



ELAHI COTTON MILLS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2017

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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 faster 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.

ELAHI COTTON MILLS LIMITED

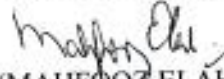
NOTICE OF 47TH
ANNUAL GENERAL MEETING

Notice is hereby given that 47th Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 270-Sector 1/9, Industrial Area, Islamabad on Tuesday October 24, 2017 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 Audited Accounts of the Company for the year ended June 30, 2017 together with Auditors' and Directors' Reports thereon.
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.

Islamabad,
September 26, 2017.

BY ORDER OF THE BOARD


(MAHFOOZ ELAHI)
Chief Executive

NOTES:

1. Share transfer Books of the Company shall remain closed from October 18, 2017 to October 24, 2017 (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. Shareholders are requested to notify immediately their NIC No. and any change in their registered address.
6. SECP has directed vide SRO No. 779(1)/2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card (CNIC) of the registered members. Members who have not yet submitted photocopy of their valid CNIC are requested to send the same to the Company's Registrar M/S. Corplink (Pvt) Limited, Wings Arcade, 1-K Commercial, Model Town, Lahore.

7. In accordance with the provision of Section 242 of the Companies Act, 2017, dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. SECP vide Circular No. 18 of 2017 dated August 01, 2017, has presently waived this condition till October 31, 2017. Any dividend payable after this due date shall be paid in the manner as prescribed.

All shareholders are requested to provide the details of their mandate specifying (i) Title of Account, (ii) Account Number, (iii) IBAN Number, (iv) Bank Name and (v) Branch Name, Code and Address to the Company's Share Registrar M/S. Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore.

8. Consent for Video Conference Facility

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 will 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)

The Company will intimate members regarding venue of conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

ELAHI COTTON MILLS LIMITED

DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Company are pleased to present the 47th Annual Report and the Audited financial statements of the Company for the year ended June 30, 2017 together with the auditors' report thereon.

FINANCIAL RESULTS

During the year under review, the Company registered a turnover of Rs. 320.825 million as compared to Rs. 283.618 million in the preceding year showing increase of Rs. 37.207 million (13.12 %) whereas the cost of sales increased from Rs. 279.077 million to Rs. 318.490 million showing increase of Rs. 39.41 million (14.12%). The Company earned gross profit of Rs. 2.334 million as compared to gross profit of 4.542 million. The increase in turnover is due to increase in production. The financial results of the Company for the year under review are as under:

	<u>RUPEES IN MILLION</u>
Sales	320.825
Cost of Sales	318.490
Gross Profit	2.335
Administrative expenses	5.215
Other operating expenses	0.375
Other income	1.274
Financial Charges	.006
Loss before taxation	1.988
Provision for taxation	2.352
Loss after taxation	4.339
Loss per share (Rs.)	3.34

The Company suffered loss before taxation of Rs. 1.988 million as compared to loss of Rs. 2.212 million in the last year and loss after taxation of Rs. 4.339 million as compared to loss of Rs. 4.027 million. The net loss incurred by the Company is due to increase in Prime costs especially in the prices of raw material. Another factor that is hurting the profitability of the Company is electric shut down due to which the Company has closed one shift throughout the year and hence not utilized 100% capacity.

During the year the Company couldn't make payment of current portion of loan from Directors and Associate Undertaking of Rs. 77.599 million due to financial constraints.

DIVIDEND:

The Directors of the company do not recommend any dividend/ bonus shares to the shareholders as the Company has incurred net loss and also has accumulated loss and no amount is available in the reserves.

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, 2018.

SHAREHOLDING:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2017 is annexed herewith.

FUTURE PROSPECTS AND OUT LOOK:

The management expects the coming year to be a favourable for the textile spinning industry in Pakistan as the prices of finished goods presently seems to be better. However, it depends upon uninterrupted power supply. The Company intends to make investments in Drawing, Simplex and doubling sections in coming years. With the insertion of these machines, the quality of the products will improve and production of the Company will be increased that eventually increase the profitability of the Company.

The auditors have drawn attention to Note 1.2 in the financial statements that the Company incurred a net loss of Rs. 4.339 million and the Company's current liabilities exceeded its current assets by Rs. 66.982 million. The Company has accumulated loss of Rs. 76.678 million that exceeds the issued, subscribed and paid up capital by Rs. 63.678 million. These conditions indicate the existence of a material uncertainty that cast doubt about the Company's ability to continue as a going concern.

Despite the above factors, 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.

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 has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- 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) Thirteen meetings of the Board of Directors, six meetings of the Audit Committee and three 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	12	4	N/A
Mr. Mahfooz Elahi	11	N/A	N/A
Mr. Mahmood Elahi	13	N/A	3
Mr. Naveed Akhter	11	6	3
Mr. Farrukh Ahmed	11	6	N/A
Syed Muhammad Raunaq ud din	10	N/A	3
Mr. Murtaza Wahab	0	0	N/A
Mrs. Samina Begum	01	N/A	N/A
Mr. Ahmed Shaffi	04	0	N/A

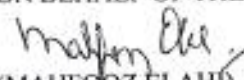
- m) Five Directors of the Company are exempt from Director training programme due to their qualification and relevant experience. One Board member has attended orientation course and got certification from the University of Lahore.
- n) The pattern of shareholding as required by the code along-with 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.

Islamabad,
September 26, 2017

ON BEHALF OF THE BOARD


(MAHFOOZ ELAHI)
Chief Executive

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of listing regulation of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

- 1 The company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

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

The Independent Director meets the criteria of independence under clause 5.19.1(b) of CCG.

