BDO

ELAHI COTTON MILLS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

COMPANY'S INFORMATION

BOARD OF DIRECTORS

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

CHAIRMAN

MAHBOOB ELAHI

CHIEF EXECUTIVE

MAHFOOZ ELAHI

AUDIT COMMITTEE

FARRUKH AHMED
MAHBOOB ELAHI
AHMED SHAFFI

HRR COMMITTEE

MAHMOOD ELAHI
M. AZEEM AFZAL HASHMI
FARRUKH AHMED

CHIEF FINANCIAL OFFICER

MUHAMMAD IMTIAZ

COMPANY SECRETARY

SALEEM AHMED

AUDITORS

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

REGISTRAR OFFICE

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

LEGAL ADVISER

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

REGISTERED OFFICE

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

MILLS

JURIAN, MANDRA,
TEHSIL GUJAR KHAN,
DISTRICT RAWALPINDI.

WEBSITE

www.elahicotton.com

Vision

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

Mission Statement

It is the mission of the Company:

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

CHAIRMAN'S REVIEW REPORT:

The Board of Directors (the Board) of Elahi Cotton Mills Limited (ELCM) has performed their duties diligently in upholding the best interest of shareholders of the Company and has managed the affairs of the Company in an effective and efficient manner. The Board has exercised its powers and has performed its duties as stated in the Companies Act 2017 (previously Companies Ordinance 1984) and Listed Companies (Code of Corporate Governance) Regulations, 2019.

Further, the Board during the year ended June 30, 2022 played an effective role in managing the affairs of the Company and achieving its objectives in the following manner;

- The Board has ensured that there is adequate representation of Executives, non-executive and independent directors on the Board and its committees as required under the Code and that members of the Board and its respective committees has adequate skill, experience and knowledge to manage the affairs of the Company;

- The Board has developed and put in place a formal and effective mechanism for an annual evaluation of its own performance and that of its Committees and members of the Board. On the basis of the feedback received through this mechanism overall performance of the Board has been found to be Good and effective;

- The Board has formed an Audit and HRR Committees and has approved their respective terms of references and has assigned adequate resources so that the committees perform their responsibilities diligently;

- The Board has ensured that three Directors of the Company are exempt from Directors Training Programe due to their qualification and experience and that the SECP has granted exemption to three Directors. One Director has taken certification under the Directors Training Program and the remaining shall obtain certification under the DTP program in due course of time;

- The Board has ensured that the meetings of the Board and its committee were held with the requisite quorum and that the minutes of all the meetings (including committees) are appropriately recorded and maintained;

- The Board has developed a code of conduct setting forth the professional standards and corporate values adhered through the Company and have developed significant policies for smooth functioning;

- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process;

- The Board has ensured that the adequate system of internal control is in place;

- The Board has prepared and approved the Director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;

- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings;

- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company.

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

Acknowledgement

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

(MAHBOOB ELAHI)
Chairman
September 26, 2022

ELAHI COTTON MILLS LIMITED

NOTICE OF 52ND
ANNUAL GENERAL MEETING

Notice is hereby given that 52nd Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 270-Sector I/9, Industrial Area, Islamabad on October 25, 2022 at 10.30 a.m. to transact the following business:-

1. To Confirm the minutes of the 51st Annual General Meeting.

2. To consider, approve and adopt the Chairman's Review Report, the Reports of Directors and Auditors together with Audited Financial Statements of the Company for the year ended June 30, 2022.

3. To appoint Auditors of the Company for the next financial year and to fix their remuneration. The Audit Committee and Board of Directors have recommended for reappointment of M/s. BDO Ebrahim & Co, Chartered Accountants, Islamabad as external auditors.

4. To transact any other ordinary business of the Company with the prior permission of the Chairman.

BY ORDER OF THE BOARD

Islamabad,
September 28, 2022.

(MAHFOOZ ELAHI)
Chief Executive

NOTES:

1. The Share Transfer Books of the Company will be closed from October 19, 2022 to October 25, 2022 (both days inclusive). Transfers received at the office of Share Registrar M/s. Corplink (Pvt) limited, Wings Arcade, 1-K Commercial, Model Town, Lahore: at the close of business on October 18, 2021 will be treated in time for attending the Annual General Meeting. The Company shall arrange all protective measures to the participant in this AGM.

2. A member entitled to attend and vote in the meeting is authorized to appoint any other member a proxy to attend, speak and vote for him or her.

3. Any individual Beneficial Owner of CDC, entitled to vote at this meeting must bring his/her original CNIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholders attested CNIC must be attached with the proxy form and shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or passport at the time of attending the meeting. Representatives of corporate members should bring the usual documents required for such purpose.

4. In order to valid, an instrument of proxy and the power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or Authority, must be reached at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

5. In compliance with SECP notification No. 634(I)/2014 dated July 10, 2014, the audited financial statements and reports of the Company for the year ended June 30, 2022 have been placed on the Company's website: *www.elahicotton.com.*for the information, download and review of shareholders.

6. Pursuant to SECP Circular No. 10 of 2014 dated May 21, 2014, if Company receives Consent Form from at least five members or any member holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video conference at least 10 days prior to the date of meeting, the Company shall arrange video conference facility in that city subject to availability of such facility in that city. To avail this facility please provide following information and submit to registered office of the Company:

   I/We _____ of _____ being a member of Elahi Cotton Mills Limited, holding _____ ordinary shares as per Register Folio/CDC Account No. _____ hereby opt for video conference facility at_____ Signature of Member(s)

7. In accordance with the provisions of Section 72 of the Companies Act, 2017 and subsequent directive received from the Securities & Exchange Commission of Pakistan on the subject, the Company hereby requests the physical shareholders to Convert their Physical Shares into Book-Entry Form through Investor Accounts Services of Central Depository Company or any Participant/TRE Certificate-holder of the Pakistan Stock Exchange Limited.

8. Members are requested to immediately inform the Company or our Share Registrar M/S. Corplink (Pvt) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore, of any change in their registered address and provide valid and legible photocopies of CNIC, if not provided earlier.

9. Number of Dividend amount pertain to various shareholders are lying outstanding/unclaimed. List of such shareholders is available at Company's website www.elahicottn.com. Such shareholders are requested to contact Share Registrar of the Company (at the above mentioned address) or Company Secretary, for any further detail for payment thereof.

ELAHI COTTON MILLS LIMITED

DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Company are pleased to present the 52nd Annual Report which includes the audited financial statements of the Company together with the auditors' report thereon for the year ended June 30, 2022.

Financial Results

The principal business activity of the Company is to manufacture and sale of Pure Polyester Yarn. During the year under review, the Company registered a turnover of Rs. 730.213 million as compared to Rs. 508.766 million in the preceding year showing increase of Rs. 221.447 million (43.53 %) whereas the cost of sales increased from Rs. 487.867 million to Rs. 702.809 million showing increase of Rs. 214.942 million (44.06%). The Company earned gross profit of Rs. 27.404 million as compared to gross profit of 20.898 million in the previous year. The increase in turnover as compared to previous year is due to increase in the prices of finished goods. The financial results of the Company for the year under review are as under:

	RUPEES IN MILLION
Sales	730.213
Cost of Sales	702.809
Gross Profit	27.404
Administrative expenses	11.206
Other operating expenses	3.006
Other income	0.526
Financial Charges	0.049
Profit before taxation	13.670
Provision for taxation	8.213
Profit after taxation	5.456
Earning per share (Rs.)	4.20

The Company earned profit before taxation of Rs13.670 million as compared to profit of Rs. 11.844 million in the last year and profit after taxation of Rs. 5.456 million as compared to profit of Rs. 5.314million. The increase in profitability is due to increase in the rates of finished goods. Due to excessive electric shutdown the Company has closed one shift throughout the year and hence could not utilized 100% capacity. During the year the Company could not make payment of current portion of loan from Directors of Rs. 62.699 million due to financial constraints.

The auditors have drawn attention to Note 1.2 in the financial statements that the Company's current liabilities exceeded its current assets by Rs. 30.724 million. The Company has accumulated loss of Rs. 45.816 million that exceeds the issued, subscribed and paid up capital by Rs. 32.816 million. These conditions indicate the existence of a material uncertainty that cast doubt about the Company's ability to continue as a going concern.

During the year under review, the Company earned profit before tax amounting to Rs. 13.670 million and net profit after taxation amounting to Rs. 5.456 million. Accumulated loss has been reduced from Rs. 52.048 million to Rs. 45.816 million. The current ratio of the Company has also improved as compared to previous year. The Management is making every effort to minimize the impact through improve efficiency and better marketing. The Sponsor Directors are continuously supporting in the form of funds as and when required by the Company. The Management has neither intention nor the necessity of liquidation or ceasing manufacturing operation in foreseeable future. So, with the successful efforts of the Management, the Company will continue as a going concern.

Dividend:

The Directors of the company do not recommend any cash dividend/bonus shares to the shareholders due to accumulated loss and outstanding debts.

Auditors:

The present Auditors M/S. BDO Ebrahim & Company, Chartered Accountants have retired and being eligible, offered themselves for re-appointment. The Board of Directors, on recommendations of the Audit Committee has proposed appointment of M/S. BDO Ebrahim & Company, Chartered Accountants as auditors of the Company for the year ending June 30, 2023.

Shareholders:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2022 is annexed herewith.

Future Prospects and Outlook:

The Management expects the coming year to be an uncertain and challenging one. The ongoing political instability and flood have adversely affected Pakistan's economy. This situation has further been compounded due to increasing trend in the prices of raw material, increase in electric tariff and increase in the rate of dollar as the prices of electricity are linked with the dollar rate. All this has resulted in slow down of economy and has put a dent on the textile sector.

Corporate Social Responsibility

We are also committed to Corporate Social Responsibilities (CSR) and integrating sound social practices in our day to day business activities. CSR is important part of who we are and how we operate. We measure our success not only in terms of financial criteria but also in building customer satisfaction and supporting the communities we serve.

Health Safety and Environment

The Management of the Company is aware of its responsibilities to provide safe and healthy working environment to our associates and give highest priority to it. Our safety culture is founded on the premise that all injuries are preventable if due care is taken. Continual efforts for provision of safe, healthy and comfortable working conditions for the employees are made. We follow up and investigate on all incidents and injuries to address their root causes. We believe that safety and health is a journey of continuous improvement and eternal diligence. We will continue to take steps to improve the safety and health of all of our associates. Our production facility does not discharge any harmful material.

