



Annual Report | 2019



Ellicot Spinning Mills Limited

An ISO 9001:2008 Certified Company

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Shahzada Ellahi Shaikh	Non-Executive Director / Chairman
Mr. Mohammad Babar Monnoo	Independent Non-Executive Director
Mr. Jamal Nasim (Nominee NIT)	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Non-Executive Director
Mr. Raza Ellahi Shaikh	Non-Executive Director
Mr. Amin Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Executive Director

MANAGING DIRECTOR (Chief Executive)

Mr. Shafqat Ellahi Shaikh

AUDIT COMMITTEE

Mr. Mohammad Babar Monnoo	Chairman
Mr. Shaukat Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Syed Mohsin Gilani	Secretary

HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE

Mr. Mohammad Babar Monnoo	Chairman
Mr. Raza Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

EXECUTIVE COMMITTEE

Mr. Shaukat Ellahi Shaikh	Chairman
Mr. Shahzada Ellahi Shaikh	Member
Mr. Shafqat Ellahi Shaikh	Member
Mr. Amin Ellahi Shaikh	Member
Mr. Muhammad Azam	Secretary

CORPORATE SECRETARY

Mr. Syed Mohsin Gilani

CHIEF FINANCIAL OFFICER (CFO)

Mr. Muhammad Ahmad

HEAD OF INTERNAL AUDIT

Mr. Kashif Saleem

AUDITORS

Messrs Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR

Bandial & Associates

LEAD BANKERS

Albaraka Bank (Pakistan) Ltd.
Allied Bank Ltd.
Askari Bank Ltd.
Bank Alfalah Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Meezan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

REGISTERED OFFICE

Nagina House
91-B-1, M.M. Alam Road
Gulberg-III, Lahore-54660

WEB REFERENCE

www.nagina.com

SHARE REGISTRAR

M/s Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House
7-Bank Square, Lahore
Phone # 042-37235081-2
Fax # 042 37358817

MILLS

6.3 K.M, Manga Mandi, Raiwind Road
Mouza Rossa, Tehsil & District Kasur

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31th Annual General Meeting of members of ELLCOT SPINNING MILLS LTD. will be held at the Registered Office of the Company, situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 25, 2019 at 11:30 a.m. to transact the following business:-

ORDINARY BUSINESS

- 1) To confirm minutes of the Annual General Meeting held on October 26, 2018.
- 2) To receive, consider and adopt Audited Financial statement of the Company together with the Chairman's Review Report, Directors' and Auditors' reports thereon for the year ended June 30, 2019.
- 3) To approve and declare final dividend as recommended by the Board of Directors.
- 4) To appoint Auditors for the year ending on June 30, 2020 and fix their remuneration.
- 5) To transact any other ordinary business with the permission of the Chair.

A statement required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 is annexed.

By Order of the Board



Syed Mohsin Gilani
Corporate Secretary

Lahore : September 26, 2019

NOTES:

- 1) The share transfer books for ordinary shares of the Company will be closed from Saturday, October 19, 2019 to Friday, October 25, 2019 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on Friday, October 18, 2019 will be in time to be passed for payment of dividend to the transferee(s).
- 2) A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.
- 3) The shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their bankers, account number and participant I.D number for identification purpose.
- 4) In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.
- 5) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 275(i)/2016 dated March 31, 2016 read with Notification S.R.O. 19(I)/2014 dated January 10, 2014 and Notification S.R.O. 831(I)/2012 dated July 5, 2012.

Henceforth, issuance of dividend warrant(s) will be subject to submission of CNIC (individuals) / NTN (corporate entities) by shareholders.

- 6) In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

In case of non-receipt of above information, the dividend shall be withheld.

- 7) The financial statements for the year ended June 30, 2019 shall be uploaded on the Company's website www.nagina.com twenty one days prior to the date of holding of annual general meeting.
- 8) Pursuant to SECP Notification S.R.O. 787(I)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.
- 9) Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.
- 10) If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city.
- 11) Members are requested to promptly notify the Company of any change in their registered address.

12) IMPORTANT:

- a) Pursuant to the provisions of the Finance Act, 2019 effective from July, 01 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
- i) Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL. 15%
- ii) Rate of Withholding Income Tax deduction for the persons whose names are not appearing on ATL. 30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing on Active Taxpayers' List (ATL) available on the website of FBR are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on "Filer/ Non-Filer" status of principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint-holder(s).

- b) Shareholders are again requested to provide copy of CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., 1st Floor H.M. House, 7-Bank Square, Lahore.
- c) Shareholders are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor H.M. House, 7-Bank Square, Lahore for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons.

**STATEMENT AS REQUIRED UNDER THE COMPANIES (INVESTMENT IN
ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS)
REGULATIONS, 2017.**

Members had approved a special resolution u/s 208 of the repealed Companies Ordinance, 1984 (u/s 199 of the Companies Act, 2017) on October 28, 2015. The Company has not made any investment under the resolution. Following is the status:

a. Total investment approved.	Rs.75,000,000/= (Rupees seventy five million only) to each of the following associated company: i) Nagina Cotton Mills Ltd. (NCML) ii) Prosperity Weaving Mills Ltd. (PWML)																																							
b. Amount of investment made to date:	Nil																																							
c. Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and	No deviation from approved timeline has occurred rather due to better cash flows, the associated companies did not need funds envisaged u/s 199 of the Companies Act, 2017. Therefore, no investment transaction took place during the year 2018-19.																																							
d. Material change in Financial Statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	<table><tr><td></td><td colspan="2">Present Financial Position as on June 30, 2019</td><td colspan="2">Financial Position at the time of approval as on June 30, 2015</td></tr><tr><td></td><td>NCML</td><td>PWML</td><td>NCML</td><td>PWML</td></tr><tr><td></td><td colspan="4">Rupees in Millions</td></tr><tr><td>Net sales</td><td>6,932.310</td><td>7,112.276</td><td>4,208.114</td><td>5,811.482</td></tr><tr><td>Gross profit</td><td>832.426</td><td>706.784</td><td>389.233</td><td>318.755</td></tr><tr><td>Profit/(loss) before tax</td><td>361.126</td><td>319.179</td><td>148.032</td><td>31.188</td></tr><tr><td>Profit/(loss) after tax</td><td>308.620</td><td>210.034</td><td>133.689</td><td>60.831</td></tr></table>						Present Financial Position as on June 30, 2019		Financial Position at the time of approval as on June 30, 2015			NCML	PWML	NCML	PWML		Rupees in Millions				Net sales	6,932.310	7,112.276	4,208.114	5,811.482	Gross profit	832.426	706.784	389.233	318.755	Profit/(loss) before tax	361.126	319.179	148.032	31.188	Profit/(loss) after tax	308.620	210.034	133.689	60.831
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Vision:

To be a dynamic, profitable and growth oriented company.

Mission:

To be the leading producer of cotton and blended yarn for knitting and weaving for local and international customers manufacturing well-known textile brands.

To strive for excellence and sustain position as a preferred supplier for yarn with a customer focused strategy.

Continuous enhancement the quality objectives for customer satisfaction and operational efficiencies.

To achieve the comparative advantage by employing latest technologies for enhancing the efficiency and productivity.

To build enduring relationship with our suppliers by giving them fair return on their products and services.

To provide a professional, open and participative environment to our dedicated employees for developing their potential and team performance.

To give consistent financial returns to the shareholders on their investments.

To be responsible to the society, employees and communities in which we operate by initiating health care, education and social welfare activities.



Control Union Certifications B.V.
Meeuwenlaan 4-6 , 8011 BZ, Zwolle , Netherlands
+31 38 426 0100
www.controlunion.com

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

Certificate No: CU809299GOTS-2019-00010253
Registration No: 809299

Control Union Certifications declares that

Nagina Group

91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

has been inspected and assessed in accordance with the
Global Organic Textile (GOTS) 5.0

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:

Yarns, Fabrics

Processing steps / activities carried out under responsibility of the above-mentioned company (by the operations as detailed in the annex) for certified products

Spinning, Exporting, Trading, Importing, Weaving

This certificate is valid until:
2020-06-05

Place and date of issue:



2019-06-26 , Zwolle

Name of authorized person:

On behalf of the Managing Director
Udaya Kumari Herath | Certifier

Stamp of the issuing body



Standard's Logo



This certificate cannot be used as a transaction certificate. The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed. Accredited by: Dutch Accreditation Council (RVA), Accreditation No: C 412



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CERTIFICATE OF COMPLIANCE

(Scope Certificate)

Certificate No: CU809299GR5-2019-00010267
Registration No: 809299

Control Union Certifications declares that

Nagina Group
91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

has been inspected and assessed in accordance with the
Global Recycled Standard (GRS) 4.0

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:
Yarns

Processing steps / activities carried out under responsibility of the above-mentioned company (by the operations as detailed in the annex) for certified products:
Spinning, Importing, Exporting, Trading

This certificate is valid until:
2020-06-05

Place and date of issue:



2019-06-26 , Zwolle

Name of authorized person:

On behalf of the Managing Director
Udaya Kumari Herath | Certifier

Stamp of the issuing body



Standard's Logo



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CERTIFICATE OF COMPLIANCE

(Scope Certificate)

Certificate No: CU809299OCS-2019-00010269

Registration No: 809299

Control Union Certifications declares that

Nagina Group

91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

has been inspected and assessed in accordance with the
Organic Content Standard (OCS) 2.0

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:

Yarns, Fabrics

Processing steps / activities carried out under responsibility of the above-mentioned company (by the operations as detailed in the annex) for certified products:

Spinning, Importing, Exporting, Trading, Weaving

This certificate is valid until:

2020-06-05

Place and date of issue:



2019-06-26 , Zwolle

Name of authorized person:

On behalf of the Managing Director

Udaya Kumari Herath | Certifier

Stamp of the issuing body



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CERTIFICATE OF COMPLIANCE

(Scope Certificate)

Certificate No: CU809299RCS-2019-00010268
Registration No: 809299

Control Union Certifications declares that

Nagina Group
91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

has been inspected and assessed in accordance with the
Recycled Claim Standard (RCS) 2.0

and that products of the categories as mentioned below (and further specified in the annex) comply with this standard:
Yarns

Processing steps / activities carried out under responsibility of the above-mentioned company (by the operations as detailed in the annex) for certified products:
Spinning, Trading, Exporting

This certificate is valid until:
2020-06-05

Place and date of issue:



2019-06-26 , Zwolle

Name of authorized person:

On behalf of the Managing Director
Udaya Kumari Herath | Certifier

Stamp of the issuing body



Standard's Logo



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CERTIFICATE

The company

Ellicot Spinning Mills Ltd
91, B1 M.M. ALAM ROAD, GULBERG III
54000 LAHORE, PAKISTAN

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use
the STANDARD 100 by OEKO-TEX® mark, based on our test report
20190K0259

OEKO-TEX®
CONFIDENCE IN TEXTILES
STANDARD 100 
20150K0011 AITEX

Tested for harmful substances
www.oeko-tex.com/standard100



for the following articles:

Greige yarns made of 100% cotton and its mixtures with polyester and elastane. Partly based on pre-certified material according to STANDARD 100 by OEKO-TEX®.

The results of the inspection made according to STANDARD 100 by OEKO-TEX®, Appendix 6, **product class I** have shown that the above mentioned goods meet the human-ecological requirements of the STANDARD 100 by OEKO-TEX® presently established in Appendix 6 for baby articles.

The certified articles fulfil requirements of Annex XVII of REACH (incl. the use of azo colourants, nickel release, etc.), the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass) and of the Chinese standard GB 18401:2010 (labelling requirements were not verified).

The holder of the certificate, who has issued a conformity declaration according to ISO 17050-1, is under an obligation to use the STANDARD 100 by OEKO-TEX® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

The certificate 20150K0011 is valid until 31.01.2020

Alcoy (Alicante) España, 08.04.2019

Silvia Devesa Valencia
Innovation Assistant Manager



Isabel Soriano Sarrió
Chief of Innovation Area



REVIEW REPORT BY THE CHAIRMAN ON THE OVERALL PERFORMANCE OF BOARD AND EFFECTIVENESS OF THE ROLE PLAYED BY THE BOARD IN ACHIEVING THE COMPANY'S OBJECTIVES

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

- The Board has actively participated in strategic planning process, enterprise risk management system, policy development, and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings;
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making; and
- Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the Board and its Committee Meetings. The non- executive and independent directors are equally involved in important decisions of the board.

The annual evaluation of the Board's performance is assessed based on the key areas where the Board requires clarity in order to provide high level oversight, including the strategic process; key business drivers and performing milestones, the global economic environment and competitive context in which the Company operates; the risks faced by the Company's business; Board dynamics; capability and information flows. Based on the aforementioned, it can reasonably be stated that the Board of ESML has played a key role in ensuring that the Company objectives are not only achieved, but also exceeded expectations through a joint effort with the management team and guidance and oversight by the Board and its members.



Shahzada Ellahi Shaikh
Chairman

Lahore: September 26, 2019

ایلیکٹ سٹنگ ملز لمیٹڈ

بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے ممبروں کی جائزہ رپورٹ

ایلیکٹ سٹنگ ملز لمیٹڈ (ESML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصہ داروں کے بحریں مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں سمجھائی سے انجام دی ہیں اور کمپنی کے امور کو موثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے یکم جنوری 2017 اور ایکسچینج (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2017 میں دئے گئے اپنے اختیارات اور ذمہ داریاں کو بخوبی سمجھا کر کام کیا ہے۔

• بورڈ نے اسٹرٹجک منصوبہ بندی کے عمل کو ادارے کو باطنی خطرات کا انتظامی نظام، پالیسی ڈولپمنٹ اور مالیاتی سہولت کی نگرانی اور منظوری میں فعال طور پر حصہ لیا ہے۔

• سال بھر میں تمام اہم مسائل بورڈ یا اس کی کمیٹیوں کے درمیان کاروباری فیصلہ سازی کے عمل کو مضبوط بنانے کے لئے پیش کئے گئے اور خاص طور پر کمپنی کی طرف سے کئے گئے تمام متعلقہ پارٹی کے ساتھ لین دین کو آؤٹ کمنٹی کی سہولت میں بورڈ نے منظوری دی۔

• بورڈ نے اس بات کو یقینی بنایا ہے کہ اندرونی کنٹرول کا مناسب نظام موجود ہے اور خود تشخیصی طریقہ کار اور یا انٹرنل آؤٹ سرگرمیوں کے ذریعے اس کی باقاعدگی سے جانچ پڑتال کی جاتی ہے۔

• بورڈ نے مجلس انتظامیہ کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس انتظامیہ کی رپورٹ کمپنی کی سرمایہ اور سالانہ مالیاتی حسابات کے ساتھ شائع ہوتی اور مجلس انتظامیہ کی رپورٹ کا موازنہ بل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔

• بورڈ نے چیف ایگزیکٹو آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری اور انٹرنل آؤٹ کے سربراہ کی مازمت اور معاونہ سازی کو یقینی بنایا ہے۔

• بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو اجلاس کے درمیان ڈولپمنٹ کے بارے میں اہم پہلوؤں یا خبر رکھا گیا ہے۔

• بورڈ نے کمپنی پر قابل اطلاق متعلقہ قوانین اور قواعد و ضوابط کی روشنی میں دئے گئے اختیارات کے مطابق اپنے اختیارات کا استعمال کیا ہے اور بورڈ نے ہمیشہ بحیثیت ڈائریکٹرز اپنے اختیارات کے استعمال اور فیصلہ سازی کرنے کے برتاؤ میں تمام قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کو ترجیح دی ہے اور

• بورڈ اور اس کی ذیلی کمیٹی کی میٹنگ سے مناسب نقل از وقت ضروری ایجنڈا اور اس سے متعلق دستاویزات بورڈ کو مہیا کیے گئے۔ جان ایگزیکٹو اور آؤٹ ڈائریکٹرز بورڈ کے اہم فیصلوں میں برابر کے شریک ہیں۔

بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو داخلی درستی کی نگرانی مہیا کرنے بشمول اسٹرٹجک عمل، کلیدی کاروباری امور، سنگ میل کی تکمیل، عالمی معاشی ماحول اور سماجی سیاق و سباق میں کمپنی کا کام کرتی ہے۔ کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے محرکات، عملیات اور معلومات مہیا کرنے کے لئے وضاحت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر یہ مناسب طور پر کہا جاسکتا ہے کہ ESML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جاسکتا ہے بلکہ بورڈ اور اس کے اراکین کی راجدائی اور نگرانی کے ذریعہ انتظامیہ میں کمیٹر کو خوشوں کے ساتھ توقعات سے بھی آگے بڑھایا جاسکتا ہے۔



شوکت علی خان

چیئر مین

26 ستمبر 2019

DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honour to present 31st Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2019. Figures for the previous year ended June 30, 2018 are included for comparison.

Company Performance

The year under review was volatile. Pakistan rupee experienced a large devaluation against the USD. The State Bank of Pakistan raised the policy Interest rate to 13.25%. Inflation is on the rise due to which State Bank of Pakistan is resorting to monetary tightening. The trade war between U.S.A and China has also impacted on global demand of yarn. However, inspite of these developments your company managed to earn after tax profit of Rs.204,768,519 compared to 130,514,596 during the same period of last year (SPLY) showing an increase of 56.89%. Earning per share (EPS) for the year is Rs. 18.70 compared to Rs.11.92 during SPLY. This is the first full working year for newly installed plant & machinery and with this technological upgradation company has managed to improve its yarn quality to the satisfaction of our quality conscious buyers.

Better yarn prices helped to increase sales revenue by 14.08% over the SPLY and stood at Rs.6,346,641,819 compared to Rs. 5,563,118,648 for last year. Higher sales value and strict cost controls helped to reduce cost of sales from 92.69% of sales to 89.90% of sales. Increase in revenue and decrease in cost of sales resulted in increase in Gross Profit (GP) from 7.31% of sales during SPLY to 10.10% of sales during the year under review.

Distribution costs increased slightly from 0.81% of sales of SPLY to 1.00% of sales for the current year. Administrative expenses increased by 10.62% over the last year due to inflationary impact. Due to higher interest rates cost of short term borrowings has risen sharply. Finance cost of the Company increased from 2.07% of sales during SPLY to 4.48% of sales during the year under review.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2019-20, Kapas, (seed cotton) arrivals upto September 15, 2019, at the Gineries totaled 1.852 million bales compared to 2.517 million bales for the year 2018-19 showing decrease in arrival of 26.41%.

Capital Assets Investment

During the year under review, in line with strategic plans for achieving energy efficiency in power generation and enhancing spinning quality and efficiency, your Company has invested Rs. 82,162,710 (2018: Rs. 1,613,205,386) in the Expansion, Balancing, Modernization, Replacement (BMR) of building, plant and machinery and related assets.