- 2 The Directors have confirmed that none of them is serving as a Director of more than seven listed companies, including this company.
- 3 All the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 A casual vacancy occurring on the Board on 24.02.2017 was filled up by the Directors within ninety days.
- 5 The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 6 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.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive Directors, have been taken by the Board/shareholders.
- 8 The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 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 from the University of Lahore.
- 10 There was no new appointment of CFO, Company Secretary and Head of Internal Audit. The Head on Internal Audit is also working in a sister concern. The Company is making arrangement to appoint a full time head of Internal Audit.

- 11 The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12 The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- 13 The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
- 14 The company has complied with all the corporate and financial reporting requirements of the CCG.
- 15 The Board has formed an Audit Committee of four members including one independent which comprises of non-executive Directors.
- 16 The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17 The Board has formed an HR and Remuneration Committee of three members which comprises of one executive and two non-executive Directors and the chairman of the committee is an Executive Director.
- 18 The Board has set up an effective internal audit function that is 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, 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 listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21 The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to Directors, employees and stock exchange(s).
- 22 Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23 The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
- 24 We confirm that all other material principles enshrined in the CCG have been complied.


(MAHFOOZ ELAHI)
CHIEF EXECUTIVE

Islamabad,
September 26, 2017

ELAHI COTTON MILLS LIMITED

LAST SIX YEARS AT A GLANCE

PARTICULARS	2015-16	2014-15	2013-14	2012-13	2011-12	2010-2011
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)	94,371,045	97,401,104	100,281,359	57,022,331	58,724,606	59,662,031
Accumulated depreciation	81,231,098	77,246,989	72,951,834	69,994,946	66,826,571	64,079,276
Long term investment	--	--	--	--	--	--
Current assets	25,171,495	22,016,109	17,887,760	13,181,133	12,157,853	10,225,467
Current Liabilities	92,618,996	88,812,079	10,974,549	10,178,415	8,133,406	9,220,007
Income						
Sales	283,618,449	288,805,082	301,384,062	255,845,239	211,215,463	206,403,850
Other Income	87,637	312,314	119,287	3,158,786	562,890	635,210
Gross profit / (loss)	4,541,755	6,517,203	9,975,947	3,800,913	5,185,429	2,472,197
Pre tax profit / (loss)	(2,212,191)	1,411,310	5,133,726	3,319,282	2,554,627	485,375
Taxation (prior year)	(135,400)	(242,038)	--	--	--	--
Taxation (current year)	1,949,945	1,779,382	2,442,638	(505,109)	(1,522,706)	(2,317,311)
Profit/(loss) after taxation	(4,026,736)	(126,034)	2,691,088	2,814,173	1,021,921	(1,831,936)
Un-appropriated profit/(loss)	(73,963,389)	(71,943,701)	(73,671,288)	(77,512,626)	(81,468,926)	(83,756,584)

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Elahi Cotton Mills Limited for the year ended June 30, 2017 to comply with the requirements of Regulation No. 5.19 of Rule Book of Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange in which Lahore and Islamabad stock exchanges have merged), where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2017.

We draw your attention to clause 10 of the Statement, which states that the Head of Internal Audit is also serving as an accountant of a related party of the Company. This may arise conflict of interest and due to which independence of internal audit function cannot be ensured as required by the Code.

ISLAMABAD**DATED: 26 SEP 2017**
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ELAHI COTTON MILLS LIMITED** (the Company) as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and



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- (d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980).

Without qualifying our opinion, we draw attention to Note 1.2 in the financial statements which indicates that the Company incurred a net loss of Rs. 4.339 million during the year ended June 30, 2017 and as of that date the Company's current liabilities exceeded its current assets by Rs. 66.982 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 63.678 million as at June 30, 2017 and accumulated losses as of that date amounted to Rs. 76.678 million. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

ISLAMABAD

DATE: 26 SEP 2017

Abdullah E. C.
CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

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 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and



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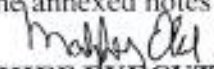
DATE: 26 SEP 2017


CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer 

ELAHI COTTON MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	90,645,274	94,371,045
Capital work in progress		636,689	-
Long term security deposits		918,810	918,810
Loans and advances	6	1,371,759	1,204,508
		<u>93,572,532</u>	<u>96,494,363</u>
CURRENT ASSETS			
Stores, spares and loose tools	7	1,449,812	1,273,609
Stock in trade	8	9,794,278	10,395,545
Trade debts	9	7,202,424	7,513,609
Loans and advances	10	208,376	672,988
Short term prepayments		173,562	167,311
Tax refunds due from government	11	215,269	26,329
Taxation - net	12	-	3,775
Cash and bank balances	13	8,234,895	5,118,329
		<u>27,278,616</u>	<u>25,171,495</u>
TOTAL ASSETS		<u>120,851,148</u>	<u>121,665,858</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	13,000,000	13,000,000
Accumulated loss		<u>(76,677,660)</u>	<u>(73,963,386)</u>
		<u>(63,677,660)</u>	<u>(60,963,386)</u>
SURPLUS ON REVALUATION OF FIXED ASSETS	15	72,309,752	73,949,814
NON-CURRENT LIABILITIES			
Deferred liabilities	16	17,958,405	16,060,434
Long term loan from directors	17	-	-
		<u>17,958,405</u>	<u>16,060,434</u>
CURRENT LIABILITIES			
Taxation - net	12	15,531	-
Current portion of long term loan from directors	17	67,682,547	67,882,547
Due to associated undertaking	18	9,916,077	9,916,077
Short term loan from directors	19	5,100,000	4,350,000
Trade and other payables	20	11,546,496	10,470,372
		<u>94,260,651</u>	<u>92,618,996</u>
CONTINGENCIES AND COMMITMENTS	21	-	-
TOTAL EQUITY AND LIABILITIES		<u>120,851,148</u>	<u>121,665,858</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ELAHI COTTON MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	22	320,825,272	283,618,449
Cost of sales	23	318,489,957	279,076,694
Gross profit		2,335,315	4,541,755
Administrative expenses	24	5,215,397	4,758,895
Other operating charges	25	375,273	2,074,458
		5,590,670	6,833,353
Operating loss		(3,255,355)	(2,291,598)
Other income	26	1,273,500	87,637
Financial charges	27	5,676	8,230
Loss before taxation		(1,987,531)	(2,212,191)
Taxation	28	(2,351,543)	(1,814,545)
Loss after taxation		(4,339,074)	(4,026,736)
Loss per share - basic and diluted	30	(3.34)	(3.10)

