FINANCIAL STATEMENTS & AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2016

PUNJAB COTTON MILLS LTD

Contents

Punjab Cotton Mills Limited

Board of Directors	Mr. Mazhar Iqbal (Chief Executive) Mr. Sohail Azeem Khan Mr. Ali Raza Mr. Mushtaq Ahmed Mr. Khalil Ahmed Khan Mr. Rao Muhammad Usman Mr. Jamil Akhtar
Company Secretary	Mr. Arshad Hussain
Chief Financial Officer	Mr Arshad Hussain
Audit Committee	Mr. Sohail Azeem Khan Mr. Khalil Ahmed Khan Mr. Jamil Akhtar
Auditors:	Hameed Khan & Company Chartered Accountants
Legal Advisor	Mr. Irshad Ullah Chatta
Bankers:	Bank Alfalah Ltd.
Share Registrar	Corp Tec Associates (Pvt) Limited. 503-E, Johar Town, Lahore. Ph: 042-35170336-7
Registered Head Office	Syed Irshad Ali Road, Near Zanibia Complex behind Mansoora, 11 K.m Multan Road,Lahore.
Mill	Mauza Bal Dist. Sheikhupura
Ph Fax	042-35420551 042-35426308

MISSION STATEMENT

Punjab Cotton Mills Ltd. will strive to become best company in letter and spirit for all stakeholders.

Chief Executive **Director**

Dated: October 10, 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given to all the shareholders of Punjab Cotton Mills Limited (the "Company") that Annual General Meeting of the Company will be held on Monday, October 31, 2016 at 11.00 a.m. at Syed Irshad Ali Road, Near Zainbia Complex, 11 KM Multan Road, Lahore. to transact the following business:

ORDINARY BUSINESS

To receive, consider and adopt the Audited Accounts for the year ended June 30, 2016 together with Directors' and Auditors' Reports thereon.

To appoint auditors for the year ended 2016-2017 and fix their remuneration.

SPECIAL BUSINESS

To consider and thought fit, approve the sale of plant and machinery of the Company located at Mills premises at 29 KM, Lahore Sheikhupura Road, Mouza Bhal, Sheikhupura by passing following resolution as an ordinary resolution with or without any modification in term of Section 196(3)(a) of the Companies Ordinance, 1984 :

Resolved

"That consent of the general meeting be and is hereby accorded to the disposal and sale of Company plant, machinery and, equipment installed at 29 KM, Lahore Sheikhupura Road, Mouza Bhal, Sheikhupura".

Resolved Further

"That Mr. Mazhar Iqbal, Chief Executive, and Mr. Khalil Ahmad Khan, Director be and are hereby authorized and empowered on behalf to Company to do all acts, deeds and things and take all necessary steps including negotiations and signing of the documents, deeds and papers, agreements and all other documents as may be necessary in order to give effect to, implement and complete the sale of the machinery as aforesaid and all matters connected, necessary and incidental thereto".

BY ORDER OF THE BOARD

Company Secretary
(Arshad Hussain

Dated: October 10, 2016

Notes:

1. The Members' Register will remain closed from October 23, 2016 to October 31, 2016 (both days inclusive). Transfer received at the Registered Office of the Company by the close of business on October 22, 2016.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received

by the Company Registered Office not later than 48 hours before the time for holding the Meeting.

- For Appointing Proxies
  - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
  - ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
  - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
  - **v)** In case of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company, scheduled to be held on October 31, 2016.

The Board of Directors had already approved the disposal of plant and machinery subject to the Approval of the Company's shareholders in an Annual General Meeting. The information required under Notification No. S.R.O. 1227/2005 dated December 12, 2005 is as follows:

i). The detail of Machinery to be sold:

All type of Machinery

ii. Cost and Re-valued Amount:

(Rupees in '000')

Particulars of Asset	**Cost Year (2000-2001) Amount (Millions)**	**Re-valued Amounts (Millions)**	**Book Value Amounts (Millions)**
Plant and Machinery	138.455	14.598	14.598
Total			

Approximate current market price/fair value rupees 12,408,980

iii). The proposed manner of disposal

The machinery will be disposed of in an open bidding through tender in news paper.

iv). Reason for the disposal of Machinery

The Mill stopped production 2008 due to heavy losses. The losses were mainly due to old machinery, shortage of working capital and higher cost of Production due to in efficient machinery.

The management explore various options of BMR but plans not worked due to heavy losses, shortage of fund and current market conditions. The bankers are reluctant to extend new facility to the company and existing one recalling their facilities. .

The management has worked out tentative disposal plan of company machinery to settle the company liabilities. The Board of Directors have approved the disposal plan as mentioned above.

v). Future Business Plan

Management has given land & building on rent and surplus funds from disposal of machinery will be used in trading of yarn and cloth.

vi). Benefits expected to accrue to the shareholders

The proceeds from the disposal of the machinery will be utilized for reduction of the Company's borrowings. Consequently, the borrowing cost will reduce substantially. This will result in better performance of the Company, as a whole and will enhance the shareholders value.

The Directors have no direct or indirect interest in the above said special business that would require further disclosure, save their shareholdings in and remuneration by the Company.

DIRECTOR'S REPORT TO THE MEMBERS

We are pleased to present our 50th Annual Report of your company comprising annual report along with audited financial statements of the company and auditor's report thereon for the year ended 30th June 2016.
As you know the mill were stopped its production since financial year 2008 due to heavy cash losses. The losses were mainly due to installation of 2nd hand plant and machinery, shortage of working capital and high cost of production. Further old machinery could never had achieved its rated production capacity.

During this period management explores various options of BMR but due to inefficient machinery no plan worked favorably. Due to heavy losses and market conditions of textile market banks were also reluctant to renew present credit limits or approving new lines as well but banks were re-calling there granted facilities. **We have negotiated with different banks and repayment has been started from director's loan amount.**
The management has worked out tentative disposal plan of company's machinery to settle the company liabilities there against. The board of director has approved the disposal of plan as mentioned in statement under section 160 (1) (b)

Future outlook.
Management has given land and building on rent and funds from rent and if any surplus from disposal of machinery will be used for trading of yarn and fabric. We assure that there are so many benefits expected to accrue to the shareholders. The proceeds from the machinery along with loan from directors will be used for reduction of Company's borrowing, so borrowing cost reduces substantially. Resultantly, better performance of the company, as a whole and will enhance the shareholders value.
The director has no direct or indirect interest in the above said special business that would require further disclosure, save their shareholder's interest and remuneration by the Company.

.