Internal Financial Control

The Board has adopted effective policies and procedures for ensuring the orderly and efficient conduct of business, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and timely preparation of reliable financial statements. The internal audit department of the Company conducts audit regularly.

Composition of Board

The Board of Directors as at June 30, 2022 consists of:

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

(iii)	Executive Directors	2	Mahfooz Elahi, Mahmood Elahi
(iv)	Female Director	1	Samina Begum

Committees of the Board

The names of Members of Board Committees are as under:

Audit Committee:

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

Human Resources & Remuneration Committee:

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

Significant Features of Directors' Remuneration

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

Risks and Opportunities

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

Business Risks

The Company faces a number of following business risks:

Polyester Price Risk

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

Demand and Price

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

Energy Availability and Cost

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

Financial Risks

The Company faces the following financial risks:

Credit risk

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

Liquidity risk

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

Capital risk

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

Price Risk of Financial Instruments

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

Corporate Governance

The Directors are pleased to report that:

a) The Financial Statements prepared by the Management present its state of affairs fairly, the results of its operations, cash flows and changes in equity.

b) Proper Books of Accounts have been maintained.

c) Appropriate Accounting Policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of Financial Statements.

e) The system of Internal Control is sound in design and has been effectively implemented and monitored.

f) The Management has devised a plan to enable the Company to continue as a going concern.

g) There is no reported instance of any material departure from the best practices of Corporate Governance.

h) Significant deviation from last year in operating results of the Company and reasons thereof has been explained.

i) The key operating and financial data for the last six years is annexed.

j) There are no outstanding statutory payments on account of taxes, duties, levies and charges except as shown in notes to the accounts.

k) The Company is operating as un-funded Gratuity scheme which was not invested and was retained for business of the Company.

l) Nine meetings of the Board of Directors, five meetings of the Audit Committee and three meetings of the Human Resource & Remuneration Committee were held during the year. The attendance of each Director at the meetings is as under: -

Name of Director	Board	Audit Committee	HR&R Committee
Mr. Mahboob Elahi	9	5	N/A
Mr. Mahfooz Elahi	9	N/A	N/A
Mr. Mahmood Elahi	9	N/A	3
Mr. Farrukh Ahmed	8	5	3
Mr. Ahmed Shaffi	7	5	N/A
M. Azeem Afazl Hashmi	5	N/A	3
Mrs. Samina Begum	4	N/A	N/A

m) Three Directors of the Company are exempt from Directors Training Program due to their qualification and relevant experience and SECP has granted exemption to these Directors. One Board member has attained certification of Directors Training Program. The remaining directors shall obtain certification under the DTP program in due course of time.

n) The pattern of shareholding as required by the code along-with trading of shares by Directors, executives and their spouses has been included in this annual report.

ACKNOWLEDGEMENT:

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

ON BEHALF OF THE BOARD

(MAHFOOZ ELAHI)
Chief Executive

(MAHBOOB ELAHI)
Director

Islamabad.
September 26, 2022

الٰہی کاٹن ملز لمیٹڈ

ممبرز کو ڈائریکٹرز کی سالانہ رپورٹ

کمپنی کے ڈائریکٹرز بانویں سالانہ رپورٹ اور آڈٹ شدہ کمپنی کے حسابات بشمول آڈیٹر رپورٹ مختتمہ جون ۳۰، ۲۰۲۲ء پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالیاتی نتائج:۔

کمپنی کا بنیادی کام خالص پولیسٹر کا دھاگہ بنانا اور فروخت کرنا ہے۔ اس سال کے دوران کمپنی نے 730.213 ملین روپے کا کاروبار کیا جبکہ گزشتہ سال 508.766 ملین روپے تھا جو کہ 221.447 ملین روپے (43.53%) کا اضافہ ظاہر کر رہا ہے، فروخت کے اخراجات 487.867 ملین روپے سے بڑھ کر 702.809 ملین روپے ہو گئے جو کہ 214.942 ملین روپے (44.06%) کا اضافہ ظاہر کر رہے ہیں۔ کمپنی کا مجموعی منافع 27.404 ملین روپے رہا جبکہ گذشتہ سال اسی دورانیہ کا مجموعی منافع 20.898 ملین روپے تھا۔ اس سال کاروبار میں پچھلے سال کی نسبت اضافے کی وجہ تیار شدہ مال کی قیمتوں میں اضافہ ہے۔ کمپنی کے موجودہ سال کے مالیاتی نتائج مندرجہ ذیل ہیں:

	روپے (ملین)
فروخت	730.213
فروخت کے اخراجات	702.809
مجموعی منافع	27.404
کاروباری اخراجات	11.206
دیگر کاروباری اخراجات	3.006
دیگر آمدنی	0.526
مالیاتی اخراجات	0.049
قبل از ٹیکس منافع	13.670
ٹیکس کی پیش بینی	8.213
بعد از ٹیکس منافع	5.456
آمدنی فی حصص	4.20

کمپنی کو 13.670 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا جبکہ اسی دورانیہ میں گذشتہ سال 11.844 ملین روپے منافع ہوا اور ٹیکس کی ادائیگی کے بعد 5.314 ملین روپے منافع ہوا جبکہ گذشتہ برس 5.456 ملین روپے منافع تھا۔ کمپنی کے منافع اضافے کی وجہ تیار شدہ مال کی قیمتوں میں اضافہ ہے۔ مسلسل بجلی کے بحران کی وجہ سے کمپنی کو پورا سال ایک شفٹ بند رکھنا پڑی اور مل سو فیصد کارکردگی نہ دکھا سکی۔ اس سال کمپنی مالی مشکلات کی وجہ سے قرض کے موجودہ واجب الادا حصہ مبلغ 62.699 ملین روپے جو کہ ڈائریکٹرز کو ادا کرنا تھا، ادا نہ کر سکی۔

محاسب نے کمپنی کی مالیاتی رپورٹ میں نوٹ نمبر 1.2 کے متعلق کہا ہے کہ کمپنی کی موجودہ واجب الادا رقم اس کے موجودہ اثاثہ جات سے 30.724 ملین روپے سے تجاوز کر گئی ہیں۔ کمپنی کا کل خسارہ 45.816 ملین روپے ہے جو کہ اس کے جاری شدہ، ادا شدہ سرمایہ سے 32.816 ملین روپے زیادہ ہے۔ یہ حالات کمپنی کے جاری رہنے پر شکوک وشبہات کا اظہار کرتے ہیں۔

اس سال کے دوران کمپنی کو 13.670 ملین روپے ٹیکس کی ادائیگی سے پیشتر منافع ہوا اور ٹیکس کی ادائیگی کے بعد 5.456 ملین روپے منافع ہوا مجموعی خسارہ 52.048 ملین روپے سے کم ہو کر 45.816 ملین روپے ہوا ہے۔ کمپنی کا موجودہ تناسب گزشتہ سال کے مقابل بڑھا ہے۔ انتظامیہ پوری کوشش کر رہی ہے کہ وہ ان اثرات کو اپنی کارکردگی اور بہتر مارکیٹنگ سے کم از کم کرے۔ سپانسر ڈائریکٹرز کمپنی سے مسلسل مالی تعاون کر رہے ہیں مستقبل قریب میں انتظامیہ کا نہ تو ارادہ کمپنی کو ختم کرنے کا ہے اور نہ ہی پیداواری سرگرمیاں بند کرنے کا ہے لہٰذا وہ پر عزم ہیں کہ کمپنی انتظامیہ کی بھرپور کوشش سے جاری وساری رہے گی۔

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

محاسب:۔ موجودہ محاسب بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ اپنی مدت پوری کرنے کے بعد اگلے مالی سال کے لئے اپنی خدمات پیش کرتے ہیں۔ بورڈ ممبران نے آڈٹ کمیٹی کی سفارش پر موجودہ محاسب کو اگلے مالی سال مختتمہ جون ۳۰، ۲۰۲۳ میں برقرار رکھنے کی تجویز دی ہے۔

شیئر ہولڈنگ:۔ کھاتہ داروں کی فہرست بمطابق ۳۰ جون ۲۰۲۲ منسلک ہے

مستقبل پر ایک نظر:۔ انتظامیہ آنے والے سال میں مشکل اور غیر یقینی صورت حال دیکھ رہی ہے کیونکہ جاری شدہ سیاسی صورت حال اور سیلاب کی وجہ سے پاکستان کی معیشت پر منفی اثر پڑا ہے۔ یہ صورت حال مزید مشکل تر ہو رہی ہے کیونکہ خام مال کی قیمتوں میں اضافہ، الیکٹرک ٹیرف میں اضافہ اور بجلی کی قیمت میں اضافے کا رجحان ہے جو کہ ڈالر کے بڑھتے ہوئے ریٹ کے ساتھ منسلک ہے۔ اس سب کے نتیجے میں

معیشت کی رفتار میں کمی آئی ہے اور ٹیکسٹائل سیکٹر میں ایک خلا پیدا ہو گیا ہے۔

کارپوریٹ سماجی ذمہ داری (CSR):۔ کمپنی اپنی روزمرہ کی کاروباری سرگرمیوں میں مجموعی سماجی ذمہ داری کے ساتھ پرعزم ہے۔ (سی ایس آر) ایک اہم حصہ ہے جو ہم ہیں اور ہم کس طرح کام کرتے ہیں۔ ہم اپنی کامیابی کی پیمائش نہ صرف مالیاتی طریقہ کار بلکہ صحت وسلامتی اور ماحولیات کی خدمت کی صورت میں بھی کرتے ہیں۔

صحت و سلامتی اور ماحولیات:۔ کمپنی کی انتظامیہ اپنے ساتھیوں کو محفوظ اور صحت مند ماحول فراہم کرنے کے لیے اپنی ذمہ داریوں سے بخوبی آگاہ ہے اور اس کو ترجیح دیتے ہیں۔ ہماری حفاظتی ثقافت اس بنیاد پر قائم کی گئی ہے کہ اگر مکمل احتیاط کی جائے تو حادثات سے بچا جا سکتا ہے۔ ملازمین کے لئے کام کرنے کے محفوظ، صحت مند اور آرام دہ حالات کی فراہمی کے لیے مسلسل کوشاں ہے۔ ہم تمام واقعات اور حادثات کی تہہ تک پہنچنے کے لئے مکمل تحقیقات کرتے ہیں، ہم یقین رکھتے ہیں کہ صحت اور حفاظت مسلسل بہتری اور محنت کا سفر ہے۔ ہم اپنے تمام ساتھیوں کی صحت اور حفاظت کو بہتر بنانے کے لیے اقدامات جاری رکھیں گے۔ ہماری پیداواری سہولیات کسی قسم کا نقصان دہ مواد خارج نہیں کرتی۔