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees	Rupees
Loss after taxation	(4,339,074)	(4,026,736)
Other comprehensive income		
Item that will not be reclassified to profit and loss		
(Loss)/gain on remeasurement of defined benefit liability	(15,262)	191,460
Total comprehensive loss for the year	<u>(4,354,336)</u>	<u>(3,835,276)</u>

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the repealed Companies Ordinance, 1984 in a separate account below equity.

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 41 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

ELAHI COTTON MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

	2017 Rupees	2016 Rupees
Loss before taxation	(1,987,531)	(2,212,191)
Adjustment for non-cash charges and other items:		
Depreciation	3,638,478	3,984,109
Financial charges	5,676	8,230
Provision for doubtful debts	-	1,680,367
Gain on disposal of fixed asset	(846,507)	-
Provision for gratuity	3,594,395	2,539,654
	6,392,042	8,212,360
Profit before working capital changes	4,404,511	6,000,169
Changes in working capital:		
Decrease / (increase) in current assets		
Stores, spares and loose tools	(176,203)	283,596
Stock in trade	601,267	(2,290,180)
Trade debts	311,185	(3,077,099)
Loans and advances	464,612	182,828
Short term prepayments	(6,251)	(7,634)
Tax refunds due from government	(92,860)	405,271
Increase / (decrease) in current liabilities		
Trade and other payables	1,073,174	3,562,276
	2,174,924	(940,942)
Cash generated from operations	6,579,435	5,059,227
Financial charges paid	(5,676)	(8,230)
Income tax paid	(3,202,903)	(3,270,420)
Gratuity paid	(934,150)	(1,046,020)
	(4,142,729)	(4,324,670)
Net cash generated from operating activities	2,436,706	734,557

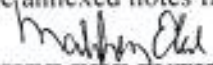
CASH FLOWS FROM INVESTING ACTIVITIES

Loans given to employees	(167,251)	(126,747)
Addition to capital work in progress	(636,689)	-
Proceeds from disposal of fixed asset	933,800	-
Purchase of property, plant and equipment	-	(954,050)
Net cash generated from/(used in) investing activities	129,860	(1,080,797)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of long term loan from directors	(200,000)	(1,175,000)
Repayment to associated undertaking	-	(2,500,000)
Loan obtained from directors (short/long)	750,000	4,350,000
Net cash generated from financing activities	550,000	675,000
Net increase in cash and cash equivalents	3,116,566	328,760
Cash and cash equivalents at the beginning of the year	5,118,329	4,789,569
Cash and cash equivalents at the end of the year	8,234,895	5,118,329

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE

 
DIRECTOR

ELAHI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

Note	Rupees		
	Issued, subscribed and paid-up capital	Accumulated loss	Total

Balance as at July 01, 2015

13,000,000 (71,943,701) (58,943,701)

Total comprehensive income for the year

Loss for the year

- (4,026,736) (4,026,736)

Gain on remeasurement of defined benefit liability

- 191,460 191,460

Transfer from surplus on revaluation of

fixed assets incremental depreciation-net of deferred tax

- 1,815,591 1,815,591

Balance as at June 30, 2016

13,000,000 (73,963,386) (60,963,386)

Total comprehensive income for the year

Loss for the year

- (4,339,074) (4,339,074)

Loss on remeasurement of defined benefit liability

- (15,262) (15,262)

Transfer from surplus on revaluation of

fixed assets incremental depreciation-net of deferred tax

- 1,640,062 1,640,062

Balance as at June 30, 2017

13,000,000 (76,677,660) (63,677,660)

The annexed notes from 1 to 41 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

ELAHI COTTON MILLS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2017

1 STATUS AND NATURE OF BUSINESS

- 1.1 The Company was incorporated as a public limited company on June 22, 1970 and is listed on Pakistan Stock Exchange Limited (Formerly Karachi Stock Exchange Limited in which Lahore and Islamabad stock exchanges have merged). The registered office of the Company is situated at 270, sector I-9, Industrial Area, Islamabad. The principal business of the Company is manufacture and sale of yarn.
- 1.2 The Company incurred a net loss of Rs. 4.339 million (2016: Rs. 4.026 million) during the year ended June 30, 2017 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 66.982 million (2016: Rs. 67.448 million). The Company has accumulated loss of Rs. 76.678 million (2016: Rs. 73.963 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 63.678 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 December 31, 2018 onwards.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The financial statements of the Company have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984 as per the directive of Securities and Exchange Commission of Pakistan issued vide Circular No. 17 dated July 20, 2017.

At

2.2 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 exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.25.