Future Outlook

Year under review has been a satisfactorily profitable year. In the current financial year, we may see shrinkage in product margins. Government mandated rise in wages and salaries, rise in gas and electricity tariffs, significant rise in transportation costs, high finance costs due to very high interest rates are some of the head winds that may affect profitability. We foresee the current financial year to be challenging because of prevailing economic uncertainty in the country.

Since end June 2019 the Pakistani rupee has appreciated against the USD resulting in slight reduction in rupee unit prices of yarn. However, regional currencies are devaluing against the USD. This exchange rate movement may dilute the competitive advantage of Pakistan. Government has abolished sales tax zero rating regime from 1st July, 2019 onwards. This policy shift is likely to have far reaching consequences and is likely to result in a larger share of the market for the tax registered and manufacturers in the formal economy. It is hoped that the transition of the Pakistan economy from informal to formal sectors will benefit our company.

Product demand in local as well as export markets is encouraging. Management is optimistic that the year of 2019-20 would remain reasonably profitable but may not be as lucrative as is the year under review.

It is hoped that the Government would bring in business friendly policies such as uninterrupted energy supplies in cost effective manner, refund of outstanding sales tax, income tax and DTL so that stretched corporate cash flows can be eased out. Government policies should encourage the completion of the value chain in the textile sector so that the country can export finished products.

Dividend

The Board of Directors have recommended cash dividend @ 60% i.e. Rs.6/= per ordinary share for the year ended June 30, 2019. The dividend will amount to Rs. 65,700,000.

Principal Activity

The principal activity of the Company is manufacturing and sale of yarn.

Principal Risks and Uncertainties

The Board of Directors are responsible to oversee the Company's operations and to devise an effective strategy to mitigate any potential adverse impact of risks.

The Company's principal financial liabilities, comprise long term finances, trade and other payables and short term borrowings. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company's principal financial assets comprise of trade debts, advances, short-term deposits, other receivables and cash and bank balances that arise directly from its operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Material Changes and Commitments

No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

ISO 9001: 2015 Certification

The Company continues to operate at high standards of quality and had obtained latest version of certification valid until July 10, 2021. The quality control certification helps to build up trust of new and old customers.

Corporate Social Responsibility

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and consistently endeavors to uplift communities that are influenced directly or indirectly by our business.

Environment, Health and Safety: The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their safety and living facilities.

Safety is a matter of concern for machinery as well as the employees working at plant. Fire extinguishers and other fire safety equipments have been placed at sites as well as registered and head office of the Company. Regular drills are performed to ensure efficiency of fire safety equipments.

Internal Financial Controls

A system of sound internal control is established and implemented at all levels of the Company by the Board of Directors. The system of internal control is sound in design for ensuring achievement of Company's objectives and operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

Related Parties

All related party transactions during the financial year ended June 30, 2019 were reviewed by the Audit Committee and approved by the Board of Directors. All the related parties' transactions were in line with the transfer pricing methods approved the Board of Directors.

Shareholding Pattern

The shareholding pattern as at June 30, 2019 for ordinary shares is annexed.

Appointment of Auditors

Messrs Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as auditors for the financial year 2019-20. The Audit Committee has recommended for re-appointment of present auditors.

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, the statutory external auditors of the Company.

Corporate Governance & Financial Reporting Framework

Further, Directors are pleased to report that:

- a) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements any departures therefrom have been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) Key operating and financial data for the last six years is annexed.
- h) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2019 except for those disclosed in the financial statements.

Composition of Board

Total number of Directors:

- a) Male: 7 (Male)
b) Female: Exempted for current term

Composition:

- (i) Independent Directors: 1 (One)
(ii) Other Non-executive Directors 5 (Five)
(iii) Executive Director 1 (One)

Name of Directors

Mr. Shahzada Ellahi Shaikh, Chairman
*Mr. Syed Moaz Mohiuddin
Mr. Jamal Nasim
Mr. Shaukat Ellahi Shaikh
Mr. Shafqat Ellahi Shaikh
Mr. Raza Ellahi Shaikh
Mr. Amin Ellahi Shaikh

*Mr. Syed Moaz Mohiuddin has resigned on September 20, 2019 and Mr. Mohammad Babar Monnoo has been appointed as Independent Director in his place.

Committees of the Board:

The Board has made following sub-committees:

Audit Committee

Sr. No.	Name of Directors	Designation
1.	*Mr. Syed Moaz Mohiuddin	Chairman
2.	Mr. Shaukat Ellahi Shaikh	Member
3.	Mr. Amin Ellahi Shaikh	Member

*Mr. Syed Moaz Mohiuddin has resigned on September 20, 2019 and Mr. Mohammad Babar Monnoo has been appointed as Chairman Audit Committee in his place.

Human Resource and Remuneration (HR&R) Committee

Sr. No.	Name of Directors	Designation
1.	*Mr. Syed Moaz Mohiuddin	Chairman
2.	Mr. Raza Ellahi Shaikh	Member
3.	Mr. Amin Ellahi Shaikh	Member

*Mr. Syed Moaz Mohiuddin has resigned on September 20, 2019 and Mr. Mohammad Babar Monnoo has been appointed as Chairman HR & R Committee in his place.

Executive Committee

Sr. No.	Name of Directors	Designation
1.	Mr. Shaukat Ellahi Shaikh	Chairman
2.	Mr. Shahzada Ellahi Shaikh	Member
3.	Mr. Shafqat Ellahi Shaikh	Member
4.	Mr. Amin Ellahi Shaikh	Member

Significant Features of Directors' Remuneration

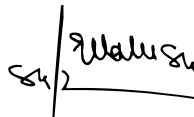
The Board of Directors has approved a formal policy for remuneration of executive and non-executive directors depending upon their responsibility in affairs of the Company. The remuneration is commensurate with their level of responsibility and expertise needed to govern the Company successfully and to encourage value addition from them.

Non-executive directors including the independent director are entitled only for fee for attending the Board and its committees' meetings. Remuneration of executive and non-executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee.

Acknowledgment

Continued diligence and devotion of the staff and workers of the Company and good human relations at all levels deserve acknowledgement. The Directors also wish to place on record their thanks to the bankers and other stakeholders for their continued support to the Company.

On behalf of the Board



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



Shahzada Ellahi Shaikh
Chairman

Lahore: September 26, 2019

ممبران کے لئے ڈائریکٹرز کی رپورٹ

جلسہ انکماہ 30 جون 2019 کو گذشتہ سال کے لئے کمپنی کی 31 ویں سالانہ رپورٹ مع نظر ثانی شدہ مالیاتی حلیات اور اس پر محاسب کی رپورٹ پیش کرتے ہوئے فوٹی محمول کر رہی ہے۔ 30 جون 2018 کو ختم ہونے والے گزشتہ سال کے بعد اور شمار بھی ہوا ہے کہ اس کے لئے مثال رکھے گئے ہیں۔

کمپنی کی کارکردگی

زیر جائزہ سال ایک غیر منظم سال تھا۔ پاکستانی روپیہ نے امریکی ڈالر کے مقابل بڑی کمی کا سامنا کیا۔ بینک دولت پاکستان نے پالیسی شرح 13.25% فیصد تک بڑھا دی ہے۔ افراط زر بڑھ رہا ہے جس کی وجہ سے بینک دولت پاکستان مالی تنگی میں مبتلا کر رہا ہے۔ امریکا اور چین کے درمیان تجارتی جنگ نے سوت کی عالمی طلبہ پر بھی اثرات ڈالے ہیں۔ تاہم ہمارے کارکنوں کے باوجود آپ کی کمپنی نے گزشتہ سال (SPLY) کی اسی مدت کے دوران 130,314,596 روپے کے 50 ٹیلے 204,768,519 روپے کا بعد از گیس منافع درج کیا ہے۔ جو کہ 56.89 فیصد کا اضافہ کار کرتا ہے۔ فی شیئر آمدنی (EPS) SPLY کی 11.92 روپے کے مقابلے اس سال 18.70 روپے ہے۔ یہ نئے نصب شدہ پلانٹ اور مشینری کے لئے پورا کھل سال سہا بن کر ملتی ہے۔ گریڈیشن کے ذریعے کمپنی نے کوآپریٹو کارکنوں کے لئے سوت کی کوآپریٹو کو بچھڑا دیا ہے۔

سوت کی بچھڑائی کی مدد سے فروخت آمدن میں SPLY سے 14.08 فیصد کا اضافہ ہوا اور جو کہ گزشتہ سال 5,563,118,648 روپے کے مقابلے میں 6,346,641,819 روپے رہا۔ فروخت کی قیمتوں میں اضافہ اور اخراجات پر ختم سوت کی مدد سے فروخت کی لاگت فروخت کی 92.69 فیصد سے کم ہو کر فروخت کی 89.90 فیصد تک ہوئی۔ فروخت میں اضافہ اور فروخت کی لاگت میں کمی کے نتیجے میں گزشتہ سال کی اسی مدت کے دوران مجموعی منافع (GP) فروخت کے 7.31 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کا 10.10 فیصد ہو گیا۔

موجودہ سال تقسیم کے اخراجات SPLY کی فروخت کے 0.81 فیصد سے معمولی بڑھ کر فروخت کے 1.00 فیصد تک زیادہ ہوئے۔ افراط زر کے ہذا کی وجہ سے انتظامی اخراجات گزشتہ سال سے 10.62 فیصد تک زیادہ ہوئے۔ شرح سود میں اضافہ کی وجہ سے، مختصر مدتی قرضوں کی قیمت میں تیزی سے اضافہ ہوا ہے۔ کمپنی کی مالی لاگت گزشتہ سال SPLY کی فروخت کی 2.07 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کی 4.48 فیصد تک زیادہ ہوئی۔

پاکستان کالین جزائر وی ایشن کی طرف سے فصل سال 2019-20 کے لئے جاری کردہ ادوار کے مطابق 15 ستمبر 2019 تک جزیرہ کے پاس کپاس، (کچل کپاس) کی تخمینہ سال 2018-19 کے لئے کل 2,517 ملین کائٹوں کے مقابلے میں 1,852 ملین کائٹیں ہوئی جو کہ 26.41 فیصد کی کمی کا باعث بنا ہے۔

عوامی مدتی اثاثوں کی سرمایہ کاری

زیر جائزہ سال کے دوران آپ کی کمپنی نے مکمل پیدا کرنے میں توانائی کے حصول اور اسپینگ کی کوآپریٹو اور صلاحیت کو بچھڑانے کے لئے سترہ لاکھ ملین روپے کے مطابق قمار، پلانٹ مشینری اور محتاج دیگر اثاثوں کی توسیع، باؤنڈن، جدت، تبدیلی (BMR) کے لئے 82,162,710 روپے (2018, 203,386,163 روپے) کی سرمایہ کاری کی ہے۔

مستقبل کے امکانات

زیر جائزہ سال موجودہ منافع بخش سال رہا ہے۔ موجودہ مالی سال میں ہم مصنوعات کے منافع جات میں کمی کو دیکھ رہے ہیں۔ حکومت کی طرف سے اجرتوں اور تنخواہوں میں اضافے کے امکانات، گیس اور بجلی کے نرخوں میں اضافے، نقل و حمل کے اخراجات میں نمایاں اضافہ، بلند شرح سود کی وجہ سے مالی اخراجات میں اضافہ چند ایسے عناصر ہیں جو منافع کو متاثر کر سکتے ہیں۔ ہم موجودہ مالی سال کو ملک میں موجودہ اقتصادی چیلنجوں کی وجہ سے چیلنجنگ سال خیال کرتے ہیں۔

جون 2019 کے آخر سے امریکی ڈالر کے برعکس پاکستانی روپیہ کی قدر میں بہتری ہوئی جس کے نتیجے میں سوت کی فی پونڈ قیمتوں میں معمولی کمی واقع ہوئی ہے۔ تاہم، علاقائی کرنسیاں بھی امریکی ڈالر کے مقابلے میں کم ہو رہی ہیں۔ یہ شرح تبادلہ پاکستان کے مسابقتی فائدہ کو کم کر سکتی ہے۔ حکومت نے یکم جولائی 2019 سے سٹریٹنگس زیر ریٹنگ نظام منسوخ کر دیا ہے۔ اس پالیسی میں تبدیلی کے بہت زیادہ نتائج برآمد ہوئے گا۔ امکان ہے کہ اور اس کے نتیجے میں گیس رجسٹرڈ اور دی مینوفیکچررز کو مارکیٹ میں زیادہ حصہ دار بنائے گا۔ امید ہے کہ پاکستان کی معیشت کو تعمیر رکھی سے بری شعبوں میں منتقلی سے ہماری کمپنی کو فائدہ ہوگا۔ مقامی اور برآمدی معیاروں میں بھی مصنوعات کی طلب حوصلہ افزاء ہے۔ انتظامیہ نے امید ہے کہ سال 2019-20 مستقبل حد تک منافع بخش رہے گا لیکن انتظامیہ منافع بخش نہیں ہوگا جتنا کہ زیر جائزہ سال ہے۔

یہ امید کی جاتی ہے کہ حکومت کاروبار میں دوستانہ پالیسیاں لائے گی جیسے کہ سوت ڈاکٹ، میں، بلا نقل توانائی کی فراہمی، بلا سٹریٹنگس کی فراہمی، ایلیم گیس اور DTL تاکہ کاروبار کے نقدی بہاؤ کے تناؤ کو کم کیا جاسکے۔ حکومتی پالیسیاں ٹیکسٹائل شعبہ میں ملٹیپل چین کی مکمل حوصلہ افزاء ہوئی جائیں تاکہ ملک تیار مصنوعات برآمد کر سکے۔

مناقصہ

بورڈ آف ڈائریکٹرز نے 30 جون 2019 تکتمہ سال کے لئے نقد منافع منقسمہ بشرط 60% یعنی 6 روپے فی عام شیئر کی - طارش کی ہے۔ منافع منقسمہ کی رقم کل 65,700,000 روپے ہوگی۔

نمایاں سرگرمی

کمپنی کی اصل سرگرمی سود کی تیاری اور فروخت کرتا ہے۔

نمایاں خطرات اور غیر چٹکی حالات

بورڈ آف ڈائریکٹرز کمپنی کے آپریشنز کی گہرائی اور خطرات کے کسی ممکنہ اثر کا سدباب کے لئے مؤثر حکمت عملی وضع کرنے کے ذمہ دار ہیں۔

کمپنی کی اصل مالی ادائیگیوں میں طویل مدتی قرضے، تجارتی اور دیگر قابل ادا ٹیلیاں اور مختصر مدتی قرضے شامل ہیں۔ ان مالی ادائیگیوں کا اہم مقصد کمپنی کے آپریشنز کے لئے قرضے کا بندوبست کرنا ہے۔ کمپنی کے اصل مالیاتی الاؤں میں تجارتی وصولیاں، بینکنگ اور ٹیلیاں، مختصر مدتی ڈیپازٹس، دیگر وصولیاں اور نقدی اور بینک بیلنسز شامل ہیں، جہاں کے آپریشنز سے براہ راست حاصل ہوتے ہیں۔

کمپنی کی سرگرمیوں کو کمپنی کے مالیاتی خطرات کا سامنا ہے جس میں مارکیٹ خطرات (بشمول کرنسی خطرات، شرح سود کا خطرات اور قیمت کا خطرات) کا سامنا اور نقدی بہاؤ کا خطرات شامل ہے۔

کمپنی کا مجموعی رسک مینجمنٹ پروگرام مالیاتی مارکیٹوں کی غیر متوقعات پر توجہ مرکوز اور مالی کارکردگی پر ممکنہ مبنی اثرات کو کم کرنے کی کوشش کرتا ہے۔

اہم تبدیلیاں اور معاہدات

اس پالیسی شیٹ سے متعلق مالی سال کے اختتام پر ڈائریکٹرز پورٹ کی تاریخ کے درمیان، کمپنی کی مالی حیثیت پر اثر انداز ہونے والی کوئی اہم تبدیلیاں اور معاہدات درج نہیں ہوئے۔

ISO 9001: 2015 سرٹیفیکیشن

کمپنی کو ایلی کے مبنی معاہدات پر کام جاری رکھتی ہے اور 10 جولائی 2021 تک کارآمد سرٹیفیکیشن کے حامل ورژن حاصل کر چکی ہے۔ کو ایلی کنٹرول سرٹیفیکیشن سے اور پرانے کسٹمرز کے اعتماد کو فروغ دینے میں مدد کرتی ہے۔

کاروباری ملکی ذمہ داری

کمپنی اپنے کاروبار میں کاروباری ملکی ذمہ داری کے اختتام پر پابند یقین رکھتی ہے، اور وہ کیونچیز جو ہمارے کاروبار سے براہ راست یا بالواسطہ طور پر متاثر ہو رہی ہیں ان کی ترقی کے لئے مسلسل کوشاں ہیں۔

ماحول، صحت اور تحفظ

کمپنی اپنے ملازمین اور تمام کی صحت کو ورکشاپ خطرات سے بچانے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ ان کے کامیاب سال بھر اپنے تمام انکشافات میں ماحول کو برقرار رکھا ہے اور مسلسل ان کی حفاظت اور زندگی کی سہولیات کو بھرتی کرتا ہے۔

مشیرانی اور ساتھ میں پائیدر کام کرنے والے ملازمین کا تحفظ ایک اہم پیش کی بات ہے۔ آگ بجھانے والے آلات اور آگ سے بچاؤ کے دیگر آلات کمپنی کی سائنس کے ساتھ ساتھ اس کے رجسٹرڈ اور سرکاری دفتر میں نصب کئے گئے ہیں۔ آگ سے بچاؤ کے آلات کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ شیفتیں کی جاتی ہیں۔

اندرونی مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز کی طرف سے کمپنی کے تمام سطحوں پر مضبوط اندرونی کنٹرول کا ایک نظام قائم کیا گیا ہے۔ اندرونی کنٹرول کا نظام کمپنی کے مٹا سود اور آپریشنز کو برونگی اور کارکردگی کے حصول، قابل اعتماد مالیاتی رپورٹنگ اور ذمہ داری اور وضوح اور پائیدر پالیسیوں کی تعمیل کو یقینی بنانے کے لئے ڈیزائن میں مشتمل ہے۔

متعلقہ پارٹیاں

30 جون 2019 کو ختم ہونے والے مالی سال کے دوران تمام متعلقہ پارٹی کے ساتھ لین دین کا آڈٹ کمپنی نے جائزہ لیا اور بورڈ آف ڈائریکٹرز کی طرف سے منظوری دی گئی ہے۔ تمام متعلقہ پارٹیوں کے ساتھ لین دین بورڈ آف ڈائریکٹرز سے منظور شدہ منطقی قسوں کے طریقوں کے مطابق ہے۔