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

بورڈ کی ساخت :۔ ۳۰ جون ۲۰۲۲ تک بورڈ آف ڈائریکٹرز مندرجہ ذیل پر مشتمل ہے:

کل تعداد:		
مرد	۶	
خاتون	۱	
ساخت		
۱۔ آزاد ڈائریکٹر	۲	جناب احمد شفیع، جناب عظیم افضل ہاشمی
۲۔ دیگر غیر انتظامی ڈائریکٹران	۲	جناب محبوب الٰہی، جناب فرخ احمد
۳۔ انتظامی ڈائریکٹران	۲	جناب محفوظ الٰہی، جناب محمود الٰہی
۴۔ لیڈی ڈائریکٹر	۱	ثمینہ بیگم

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

آڈٹ کمیٹی:۔

۱۔ جناب محبوب الٰہی
۲۔ جناب فرخ احمد
۳۔ جناب احمد شفیع

انسانی وسائل اور معاوضہ کمیٹی:۔
(ایچ آر اینڈ آر)

۱۔ جناب محمود الٰہی
۲۔ جناب فرخ احمد
۳۔ جناب عظیم افضل ہاشمی

ڈائریکٹران معاوضہ کی اہم خصوصیات:۔ بورڈ ڈائریکٹران نے ایچ آر اینڈ آر کمیٹی کی جانب سے پیش کردہ انتظامی اور غیر انتظامی ڈائریکٹران کے لیے ایک باضابطہ پالیسی کی منظوری دی ہے۔ جیسا کہ پالیسی کے مطابق کمپنی اپنے آزاد اور غیر انتظامی ڈائریکٹران بورڈ اور کمیٹی کے اجلاس میں شرکت کی فیس کے علاوہ اور کوئی معاوضہ ادا نہیں کرے گی۔ انتظامی اور غیر انتظامی ڈائریکٹران کے مجموعی معاوضہ کی تفصیلات سالانہ رپورٹ کے ساتھ منسلک ہے۔

خطرات اور مواقع:۔ کمپنی معمول کے مطابق کاروبار میں خطرات کا مقابلہ کرتی ہے اور بہتر مواقع فراہم کرتی ہے۔ مسابقتی رہنے کے لئے اور پائیدار کامیابی کو یقینی بنانے کے لیے خطرات مول لینا بہت اہم ہے۔ ہمارا خطرے اور مواقع کا انتظام ایک مؤثر فریم ورک کا احاطہ کرتا ہے جس میں کاروبار کو بہتر ماحول میں منظم کیا جا سکتا ہے، خطرے کو کم کیا جا سکتا ہے اور بہتر مواقع حاصل ہوتے ہیں۔ کسی بھی انتخاب سے پہلے ہر خطرہ اور موقع کی مناسب طریقہ سے جانچ کی جاتی ہے۔ فیصلے صرف اس صورت میں لیے جاتے ہیں اگر مواقع خطرات سے زیادہ ہوں۔

کاروباری خطرات: کمپنی کو مندرجہ ذیل کاروباری خطرات کا سامنا ہے

پولیسٹر کی فراہمی اور قیمت: مقامی اور بین الاقوامی مارکیٹوں میں پولیسٹر کی قیمتوں میں اضافہ ایک خطرہ ہے۔ کمپنی رقم کی دستیابی کو دیکھتے ہوئے بڑی مقدار میں پولیسٹر خرید کر اس خطرے کو کم کرتی ہے۔

طلب اور قیمت: ہمیں مقامی مارکیٹ میں اپنی مصنوعات کی طلب میں کمی اور مقابلہ کے خطرے کا سامنا ہے۔ ہم معیار پر سمجھوتہ کیے بغیر صارفین کے ساتھ مضبوط تعلقات استوار کر کے، اپنے گاہکوں کی بنیاد کو وسعت دے کر، صارفین کو بروقت ترسیل فراہم کر کے اس خطرے کو کم کرتے ہیں۔

توانائی کی دستیابی اور اخراجات: توانائی کی بڑھتی ہوئی لاگت، بجلی کی عدم دستیابی مینوفیکچرنگ کی صنعت کے لئے ایک بڑا خطرہ ہے۔ بجلی کی بندش کی وجہ سے کمپنی نصب صلاحیت کو حاصل نہیں کر سکتی۔ جیسا کہ یہ کمپنی کے اختیار میں نہیں ہے اس لئے کمپنی اس خطرے کو کم نہیں کر سکتی۔

مالیاتی خطرات: کمپنی کو مندرجہ ذیل مالیاتی خطرات کا سامنا ہے،

کریڈٹ رسک: کمپنی کا کریڈٹ رسک اور اسکے تجارتی قرضوں سے متعلق نقصانات کا خطرہ اس کے ڈیفالٹ سے متعلق ہے۔ یہ خطرہ اس حقیقت سے کم کیا جاتا ہے کہ ہمارے صارفین کی اکثریت ایک

مضبوط مالی حیثیت رکھتے ہیں اور ہمارا اپنے گاہکوں کے ساتھ ایک طویل عرصے سے کاروباری تعلق ہے۔ ہمیں اپنے صارفین سے غیر کارکردگی کی توقع نہیں ہے، اس وجہ سے، کریڈٹ رسک کم سے کم ہے۔

لیکوڈیٹی رسک: سپانسر ڈائریکٹران سے فنڈز کی دستیابی کی وجہ سے عام اور مشکل حالات میں یہ خطرہ کم سے کم ہے۔

سرمایہ کا خطرہ: سرمایہ کے انتظام کے وقت ہمارا مقصد حصص یافتگان اور دیگر حصہ داران کو منافع مہیا کرنے کے لئے کمپنی کی کاروباری صلاحیت کی حفاظت کرنا ہوتا ہے۔

مالی آلات میں قیمت کا خطرہ: کمپنی کو قیمت کا کوئی خطرہ نہیں ہے کیونکہ کمپنی کے پاس ایسے کوئی مالی آلات نہیں ہیں جن کی قیمت یا مستقبل کا نقد بہاؤ مارکیٹ میں تبدیلی کی وجہ سے متاثر ہوں۔

کارپوریٹ گورننس: کمپنی کے ڈائریکٹر انتہائی مسرت کے ساتھ آپ کو آگاہ کرتے ہیں کہ:

۱۔ کمپنی کی انتظامیہ کی جانب سے تیار کی گئی مالی دستاویزات میں اس بات کو یقینی بنایا جاتا ہے کہ کمپنی کے معاملات، کاروباری افعال کے نتائج، ترسیل نقد رقوم اور حصص میں ردوبدل جیسے معاملات کو ان دستاویزات میں شفاف انداز سے پیش کیا جائے۔
۲۔ کمپنی میں حساب کتاب سے متعلق باقاعدہ کھاتے مرتب کئے جاتے ہیں۔
۳۔ مالی دستاویزات کی تیاری کے سلسلے میں اکاؤنٹنگ کی مناسب پالیسیوں کو مستقلاً اپنایا جاتا ہے اور اکاؤنٹنگ کے تمام تر تخمینے معقولیت کی بنیاد پر لگائے جاتے ہیں۔
۴۔ مالی دستاویزات کی تیاری کے سلسلے میں پاکستان میں قابل اطلاق بین الاقوامی فنانشل رپورٹنگ اسٹینڈرڈ کا لحاظ بھی رکھا گیا ہے۔
۵۔ اندرونی کنٹرول کا پروگرام ٹھوس ہے اور مؤثر طور پر عمل درآمد اور نگرانی کی جاتی ہے۔
۶۔ انتظامیہ نے کمپنی کو جاری وساری رکھنے کیلئے ایک مؤثر منصوبہ بندی کر رکھی ہے۔
۷۔ کارپوریٹ گورننس کے ضوابط کی پاسداری سے ایسی کوئی روگردانی نہیں کی گئی جو قابل ذکر ہو۔
۸۔ کمپنی کے گزشتہ سال کے آپریٹنگ نتائج میں معنی خیز تبدیلی اور ان کی وجوہات بیان کر دی گئی ہیں۔
۹۔ گزشتہ چھ سال کا مالیاتی گوشوارہ منسلک ہے۔
۱۰۔ اکاؤنٹس کے نوٹس میں درج کردہ ادائیگیوں کے علاوہ ٹیکس وغیرہ کی کوئی قانونی ادائیگیاں زیر التوا نہیں ہیں۔
۱۱۔ کمپنی ایک ان فنڈڈ گریجوئٹی سکیم چلا رہی ہے جسکی سرمایہ کاری نہیں کی گئی اور کمپنی کے کاروبار میں استعمال کے لئے رکھ دی گئی ہے۔
۱۲۔ اس سال بورڈ آف ڈائریکٹرز کے نو اجلاس، آڈٹ کمیٹی کے پانچ اجلاس اور ایچ آر کمیٹی کے تین اجلاس منعقد کئے گئے ہیں۔ ہر ڈائریکٹر کی حاضری اسطرح رہی:

نام ڈائریکٹر	بورڈ میٹنگ	آڈٹ کمیٹی میٹنگ	ایچ آر اینڈ آر میٹنگ
جناب محبوب الٰہی	۹	۵	-
جناب محفوظ الٰہی	۹	-	-
جناب محمود الٰہی	۹	-	۳
جناب فرخ احمد	۸	۵	۳
جناب احمد شفیع	۷	۵	-
جناب عظیم افضل ہاشمی	۵	-	۳
مسز ثمینہ بیگم	۴	-	-

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

۱۴۔ کوڈ آف کارپوریٹ گورننس کے مطابق حصص یا قلی کا انداز بشمول ڈائریکٹرز، ایگزیکٹوز اور ان کے اہل خانہ کے حصص کے لین دین کو اس سالانہ رپورٹ میں شامل کیا گیا ہے۔

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

بورڈ آف ڈائریکٹرز کی طرف سے

محفوظ الٰہی
(چیف ایگزیکٹو)

محبوب الٰہی
(ڈائریکٹر)

اسلام آباد
۲۶ ستمبر ۲۰۲۲

ELAHI COTTON MILLS LIMITED
STATAMENT OF COMPLIANCE WITH LISTED COMPANIES
(CODE OF CORPORATE GOVERNANCE)
FOR THE YEAR ENDED JUNE 30, 2022

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

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

a Male: 6 b Female: 1

2 The composition of board is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

a) Audit Committee;
- Ahmed Shaffi – Chairman

- Mahboob Elahi – Member
- Farrukh Ahmed – Member

b) Human Resource and Remuneration Committee;

- M. Azeem Afzal Hashmi– Chairman
- Mahmood Elahi – Member
- Farrukh Ahmed – Member

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

14 The frequency of meetings of the Committees were as per following:

a) Audit Committee

- 1st Quarter: 1meeting.
- 2nd Quarter: 1 meeting.
- 3rd Quarter: 1 meeting.
- 4th Quarter: 2 meetings.

b) Human Resource and Remuneration Committee

- 1st Quarter: -
- 2nd Quarter: -
- 3rd Quarter: 1 meeting
- 4th Quarter: 2 meetings.