CODE OF CORPORATE GOVERNANCE

The board of directors of Punjab Cotton Mills Limited is pleased to state that we have adopted the Code of Corporate Governance, and all necessary actions have been taken for all applicable and relevant clauses and board agrees to take care of the remaining clauses as and when applicable. As required by the Code, it is stated that:

- The financial statements of the Company represent the true and fair view of the company's operations, cash flow and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting standards, as applicable in Pakistan, have been followed in preparation of financial statement and non-applicability, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored where applicable.
- There has been no material departure from the best practices of Corporate Governance, applicable at 30th June 2016.

Board of Directors' Meetings

During the year four meetings of Board of Directors were held. Following was the attendance of Directors.

Director	Attendance
Mr. Mazhar Iqbal	4
Mr. Sohail Azeem Khan	4
Mr. Mushtaq Ahmed	4
Mr. Khalil Ahmed Khan	4
Mr. Rao Muhammad Usman	4
Mr. Jamil Akhtar	4
Mr. Ali Raza	4

Shareholding Pattern

A statement showing pattern of shareholding as on June 30, 2016 is annexed.

Audit Committee Meeting:

During the year, four (4) meetings of Audit committee of the Board were held:

Director	Attendance
Mr. Sohail Azeem Khan	4
Mr. Khalil Ahmed Khan	4
Mr. Jamil Akhtar	4

Human Resources and Remuneration (HR&R) Committee Meeting

Director	Attendance
Mr. Mushtaq Ahmed	1
Mr. Khalil Ahmed Khan	1
Mr. Ali Raza	1

Appointment of Auditors:

The retiring Auditors of your company M/s Hameed Khan & Co. Chartered Accountants are eligible for re-appointment. The audit committee has recommended their appointment as auditors of the company for the year ending June 30, 2017

Acknowledgement:

In the end, the management feels obliged to thank all the stakeholders, who have supported the company.

For and on behalf of the board

Chief Executive

Date October 10, 2016

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

The Board of Directors of the Company are please to state that we have adopted the best practices of the Code of Corporate Governance and all the necessary action have been take for all applicable and relevant clauses and the Board agrees to take care of the remaining clauses as and when applicable.

Chief Executive Director

October 10, 2016

Statement in Compliance with the Best Practice of Corporate Governance to Members

- This statement is being presented to comply with the code of corporate governance contained in the regulation No.37, Chapter No. XIII of the listing regulations of Pakistan Stock Exchange for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the code in the following manner:

- The company encourages representation of independent non-executive directors and director representing minority interest on its board of directors. At present board includes five independent non-executive directors.

- During the year under review no casual vacancies occurred in the Board which was duly filled in by other Directors.

- All the Directors of the Company are registered as Tax Payers

- The Directors have confirmed that none of them is serving as director in more than ten listed companies, including this company.

- No director has defaulted in payment of nay loan to banking company, a DFI or NBFI for, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

- The company has prepared a “Statement of Ethics and Business Practice” to establish a standard of conduct which is signed by directors and employees of the Company.

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

- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors are taken by the board.

- 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 meets at least once in every quarter. Written notices of the board meetings, along with agenda and working papers are circulated at least seven days before meetings. The minutes of the meetings were appropriately recorded and circulated.

.

- The officers having positions of CFO and company secretary were appointed prior to the implementation of the Code of Corporate Governance. The appointments of Head of Internal Audit, his remuneration and other terms & conditions have been approved by the Board of Directors as determined by the CFO.

- The Directors were apprised about the applicable laws and their responsibilities to effectively manage the affairs of the company and on behalf of the company. However the company will arrange training for directors as per requirements.

- The director's report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.

- The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

- 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.

- The company has complied with all the corporate and financial reporting requirements of the code.

- It has been confirmed by the Auditors that their case is pending in Supreme Court regarding the QCR Program of ICAP.

- The Board has formed an audit committee. It comprises of three members who are non executive directors.

- The meetings of 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 code. The terms of reference of the committee have been formed and advised to the committee for compliance.

- The Board has set up an effective audit function. The audit staff are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they (or their representative) are involved in the internal audit function on a full time basis.

- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of Institute of Chartered Accountants of Pakistan, that they or any other 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

- 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.

- We confirm that all other material principles contained in the Code have been complied with.

Chief Executive   Director

Dated: October 10, 2016

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF 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 Punjab Cotton Mills Limited for the year ended June 30, 2016 to comply with the requirements of regulation No. 5.19 of Rules Book of Pakistan Stock Exchange Limited, 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 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 Director's 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.

The company has not complied with code of corporate governance in respect of following.

- The Company has not appointed independent and non executive directors representing minority interest in board of directors.
- The board had no internal audit head in line with code of corporate governance.
- The board has not formed a human resource and remuneration committee.
- The board has not formed an executive committee to meet and take decisions on behalf of board in the absence of full board in line with articles of association of the company.

Based on our review and significance of the matters stated above, 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, 2016.

Lahore.
Dated: **October 10**, **2016**

HAMEED KHAN & CO.
CHARTERED ACCOUNTANTS

Audit Engagement Partner:
Abdul Hameed Khan

PUNJAB COTTON MILLS LIMITED
NINE YEAR SUMMARY FOR THE KEY DATA

Years	2015	2014	2013	2012	2011	2010	2009	2008	2007
Share Capital	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000	115,000,000	115,000,000	115,000,000	115,000,000
Current Liabilities	59,902,745	213,874,226	286,780,679	297,608,315	374,135,734	359,111,837	333,983,516	313,565,723	261,001,514
Current Assets	37,541,020	68,606,300	62,483,824	624,146,969	64,143,445	63,024,789	62,215,587	112,330,688	168,758,254
ShareHolder Equity	(52,047,159)	(95,727,170)	(163,280,090)	(165,727,913)	(255,947,239)	(233,318,651)	(207,989,874)	(141,444,799)	(19,730,406)
Surplus on Relevalution of Fixied Assets	35,071,979	35,071,979	35,071,979	35,071,979	35,071,979	35,071,979	35,071,979	35,071,979	35,071,979
Director's Subordinated Loan	50,000,000	5,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Long Term Loans and Leases	61,314,558	63,311,107	70,740,355	74,719,663	101,183,430	104,224,201	115,758,336	135,417,818	138,134,154
Deferred Taxation			-		-	-	-	-	
Sales/Income	-		-	-	-		27,355,983	47,230,481	172,012,887
Cost of Sales	-		-	-	-		73,818,398	101,417,239	166,794,198
Administrative Expenses	70,218,350	19,859,028	16,640,321	17,738,924	17,409,103	18,817,798	5,913,177	34,739,677	21,648,399
Selling Expenses	-		-	-	-		126,798	604,133	3,944,938
Finance Cost	295,245	384,342	6,160,630	12,481,811	19,705,583	22,035,979	30,600,456	32,696,854	38,302,191
Gross profit/(Loss)	-		-	-	-	-	(46,462,415)	(54,186,758)	5,218,689
Profit/(Loss) on Sales of Assets	-		-	-	-		(98,147)	338,179	-
Other Operating expense	-		-	-	300,000	300,000	300,000	-	-
other Income(Loss)	30,837,608	27,982,649	27,480,222	181,736,224	14,486,098	15,825,000	94,209	174,850	(1,246,740)
bad debts restored					-		16,861,709	-	-
Taxation	-		-	(61,296,163)	-	-	-		(597,372)
	30,837,608	27,982,649	27,480,222	120,440,061	14,786,098	16,125,000	17,157,771	513,029	(1,844,112)
Profit(Loss) for the year	(39,675,987)	7,739,279	4,679,271	90,219,326	(22,928,588)	(25,328,777)	(83,106,784)	(121,714,393)	(59,326,207)

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PUNJAB COTTON MILLS LIMITED** as at June 30, 2016 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 include examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

1. In the absence of any confirmation from legal advisor / income tax advisor, we could not confirm the outstanding legal cases / income tax cases and provision for taxation and advance tax remained unconfirmed as at June 30, 2016.

