدت پوری کرنے کے بعد اگلے مالی سال کے لئے اپنی خدمات پیش کرتے ہیں۔ بورڈ ممبران نے آڈٹ کمپنی کی سفارش پر موجودہ محاسب کو اگلے مالی سال تختہ جون ۳۰، ۲۰۱۹ء میں برقرار رکھنے کی تجویز دی ہے۔

شیئر ہولڈنگ:۔ کھاتہ داروں کی فہرست برطابق ۳۰ جون ۲۰۱۸ء منسلک ہے

مستقبل پر ایک نظر:۔ کمپنی کی انتظامیہ خام مال کی قیمتوں میں اضافہ اور توانائی کے بحران کی وجہ سے آنے والے سال کو ایک اچھا سال نہیں دیکھتی۔

کارپوریٹ سماجی ذمہ داری (CSR):۔ کمپنی اپنی روزمرہ کی کاروباری سرگرمیوں میں مجموعی سماجی ذمہ داری کے ساتھ پر عزم ہے۔ (سی ایس آر) ایک اہم حصہ ہے جو ہم ہیں اور ہم کس طرح کام کرتے ہیں۔ ہم اپنی کامیابی کی بیکش 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 مکمل احتیاط 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 تہہ تک پہنچنے کے لئے مکمل تحقیقات کرتے ہیں، ہم یقین رکھتے ہیں کہ صحت اور حفاظت مسلسل بہتری اور صحت کا سفر ہے۔ ہم اپنے تمام ساتھیوں کی صحت اور حفاظت کو بہتر بنانے کے لیے اقدامات جاری رکھیں گے۔ ہماری پیداواری سہولیات کسی قسم کا نقصان دہ مواد خارج نہیں کرتی۔

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

بورڈ کی ساخت:- ۳۰ جون ۲۰۱۸ تک کل بورڈ آف ڈائریکٹرز مندرجہ ذیل پر مشتمل ہے:

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

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

آڈٹ کمیٹی:-

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

انسانی وسائل اور معاوضہ کمیٹی:-

- ۱۔ جناب محمود الہی
- ۲۔ جناب نوید اختر
- ۳۔ جناب رونق الدین

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 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 ادائیں 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 مول لیتی 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

پولیسٹر کی قیمت کا خطرہ: مقامی اور بین الاقوامی پولیسٹر مارکٹوں میں پولیسٹر کی قیمتوں میں ابھرتی ہوئی تبدیلی کا خطرہ ہے۔ کمپنی رقم کی دستیابی کو دیکھتے ہوئے بڑی مقدار میں پولیسٹر خرید کر اس خطرے کو کم کر دیتی 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 کے 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 اسکے تجارتی قرضوں سے متعلق نقصانات کا خطرہ اسکے کاروباری قرض سے متعلق ہے۔ یہ خطرہ اس حقیقت سے کم کیا جاسکتا ہے کہ ہمارے صارفین کی اکثریت ایک مضبوط مالی حیثیت رکھتی ہو اور ہمارا اپنے گاہکوں کے ساتھ ایک طویل عرصے سے کاروباری تعلق ہو۔ ہمیں اپنے صارفین سے غیر کارکردگی کی توقع نہیں ہے، اس وجہ سے، کریڈیٹ رسک کم سے کم ہے۔

لیکوڈیٹی رسک: سپائزرڈائریکٹران 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 کمپنی کو چلانا اور 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 ڈائریکٹرانہائی مسرت کے ساتھ آپ کو آگاہ کرتے ہیں کہ:

- 1- کمپنی کی انتظامیہ کی جانب سے تیاری گئی مالی دستاویزات میں اس بات کو یقینی بنایا جاتا ہے کہ کمپنی کے معاملات، کاروباری افعال کے نتائج، ترسیل نقد رقم اور حصص میں ردوبدل جیسے معاملات کو ان دستاویزات میں شفاف انداز سے پیش کیا جائے۔
- 2- کمپنی میں حساب کتاب سے متعلق باقاعدہ کھاتے مرتب کئے جاتے ہیں۔
- 3- مالی دستاویزات کی تیاری کے سلسلے میں اکاؤنٹنگ کی مناسب پالیسیوں کو مستحکم اپنایا جاتا ہے کہ اور اکاؤنٹنگ کے تمام تر تخمینے معقولیت کی بنیاد پر لگائے جاتے ہیں۔
- 4- مالی دستاویزات کی تیاری کے سلسلے میں پاکستان میں مستعمل بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈ کا لحاظ بھی رکھا گیا ہے۔
- 5- اندرونی کنٹرول کا پروگرام شوس ہے اور موثر طور پر عمل درآمد اور نگرانی کی جاتی ہے۔
- 6- انتظامیہ نے کمپنی کو جاری و ساری رکھنے کیلئے ایک موثر منصوبہ بندی کر رکھی ہے۔
- 7- کارپوریٹ گورننس کے ضوابط کی پاسداری سے ایسی کوئی روگردانی نہیں کی گئی جو قابل ذکر نہ ہو۔
- 8- کمپنی کے گزشتہ سال کے آپریٹنگ نتائج میں معنی خیز تبدیلی اور ان کی وجوہات بیان کر دی گئی ہیں۔
- 9- گزشتہ چھ سال کا مالیاتی گوشوارہ منسلک ہے۔
- 10- اکاؤنٹس کے نوٹس میں درج کردہ ادائیگیوں کے علاوہ ٹیکس وغیرہ کی کوئی قانونی ادائیگیاں زیر التوا نہیں ہیں۔
- 11- کمپنی ایک ان فنڈ گریجویٹ سیم چلا رہی ہے جسکی سرمایہ کاری نہیں کی گئی اور کمپنی کے کاروبار میں استعمال کے لئے رکھ دی گئی ہے۔
- 12- اس سال بورڈ آف ڈائریکٹرز کے بارہ اجلاس، آڈٹ کمیٹی کے چھ اجلاس اور ایچ آر آئی کمیٹی کے پانچ اجلاس منعقد کئے گئے ہیں۔ ہر ڈائریکٹر کی حاضری اس طرح رہی:

نام ڈائریکٹر	بورڈ میننگ	آؤٹ کمیٹی میننگ	پانچ ایچ آر میننگ
جناب محبوب الہی	۶	۵	-
جناب محفوظ الہی	۱۲	-	-
جناب محمود الہی	۱۳	-	۵
جناب نوید اختر	۱۱	۶	۵
جناب فرخ احمد	۱۲	۶	-
سید محمد رفیق الدین	۶	-	۵
جناب احمد شفیق	۷	۵	-

۱۳۔ کمیٹی کے پانچ ڈائریکٹرز اپنی تعلیمی قابلیت اور مطلوبہ تجربہ کی وجہ سے ڈائریکٹرز میننگ پروگرام سے مبرا ہیں۔ 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 ڈائریکٹرز، ایگزیکٹوز اور ان کے اہل خانہ کے تمسکات کی لین دین بشمول نمونہ تمسک بردان کو اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

اعتراف:- بورڈ آف ڈائریکٹرز اپنے حصہ داران کے تعاون کے شکر گزار ہیں۔ انتظامیہ اور سٹاف کے مابین تعلقات نہایت خوشگوار ہیں۔ میں اور ساتھی ڈائریکٹرز سٹاف ممبرز کو اپنی زمداریاں احسن طریقہ سے انجام دینے پر ممنونیت کا اظہار کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی طرف سے

Mahmud Elahi
محمود الہی
(ڈائریکٹر)

Mahmud Elahi
محمود الہی
(چیف ایگزیکٹو)

اسلام آباد
۲۷ ستمبر ۲۰۱۸

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE)
FOR THE YEAR ENDED JUNE 30, 2018

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

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

a Male: 7 b Female: Nil

2 The composition of board is as follows:

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

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

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

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

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

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

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

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

10 There was no new appointment of CFO, Company Secretary. New Head of Internal Audit was appointed during the year and Board has approved the appointment including the remuneration and terms & conditions of appointment and complied with relevant requirements of the Regulations.