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

16 The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18 We confirm that all other requirements of Regulations 3,6,7,8,27,32,33 and 36 of the Regulations have been complied with.

19 We confirm that the Company has complied with respect to all other material requirements of the Regulations.

ON BEHALF OF THE BOARD

(MAHFOOZ ELAHI)
Chief Executive

(MAHBOOB ELAHI)
Director

Islamabad.
September 26, 2022

ELAHI COTTON MILLS LIMITED

LAST SIX YEARS AT A GLANCE

PARTICULARS	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16
Paid up capital	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Reserve	--	--	--	--	--	--
Fixed asset (at cost less depreciation)	126,598,189	125,430,225	129,465,424	133,020,393	90,645,274	94,371,045
Accumulated depreciation	21,987,686	17,962,142	13,826,943	86,144,198	84,727,566	81,231,098
Long term investment	--	--	--	--	--	--
Current assets	46,552,121	51,271,174	38,053,231	33,872,243	27,278,616	25,171,495
Current Liabilities	86,178,863	96,112,077	93,949,275	92,055,774	94,260,651	92,618,996
Income						
Sales	508,765,674	436,156,028	503,030,973	395,284,245	320,825,272	283,618,449
Other Income	1,416,736	681,809	752,358	2,388,879	1,273,500	87,637
Gross profit / (loss)	20,898,271	20,832,990	13,890,493	11,626,378	2,335,957	4,541,755
Pre tax profit / (loss)	11,844,216	12,032,630	6,393,822	7,699,736	(1,987,532)	(2,212,191)
Taxation (prior year)	(577,480)	(21,943)	441,140	--	(92,305)	(135,400)
Taxation (current year)	7,634,450	6,547,226	6,196,233	3,760,566	(2,443,848)	1,949,945
Profit/(loss) after taxation	5,314,069	6,404,213	716,445	3,939,170	(4,339,074)	(4,026,736)
Un-appropriated profit/(loss)	(52,048,073)	(58,480,232)	(66,292,141)	(69,462,716)	(76,677,660)	(73,963,389)

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Tel: +92 51 260 4461-5
Fax: +92 51 260 4468
www.bdo.com.pk

3rd Floor,
Saeed Plaza,
22-East Blue Area,
Islamabad-44000,
Pakistan.

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of **Elahi Cotton Mills Limited** (the Company) for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

ISLAMABAD

Bdo ebrahim & Co.
BDO EBRAHIM & CO
CHARTERED ACCOUNTANTS
Engagement Partner: Iffat Hussain

DATED: 26 Sep 2022
UDIN: CR202210094hQkebHPm5

BDO

Tel: +92 51 260 4461-5
Fax: +92 51 260 4468
www.bdo.com.pk

3rd Floor,
Saeed Plaza,
22 East Blue Area,
Islamabad-44000,
Pakistan.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ELAHI COTTON MILLS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **ELAHI COTTON MILLS LIMITED** (the Company), which comprise the statement of financial position as at June 30, 2022, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2022 and of the profit and other comprehensive income, its changes in equity and the cash flows for the year then ended.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1.2 in the financial statements which indicates that as of June 30, 2022, the Company's current liabilities exceeded its current assets by Rs. 30.724 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 32.816 million as at June 30, 2022 and accumulated losses as of that date amounted to Rs. 45.816. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern. Our opinion is not modified in respect of its matter.

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.

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We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No	Key audit matters	How the matter was addressed in our audit
1.	**Control environment relating to the financial reporting process and related IT systems**	
	The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach. As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.	Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights. Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit or loss account and statement of financial position.
2.	**Revenue Recognition**	
	Refer Note 5.15 to the financial statement The Company focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the risks and rewards have been transferred, resulting in a significant risk associated with revenue from an audit procedure. Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.	Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in accordance with the applicable financial reporting framework. • Control testing over the point of transfer of risk and rewards was supported by substantive audit procedures including, amongst others: • Performing analytical tests on the revenue. • Testing a sample of sales transactions around year end to ensure inclusion in the correct Period • Testing of a sample of sales and trade receivables at year end by agreeing a sample of open invoices at year end to subsequent receipts from customers. • Assessing the adequacy of related disclosures in accordance with the applicable financial reporting framework.

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Information Other than the Financial Statements and Auditors Report Thereon

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

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evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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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) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

ISLAMABAD

DATED: 26 Sep 2022
UDIN: AR202210094cNDvCeUBQ

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BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

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ELAHI COTTON MILLS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	6	160,857,458	126,598,189
Long term security deposits		918,810	918,810
Loans and advances	7	3,973,000	2,758,500
		165,749,268	130,275,499
CURRENT ASSETS			
Stores, spares and loose tools	8	2,913,511	2,018,079
Stock in trade	9	17,896,451	25,683,867
Trade debts	10	16,786,772	2,433,822
Loans and advances	11	11,970,660	301,923
Short term prepayments		327,732	333,665
Tax refunds due from government	12	-	1,210,841
Taxation - net	13	145,138	84,409
Cash and bank balances	14	8,369,818	14,485,515
		58,410,082	46,552,121
TOTAL ASSETS		224,159,350	176,827,620
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	15	13,000,000	13,000,000
Revaluation surplus on property, plant and equipment	16	137,171,418	104,345,432
Accumulated loss		(45,816,232)	(52,048,073)
		104,355,186	65,297,359
NON-CURRENT LIABILITIES			
Staff Retirement Benefits - Gratuity	17	19,025,428	16,344,032
Deferred Taxation	18	11,644,515	9,007,366
Long term loan from directors	19	-	-
		30,669,943	25,351,398
CURRENT LIABILITIES			
Current portion of long term loan from directors	19	62,699,546	62,954,546
Due to associated undertaking	20	-	-
Short term loan from directors	21	9,100,000	9,100,000
Trade and other payables	22	17,067,004	13,856,646
Dividend payable / Unclaimed	23	267,671	267,671
		89,134,221	86,178,863
TOTAL EQUITY AND LIABILITIES		224,159,350	176,827,620
CONTINGENCIES AND COMMITMENTS	24	-	-

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Sales - net	25	730,212,562	508,765,674
Cost of sales	26	702,808,532	487,867,403
Gross profit		27,404,030	20,898,271
Administrative expenses	27	11,206,029	8,496,573
Selling and distribution expenses		1,220,200	567,200
Other operating charges	28	1,785,469	1,405,271
		14,211,698	10,469,044
Operating profit		13,192,332	10,429,227
Other income	29	526,379	1,416,736
Financial charges	30	49,160	1,747
Profit before taxation		13,669,551	11,844,216
Taxation	31	(8,213,285)	(6,530,147)
Profit after taxation		5,456,266	5,314,069
Earning per share - basic and diluted	33	4.20	4.09

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
Profit after taxation		5,456,266	5,314,069
Other comprehensive income			
Items that will not be subsequently classified to profit or loss			
Revaluation surplus on property, plant and equipment		38,507,325	-
Related deferred tax impact		(3,554,624)	-
		34,952,701	-
- Loss on remeasurement of defined benefit liability	17.3	(1,351,140)	(772,313)
Total other comprehensive income/(loss) for the year		33,601,561	(772,313)
Total comprehensive income for the year		39,057,827	4,541,756

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2022

	Note	Share capital	Reserves		Total
			Capital	Revenue	
		Issued, subscribed and paid-up capital	Revaluation surplus on property, plant and equipment	Accumulated loss	
		Rupees			
Balance as at July 01, 2020		13,000,000	106,235,835	(58,480,232)	60,755,603
Total comprehensive income for the year ended June 30, 2021					
Profit for the year		-	-	5,314,069	5,314,069
Other comprehensive loss for the year		-	-	(772,313)	(772,313)
		-	-	4,541,756	4,541,756
Transfer from revaluation surplus on property, plant and equipment:					
- On account of incremental depreciation-net of deferred tax	16	-	(1,890,403)	1,890,403	-
Balance as at June 30, 2021		13,000,000	104,345,432	(52,048,073)	65,297,359
Total comprehensive income for the year ended June 30, 2022					
Profit for the year		-	-	5,456,266	5,456,266
Other comprehensive income/(loss) for the year		-	34,952,701	(1,351,140)	33,601,561
		-	34,952,701	4,105,126	39,057,827
Transfer from revaluation surplus on property, plant and equipment:					
- On account of incremental depreciation-net of deferred tax	16	-	(2,126,715)	2,126,715	-
Balance as at June 30, 2022		13,000,000	137,171,418	(45,816,232)	104,355,186

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR** **CHIEF FINANCIAL OFFICER**

ELAHI COTTON MILLS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

	2022 Rupees	2021 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	13,669,551	11,844,216
Adjustment for non-cash charges and other items:		
Depreciation	4,341,581	4,025,544
Financial charges	49,160	1,747
Provision for gratuity	5,142,606	4,865,771
	9,533,347	8,893,062
Profit before working capital changes	23,202,898	20,737,278
Changes in working capital:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(895,432)	95,943
Stock in trade	7,787,416	(12,787,027)
Trade debts	(14,352,950)	2,185,196
Loans and advances	(11,668,737)	373,998
Short term prepayments	5,933	(259,213)
Tax refunds due from government	1,210,841	(1,210,841)
Increase / (decrease) in current liabilities		
Trade and other payables	3,210,358	(4,039,136)
	(14,702,571)	(15,641,080)
Cash generated from operations	8,500,327	5,096,198
Financial charges paid	(49,160)	(1,747)
Income tax paid	(9,191,489)	(6,769,864)
Gratuity paid	(3,812,350)	(3,126,900)
	(13,052,999)	(9,898,511)
Net cash used in operating activities	(4,552,672)	(4,802,313)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans given to employees	(1,214,500)	(143,992)
Purchase of property, plant and equipment	(93,525)	(5,193,508)
Net cash used in investing activities	(1,308,025)	(5,337,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan from directors	(255,000)	(328,001)
Repayment to associated undertaking	-	(5,566,077)
Net cash used in financing activities	(255,000)	(5,894,078)
Net decrease in cash and cash equivalents	(6,115,697)	(16,033,891)
Cash and cash equivalents at the beginning of the year	14,485,515	30,519,406
Cash and cash equivalents at the end of the year	8,369,818	14,485,515

The annexed notes from 1 to 45 form an integral part of these financial statements.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

ELAHI COTTON MILLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated as a public limited company on June 22, 1970 under the repealed Companies Act, 1913 (now the Companies Act, 2017) and is listed on Pakistan Stock Exchange Limited. The principal business of the Company is manufacture and sale of yarn.