2. As stated in Note 19 to the financial statements, a total amount of Rs. 16,861,709 (2015: Rs. 16,861,709) due from Fortune Fibres (related party) remained unconfirmed due to non availability of independent confirmation as at June 30, 2016.

3. As stated in Note 6 to the financial statements, Long term financing includes Rs.22,606,570 due to National Bank of Pakistan remained unconfirmed since no direct confirmation was received from the respective bank as at June 30, 2016. However this balance was verified with the bank statement.

4. The company has not followed IAS 19 (revised)- `Employee Benefits'.

(a) in our opinion, proper book 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, except for the effects of matters referred to in the preceding paragraphs 1 to 4 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 except to the extent to which the reservations mentioned in the preceding paragraphs 1 to 4 above affect the annexed financial statements, respectively give a true and fair view of the state of the company's affairs as at June 30, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and

(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 your attention that the company has sold entire stock in trade in the previous years, The Company has also suspended its operations since August 23, 2008 as it is not commercially viable to carry on operations due to heavy accumulated losses. The Company has made a net profit of Rs. 43.680 million due to gain on settlement with banks (2015: Rs. 2.315 million) and has accumulated losses of Rs. 167.047 million (2015: Rs.210.727 million) as at June 30, 2016. Its current liabilities exceed its current assets by Rs. 22.362 million (2015: Rs. 112.708 million) as at balance sheet date and the Company has redundant its most of employees. The power connection of the Company has also been disconnected. The conditions alongwith other factors as disclosed in Note 1.2 indicate the existence of a material uncertainty which cast significant doubt about the Company's ability to continue as a going concern. Therefore it may not be able to realize its assets and discharge its liabilities at stated amounts.

Lahore.
Dated: **October 10**, **2016**

HAMEED KHAN & CO.
CHARTERED ACCOUNTANTS

Audit Engagement Partner:
Abdul Hameed Khan

PUNJAB COTTON MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2016

EQUITY AND LIABILITIES	Note	2016 Rupees	2015 Rupees
SHARE CAPITAL AND RESERVES			
Authorized capital			
15,000,000 (2015: 15,000,000)			
ordinary shares of Rs. 10 Each		150,000,000	150,000,000
Issued, subscribed and paid up capital	4	115,000,000	115,000,000
Accumulated loss		(167,047,159)	(210,727,170)
		(52,047,159)	(95,727,170)
SURPLUS ON REVALUATION OF LAND	14.2	35,071,979	35,071,979
NON CURRENT LIABILITIES			
Subordinated loan	5	50,000,000	50,000,000
Long term financing	6	61,314,558	89,258,130
Liabilities against assets subject to finance lease	7	-	-
Mark up accrued on lease liability	8	-	6,612,843
		111,314,558	145,870,973
CURRENT LIABILITIES			
Trade and other payables	9	14,515,543	36,244,256
Markup payable on secured loans	10	3,215,638	95,631,531
Current portion of long term liabilities	11	29,206,570	42,382,811
Provision for Taxation	12	12,964,994	7,055,762
		59,902,745	181,314,360
CONTINGENCIES AND COMMITMENTS	13	-	-
		154,242,123	266,530,142

The annexed notes (1-39) form an integral part of these financial statements.

CHIEF EXECUTIVE

PUNJAB COTTON MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2016

ASSETS	Note	2016 Rupees	2015 Rupees
PROPERTY, PLANT & EQUIPMENT	14	115,261,103	193,681,242
LONG TERM DEPOSITS		1,440,000	4,242,600
CURRENT ASSETS			
Stores, spares and loose tools	15	1,735,537	24,350,774
Trade debts	16	-	10,537,335
Advances	17	-	3,140,279
Trade deposits and prepayments	18	1,000,000	81,333
Other receivables	19	34,746,730	30,489,368
Cash and bank balances	20	58,753	7,211
		37,541,020	68,606,300
		154,242,123	266,530,142

DIRECTOR

PUNJAB COTTON MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
OPERATING EXPENSES			
Administrative and general	21	70,218,350	19,859,028
Assets written off	22	61,264,509	-
Finance cost	23	295,245	384,342
		131,778,104	20,243,370
OPERATING LOSS		(131,778,104)	(20,243,370)
Other Operating Income	24	30,837,608	27,982,649
Gain on settlement with Banks	25	126,403,023	-
Liability written back	26	24,126,716	-
		181,367,347	27,982,649
PROFIT BEFORE TAXATION		49,589,243	7,739,279
Taxation:	27	(5,909,232)	(5,424,766)
		(5,909,232)	(5,424,766)
PROFIT AFTER TAXATION		43,680,011	2,314,513
Earnings per share - Basic and diluted	28	3.80	0.20

The annexed notes (1-39) form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PUNJAB COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees)	2015 Rupees
Profit for the year	43,680,011	2,314,513
Other comprehensive income-net of taxation	-	-
Total comprehensive Income	43,680,011	2,314,513

The annexed notes (1-39) form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PUNJAB COTTON MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	28	8,501,275	13,712,382
Add: Adjustments for non cash charges and other items			
Tax Paid			-
Finance cost paid		(295,245)	(211,517)
Net cash used in operating activities		8,206,030	13,500,865
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments against Short Term Borrowing		-	(10,362,493)
Payments against long term financing		(8,154,488)	(3,138,759)
Net cash used in financing activities		(8,154,488)	(13,501,252)
Net (decrease) / increase in cash and cash equivalents		51,542	(387)
Cash and cash equivalents at beginning of the year		7,211	7,598
Cash and cash equivalents at end of the year	20	58,753	7,211

The annexed notes (1-39) form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

PUNJAB COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	Accumulated Loss	Total
	……………………. Rupees		………………….
Balance as at June 30, 2014	115,000,000	(271,915,908)	(156,915,908)
Provision for taxation written back		58,874,225	58,874,225
Profit for the year	-	2,314,513	2,314,513
Balance as at June 30, 2015	115,000,000	(210,727,170)	(95,727,170)
Profit for the year	-	43,680,011	43,680,011
Balance as at June 30, 2016	115,000,000	(167,047,159)	(52,047,159)

The annexed notes (1-39) form an integral part of these financial statements.