2.3 Functional and presentation currency

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

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

3.1 Amendments that are effective in current year but not relevant to the Company

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

		Effective date (annual periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	January 01, 2016
IFRS 7	Financial Instruments: Disclosures	January 01, 2016
IFRS 10	Consolidated Financial Statements	January 01, 2016
IFRS 11	Joint Arrangements	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2016
IAS 1	Presentation of Financial Statements	January 01, 2016
IAS 16	Property, Plant and Equipment	January 01, 2016
IAS 19	Employee Benefits	January 01, 2016
IAS 27	Separate Financial Statements	January 01, 2016
IAS 28	Investment in Associates and Joint Ventures	January 01, 2016
IAS 34	Interim Financial Reporting	January 01, 2016
IAS 38	Intangible Assets	January 01, 2016
IAS 41	Agriculture	January 01, 2016

3.2 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 standard:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment	January 01, 2018
IFRS 4	Insurance Contract - Amendments regarding a temporary exemption from IFRS 9 has been granted to insurers and an optional accounting policy choice has been introduced to allow an insurer to apply the overlay approach to designated financial assets when it first applies IFRS 9	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 7	Statement of Cash flows - The amendments in Disclosure Initiative that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities	January 01, 2017
IAS 12	Income Taxes - Amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value	January 01, 2017
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	Deferred indefinitely
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

The management anticipates that the adoption of the above amendments in future periods will have no material impact on the Company's financial statements.

3.3 Standards or interpretations not yet effective

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

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
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's financial statements in the period of initial application.

4 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.

4.1 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. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

4.2 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares and stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

4.3 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.

4.4 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 represents estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

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

4.5 Trade receivables

Trade receivables are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.6 Other receivables

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

4.7 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.

4.8 Cash and bank balances

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

4.9 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.

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4.10 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".

4.11 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.

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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.

4.12 Borrowing

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

Borrowing cost on long term finances which are specifically obtained for the acquisition of qualifying assets (plant and machinery) 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.

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 Dividend and apportioning to reserves

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

4.20 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 expired.

4.21 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.

4.22 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.

4.23 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.

4.24 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.

4.25 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.

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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.



5 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, 2017										
Net carrying value basis										
Operating 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
Additions	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	(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
Year ended June 30, 2016										
Net carrying value basis										
Operating book value	56,700,000	3,807,030	9,166,545	26,615,079	112,346	303	221,155	97,144	681,502	97,401,104
Additions	-	-	-	923,050	-	-	31,000	-	-	954,050
Depreciation charge	-	(190,352)	(916,655)	(2,696,862)	(11,235)	(100)	(22,891)	(9,714)	(136,300)	(3,984,109)
Closing net 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
Gross carrying value basis										
Cost/revalue	56,700,000	5,645,385	23,324,387	82,223,269	1,041,252	5,000	2,260,443	2,001,887	2,400,520	175,602,143
Accumulated depreciation	-	2,028,707	15,074,497	57,382,002	940,141	4,797	2,031,179	1,914,457	1,855,318	81,231,098
Net 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
Annual rate of depreciation (%)	-	5%	10%	10%	10%	33%	10%	10%	20%	-

5.1 Depreciation has been allocated as follows:										
Note										
Cost of sales	23	3,338,426	3,646,122							
Administrative expenses	24	300,052	337,987							
		3,638,478	3,984,109							

5.2 The following operating fixed assets were disposed off during the year:										
Note										
Description	Note	Buildings		Plant and machinery	Furniture fixture and office equipment	Computer equipment	Power and other installations	Factory equipment and scientific instruments	Motor vehicles	Total
		Cost/ revalued	Accumulated depreciation							
Rupees										
Building - factory	5.3	229,303	142,010	87,293	933,800					
June 30, 2017		229,303	142,010	87,293	933,800					
June 30, 2016		-	-	-	-					

- 5.3 This represents a portion of boundary wall of the manufacturing mill, which has been demolished for the dualization and improvement of Mandra Chakwal Road. The Land Acquisition Collector/ Assistant Commissioner, Gujar Khan, Government of Punjab has commensated the company for the demlolished wall.

	Note	2017 Rupees	2016 Rupees
6 LOANS AND ADVANCES			
Unsecured			
Considered good			
Opening balance		1,371,008	1,248,761
Loan given to employees during the year		350,251	346,997
Payment received during the year		(246,500)	(224,750)
		<u>1,474,759</u>	<u>1,371,008</u>
Less: Current portion shown under current assets	10	<u>(103,000)</u>	<u>(166,500)</u>
		<u>1,371,759</u>	<u>1,204,508</u>

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

	2017 Rupees	2016 Rupees
7 STORES, SPARES AND LOOSE TOOLS		
Stores	1,395,965	1,178,536
Spares	20,750	44,352
Fair price shop	33,097	50,721
	<u>1,449,812</u>	<u>1,273,609</u>

- 7.1 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.

	Note	2017 Rupees	2016 Rupees
8 STOCK IN TRADE			
Raw material		4,145,028	2,309,909
Work in process		1,952,731	2,047,107
Finished goods	8.1	3,679,685	6,032,097
Waste		16,834	6,432
		<u>9,794,278</u>	<u>10,395,545</u>

- 8.1 This includes net off amount of Rs. Nil (2016: Rs. 0.105 million) charged against NRV to carry out finished goods at fair value less cost to sell. During the last year, write down in the carrying value of finished goods in hand amounting to Rs.2.163 million has been recorded on account of net realisable value being lower than cost.