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

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

a) Audit Committee;

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

b) Human Resource and Remuneration Committee;

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

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

14 The frequency of meetings of the Committee 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: 1 meeting.
- 4th Quarter: 4 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.

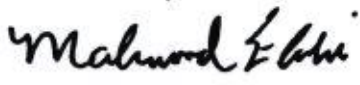
19 The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold 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.

20 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.

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

ON BEHALF OF THE BOARD


(MAHFOOZ ELAHI)
Chief Executive


(MAHMOOD ELAHI)
Director

September 27, 2018

ELAHI COTTON MILLS LIMITED

LAST SIX YEARS AT A GLANCE

PARTICULARS	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12
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)	90,645,274	94,371,045	97,401,104	100,281,359	57,022,331	58,724,606
Accumulated depreciation	84,727,566	81,231,098	77,246,989	72,951,834	69,994,946	66,826,571
Long term investment	--	--	--	--	--	--
Current assets	27,278,616	25,171,495	22,016,109	17,887,760	13,181,133	12,157,853
Current Liabilities	94,260,651	92,618,996	88,812,079	10,974,549	10,178,415	8,133,406
Income						
Sales	320,825,272	283,618,449	288,805,082	301,384,062	255,845,239	211,215,463
Other Income	1,273,500	87,637	312,314	119,287	3,158,786	562,890
Gross profit / (loss)	2,335,957	4,541,755	6,517,203	9,975,947	3,800,913	5,185,429
Pre tax profit / (loss)	(1,987,532)	(2,212,191)	1,411,310	5,133,726	3,319,282	2,554,627
Taxation (prior year)	(92,305)	(135,400)	(242,038)	--	--	--
Taxation (current year)	(2,443,848)	1,949,945	1,779,382	2,442,638	(505,109)	(1,522,706)
Profit/(loss) after taxation	(4,339,074)	(4,026,736)	(126,034)	2,691,088	2,814,173	1,021,921
Un-appropriated profit/(loss)	(76,677,660)	(73,963,389)	(71,943,701)	(73,671,288)	(77,512,626)	(81,468,926)

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of of **Elahi Cotton Mills Limited** (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.

ISLAMABAD

DATED: 27 SEP 2018


CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

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, 2018, and the statement of profit and loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity 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 and loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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, 2018 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Opinion

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

Material uncertainty related to going concern

Without qualifying our opinion, we draw attention to Note 1.2 in the financial statements which indicates that as of June 30, 2018, the Company's current liabilities exceeded its current assets by Rs. 58.183 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 56.462 million as at June 30, 2018 and accumulated losses as of that date amounted to Rs. 69.462. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

Key Audit Matters

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

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

S. No	Key audit matters	How the matter was addressed in our audit
1.	<p>Promulgation of Companies Act, 2017</p> <p>Companies Act, 2017 (“the Act”) was promulgated on May 30, 2017 which introduced certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company.</p> <p>In view of the significant changes in disclosures, we consider it as a key audit matter.</p> <p>Refer to note 4.1 to the financial statements.</p>	<p>We obtained an understanding of the requirements regarding preparation and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements.</p> <p>We reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance.</p> <p>We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017.</p>
2.	<p>Revaluation of property, plant and equipment</p> <p>The Company has adopted the revaluation model for subsequent measurement of its freehold land, buildings and plant and machinery. Revaluation of these assets was performed on December 31, 2017. The valuation was performed by independent valuer, experts external for the Company.</p> <p>The revaluation of tangible fixed assets at their fair value is a complex process related to calculation of estimate while using a number of assumptions and specific methods and models. Due care is required for accounting for gains and losses on the revaluation and providing adequate disclosures in the financial statements.</p> <p>Due to the specifics of the valuation process, accounting and disclosure requirements and the materiality of these assets, we have determined this matter as</p>	<p>In this area, our audit procedures comprised:</p> <ul style="list-style-type: none"> • Consideration and assessment of the tangible fixed assets valuation process and the rules, policies and procedures applied by the Company; • Appraisal of the objectivity, competence and independence of the external independent appraisers; • Comparison of key inputs, used by the external independent appraisers, with publicly accessible data and/or historical available data; • Consideration of the methodology of accounting for gains and losses on the revaluation and testing, on a sample basis, its application; • Testing and assessment of the

S. No	Key audit matters	How the matter was addressed in our audit
	a key audit matter.	completeness, appropriateness and adequacy of the disclosures in Company's financial statements with regard to the revaluation performed.
3.	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>

Information Other than the Financial Statements and Auditors Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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



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

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

Auditors Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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, profit and loss account, statement of comprehensive income, the statement of cash flows and the statement of changes in equity 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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors report is Abdul Qadeer.

ISLAMABAD

DATED: 27 SEP 2018

Abdul Qadeer
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS



ELAHI COTTON MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees (Restated)	2016 Rupees (Restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment				
Operating fixed assets	7	133,020,393	90,645,274	94,371,045
Capital work in progress		-	636,689	-
Long term security deposits		918,810	918,810	918,810
Loans and advances	8	1,965,428	1,371,759	1,204,508
		<u>135,904,631</u>	<u>93,572,532</u>	<u>96,494,363</u>
CURRENT ASSETS				
Stores, spares and loose tools	9	1,142,442	1,449,812	1,273,609
Stock in trade	10	17,931,790	9,794,278	10,395,545
Trade debts	11	4,598,298	7,202,424	7,513,609
Loans and advances	12	230,169	208,376	672,988
Short term prepayments		160,318	173,562	167,311
Tax refunds due from government	13	114,881	215,269	26,329
Taxation - net	19	-	-	3,775
Cash and bank balances	14	9,694,345	8,234,895	5,118,329
		<u>33,872,243</u>	<u>27,278,616</u>	<u>25,171,495</u>
TOTAL ASSETS		<u><u>169,776,874</u></u>	<u><u>120,851,148</u></u>	<u><u>121,665,858</u></u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital	15	13,000,000	13,000,000	13,000,000
Revaluation surplus on property, plant and equipment	16	110,644,660	72,309,752	73,949,814
Accumulated loss		(69,462,716)	(76,677,660)	(73,963,386)
		<u>54,181,944</u>	<u>8,632,092</u>	<u>12,986,428</u>
NON-CURRENT LIABILITIES				
Deferred liabilities	17	23,539,156	17,958,405	16,060,434
Long term loan from directors	18	-	-	-
		<u>23,539,156</u>	<u>17,958,405</u>	<u>16,060,434</u>
CURRENT LIABILITIES				
Taxation - net	19	150,486	15,531	-
Current portion of long term loan from directors	18	67,332,547	67,682,547	67,882,547
Due to associated undertaking	20	9,416,077	9,916,077	9,916,077
Short term loan from directors	21	5,100,000	5,100,000	4,350,000
Trade and other payables	22	9,808,499	11,298,331	10,222,207
Unclaimed dividend		248,165	248,165	248,165
		<u>92,055,774</u>	<u>94,260,651</u>	<u>92,618,996</u>
CONTINGENCIES AND COMMITMENTS	23	-	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>169,776,874</u></u>	<u><u>120,851,148</u></u>	<u><u>121,665,858</u></u>

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

Mahmud Elahi
DIRECTOR

Mahmud Elahi
DIRECTOR

Spencer
CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	24	395,284,245	320,825,272
Cost of sales	25	<u>383,657,867</u>	<u>318,489,957</u>
Gross profit		11,626,378	2,335,315
Administrative expenses	26	<u>5,176,423</u>	<u>5,215,397</u>
Other operating charges	27	<u>1,137,105</u>	<u>375,273</u>
		<u>6,313,528</u>	<u>5,590,670</u>
Operating profit/(loss)		5,312,850	(3,255,355)
Other income	28	2,388,879	1,273,500
Financial charges	29	<u>1,993</u>	<u>5,676</u>
Profit/(loss) before taxation		7,699,736	(1,987,531)
Taxation	30	<u>(3,760,566)</u>	<u>(2,351,543)</u>
Profit/(loss) after taxation		<u>3,939,170</u>	<u>(4,339,074)</u>
Earning/(loss) per share - basic and diluted	32	<u>3.03</u>	<u>(3.34)</u>