موجودہ حصص داری

30 جون 2019 کے مطابق عام شیئرز کے لئے موزوں حصص داری منسلک کیا گیا ہے۔

آڈیٹر کی تقرری

میں نے ہونے والے میسرز رحمان سرفراز ریم اقبال ریش، چارٹرڈ اکاؤنٹنٹس، لاہور نے اہل ہونے کی، نام پر مالی سال 20-2019 کے لئے بحیثیت آڈیٹر زود پارہ تقرری کے لئے خود کو پیش کیا ہے۔ آڈٹ کمپنی نے موجودہ آڈیٹر کی دوبارہ تقرری کی منظوری دے دی ہے۔

مالیاتی حسابات کا آڈٹ

کمپنی کے مالی حسابات، کمپنی کے قانونی ایکٹر آل آڈیٹر زود رحمان سرفراز ریم اقبال ریش، چارٹرڈ اکاؤنٹنٹس کی طرف سے کسی کوالیفیکیشن کے بغیر تقرر تائی شدہ ہیں۔

کاروباری نظام اور مالیاتی رپورٹنگ کا طریقہ کار

مزید آڈیٹر زود رحمان سرفراز ریم اقبال ریش کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی حسابات میں کمپنی کے امور باکوری بہاؤ اور سرمائے میں تبدیلیوں کو منظم طور پر ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ چاہے یا کھلے حساب طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ اپنایا گیا ہے اور اکاؤنٹنگ کے نمائندہ چاہے مناسب اور آئٹم انڈیکسوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں کوئٹن الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن منظم ہے اور اسکی مزید طریقے سے عملدرآمدات کی جاتی ہے۔
- کمپنی کے درجہ اولیٰ ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- گزشتہ چھ سال کا کلیدی آپریشننگ اور مالیاتی ڈیٹا منسلک ہے۔
- لگس، ڈیپوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ہونگنی واپس ڈانگس ہے 30 جون 2019 کو باقیوں، سوائے ان کے جو مالی حسابات میں ظاہر کر دیئے گئے ہیں۔

بورڈ کی ترکیب

ڈائریکٹرز کی کل تعداد:

- (a) مرد (سات) 7
- (b) قانون موجودہ مدت میں مستحق

ترکیب:

- i۔ آڈیٹر انڈیکسز (ایک) 1
- ii۔ دیگر جن انڈیکسز انڈیکسز (پانچ) 5
- iii۔ دیگر انڈیکسز انڈیکسز (ایک) 1

ڈائریکٹرز کے نام

جناب شہزاد علی شیخ

جناب سید معاذ علی مدین

جناب شہزاد نسیم

جناب شہزاد امی شیخ

جناب شفقت علی شیخ

جناب رضا امی شیخ

جناب امین امی شیخ

20th ستمبر 2019 کو جناب سید معاذ علی الدین مستعفی ہو گئے اور ان کی جگہ جناب محمد ہارون کو بطور آؤٹ رائٹ کر مقرر کیا گیا۔

پورڈ کی کمیٹیاں

پورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں:

* آؤٹ کمیٹی

** جناب سید معاذ علی الدین چیئر مین

جناب شوکت امی شیخ رکن

جناب امین الہی شیخ رکن

جناب سید معاذ علی الدین چیئر مین

20th ستمبر 2019 کو جناب سید معاذ علی الدین بطور چیئر مین مستعفی ہو گئے اور ان کی جگہ جناب محمد ہارون کو بطور چیئر مین آؤٹ کمیٹی مقرر کیا گیا۔

* ہیومن ریسورس اینڈ ریلیزیشن (HR&R) کمیٹی

*** جناب سید معاذ علی الدین چیئر مین

جناب رضا الہی شیخ رکن

جناب امین الہی شیخ رکن

20th ستمبر 2019 کو جناب سید معاذ علی الدین چیئر مین آؤٹ کمیٹی مستعفی ہو گئے اور ان کی جگہ جناب محمد ہارون کو بطور چیئر مین آؤٹ کمیٹی مقرر کیا گیا۔

* ایگزیکٹو کمیٹی

جناب شوکت امی شیخ چیئر مین

جناب امیر اومالی شیخ رکن

جناب شفیقت امی شیخ رکن

جناب امین الہی شیخ رکن

ڈائریکٹرز کے معاونے کی نمایاں خصوصیات

پورڈ آف ڈائریکٹرز نے کمیٹی کے امور میں ان کی ذمہ داری پر محض ایگزیکٹو بورڈ اور ان ایگزیکٹو ڈائریکٹرز کے معاونے کے لئے رہی پالیسی کی منظوری دی ہے۔ معاونہ کامیابی سے کمیٹی کو منظم طریقہ سے چلانے

کے لئے ان کی ذمہ داری اور ضروری مہارت اور ان سے مطلوبہ ایڈیشن حوصلہ افزائی کی سطح کے مطابق ہے۔

آؤٹ رائٹ کر مقرر مین ایگزیکٹو ڈائریکٹرز فقط پورڈ بورڈ کی کمیٹیوں کے اجلاسوں میں شرکت کی فہم کے اہل ہیں۔ ایگزیکٹو بورڈ ایگزیکٹو ڈائریکٹرز کا مشاہیرہ جیو مین ریسورس اینڈ ریلیزیشن کمیٹی کی

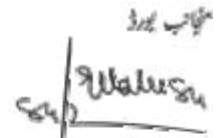
مستشارت پر پورڈ کی طرف سے منظور کیا گیا ہے۔

اعلیٰ رتبه

تجربہ کے حاملہ اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اپنے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز سمیت کی مسلسل حمایت پر شکریہ ادا کرنا اور دیگر حصہ داروں کا بھی شکریہ ادا کرتے ہیں۔


شہزاد علی شاہ

چیئرمین

مقامی بورڈ

شفقت علی شاہ

مئنيجنگ ڈائریکٹر (چیف ایگزیکٹو)

لاہور 26 ستمبر 2019

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017 FOR THE YEAR ENDED JUNE 30, 2019

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

1. The total number of directors are seven as per the following:
 - a) Male: Seven
 - b) Female: Nil (Exempted for current term)
2. The composition of the Board of Directors is as follows:

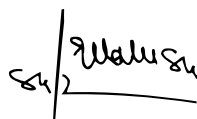
Category	Names
a) Independent Director	Mr. Syed Moaz Mohiuddin*
b) Other Non-Executive Directors	Mr. Jamal Nasim (Nominee NIT) Mr. Shahzada Ellahi Shaikh Mr. Shaukat Ellahi Shaikh Mr. Raza Ellahi Shaikh Mr. Amin Ellahi Shaikh
c) Executive Directors	Mr. Shafqat Ellahi Shaikh

*Mr. Syed Moaz Mohiuddin has resigned on September 20, 2019 and Mr. Mohammad Babar Monnoo has been co-opted as Director in his place.

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations").
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the board.
8. The Board of Directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant with the provision with regards to their Directors' Training Program (DTP). Out of total of seven directors, six directors have obtained certification under DTP and one Director is exempt from training program under the criterial mentioned in sub-regulation 2 of regulation 20 of the Regulations.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer (CFO) and Chief Executive Officer (CEO) duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
- a. Audit Committee
**Mr. Syed Moaz Mohiuddin, Chairman
Mr. Shaukat Ellahi Shaikh, Member
Mr. Amin Shahzada Ellahi Shaikh, Member
- **Mr. Syed Moaz Mohiuddin has resigned on September 20, 2019 as Chairman Audit Committee and Mr. Mohammad Babar Monnoo has been appointed as Chairman Audit Committee in his place.
- b. Human Resource and Remuneration (HR & R) Committee
Mr. Syed Moaz Mohiuddin, Chairman
Mr. Raza Ellahi Shaikh, Member
Mr. Amin Ellahi Shaikh, Member
- **Mr. Syed Moaz Mohiuddin has resigned on September 20, 2019 as Chairman HR & R Committee and Mr. Mohammad Babar Monnoo has been appointed as Chairman HR & R Committee in his place.
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the aforesaid committees were as per following:
- a) Audit Committee: Four quarterly meetings were held during the financial year ended June 30, 2019.
- b) Human Resource and Remuneration (HR & R) Committee: One meeting was held during the financial year ended June 30, 2019.
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan ("the ICAP") and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

On behalf of the Board



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)



Shahzada Ellahi Shaikh
Chairman

Lahore: September 26, 2019

SHAREHOLDERS' INFORMATION

Annual General Meeting

The 31th Annual General Meeting of ELLCOT SPINNING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 25, 2019 at 11:30 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2019, the Company has 475 Shareholders.

Web Reference

The Company maintains a functional website. Annual, half-yearly and quarterly reports are regularly posted at the Company's website: www.nagina.com

Dividend

The Board of Directors in its meeting held on September 26, 2019 has recommended, payment of final cash dividend at the rate of Rs. 6/= per share i.e. 60 % for the year ended June 30, 2019.

Book Closure

The register of the members and shares transfer books of the Company will remain closed from October 19, 2019 to October 25, 2019 (both days inclusive).

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the following particulars directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS):

<i>Detail of Bank Mandate</i>	
Name of Shareholder	
Folio No. / CDC Account No.	
Cell Number of Shareholder	
Landline Number of Shareholder	
E-mail address	
Title of Bank Account of shareholder	
International Bank Account Number (IBAN) "Mandatory"	PK _____ (24 digits) (kindly provide your accurate IBAN after consulting with your respective bank branch, in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).

Detail of Bank Mandate	
Bank's Name	
Branch Name and Address	
Branch Code	
CNIC No. (copy attached)	
NTN (in case of Corporate Entity)	

It is stated that the above-mentioned information is correct, that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

Signature of the Shareholder

In case of non-receipt of above information, the dividend shall be withheld.

Requirement of CNIC Number / National Tax Number (NTN) Certificate.

As has already been notified from time to time, the Securities and Exchange Commission of Pakistan (SECP), vide its Notification SRO 275(I)/2016 dated March 31, 2016 read with Notification SRO 19(I)/2014 dated January 10, 2014 and Notification SRO 831(I)/2012 dated July 5, 2012 required that dividend warrants should bear Computerized National Identity Card (CNIC) number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) / National Tax Number (NTN) Certificate (in case of Corporate Entity) are requested to submit the same at the earliest directly to the Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Limited,
1st Floor, H.M. House,
7-Bank Square,
Lahore
Ph # (+92-42) 37235081-82
Fax # (+92-42) 37358817

In order to comply with the SECP's directives and in terms of Section 243(2)(a) of the Companies Act, 2017, the Company shall be constrained to withhold the payment of Dividend, in case of non-availability of a copy of valid CNIC (for individuals) and National Tax Number (for corporate entities).

Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001 ("Income Tax Ordinance").

1. Pursuant to the provisions of the Finance Act, 2019 effective from July, 01 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
 - i) Rate of Withholding Income Tax deduction for the persons whose names are appearing on ATL. 15%
 - ii) Rate of Withholding Income Tax deduction for the persons whose names are not appearing on ATL. 30%

To enable the company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not appearing on Active Taxpayers' List (ATL) available on the website of FBR are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 30% instead of 15%.

2. Withholding tax will be determined separately on 'persons names appearing on ATL/persons names not appearing on ATL' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions, in case of joint accounts. In this regard, all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal Shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing within 10 days of this notice; otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint-holder(s).
3. As per FBR Circulars C.No.1(29)WHT/2006 dated 30 June 2010 and C.No. 1(43)DG(WHT)/2008-Vol.II-66417-R dated May 12, 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under Clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

Zakat Declaration (Form CZ-50)

The Shareholders claiming exemption from deduction of Zakat are advised to submit their Zakat Declaration Form CZ-50 under Zakat and Usher Ordinance, 1980 & Rule 4 of Zakat (Deduction & Refund Rules), 1981 to our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore. The Shareholders while sending the Zakat Declarations must quote company name and their respective Folio Nos and/or CDCA/c Nos.

Electronic Transmission of Audited Financial Statements and Notice of Annual General Meeting (Notice) Through E-Mail (Optional)

Pursuant to SECP notification S.R.O 787(I)/ 2014 dated September 8, 2014, members, who hold shares in physical form, may inform the Company or Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., and who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd (CDC) may inform their CDC Participants / CDC Investor Account Services, to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form as given below:

REQUEST FORM FOR ELECTRONIC TRANSMISSION OF AUDITED FINANCIAL STATEMENTS AND NOTICE THROUGH E-MAIL

In terms of SECP notification SRO 787(I)/2014 dated September 8, 2014, I, _____ hereby give my consent for electronic transmission of Audited Financial Statements and Notice through e-mail. My e-mail address is _____.

I undertake that by sending the Audited Financial Statements and Notice through e-mail, by the Company, the Company shall be considered compliant with relevant requirements of sections 55, 132 and 223(6) of the Companies Act, 2017.

It is stated that the above mentioned e-mail address is correct, that I will intimate the changes in the above mentioned e-mail address to the Company and the Share Registrar as soon as these occur.

Signature of the Shareholder.

Please send the above request form at the following address:

The Secretary,

Elloct Spinning Mills Ltd., Nagina House,
91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660.
e-mail address: mohsin.gilani@nagina.com

or

M/s. Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House, 7-Bank Square, Lahore.
e-mail address: shares@hmaconsultants.com

Investor Relations Contact

Mr. Syed Mohsin Gilani, Corporate Secretary

Email: mohsin.gilani@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares & Dividend

Members are requested to contact the Registered Office of the Company or the Share Registrar, M/s. Hameed Majeed Associates (Pvt) Ltd., 1st Floor, H.M. House, 7-Bank Square, Lahore, for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019
CUIN (INCORPORATION NUMBER) 0018985**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
210	1	100	6,444
111	101	500	35,541
57	501	1,000	46,408
64	1,001	5,000	158,301
12	5,001	10,000	88,911
2	10,001	15,000	25,475
-	15,001	20,000	-
1	20,001	25,000	24,900
-	25,001	40,000	-
1	40,001	45,000	41,345
-	45,001	60,000	-
1	60,001	65,000	64,626
-	65,001	190,000	-
1	190,001	195,000	191,878
-	195,001	215,000	-
1	215,001	220,000	219,359
-	220,001	240,000	-
1	240,001	245,000	242,735
-	245,001	280,000	-
1	280,001	285,000	284,335
-	285,001	370,000	-
1	370,001	375,000	371,743
-	375,001	624,999	-
1	625,000	629,999	628,400
-	630,000	660,000	-
3	660,001	665,000	1,993,716
1	665,001	670,000	666,638
-	670,001	695,000	-
2	695,001	700,000	1,400,000
1	700,001	705,000	704,380
1	880,001	885,000	883,554
1	1,395,001	1,400,000	1,400,000
1	1,400,001	1,405,000	1,400,500
			70,811
475	Total:-		10,950,000

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2019

Sr #	Categories of Shareholders	Shares Held	Percentage
1)	Directors, Chief Executive Officer, and their Spouse and Minor Children		
i)	MR. SHAHZADA ELLAHI SHAIKH	242,735	2.22
ii)	MR. SHAUKAT ELLAHI SHAIKH	371,743	3.40
iii)	MR. SHAFQAT ELLAHI SHAIKH	284,335	2.60
iv)	MR. RAZA ELLAHI SHAIKH	1,400,000	12.79
v)	MR. AMIN ELLAHI SHAIKH	1,400,500	12.79
vi)	MRS. HUMERA SHAHZADA ELLAHI SHAIKH	1,437	0.01
vii)	MRS. MONA SHAUKAT SHAIKH	1,437	0.01
viii)	MRS. SHAISTA SHAFQAT SHAIKH	1,437	0.01
ix)	MR. JAMAL NASIM	1,000	0.01
x)	MR. SYED MOAZ MOHIUDDIN	500	0.00
		3,705,124	33.84
2)	Associated Companies, Undertakings and Related Parties		
i)	ELLAHI INTERNATIONAL (PVT) LIMITED	41,345	0.38
ii)	HAROON OMER (PVT) LIMITED	664,572	6.07
iii)	MONELL (PVT) LIMITED	664,572	6.07
iv)	ICARO (PVT) LIMITED	664,572	6.07
v)	ARH (PVT) LIMITED	628,400	5.74
		2,663,461	24.33
3)	NIT and ICP	Nil	Nil
4)	Banks, Development Finance Institutions, Non Banking Finance Institutions		
i)	NATIONAL BANK OF PAKISTAN	396	0.00
ii)	ESCORTS INVESTMENT BANK LIMITED	4	0.00
		400	-
5)	Insurance Companies	191,878	1.75
6)	Modarabas and Mutual Funds		
	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	883,554	8.07
	CDC - TRUSTEE AKD OPPORTUNITY FUND	666,638	6.09
	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
		2,254,572	20.59
7)	Shareholders Holding 10% or more		
i)	MR. AMIN ELLAHI SHAIKH	1,400,500	12.79
ii)	MR. RAZA ELLAHI SHAIKH	1,400,000	12.79
8)	General Public		
i)	a. Local	2,059,816	18.81
ii)	b. Foreign	-	-
9)	Others (Joint Stock Companies)	74,749	0.68

Note:-

M/s. Nagina Cotton Mills Ltd., had distributed 6,545,000 ordinary shares of M/s. Ellicot Spinning Mills Ltd., among its members, out of which 70,811 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

KEY FINANCIAL INFORMATION

		2019	2018	2017	2016	2015	2014 restated
Sales	Rs.'000	6,346,642	5,563,119	4,868,596	4,227,910	4,588,788	5,709,484
Gross profit	Rs.'000	640,754	406,645	316,950	245,286	291,992	594,188
Operating profit	Rs.'000	452,055	247,172	178,853	110,353	150,505	445,410
Profit before tax	Rs.'000	167,489	132,008	121,013	59,490	90,206	361,435
Profit after tax	Rs.'000	204,769	130,515	77,671	71,165	54,299	297,571
Share capital - paid up	Rs.'000	109,500	109,500	109,500	109,500	109,500	109,500
Shareholders' equity	Rs.'000	1,634,434	1,549,270	1,449,024	1,418,482	1,384,687	1,407,543
Total assets	Rs.'000	5,593,261	6,253,850	3,353,777	2,870,296	2,377,522	2,366,450
Earning per share - pre tax	Rs.	15.30	12.06	11.05	5.43	8.24	33.01
Earnings per share - after tax	Rs.	18.70	11.92	7.09	6.50	4.96	27.18
Dividend per share	Rs.	6.00	6.00	3.50	3.50	3.50	7.00
Market value per share as on 30 June	Rs.	79.00	71.40	103.40	73.39	65.00	73.95
Gross profit to sales	%	10.10	7.31	6.51	5.80	6.36	10.41
Operating profit to sales	%	7.12	4.44	3.67	2.61	3.28	7.80
Profit before tax to sales	%	2.64	2.37	2.49	1.41	1.97	6.33
Profit after tax to sales	%	3.23	2.35	1.60	1.68	1.18	5.21
Current ratio		1.40:1	1.30:1	1.69:1	2.08:1	2.68:1	2.66:1
Total debt to total assets ratio	%	70.78	75.23	56.79	50.58	41.76	40.52
Debt equity ratio	%	53.96	55.10	28.12	30.72	23.80	22.07

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ELLCOT SPINNING MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 [the Regulations] prepared by the Board of Directors of **ELLCOT SPINNING MILLS LIMITED** for the year ended **June 30, 2019** in accordance with the requirements of regulation 40 of the Regulation.