1.2 As of June 30, 2022, the Company's current liabilities exceeded its current assets by Rs. 30.724 million (2021: Rs. 39.627 million). The Company has accumulated loss of Rs. 45.816 million (2021: Rs. 52.048 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 32.816 million. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

These financial statements have been prepared on going concern basis without any adjustment to assets and liabilities based on the profitable future projections. The management is also confident of improving profitability through streamlining the operations of the Company and based on projections, demonstrate increases in revenue and cash flows and hence improvement in the financial performance and position of the company, for the year ending June 30, 2022 and onwards.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at 270, sector I-9, Industrial Area, Islamabad. The mill (plant) of the Company is located at Mandra - Chakwal Road, Tehsil Gujar Khan, District Rawalpindi, Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

3.2 Basis of measurement

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

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

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 5.25.

3.3 Functional and presentation currency

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

3.4 Key judgements and estimates

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

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

4 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2022

The following stantdards, amendments and interpretations are effective for the year ended June 30, 2022. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Interest Rate Benchmarch Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent consessions	April 01, 2021

4.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendmends to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendmends to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendmends to IAS 1 'Presentation of Financial Statements' – Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendmends to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendmends to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

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

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 **Property, plant and equipment**

a) **Operating fixed assets**

Operating fixed assets except for freehold land, building and plant and machinery are stated at cost less accumulated depreciation or impairment, if any. Freehold land, building and plant and machinery are stated at cost/revalued amount less accumulated depreciation or impairment, if any.

Depreciation is charged on the basis of written down value method whereby cost or revalued amount of an asset is written off over its useful life without taking into account any residual value. Full month's depreciation is charged on addition, while no depreciation is charged in the month of disposal or deletion of assets.

Major renewals and repairs are capitalized and the assets so replaced are retired. Minor renewals or replacement, maintenance and repairs are charged to income as and when incurred. Gains or losses on disposal of property, plant and equipment are accounted for as profit or loss for the year.

Amount equivalent to incremental depreciation charged on revalued assets is transferred from surplus on revaluation of building and plant and machinery net of deferred taxation to retained earnings (unappropriated profit).

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

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss accounts.

b) **Revaluation surplus on property, plant and equipment**

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

5.2 Impairment losses

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

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

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

5.3 Stores, spares and loose tools

Stores and spares are stated at cost less provision for slow moving and obsolete items. Cost is determined by using the moving average method. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as tangible fixed assets under "Plant and machinery" category and are depreciated over a time period not exceeding the useful life of the related assets.

The Company reviews the carrying amount of stores and spares on a periodic basis and provision is made for slow moving and obsolescence on periodic basis.

5.4 Stock in trade

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

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

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

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

5.5 Trade receivables

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.6 Loans and advances

These are classified at amortized cost and are initially recognized when they are originated and measured at fair value of consideration receivable. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

5.7 Cash and bank balances

Cash in hand and at banks are carried at nominal amounts which is the fair value of cash and bank balances.

5.8 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs directly attributable to the issue of new shares are shown as a deduction in equity.

5.9 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation is carried out at June 30, 2021 using the projected unit credit method (refer note 17). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognizes expense in accordance with IAS 19 "Employee Benefits".

5.10 Taxation

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

Current

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

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

Deferred

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

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

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

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

Prior years

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

5.11 Borrowing

Loans and borrowings are recorded at the amortized cost unless classified as fair value through profit and loss they are initially recognized when they are received and measured at amortized cost which is fair value of consideration . Mark up, interest and other borrowing costs are charged to profit and loss in the period in which they are incurred.

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

5.12 Trade and other payables

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

5.13 Provisions

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

5.14 Leases

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

5.15 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax. Revenue is recognized when the company completes it performance obligation in the contract. Due to nature of the business, revenue is recognized at point at time basis.

The revenue arising from different activities of the Company is recognized on the following basis:

- Local sales are recorded on dispatch of goods to customers.
- Scrap sales are recognized when delivery is made to customers.
- Interest income is recognized as revenue on time proportion basis.

5.16 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.17 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalent comprise cash in hand, cash at bank and short term investments with maturity of not later than three months at known amount in rupees.

5.18 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible.

5.19 Dividend and apportioning to reserves

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

5.20 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, fair value through other comprehensive income and amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at statement of financial position date are carried at amortized cost.

Amortized cost

A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at fair value through profit or loss:

(i) it is held with in a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity Investments at FVOCI

These assets are initially measured at cost plus transaction cost that are directly attributable to its acquisition. Subsequently, these are measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL

These assets are initially recognized at cost. Subsequently, these are measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognized in profit or loss.

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost and contract assets. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular

measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

The financial assets are de-recognized when the Company loses control of the contractual right that comprise the financial assets. The financial liabilities are de-recognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired.

5.21 Offsetting of financial assets and financial liabilities

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

5.22 Foreign currency translation

Transactions in foreign currencies are converted into Pak Rupees at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account.

5.23 Contingencies

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.24 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. The Company has only one reportable segment.

5.25 Significant accounting judgments and critical accounting estimates / assumptions

The preparation of financial statements in conformity with approved accounting standards requires the management to:-

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

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

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

5.25.1 Provision for inventory obsolescence

The Company reviews the carrying amounts of stores, spares and loose tools and stock in trade on regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools and stock in trade.

5.25.2 Income taxes

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

5.25.3 Property, plant and equipment

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

5.25.4 Stores and spares

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

5.25.5 Defined benefits plan

The management has exercised judgment in applying Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan (refer note 5.9) that have the most significant effects on the amount recognized in the financial statements.

5.25.6 Expected credit losses

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

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

5.25.7 Contingencies

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

Below.

6 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Free hold land	Buildings		Plant and machinery	Furniture fixture and office equipment	Computer equipment	Power and other installations	Factory equipment and scientific instruments	Motor vehicles	Total
		Residential	Factory							
	Rupees									
Year ended June 30, 2022										
Net carrying value basis										
Opening book value	86,250,000	4,408,350	10,731,630	22,270,848	125,998	29	2,578,679	51,770	180,885	126,598,189
Additions (at cost)	-	-	-	-	93,525	-	-	-	-	93,525
Revaluation Surplus	26,250,000	938,639	6,130,992	5,187,694	-	-	-	-	-	38,507,325
Depreciation charge	-	(241,129)	(1,352,884)	(2,430,792)	(17,544)	(10)	(257,868)	(5,177)	(36,177)	(4,341,581)
Closing net book value	112,500,000	5,105,860	15,509,738	25,027,750	201,979	19	2,320,811	46,593	144,708	160,857,458
Gross carrying value basis										
Cost/revalue	112,500,000	6,131,809	21,585,291	36,452,998	1,207,777	5,000	4,901,443	2,001,887	2,400,520	187,186,725
Accumulated depreciation	-	(1,025,949)	(6,075,553)	(11,425,248)	(1,005,798)	(4,981)	(2,580,632)	(1,955,294)	(2,255,812)	(26,329,267)
Net book value	112,500,000	5,105,860	15,509,738	25,027,750	201,979	19	2,320,811	46,593	144,708	160,857,458
Year ended June 30, 2021										
Net carrying value basis										
Opening book value	86,250,000	4,157,000	11,924,033	22,592,715	71,968	43	150,838	57,522	226,106	125,430,225
Additions (at cost)	-	468,970	-	2,017,938	65,600	-	2,641,000	-	-	5,193,508
Depreciation charge	-	(217,620)	(1,192,403)	(2,339,805)	(11,570)	(14)	(213,159)	(5,752)	(45,221)	(4,025,544)
Closing net book value	86,250,000	4,408,350	10,731,630	22,270,848	125,998	29	2,578,679	51,770	180,885	126,598,189
Gross carrying value basis										
Cost/revalue	86,250,000	5,193,170	15,454,299	31,265,304	1,114,252	5,000	4,901,443	2,001,887	2,400,520	148,585,875
Accumulated depreciation	-	784,820	4,722,669	8,994,456	988,254	4,971	2,322,764	1,950,117	2,219,635	21,987,686
Net book value	86,250,000	4,408,350	10,731,630	22,270,848	125,998	29	2,578,679	51,770	180,885	126,598,189
Annual rate of depreciation (%)	-	5%	10%	10%	10%	33%	10%	10%	20%	

6.1 Free hold land of the Company is located at Mandra - Chakwal road, Tehsil Gujar Khan, District Rawalpindi, Punjab, Pakistan with an area of 23.4 acres. Details of factory and residential buildings of the company constructed on this land are as follows:

Location	Particulars	Covered Area (In sq.ft)
Mandra-Chakwal road, Tehsil Gujar Khan, District Rawalpindi, Punjab, Pakistan.	a) Main mill building including cotton godown, store room, canteen block, workshops and other civil works.	70,827
	b) Workers' accommodations, guard rooms, bungalows and BOQs houses.	14,744
		85,571

6.2 Revaluation of freehold land, building and plant and machinery

6.2.1 The Company has adopted the revaluation model for subsequent measurement of freehold land, buildings and plant and machinery. Further details of revaluation carried out by the Company to date are as follows:

Name of independent valuer	Date of revaluation	Revaluation surplus (Rupees)
M/s Asrem (Private) Limited	December 31, 2021	38,507,325
M/s Asrem (Private) Limited	December 31, 2017	46,914,451
M/s Asrem (Private) Limited	June 30, 2014	43,795,541
M/s Asrem (Private) Limited	June 7, 2010	22,258,957
M/s Zia Consultants	June 30, 1996	33,215,659

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

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

	2022 Rupees	2021 Rupees
Freehold land	299,995	299,995
Buildings on freehold land	897,576	944,817
Plant and machinery	6,097,957	6,775,508

6.2.4 The forced sale value of the revalued freehold land, buildings and plant and equipment has been assessed at Rs. 101,250,000, Rs. 17,250,256 and Rs. 21,076,000 respectively.