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees (Restated)
Profit/(loss) after taxation	3,939,170	(4,339,074)
Other comprehensive income		
Item that will not be reclassified to profit and loss		
Revaluation surplus on property, plant and equipment	46,914,451	-
Loss on revaluation of property, plant and equipment	(869,727)	-
Related deferred tax impact	(4,425,654)	-
	41,619,070	-
(Loss)/gain on remeasurement of defined benefit liability	17.1 (8,388)	(15,262)
Total other comprehensive income for the year	41,610,682	(15,262)
Total comprehensive income / (loss) for the year	<u>45,549,852</u>	<u>(4,354,336)</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 43 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	7,699,736	(1,987,531)
Adjustment for non-cash charges and other items:		
Depreciation	3,971,835	3,638,478
Financial charges	1,993	5,676
Gain on disposal of fixed asset - net	(1,841,034)	(846,507)
Impairment loss	107,923	-
Provision for gratuity	4,096,165	3,594,395
	<u>6,336,882</u>	<u>6,392,042</u>
Profit before working capital changes	14,036,618	4,404,511
Changes in working capital:		
(Increase)/decrease in current assets		
Stores, spares and loose tools	307,370	(176,203)
Stock in trade	(8,137,512)	601,267
Trade debts	2,604,126	311,185
Loans and advances	(21,793)	464,612
Short term prepayments	13,244	(6,251)
Tax refunds due from government	84,857	(92,860)
(Decrease)/increase in current liabilities		
Trade and other payables	(1,408,232)	1,073,174
	<u>(6,557,940)</u>	<u>2,174,924</u>
Cash generated from operations	7,478,678	6,579,435
Financial charges paid	(1,993)	(5,676)
Income tax paid	(4,811,936)	(3,202,903)
Gratuity paid	(1,829,200)	(934,150)
	<u>(6,643,129)</u>	<u>(4,142,729)</u>
Net cash generated from operating activities	835,549	2,436,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans given to employees	(593,669)	(167,251)
Deletion from/(addition to capital work in progress)	636,689	(636,689)
Proceeds from disposal of fixed asset	3,838,971	933,800
Purchase of property, plant and equipment	(2,408,090)	-
Net cash generated from investing activities	1,473,901	129,860
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan from directors	(350,000)	(200,000)
Repayment to associated undertaking	(500,000)	-
Loan obtained from directors (short/long)	-	750,000
Net cash (used in)/generated from financing activities	(850,000)	550,000
Net increase in cash and cash equivalents	1,459,450	3,116,566
Cash and cash equivalents at the beginning of the year	8,234,895	5,118,329
Cash and cash equivalents at the end of the year	<u>9,694,345</u>	<u>8,234,895</u>

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


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

25

Balance as at July 01, 2016 - as previously reported
 Impact of changes in accounting policies (net of tax)
 Balance as at July 01, 2016 (restated)

Total comprehensive income for the year ended June 30, 2017

Loss for the year
 Loss on remeasurement of defined benefit liability

Transfer from revaluation surplus on property, plant and equipment
 on account of incremental depreciation - net of deferred tax
 Balance as at June 30, 2017 (restated)

Total comprehensive income for the year ended June 30, 2018

Profit for the year
 Other comprehensive income for the year

Transfer from revaluation surplus on property, plant and equipment:
 - on account of incremental depreciation-net of deferred tax
 - Upon disposal of revalued property, plant and equipment
 Balance as at June 30, 2018

	Reserves		Revenue	Total
	Share capital	Capital		
Issued, subscribed and paid-up capital	Revaluation surplus on property, plant and equipment	Accumulated loss		
13,000,000	-	(73,963,386)	(60,963,386)	
-	73,949,814	-	73,949,814	
13,000,000	73,949,814	(73,963,386)	12,986,428	
-	-	(4,339,074)	(4,339,074)	
-	-	(15,262)	(15,262)	
-	-	(4,354,336)	(4,354,336)	
-	(1,640,062)	1,640,062	-	
13,000,000	72,309,752	(76,677,660)	8,631,092	
-	-	3,939,170	3,939,170	
-	41,619,070	(8,388)	41,610,682	
-	41,619,070	3,930,782	45,549,852	
-	(2,065,078)	2,065,078	-	
-	(1,219,084)	1,219,084	-	
13,000,000	110,644,660	(69,462,716)	54,181,944	

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

Mahmud Ali
 CHIEF EXECUTIVE

Mohammad Zubair
 DIRECTOR

Asif Ali
 CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated as a public limited company on June 22, 1970 under the repealed Companies Act, 1913 (now the Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited in which Lahore and Islamabad stock exchanges have merged). The principal business of the Company is manufacture and sale of yarn.
- 1.2 As of June 30, 2018, the Company's current liabilities exceeded its current assets by Rs. 58.183 million (2017: Rs. 66.982 million). The Company has accumulated loss of Rs. 69.462 million (2017: Rs. 76.678 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 56.462 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, 2018 and onwards.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Revaluation of freehold land, buildings and plant and machinery. (For details refer note 7 and 16.1.)
- The accounting policy for surplus on revaluation of property, plant and equipment was changed during the year. Consequently, some of the amounts reported in the prior years have been restated. (For detailed information about these adjustments please refer to note 6.26).
- Due to the first time application of financial reporting requirements under the Companies Act, 2017, including disclosure and presentation requirements of the fourth schedule of the Companies Act, 2017, some of the amounts reported for the previous period have been reclassified. (For detailed disclosure of this information please refer to note 41).

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3 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.

4 BASIS OF PREPARATION

4.1 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.

The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company. Specific additional disclosures and changes to the existing disclosures have been included in these financial statements.

4.2 Basis of measurement

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

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

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 6.25.

4.3 Functional and presentation currency

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

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

5.1 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:

Amendments to IAS 7 'Statement of Cash Flow' became effective for the annual periods beginning of or after January 01, 2017 which is relevant to the Company. Amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

Amendments to IAS 12 'Income Taxes' became effective for the annual periods beginning on or after January 01, 2017. The amendment clarifying the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

5.2 Amendments not yet effective

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

	Effective date (annual periods beginning on or after)
IFRS 2 Share-based Payments - Amendment to clarify the classification and measurement of share-based payment transactions The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled.	January 01, 2018



Effective date
(annual periods
beginning on or
after)

IFRS 3 Business Combinations - Amendment requiring an entity to remeasure its previously held interest at fair value when it obtains control of a business that is a joint operation. January 01, 2019

IFRS 4 Insurance Contract - Amendments regarding applying IFRS 9- Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4 that are overlay approach and deferral approach.

Overlay approach: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets.

Deferral approach: an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

January 01, 2018

IFRS 9 Financial Instrument'- Prepayment Features with Negative Compensation and modifications of financial liabilities. The amendment allow debt instruments with negative compensation prepayment features to be measured at amortised cost or fair value through other comprehensive income. The amendment also clarified that gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognized in profit or loss. January 01, 2019

IFRS 11 Joint Arrangement - The proposed amendments is to eliminate diversity in practice in the accounting for previously held interests in the assets and liabilities of a joint operation in transactions in which an entity obtains control, or joint control, of a joint operation that meets the definition of a business. January 01, 2019

Am

Effective date
(annual periods
beginning on or
after)

- IAS 12 Income tax - Recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised. The amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits. January 01, 2019
- IAS 19 Employee Benefits - The amendments require an entity:

To use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after plant amendment, curtailment and settlement when entity measure its net defined benefit liability, and;

To recognise in profit or loss as part of past service cost, or gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of impact of the asset ceiling. January 01, 2019
- IAS 28 Investment in Associates and Joint Ventures - Clarification that an entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture measuring an associate or joint venture at fair value.

The amendment clarifies that an entity applies IFRS 9 'Financial Instruments' long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. January 01, 2019
- IAS 40 Investment Property - Amendment to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. January 01, 2018

Be

5.3 Standards or interpretations not yet effective

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

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

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

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

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

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

6 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.

6.1 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 (inappropriate 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) Capital work-in-progress

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

c) Revaluation surplus on property, plant and equipment

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

6.2 Impairment losses

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

of impairment loss, if any.