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

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

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

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



RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: September 26, 2019



INDEPENDENT AUDITOR'S REPORT

To the members of ELLCOT SPINNING MILLS LIMITED Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<p>1. First time adoption of IFRS 9 – Financial Instruments</p> <p>As referred to in note 3 to the financial statements, the Company has adopted IFRS 9 - 'Financial Instruments'. The new standard requires the Company to make allowance for impairment of financial assets using Expected Credit Loss ['ECL'] approach as against the Incurred Loss Model previously applied by the Company.</p>	<p>Our key procedures to review the application of IFRS 9 included, amongst others, review of the methodology developed and applied by the Company to estimate the ECL in relation to financial assets. We also considered and evaluated the assumptions used in applying the ECL methodology based on historical information and qualitative factors as relevant for such estimates.</p> <p>Further, we assessed the integrity and quality of the data used for ECL computation based on the accounting records and information system of the Company as well as the related external sources as used for this purpose.</p>

Key audit matter

Determination of ECL for financial assets requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macro-economic information.

We have considered the first time application of IFRS 9 requirements as a key audit matter due to significance of the change in accounting methodology and involvement of estimates and judgments in this regard.

How our audit addressed the key audit matter

We checked the mathematical accuracy of the ECL model by performing recalculation on test basis.

In addition to above, we assessed the adequacy of disclosures in the financial statements of the Company regarding application of IFRS 9 as per the requirements of the above standard.

2. Inventory valuation

Stock in trade amounts to Rs 1,510 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade.

The estimates and judgments applied by management are influenced by the amount of direct costs incurred historically, expectations of repeat orders to utilize the stock in trade, sales contract in hand and historically realized sales prices.

The significance of the balance coupled with the judgment involved has resulted in the valuation of inventories being identified as a key audit matter

The disclosures in relation to inventories are included in note 21.

To address the valuation of stock in trade, we assessed historical costs recorded in the inventory valuation; testing on a sample basis with purchase invoices. We tested the reasonability of assumptions applied by the management in allocating direct labour and direct overhead costs to inventories.

We also assessed management's determination of the net realizable value of inventories by performing tests on the sales prices secured by the Company for similar or comparable items of inventories.

3. Tax contingencies

As disclosed in note 34 to the annexed financial statements, various tax matters are pending adjudication at various levels with the taxation authorities and other legal forums. Such contingencies require the management to make judgments and estimates in relation to the

Our key audit procedures in this area included, amongst others, a review of the correspondence of the Company with the relevant tax authorities and tax advisors including judgments or orders passed by the competent authorities.

We also obtained and reviewed confirmations from the Company's external tax advisor for their views on the status of each case and an overall opinion on the open tax position of the Company.

Key audit matter	How our audit addressed the key audit matter
<p>interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management's judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered tax contingencies as a key audit matter.</p>	<p>We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 34 to the annexed financial statements.</p>

Information other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **ZUBAIR IRFAN MALIK**.


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: September 26, 2019



STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
20,000,000 (2018: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	7	109,500,000	109,500,000
Capital reserve	8	(54,965,746)	5,979,403
Accumulated profit		1,579,899,248	1,433,790,978
TOTAL EQUITY		1,634,433,502	1,549,270,381
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances -secured	9	1,704,814,412	1,793,375,699
Employees retirement benefits	10	90,270,716	80,310,848
Deferred taxation	11	7,575,622	53,908,073
		1,802,660,750	1,927,594,620
CURRENT LIABILITIES			
Trade and other payables	12	456,809,473	385,046,070
Unclaimed dividend		5,505,184	4,908,619
Accrued interest/markup/profit	13	41,487,122	51,481,017
Short term borrowings	14	1,441,742,636	2,227,456,568
Current portion of non-current liabilities	15	210,622,756	108,093,042
		2,156,167,171	2,776,985,316
TOTAL LIABILITIES		3,958,827,921	4,704,579,936
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		5,593,261,423	6,253,850,317

The annexed notes from 1 to 53 form an integral part of these financial statements.

Lahore: September 26, 2019


Shahzada Ellahi Shaikh
 Chairman

STATEMENT OF FINANCIAL POSITION

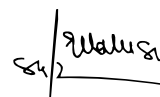
AS AT JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	17	2,453,351,807	2,644,543,927
Long term deposits	18	7,090,700	7,090,700
Long term investments	19	109,421,506	-
		2,569,864,013	2,651,634,627
CURRENT ASSETS			
Stores, spares and loose tools	20	47,471,743	66,084,857
Stock in trade	21	1,510,387,815	1,821,067,965
Trade receivables	22	547,519,263	738,488,296
Advances, prepayments and other receivables	23	188,637,482	406,638,325
Other financial assets	24	448,743,765	451,033,523
Advance income tax	25	152,095,042	101,949,715
Bank balances	26	128,542,300	16,953,009
		3,023,397,410	3,602,215,690
TOTAL ASSETS		5,593,261,423	6,253,850,317

The annexed notes from 1 to 53 form an integral part of these financial statements.



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Sales - net	27	6,346,641,819	5,563,118,648
Cost of sales	28	(5,705,887,620)	(5,156,473,550)
Gross profit		640,754,199	406,645,098
Distribution cost	29	(63,577,578)	(45,269,145)
Administrative expenses	30	(143,814,682)	(130,009,156)
Other expenses	31	(39,268,851)	(34,027,292)
		(246,661,111)	(209,305,593)
		394,093,088	197,339,505
Other income	32	57,962,083	49,832,452
Operating profit		452,055,171	247,171,957
Finance cost	33	(284,566,257)	(115,163,617)
Profit before taxation		167,488,914	132,008,340
Provision for taxation	34	37,279,605	(1,493,744)
Profit after taxation		204,768,519	130,514,596
Earnings per share - basic and diluted	35	18.70	11.92

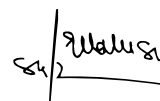
The annexed notes from 1 to 53 form an integral part of these financial statements.



Shahzada Ellahi Shaikh
Chairman



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 26, 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for sale financial assets	24.3	-	(9,911,504)
Impairment loss on available for sale financial assets recognized in profit or loss	31	-	20,174,799
Taxation relating to changes in fair value of available for sale financial assets	11.1	-	(1,539,494)
		-	8,723,801
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	10.1	4,029,180	(824,586)
Taxation relating to remeasurements of defined benefit obligation	11.1	(995,267)	157,482
		3,033,913	(667,104)
Financial assets at fair value through OCI	24.3	(66,987,424)	-
Taxation relating to financial assets at fair value through OCI	11.1	10,048,113	-
		(56,939,311)	-
		(53,905,398)	(667,104)
Other comprehensive (loss)/income		(53,905,398)	8,056,697
Profit after taxation		204,768,519	130,514,596
Total comprehensive income		150,863,121	138,571,293

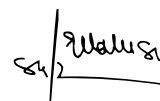
The annexed notes from 1 to 53 form an integral part of these financial statements.



Shahzada Ellahi Shaikh
Chairman



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 26, 2019

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	36	1,445,223,707	(963,555,248)
Payments for:			
Employees retirement benefits		(18,502,860)	(17,820,167)
Finance cost		(294,560,152)	(81,093,843)
Income tax		(50,145,327)	(29,615,528)
Net cash generated from/(used in) operating activities		1,082,015,368	(1,092,084,786)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(106,949,794)	(1,619,596,666)
Proceeds from disposal of property, plant and equipment		25,016,968	5,778,832
Purchase of short term investments		(186,851,403)	(145,822,478)
Proceeds from disposal of short term investments		98,711,509	229,557,005
Dividend received		35,657,574	30,120,973
Net cash used in investing activities		(134,415,146)	(1,499,962,334)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		122,105,495	1,406,822,772
Repayment of long term finances		(108,137,068)	(72,263,481)
Net (decrease)/increase in short term borrowings		(785,713,932)	1,296,492,059
Dividend paid		(65,103,435)	(38,022,496)
Net cash (used in)/generated from financing activities		(836,848,940)	2,593,028,854
NET INCREASE IN CASH AND CASH EQUIVALENTS		110,751,282	981,734
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		838,009	32,240
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		16,953,009	15,939,035
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	128,542,300	16,953,009

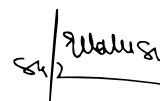
The annexed notes from 1 to 53 form an integral part of these financial statements.



Shahzada Ellahi Shaikh
Chairman



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 26, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2019

	Share capital	Capital reserves				Revenue reserves	
	Issued subscribed and paid-up capital <i>Rupees</i>	Reserve for financial assets measured at FVTOCI <i>Rupees</i>	Changes in fair value of financial assets <i>Rupees</i>	Reserve on merger <i>Rupees</i>	Total <i>Rupees</i>	Accumulated profit <i>Rupees</i>	Total equity <i>Rupees</i>
Balance as at July 01, 2017	109,500,000	-	(10,504,398)	7,760,000	(2,744,398)	1,342,268,486	1,449,024,088
Comprehensive income							
Profit after taxation	-	-	-	-	-	130,514,596	130,514,596
Other comprehensive (loss)/income	-	-	8,723,801	-	8,723,801	(667,104)	8,056,697
Total comprehensive income	-	-	8,723,801	-	8,723,801	129,847,492	138,571,293
Transaction with owners							
Final dividend @ 35% i.e. Rs. 3.5 per ordinary share	-	-	-	-	-	(38,325,000)	(38,325,000)
Balance as at June 30, 2018	109,500,000	-	(1,780,597)	7,760,000	5,979,403	1,433,790,978	1,549,270,381
Balance as at July 01, 2018 -as originally reported	109,500,000	-	(1,780,597)	7,760,000	5,979,403	1,433,790,978	1,549,270,381
Adjustment for first time application of IFRS 9	-	(5,786,435)	1,780,597	-	(4,005,838)	4,005,838	-
Balance as at July 01, 2018 -as adjusted	109,500,000	(5,786,435)	-	7,760,000	1,973,565	1,437,796,816	1,549,270,381
Comprehensive income							
Profit after taxation	-	-	-	-	-	204,768,519	204,768,519
Other comprehensive (loss)/income	-	(56,939,311)	-	-	(56,939,311)	3,033,913	(53,905,398)
Total comprehensive (loss)/income	-	(56,939,311)	-	-	(56,939,311)	207,802,432	150,863,121
Transaction with owners							
Final dividend @ 60% i.e. Rs. 6.0 per ordinary share	-	-	-	-	-	(65,700,000)	(65,700,000)
Balance as at June 30, 2019	109,500,000	(62,725,746)	-	7,760,000	(54,965,746)	1,579,899,248	1,634,433,502

The annexed notes from 1 to 53 form an integral part of these financial statements.



Shahzada Ellahi Shaikh
Chairman



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 26, 2019

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND OPERATIONS

Ellicot Spinning Mills Limited [‘the Company’] was incorporated in Pakistan as a Public Limited Company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg III, Lahore. The manufacturing facility is located at 6.3 K.M, Manga Mandi, Raiwind Road Mouza Rossa, Tehsil and District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards [‘IFRS’] issued by the International Accounting Standards Board [‘IASB’] as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards [‘IFAS’] issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the statement of cash flows, all transactions have been accounted for on accrual basis.

2.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, 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 judgments 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, 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.

2.3.1 Critical accounting judgements

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

(a) *Business model assessment (see note 6.7.2)*

The Company classifies its financial assets on the basis of the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Company determines the business model at a level that reflects how financial assets are managed to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed.

(b) *Depreciation method, rates and useful lives of operating fixed assets (see note 6.1.1)*

The Company reassesses useful lives, depreciation method and rates for each item of operating fixed assets annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

(c) *Amortization method, rates and useful lives of intangible assets (see note 6.2)*

The Company reassesses useful lives, amortization method and rates for each intangible asset annually by considering expected pattern of economic benefits that the Company expects to derive from that asset.

(d) Expected credit losses and impairment of financial assets (see note 6.27.1)

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information.

(e) Recoverable amount and impairment of non-financial assets (see note 6.27.2)

The management of the Company reviews carrying amounts of its non-financial assets for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

(f) Obligation under defined benefit plan (see note 6.6.2)

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

(g) Taxation (see note 6.22)

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

(h) Provisions (see note 6.17)

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

(i) Net realizable values of stock in trade (see note 6.5)

The Company estimates net realizable values of its stock in trade as the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

2.3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 6.27.1)

When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. If the expected credit loss rates on trade debts past due had been 10% higher/lower as at the reporting date, the loss allowance on financial assets would have been higher/lower by Rs. 92,410.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

2.5 Date of authorization for issue

These financial statements were authorized for issue on September 26, 2019 by the Board of Directors of the Company.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

The following new and revised standards, interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company other than presentation and disclosures, except as stated otherwise.

3.1 IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The Company has applied IFRS 9 in accordance transitions provision set out in the standard.

The date of initial application of IFRS 9 (the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is June 30, 2019. Accordingly, the Company has applied the requirements IFRS 9 to instruments that continue to be recognized as at June 30, 2019. Comparative amounts in relation to instruments that continue to be recognized as at June 30, 2019 have not been restated as allowed by IFRS 9.

Classification and measurement

The classification and measurement requirements for financial liabilities have been substantially carried forward from IAS 39. All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are subsequently measured at amortized cost and accordingly classified as 'financial assets at amortized cost'
- Financial assets that are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding subsequently measured at fair value through other comprehensive income and accordingly classified as 'financial assets at fair value through other comprehensive income [FVTOCI]'
- All other financial instruments are subsequently measured at fair value through profit or loss and accordingly classified as 'financial assets at fair value through profit or loss [FVTPL]'

Despite the foregoing, the Company may make an irrevocable election/designation at initial recognition of financial asset:

- To present subsequent changes in fair value of an equity instrument that is not held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income and classify it as FVTOCI
- To designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

When a financial asset measured at FVTOCI is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment except for equity instruments measured at FVTOCI, where the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to accumulated profits.

The Company has reviewed and assessed the existing financial assets as at June 30, 2019 based on facts and circumstances that existed at that date and concluded that initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement.

	IAS 39	IFRS 9
Long term finances	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Short term borrowings	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued interest/markup/profit	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Trade creditors	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Accrued liabilities	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Unclaimed dividend	Financial liabilities at amortized cost	Financial liabilities at amortized cost
Long term deposits	Loans and receivables	Financial assets at amortized cost
Long term investment	Loans and receivables	Financial assets at amortized cost
Trade receivables	Loans and receivables	Financial assets at amortized cost
Advances to employees	Loans and receivables	Financial assets at amortized cost
Bank balances	Loans and receivables	Financial assets at amortized cost
Investments		
listed equity securities	Available for sale financial assets	Financial assets at FVTOCI
mutual funds	Available for sale financial assets	Financial assets at FVTOCI
asset management account	Available for sale financial assets	Financial assets at FVTPL

The change in classification of investments in asset management account has resulted in recognition of losses due to changes in fair value and derecognition amounting to Rs. 4.11 million and Rs. 19.332 million respectively to profit or loss, which otherwise would have been recognized in other comprehensive income under IAS 39. Impairment on investment in listed equity securities amounting to Rs. 20.174 million recognized in previous years in profit or loss under IAS 39 has been reclassified to investment

revaluation reserve through statement of changes in equity. The opening balance of accumulated profits has been adjusted for changes in fair value of investments in asset management account recognized in OCI and impairment on investment in listed equity securities recognized in profit or loss in previous years. None of the other reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income.

Impairment of financial assets

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

IFRS 9 requires the Company to measure the loss allowance for financial instrument at an amount equal to lifetime expected credit losses if the credit risk has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, except for a purchased or originated credit-impaired financial asset, the Company is required to measure the loss allowance for that financial asset at an amount equal to 12-months expected credit loss. IFRS also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

Impact of application of IFRS 9 on financial statements

The amount of adjustment for each financial statement line item affected by the application of IFRS 9 is as follows:

	June 30, 2019 Rupees	June 30, 2018 Rupees
Impact on profit or loss		
Changes in fair value of financial assets at fair value	4,109,555	-
Loss on disposal of investments	19,332,673	-
Decrease in profit	23,442,228	-
Impact on other comprehensive income		
Changes in fair value of financial assets at fair value	23,442,228	-
Increase in other comprehensive income	23,442,228	-
Impact on earnings per share		
Decrease in earnings per share	(2.14)	-
Impact on liabilities		
	-	-
Impact on equity		
	-	-
Impact on assets		
	-	-

3.2 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers' supersedes IAS 11 - Construction Contracts, IAS 18 - Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Company has reviewed its existing accounting policy for revenue recognition in light of the requirements of IFRS 15 and has concluded that it is already in line with the requirements of the new standard and thus no change in accounting policy or to the amounts reported in these financial statements is required.

3.3 Clarifications to IFRS 15 - Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers have been amended to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

3.4 IFRIC 22 - Foreign Currency Transactions and Advances Consideration

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

3.5 Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)

IFRS 2 - Share-based Payment have been amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

3.6 Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)

IFRS 4 Insurance Contracts have been amended to provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach

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

3.7 Transfers of Investment Property (Amendments to IAS 40 - Investment Property)

IAS 40 - Investment Property have following amendments:

- Paragraph 57 have been amended 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. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

3.8 Annual Improvements to IFRS Standards 2014–2016 Cycle (IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 28 - Investments in Associates and Joint Ventures)

Annual improvements makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

4 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
IFRS 16 - Leases (2016)	January 01, 2019
IFRS 17 - Insurance contracts (2017)	January 01, 2021

	Effective date (annual periods beginning on or after)
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)	January 01, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)	January 01, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	January 01, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)	January 01, 2019
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020

Other than afore mentioned standards, interpretations and amendments, IABS has also issued the following standards which have not been notified by the Securities and Exchange Commission of Pakistan ["SECP"]:

IFRS 1 - First Time Adoption of International Financial Reporting Standards
IFRS 14 - Regulatory Deferral Accounts
IFRS 17 – Insurance contracts (2017)

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan under section 225 of the Companies Act, 2017 regarding their adoption. The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

5 CHANGES IN ACCOUNTING POLICIES

The adoption of new and revised standards, interpretations and amendments effective during the year has resulted in changes to accounting policies as follows:

Previous accounting policy	New accounting policy
Investment in listed equity securities <p>Investments in listed equity securities are designated as 'available for sale financial assets' on initial recognition. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Gains and losses on de-recognition are recognized in profit or loss.</p>	<p>Investments in listed equity securities are classified as 'financial assets at fair value through other comprehensive income'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Cumulative gains and losses from changes in fair value recognized in other comprehensive income are transferred to accumulated profits on derecognition.</p>

Previous accounting policy	New accounting policy
<p>Investment in mutual fund units</p> <p>Investments in mutual funds units are designated as 'available for sale financial assets' on initial recognition. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Gains and losses on de-recognition are recognized in profit or loss.</p>	<p>Investments in mutual fund units are classified as 'financial assets at fair value through other comprehensive income'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Cumulative gains and losses from changes in fair value recognized in other comprehensive income are transferred to accumulated profits on derecognition.</p>
<p>Investment in asset management account</p> <p>Investments in asset management account are designated as 'available for sale financial assets' on initial recognition. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Gains and losses on de-recognition are recognized in profit or loss.</p>	<p>Investments in asset management account are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss.</p>
<p>Impairment of financial assets</p> <p>A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.</p> <p>An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.</p>	<p>The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.</p> <p>Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.</p> <p>All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.</p> <p>The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.</p>

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes referred to in note 5.