		Note	2022 Rupees	2021 Rupees
6.3	**Depreciation has been allocated as follows:**			
	Cost of sales		4,046,721	3,751,119
	Administrative expenses		294,860	274,425
			4,341,581	4,025,544
7	**LOANS AND ADVANCES**			
	Unsecured - considered good			
	Opening balance		3,024,500	2,905,508
	Loan given to employees during the year		8,627,000	2,422,000
	Payment received during the year		(7,207,500)	(2,303,008)
			4,444,000	3,024,500
	Current portion shown under current assets	11	(471,000)	(266,000)
			3,973,000	2,758,500

7.1 These balances represent interest free loans and advances given to employees. The Chief Executive Officer and Directors have not taken any loans and advances from the Company. These balances are carried at cost as the impact of amortization is not material in respect of these financial statements.

		2022 Rupees	2021 Rupees
8	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	2,785,519	1,910,466
	Spares	127,992	107,613
		2,913,511	2,018,079

8.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, the stores and spares consumption resulting in capital expenditure are capitalized in cost of respective assets.

8.2 Cost of stores and spares recognized as expense amounts to Rs. 14,605,028 (2021: 12,305,696).

		2022 Rupees	2021 Rupees
9	**STOCK IN TRADE**		
	Raw material	4,709,979	5,955,338
	Work in process	4,792,641	2,959,875
	Finished goods	8,302,321	16,730,902
	Waste	91,510	37,752
		17,896,451	25,683,867

9.1 Cost of inventories recognized as expense amounts to Rs. 530,260,773 (2021: 341,413,564).

		Note	2022 Rupees	2021 Rupees
10	**TRADE DEBTS**			
	Unsecured - considered good		16,786,772	2,433,822

10.1 All trade receivables are in respect of local sales.

		Note	2022 Rupees	2021 Rupees
11	**LOANS AND ADVANCES**			
	Unsecured-considered good			
	Loans			
	Current portion of long-term loans	7	471,000	266,000
	Advances to suppliers	11.1	11,499,660	35,923
			11,970,660	301,923

11.1 This represents advances to suppliers in the normal course of business. These are unsecured and does not carry any interest or mark-up. The Chief Executive Officer and Directors have not taken any loans and advances from the Company.

		Note	2022 Rupees	2021 Rupees
12	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Sales tax		-	1,210,841
13	**TAXATION - NET**			
	Balance at beginning of the year		84,409	371,515
	Worker's Welfare Fund adjusted		(253,290)	(325,971)
			(168,881)	45,544
	Adjusted against / transferred to tax refunds due from government		168,881	577,480
			-	623,024
	Provision for the year	31	(9,130,760)	(7,634,450)
			(9,130,760)	(7,011,426)
	Less: Payment/adjustment		9,275,898	7,095,835
	Closing balance receivable / (payable)		145,138	84,409

13.1 Adequate provision in respect of taxation have been made in these financial statements for the year ended June 30, 2022 (Tax year 2022).

		Note	2022 Rupees	2021 Rupees
14	**CASH AND BANK BALANCES**			
	Cash in hand		87,274	99,967
	Cash at bank Local currency:			
	Current accounts		2,464,474	1,980,084
	Saving account	14.1	5,818,070	12,405,464
			8,369,818	14,485,515

14.1 Saving account carries mark up at the rates ranging from 0.02% to 0.06% (2021: 0.02% to 0.06%) per annum.

15 SHARE CAPITAL

15.1 Authorized share capital:

This represents 5,000,000 (2021 : 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (2021 : Rs. 50,000,000).

15.2 Issued, subscribed and paid up capital:

Number of ordinary shares of Rs. 10/- each			2022 Rupees	2021 Rupees
2022	2021			
1,300,000	1,300,000	Fully paid in cash	13,000,000	13,000,000

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

		2022 Rupees	2021 Rupees
16	**REVALUATION SURPLUS ON PROPERTY, PLANT AND EQUIPMENT**		
	Balance brought forward	111,859,059	114,521,598
	Add: Revaluation during the year	38,507,325	-
	Less: Transferred to equity in respect of incremental depreciation charged during the year-net of deferred tax	2,126,715	1,890,403
	Related deferred tax liability during the year transferred to profit or loss account	868,658	772,136
		2,995,373	2,662,539
		147,371,011	111,859,059
	Less: Related deferred tax effect:		
	Balance as at July 01	7,513,627	8,285,763
	Revaluation during the year	3,554,624	-
	Related deferred tax liability during the year transferred to profit or loss account	(868,658)	(772,136)
		10,199,593	7,513,627
		137,171,418	104,345,432

16.1 The revaluation surplus on property, plant and equipment is a capital reserve, and is not available for distribution to the shareholders in accordance with section 241 of the Companies Act, 2017.

		Note	2022 Rupees	2021 Rupees
17	**STAFF RETIREMENT BENEFITS - GRATUITY**			
	Staff retirement benefits - gratuity	17.1	19,025,428	16,344,032

17.1 Staff retirement benefits - gratuity

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2022 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Presently the Company is not exposed to asset volatility risk.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

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

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

Principal actuarial assumptions

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

	2022	2021
Discount rate (%)	13.25	10
Expected rate of return on plan assets (%)	-	-
Expected rate of increase in salary (%)	12.25	9
Average expected remaining working life time of employee (Years)	6	6
Weighted average duration of the defined benefits obligation (Years)	6	6
Maturity profile	SLIC (2001-05)	

		2022 Rupees	2021 Rupees
17.2	**Reconciliation of balance due to defined benefit plan**		
	Present value of defined benefit obligation	19,025,428	16,344,032
	Fair value of plan assets	-	-
	Closing net liability	19,025,428	16,344,032

		2022 Rupees	2021 Rupees
17.3	**Movement of the liability recognized in the balance sheet**		
	Opening net liability		
	Non current portion	16,344,032	13,832,848
	Current portion	-	-
	Charge for the year	5,142,606	4,865,771
	Remeasurement chargeable to other comprehensive income	1,351,140	772,313
	Benefits paid during the year	(3,812,350)	(3,126,900)
	Closing net liability	19,025,428	16,344,032
17.4	**Movement in present value of defined benefit obligations**		
	Opening present value of defined benefit obligations		
	Non current portion	16,344,032	13,832,848
	Current portion	-	-
	Current service cost for the year	3,698,820	3,822,872
	Interest cost for the year	1,443,786	1,042,899
	Benefits paid during the year	(3,812,350)	(3,126,900)
	Remeasurement loss / (gain) on obligation	1,351,140	772,313
	Closing present value of defined benefit obligations	19,025,428	16,344,032
17.5	**Charge for the year**		
	Current service cost	3,698,820	3,822,872
	Interest cost	1,443,786	1,042,899
	Charge for the year	5,142,606	4,865,771
17.6	**Remeasurement chargeable to other comprehensive income**		
	Remeasurement loss / (gain) on defined obligation due to:		
	Change in demographic assumptions	-	-
	Change in financial assumptions	-	-
	Experience adjustment	1,351,140	772,313
	Remeasurement loss / (gain) on obligation	1,351,140	772,313

17.7 The Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

17.8 **Sensitivity analysis**

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

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	17,922,594	20,195,627
Salary increase	20,196,123	17,922,814

17.9 The charge in respect of defined benefit plan for the year ending June 30, 2023 is estimated to be Rs. 7.129 million.

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

17.11 **Comparison of five years**

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

	2022	2021	2020	2019	2018
Present value of benefit obligation	19,025,428	16,344,032	13,832,848	11,389,546	12,148,105

17.12 **Undiscounted expected benefit payments from active employees**

	Year 1	Year 2 to 5	Year 6 to 10
Expected benefits payments	4,497,000	14,972,000	20,295,000

18 **DEFERRED TAXATION**

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

	2022 Rupees	2021 Rupees
Accelerated tax depreciation	1,444,922	1,493,739
Surplus on revaluation of property plant and equipment	10,199,593	7,513,627
	11,644,515	9,007,366
Tax rate used	29%	29%

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18.2 Deferred tax asset on the difference of turnover tax and normal tax carried forward has not been recognized as there is no reasonable certainty about future profits against which it can be utilized.

Further,no deferred tax asset/liability has been recognized on gratuity as the Company is claiming it as tax expense for the year.

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

	Note	2022 Rupees	2021 Rupees
Balance as at July 01		9,007,366	9,534,189
Charged/(credit) to profit and loss account		(917,475)	(526,823)
Charge/(Credit) to other comprehensive income		3,554,624	-
		11,644,515	9,007,366

19 LONG TERM LOAN FROM DIRECTORS

Balance brought forward	19.1	62,954,546	63,282,547
Payments during the year		(255,000)	(328,001)
		62,699,546	62,954,546
Less: Current portion shown under current liabilities		(62,699,546)	(62,954,546)
		-	-

19.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company. The loan was payable on July 01, 2015. As these are now payable on demand, therefore all amounts have been transferred to current liabilities in the financial statements.

19.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 62,954,546 (2021: Rs. 63,282,547).