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

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

6.3 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.

6.4 Stock in trade

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

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

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

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



6.5 Trade receivables

Trade debts and other receivables are recognized and carried at original invoiced amount which is the fair value of the consideration to be received in future for goods sold. When a trade debt is uncollectible, it is written off and charge to profit and loss account. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

6.6 Other receivables

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

6.7 Investments

Investments are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term if so designated by management.

Purchase and sales are recognized on trade-date i.e. the date on which the Company commits to purchase or sell the asset.

Financial asset at fair value through profit or loss are initially recognized at fair value and subsequently re-measured at fair value at each balance sheet date. Gains and losses arising from changes in the fair value are included in the profit and loss account in which they arise.

Investments are treated as current assets where the intention is to hold for less than twelve months from the balance sheet date. Otherwise investments are treated as long term assets.

6.8 Cash and bank balances

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

6.9 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.

6.10 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation is carried out at June 30, 2016 using the projected unit credit

method (refer note 16). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

6.11 Taxation

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

Current

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

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

Deferred

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

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

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

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

Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year, except otherwise stated.



6.12 Borrowing

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

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

6.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Company.

6.14 Provisions

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

6.15 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 it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. 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.

6.16 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.

6.17 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.

6.18 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.

6.19 Dividend and apportioning to reserves

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

6.20 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. 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 balance sheet date are carried as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and advances, deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

Impairment

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial



recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

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

6.21 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.

6.22 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.

6.23 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.

6.24 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.

6.25 Significant accounting judgments and critical accounting estimates / assumptions

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

Judgments and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgments and assumptions.

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

a) Provision for inventory obsolescence and doubtful receivables

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. Further the carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the reliability of these receivables, appropriate amount of provision is made.

b) Income taxes

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

c) Property, plant and equipment

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

future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment loss.

d) Stores and spares

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

e) Defined benefits plan

The management has exercised judgment in applying Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan (refer note 4.10) that have the most significant effects on the amount recognized in the financial statements.

f) Provision for doubtful receivables

The carrying amount of trade and other receivables are assessed on regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

6.26 Change in accounting policy

The Companies Act, 2017 has introduced changes to the accounting and reporting standards applicable to the large-sized companies, which have been applied for the first time in these financial statements. The changes in the accounting and reporting standards have impacted the Company's accounting policies relating to the borrowings costs and revaluation surplus on property, plant and equipment. Accordingly, the accounting policies of the borrowings costs and revaluation surplus on property, plant and equipment have been changed and applied retrospectively in these financial statements to comply with the accounting and reporting standards applicable to the Company. The resulted impact of change in accounting policy is as follows:

6.26.1 Change in accounting policy of revaluation surplus on property, plant and equipment

The Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.



The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 are being followed by the Company. The new accounting policy is explained under note 5.1, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information.

The effect of the change is recognition and presentation of Rs. 110,644,660 for revaluation surplus on property, plant and equipment as a capital reserve i.e. separate component of equity and derecognition of surplus on revaluation of property, plant and equipment previously presented below equity in the statement of financial position. Further, there is an increase in the other comprehensive income of Rs. 41,619,070 for the year ended June 30, 2018 as a result of revaluation surplus during the year accounted for in accordance with new policy.

Statement of financial position
Retrospective Impact of change in accounting policy

Description	As at July 01, 2016			As at June 30, 2017		
	As previously reported on June 30, 2016	Adjustments Increase / (Decrease)	As restated on July 01, 2016	As previously reported on June 30, 2017	Adjustments Increase / (Decrease)	As restated on June, 2017 (Restated)
 Rupees Rupees		
Surplus on revaluation of property plant and equipment (within the equity)	-	73,949,814	73,949,814	-	72,309,752	72,309,752
Net impact on equity	-	73,949,814	73,949,814	-	72,309,752	72,309,752
Surplus on revaluation of property plant and equipment (below equity)	73,949,814	(73,949,814)	-	72,309,752	(72,309,752)	-
	73,949,814	(73,949,814)	-	72,309,752	(72,309,752)	-

Impact of change in accounting policy - June 30, 2018

	Rupees
Surplus on revaluation of property plant and equipment (within equity)	110,644,660
Surplus on revaluation of property plant and equipment (below equity)	-
	<u>110,644,660</u>

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**Statement of comprehensive income
For the year ended June 30, 2017**

	<u>Impact of change in accounting policy</u>		
	<u>As previously reported</u>	<u>Adjustments Increase/ (Decrease)</u>	<u>2017 (Restated)</u>
Other comprehensive income	(15,262)	-	(15,262)
	<u>(15,262)</u>	<u>-</u>	<u>(15,262)</u>

**Statement of comprehensive income
For the year ended June 30, 2018**

Increase in other comprehensive income - net of tax 41,619,070

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7 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								
Year ended June 30, 2018											
Net carrying value basis											
Opening book value	56,700,000	3,435,844	7,339,967	22,357,140	91,000	136	206,338	78,687	436,162	90,645,274	
Additions (at cost)	-	-	788,899	1,611,791	7,400	-	-	-	-	2,408,090	
Revaluation surplus	30,000,000	1,374,252	7,692,431	7,847,768	-	-	-	-	-	46,914,451	
Revaluation loss	-	-	-	(869,727)	-	-	-	-	-	(869,727)	
Impairment loss	-	-	-	(107,923)	-	-	-	-	-	(107,923)	
Disposal (NBV)	(450,000)	-	-	(1,547,937)	-	-	-	-	-	(1,997,937)	
Depreciation charge	-	(204,001)	(1,100,268)	(2,547,313)	(9,551)	(41)	(20,118)	(7,672)	(82,871)	(3,971,835)	
Closing net book value	86,250,000	4,606,095	14,721,029	26,743,799	88,849	95	186,220	71,015	353,291	133,020,393	
Gross carrying value basis											
Cost/revalue	86,250,000	7,019,637	31,576,414	86,602,038	1,048,652	5,000	2,260,443	2,001,887	2,400,520	219,164,591	
Revaluation adjustments	-	(2,295,437)	(16,122,115)	(58,411,172)	-	-	-	-	-	(76,828,724)	
Accumulated depreciation	86,250,000	4,724,200	15,454,299	28,190,866	1,048,652	5,000	2,260,443	2,001,887	2,400,520	142,335,867	
Revaluation adjustments	-	2,413,542	16,855,385	59,858,239	959,803	4,905	2,074,223	1,930,872	2,047,229	86,144,198	
Net book value	-	(2,295,437)	(16,122,115)	(58,411,172)	-	-	-	-	-	(76,828,724)	
	86,250,000	118,105	733,270	1,447,067	959,803	4,905	2,074,223	1,930,872	2,047,229	9,315,474	
	86,250,000	4,606,095	14,721,029	26,743,799	88,849	95	186,220	71,015	353,291	133,020,393	
Year ended June 30, 2017											
Net carrying value basis											
Opening book value	56,700,000	3,616,678	8,249,890	24,841,267	101,111	203	229,264	87,430	545,202	94,371,045	
Disposal (NBV)	-	-	(87,293)	-	-	-	-	-	-	(87,293)	
Depreciation charge	-	(180,834)	(822,630)	(2,484,127)	(10,111)	(67)	(22,926)	(8,743)	(109,040)	(3,638,478)	
Closing net book value	56,700,000	3,435,844	7,339,967	22,357,140	91,000	136	206,338	78,687	436,162	90,645,274	
Gross carrying value basis											
Cost/revalue	56,700,000	5,645,385	23,095,084	82,223,269	1,041,252	5,000	2,260,443	2,001,887	2,400,520	175,372,840	
Accumulated depreciation	-	2,209,541	15,755,117	59,866,129	950,252	4,864	2,054,105	1,923,200	1,964,358	84,727,566	
Net book value	56,700,000	3,435,844	7,339,967	22,357,140	91,000	136	206,338	78,687	436,162	90,645,274	
Annual rate of depreciation (%)											
	-	5%	10%	10%	10%	33%	10%	10%	20%		

7.1 Free hold land of the Company is located at Mandra - Chakwal road, Tehsil Gujjar 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:

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
		85,571

7.2 Revaluation of freehold land, building and plant and machinery

7.2.1 The Company has adopted the revaluation model for subsequent measurement of freehold land, buildings and plant and machinery. During the year, the Company has revalued its freehold land, buildings and plant and machinery through independent valuer M/s Asrem (Private) Limited on the basis of market value. Further details of revaluation carried out by the Company to date are as follows:

Name of independent valuer	Date of revaluation	Revaluation surplus
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

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

	2018 Rupees	2017 Rupees
Freehold land	299,995	302,395
Buildings on freehold land	1,101,987	1,159,986
Plant and machinery	6,835,615	5,931,536

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

7.3 Depreciation has been allocated as follows:

	2018 Rupees	2017 Rupees
Cost of sales	3,675,371	3,338,426
Administrative expenses	296,464	300,052
	3,971,835	3,638,478

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7.4 The following operating fixed assets were disposed off during the year:

Description	Cost/ revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss)	Mode of disposals	Particulars of buyers
-----Rupees-----							
<i>Items having net book value above Rs. 500,000</i>							
Plant and machinery							
- Simplex machine	1,302,645	698,486	604,159	462,185	(141,974)	Negotiation	N.B Traders, Plot # 129, Main Narwala Road, Razabad, Faisalabad.
<i>Various items having net book value upto Rs. 500,000</i>	3,250,495	1,856,717	1,393,778	3,376,786	1,983,008	Negotiation	Various
Year ended June 30, 2018	4,553,140	2,555,203	1,997,937	3,838,971	1,841,034		
Year ended June 30, 2017	229,303	142,010	87,293	933,800	846,507		

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	Note	2018 Rupees	2017 Rupees
8 LOANS AND ADVANCES			
Unsecured - considered good			
Opening balance		1,474,759	1,371,008
Loan given to employees during the year		1,064,919	350,251
Payment received during the year		(396,250)	(246,500)
		<u>2,143,428</u>	<u>1,474,759</u>
Current portion shown under current assets	12	<u>(178,000)</u>	<u>(103,000)</u>
		<u>1,965,428</u>	<u>1,371,759</u>

8.1 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.

	2018 Rupees	2017 Rupees
9 STORES, SPARES AND LOOSE TOOLS		
Stores	1,115,732	1,395,965
Spares	26,710	20,750
Fair price shop	-	33,097
	<u>1,142,442</u>	<u>1,449,812</u>

9.1 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.

	2018 Rupees	2017 Rupees
10 STOCK IN TRADE		
Raw material	9,089,438	4,145,028
Work in process	2,195,025	1,952,731
Finished goods	6,640,691	3,679,685
Waste	6,636	16,834
	<u>17,931,790</u>	<u>9,794,278</u>

	2018 Rupees	2017 Rupees
11 TRADE DEBTS		
Unsecured - considered good		
Local		
Considered good	4,598,298	7,202,424
Considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	<u>4,598,298</u>	<u>7,202,424</u>

	Note	2018 Rupees	2017 Rupees
11.1			
Movement in provision for doubtful debts is as follows:			
Opening balance		-	1,680,367
Charge for the year		-	-
Written off during the year		-	(1,680,367)
Closing balance		-	-

12 LOANS AND ADVANCES

Unsecured-considered good

Loans

Current portion of long-term loans	8	178,000	103,000
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Advances

to suppliers	12.1	52,169	105,376
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		230,169	208,376
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12.1 This represents advances to suppliers in the normal course of business and does not carry any interest or mark-up. The Chief Executive Officer and Directors have not taken any loans and advances from the Company.

	Note	2018 Rupees	2017 Rupees
13			
TAX REFUNDS DUE FROM GOVERNMENT			
Income tax		106,878	122,409
Sale tax		8,003	92,860
		114,881	215,269

14 CASH AND BANK BALANCES

Cash in hand		332,633	279,878
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Cash at banks:

Current accounts		5,063,267	2,982,926
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Saving account	14.1	4,298,445	4,972,091
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		9,694,345	8,234,895
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14.1 Saving account carries mark up at the rates ranging from 0.02% to 0.06% (2017: 0.02% to 0.06%) per annum.

15 SHARE CAPITAL

15.1 Authorized share capital:

This represents 5,000,000 (2017 : 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (2017 : Rs. 50,000,000).

			2018	2017
			Rupees	Rupees
15.2 Issued, subscribed and paid up capital:				
	Number of ordinary shares of Rs. 10/- each			
	2018	2017		
	1,300,000	1,300,000	Fully paid in cash	13,000,000
				13,000,000
			2018	2017
			Rupees	Rupees

16 Revaluation surplus on property, plant and equipment

Balance brought forward	79,129,244	81,472,190
Add: Revaluation during the period	46,914,451	-

Less: Transferred to equity in respect of incremental depreciation charged during the year-net of deffered tax	2,065,078	1,640,062
Revaluation surplus reversed	869,727	-
Realized on disposal of revalued assets - net of deferred tax	1,219,084	-
Related deferred tax liability during the year transferred to profit and loss account	1,158,595	702,884
	<u>5,312,484</u>	<u>2,342,946</u>
	120,731,211	79,129,244

Less: Related deferred tax effect:		
Balance as at July 01	6,819,492	7,522,376
Revaluation during the year	4,905,191	-
Effect of change in rate	(227,316)	-
Reversal during the year	(252,221)	-
Related deferred tax liability during the year transferred to profit and loss account	(1,158,595)	(702,884)
	<u>10,086,551</u>	<u>6,819,492</u>
	<u>110,644,660</u>	<u>72,309,752</u>

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.

	Note	2018 Rupees	2017 Rupees
17 DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	17.1	12,148,105	9,791,152
Deferred taxation	17.2	11,391,051	8,167,253
		<u>23,539,156</u>	<u>17,958,405</u>

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, 2018 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.

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Principal actuarial assumptions

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

	2018 Rupees	2017 Rupees
Discount rate (%)	7.75	7.25
Expected rate of return on plan assets (%)	-	-
Expected rate of increase in salary (%)	6.75	6.25
Maturity profile	SLIC(2001-05)	

17.1.1 Reconciliation of balance due to defined benefit plan

Present value of defined benefit obligation	12,148,105	9,791,152
Fair value of plan assets	-	-
Closing net liability	<u>12,148,105</u>	<u>9,791,152</u>

17.1.2 Movement of the liability recognized in the balance sheet

Opening net liability		
Non current portion	9,791,152	7,118,595
Current portion	137,600	134,650
Charge for the year	4,096,165	3,594,395
Remeasurement chargeable to other comprehensive income	8,388	15,262
Transferred to current liabilities	(56,000)	(137,600)
Benefits paid during the year	(1,829,200)	(934,150)
Closing net liability	<u>12,148,105</u>	<u>9,791,152</u>

17.1.3 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations		
Non current portion	9,791,152	7,118,595
Current portion	137,600	134,650
Current service cost for the year	3,449,657	3,112,267
Interest cost for the year	646,508	482,128
Transferred to current liabilities	(56,000)	(137,600)
Benefits paid during the year	(1,829,200)	(934,150)
Remeasurement loss / (gain) on obligation	8,388	15,262
Closing present value of defined benefit obligations	<u>12,148,105</u>	<u>9,791,152</u>

	2018 Rupees	2017 Rupees
17.1.4 Charge for the year		
Current service cost	3,449,657	3,112,267
Interest cost	646,508	482,128
Charge for the year	<u>4,096,165</u>	<u>3,594,395</u>

17.1.5 Remeasurement chargeable to other comprehensive income

Remeasurement loss / (gain) on obligation	<u>8,388</u>	<u>15,262</u>
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17.1.6 This is fourth year of the Company as actuarial valuation therefore no comparison for five years has been presented. Further, 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	Increase in Assumption Rupees
Discount rate	11,308,567	9,176,032
Salary increase	13,141,850	10,520,900

17.1.8 The charge in respect of defined benefit plan for the year ending June 30, 2019 is estimated to be Rs. 4.201 million.