CHIEF EXECUTIVE

PUNJAB COTTON MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 The company was incorporated as a public limited company in June 1967 in Pakistan and its shares are quoted on Lahore Stock Exchange. The Company is principally engaged in the manufacture and sale of cloth. The registered office of the Company is situated at Syed Irshad Ali Road, Near Zainbia Complex Behind Mansoora, 11 Km. Multan Road, Lahore. The Company's manufacturing facilities are located at District Shiekhupura in the province of Punjab.

1.2 GOING CONCERN ASSUMPTION

The company has sold entire stock in trade in the previous years. The Company has also suspended its operations since August 23, 2008 as it is not commercially viable to carry on operations due to heavy accumulated losses. The Company has incurred net profit of Rs. 43.680 million mainly due to gain on settlement with bank (2015: Rs. 2.315 million) during the year and has accumulated losses of Rs. 167.047 (2015: Rs. 210.727 million) as at June 30, 2016. Its current liabilities exceed its current assets by Rs.22.362 million (2015: Rs. 112.708 million) as at balance sheet date. These conditions cast significant doubt about the Company's ability to continue as a going concern. The Company has planned to trade in yarn and cloth in future. As such these financial statements have been prepared on going concern basis.

2. STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 Statement of compliance

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

2.2 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations became effective, however, the amendments or interpretation were either not relevant to the Company's operations or were not expected to have any significant impact on the Company's financial statements.

b) New / revised accounting standards, amendments to published accounting standards, and interpretations that are not yet effective.

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

There are certain new standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2016, however, these are considered not to have any effect on the Company's operations and financial reporting and accordingly have not been disclosed in these financial statements.

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective and have not been early adopted by the Company

IAS 1, 'Presentation of Financial Statements' aims to improve presentation and disclosure in financial reports by emphasising the importance of understandability, comparability and clarity in presentation. The amendments are applicable for annual periods beginning on or after January 1, 2016.

The amendments provides clarification on number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals

- Notes – confirmation that the notes do not need to be presented in a particular order.

- Other Comprehensive Income (OCI) - arising from investments accounted for under the equity method - the share of the OCI arising from equity - accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of comprehensive income.

There are certain other new standards and amendments to the approved accounting standards which will be effective for the Company for annual periods beginning after July 1, 2015 but are considered not to be relevant or are not expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.4 Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

Property, plant and equipment

The Company has made certain estimations with respect to residual value and depreciable lives of property, plant and equipment. The Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in future years might effect the remaining amounts of respective items of property, plant and equipments with a corresponding effect on the depreciation charge and impairment.

Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These accounts have been prepared under the historical cost convention except that certain fixed assets have been included at revalued amounts. In these financial statements, except for the cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 Taxation

Current

Provision for current taxation is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current taxation also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such years.

Deferred

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

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

3.3 Property, Plant & Equipment

Owned Assets

Operating fixed assets except freehold land are stated at cost less accumulated depreciation. Freehold land is stated at revalued amount.

Depreciation is charged to profit on the reducing balance method to write off the cost of an asset over its estimated useful life at the annual rates given in note 14. Full month's depreciation is charged in the month of additions, while no depreciation is charged in the month of deletions during the year.

Major repairs and improvements are capitalized while minor repairs and renewals are charged to income. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Change in accounting estimate

The management has revised the accounting estimate by increasing the depreciation rate of machinery from 5% to 15%. Had the company not changed accounting estimate the profit could have been increased to Rs. 8,274,233 and accumulated losses should have been reduced by same amount.

Leasehold Assets

The leases, where the company has substantially all the risks and rewards of ownership are classified as finance lease. At the commencement of lease, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 7. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Depreciation is charged at the same rate and basis as company's owned assets.

Capital work in progress

Capital work in progress is stated at cost and includes the expenditures on material, labour, appropriate over heads, pre-operating unallocated expenses and trial run losses/gains directly relating to the project.

These costs are transferred to fixed assets as and when assets are available for intended use.

3.4 Borrowing cost

Financial charges on long term liabilities/lease liabilities which are specifically obtained for the acquisition of qualifying assets i.e. assets that take a substantial period of time to get ready for their intended use, are capitalized up to the date of commissioning of respective asset. All other interest, markup and expenses are charged to income.

3.5 Stores, spares and loose tools

Usable stores, spares and loose tools are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

3.6 Stock-in-trade

These are stated at the lower of cost and net realizable value except for waste stock which is valued at net realizable value. Cost is determined using the following basis:

Raw materials

- In hand	-	on moving average
- In transit	-	at invoice value plus other charges incurred thereon
Work In Process	-	at estimated manufacturing cost including Appropriate overheads
Finished Goods	-	at net realisable value
Waste	-	at net realisable value

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale.

3.7 Financial Instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

3.8 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the period end. Bad debts are written off when identified.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprises cash in hand, balances with banks on current and deposit accounts and overdrawn balances of the banks.

3.10 Impairment

The carrying amount of the assets are reviewed at each balance sheet date to identify the circumstances indicating the occurrence of impairment loss or reversal of previous impairment losses. If any such indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverse, the carrying amount of such asset is increased to the revised recoverable amount. A reversal of the impairment loss is recognized in income.

3.11 Borrowings

Loans and borrowings are recorded at the proceeds received. In the subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance charges are accounted for on an accrual basis and are presented as markup payable to the extent of the amount remaining unpaid.

3.12 Financial Assets and Liabilities

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and are de-recognized, in case of financial assets when the Company loses control of the contractual rights through either realization, surrender or expiration and in case of financial liability on extinguishments, discharge, cancellation or expiration of obligation specified in the contract.

Financial assets include investments, cash and bank balance, trade debts, advances, deposits and other receivables. Trade debts are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, while other financial assets are stated at cost. Any gain or loss on the recognition and derecognition of the financial assets is included in the net profit and loss for the period in which it arises.

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include creditors, accrued and other liabilities and unclaimed creditors, accrued and other liabilities and unclaimed dividend are stated at their nominal value. financial charges are accounted for on accrual basis. Any gain or loss on the recognition and derecognition of the financial liability is included in the net profit and loss for the period in which it arises.

3.13 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 goods and services.

3.14 Impairment of Assets

The company assesses at each balance sheet date whether there is any indication that assets except deferred tax assets, if any, may have been impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

3.15 Transactions with related parties and transfer pricing

All the transactions between the Company and a related party are recorded at arm's length prices determined in accordance with Cost plus method as approved by the Board of Directors.