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

Operating fixed assets are accounted for under the cost model and are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 17.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

6.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

6.1.3 Spare parts held exclusively for capitalization

These are carried at cost less accumulated impairment. Cost is determined using moving average, except for items in transit, which are carried at invoice price plus related costs incurred upto the reporting date.

6.2 Intangible assets

An intangible asset is recognized when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

In assessing the probability of expected future economic benefits the Company uses reasonable and supportable assumptions that represents management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An intangible asset is measured initially at cost. The cost of intangible asset acquired comprises its purchase price, including non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition. Costs incurred after the asset is in the condition necessary for it to be used in the manner intended by the management are recognized in profit or loss. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized over the estimated period over which the Company expects to obtain economic benefits, on a straight line basis. All intangible assets are tested for impairment at each reporting date.

6.3 Software

The cost of acquisition, development and installation of identifiable software products having finite useful lives of more than one year is recognized as an intangible asset at cost. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any.

6.4 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of moving average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

6.5 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw material
Work in process
Finished goods
Stock in transit

Moving average cost
Average manufacturing cost
Average manufacturing cost
Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

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

6.6 Employee benefits

6.6.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the accounting and reporting standards as applicable in Pakistan. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

6.6.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on statement of financial position represents the present value of defined benefit obligation.

6.7 Financial instruments

6.7.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

6.7.2 Classification

The Company classifies its financial assets on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial liabilities are classified in accordance with the substance of contractual provisions. The Company determines the classification of its financial instruments at initial recognition as follows:

(a) Financial assets at amortized cost

These are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cashflows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through other comprehensive income

These are :

- (i) financial assets held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- (ii) investments in equity instruments, that are not held for trading nor contingent consideration recognized by the Company as acquirer in a business combination, for which the Company makes an irrevocable election at initial recognition to present changes in fair value on subsequent measurement in other comprehensive income.

(c) Financial assets at fair value through profit or loss

These are financial assets which have not been classified as 'financial assets at amortized cost' or as 'financial assets at fair value through other comprehensive income', are mandatorily measured at fair value through profit or loss or for which the Company makes an irrevocable election at initial recognition to designate as 'financial asset at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

(d) Financial liabilities at amortized cost

These are financial liabilities which are not derivatives, financial guarantee contracts, commitments to provide loans at below-market interest rate, contingent consideration payable to an acquirer in a business combination or financial liabilities that arise when transfer of a financial asset does not qualify for derecognition.

(e) Financial liabilities at fair value through profit or loss

These are financial liabilities which have not been classified as 'financial liabilities at amortized cost' or for which the Company makes an irrevocable election at initial recognition to designate as 'financial liabilities at fair value through profit or loss' if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

6.7.3 Measurement

The particular measurement methods adopted are disclosed in individual policy statements associated with each financial instrument.

6.7.4 Derecognition

A financial asset is derecognized when the Company's contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the financial asset. A financial liability is derecognized when the Company's obligations specified in the contract expire or a discharged or cancelled.

6.7.5 Off-setting

A financial asset and financial liability is offset and the net amount reported in the statement of financial position if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

6.7.6 Regular way purchases or sales of financial assets

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

6.8 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.9 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

6.10 Investments in mutual funds

Investments in mutual fund units are classified as 'financial assets at fair value through other comprehensive income'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive. Cumulative gains and losses from changes in fair value recognized in other comprehensive income are transferred to accumulated profits on derecognition. Dividend income is recognized in profit or loss when right to receive payment is established.

6.11 Investments in asset management account

Investments in asset management account are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss. Dividend income is recognized in profit or loss when right to receive payment is established.

6.12 Investments in listed equity securities

Investments in listed equity securities are classified as 'financial assets at fair value through other comprehensive income'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive. Cumulative gains and losses from changes in fair value recognized in other comprehensive income are transferred to accumulated profits on derecognition. Dividend income is recognized in profit or loss when right to receive payment is established.

6.13 Investments in debt securities

Investments in debt securities are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value on the date of acquisition. Subsequent to initial recognition, these are measured at amortized cost with any difference between fair value on the date of acquisition and value at maturity recognized in the profit or loss over the period of the investment on an effective interest basis. Gains and losses on de-recognition are recognized in profit or loss.

6.14 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease are classified as 'financial liabilities at amortized cost' respectively, however, since they fall outside the scope of measurement requirements of IFRS 9, these are measured in accordance with the requirements of IAS 17. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

6.15 Operating leases

Leases that do not transfer substantially all risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight line basis over the lease term.

6.16 Trade and other payables

6.16.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.16.2 Non-financial liabilities

These, both on initial recognition and subsequently, are measured at cost.

6.17 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that 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. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

6.18 Trade and other receivables

6.18.1 Financial assets

These are classified as 'financial assets at amortized cost'. On initial recognition, these are measured at fair value at the date of transaction, plus attributable transaction costs, except for trade debts that do not have a significant financing component, which are measured at undiscounted invoice price. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.18.2 Non-financial assets

These, both on initial recognition and subsequently, are measured at cost.

6.19 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Revenue from operations of the Company are recognized when the goods are provided, and thereby the performance obligations are satisfied. Revenue consists of sale of yarn. The Company's contract performance obligations are fulfilled at the point in time when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers

6.20 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income ['OCI']. OCI comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by accounting and reporting standards as applicable in Pakistan, and is presented in 'statement of comprehensive income'.

6.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

6.22 Income tax

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

6.22.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

6.22.2 Deferred taxation

Deferred tax is accounted for using the 'balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.23 Earnings per share ['EPS']

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.24 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. Interest income on cash and cash equivalents is recognized using effective interest method.

6.25 Operating segment

The Company is a single operating segment based on internal reporting to the Board of Directors of the Company.

6.26 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

6.27 Impairment

6.27.1 Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset.

Impairment is recognized at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition. For financial assets for which credit risk is low, impairment is recognized at an amount equal to twelve months' expected credit losses, with the exception of trade debts, for which the Company recognises lifetime expected credit losses estimated using internal credit risk grading based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions, and an assessment for both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery. Any recoveries made post write-off are recognized in profit or loss.

6.27.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

6.28 Dividend distribution to ordinary shareholders

Dividend to ordinary shareholders is recognized as a deduction from accumulated profit in statement of changes in equity and as a liability, to the extent it is unclaimed/unpaid, in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

	Note	2019 Rupees	2018 Rupees
7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10 each			
8,760,000 (2018: 8,760,000) shares issued for cash		87,600,000	87,600,000
2,190,000 (2018: 2,190,000) shares issued as fully paid bonus shares		21,900,000	21,900,000
		109,500,000	109,500,000
8 CAPITAL RESERVES			
Changes in fair value of available for sale financial assets		-	(1,780,597)
Reserve for financial assets measured at FVTOCI		(62,725,746)	-
Reserve on merger	8.1	7,760,000	7,760,000
		(54,965,746)	5,979,403

- 8.1 On September 30, 2001, the net assets of Power Unit II of Ellahi Electric Company Limited were merged into the Company. The reserve represents the difference between the book value of shares held by the Company in Ellahi Electric Company Limited as on the date of merger and the value of net assets transferred to the Company.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
9 LONG TERM FINANCES - SECURED			
These represent long term finances utilized under interest/markup arrangements from banking companies			
Term Finances ['TF']			
TF - I	9.1	40,000,000	80,000,000
TF - II	9.2	28,163,325	42,244,987
TF - III	9.3	54,545,454	72,727,272
TF - IV	9.4	-	653,851,382
TF - V	9.5	95,571,944	609,032,004
		218,280,723	1,457,855,645
Long Term Financing Facilities ['LTFF']			
LTFF - I	9.6	143,939,386	143,939,386
LTFF - II	9.7	174,959,217	199,953,389
LTFF - III	9.8	41,625,044	47,571,480
LTFF - IV	9.9	47,259,888	52,148,841
LTFF - V	9.10	604,316,000	-
LTFF - VI	9.11	22,944,000	-
LTFF - VII	9.12	51,628,000	-
LTFF - VIII	9.13	557,417,000	-
LTFF - VIII	9.14	53,067,910	-
		1,697,156,445	443,613,096
Current maturity presented under current liabilities	15	1,915,437,168 (210,622,756)	1,901,468,741 (108,093,042)
		1,704,814,412	1,793,375,699

- 9.1** The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at six months KIBOR plus 0.75% per annum (2018: six months KIBOR plus 0.75% per annum) payable quarterly. The finance is repayable in ten equal semi-annual installments with the first installment due in August 2015.
- 9.2** The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at six months KIBOR plus 1% per annum (2018: six months KIBOR plus 1% per annum) payable semi annually. The finance is repayable in eleven equal semi-annual installments with the first installment due in January 2016.
- 9.3** The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at three months KIBOR plus 1% per annum (2018: three months KIBOR plus 1% per annum) payable quarterly. The finance is repayable in twenty two equal quarterly installments with the first installment due in March 2017.
- 9.4** The finance was obtained from Bank Alfalah Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest/markup at three months KIBOR plus 0.75% per annum payable quarterly. The finance was repayable in thirty two equal quarterly installments with the first installment due in June 2020, however, during the year, the finance was restructured whereby the entire outstanding balance was adjusted against new LTFFs (see note 9.10, 9.11 and 9.12).
- 9.5** The finance was obtained from Habib Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest/markup at three months KIBOR plus 0.50% per annum payable quarterly. The finance was repayable in thirty two equal quarterly installments with the first installment due in December 2019, however, during the year, the finance was restructured whereby an amount of Rs. 610.485 million was adjusted against new LTFFs (see note 9.13 and 9.14).

- 9.6 The finance has been obtained from Habib Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup 2.50% per annum (2018:2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in December 2019.
- 9.7 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at 2.50% per annum (2018:2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in August 2018.
- 9.8 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at 2.75% per annum (2018:2.75% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in August 2018.
- 9.9 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at 2.75% per annum (2018:2.75% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in November 2018.
- 9.10 The finance has been obtained from Bank Alfalah Limited on conversion of TF - IV (see note 9.4) and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup 2.50% per annum (2018:2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in June 2020.
- 9.11 The finance has been obtained from Bank Alfalah Limited on conversion of TF - IV (see note 9.4) and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup 2.50% per annum (2018:2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in May 2020.
- 9.12 The finance has been obtained from Bank Alfalah Limited on conversion of TF - IV (see note 9.4) and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at SBP rate plus 0.50% per annum payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in May 2020.
- 9.13 The finance has been obtained from Habib Bank Limited on conversion of TF - V (see note 9.5) and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup 2.50% per annum (2018:2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in November 2019.
- 9.14 The finance has been obtained from Habib Bank Limited on conversion of TF - V (see note 9.5) and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup 2.50% per annum (2018:2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in October 2019.
- 9.15 For mortgages and charges on assets as security for liabilities, refer to note 43 to the financial statements.

10 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its employees who have completed the minimum qualifying service period. Under the scheme, the Company pays a lump-sum benefit equal to last drawn monthly gross salary for each year of service to scheme members whereas the members of the scheme are not required to make any contributions to the scheme. The scheme is administered by the management of the Company under the supervision and directions of the Board of Directors of the Company. The amount recognized on statement of financial position represents present value of defined benefit obligation.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
10.1 Movement in present value of defined benefit obligation			
As at beginning of the year		80,310,848	70,670,998
Charged to profit or loss for the year	10.2	32,491,908	26,635,431
Benefits paid during the year		(18,502,860)	(17,820,167)
Remeasurements recognized in other comprehensive income	10.4	(4,029,180)	824,586
As at end of the year		90,270,716	80,310,848
10.2 Charge to profit or loss			
Current service cost		26,096,560	21,848,960
Interest cost		6,395,348	4,786,471
		32,491,908	26,635,431

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
10.3 The charge to profit or loss has been allocated as follows			
Cost of sales	28.2	16,404,955	14,083,294
Administrative and general expenses	30.1	16,086,953	12,552,137
		32,491,908	26,635,431

10.4 Remeasurements recognized in other comprehensive income

Actuarial (gain)/loss arising from:			
Changes in financial assumptions		1,656,862	381,328
Experience adjustments		(5,686,042)	443,258
		(4,029,180)	824,586

10.5 Principal actuarial assumptions

Present value of defined benefit obligation has been determined using projected unit credit method. The liability as at the reporting date is based on actuarial valuation carried out by independent actuaries, Nauman Associates. The principal assumptions used in determining present value of defined benefit obligation are:

	2019	2018
Discount rate	14.25%	9.00%
Expected rate of increase in salary	12.25%	7.00%

10.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is six years.

10.7 Expected charge to profit or loss for the next financial year

The expected charge to profit or loss for the year ending June 30, 2020 amounts to Rs. 36.80 million.

10.8 Sensitivity analysis

An analysis of sensitivity for discount rate and expected rate of increase in salary used to determine the present value of defined benefit obligation as at the reporting date showing how the defined benefit obligation would have been affected by changes in relevant actuarial assumption that were reasonably possible at that date is as follows:

	2019		2018	
	Change in actuarial assumption	Defined benefit obligation	Change in actuarial assumption	Defined benefit obligation
		<i>Rupees</i>		<i>Rupees</i>
Discount rate	+ 1%	85,124,595	+ 1%	75,539,264
	- 1%	96,082,971	- 1%	85,731,931
Expected rate of increase in salary	+ 1%	96,357,740	+ 1%	86,002,029
	- 1%	84,788,962	- 1%	75,211,075

A change in expected remaining working lives of employees is not expected to have a material impact on the present value of defined benefit obligation. Accordingly, the sensitivity analysis for the same has not been carried out.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of defined benefit obligation as at the reporting date has been calculated using projected unit credit method, which is the same as that applied in calculating the defined benefit obligation to be recognized in these financial statements.

10.9 Risk factors

The defined benefit plan exposes the Company to the following actuarial risks:

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

Salary risk: The present value of defined benefit obligation is calculated by reference to future salaries of employees. An increase in salary of employees will increase the defined benefit obligation.

	Note	2019 Rupees	2018 Rupees
Deferred tax liability on taxable temporary differences	11.1	271,336,434	216,671,412
Deferred tax asset on deductible temporary differences	11.1	(263,760,812)	(162,763,339)
		7,575,622	53,908,073

11 DEFERRED TAXATION

11.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2019			
	As at July 01, 2018 Rupees	Recognized in profit or loss Rupees	Recognized in OCI Rupees	As at June 30, 2019 Rupees
Deferred tax liabilities				
Operating fixed assets	216,586,947	54,789,714	-	271,376,661
Intangible assets	84,465	(124,692)	-	(40,227)
	216,671,412	54,665,022	-	271,336,434
Deferred tax assets				
Employees retirement benefits	(15,338,036)	(7,955,428)	995,267	(22,298,197)
Investments	(1,486,726)	(2,470,151)	(10,048,113)	(14,004,990)
Impairment allowance for expected credit losses	-	(228,267)	-	(228,267)
Unused losses and credits	(145,938,577)	(81,290,781)	-	(227,229,358)
	(162,763,339)	(91,944,627)	(9,052,846)	(263,760,812)
	53,908,073	(37,279,605)	(9,052,846)	7,575,622
	2018			
	As at July 01, 2017 Rupees	Recognized in profit or loss Rupees	Recognized in OCI Rupees	As at June 30, 2018 Rupees
Deferred tax liabilities				
Operating fixed assets	119,256,073	97,330,874	-	216,586,947
Intangible assets	168,050	(83,585)	-	84,465
	119,424,123	97,247,289	-	216,671,412
Deferred tax assets				
Employees retirement benefits	(13,364,202)	(1,816,352)	(157,482)	(15,338,036)
Investments	(1,933,510)	(1,092,710)	1,539,494	(1,486,726)
Impairment allowance for expected credit losses	-	-	-	-
Unused losses and credits	(52,984,372)	(92,954,205)	-	(145,938,577)
	(68,282,084)	(95,863,267)	1,382,012	(162,763,339)
	51,142,039	1,384,022	1,382,012	53,908,073

- 11.2** Deferred tax arising from timing differences pertaining to income from business is provided for only that portion of timing differences that represent income taxable under normal provisions of the Income Tax Ordinance, 2001 [‘the Ordinance’] as revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 29% (2018: 29%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

Deferred tax arising from timing differences pertaining to income from investment in listed equity securities taxable as a separate block under the provisions of the Ordinance, has been calculated at 15% (2018: 15%) of the timing differences based on tax rates notified by the Government of Pakistan for future tax years for such income.

Deferred tax arising from timing differences pertaining to income from investment in mutual funds taxable as a separate block under the provisions of the Ordinance, has been calculated, for stock funds, at 15% and, for other funds, at 25% (2018: 15%) of the timing differences based on tax rates notified by the Government of Pakistan for future tax years for such income.

	Note	2019	2018
		Rupees	Rupees
12 TRADE AND OTHER PAYABLES			
Trade creditors - <i>Unsecured</i>		47,175,027	46,165,450
Accrued liabilities		303,456,648	241,195,445
Advances from customers - <i>Unsecured</i>		3,889,963	2,640,271
Infrastructure tax	12.1	89,363,503	83,173,146
Workers' Profit Participation Fund	12.2	8,886,740	8,046,840
Workers' Welfare Fund	12.3	-	-
Other payables - <i>Unsecured</i>		4,037,592	3,824,918
		456,809,473	385,046,070

- 12.1** This represents tax levied by the Sindh Government on movement of imported goods entering the Sindh Province from outside Pakistan.