17.2 Deferred taxation

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

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	2018 Rupees	2017 Rupees
Accelerated tax depreciation	1,304,500	1,347,761
Surplus on revaluation of fixed assets	10,086,551	6,819,492
	<u>11,391,051</u>	<u>8,167,253</u>
Tax rate used	<u>29%</u>	<u>30%</u>

17.2.2 Deferred tax asset of Rs. Nil (2017: Rs. 523,131) on brought forward losses has not been recognised in these financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount. No deferred tax assets has been recognized on gratuity as the Company is claiming it as tax expense.

17.2.3 In view of judgment of Sindh High Court vide ITRA No. 132 of 2011 dated May 07, 2013, the benefit of section 113 (2) (c) is no more available to the taxpayer. Accordingly minimum tax paid in previous years due to losses cannot be adjusted from the tax liability of subsequent years. Therefore deferred tax assets on turnover tax amounting to Rs. 4.250 million has not been accounted for during the year.

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

	Note	2018 Rupees	2017 Rupees
Balance as at July 01		8,167,253	8,941,839
Charged/(credit) to profit and loss account		(1,201,856)	(774,586)
Charge/(Credit) to other comprehensive income		4,425,654	-
		<u>11,391,051</u>	<u>8,167,253</u>

18 LONG TERM LOAN FROM DIRECTORS

Balance brought forward	18.1	67,682,547	67,882,547
Additions during the year		-	-
Payments during the year		(350,000)	(200,000)
		<u>67,332,547</u>	<u>67,682,547</u>
Less: Current portion shown under current liabilities		(67,332,547)	(67,682,547)
		<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. 67,682,547 (2017: Rs. 67,882,547).

19	TAXATION - NET	Note	2018 Rupees	2017 Rupees
	Balance at beginning of the year		15,531	(3,775)
	Prior year adjustment		-	(92,305)
			<u>15,531</u>	<u>(96,080)</u>
	Adjusted against / transferred to tax refunds due from government		(15,531)	96,080
			-	-
	Provision for the year	30	4,962,422	3,218,434
			4,962,422	3,218,434
	Less: Payment/adjustment		(4,811,936)	(3,202,903)
	Closing balance payable		<u>150,486</u>	<u>15,531</u>

19.1 Adequate provision in respect of taxation have been made in these financial statements for the year ended June 30, 2018 (Tax year 2018).

20	DUE TO ASSOCIATED UNDERTAKING	Note	2018 Rupees	2017 Rupees
	Unsecured			
	International Beverages (Private) Limited			
	Opening balance		9,916,077	9,916,077
	Paid during the year		(500,000)	-
		20.1	<u>9,416,077</u>	<u>9,916,077</u>

20.1 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.

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

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

The maximum aggregate amount due to associated undertaking at the end of any month during the year was Rs. 9,916,077 (2017: Rs. 9,916,077).

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	Note	2018 Rupees	2017 Rupees
21			
SHORT TERM LOAN FROM DIRECTORS			
		5,100,000	4,350,000
		-	750,000
	21.1	<u>5,100,000</u>	<u>5,100,000</u>

21.1 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	2018 Rupees	2017 Rupees
22			
TRADE AND OTHER PAYABLES			
		94,895	126,883
		4,919,201	4,446,950
		3,661,983	6,108,714
		429,625	422,373
	22.1	414,183	-
		157,389	-
		27,623	39,552
		47,600	1,686
		-	14,573
		56,000	137,600
		<u>9,808,499</u>	<u>11,298,331</u>

22.1 Workers' Profit Participation Fund

Balance at July 01,	-	-
Interest on funds utilized in Company's business	-	-
Allocation for the year	414,183	-
	<u>414,183</u>	<u>-</u>
Amount paid during the year	-	-
Balance at June 30, 2018	<u>414,183</u>	<u>-</u>

23 CONTINGENCIES AND COMMITMENTS

23.1 CONTINGENCIES

There was no contingent liability of the Company as at the balance sheet date (2017: Nil).

23.2 COMMITMENTS

There were no commitments for capital expenditures as at the balance sheet date (2017: Nil).

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	Note	2018 Rupees	2017 Rupees
24 SALES			
Yarn		395,734,931	321,348,985
Waste		453,528	361,783
		<u>396,188,459</u>	<u>321,710,768</u>
Less: sales tax		(904,214)	(885,496)
		<u><u>395,284,245</u></u>	<u><u>320,825,272</u></u>

25 COST OF SALES

Raw material consumed	25.1	273,764,458	212,222,044
Store and spares consumed	25.2	11,010,258	10,453,122
Salaries, wages and other benefits	25.3	57,911,309	53,014,652
Power charges		40,079,960	36,521,061
Insurance		182,643	279,091
Repairs and maintenance		226,970	225,175
Depreciation	7.3	3,675,371	3,338,426
		<u>386,850,969</u>	<u>316,053,571</u>
Work in process			
Opening		1,952,731	2,047,107
Closing	10	(2,195,025)	(1,952,731)
		<u>(242,294)</u>	<u>94,376</u>
Cost of goods manufactured		<u>386,608,675</u>	<u>316,147,947</u>
Finished goods			
Opening		3,679,685	6,032,097
Closing	10	(6,640,691)	(3,679,685)
		<u>(2,961,006)</u>	<u>2,352,412</u>
Waste			
Opening	10	16,834	6,432
Closing		(6,636)	(16,834)
		<u>10,198</u>	<u>(10,402)</u>
		<u><u>383,657,867</u></u>	<u><u>318,489,957</u></u>

25.1 Raw material consumed

Opening stock	4,145,028	2,309,909
Add: Purchases	278,708,868	214,057,163
Cost of raw materials available for use	<u>282,853,896</u>	<u>216,367,072</u>
Less: Closing stock	(9,089,438)	(4,145,028)
	<u><u>273,764,458</u></u>	<u><u>212,222,044</u></u>

	2018 Rupees	2017 Rupees
25.2 Stores and loose tools consumed		
Opening stock	1,416,715	1,222,888
Add: Purchases	10,735,985	10,646,949
	12,152,700	11,869,837
Less: Closing stock	(1,142,442)	(1,416,715)
	<u>11,010,258</u>	<u>10,453,122</u>

25.3 Salaries, wages and other benefits includes an amount of Rs. 4,597,662 (2017: Rs. 3,794,208) in respect of staff retirement benefits.

	Note	2018 Rupees	2017 Rupees
26 ADMINISTRATIVE EXPENSES			
Directors' remuneration	31	278,400	278,400
Salaries and other benefits	26.1	3,180,555	2,906,601
Telephone expenses		88,697	71,690
Motor running expenses		427,339	450,121
Printing, stationery and periodicals		42,040	42,100
Rent		300,000	300,000
Rates and taxes		28,512	255,381
Advertisement		29,850	51,000
Traveling and conveyance		70,565	76,250
Entertainment		105,912	78,855
Subscription and membership fee		207,950	208,702
Depreciation	7.3	296,464	300,052
Donation	26.2	-	100,000
Other expenses		120,139	96,245
		<u>5,176,423</u>	<u>5,215,397</u>

26.1 Salaries and other benefits include Rs. 202,203 (2017: Rs. 465,987) in respect of staff retirement benefits.

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

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	Note	2018 Rupees	2017 Rupees
27 OTHER OPERATING CHARGES			
Legal and professional expenses		162,610	125,273
Auditor's remuneration			
Statutory audit		225,000	200,000
Half yearly review		50,000	50,000
Fee for other certification		20,000	-
		295,000	250,000
Workers' Profit Participation Fund		414,183	-
Workers' Welfare Fund		157,389	-
Impairment loss		107,923	-
		<u>1,137,105</u>	<u>375,273</u>

28 OTHER INCOME

Income from non-financial assets

Scrap sales		113,013	84,297
Bank profit		1,470	1,013
Gain on sale of operating fixed asset - net	7.4	1,841,034	846,507
Liabilities written back	28.1	433,362	341,683
		<u>2,388,879</u>	<u>1,273,500</u>

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

	Note	2018 Rupees	2017 Rupees
29 FINANCIAL CHARGES			
Bank commission and charges		<u>1,993</u>	<u>5,676</u>

30 TAXATION

Provision for taxation			
Current		4,962,422	3,218,434
Prior year adjustment	30.5	-	(92,305)
Deferred		(1,201,856)	(774,586)
		<u>3,760,566</u>	<u>2,351,543</u>

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30.1 Comparison of tax provision against tax assessments

	2017	Tax year 2016	2015
	----- Rupees -----		
Management assessment as per tax return	3,218,434	2,744,731	2,755,752
Tax authorities assessment as per tax return	3,218,434	2,744,731	2,755,752

30.2 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.