Parties are said to be related, if they are able to influence the operating and financial decisions of the Company and vice versa.

3.16 Provisions

Provisions are recognized when the company has a present obligation as a result of past event and it is probable that an outflow of economic benefits will be required to settle the obligation of which reliable estimate can be made.

3.17 Foreign Currency Transactions and Translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the balance sheet date except where forward exchange rates are booked, which are translated at the contracted rates.

3.18 Borrowing Cost

Borrowing costs are charged to income as and when incurred except to the extent costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of asset.

3.19 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 legally enforceable right to set-off the recognised amounts and intents either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.20 Transactions with Related Parties and Transfer Pricing

Transactions with related parties are accounted for using arm's length price in ordinary course of business in accordance with uncontrolled price method.

3.21 Dividend

The dividend distribution to the shareholders is recognized as a liability in the period in which it is approved by the shareholders.

3.22 Functional and presentation currency

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

3.23 Revenue recognition

Revenue from local sales is recognized on dispatch of goods to customers. Exports goods are considered dispatched when bill of lading is prepared for shipment to customers.

	Note	2016 Rupees	2015 Rupees
4. ISSUED, SUBSCRIBED & PAID UP CAPITAL			
11,500,000 (2015: 11,500,000) ordinary shares of Rs. 10/- each fully paid in cash		115,000,000	115,000,000

5. SUBORDINATED LOAN-UNSECURED

This is unsecured interest free loan obtained from Directors of the Company and is subordinated to the extent of Rs. 50 million (2015:Rs. 50 million) to the facilities obtained from Crescent Standard Investment Bank Limited (CSIBL), with the condition that this loan shall not be repaid till such time that the entire amount of dues to CSIBL are repaid in full by the company. Due to such conditions no portion of this loan has been considered as current liability.

	Note	2016 Rupees	2015 Rupees
6. LONG TERM FINANCING			
Secured			
Morabaha Finance (FDIBL)	(6.1.1)	20,000,000	20,000,000
Generator lease liability	7	14,527,811	
Add: markup on financing		21,389,102	
Add: markup on generator lease liability	8	6,612,843	
Add: Paid in pervious year up to June 30,2015 from settlement		4,332,000	
Gross Total:		66,861,756	
Less: Settlement amount		(24,200,000)	
Gain on settlement	26	42,661,756	
Payment made up to June 30,2016		9,054,000	
Net Payable		15,146,000	
Current Portion		3,132,000	
		12,014,000	
Musharika Investment BRR Modaraba	(6.1.2)	7,855,000	7,855,000
Add: markup		8,791,796	
Add: Paid in pervious year up to June 30,2015 from settlement		1,145,000	
Gross Total:		17,791,796	
Less: Settlement amount		(5,000,000)	
Gain on Settlement	26	12,791,796	
Payment made up to June 30,2016		1,600,000	
Net Payable		3,400,000	
Current Portion		780,000	
		2,620,000	
EX--PICIC	(6.1.3)	15,926,910	15,926,910
NIB Bank		1,043,480	1,043,480
NIB Letter of Credit	9	4,100,000	
Add: markup PICIC		12,998,314	
Add: markup NIB		35,890,307	
Add: Paid in pervious year up to June 30,2015 from settlement		18,850,000	
Gross Total:		88,809,011	
Less: Settlement amount		(24,038,000)	
Gain on settlement	26	64,771,011	
Payment made up to June 30,2016		21,350,000	
Net Payable		2,688,000	
Current Portion		2,688,000	
		-	

	Note	Rupees	Rupees
Cash Financed National Bank of Pakistan	(6.1.4)	15,589,476	15,589,476
Add: markup		13,632,916	-
Add: Paid in pervious year up to June 30,2015 from settlement		11,073,068	-
Gross Total:		40,295,460	15,589,476
Less: Settlement amount		(34,117,000)	-
Gain on settlement	26	6,178,460	-
Payment made up to June 30,2016		11,510,430	-
Net Payable		22,606,570	-
Current Portion		22,606,570	-
		-	-
Net Total		14,634,000	-
Unsecured			
Loan from directors	(6.2)	26,823,489	26,823,489
Loan from others	(6.3)	19,857,069	29,874,775
		46,680,558	84,553,264
Less: Current portion		-	27,855,000
		61,314,558	89,258,130

6.1.1 Facility obtained from Escorts Investment Bank Limited against sanctioned limit of Rs.20 Million carries markup at Base Rate plus 500 bps and the Base rate is six months average KIBOR ask side is secured by way of bank guarantees of First Dawood Investment Bank Limited and personal guarantees of two directors of the Company. The final settlement at amount Rs. 24.200 million has been made with First Dawood Investment Bank Limited. The amount is repayable 72 equal monthly installment ending on Jan 2019.

6.1.2 Facility obtained from BRR Guardian Modaraba against sanctioned limit of Rs. 10 million carries mark up at the rate of 16% per annum and is secured by way of bank guarantee of First Dawood Investment Bank Ltd and hypothecation of stocks of finished goods and raw material and personal guarantee of directors. The final settlement at amount Rs. 5.00 million has been made with BRR Gaurdian Modaraba. The amount is repayable 72 equal monthly installment ending on Jan 2019.

6.1.3 This facility obtained from Pakistan Industrial Credit and Investment Corporation Limited (PICIC) against sanctioned limit of Rs. 50 Million carries markup at Base Rate plus 6.345% per annum with floor of 15.595% where the Base Rate is 3 months average KIBOR ask side and is secured by way of pledge stock of yarn and fabric and personal guarantees of directors of the Company. Prompt payment rebate of 1.095% per annum to be allowed on payment of quarterly mark up on the last day of the quarter. Facility obtained from Ex-NDLC-IFIC Bank Limited Currently NIB Bank against sanctioned limit of Rs. 20 Million carries markup at Base Rate plus 500 BPS with floor of 13% where the Base Rate is 3 months KIBOR ask side and is secured by way of 1st pari pasu charge on present and future fixed assets of the Company, registered mortgage of a self occupied property of director of the Company and personal guarantees of the directors of the company. The company has made a compromise agreement with NIB Bank Ltd for the settlement of its entire liability of Rs. 24,038,000 till August 6, 2016.

6.1.4 This cash finance facility obtained from National Bank Of Pakistan Limited against sanctioned limit of Rs. 25 Million carries markup at floating rate of six months Kibor (ask) plus 2% or fixed rate six months Kibor (ask) plus 2.30% and is secured by way of first pari passu charge over fixed assets and current assets of company. The final settlement at amount Rs. 34.117. million has been made with National Bank Of Pakistan. The current portion is repayable up to 2017.