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	Note	2017 Rupees	2016 Rupees
9 TRADE DEBTS			
Unsecured			
Local			
Considered good		7,202,424	7,513,609
Considered doubtful		-	1,680,367
		<u>7,202,424</u>	<u>9,193,976</u>
Less: Provision for doubtful debts	9.1	-	(1,680,367)
		<u>7,202,424</u>	<u>7,513,609</u>
9.1 Movement in provision for doubtful debts is as follows:			
Opening balance		1,680,367	-
Charge for the year	25	-	1,680,367
Written off during the year		(1,680,367)	-
Closing balance		<u>-</u>	<u>1,680,367</u>
10 ADVANCES			
Unsecured-considered good			
Advances to employees	6	103,000	166,500
Advances to suppliers		105,376	506,488
		<u>208,376</u>	<u>672,988</u>
11 TAX REFUNDS DUE FROM GOVERNMENT			
Income tax		122,409	26,329
Sale tax		92,860	-
		<u>215,269</u>	<u>26,329</u>
12 TAXATION - NET			
Balance at beginning of the year		3,775	(565,009)
Prior year adjustment		92,305	-
		<u>96,080</u>	<u>(565,009)</u>
Transferred to tax refunds due from government		(96,080)	-
		<u>-</u>	<u>(565,009)</u>
Provision for the year	28	(3,218,434)	(2,837,036)
		<u>(3,218,434)</u>	<u>(3,402,045)</u>
Less: Payment/adjustment		3,202,903	3,405,820
Closing balance receivable		<u>(15,531)</u>	<u>3,775</u>

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	Note	2017 Rupees	2016 Rupees
13 CASH AND BANK BALANCES			
Cash in hand		279,878	443,132
Cash at banks:			
Current accounts		2,982,926	2,446,632
Saving account	13.1	4,972,091	2,228,565
		<u>8,234,895</u>	<u>5,118,329</u>

- 13.1 Saving account carries mark up at the rates ranging from 0.02% to 0.06% (2016: 0.03% to 0.05%) per annum.

14 SHARE CAPITAL

14.1 Authorized share capital:

This represents 5,000,000 (2016 : 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (2016 : Rs. 50,000,000).

			2017 Rupees	2016 Rupees
14.2 Issued, subscribed and paid up capital:				
	Number of ordinary shares of Rs. 10/- each			
	2017	2016		
	1,300,000	1,300,000	Fully paid in cash	13,000,000
				13,000,000

15 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

Balance brought forward	81,472,190	84,065,891
Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)	1,640,062	1,815,591
Related deferred tax liability during the year transferred to profit and loss account	702,884	778,110
	<u>2,342,946</u>	<u>2,593,701</u>
	79,129,244	81,472,190
Less: Related deferred tax effect:		
Balance as at July 01	7,522,376	8,300,486
Less: Incremental depreciation charged during the year transferred to profit and loss account	(702,884)	(778,110)
	<u>6,819,492</u>	<u>7,522,376</u>
	<u>72,309,752</u>	<u>73,949,814</u>

- 15.1 The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2014 by independent valuer M/s Asrem (Private) Limited on the basis of market value. At the above date, the revaluation resulted in a surplus of Rs. 43,795,541. Previously freehold land, buildings and plant and machinery was revalued on June 07, 2010 by the same valuer. At that date, the revaluation resulted in a surplus of Rs. 22,258,957 of these assets. Prior to that freehold land and building was revalued on June 30, 1996 by M/s Zia Consultants, independent firm of industrial valuation consultants. The revaluation was based on prevailing market price for free hold land and replacement value for building. At that date, the revaluation resulted in a surplus of Rs. 33,215,659 of these assets.
- 15.2 Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.
- 15.3 Had there been no revaluation, the net book value of the specific classes of operating assets would have been as follows:

	Note	2017 Rupees	2016 Rupees
Freehold land		302,395	302,395
Buildings on freehold land		1,159,986	1,221,038
Plant and machinery		5,931,536	6,590,596
16 DEFERRED LIABILITIES			
Staff retirement benefits - gratuity	16.1	9,791,152	7,118,595
Deferred taxation	16.2	8,167,253	8,941,839
		17,958,405	16,060,434

16.1 Staff retirement benefits - gratuity

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2017 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.

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

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

Principal actuarial assumptions

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

	2017 Rupees	2016 Rupees
Discount rate (%)	7.25	7.25
Expected rate of return on plan assets (%)	-	-
Expected rate of increase in salary (%)	6.25	6.25
Maturity profile	SLIC(2001-05)	

16.1.1 Reconciliation of balance due to defined benefit plan

Present value of defined benefit obligation	9,791,152	7,118,595
Fair value of plan assets	-	-
Closing net liability	<u>9,791,152</u>	<u>7,118,595</u>

16.1.2 Movement of the liability recognized in the balance sheet

Opening net liability		
Non current portion	7,118,595	5,951,071
Current portion	134,650	
Charge for the year	3,594,395	2,539,654
Remeasurement chargeable to other comprehensive income	15,262	(191,460)
Transferred to current liabilities	(137,600)	(134,650)
Benefits paid during the year	(934,150)	(1,046,020)
Closing net liability	<u>9,791,152</u>	<u>7,118,595</u>

16.1.3 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations		
Non current portion	7,118,595	5,951,071
Current portion	134,650	
Current service cost for the year	3,112,267	2,051,129
Interest cost for the year	482,128	488,525
Transferred to current liabilities	(137,600)	(134,650)
Benefits paid during the year	(934,150)	(1,046,020)
Remeasurement loss / (gain) on obligation	15,262	(191,460)
Closing present value of defined benefit obligations	<u>9,791,152</u>	<u>7,118,595</u>

	2017 Rupees	2016 Rupees
16.1.4 Charge for the year		
Current service cost	3,112,267	2,051,129
Interest cost	482,128	488,525
Charge for the year	<u>3,594,395</u>	<u>2,539,654</u>
16.1.5 Remeasurement chargeable to other comprehensive income		
Remeasurement loss / (gain) on obligation	<u>15,262</u>	<u>(191,460)</u>

16.1.6 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.