	Note	2019	2018
		Rupees	Rupees

12.2 Workers' Profit Participation Fund

As at beginning of the year		8,046,840	6,559,531
Interest on funds utilized by the Company	12.2.1	1,359,144	706,826
Charged to profit or loss for the year	31	8,886,740	8,046,840
Paid during the year		(9,405,984)	(7,266,357)
As at end of the year		8,886,740	8,046,840

- 12.2.1** Interest has been charged at 45% (2018: 26.25%) per annum.

12.3 Workers' Welfare Fund

As at beginning of the year		-	20,866,081
Paid/adjusted during the year		-	(4,161,571)
Written back during the year	12.3.1	-	(16,704,510)
As at end of the year		-	-

- 12.3.1** This represented provisions for Workers' Welfare Fund [‘WWF’] written back in light of decision of the Honourable Supreme Court of Pakistan vide judgement dated November 10, 2016 against the matters stated in Civil Appeal no 1049 to 1055 of 2011. No provision has been recognized accordingly for the current year.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
13 ACCRUED INTEREST/MARKUP/PROFIT			
Long term finances		12,759,317	25,270,996
Short term borrowings		28,727,805	26,210,021
		41,487,122	51,481,017

14 SHORT TERM BORROWINGS**Secured**

These represent short term finances utilized under interest/markup/profit arrangements from banking companies.

Running finances	14.1	577,045,805	828,815,419
Running musharakah	14.2	636,836	785,933,689
Term loans	14.3	850,000,000	550,000,000
		1,427,682,641	2,164,749,108

Unsecured

Book overdraft	14.4	14,059,995	62,707,460
		1,441,742,636	2,227,456,568

- 14.1** These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company and lien over export documents. These carry interest/markup at rates ranging from one to three months KIBOR plus 0.20% to 1% per annum (2018: one to three months KIBOR plus 0.20% to 0.75% per annum) payable quarterly.
- 14.2** These facilities have been obtained from Islamic banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company. These carry profit at three months KIBOR plus 0.35% per annum (2018: three months KIBOR plus 0.20% to 0.35% per annum) payable quarterly.
- 14.3** These facilities have been obtained from various commercial banks for import of goods and are secured by charge over all present and future current assets of the Company and lien over foreign bills. These carry interest/markup at rates ranging from one to three months KIBOR plus 0.25% to 0.75% per annum (2018: three months KIBOR plus 0.5% to 0.75% per annum) payable quarterly.
- 14.4** These represent cheques issued by the Company in excess of balances at bank which have been presented for payments after the reporting period.
- 14.5** The aggregate available short term funded facilities amounts to Rs. 3,752 million (2018: Rs. 3,112 million) out of which Rs. 2,324 million (2018: Rs. 947 million) remained unavailed as at the reporting date.
- 14.6** For mortgages and charges on assets as security for liabilities, refer to note 43 to the financial statements.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
15 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances	9	210,622,756	108,093,042
		210,622,756	108,093,042

16 CONTINGENCIES AND COMMITMENTS**16.1 Contingencies**

16.1.1 Guarantees issued by banks on behalf of the Company amount to Rs. 188.769 million (2018: Rs. 181.203 million)

16.1.2 Bills discounted/negotiated as at the reporting date amount to Rs. 58.913 million.

16.1.3 Contingencies related to tax matters are referred to in note 34 to the financial statements.

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
16.2 Commitments		
16.2.1 Commitments under irrevocable letters of credit for:		
- purchase of property plant and equipment	111,808,130	3,541,400
- purchase of stores, spare and loose tools	12,455,069	-
- purchase of raw material	58,224,233	75,397,958
	182,487,432	78,939,358

16.2.2 Commitments under operating leases:

The Company has rented office premises from a related party under operating lease arrangements. Lease agreement covers a period of one year and is renewable/extendable on mutual consent. Lease rentals are payable quarterly in advance. Commitments for payments in future periods under the lease agreement are as follows:

	Note	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
- payments not later than one year		479,160	435,600
- payments later than one year		-	-
		479,160	435,600

17 FIXED ASSETS

Property, plant and equipment

Operating fixed assets	17.1	2,450,975,146	2,640,791,138
Capital work in progress	17.2	-	136,131
		2,450,975,146	2,640,927,269
Intangible assets	17.3	2,376,661	3,616,658
		2,453,351,807	2,644,543,927

17.1 Operating fixed assets

	2019										Net book value as at June 30, 2019 Rupees
	COST					DEPRECIATION					
	As at July 01, 2018 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2019 Rupees	Rate %	As at July 01, 2018 Rupees	For the year Rupees	Adjustment Rupees	As at June 30, 2019 Rupees	
Freehold land	6,093,568	1,080,000	-	-	7,173,568	-	-	-	-	-	7,173,568
Buildings on freehold land											
Mills	332,498,606	-	-	22,375,770	354,874,376	10	145,460,685	18,882,211	-	164,342,896	190,531,480
Other factory buildings	68,841,136	-	-	-	68,841,136	5	35,669,024	1,662,628	-	37,331,652	31,509,484
	401,339,742	-	-	22,375,770	423,715,512		181,129,709	20,544,839	-	201,674,548	222,040,964
Plant and machinery	3,509,096,732	-	(171,343,706)	58,585,883	3,396,338,909	10	1,189,798,455	232,991,792	(143,367,568)	1,279,422,679	2,116,916,230
Electric installations and equipment	111,159,045	-	-	1,337,188	112,496,233	10	60,083,540	5,191,696	-	65,275,236	47,220,997
Factory equipment	19,711,787	1,341,400	-	-	21,053,187	10	15,065,405	549,481	-	15,614,886	5,438,301
Office equipment	26,653,845	966,500	-	-	27,620,345	10	13,380,428	1,391,366	-	14,771,794	12,848,551
Furniture and fixtures	8,169,505	1,527,684	-	-	9,697,189	10	5,597,144	349,952	-	5,947,096	3,750,093
Arms and ammunition	631,513	-	-	-	631,513	10	523,968	10,755	-	534,723	96,790
Vehicles	59,361,857	19,871,500	(5,247,500)	-	73,985,857	20	35,847,807	5,139,289	(2,490,891)	38,496,205	35,489,652
	4,142,217,594	24,787,084	(176,591,206)	82,298,841	4,072,712,313		1,501,426,456	266,169,170	(145,858,459)	1,621,737,167	2,450,975,146

2018									
COST					DEPRECIATION				
As at July 01, 2017 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2018 Rupees	Rate %	July 01, 2017 Rupees	As at June 30, 2018 Rupees	Adjustment Rupees	As at June 30, 2018 Rupees
6,093,568	-	-	-	6,093,568	-	-	-	-	-
Freehold land									
Buildings on freehold land									
188,289,493	-	-	144,209,113	332,498,606	10	139,371,364	145,460,685	-	187,037,921
68,841,136	-	-	-	68,841,136	5	33,923,123	35,689,024	-	33,172,112
Other factory buildings									
257,130,629	-	-	144,209,113	401,339,742		173,294,487	181,129,709	-	220,210,033
2,089,231,547	-	(25,339,196)	1,445,204,381	3,509,096,732	10	1,089,285,224	1,189,798,455	(19,707,790)	2,319,299,277
Plant and machinery									
82,025,017	-	-	29,134,028	111,159,045	10	57,345,149	60,083,540	-	51,075,505
Electric installation and equipment									
19,595,787	116,000	-	-	19,711,787	10	14,560,956	15,065,405	-	4,646,382
Factory equipment									
25,945,197	708,648	-	-	26,653,845	10	11,938,865	13,380,428	-	13,273,417
Office equipment									
7,554,873	614,632	-	-	8,169,505	10	5,347,129	5,597,144	-	2,572,361
Furniture and fixtures									
631,513	-	-	-	631,513	10	512,018	523,968	-	107,545
Arms and ammunition									
58,601,540	4,952,000	(4,191,683)	-	59,361,857	20	31,939,881	35,847,807	(1,366,549)	23,514,050
Vehicles									
2,546,809,671	6,391,280	(29,530,879)	1,618,547,522	4,142,217,594		1,384,223,709	1,501,426,456	(21,074,339)	2,640,791,138

17.1.3 Disposal of operating fixed assets

Particulars	2019					Mode of disposal	Particulars of buyer
	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees		
Plant and machinery							
Ring Frame	54,857,515	50,315,357	4,542,158	4,289,987	(252,171)	Negotiation	Ideal Trading Company, Faisalabad
Ring Frame	54,857,515	50,353,527	4,503,988	4,290,013	(213,975)	Negotiation	Ideal Trading Company, Faisalabad
Auto Cone	29,126,668	26,775,802	2,350,866	6,300,000	3,949,134	Negotiation	Nagina Cotton Mills Limited, Karachi
Auto Cone	22,863,018	8,966,790	13,896,228	3,000,000	(10,896,228)	Negotiation	Nagina Cotton Mills Limited, Karachi
Simplex Machine	1,554,385	1,280,756	273,629	582,169	308,540	Negotiation	Mohammad Tahir, Faisalabad
Compressor	4,013,358	2,220,820	1,792,538	700,000	(1,092,538)	Negotiation	Wisal Kamal Fabrics (Private) Limited, Lahore
Cross Roll Cards	3,611,247	3,064,199	547,048	1,600,965	1,053,917	Negotiation	Ibrahim Traders, Faisalabad
Porcupine	290,000	246,069	43,931	104,863	60,932	Negotiation	Ibrahim Traders, Faisalabad
Condensors	170,000	144,248	25,752	61,471	35,719	Negotiation	Ibrahim Traders, Faisalabad
	171,343,706	143,367,568	27,976,138	20,929,468	(7,046,670)		
Vehicles							
Honda Civic	2,396,000	1,038,906	1,357,094	1,818,000	460,906	Negotiation	Khurram Ayub, Lahore
Honda CD 70	68,500	46,241	22,259	33,000	10,741	Negotiation	Abdul Qayyum, Lahore.
Honda CD 100	86,000	50,383	35,617	34,000	(1,617)	Negotiation	Abdul Qayyum, Lahore.
Suzuki Swift	1,282,000	642,026	639,974	1,000,000	360,026	Negotiation	Mohammad Asim Mumtaz, Lahore.
Suzuki Swift	1,282,000	630,174	651,826	1,130,000	478,174	Negotiation	Ali Abbas, Lahore.
Honda CD 70	69,500	47,319	22,181	32,500	10,319	Negotiation	Mohammad Iqbal, Lahore.
Honda CD 70	63,500	35,842	27,658	40,000	12,342	Negotiation	IGI General Insurance Limited, Lahore.
	5,247,500	2,490,891	2,756,609	4,087,500	1,330,891		
	176,591,206	145,858,459	30,732,747	25,016,968	(5,715,779)		
2018							
Particulars	Cost Rupees	Accumulated depreciation Rupees	Net book value Rupees	Disposal proceeds Rupees	Gain/(loss) on disposal Rupees	Mode of disposal	Particulars of buyer
Plant and machinery							
Cross Roll Cards	1,203,749	986,268	217,481	150,000	(67,481)	Negotiation	Z. A. Corporation (Private) Limited, Faisalabad
Comber Set	2,480,928	1,987,154	493,774	759,196	265,422	Negotiation	Azam Javaid Traders, Faisalabad
Comber Set	4,055,319	3,347,695	707,624	637,380	(70,244)	Negotiation	Azam Javaid Traders, Faisalabad
Unilap	3,519,840	2,677,335	842,505	251,597	(590,908)	Negotiation	Khalid Traders, Faisalabad
Comber Set	14,079,360	10,709,338	3,370,022	838,659	(2,531,363)	Negotiation	Khalid Traders, Faisalabad
	25,339,196	19,707,790	5,631,406	2,636,832	(2,994,574)		
Vehicles							
Suzuki Cultus	1,012,366	673,723	338,643	450,000	111,357	Negotiation	Mr. Muhammad Haroon, Lahore
Suzuki Cultus	1,007,317	692,826	314,491	470,000	155,509	Negotiation	Mr. Salman Ahmed, Karachi
Toyota Corolla Altis	2,172,000	-	2,172,000	2,222,000	50,000	Negotiation	Toyota Jinnah Motors, Karachi
	4,191,683	1,366,549	2,825,134	3,142,000	316,866		
	29,530,879	21,074,339	8,456,540	5,778,832	(2,677,708)		

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
17.1.4	The depreciation charge for the year has been allocated as follows:		
Cost of sales	28	259,277,808	131,299,083
Administrative expenses	30	6,891,362	6,978,003
		266,169,170	138,277,086

17.2 Capital work in progress

	2019			
	<i>As at July 01, 2018 Rupees</i>	<i>Additions Rupees</i>	<i>Transfers Rupees</i>	<i>As at June 30, 2019 Rupees</i>
Building	-	22,375,770	(22,375,770)	-
Plant and machinery	-	58,585,883	(58,585,883)	-
Electric installations and equipment	136,131	1,201,057	(1,337,188)	-
	136,131	82,162,710	(82,298,841)	-
	2018			
	<i>As at July 01, 2017 Rupees</i>	<i>Additions Rupees</i>	<i>Transfers Rupees</i>	<i>As at June 30, 2018 Rupees</i>
Building	-	144,209,113	(144,209,113)	-
Plant and machinery	5,478,267	1,439,726,114	(1,445,204,381)	-
Electric installations and equipment	-	29,270,159	(29,134,028)	136,131
	5,478,267	1,613,205,386	(1,618,547,522)	136,131

17.3 Intangible assets

[illegible]

17.3.1 Software represents cost of Oracle Financials Suite acquired by the Company. This is being amortized @ 20% per annum using straight line method.

		2019	2018
		Rupees	Rupees
18	LONG TERM DEPOSITS		
	Regulatory authorities	25,000	25,000
	Utility companies	7,065,700	7,065,700
		7,090,700	7,090,700
18.1	These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.		
19	LONG TERM INVESTMENTS		
	These represents 1,085 sale tax refund bonds issued by FBR Refund Settlement Company (Private) Limited at a face value of Rs. 100,000 each, having a maturity period of three years. These bonds carry profit at 10% per annum payable on maturity. These have been classified as 'financial assets at amortised cost'. The details are as follows:		
	Note	2019	2018
		Rupees	Rupees
	Face value	108,500,000	-
	Accrued profit	921,506	-
		109,421,506	-
20	STORES, SPARES AND LOOSE TOOLS		
	Stores	33,270,941	42,360,840
	Spares	14,096,368	23,536,158
	Loose tools	104,434	187,859
		47,471,743	66,084,857
20.1	There are no spare parts held exclusively for capitalization as at the reporting date.		
21	STOCK IN TRADE		
	Raw material	1,402,454,647	1,700,658,723
	Work in process	50,421,233	58,649,452
	Finished goods	57,511,935	61,759,790
		1,510,387,815	1,821,067,965
21.1	Stock of finished goods includes stock of waste valued at Rs. 8,375,579 (2018: Rs. 5,286,303). The entire stock of waste is valued at net realizable value.		
21.2	Entire stock in trade, with exception of stock of waste, is carried at cost being lower than net realizable value.		
	Note	2019	2018
		Rupees	Rupees
22	TRADE RECEIVABLES		
	Considered good		
	- local - unsecured	310,695,063	325,597,674
	- foreign - secured	237,748,304	412,890,622
		548,443,367	738,488,296
	Impairment allowance for expected credit loss	(924,104)	-
		547,519,263	738,488,296

22.1 These are secured through letters of credit.

	Note	2019	2018
		Rupees	Rupees

22.2 Impairment allowance for expected credit loss

As at beginning of the year		-	-
Recognized during the year	31	924,104	-
As at end of the year		924,104	-

23 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers -unsecured, considered good		32,614,643	147,070,278
Advances to employees -unsecured, considered good			
- against purchases and expenses	23.1	472,550	44,015
- against salaries and benefits		752,300	555,404
Prepayments		1,780,450	1,541,200
Export rebate receivable		3,598,362	13,243,895
Letters of credit		3,977,123	2,209,262
Sales tax refundable		141,776,290	221,387,506
Other receivables -unsecured, considered good		3,665,764	20,586,765
		188,637,482	406,638,325

23.1 No advances have been given to any of the directors of the Company.

24 OTHER FINANCIAL ASSETS

Financial assets at fair value through other comprehensive income	24.1	341,632,278	325,107,013
Financial assets at fair value through profit or loss	24.2	107,111,487	125,926,510
		448,743,765	451,033,523

24.1 Financial assets at fair value through other comprehensive income

These represent investments in listed equity securities and mutual funds which have been designated as 'financial assets at fair value through OCI'. These investments are not held for trading. Instead, they are held for strategic purposes for an indefinite period. Accordingly, the Company has elected to designate these investments as at fair value through OCI as the management believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments and realising their performance potential in the long run. Before the application of IFRS 9, these investments were classified as 'available for sale financial assets' under IAS 39. The detail of costs of acquisition and fair values as at the reporting date for each individual investment are as follows:

	Note	2019	2018
		Rupees	Rupees

Investments in listed equity securities

24.1.1

Cost of investment		399,479,136	316,198,353
Changes in fair value		(67,594,776)	15,898,634
Accumulated impairment		-	(20,174,799)
		331,884,360	311,922,188

Investments in mutual funds

24.1.2

Cost of investment		15,948,136	15,716,230
Changes in fair value		(6,200,218)	(2,531,405)
		9,747,918	13,184,825
		341,632,278	325,107,013

	Note	2019 Rupees	2018 Rupees
24.1.1 Investments in listed equity securities			
Habib Bank Limited			
412,000 ordinary shares of Rs. 10 each (2018: Nil)			
Market value: 113.26 (2018: Rs. Nil) per share			
Cost of investment		60,214,631	-
Changes in fair value		(13,551,509)	-
		46,663,122	-
Oil and Gas Development Company Limited			
150,000 ordinary shares of Rs. 10 each (2018: 100,000)			
Market value per share: Rs. 131.49 (2018: Rs. 155.62)			
Cost of investment		23,794,037	16,415,492
Changes in fair value		(4,070,537)	(853,492)
		19,723,500	15,562,000
United Bank Limited			
310,100 ordinary shares of Rs. 10 each (2018: 235,100)			
Market value per share: Rs. 147.38 (2018: Rs. 168.98)			
Cost of investment		54,437,627	44,872,689
Changes in fair value		(8,735,089)	(5,145,491)
		45,702,538	39,727,198
Fatima Fertilizer Company Limited			
370,000 ordinary shares of Rs. 10 each (2018: 370,000)			
Market value per share: Rs. 29.85 (2018: Rs. 32.40)			
Cost of investment		12,244,225	12,244,225
Changes in fair value		(1,199,724)	(256,225)
		11,044,501	11,988,000
Bank Al Habib Limited			
483,000 ordinary shares of Rs. 10 each (2018: 483,000)			
Market value per share: Rs. 78.38 (2018: Rs. 78.83)			
Cost of investment		24,932,125	24,932,125
Changes in fair value		12,925,416	13,142,765
		37,857,541	38,074,890
Engro Fertilizers Limited			
1,335,500 ordinary shares of Rs. 10 each (2018: 1,335,500)			
Market value per share: Rs. 63.97 (2018: Rs. 74.91)			
Cost of investment		87,395,019	87,395,019
Changes in fair value		(1,963,084)	12,647,286
		85,431,935	100,042,305
Fauji Cement Company Limited			
1,250,000 ordinary shares of Rs. 10 each (2018: 1,250,000)			
Market value per share: Rs. 15.73 (2018: Rs. 22.85)			
Cost of investment		48,737,299	48,737,299
Changes in fair value		(29,074,799)	-
Accumulated impairment		-	(20,174,799)
		19,662,500	28,562,500