	Note	2022 Rupees	2021 Rupees
20 DUE TO ASSOCIATED UNDERTAKING			
Unsecured			
International Beverages (Private) Limited			
Opening balance		-	5,566,077
Paid during the year	20.1	-	(5,566,077)
		-	-

20.1 This represents the amount payable to International Beverages (Private) Limited (IBL) against MCB Bank Limited long term facility restructured during the year ended June 30, 2008, as per settlement agreement dated May 29, 2008 signed between the Company, IBL and MCB Bank Limited. As per above agreement this facility was transferred in the name of IBL, in prior years.

20.2 As per agreement the total amount was Rs. 17.866 million which includes Rs. 16.668 million as principal and Rs. 1.198 million as markup. The amount due was repayable to IBL on July 01, 2015. The liability was fully settled during the previous year.

The maximum aggregate amount due to associated undertaking at the end of any month during the year was Nil (2021: Rs. 5,566,077).

	Note	2022 Rupees	2021 Rupees
21 SHORT TERM LOAN FROM DIRECTORS			
Balance brought forward		9,100,000	9,100,000
Additions during the year		-	-
	21.1	9,100,000	9,100,000

21.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company to meet the working capital requirements. These are payable on demand.

	Note	2022 Rupees	2021 Rupees
22 TRADE AND OTHER PAYABLES			
Accrued expenses		12,093,856	11,314,967
Advances from customers		599,744	1,049,674
Government dues		706,798	542,601
Workers' Profit Participation Fund	22.1	737,332	638,053
Workers' Welfare Fund		339,749	278,793
Income tax payable		39,449	26,462
Sales tax due to government		2,546,285	2,305
Zakat payable		3,791	3,791
		17,067,004	13,856,646

	Note	2022 Rupees	2021 Rupees
22.1 Workers' Profit Participation Fund			
Balance at July 01,		638,053	649,528
Interest on funds utilized in Company's business		-	-
Allocation for the year		737,332	638,053
		1,375,385	1,287,581
Amount paid during the year		(638,053)	(649,528)
Balance at June 30,		737,332	638,053
23 DIVIDEND PAYABLE / UNCLAIMED			
Dividend payable		19,506	19,506
Unclaimed dividend		248,165	248,165
	23.1	267,671	267,671
Amounts transferred into dividend account		-	-
Dividend claims received and settled		-	-
Profits generated from unpaid dividend account		-	-
Profits utilized		-	-
23.1 The reconciliation of carrying amount is as follows:			
Opening balance		267,671	267,671
Dividends declared		-	-
Interest on dividend		-	-
Less: Dividends paid		-	-
		267,671	267,671

24 CONTINGENCIES AND COMMITMENTS

24.1 CONTINGENCIES

There was no contingent liability of the Company as at the June 30, 2022 (2021: Nil).

24.2 COMMITMENTS

There were no capital commitments as at the June 30, 2022 (2021: Nil).

		Note	2022 Rupees	2021 Rupees
25	**SALES**			
	Yarn		853,437,127	594,370,326
	Waste		911,570	885,512
			854,348,697	595,255,838
	Less: sales tax		(124,136,135)	(86,490,164)
			730,212,562	508,765,674
26	**COST OF SALES**			
	Raw material consumed	26.1	523,664,958	355,003,058
	Store and spares consumed	26.2	14,783,988	12,305,696
	Salaries, wages and other benefits	26.3	84,876,589	74,376,337
	Power charges		67,794,952	55,283,137
	Insurance		609,557	572,192
	Repairs and maintenance		489,710	98,090
	Depreciation	6.3	4,046,721	3,751,119
			696,266,475	501,389,629
	Work in process			
	Opening		2,959,875	2,678,451
	Closing	9	(4,792,641)	(2,959,875)
			(1,832,766)	(281,424)
	Cost of goods manufactured		694,433,709	501,108,205
	Finished goods			
	Opening		16,730,902	3,422,832
	Closing	9	(8,302,321)	(16,730,902)
			8,428,581	(13,308,070)
	Waste			
	Opening		37,752	105,020
	Closing	9	(91,510)	(37,752)
			(53,758)	67,268
			702,808,532	487,867,403
26.1	**Raw material consumed**			
	Opening stock		5,955,338	6,690,537
	Add: Purchases		522,419,599	354,267,859
	Cost of raw materials available for use		528,374,937	360,958,396
	Less: Closing stock		(4,709,979)	(5,955,338)
			523,664,958	355,003,058
26.2	**Store and spares consumed**			
	Opening stock		2,018,079	2,114,022
	Add: Purchases		15,679,420	12,209,753
			17,697,499	14,323,775
	Less: Closing stock		(2,913,511)	(2,018,079)
			14,783,988	12,305,696

26.3 Salaries, wages and other benefits includes an amount of Rs. 3,836,990 (2021: Rs. 3,569,528) in respect of staff retirement benefits.

	Note	2022 Rupees	2021 Rupees
27 ADMINISTRATIVE EXPENSES			
Directors' remuneration	32	278,400	278,400
Salaries and other benefits	27.1	7,277,046	5,967,258
Telephone expenses		105,765	99,623
Motor running expenses		789,206	468,979
Printing, stationery and periodicals		39,144	10,800
Rent		600,000	600,000
Rates and taxes		235,608	3,685
Advertisement		28,740	25,240
Traveling and conveyance		74,970	45,550
Entertainment		63,583	74,562
Subscription and membership fee		314,865	338,348
Depreciation	6.3	294,860	274,425
Zakat	27.2	900,000	150,000
Other expenses		203,842	159,703
		11,206,029	8,496,573

27.1 Salaries and other benefits include Rs. 1,305,616 (2021: Rs. 1,296,243) in respect of staff retirement benefits.

27.2 This represent zakat given to Shaukat Khanum Memorial Trust amounting to Rs. 250,000 and to Al Shifa Trust Eye Hospital amounting to Rs. 150,000 and to Sindh Institute of Urology & Transplant amounting to Rs. 500,000. Director of the Company or his spouse did not had any interest at any time during the year in the donee.

	2022 Rupees	2021 Rupees
28 OTHER OPERATING CHARGES		
Legal and professional expenses	238,388	158,425
Auditor's remuneration		
Statutory audit	400,000	260,000
Half yearly review	50,000	50,000
Fee for other certification	20,000	20,000
	470,000	330,000
Workers' Profit Participation Fund	737,332	638,053
Workers' Welfare Fund	339,749	278,793
	1,785,469	1,405,271

	Note	2022 Rupees	2021 Rupees
29 OTHER INCOME			
Income from non-financial assets			
Scrap sales		248,229	197,649
Insurance claim		72,917	-
Bank profit		28,739	43,630
Liabilities written back	29.1	176,494	1,175,457
		526,379	1,416,736

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

	Note	2022 Rupees	2021 Rupees
30 FINANCIAL CHARGES			
Bank commission and charges		49,160	1,747
31 TAXATION			
Provision for taxation			
Current		9,130,760	7,634,450
Prior year adjustment	31.1	-	(577,480)
Deferred		(917,475)	(526,823)
		8,213,285	6,530,147

31.1 This represents tax on undistributed profits for the year ended June 30, 2018 under section 5A of Income Tax Ordinance, 2001. The Company has accounted for tax provision at the rate of 7.5% of its accounting profit before tax for the year ended June 30, 2018 in the financial statements of 2018-19 as prior year charge. The provision of section 5A was challenged before the Sindh High Court vide Civil Petition No. D-4970 of 2017. The Honourable Sindh High Court vide judgement dated April 30, 2021 declared that the insertion of section 5A in the Income Tax Ordinance, 2001 does not fall within the parameters delineated as per Article 73 of the Constitution of Pakistan, 1973, hence, the provision impugned is found to be ultra vires of the Constitution, and is hereby struck down. Consequently, the provision charged on account of tax on undistributed profit in the financial year 2018-19 is reversed / adjusted in the previous year.

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

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

a) The aggregate amount charged in the financial statements for remuneration, including all benefits to Chief Executive, Directors and Executives of the Company is as follows:

	2022				2021			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	278,400	-	-	278,400	278,400	-	-	278,400
Bonus	-	-	-	-	-	-	-	-
Staff retirement benefits	-	-	-	-	-	-	-	-
Medical	213,628	-	-	213,628	70,796	-	-	70,796
Utilities	30,892	-	-	30,892	36,688	-	-	36,688
Others	3,500	17,500		21,000	5,500	23,500	-	29,000
Total	526,420	17,500	-	543,920	391,384	23,500	-	414,884
Number of persons	1	6	-	7	1	6	-	7

b) The aggregate amount charged in the financial statements for remuneration, including all benefits to Executive directors and Non executive directors of the Company is as follows:

	2022			2021		
	Executive Directors	Non Executive Directors	Total	Executive Directors	Non Executive Directors	Total
	(Rupees)					
Managerial remuneration	526,420	-	526,420	391,384	-	391,384
Number of persons	2	5	7	2	5	7

c) Board meeting fee was paid to non-executive directors amounting to Rs.17,500 during the year.

33 EARNING PER SHARE - BASIC AND DILUTED

	2022 Rupees	2021 Rupees
Profit after taxation (Rupees)	5,456,266	5,314,069
Weighted average number of ordinary shares at the end of the year (Numbers)	1,300,000	1,300,000
Earning per share - basic and diluted (Rupees)	4.20	4.09

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

34 TRANSACTIONS WITH RELATED PARTIES

34.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve rent and advance for working capital requirements. These transactions are as follows:

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2022 Rupees	2021 Rupees
International Beverages (Private) Limited	Associated company by virtue of common directorship	Payment made against balance due to associated undertaking	-	(5,566,077)
		Amount payable at year end	-	-
Taj Mills Limited	Associated company by virtue of common directorship	Office Rent paid /payable	600,000	600,000
		Amount payable at year end	-	-
Mahboob Elahi	Director	Amount payable at year end	53,775,546	53,775,546

Name of the related party	Relationship and percentage shareholding	Transactions during the year and year end balances	2022 Rupees	2021 Rupees
Mahfooz Elahi	Chief Executive	Adjustment / repayment of long term loan	(255,000)	(328,001)
		Amount payable at year end (Loan obtained previously)	12,848,999	13,103,999
Mahmood Elahi	Director	No transaction	-	-
		Amount payable at year end (Loan obtained previously)	5,175,000	5,175,000

34.2 Compensation to key management personnel

The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 32)". There are no transactions with key management personnel other than under their terms of employment.

34.3 The status of outstanding balances of related parties as at June 30, 2022 are included in "Long/short term loan from directors" (note 19 and 21) and "Due to associated undertaking" (note 20).