6.2 This interest free loan obtained from the directors of the company and management is of the view that loan is not repayable in next financial year, hence, no portion of such loan is considered as current liability. This interest free loan is from directors of the company. The amount is not repayable within next twelve months.

6.3 This loan is obtained private sources and carries mark up at the rate of 17.77 % per annum. The amount is not repayable within next twelve months. As per requirements of the agreement no portion of the loan is repayable in next financial year, hence, no portion of such loan is considered as current liability.

	Note	2016 Rupees	2015 Rupees
7 LIABILITIES AGAINST ASSET SUBJECT TO FINANCE LEASE			
Opening balance		14,527,811	16,354,811
Add: Adjustment made against settlement with FDIBL during the year	6.1	(14,527,811)	(1,827,000)
		-	14,527,811
Less: Current portion shown under current liabilities	12	-	(14,527,811)
		-	-

The future minimum lease payments to which the company is committed at June 30, 2016 are as follows:-

	2016			2015		
	Minimum lease payments	Finance Cost	Principal Outstanding	Minimum lease payments	Finance Cost	Principal Outstanding
Upto 1 year	-	-	-	14,527,811	-	14,527,811
	-	-	-	14,527,811	-	14,527,811

7.1 The company reached a agreement for full & final settlement of lease finance facility with First Dawood Investment Bank Ltd. The settlement of the outstanding liability was agreed on the following terms & conditions:-

1. The company will pay a total amount of Rs. 14,527,811 as part of settlement detail in note 6.

	Note	2016 Rupees	2015 Rupees
8. MARK UP ACCRUED ON LEASE LIABILITY			
Mark up accrued on:			
Leases from other companies/banks	6 & 8.1	-	6,612,843
		-	6,612,843

8.1 This represents mark up accrued on lease liability. The Company is unable to pay installments within due date against these liabilities. This amount has been adjusted against the settlement deal of long term financing.

		2016 Rupees	2015 Rupees
9. TRADE AND OTHER PAYABLES			
Trade creditors	27	-	18,462,713
Accrued liabilities	27	7,466,851	9,668,977
Advances from customers	27	6,583,000	3,305,920
Income tax deducted at source	27	126,633	327,745
Letter of credit payable (NIB)	6	-	4,100,000
Unclaimed dividend	27	-	23,148
Others	27	339,059	355,753
		14,515,543	36,244,256
10. MARKUP PAYABLE ON SECURED LOANS			
Long term loans- Unsecured		3,215,638	33,109,994
Short term bank borrowings- Secured		-	62,521,537
		3,215,638	95,631,531

		Note	2016 Rupees	2015 Rupees
11.	**CURRENT PORTION OF LONG TERM LIABILITIES**			
	Long term loans	6 & 11.1	29,206,570	27,855,000
	Liabilities against assets subject to finance lease	6 & 7	-	14,527,811
			29,206,570	42,382,811
11.1	**Current Portion of Long Term Loans**			
	Current portion of Morabaha Finance (FDIBL)		3,132,000	-
	Currnt Portionof Musharika Investment BRR Modaraba		780,000	-
	Current Portion of NIB/EX-PICIC		2,688,000	-
	Current Portion of Cash Financed National Bank of Pakistan		22,606,570	-
			29,206,570	-
12	**PROVISION FOR TAXATION**			
	Opening Balance		7,055,762	60,505,221
	Provision for the year		5,909,232	5,424,766
	Provision for taxation written back		-	(58,874,225)
			12,964,994	7,055,762

13 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding at June 30, 2016.

14 PROPERTY, PLANT & EQUIPMENT

DESCRIPTION	FREE HOLD LAND (AT REVALUATION)	BUILDING ON LEASEHOLD LAND	PLANT & MACHINERY	ELECTRIC INSTALLATIONS & EQUIMPMENT	FACTORY EQUIPMENT	OFFFICE EQUIPMENT	COMPUTER & ACCESSORIES	FURNTIURES & FIXTURES	VEHICLES	LEASED ELECTRIC EQUIPMENTS	TOTAL
At July 1, 2015											
Cost / revalued amount	35,100,000	110,140,765	138,455,500	15,791,169	148,825	765,601	940,932	613,761	317,400	19,032,840	321,306,793
Accumulated depreciation	-	(48,027,195)	(55,713,175)	(10,868,563)	(93,081)	(491,598)	(909,386)	(399,009)	(283,717)	(10,839,826)	(127,625,551)
Net book amount	35,100,000	62,113,570	82,742,325	4,922,606	55,744	274,003	31,546	214,752	33,683	8,193,014	193,681,242
Year ended June 30, 2016											
Opening net book amount	35,100,000	62,113,570	82,742,325	4,922,606	55,744	274,003	31,546	214,752	33,683	8,193,014	193,681,242
Additions	-	-	-	-	-	-	-	-	-	-	-
Assets written off	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	103,642,678	15,791,169	148,825	765,601	940,932	613,761	317,400	-	122,220,366
Accumulated depreciation	-	-	(47,910,502)	(10,868,563)	(93,081)	(491,598)	(909,386)	(399,009)	(283,717)	-	(60,955,856)
Net Assets written off	-	-	55,732,176	4,922,606	55,744	274,003	31,546	214,752	33,683	-	61,264,509
Transfer - Cost	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge	-	(3,105,679)	(12,411,349)	-	-	-	-	-	-	(1,638,603)	(17,155,630)
Additions Depreciation											-
Closing net book amount	35,100,000	59,007,892	14,598,800	-	-	-	-	-	-	6,554,411	115,261,103
At June 30, 2016											
Cost / revalued amount	35,100,000	110,140,765	34,812,822	-	-	-	-	-	-	19,032,840	199,086,427
Accumulated depreciation	-	(51,132,874)	(20,214,022)	-	-	-	-	-	-	(12,478,429)	(83,825,324)
Net book amount	35,100,000	59,007,892	14,598,800	-	-	-	-	-	-	6,554,411	115,261,103
Depreciation rate per annum (%)	-	5	15	10	10	10	30	10	20	20	

14.1 The depreciation charge for the year has been allocated as under:

	Note	2016 Rupees	2015 Rupees
Administrative expenses	22	17,155,630	9,163,726
		17,155,630	9,163,726

14.2 Land was revalued on May 30, 2005 by independent professional valuer M/s Danish Enterprises on the basis of market value which resulted in a surplus of Rs. 35,071,979 over the book value of land.