	2019	2018
	Rupees	Rupees
Habib Metropolitan Bank Limited		
447,500 ordinary shares of Rs. 10 each (2018: 447,500)		
Market value per share: Rs. 36.08 (2018: Rs. 43.35)		
Cost of investment	16,222,665	16,222,665
Changes in fair value	(76,865)	3,176,460
	16,145,800	19,399,125
Century Paper and Board Mills Limited		
120,000 ordinary shares of Rs. 10 each (2018: 120,000)		
Market value per share: Rs. 31.15 (2018: Rs. 63.50)		
Cost of investment	9,967,301	9,967,301
Changes in fair value	(6,229,301)	(2,347,301)
	3,738,000	7,620,000
Agriauto Industries Limited		
19,400 ordinary shares of Rs. 10 each (2018: 19,400)		
Market value per share: Rs. 199.96 (2018: Rs. 295)		
Cost of investment	8,633,373	8,633,373
Changes in fair value	(4,754,148)	(2,910,373)
	3,879,225	5,723,000
Loads Limited		
110,000 ordinary shares of Rs. 10 each (2018: 110,000)		
Market value per share: Rs. 15.11 (2018: Rs. 31.18)		
Cost of investment	4,862,355	4,862,355
Changes in fair value	(3,200,255)	(1,432,555)
	1,662,100	3,429,800
Bank Alfalah Limited		
271,300 ordinary shares of Rs. 10 each (2018: 133,000)		
Market value per share: Rs. 43.59 (2018: Rs. 52.29)		
Cost of investment	11,583,977	5,461,308
Changes in fair value	241,991	1,493,262
	11,825,968	6,954,570
Mari Petroleum Company Limited		
11,000 ordinary shares of Rs. 10 each (2018: 10,000)		
Market value per share: Rs. 1009.33 (2018: Rs. 1506.18)		
Cost of investment	15,416,807	15,416,807
Changes in fair value	(4,314,177)	(355,007)
	11,102,630	15,061,800
MCB Bank Limited		
100,000 ordinary shares of Rs. 10 each (2018: 100,000)		
Market value per share: Rs. 174.45 (2018: Rs. 197.77)		
Cost of investment	21,037,695	21,037,695
Changes in fair value	(3,592,695)	(1,260,695)
	17,445,000	19,777,000
	331,884,360	311,922,188

	2019	2018
	Rupees	Rupees
24.1.2 Investments in mutual funds		
NAFA Islamic Energy Fund		
1,040,543 units (2018: 1,040,543 units)		
Market value per unit: Rs. 9.1493 (2018: Rs. 12.6711)		
Cost of investment	15,716,230	15,716,230
Changes in fair value	(6,195,990)	(2,531,405)
	9,520,240	13,184,825
NAFA Free Saving Fund		
22,311 units (2018: Nil units)		
Market value per unit: 10.2049 (2018: Rs. Nil)		
Cost of investment	231,906	-
Changes in fair value	(4,228)	-
	227,678	-
	9,747,918	13,184,825

24.2 Financial assets at fair value through profit or loss

These represent investments in listed equity securities through a separately managed asset management account with Alfalah GHP Investment Management Limited. These, being held for trading, are required to be measured at fair value through profit or loss mandatorily. Accordingly, these have been classified as 'financial assets at fair value through profit or loss'. Before the application of IFRS 9, these investments were classified as 'available for sale financial assets' under IAS 39. The details are as follows:

Investments in asset management account

Cost of investment	126,683,091	141,388,559
Changes in fair value	(19,571,604)	(15,462,049)
	107,111,487	125,926,510
	448,743,765	451,033,523

24.3 Changes in fair value

2019				
Note	Listed equity securities	Mutual fund	Asset management account	Total
As at beginning of the year	15,898,634	(2,531,405)	(15,462,049)	(2,094,820)
Accumulated impairment reclassified	(20,174,799)	-	-	(20,174,799)
Changes for the year				
- recognized in OCI	(63,318,611)	(3,668,813)	-	(66,987,424)
- recognized in profit or loss	31	-	(4,109,555)	(4,109,555)
As at end of the year	(67,594,776)	(6,200,218)	(19,571,604)	(93,366,598)
2018				
	Listed equity securities	Mutual fund	Asset management account	Total
As at beginning of the year	(1,127,605)	(4,096,219)	(7,134,291)	(12,358,115)
Reclassified to profit or loss	-	-	351,791	351,791
Changes for the year				
- recognized in OCI	17,026,239	1,564,814	(8,679,549)	9,911,504
- recognized in profit or loss	31	-	-	-
As at end of the year	15,898,634	(2,531,405)	(15,462,049)	(2,094,820)

	Note	2019 Rupees	2018 Rupees
25 ADVANCE INCOME TAX			
Advance income tax/income tax refundable		152,095,042	101,949,715
Provision for taxation	34	-	-
		152,095,042	101,949,715
26 BANK BALANCES			
Current accounts -local currency		27,109,838	16,649,232
Deposit/saving accounts -local currency	26.1	100,067,808	-
Current accounts -foreign currency		1,364,654	303,777
		128,542,300	16,953,009

26.1 This represents term deposit account with a banking company and carries return at 8.25% per annum. The term deposit expires/matures on July 04, 2019.

27 SALES - NET

	Note	2019				
		Yarn Rupees	Fabric Rupees	Raw cotton, polyester etc. Rupees	Waste Rupees	Total Rupees
Local		4,927,958,905	-	132,048,352	185,029,443	5,245,036,700
Export	27.1	1,095,173,979	-	-	4,655,000	1,099,828,979
Gross sales		6,023,132,884	-	132,048,352	189,684,443	6,344,865,679
Export rebate		1,826,952	-	-	-	1,826,952
Sales tax		-	-	-	(50,812)	(50,812)
		6,024,959,836	-	132,048,352	189,633,631	6,346,641,819
		2018				
		Yarn Rupees	Fabric Rupees	Raw cotton, polyester etc. Rupees	Waste Rupees	Total Rupees
Local		4,138,112,111	-	99,943,432	182,607,965	4,420,663,508
Export	27.1	1,108,700,786	22,203,720	-	-	1,130,904,506
Gross sales		5,246,812,897	22,203,720	99,943,432	182,607,965	5,551,568,014
Export rebate		12,335,613	-	-	-	12,335,613
Sales tax		-	-	-	(784,979)	(784,979)
		5,259,148,510	22,203,720	99,943,432	181,822,986	5,563,118,648

27.1 Yarn export sales include indirect exports amounting to Rs. 71,891,750 (2018: Rs. 494,592,804).

27.2 Payments from customers against sale of goods is typically due at the end of credit period ranging from 30 days to 120 days.

27.3 Sales for the year include Rs. 1,955,435 million (2018: Rs. 6,992,124) against advances from customers at the beginning of the year.

	Note	2019 Rupees	2018 Rupees
28 COST OF SALES			
Raw material consumed	28.1	3,660,039,958	3,395,857,095
Stores, spares and loose tools consumed		168,633,476	173,706,240
Salaries, wages and benefits	28.2	353,385,160	397,065,065
Insurance		14,931,956	6,562,339
Power and fuel		558,296,099	510,604,501
Repair and maintenance		8,125,043	9,192,353
Depreciation	17.1.4	259,277,808	131,299,083
Others		16,820,735	7,395,653
Manufacturing cost		5,039,510,235	4,631,682,329
Work in process			
As at beginning of the year		58,649,452	46,147,798
As at end of the year		(50,421,233)	(58,649,452)
		8,228,219	(12,501,654)
Cost of goods manufactured		5,047,738,454	4,619,180,675
Finished goods			
As at beginning of the year		61,759,790	52,883,593
Purchased during the year		538,378,860	457,528,490
As at end of the year		(57,511,935)	(61,759,790)
		542,626,715	448,652,293
Cost of raw material sold	28.1	115,522,451	88,640,582
		5,705,887,620	5,156,473,550
28.1 Raw material consumed			
As at beginning of the year		1,700,658,723	751,263,154
Purchased during the year		3,477,358,333	4,433,893,246
Sold during the year		(115,522,451)	(88,640,582)
As at end of the year		(1,402,454,647)	(1,700,658,723)
		3,660,039,958	3,395,857,095
28.2	These include charge in respect of employees retirement benefits amounting to Rs. 16,404,955 (2018: Rs. 14,083,294).		
		2019 Rupees	2018 Rupees
29 DISTRIBUTION COST			
Export			
Ocean freight and forwarding		25,823,388	10,335,950
Commission		14,805,662	8,365,333
Export development surcharge		2,610,759	1,715,535
		43,239,809	20,416,818
Local			
Inland transportation		12,513,061	14,103,321
Commission		7,736,843	10,416,700
Others		87,865	332,306
		20,337,769	24,852,327
		63,577,578	45,269,145

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
30 ADMINISTRATIVE EXPENSES			
Directors' remuneration	44	10,340,317	8,264,646
Directors' meeting fee	44	445,000	420,000
Salaries and benefits	30.1	86,959,327	73,913,370
Rent, rates and taxes		924,710	832,200
Printing and stationery		1,161,234	1,027,437
Communication		2,089,573	1,942,995
Electricity		4,199,282	3,573,451
Repair and maintenance		103,097	359,470
Vehicles running and maintenance		7,836,777	5,176,131
Traveling and conveyance		9,301,218	7,763,780
Legal and professional		2,531,842	4,526,016
Auditor's remuneration	30.2	1,144,000	776,500
Fee and subscription		3,415,795	5,200,883
Entertainment		337,910	517,776
Insurance		3,928,462	6,826,899
Depreciation	17.1.4	6,891,362	6,978,003
Amortization of intangible assets	17.3	1,239,997	1,239,997
Others		964,779	669,602
		143,814,682	130,009,156

30.1 These include charge in respect of employees retirement benefits amounting to Rs. 16,086,953 (2018: Rs. 12,552,137).

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
30.2 Auditor's remuneration			
Annual statutory audit		945,000	577,500
Limited scope review		136,500	136,500
Review report on corporate governance		52,500	52,500
Out of pocket expenses		10,000	10,000
		1,144,000	776,500

31 OTHER EXPENSES

Loss on financial instruments

Impairment loss on available for sale financial assets		-	20,174,799
Impairment allowance for expected credit losses	22.2	924,104	-
Changes in fair value of financial assets at fair value through profit or loss	24.3	4,109,555	-
Loss on disposal of investments		19,332,673	1,362,945
		24,366,332	21,537,744

Other expenses

Loss on disposal of property, plant and equipment	17.1.3	5,715,779	2,677,708
Workers' Profit Participation Fund	12.2	8,886,740	8,046,840
Donations		300,000	1,765,000
		14,902,519	12,489,548
		39,268,851	34,027,292

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
32 OTHER INCOME			
Gain on financial instruments			
Foreign exchange gain		20,242,105	1,946,969
Profit on long term investment	19	921,506	-
Return on bank deposits		67,808	-
Dividend income	32.1	35,657,574	30,120,973
		56,888,993	32,067,942
Other income			
Scrap sale		1,073,090	1,060,000
Liability written back	12.3.1	-	16,704,510
		1,073,090	17,764,510
		57,962,083	49,832,452

32.1 Dividend income

Dividends recognised during the year ended June 30, 2019 comprise:

- dividend on investments derecognised during the year	188,800
- dividend on investments held at the end of the year	35,468,774
	35,657,574

The analysis of dividend income for the previous year has not been presented due to the transition approach adopted by the Company for IFRS 9 as referred to in note 3.

	<i>Note</i>	2019	2018
		<i>Rupees</i>	<i>Rupees</i>
33 FINANCE COST			
Interest/markup/profit on borrowings:			
long term finances		88,699,295	31,045,701
short term borrowings		188,460,043	78,675,473
		277,159,338	109,721,174
Interest on workers' profit participation fund	12.2	1,359,144	706,826
Bank charges and commission		6,047,775	4,735,617
		284,566,257	115,163,617

34 PROVISION FOR TAXATION

Current taxation			
for current year	34.1	-	-
for prior years		-	109,722
		-	109,722
Deferred taxation			
attributable to origination and reversal of temporary differences		(37,279,605)	3,088,757
attributable to changes in tax rates		-	(1,704,735)
	11.1	(37,279,605)	1,384,022
		(37,279,605)	1,493,744

- 34.1** No provision for current tax has been made due to utilization of available unused tax losses and tax credits. The benefit from previously unused tax losses and tax credits of prior periods used to reduce current tax expense amounting to Rs. 124.3 million and Rs. 63.91 million respectively.
- 34.2** No reconciliation between applicable tax rate and the average effective tax rate has been presented as the provision for current tax for the year is nil.
- 34.3** The income tax assessments of the Company up to and including tax year 2018 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance except as explained in note 34.4 and 34.5.
- 34.4** The Company's case was selected for audit by the Additional Commissioner Inland Revenue ['ACIR'] for tax year 2003 in terms of section 177 of the Ordinance in May 2004. On conclusion of audit proceedings, ACIR through order passed under section 122(1) of the Ordinance in September 2008, raised a tax demand of Rs. 8,458,874. The Company filed an appeal before Commissioner Inland Revenue (Appeals) ['CIR (A)'] against this order in November 2008 and the CIR (A), through order in June 2009, dismissed certain disallowances / additions made by the ACIR and upheld some of them against which the Company filed an appeal before Appellate Tribunal Inland Revenue ['ATIR'] in August 2009. Moreover, ACIR also went into cross appeal against the CIR (A)'s order before the ATIR. Both appeals have been heard by the ATIR and judgment is awaited.
- 34.5** In respect of tax year 2006, the ACIR finalized proceedings under section 122(5A) of the Ordinance through order dated June 30, 2012, wherein a demand of Rs. 4.855 million was raised against the Company on the grounds that minimum tax under section 113 of the Ordinance is to be levied in addition to tax under final tax regime. The Company appealed against the order before CIR(A) in September 2012 and applied for rectification on account of correction of charge of 'Workers' Welfare Fund' and 'brought forward losses' under section 221 of the Ordinance. The CIR(A), through order dated February 22, 2013, decided the above mentioned appeal by upholding the levy of minimum tax. The Company has filed an appeal with the ATIR in April 2013 which is yet to be fixed for hearing. The rectification application has, however, not yet been taken up for disposal.

	<i>Unit</i>	2019	2018
35 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit attributable to ordinary shareholders	<i>Rupees</i>	204,768,519	130,514,596
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	10,950,000	10,950,000
Earnings per share -basic and diluted	<i>Rupees</i>	18.70	11.92

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

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
36 CASH GENERATED FROM/(USED IN) OPERATIONS		
Profit before taxation	167,488,914	132,008,340
Adjustments for non-cash and other items		
Finance cost	284,566,257	115,163,617
Profit on long term investment	(921,506)	-
Loss on disposal of property, plant and equipment	5,715,779	2,677,708
Foreign exchange gain	(20,242,105)	(1,946,969)
Dividend income	(35,657,574)	(30,120,973)
Liability written back	-	(16,704,510)
Impairment allowance for expected credit losses	924,104	-
Loss on disposal of investments	19,332,673	1,362,945
Impairment loss on available for sale financial assets	4,109,555	20,174,799
Provision for employees retirement benefits	32,491,908	26,635,431
Depreciation	266,169,170	138,277,086
Amortization	1,239,997	1,239,997
	557,728,258	256,759,131
	725,217,172	388,767,471
Changes in working capital		
Stores, spares and loose tools	18,613,114	(27,395,054)
Stock in trade	310,680,150	(970,773,420)
Trade receivables	209,449,025	(338,101,870)
Advances, prepayments and other receivables	109,500,843	(146,467,897)
Trade and other payables	71,763,403	130,415,522
	720,006,535	(1,352,322,719)
Cash generated from/(used in) operations	1,445,223,707	(963,555,248)
37 CASH AND CASH EQUIVALENTS		
Bank balances	128,542,300	16,953,009
	128,542,300	16,953,009

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company. The details of Company's related parties, with whom the Company had transactions during the year or has balances outstanding as at the reporting date are as follows:

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Prosperity Weaving Mills Limited	Associated company	Common directorship	N/A
Nagina Cotton Mills Limited	Associated company	Common directorship	N/A
Haroon Omer (Private) Limited	Associated company	Common directorship	6.07%
Monell (Private) Limited	Associated company	Common directorship	6.07%
Icaro (Private) Limited	Associated company	Common directorship	6.07%
ARH (Private) Limited	Associated company	Common directorship	5.74%
Ellahi International (Private) Limited	Associated company	Common directorship	0.38%
Shafqat Ellahi Shaikh	Key management personnel	Chief executive officer	2.60%
Syed Moaz Mohiuddin	Key management personnel	Director	0.005%
Jamal Nasim	Key management personnel	Director	0.01%
Shahzada Ellahi Shaikh	Key management personnel	Director	2.22%
Shaukat Ellahi Shaikh		Director	3.39%

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Amin Ellahi Shaikh	Key management personnel	Director	12.79%
Raza Ellahi Shaikh	Key management personnel	Director	12.79%
Humera Shahzada Ellahi Sheikh	Close family member of Director	Spouse of Director	0.01%
Mona Shaukat Shaikh	Close family member of Director	Spouse of Director	0.01%
Shaista Shafqat	Close family member of Director	Spouse of Director	0.01%
Haroon Shahzada Ellahi Shaikh	Close family member of Director	Son of Director	6.39%
Omer Ellahi Shaikh	Close family member of Director	Son of Director	6.39%

Transactions with key management personnel are limited to payment of short term employee benefits and dividend on ordinary shares. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an orderly transaction between market participants at the date of transaction.