16.1.7 Sensitivity analysis

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

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	9,176,032	10,520,900
Salary increase	10,520,900	9,165,301

16.1.8 The charge in respect of defined benefit plan for the year ending June 30, 2018 is estimated to be Rs. 3.874 million.

16.2 Deferred taxation

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

	2017 Rupees	2016 Rupees
Accelerated tax depreciation	1,347,761	1,419,463
Surplus on revaluation of fixed assets	6,819,492	7,522,376
	<u>8,167,253</u>	<u>8,941,839</u>
Tax rate used	<u>30%</u>	<u>30%</u>

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- 16.3 Deferred tax asset of Rs. 523,131 (2016: Rs. 865,667) on brought forward losses has not been recognised in the current 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.
- 16.4 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. 3.972 million has been not been disclosed during the year.

	Note	2017 Rupees	2016 Rupees
17 LONG TERM LOAN FROM DIRECTORS			
Balance brought forward	17.1	67,882,547	69,057,547
Additions during the year		-	-
Payments during the year		(200,000)	(1,175,000)
		<u>67,682,547</u>	<u>67,882,547</u>
Less: Current portion shown under current liabilities		<u>(67,682,547)</u>	<u>(67,882,547)</u>
		<u>-</u>	<u>-</u>

- 17.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company. The loan was payable on July 01, 2015. As these are now payable on demand, therefore all amounts had been transferred to current liabilities in the financial statements.
- 17.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 67,882,547 (2016: Rs. 69,057,547).

	Note	2017 Rupees	2016 Rupees
18 DUE TO ASSOCIATED UNDERTAKING			
Unsecured			
International Beverages (Private) Limited			
Opening balance		9,916,077	12,416,077
Paid during the year		-	(2,500,000)
	18.1	<u>9,916,077</u>	<u>9,916,077</u>

- 18.1 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.

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- 18.1 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 (2016: Rs. 12,416,077).

	Note	2017 Rupees	2016 Rupees
19	SHORT TERM LOAN FROM DIRECTORS		
Balance brought forward		4,350,000	-
Additions during the year		750,000	4,350,000
	19.1	<u>5,100,000</u>	<u>4,350,000</u>
19.1	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.		
20	TRADE AND OTHER PAYABLES	2017 Rupees	2016 Rupees
Creditors		126,883	1,545,926
Accrued expenses		4,446,950	5,537,221
Advances from customers		6,108,714	2,355,769
Government dues		422,373	373,038
Unclaimed dividend		248,165	248,165
Income tax payable		39,552	61,503
Sales tax due to government		1,686	126,043
Sales tax payable		14,573	88,057
Gratuity payable		137,600	134,650
		<u>11,546,496</u>	<u>10,470,372</u>

21 CONTINGENCIES AND COMMITMENTS

21.1 CONTINGENCIES

There was no contingent liability of the Company as at the balance sheet date (2016: Nil).

21.2 COMMITMENTS

There were no commitments for capital expenditures as at the balance sheet date (2016: Nil).

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	Note	2017 Rupees	2016 Rupees
22 SALES			
Yarn		321,348,985	291,825,826
Waste		361,783	301,175
		321,710,768	292,127,001
Less: sales tax		(885,496)	(8,508,552)
		<u>320,825,272</u>	<u>283,618,449</u>

23 COST OF SALES

Raw material consumed	23.1	212,222,044	185,939,894
Store and spares consumed	23.2	10,453,122	9,666,686
Salaries, wages and other benefits	23.3	53,014,652	46,896,240
Power charges		36,521,061	35,831,792
Insurance		279,091	255,963
Repairs and maintenance		225,175	306,240
Depreciation	5.1	3,338,426	3,646,122
		316,053,571	282,542,937
Work in process			
Opening		2,047,107	2,386,497
Closing	8	(1,952,731)	(2,047,107)
		94,376	339,390
Cost of goods manufactured		<u>316,147,947</u>	<u>282,882,327</u>
Finished goods			
Opening		6,032,097	2,220,440
Closing	8	(3,679,685)	(6,032,097)
		2,352,412	(3,811,657)
Waste			
Opening	8	6,432	12,456
Closing		(16,834)	(6,432)
		(10,402)	6,024
		<u>318,489,957</u>	<u>279,076,694</u>

23.1 Raw material consumed

Opening stock	2,309,909	3,485,972
Add: Purchases	214,057,163	184,763,831
Cost of raw materials available for use	216,367,072	188,249,803
Less: Closing stock	(4,145,028)	(2,309,909)
	<u>212,222,044</u>	<u>185,939,894</u>

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	Note	2017 Rupees	2016 Rupees
23.2 Stores and loose tools consumed			
Opening stock		1,222,888	1,461,627
Add: Purchases		10,646,949	9,427,947
		11,869,837	10,889,574
Less: Closing stock		(1,416,715)	(1,222,888)
		<u>10,453,122</u>	<u>9,666,686</u>

23.3 Salaries, wages and other benefits includes an amount of Rs. 3,794,208 (2016: Rs. 1,977,233) in respect of staff retirement benefits.