30.3 The applicable income tax rate for subsequent years beyond Tax Year 2018 was reduced to 29% on account of changes made to Income Tax Ordinance, 2001 through Finance Act 2018. Therefore, deferred tax is computed at the rate of 29% applicable to the period when temporary differences are expected to be reversed / utilised.

30.4 The applicable income tax rate was reduced from 31% to 30% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2017.

30.5 This represents tax credit claimed under section 65 of the Income Tax Ordinance, 2001, on plant and machinery last year.

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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:

	2018			2017				
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	278,400	-	-	278,400	278,400	-	-	278,400
Bonus	-	-	-	-	-	-	-	-
Staff retirement benefits	-	-	-	-	-	-	-	-
Medical	10,130	-	-	10,130	27,265	-	-	27,265
Utilities	20,447	-	-	20,447	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total	308,977	-	-	308,977	305,665	-	-	305,665
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:

	2018			2017		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
Managerial remuneration	278,400	-	278,400	278,400	-	278,400
Number of persons	2	5	7	2	5	7

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

32 EARNING/(LOSS) PER SHARE - BASIC AND DILUTED

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

	2018 Rupees	2017 Rupees
Profit/(loss) after taxation	<u>3,939,170</u>	<u>(4,339,074)</u>
	Number of shares	
Weighted average number of ordinary shares at the end of the year	<u>1,300,000</u>	<u>1,300,000</u>
	Rupees	
Earning/(loss) per share - basic and diluted	<u>3.03</u>	<u>(3.34)</u>

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:

			2018 Rupees	2017 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	500,000	-
		Amount payable at year end	<u>9,416,077</u>	<u>9,916,077</u>
Taj Mills Limited	Associated company by virtue of common directorship	Office Rent paid / payable	300,000	300,000
		Amount payable at year end	<u>-</u>	<u>-</u>

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			2018 Rupees	2017 Rupees
Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances		
Mahboob Elahi	Director	No transaction	-	-
		Amount payable at year end (Loan obtained previously)	51,275,546	51,275,546
Mahfooz Elahi	Chief Executive	Adjustment / repayment of long term loan	(350,000)	(200,000)
		Amount payable at year end (Loan obtained previously)	15,982,000	16,332,000
Mahmood Elahi	Director	No transaction	-	-
		Amount payable at year end (Loan obtained previously)	5,175,000	5,175,000

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, 2018 are included in "Long/short term loan from directors" (note 18 & 21) and "Due to associated undertaking" (note 20).

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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: -

	2018			
	Total	Interest/mark up bearing		Not interest /mark up bearing
		Maturity up to one year	Maturity after one year Rupees	
Financial assets				
Loans and receivables at amortized cost				
Long term security deposits	918,810	-	-	918,810
Trade debts	4,598,298	-	-	4,598,298
Loans and advances	2,143,428	-	-	2,143,428
Cash and bank balances	9,694,345	4,298,445	-	5,395,900
	17,354,881	4,298,445	-	13,056,436
Financial liabilities				
Financial liabilities carried at amortized cost				
Current portion of long term loan from directors	67,332,547	-	-	67,332,547
Short term loan from directors	5,100,000	-	-	5,100,000
Provision for gratuity	12,148,105	-	-	12,148,105
Due to associated undertaking	9,416,077	-	-	9,416,077
Trade and other payables	5,070,096	-	-	5,070,096
Unclaimed dividend	248,165	-	-	248,165
	99,314,990	-	-	99,314,990
On balance sheet gap	(81,960,109)	4,298,445	-	(86,258,554)
Off balance sheet items				
Financial commitments:	-	-	-	-
Total Gap	(81,960,109)	4,298,445	-	(86,258,554)
2017				
	Total	Interest/mark up bearing		Not interest /mark up bearing
		Maturity up to one year	Maturity after one year Rupees	
Financial assets				
Loans and receivables at amortized cost				
Long term security deposits	918,810	-	-	918,810
Trade debts	7,202,424	-	-	7,202,424
Loans and advances	1,474,759	-	-	1,474,759
Cash and bank balances	8,234,895	4,972,091	-	3,262,804
	17,830,888	4,972,091	-	12,858,797
Financial liabilities				
Financial liabilities carried at amortized cost				
Current portion of long term loan from directors	67,682,547	-	-	67,682,547
Short term loan from directors	5,100,000	-	-	5,100,000
Provision for gratuity	9,791,152	-	-	9,791,152
Due to associated undertaking	9,916,077	-	-	9,916,077
Trade and other payables	4,711,433	-	-	4,711,433
Unclaimed dividend	248,165	-	-	248,165
	97,449,374	-	-	97,449,374
On balance sheet gap	(79,618,486)	4,972,091	-	(84,590,577)
Off balance sheet items				
Financial commitments:	-	-	-	-
Total Gap	(79,618,486)	4,972,091	-	(84,590,577)

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. 17.354 million (2017: Rs. 17.830 million), the financial assets which are subject to credit risk amounted to Rs. 17.022 million (2017: Rs. 17.551 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2018 Rupees	2017 Rupees
Long term security deposits	918,810	918,810
Trade debts	4,598,298	7,202,424
Loans and advances	2,143,428	1,474,759
Bank balances	9,361,712	7,955,017
	<u>17,022,248</u>	<u>17,551,010</u>

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

Past due 1-30 days	3,433,145	3,157,096
Past due 30-90 days	859,822	986,282
Past due 90 days	305,331	3,058,646
	<u>4,598,298</u>	<u>7,202,024</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						
2018							
Deferred liabilities	12,148,105	12,148,105	-	-	-	-	12,148,105
Long term loan from directors	67,332,547	67,332,547	-	67,332,547	-	-	-
Short term loan from directors	5,100,000	5,100,000	-	5,100,000	-	-	-
Due to associated undertaking	9,416,077	9,416,077	-	9,416,077	-	-	-
Trade and other payables	9,808,499	9,808,499	4,904,250	4,904,250	-	-	-
Unclaimed dividend	248,165	248,165	-	248,165	-	-	-
	104,053,393	104,053,393	4,904,250	87,001,039	-	-	12,148,105

	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						
2017							
Deferred liabilities	9,791,152	9,791,152	-	-	-	-	9,791,152
Long term loan from directors	67,682,547	67,682,547	-	67,682,547	-	-	-
Short term loan from directors	5,100,000	5,100,000	-	5,100,000	-	-	-
Due to associated undertaking	9,916,077	9,916,077	-	9,916,077	-	-	-
Trade and other payables	11,298,331	11,298,331	5,649,166	5,649,166	-	-	-
Unclaimed dividend	248,165	248,165	-	248,165	-	-	-
	104,036,272	104,036,272	5,649,166	88,595,955	-	-	9,791,152

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.

	2018	2017	2018	2017
	Rates		Carrying amount	
	In Percent		----- Rupees -----	
Financial assets				
Bank balances	0.02 to 0.06	0.02 to 0.06	4,298,445	4,972,091

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, 2018		
Cash flow sensitivity - Variable rate financial assets	30,089	(30,089)
As at June 30, 2017		
Cash flow sensitivity - Variable rate financial assets	34,805	(34,805)

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in arms length transactions.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	Carrying Amount	Fair value	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees	Rupees	Rupees
June 30, 2018					
Assets carried at fair value	17,354,881	17,354,881	17,354,881	-	-
June 30, 2017					
Assets carried at fair value	17,830,888	17,830,888	17,830,888	-	-

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- 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 categorised in level 3 is provided below:

	2018	2017
	Rupees	Rupees
Opening balance (level 3 recurring fair values)	22,357,140	24,841,267
Additions - Cost	1,611,791	-
Revaluation surplus during the year	7,847,768	-
Reversal of revaluation surplus	(869,727)	-
Impairment loss	(107,923)	-
Disposals (NBV)	(1,547,937)	-
Depreciation charge	(2,547,313)	(2,484,127)
Closing balance (level 3 recurring fair values)	<u>26,743,799</u>	<u>22,357,140</u>

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.