There are no balances outstanding with related parties as at the reporting date. Detail of transactions with related parties is as follows:

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>

38.1 Transactions with related parties

Nature of relationship	Nature of transactions		
Associated companies	Purchases	453,569,826	457,573,990
	Sales	1,578,761,745	781,109,572
	Rent paid	914,760	831,600
	Doubling and rewinding charges	313,500	-
	Dividend paid	15,980,766	9,322,114
Key management personnel	Short term employee benefits	10,785,317	8,684,646
	Dividend paid to directors and their family members	30,630,744	17,867,934

39 FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by class and category are as follows:

	Note	2019 Rupees	2018 Rupees
39.1 Financial assets			
<i>Financial assets at amortized cost</i>			
Long term deposits	18	7,090,700	7,090,700
Long term investment	19	109,421,506	-
Trade receivables	22	547,519,263	738,488,296
Advances to employees	23	752,300	555,404
Bank balances	26	128,542,300	16,953,009
		793,326,069	763,087,409
<i>Financial assets designated as fair value through OCI</i>			
Investments in listed equity securities	24.1.1	331,884,360	-
Investment in mutual funds	24.1.2	9,747,918	-
<i>Financial assets mandatorily measured at fair value through profit or loss</i>			
Investment in asset management account	24.2	107,111,487	-
<i>Available for sale financial assets</i>			
Investments	24	-	451,033,523
		1,242,069,834	1,214,120,932
39.2 Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Long term finances	9	1,915,437,168	1,901,468,741
Short term borrowings	14	1,441,742,636	2,227,456,568
Accrued interest/markup/profit	13	41,487,122	51,481,017
Trade creditors	12	47,175,027	46,165,450
Accrued liabilities	12	303,456,648	241,195,445
Unclaimed dividend		5,505,184	4,908,619
		3,754,803,785	4,472,675,840

40 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the Company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

40.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

40.1.1 Credit risk management practices

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and limiting significant exposure to any single counterparty. The Company only transacts with counterparties that have reasonably high external credit ratings. Where an external rating is not available, the Company uses an internal credit risk grading mechanism. Particularly for customers, a dedicated team responsible for the determination of credit limits uses a credit scoring system to assess the potential as well as existing customers' credit quality and assigns or updates credit limits accordingly. The ageing profile of trade receivables and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

The Company reviews the recoverable amount of each financial asset on an individual basis at each reporting date to ensure that adequate loss allowance is made in accordance with the assessment of credit risk for each financial asset.

The Company considers a financial asset to have low credit risk when the asset has reasonably high external credit rating or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has no past due amounts or otherwise there is no significant increase in credit risk if the amounts are past due in the normal course of business based on history with the counter-party.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date with the risk of a default occurring on the financial asset at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. This is usually the case with various customers of the Company where the Company has long standing business relationship with these customers and any amounts that are past due by more than 30 days in the normal course of business are considered 'performing' based on history with the customers. Therefore despite the foregoing, the Company considers some past due trade receivables to have low credit risk where the customer has a good history of meeting its contractual cash flow obligations and is expected to maintain the same in future.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk.

The Company considers 'default' to have occurred when the financial asset is credit-impaired. A financial asset is considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

The Company writes off a financial asset when there is information indicating that the counter-party is in severe financial condition and there is no realistic prospect of recovery.

The Company's credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has low credit risk	Trade receivables: Lifetime ECL Other assets: Twelve month ECL
Doubtful	Credit risk has increased significantly since initial recognition	Lifetime ECL
In default	There is evidence indicating the assets is credit-impaired	Lifetime ECL
Write-off	There is no realistic prospect of recovery	Amount is written-off

40.1.2 Exposure to credit risk

Credit risk principally arises from debt instruments held by the Company as at the reporting date. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	2019 Rupees	2018 Rupees
Financial assets at amortized cost			
Long term deposits	18	7,090,700	7,090,700
Long term investment	19	109,421,506	-
Trade receivables	22	548,443,367	738,488,296
Advances to employees	23	752,300	555,404
Bank balances	26	128,542,300	16,953,009
		794,250,173	763,087,409

40.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to internal credit risk grading. The credit quality of the Company's financial assets exposed to credit risk is as follows:

	<i>Note</i>	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount	Loss allowance
Long term deposits	18	N/A	Performing	12-month ECL	7,090,700	-
Long term investment	19	N/A	Performing	12-month ECL	109,421,506	-
Trade receivables	22	N/A	Performing	Lifetime ECL	548,443,367	924,104
Advances to employees	23	N/A	Performing	Lifetime ECL	752,300	-
Bank balances	26	A1 - A1+	N/A	12-month ECL	128,542,300	-
					794,250,173	924,104

(a) Long term deposits

Long term deposits comprise security deposits placed with various utility companies and regulatory authorities. These deposits are substantially perpetual in nature. Therefore, no credit risk has been associated with these financial assets and accordingly no loss allowance has been made.

(b) Long term investments

These represent investments in sales tax refund bonds issued by the Government of Pakistan through FBR Refund Settlement Company (Private) Limited. The Securities and Exchange Commission of Pakistan vide its notification SRO 985(I)/2019 has allowed exemption from recognizing impairment based on expected credit losses on financial assets due from the Government of Pakistan. Accordingly, no loss allowance has been made.

(c) Trade receivables

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade receivables by using internal credit risk gradings. As at the reporting date, all trade receivables are considered 'performing' including those past due amounting to Rs. 190 million as there is no significant increase in credit risk in respect of these receivables since initial recognition. The ageing analysis of trade receivables as at the reporting date is as follows:

<i>Note</i>	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
Neither past due nor impaired	357,760,641	582,713,170
Past due by upto 30 days	157,726,465	137,258,089
Past due by 31 days to 180 days	26,404,336	9,948,645
Past due by 180 days or more	6,551,925	8,568,392
	548,443,367	738,488,296

(d) Advances to employees

Advances to employees have been given against future salaries and post-employment benefits. Accordingly, these are considered to have no credit risk.

(e) Bank balances

The bankers of the Company have reasonably high credit ratings as determined by various independent credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect any credit loss.

40.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade receivables. The Company's three (2018: nil) significant customers account for Rs. 261.788 million (2018: Rs. nil) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2018: 10%) of trade receivables as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

40.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade receivables amounting to Rs. 237.75 million (2018: Rs. 412.89 million), which are partially secured through letters of credit and advances to employees which are secured against future salaries and post-employment benefits.

40.1.6 Changes in impairment allowance for expected credit losses

The changes in impairment allowance for expected credit losses have been presented in note 22.2.

40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

40.2.1 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies.

40.2.2 Exposure to liquidity risk

The following presents the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The analysis have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay and includes both interest/markup/profit and principal cash flows. To the extent that interest/markup/profit flows are floating rate, the undiscounted amount is derived from interest/markup/profit rate curves at the reporting date.

	2019				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	1,915,437,168	2,164,033,237	272,411,688	598,497,045	1,293,124,504
Short term borrowings	1,441,742,636	1,446,835,430	1,446,835,430	-	-
Accrued interest/markup/profit	41,487,122	41,487,122	41,487,122	-	-
Trade creditors	47,175,027	47,175,027	47,175,027	-	-
Accrued liabilities	303,456,648	303,456,648	303,456,648	-	-
Unclaimed dividend	5,505,184	5,505,184	5,505,184	-	-
	3,754,803,785	4,008,492,648	2,116,871,099	598,497,045	1,293,124,504
	2018				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	1,901,468,741	2,544,042,053	233,793,086	664,699,875	1,645,549,092
Short term borrowings	2,227,456,568	2,232,493,828	2,232,493,828	-	-
Accrued interest/markup/profit	51,481,017	51,481,017	51,481,017	-	-
Trade creditors	46,165,450	46,165,450	46,165,450	-	-
Accrued liabilities	241,195,445	241,195,445	241,195,445	-	-
Unclaimed dividend	4,908,619	4,908,619	4,908,619	-	-
	4,472,675,840	5,120,286,412	2,810,037,445	664,699,875	1,645,549,092

40.3 Market risk**40.3.1 Currency risk**

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from transactions and resulting balances that are denominated in a currency other than functional currency.

(a) Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

(b) Exposure to currency risk

The Company's exposure to currency risk as at the reporting date is as follows:

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
Financial assets		
Trade receivables		
USD	237,748,304	412,890,622
Bank balances		
USD	1,364,654	303,777
	239,112,958	413,194,399
Financial liabilities	-	-
Net balance sheet exposure	239,112,958	413,194,399
Foreign currency commitments		
CHF	(25,751,579)	-
CNY	(77,352,588)	-
EUR	(2,857,919)	-
JPY	(3,563,515)	-
USD	(72,961,831)	(77,465,158)
	(182,487,432)	(77,465,158)
Net exposure	56,625,526	335,729,241

(c) Exchange rates applied as at the reporting date

The following spot exchange rates were applied as at the reporting date.

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
CNY	23.3140	-
CHF	164.3162	-
JPY	1.4869	-
Euro	182.3234	-
USD	160.0521	121.6000

(d) Sensitivity analysis

A five percent appreciation in Pak Rupee against foreign currencies would have decreased profit for the year and equity as at the reporting date by Rs. 11.96 million (2018: Rs. 20.66 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year and equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

40.3.2 Interest rate risk

Interest rate risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

(a) Interest rate risk management

The Company manages interest rate risk by analysing its interest rate exposure on a dynamic basis. Cash flow interest rate risk is managed by simulating various scenarios taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company calculates impact on profit after taxation and equity of defined interest rate shift, mostly 100 basis points.

(b) Interest/markup/profit bearing financial instruments

The effective interest/markup/profit rates for interest/markup/profit bearing financial instruments are mentioned in relevant notes to the financial statements. The Company's interest/markup/profit bearing financial instruments as at the reporting date are as follows:

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>
Fixed rate instruments		
Financial assets	209,489,314	-
Financial liabilities	1,697,156,445	443,613,096
Variable rate instruments		
Financial assets	-	-
Financial liabilities	1,645,963,364	3,622,604,753

(c) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for its fixed rate instruments at fair value

(d) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year and equity as at the reporting date by Rs. 16.46 million (2018: Rs. 36.23 million). A decrease of 100 basis points would have had an equal but opposite effect on profit and equity. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

40.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of 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. The Company is exposed to price risk in respect of its investments.

(a) Equity price risk management

The Company manages equity price risk by investing a diversified portfolio of securities to reduce the risk of loss from volatility in equity price of an individual security.

(b) Sensitivity analysis

A one percent appreciation in prices of equity securities and mutual fund units as at reporting date would have increased equity as at the reporting date by Rs 3.42 million (2018: 4.51 million) and profit for the year by Rs. 1.07 million (2018: nil). A one percent diminution in prices of equity securities and mutual fund units as at the reporting date would have had equal but opposite effect on equity and profit for the year. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

41 CAPITAL MANAGEMENT

The Company'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 and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances including current maturity. Total capital employed includes total equity as shown in the statement of financial position plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	<i>Unit</i>	2019	2018
Total debt	<i>Rupees</i>	1,915,437,168	1,901,468,741
Total equity	<i>Rupees</i>	1,634,433,502	1,549,270,381
Total capital employed		3,549,870,670	3,450,739,122
Gearing	<i>% age</i>	53.96	55.10

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

42 FAIR VALUE MEASUREMENTS

42.1 Financial Instruments

42.1.1 Financial instruments measured at fair value

The Company measures some of its financial assets at fair value at the end of each reporting period. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements and has the following levels.

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

The fair value hierarchy of assets measured at fair value and the information about how the fair values of these financial instruments are determined are as follows:

a) Recurring fair value measurements

Nature of asset	Hierarchy	Valuation techniques/Key inputs	2019	2018
			<i>Rupees</i>	<i>Rupees</i>
Investments				
Investments in equity securities	Level 1	Quoted prices in an active market	331,884,360	311,922,188
Investments in mutual funds	Level 1	Quoted prices in an active market	9,747,918	13,184,825
Investments in asset management account	Level 1	Quoted prices in an active market	107,111,487	125,926,510

b) Non-recurring fair value measurements

There are no non-recurring fair value measurements as at the reporting date.

42.1.2 Financial instruments not measured at fair value

The management considers the carrying amount of all financial instruments not measured at fair value to approximate their carrying values.

42.2 Assets and liabilities other than financial instruments.

None of the assets and liabilities other than financial instruments are measured at fair value.

	2019	2018
	<i>Rupees</i>	<i>Rupees</i>

43 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY**Mortgages and charges**

Charge over current assets	8,556,095,898	3,193,000,000
Charge over fixed assets	2,895,000,000	2,895,000,000

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

	2019		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	5,600,000	-	25,724,628
Allowances and perquisites	4,740,317	-	12,862,332
Meeting fee	-	445,000	-
Post employment benefits	-	-	8,655,735
	10,340,317	445,000	47,242,695
Number of persons	1	2	16

	2018		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	4,576,800	-	16,342,500
Allowances and perquisites	3,687,846	-	8,167,388
Meeting fee	-	420,000	-
Post employment benefits	-	-	5,498,208
	8,264,646	420,000	30,008,096
Number of persons	1	2	10

44.1 Remuneration, allowances and meeting fee include Rs. 445,000 (2018: Rs. 420,000) paid to non-executive directors of the Company.

44.2 Chief Executive, Directors and Executives are provided with free use of company maintained vehicles.

45 NON-CASH INVESTING ACTIVITIES

During the year, sales tax refundable amounting to Rs. 108.5 million was converted into investment in sales tax refund bonds as referred to in note 19.

46 NON-CASH FINANCING ACTIVITIES

During the year, term finances amounting to Rs. 1,289.39 million were converted into long term financing facilities as referred to in note 9.4 and 9.7.

47 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on September 26, 2019 has proposed dividend on ordinary shares at Rs. 6 per ordinary share of Rs. 10 each. The proposed dividend is subject to approval of the Company's shareholders in the forthcoming annual general meeting and thus has not been included as a liability in the financial statements.

	2019	2018
	No of shares	No of shares
48 SHARES IN THE COMPANY HELD BY ASSOCIATED COMPANIES		
Ordinary shares in the Company held by associated companies are as follows:		
Haroon Omer (Private) Limited	664,572	664,572
Monell (Private) Limited	664,572	664,572
Icaro (Private) Limited	664,572	664,572
ARH (Private) Limited	628,400	628,400
Ellahi International (Private) Limited	41,345	41,345
	2,663,461	2,663,461

49 SEGMENT INFORMATION

- 49.1** The Company is a single operating segment.
- 49.2** All non-current assets of the Company are situated in Pakistan.
- 49.3** All sales of the Company have originated from Pakistan.
- 49.4** Sales include Rs. 1,567.88 million and Rs. 658.56 million (2018: Rs. 781 million) of revenue derived from sales to two (2018: one) customers. There is no other single significant external customer to whom sales in excess of 10% of the Company's total sales were made during the year.

50 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2019	2018
Number of spindles installed	No.	61,968	61,968
Plant capacity on the basis of utilization converted into 30s count	Kgs	14,812,614	13,080,875
Actual production converted into 30s count	Kgs	13,592,007	12,046,996

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to pattern of production adopted in a particular year.

51 NUMBER OF EMPLOYEES

	2019	2018
Total number of employees	1,000	930
Average number of employees	958	919

52 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

53 GENERAL

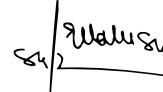
- 53.1** Figures have been rounded off to the nearest rupee.
- 53.2** Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.



Shahzada Ellahi Shaikh
Chairman



Muhammad Ahmad
Chief Financial Officer



Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 26, 2019

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FORM OF PROXY

The Secretary,
ELLCOT SPINNING MILLS LTD.
 Nagina House,
 91-B-1, M.M. Alam Road,
 Gulberg-III,
 Lahore-54660.

I/We _____ of _____
 being member(s) of **ELLCOT SPINNING MILLS LTD.**, and holder of _____
 Ordinary Shares as per Share Register Folio No. _____ (In case of Central Depository
 System Account Holder A/c No. _____ Participant I.D. No. _____ -
 _____) hereby appoint _____ of
 _____ who is member of the company as per Register Folio No. -
 _____ (In case of Central Depository System Account Holder A/c No.
 _____ Participant I.D. No. _____) or failing him/her
 _____ of _____ who is
 member of the Company as per Register Folio No. _____ (In case of Central
 Depository System Account Holder A/c No. _____ Participant I.D. No.
 _____) as my/our proxy to vote for me/us and on my/our behalf at the 31st Annual
 General Meeting of the Company to be held on October 25, 2019 and at any adjournment thereof.

Affix
 Rs. 5/=
 Revenue
 Stamp

(Signature should agree with the
 Specimen signature registered
 with the Company)

Signed at _____ this the _____ day of _____ 2019

NOTES:

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.
2. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card with the proxy form.
3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original Computerized National Identity Card with copy thereof duly attested by their Bankers, Account number and Participant I.D number for identification purpose.
4. In case of corporate entity, certified copy of the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

پراکسی فارم (مختار نامہ)

سیکرٹری

ایلیکٹ سپننگ ملز لمیٹڈ

گنبد ہاؤس، 91-ایم ایم عالم روڈ

گلبرگ III، لاہور 54660

میں / ہم

ساکن

بحیثیت رکن ایلیکٹ سپننگ ملز لمیٹڈ اور حامل عام حصص بمطابق شیئر رجسٹر فلیو نمبر

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر پارٹیشن (شرکت) آئی ڈی نمبر)

بذریعہ ہذا

محترم / محترمہ ساکن

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فلیو نمبر

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر پارٹیشن (شرکت) آئی ڈی نمبر)

یا اسکی غیر موجودگی میں محترم / محترمہ ساکن

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فلیو نمبر

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر پارٹیشن (شرکت) آئی ڈی نمبر)

مورخہ 25 اکتوبر 2019ء کو منعقد ہونے والے کمپنی کے 31 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار

(پراکسی) مقرر کرتا ہوں / کرتے ہیں۔

دستخط آج بروز بتاریخ 2019ء

5 روپے کارسیدی ٹکٹ

چسپاں کریں

دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے

مطابق ہونے چاہئیں

نوٹ:

- 1- اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور سیکرٹری کو اس طور ارسال کر دے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہئے۔
- 2- سی ڈی سی کے ذریعے حصص یافتگان پراکسیز تقرر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹر انز ڈیٹا کوئی شناختی کارڈ کی مصدقہ کاپی منسلک کریں۔
- 3- سی ڈی سی کے ذریعے حصص یافتگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہوں سے التماس ہے کہ شناخت کے مقصد کے لئے اصل کمپیوٹر انز ڈیٹا کوئی شناختی کارڈ بمعہ اپنے بینکرز سے اسکی مصدقہ کاپی، اکاؤنٹ نمبر اور پارٹیشن آئی ڈی نمبر ہمراہ لائیں۔
- 4- کارپوریٹ انٹیلی کی صورت میں، بورڈ آف ڈائریکٹر کی قرارداد / مختار نامہ کی مصدقہ کاپی مع نمونہ دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختار نامہ) کے ہمراہ کمپنی میں جمع کرانا ہو گا۔

Ellicot Spinning Mills Limited

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Gulberg-III Lahore-54660

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