	Note	2017 Rupees	2016 Rupees
24 ADMINISTRATIVE EXPENSES			
Directors' remuneration	29	278,400	278,400
Salaries and other benefits	24.1	2,906,601	2,520,510
Telephone expenses		71,690	64,913
Motor running expenses		450,121	382,911
Printing, stationery and periodicals		42,100	55,802
Rent		300,000	240,000
Rates and taxes		255,381	11,129
Advertisement		51,000	25,000
Traveling and conveyance		76,250	62,220
Repair and maintenance		-	11,320
Entertainment		78,855	77,579
Subscription and membership fee		208,702	609,177
Depreciation	5.1	300,052	337,987
Donation	24.2	100,000	-
Other expenses		96,245	81,947
		<u>5,215,397</u>	<u>4,758,895</u>

24.1 Salaries and other benefits include Rs. 465,987 (2016: Rs. 562,421) in respect of staff retirement benefits.

24.2 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.

	Note	2017 Rupees	2016 Rupees
25 OTHER OPERATING CHARGES			
Legal and professional expenses		125,273	144,091
Auditor's remuneration	25.1	250,000	250,000
Provision for doubtful debts	9.1	-	1,680,367
		<u>375,273</u>	<u>2,074,458</u>

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	Note	2017 Rupees	2016 Rupees
25.1	Auditors' remuneration		
	Audit fee	200,000	200,000
	Review of half year financial statements	50,000	50,000
		<u>250,000</u>	<u>250,000</u>

26 OTHER INCOME

Income from non-financial assets

		84,297	85,169
	Scrap sales		
	Bank profit	1,013	2,468
	Gain on sale of fixed asset	846,507	-
	Liabilities written back	341,683	-
	26.1	<u>1,273,500</u>	<u>87,637</u>

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

	Note	2017 Rupees	2016 Rupees
27	FINANCIAL CHARGES		
	Mark-up/interest on:		
	Bank commission and charges	5,676	8,230
		<u>5,676</u>	<u>8,230</u>

28 TAXATION

Provision for taxation

		3,218,434	2,837,036
	Current		
	Prior year adjustment	(92,305)	(135,400)
	Deferred	(774,586)	(887,091)
	28.4	<u>2,351,543</u>	<u>1,814,545</u>

28.1 Numerical reconciliation between applicable tax rate and average effective tax rate has not been prepared as the Company was subject to minimum tax in the current year and prior year.

28.2 The applicable income tax rate was reduced from 32% to 31% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2017.

28.3 The applicable income tax rate for subsequent years beyond Tax year 2017 was reduced to 30% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2017. Therefore, deferred tax is computed at the rate of 30% applicable to the period when temporary differences are expected to be reversed/utilised.

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

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29 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:

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Total			Total		
	(Rupees)			(Rupees)		
Managerial remuneration	278,400	-	920,000	1,198,400	278,400	-
Bonus	-	-	-	-	-	-
Staff retirement benefits	-	-	77,000	77,000	-	-
Medical	27,265	-	-	27,265	-	-
Utilities	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	305,665	-	997,000	1,302,665	278,400	-
Number of persons	1	6	1	8	1	6

- b) The executive is also provided with car for business and personal use in accordance with the Company car scheme.
- c) 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:

	2017			2016		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	(Rupees)			(Rupees)		
Managerial remuneration	278,400	-	278,400	278,400	-	278,400
Number of persons	2	5	7	2	5	7

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

30 LOSS PER SHARE - BASIC AND DILUTED

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

	2017 Rupees	2016 Rupees
Loss after taxation	<u>(4,339,074)</u>	<u>(4,026,736)</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	
Loss per share - basic and diluted	<u>(3.34)</u>	<u>(3.10)</u>

31 TRANSACTIONS WITH RELATED PARTIES

- 31.1 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 including remuneration to key management personnel under the terms of their employment are as follows:

		2017 Rupees	2016 Rupees
Transaction with the Companies	Nature of Transaction		
International Beverages (Private) Limited	Payment made against balance due to associated undertaking	-	2,500,000
Taj Mills Limited	Rent paid / payable	300,000	240,000
Directors	Short term loan for working capital requirements	750,000	4,350,000
	Adjustment / repayment of long term finance	(200,000)	(1,175,000)

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

- 31.3 The status of outstanding balances of related parties as at June 30, 2017 are included in "Long/short term loan from directors" (note 17 & 19) and "Due to associated undertaking" (note 18).



32 FINANCIAL ASSETS AND LIABILITIES

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

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

	2017				
	Total	Interest/mark up bearing		Sub-total	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	-	4,972,091	3,262,804
	17,830,888	4,972,091	-	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	4,959,598	-	-	-	4,959,598
	97,449,374	-	-	-	97,449,374
On balance sheet gap	(79,618,486)	4,972,091	-	4,972,091	(84,590,577)
Off balance sheet items					
Financial commitments:	-	-	-	-	-
Total Gap	(79,618,486)	4,972,091	-	4,972,091	(84,590,577)

	2016				
	Total	Interest/mark up bearing		Sub-total	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	7,513,609	-	-	-	7,513,609
Loans and advances	1,371,008	-	-	-	1,371,008
Cash and bank balances	5,118,329	2,228,565	-	2,228,565	2,889,764
	14,921,756	2,228,565	-	2,228,565	12,693,191
Financial liabilities					
Financial liabilities carried at amortized cost					
Current portion of long term loan from directors	67,882,547	-	-	-	67,882,547
Short term loan from directors	4,350,000	-	-	-	4,350,000
Provision for gratuity	7,118,595	-	-	-	7,118,595
Due to associated undertaking	9,916,077	-	-	-	9,916,077
Trade and other payables	7,465,962	-	-	-	7,465,962
	96,733,181	-	-	-	96,733,181
On balance sheet gap	(81,811,425)	2,228,565	-	2,228,565	(84,039,990)
Off balance sheet items					
Financial commitments:	-	-	-	-	-
Total Gap	(81,811,425)	2,228,565	-	2,228,565	(84,039,990)

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

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

- 33.1 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.