14.3 Had the Land not been revalued the carrying value would have been Rs. 28,021 (2015: Rs. 28,021).

		Note	2016 Rupees	2015 Rupees
15	**LONG TERM DEPOSITS**			
	Sui Gas Security Deposit		1,440,000	1,440,000
	CSIBL Security Deposit		-	2,752,600
	Lease key Money		-	50,000
			1,440,000	4,242,600
16	**STORES, SPARES & LOOSE TOOLS**			
	Stores		23,267,678	23,267,678
	Spares		974,299	974,299
	Loose tools		108,797	108,797
	Less: Provision for obsolete	16.1	(22,615,237)	-
			1,735,537	24,350,774

16.1 The management has decided to make a provision of Rs. 22,615,237 against absolute stores & stock as per valuation report dated 05/12/2015. This valuation was carried out by Empire Enterprises (Pvt) Ltd on 05/12/2015.

17 **TRADE DEBTS**

These were unsecured and management of the Company and has decided to write off these balances.

		Note	2016 Rupees	2015 Rupees
18	**ADVANCES - Considered good**			
	To employees	22	-	408,614
	To suppliers	22	-	2,731,665
			-	3,140,279

These balance were write off by the management during the current year.

		Note	2016 Rupees	2015 Rupees
19	**TRADE DEPOSITS AND PREPAYMENTS**			
	Security deposits	22	-	60,000
	Prepayments	22	-	21,333
	Call deposit receipt (CDR)		1,000,000	-
			1,000,000	81,333

These balance were write off by the management during the current year.

		Note	2016 Rupees	2015 Rupees
20	**OTHER RECEIVABLES**	**Note**		
	Due from related parties	20.1	16,861,709	16,861,709
	Other receivables - Unsecured	20.2 & 22	-	195,225
	Advance Income tax		13,121,417	8,668,830
	Sales tax receivable		4,763,604	4,763,604
			34,746,730	30,489,368

20.1 This amount was receivable from Fortune Fibres in the previous years, (a related party) and was restored as per order of SECP dated March 30, 2009

20.2 These balance were write off by the management during the current year.

		Note	2016 Rupees	2015 Rupees
21	**CASH AND BANK BALANCES**			
	Balance at banks			
	Current accounts		53,893	2,351
	CDR (Aksari Bank Ltd)			-
			53,893	2,351
	Cash in hand		4,860	4,860
			58,753	7,211

		Note	2016 Rupees	2015 Rupees
22	**ADMINISTRATIVE & GENERAL**			
	Salaries, wages and other benefits		3,881,066	5,092,114
	Printing and stationery		104,500	70,000
	Repair and maintenance		7,235,680	4,914,188
	Rent Rate& Taxes		179,465	-
	Legal and professional charges		595,000	120,000
	Fee, subscription and periodicals		582,000	-
	Advertisement		48,000	34,000
	Provision Stores & Spares		22,615,237	-
	Bad Debts	22.1	16,756,772	-
	Loading & Unloading		350,000	-
	Freight local		250,000	-
	Auditors' remuneration	22.2	465,000	465,000
	Depreciation	14.1	17,155,630	9,163,726
			70,218,350	19,859,028
22.1	**Bad Debts**			
	Long term deposits		2,802,600	-
	Trade debts		10,537,335	-
	Advances to employees and suppliers		3,140,279	-
	Trade deposits and prepayments		81,333	-
	Other receivables - unsecured		195,225	-
			16,756,772	-
22.2	**Auditors' Remuneration**			
	Statutory audit		350,000	350,000
	Half yearly review		100,000	100,000
	Out of pocket expenses		15,000	15,000
			465,000	465,000
23	**ASSETS WRITTEN OFF**			
	Assets Written off	14	61,264,509	
			61,264,509	-
24	**FINANCE COST**			
	Mark up on secured loans:			
	Long term financing		286,542	382,056
	Bank charges		8,703	2,286
			295,245	384,342

			2016 Rs.	2015 Rs.
25	**OTHER OPERATING INCOME**			
	Rental Income - Generator		9,733,206	8,608,084
	Godown Rental income		21,104,402	19,374,565
			30,837,608	27,982,649
26	**GAIN ON SETTLEMENT WITH BANKS**			
	Morabaha Finance (FDIBL)	6	42,661,756	
	Musharika Investment BRR Modaraba	6	12,791,796	
	NIB/EX--PICIC	6	64,771,011	
	Cash Financed National Bank of Pakistan	6	6,178,460	
			126,403,023	-
27	**LIABILITY WRITTEN BACK**			
	Trade Creditors	9	18,462,713	
	Advance From Customer	9	3,305,920	
	Eobi Staff Participation	9	14,994	
	Unclaim Dividend	9	23,148	
	Zaman Associates	9	1,700	
	Income Tax Deducted At Source And Emply	9	201,112	
	Audit Fee, Social Security, Eobi Etc	9	2,117,129	
			24,126,716	-

	2016 Rs.	2015 Rs.

28 TAXATION

Current	(5,909,232)	(5,424,766)

28.1 Provision for taxation has been made against the rental generator and income from Godown rent.

28.2 Deferred tax assets arises due to timing difference in respect of mainly accelerated tax depreciation and available brought forward losses has not been reflected in these accounts.

29 EARNINGS PER SHARE

29.1 Earnings per share - Basic

	2016 Rs.	2015 Rs.
Net profit for the year	43,680,011	2,314,513
Weighted average number of ordinary shares	11,500,000	11,500,000
Earnings per share	3.80	0.20

29.2 Earnings per share - Diluted

There is no dilution effect on the basic loss per share of the company as the company has no such commitments

30 REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR & EXECUTIVES

The aggregate amount charged in the financial statements for the year for certain benefits, to the Chief Executive and Director of the company are as follows:

	Chief Executive		Director	
	2016 Rupees	2015 Rupees	2016 Rupees	2015 Rupees
Remuneration	-	-	-	-
	-	-	-	-

31 CAPACITY AND PRODUCTION

	2016	2015
Weaving		
Number of looms installed-NOS	84	84
Number of looms worked-NOS	-	-
Number of shifts per day-NOS	-	-
No. of days worked-NOS	-	-
Capacity after conversion into 50 picks/ inch-Sqr.Mtrs	13,780,948	13,780,948
Actual production of fabric after conversion into 50 picks / inch.Sqr.Mtrs	-	-

Under utilization of available capacity is due to:

- Change of articles required
- Width loss due to specification of the cloth
- Normal maintenance
- The Operation of Mill is closed since 2008.