36.5 Interest rate used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since majority of the interest bearing instruments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are of short term in nature, fair value significantly approximates to carrying value.

36.6 Fair value hierarchy

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by valuation method. The different values have been defined as follows:

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

Level 2: input other than quoted prices included with in Level 1 that are observable for assets and liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change the occurred.

36.7 Determination of fair values

A number of the Company's accounting polices and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined of measurement and / or disclosure purposes based on the following methods.

Investment in fair value through profit and loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

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37 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".

Description	Explanation	June 30,	June 30,
		2018	2017
		Rupees	Rupees
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	- 4,298,445	- 4,972,091
Income on bank deposits	Placed under interest arrangement Placed under Shariah permissible	- -	- -
Gain/(loss) on available-for-sale investments		-	-
Dividend income		-	-
All sources of other income	Disclosed in note 28	2,388,879	1,273,500
Exchange gain	Earned from actual currency	-	-
Relationship with banks having Islamic windows	Meezan Bank Limited	-	-

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

38 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.

	2018 Numbers	2017 Numbers
39 PLANT CAPACITY, PRODUCTION AND EMPLOYEES		
No. of spindles installed	7,968	7,548
Installed capacity converted into 20's count lbs.	6,271,065	5,940,512
Actual production converted into 20's count lbs.	4,218,900	3,918,770
Actual production in lbs.	4,148,400	3,852,200
Average count manufactured	20	20
No. of shifts worked daily	2	2

39.1 Reasons for under utilization of capacity

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

40 NUMBER OF EMPLOYEES

	2018 Numbers	2017 Numbers
Total number of employees		
At June 30,	259	256
Average during the year	<u>261</u>	<u>254</u>
Factory employees		
At June 30,	248	245
Average during the year	<u>250</u>	<u>247</u>

41 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year:

Description	Reclassified from	Reclassified to	Amount Rs.
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	248,165

42 **DATE OF AUTHORIZATION FOR ISSUE**

These financial statements are authorized for issue by the Board of Directors on 27 SEP 2018.

43 **GENERAL**

Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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

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

2.1. Pattern of holding of the shares held by the shareholders as at **30-06-2018**

2.2 No. of Shareholders	-----Shareholdings-----		Total Shares Held
	From	To	
38	1	100	1,042
22	101	500	9,206
35	501	1000	22,660
22	1001	5000	43,580
2	5001	10000	15,000
1	15001	20000	19,244
1	70001	75000	73,500
1	150001	155000	152,743
1	195001	200000	199,625
1	200001	205000	200,200
1	560001	565000	563,200
125			1,300,000

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

ELAHI COTTON MILLS LIMITED
Catagories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2018

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. NAVEED AKHTER IDREES	2,500	0.1923
6	SYED MUHAMMAD RAUNAQ-UD-DIN	2,500	0.1923
7	MR. AHMED SHAFFI	19,244	1.4803
8	MRS. SAMINA BEGUM W/O MAHBOOB ELAHI (CDC)	73,500	5.6538

Executives:

- -

Public Sector Companies & Corporations:

- -

**Banks, Development Finance Institutions, Non Banking Finance
Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:**

- -

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

1	MR. MAHBOOB ELAHI	563,200	43.3231
2	MR. MAHFOOZ ELAHI	199,675	15.3596
3	MR. MAHMOOD ELAHI	200,250	15.4038
4	SALIM SOZER SECURITIES (PVT) LTD. (CDC)	152,743	11.7495
5	MRS. SAMINA BEGUM W/O MAHBOOB ELAHI (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 falling 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 48^h Annual General Meeting of the company to be held at 10.30 a.m. at registered office of the Company Plot # 270, Sector I-9, Industrial Area, Islamabad on October 25, 2018 or at any adjournment thereof.

Signed this _____ day of _____

Signature on
 Rupees Five
 Revenue Stamp

(Signature should agree with the specimen signature registered with the company)

Important

1. A member entitled to attend and vote at the Annual General Meeting of the company is entitled to appoint a 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.

الہی کاشن ملز لمیٹڈ

پراکسی فارم برائے اڑتالیسویں سالانا اجلاس عام

الہی کاشن ملز لمیٹڈ

۷۰۰ سیکسٹری ٹائن، انڈسٹریل ایریا،

اسلام آباد

میں مسی/اسمات ساکن بحیثیت ممبر الہی کاشن ملز لمیٹڈ کمپنی کے عمومی شیئر (ز) جسٹریٹڈ کنڈرہ رجسٹرڈ فوئیو نمبر CDCA/C No (اگر ممبر ہے) (مکمل پتہ) مسی/اسمات فوئیو نمبر CDCA/C No (اگر ممبر ہے) ساکن (مکمل پتہ)
 پراکسی کے غیر حاضر ہونے کی صورت میں مسی/اسمات فوئیو نمبر CDCA/C No (اگر ممبر ہے) ساکن (مکمل پتہ) کولیٹوریٹار
 (پراکسی) مقرر کرتا کرتی ہوں تاکہ وہ میری غیر موجودگی میں میری طرف سے کمپنی کے اڑتالیسویں سالانا اجلاس عام، جو کہ مورخ ۲۵ اکتوبر ۲۰۱۸ء کو پراکسی اور ملتی شدہ تاریخ پر اوپر درج کردہ پتہ پر منعقد ہوگا، میں شرکت کرے یا ووٹ ڈالے۔

دستخط (دروپے کے ریویو شیٹ پر) تاریخ

گواہان:

.....	دستخط	دستخط
.....	نام	نام
.....	شناختی کارڈ نمبر	شناختی کارڈ نمبر

نوٹس:

- ۱۔ وہ رکن جسے اجلاس میں شریک ہونے کا حق حاصل ہے وہ کسی ناگزیر صورت حال میں اپنی جگہ دوسرے ممبر کو یہ حق دے سکتا ہے کہ وہ اس کی جگہ اجلاس میں شریک ہو سکتا ہے، خطاب کر سکتا ہے اور ووٹ کا اندراج کر سکتا ہے۔
- ۲۔ پراکسی ثابت کرنے کے لیے اسے اپنا اصل شناختی کارڈ/ پاسپورٹ اور فوئیو نمبر دکھانا لازمی ہے تاکہ اس کی شناخت کی جاسکے۔
- ۳۔ پراکسی موثر ہونے کے لیے ہمارے رجسٹرڈ آفس جس کا پتہ اوپر درج کیا گیا ہے میں اجلاس سے کم از کم ۴۸ گھنٹے قبل موصول ہونا لازمی ہے۔ فارم میں درج تمام معلومات کا اندراج ضروری ہے۔
- ۴۔ انفرادی رکن کی صورت میں اصل مالک اور پراکسی کے شناختی کارڈ/ پاسپورٹ کی تصدیق شدہ فتول منسلک کرنا ضروری ہے۔
- ۵۔ کارپوریٹ پراکسی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد، پاور آف اٹارنی، شناختی کارڈ/ پاسپورٹ کی تصدیق شدہ فتول منسلک کرنا لازمی ہے۔
- ۶۔ وہ رکن جو پراکسی مقرر کرے گا اس کے اپنے دستخط یا مجاز اٹارنی کے دستخط ہونا لازمی ہیں اور کارپوریٹ ادارہ ہونے کی صورت میں کمپنی کی (common seal) مخصوص مهر ثبت ہونی چاہیے۔

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- 🗨️ FAQs Answered

- 📈 Stock trading simulator (based on live feed from KSE)
- 📄 Knowledge center
- 📊 Risk profiler*
- 📄 Financial calculator
- 📄 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📄 Online Quizzes



Jama Punji is an investor Education Initiative of Securities and Exchange Commission of Pakistan

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*Mobile apps are also available for download for android and ios devices