33.2 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. 17.830 million (2016: Rs. 14.922 million), the financial assets which are subject to credit risk amounted to Rs. 17.551 million (2016: Rs. 14.479 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2017 Rupees	2016 Rupees
Long term security deposits	918,810	918,810
Trade debts	7,202,424	7,513,609
Loans and advances	1,474,759	1,371,008
Bank balances	7,955,017	4,675,197
	<u>17,551,010</u>	<u>14,478,624</u>

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

1-30 days	3,157,096	5,401,697
30-60 days	986,282	303,584
60-365 days	3,051,972	1,776,449
Over one year	6,674	31,879
	<u>7,202,024</u>	<u>7,513,609</u>

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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.

33.3 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			
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	11,546,496	11,546,496	5,773,248	5,773,248	-	-	-
	104,036,272	104,036,272	5,773,248	88,471,872	-	-	9,791,152

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	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						
2016							
Deferred liabilities	7,118,595	7,118,595	-	-	-	-	7,118,595
Long term loan from directors	67,882,547	67,882,547	-	67,882,547	-	-	-
Short term loan from directors	4,350,000	4,350,000	-	4,350,000	-	-	-
Due to associated undertaking	9,916,077	9,916,077	-	9,916,077	-	-	-
Trade and other payables	10,470,372	10,470,372	5,235,186	5,235,186	-	-	-
	<u>99,737,591</u>	<u>99,737,591</u>	<u>5,235,186</u>	<u>87,383,810</u>	<u>-</u>	<u>-</u>	<u>7,118,595</u>

33.4 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.

	2017 Rates In Percent	2016 Rates In Percent	2017 Carrying amount ----- Rupees -----	2016 Carrying amount ----- Rupees -----
Financial assets				
Bank balances	0.02 to 0.06	0.03 to 0.05	4,972,091	2,228,565

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, 2017		
Cash flow sensitivity - Variable rate financial liabilities	34,307	(34,307)
As at June 30, 2016		
Cash flow sensitivity - Variable rate financial liabilities	15,377	(15,377)

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.

34 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, 2017					
Assets carried at fair value	17,830,888	17,830,888	17,830,888	-	-
June 30, 2016					
Assets carried at fair value	14,921,756	14,921,756	14,921,756	-	-

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- 34.1 The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2014. 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.
- 34.2 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.

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

	2017 Rupees	2016 Rupees
Opening balance (level 3 recurring fair values)	24,841,267	26,615,079
Additions - Cost	-	923,050
Depreciation charge	(2,484,127)	(2,696,862)
Closing balance (level 3 recurring fair values)	<u>22,357,140</u>	<u>24,841,267</u>

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

- 34.4 Had there been no revaluation, the net book value of the specific classes of operating assets have been disclosed in note 15.

34.5 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.

34.6 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.

34.7 Determination of fair values

A number of the Company's accounting policies 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.



35 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with reference to circular no. 14 of 2016 dated April 21, 2016, issued by the Securities and Exchange Commission of Pakistan relating to "All Shares Islamic Index".

		June 30, 2017 Rupees	June 30, 2016 Rupees
Description	Explanation		
Loans and advances	Non-interest bearing	-	-
Deposits	Non-interest bearing	-	-
Segment revenue	The Company has only one segment	-	-
Bank balances as at June 30,	Placed under interest arrangement Placed under Shariah permissible arrangements	- 4,972,091	- 2,228,565
Income on bank deposits	Placed under interest arrangement Placed under Shariah permissible arrangements	- -	- 502
Gain/(loss) on available- for-sale investments		-	-
Dividend income		-	-
All sources of other income	Disclosed in note 26	1,273,500	87,637
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.

36 CAPITAL MANAGEMENT

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

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37 PLANT CAPACITY, PRODUCTION AND EMPLOYEES

No. of spindles installed	7,548	7,548
Installed capacity converted into 20's count lbs.	5,940,512	5,682,229
Actual production converted into 20's count lbs.	3,918,770	3,813,910
Actual production in lbs.	3,852,000	3,569,800
Average count manufactured	20	21
No. of shifts worked daily	2	2

37.1 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.

38 NUMBER OF EMPLOYEES

The number of employees as at year end was 256 (2016: 248) and average number of employees during the year was 254 (2016: 242).

39 CORRESPONDING FIGURES

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

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 26 SEP 2017.

41 GENERAL

Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE




DIRECTOR

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number 0004649
2. Name of the Company ELAHI COTTON MILLS LIMITED
3. Pattern of holding of the shares held by the shareholders as at 30-06-2017

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
39	1	100	1,062
23	101	500	9,706
36	501	1000	23,743
23	1001	5000	41,977
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
129			1,300,000

Note: The slabs not applicable have not been shown.

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	1,063,369	81.7976%
5.2 Associated Companies, undertakings and related parties.	0	0.0000%
5.3 NIT and ICP	0	0.0000%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10% or more	1,115,868	85.8360%
5.8 General Public		
a. Local	83,888	6.4529%
b. Foreign	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	152,743	11.7495%

6. Signature 
7. Name of Signatory MAHFOOZ ELAHI
8. Designation CHIEF EXECUTIVE
9. NIC Number 61101-1999527-5
10. Date 26 09 2017

ELAHI COTTON MILLS LIMITED
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2017

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 AHMED 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 interest 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		