32 CASH GENERATED FROM OPERATIONS

	2016 Rupees	2015 Rupees
Profit before taxation	49,589,243	7,739,279
Adjustments for:		
Depreciation	17,155,630	9,163,726
Finance cost	295,245	384,342
Assets written off	61,264,509	-
Gain on settlement with Banks	(126,403,023)	-
Liability written back	(24,126,716)	-
Loss before working capital changes	(15,244,376)	17,287,347
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Store & Sapres	22,615,237	
Trade deposits and prepayments	(1,000,000)	
Income Tax	(4,452,587)	(3,664,965)
	17,162,650	(3,664,965)
Increase/(decrease) in Currect Liabilities		
Trade and other payables	6,583,000	90,000
	8,501,275	13,712,382

33 FINANCIAL RISK MANAGEMENT

33.1 The Company has exposures to the following risks from its use of financial instruments:

Market Risk
Credit Risk
Liquidity Risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

a) Market Risk

i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on profit after taxation for the year would have been Rs. Nil (2015: Rs. Nil) respectively higher / lower, mainly as a result of exchange gains / (losses) on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

ii) Other Price Risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in marker 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 instrument traded in the market. The Company is not exposed to equity and commodity price risk.

iii) Interest Rate Risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long--term interest-bearing assets. The Company's interest rate risk arises from long term financing, lease liabilities and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

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

	2016 Rupees	2015 Rupees
Floating rate instruments		
Financial Liabilities		
Long term financing	61,314,558	89,258,130
Liabilities against assets subject to finance lease	-	14,527,811

Cash flow sensitivity analysis for variable rate instruments

b) Credit Risk

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

	2016 Rupees	2015 Rupees
Long term deposits	1,440,000	4,242,600
Trade debts	-	10,537,335
Advances, trade deposits and other receivables	35,746,730	33,710,980
Cash and bank balances	58,753	7,211

33.1.1 Counterparties

The Company conducts the following major types of transactions with the counterparties:

Trade Debts

Trade debts are essentially due from local customers and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed by business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letter of credit or other form of credit insurance.

Impairment Losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered goods and hence no impairment allowance is required in the is regard.

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs.nil million worth short term borrowing limits available from financial institutions and Rs. 0.059 million cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2016:

	Carrying Amount Rupees	Contractual cash flows Rupees	Less then 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Long-term finances	61,314,558	46,680,558	-	46,680,558	-
Trade and other payables	7,932,543	7,932,543	-	7,932,543	-
Accrued interest	3,215,638	3,215,638	-	3,215,638	-
Short term finances	-	-	-	-	-

Contractual maturities of financial liabilities as at June 30, 2015:

	Carrying Amount Rupees	Contractual cash flows Rupees	Less then 1 year Rupees	Between 1 to 5 years Rupees	5 years and above Rupees
Long-term finances	89,258,130	114,734,162	-	114,734,162	-
Finance lease	14,527,811	21,140,654	-	21,140,654	-
Trade and other payables	32,938,336	32,938,336	-	32,938,336	-
Accrued interest	95,631,531	95,631,531	-	95,631,531	-
Short term finances	32,559,866	32,559,866	-	32,559,866	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest mark up have been disclosed in Note 6, Note 7 and Note 11 to these financial statements.

33.2 Fair values of financial assets and liabilities

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

	2016	2015
34 NUMBER OF EMPLOYEES		
Number of employees at the year end were	15	15

35 CAPITAL RISK MANAGEMENT

The company's prime object when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

36 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, related group companies, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2016 Rs.	2015 Rs.
Loans from Ex-Directors	26,823,489	26,823,489
Loans from other	19,857,069	29,874,775
Receivable from Fortune Fibre	16,861,709	16,861,709

37 POST BALANCE SHEET EVENT

The company has stopped its operation in August 2008 due to shortage of working capital and old outdated machinery. Around 97% Shareholding is held by three persons (Sponsors). Since 15 years no trade has been executed to Stock Exchange. Keeping in view the above factors Board of Directors has decided to de-list the Punjab Cotton Mills Limited from Pakistan Stock Exchange. An application of delisting was filed with Pakistan Stock Exchange Limited on May 16, 2016 and August 15, 2016. The matter is under process with Pakistan Stock Exchange till to-date.

38 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 10 October 2016 by the Board of Directors of the Company.

39 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

Form - 34

1. Incorporation Number **C-86/19670602**
2. Name of The Company **Punjab Cotton Mills Limited**
3. Pattern of Holding of the Shares held by the Shareholders as at : **30-Jun-2016**

No. of Shareholders	Shareholding		Total Shares held
	From	To	
628	1	100	36,001
109	101	500	32,250
11	501	1,000	9,950
28	1,001	5,000	77,500
1	25,001	30,000	25,249
2	30,001	35,000	63,300
1	40,001	45,000	42,500
1	110,001	115,000	114,000
1	145,001	150,000	150,000
1	1,960,001	1,965,000	1,962,550
1	4,245,001	4,250,000	4,250,000
1	4,735,001	4,740,000	4,736,700
785			**11,500,000**

Punjab Cotton Mills Limited **As On: June 30, 2016**

Categories of Shareholder	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Childern				
Chief Executive				
Mr. Mazhar Iqbal	17,600	-	17,600	0.15
Directors				
Mr. Khalil Ahmed Khan	3,500	-	3,500	0.03
Mr. Mushtaq Ahmed	3,000	-	3,000	0.03
Mr. Rao Muzaffar Ali Khan	50	-	50	0.00
Mr. Sohail Azeem Khan	3,000	-	3,000	0.03
	27,150	**-**	**27,150**	**0.24**
NIT & ICP (Name Wise Detail)				
Investment Corporation of Pakistan	25,249	-	25,249	0.22
	25,249	**-**	**25,249**	**0.22**
Banks, NBFCs, DFIs, Takaful, Pension Funds	**115,650**	**-**	**115,650**	**1.01**
Other Companies,Corporate Bodies, Trust etc.	**551**	**-**	**551**	**0.00**
General Public	**11,331,400**	**-**	**11,331,400**	**98.53**
	11,500,000	**-**	**11,500,000**	**100.00**
Shareholders More Than 5.00%				
Syed Khashif Zahoor			4,736,700	41.19
Jamil Irshad			4,250,000	36.96
Samiullah Khan			1,962,550	17.07

FORM OF PROXY

PUNJAB COTTON MILLS LIMITED

I/we____

S/o,D/o,W/o____

Of____

Full address) a member(s) of **PUNJAB COTTON MILLS LIMITED** and holder of _________

_________________Shares as per Registered Folio No.__________________Do hereby

Appoint __________________________________of ______________________________

________________________(full address) as my/our proxy to attend, speak and vote for

Me/us and on my/our behalf at the Annual General Meeting of **Punjab Cotton Mills Limited**

Scheduled to be held on Monday 31, October 2016 at 11.00 am at the Lahore and at any

adjournment thereof.

Member___________________________

Witness__________________________

Address___________________________

Date______________________________

Please
Affix here
Revenue
Stamp of
Rs.5/-

Signed this _____________ day of _______________2016

Note

1. A member entitled to attend and vote at a general meeting is entitled to appoint a proxy.
2. The instrument appointing a Proxy, together with the Power of Attorney. If any, under which it is signed or a notariarlly certified copy thereof, should be deposited at the Registered office, not less than 48 hours before the time of holding the Meeting