35 FINANCIAL ASSETS AND LIABILITIES

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

	2022				
		Interest/mark up bearing			Not interest /mark up bearing
	Total	Maturity up to one year	Maturity after one year	Sub-total	
			Rupees		
Financial assets					
At amortized cost					
Long term security deposits	918,810	-	-	-	918,810
Trade debts	16,786,772	-	-	-	16,786,772
Loans and advances	4,444,000	-	-	-	4,444,000
Cash and bank balances	8,369,818	5,818,070	-	5,818,070	2,551,748
	30,519,400	5,818,070	-	5,818,070	24,701,330
Financial liabilities					
At amortized cost					
Current portion of long term loan from directors	62,699,546	-	-	-	62,699,546
Short term loan from directors	9,100,000	-	-	-	9,100,000
Provision for gratuity	19,025,428	-	-	-	19,025,428
Due to associated undertaking	-	-	-	-	-
Trade and other payables	13,174,728	-	-	-	13,174,728
Dividend payable / Unclaimed	267,671	-	-	-	267,671
	104,267,373	-	-	-	104,267,373
On balance sheet gap	(73,747,973)	5,818,070	-	5,818,070	(79,566,043)
Off balance sheet items					
Financial commitments:	-	-	-	-	-
Total Gap	(73,747,973)	5,818,070	-	5,818,070	(79,566,043)

	2021				
		Interest/mark up bearing			Not interest /mark up bearing
	Total	Maturity up to one year	Maturity after one year	Sub-total	
			Rupees		
Financial assets					
At amortized cost					
Long term security deposits	918,810	-	-	-	918,810
Trade debts	2,433,822	-	-	-	2,433,822
Loans and advances	3,024,500	-	-	-	3,024,500
Cash and bank balances	14,485,515	12,405,464	-	12,405,464	2,080,051
	20,862,647	12,405,464	-	12,405,464	8,457,183
Financial liabilities					
At amortized cost					
Current portion of long term loan from directors	62,954,546	-	-	-	62,954,546
Short term loan from directors	9,100,000	-	-	-	9,100,000
Provision for gratuity	16,344,032	-	-	-	16,344,032
Due to associated undertaking	-	-	-	-	-
Trade and other payables	12,235,604	-	-	-	12,235,604
Dividend payable / Unclaimed	267,671	-	-	-	267,671
	100,901,853	-	-	-	100,901,853
On balance sheet gap	(80,039,206)	12,405,464	-	12,405,464	(92,444,670)
Off balance sheet items					
Financial commitments:	-	-	-	-	-
Total Gap	(80,039,206)	12,405,464	-	12,405,464	(92,444,670)

36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1 The Company's objective in managing risks is the creation and protection of share holders' value. Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Company's continuing profitability. The Company is exposed to credit risk, liquidity risk and market risk (which includes currency risk, interest rate risk and price risk) arising from the financial instruments it holds.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

36.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail to perform as contracted and arises principally from trade and other receivables. The Company's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets of Rs. 30.619 million (2021: Rs. 20.863 million), the financial assets which are subject to credit risk amounted to Rs. 30.519 million (2021: Rs. 20.763 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2022 Rupees	2021 Rupees
Long term security deposits	918,810	918,810
Trade debts	16,786,772	2,433,822
Loans and advances	4,444,000	3,024,500
Bank balances	8,282,544	14,385,548
	30,432,126	20,762,680

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

Past due 1-30 days	15,752,631	2,402,027
Past due 30-90 days	812,575	7,983
Past due 90 days	221,566	33,780
	16,786,772	2,443,790

To manage exposure to credit risk in respect of trade receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties.

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis. The ratings of banks range from A to AAA.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly affected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

Impaired assets

During the year no assets have been impaired.

36.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any:

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
				Rupees			
2022							
Staff Retirement Benefits - Gratuity	19,025,428	19,025,428	-	-	-	-	19,025,428
Long term loan from directors	62,699,546	62,699,546	-	62,699,546	-	-	-
Short term loan from directors	9,100,000	9,100,000	-	9,100,000	-	-	-
Due to associated undertaking	-	-	-	-	-	-	-
Trade and other payables	17,067,004	17,067,004	8,533,502	8,533,502	-	-	-
Dividend payable/ Unclaimed	267,671	267,671	-	267,671	-	-	-
	108,159,649	108,159,649	8,533,502	80,600,719	-	-	19,025,428

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
				Rupees			
2021							
Staff Retirement Benefits - Gratuity	16,344,032	16,344,032	-	-	-	-	16,344,032
Long term loan from directors	62,954,546	62,954,546	-	62,954,546	-	-	-
Short term loan from directors	9,100,000	9,100,000	-	9,100,000	-	-	-
Due to associated undertaking	-	-	-	-	-	-	-
Trade and other payables	13,856,646	13,856,646	6,928,323	6,928,323	-	-	-
Dividend payable / Unclaimed	267,671	267,671	-	267,671	-	-	-
	102,522,895	102,522,895	6,928,323	79,250,540	-		16,344,032

36.4 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arise in financial instruments that are denominated in foreign currencies i.e. in a currency other than the functional currency in which they are measured.

Presently the Company is not exposed to foreign currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short borrowings. At the statement of financial position date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2022	2021	2022	2021
	Rates		Carrying amount	
	In Percent		Rupees	
Financial assets				
Bank balances	0.02 to 0.06		5,818,070	12,405,464

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increase / (decrease) profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for the prior year.

	Profit and loss (post tax)	
	100 bps increase	100 bps decrease
	------- Rupees -------	
As at June 30, 2022		
Cash flow sensitivity - Variable rate financial assets	41,308	(41,308)
As at June 30, 2021		
Cash flow sensitivity - Variable rate financial assets	88,079	(88,079)

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(iii) Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

37 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the Company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset either directly that is, derived from prices.

- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

As of the reporting date, none of the financial instruments of the Company are carried at fair value.

The carrying values of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

37.1 The Company has revalued its freehold land, buildings and plant and machinery on December 31, 2021. Fair value of property plant and equipment are based on the valuations carried out by an independent valuer M/s Asrem (Private) Limited on the basis of market value.

37.2 Fair value of land and building are based on assumptions considered to be level 2 in the fair value hierarchy due to significant observable inputs used in the valuation, while fair value of plant and machinery are considered to be level 3 in the fair value hierarchy due to significant unobservable inputs used in the valuation.

Valuation techniques used to derive level 2 fair values - Land and Building

Fair value of land and building has been derived using a sales comparison approach. Sale prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location and size of the property. Moreover value of building also depends upon the type of construction, age and quality. The most significant input in this valuation approach is price / rate per square foot in particular locality. This valuation is considered to be level 2 in fair value hierarchy due to significant observable inputs used in the valuation.

Valuation techniques used to derive level 3 fair values - Plant and Machinery

In the absence of current prices in an active market, the fair value is determined by taking into account the following factors:

- Make, model, country of origin and etc.;
- Operational capacity;
- Present physical condition;
- Resale prospects; and
- Obsolescence.

The valuation is considered to be level 3 in the fair value hierarchy due to the above unobservable inputs used in the valuation. Most significant input in this valuation is the current replacement cost which is adjusted for factors above.

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

	2022 Rupees	2021 Rupees
Opening balance (level 3 recurring fair values)	22,270,848	22,592,715
Additions - Cost	-	2,017,938
Revaluation surplus during the year	5,187,694	-
Depreciation charge	(2,430,792)	(2,339,805)
Closing balance (level 3 recurring fair values)	25,027,750	22,270,848

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

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

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

	Liabilities			Equity		
	Loan from Director		Due to associated undertaking	Share Capital	Retained earnings	Total
	Long term	Short term				
	Rupees					
Balance at June 30, 2021	62,954,546	9,100,000	-	13,000,000	(52,048,073)	33,006,473
Changes from financing cash flows						
Proceeds from loan and borrowings	-	-	-	-	-	-
Repayments of loan and borrowings	(255,000)	-	-	-	-	(255,000)
Total changes from financing cash flows	(255,000)	-	-	-	-	(255,000)
Equity related						
Total comprehensive income for the year	-	-	-	-	4,105,126	4,105,126
Transfer from revaluation surplus	-	-	-	-	2,126,715	2,126,715
Dividend paid during the year	-	-	-	-	-	-
Total equity related other changes	-	-	-	-	6,231,841	6,231,841
Balance as at June 30, 2022	62,699,546	9,100,000	-	13,000,000	(45,816,232)	38,983,314

39 DISCLOSURE REQUIREMENT FOR ALL SHARE ISLAMIC INDEX

Following information has been disclosed with reference to disclosure requirements of fourth schedule of the Companies Act, 2017 relating to "All Shares Islamic Index".

Description	Explanation	June 30, 2022 Rupees	June 30, 2021 Rupees
Loans and advances	Non-interest bearing	-	-
Deposits	Non-interest bearing	-	-
Segment revenue	The Company has only one segment	-	-
Bank balances as at June 30,	Placed under interest arrangement	-	-
	Placed under Shariah permissible	5,818,070	12,405,464
Income on bank deposits	Placed under interest arrangement	-	-
	Placed under Shariah permissible	-	-
Gain/(loss) on available-for-sale investments		-	-
Dividend income		-	-
All sources of other income disclosed in note 29		28,739	43,630
Exchange gain	Earned from actual currency	-	-
Relationship with banks having Islamic	Meezan Bank Limited	-	-

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

40 CAPITAL MANAGEMENT

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

	2022 Rupees	2021 Rupees
Capital structure of company is as follows		
Equity	104,355,186	65,297,359
Long term Loan from directors	-	-
Short Term Loan from directors	71,799,546	72,382,547
	176,154,732	137,679,906

41 PLANT CAPACITY, PRODUCTION AND EMPLOYEES

	2022 Numbers	2021 Numbers
No. of spindles installed	8,388	8,388
Installed capacity converted into 20's count lbs.	6,601,618	6,601,618
Actual production converted into 20's count lbs.	4,529,070	4,502,610
Actual production in lbs.	4,477,600	4,355,700
Average count manufactured	20	21
No. of shifts worked daily	2	2

41.1 Reasons for under utilization of capacity

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

42 NUMBER OF EMPLOYEES

	2022 Numbers	2021 Numbers
Total number of employees as at June 30,	295	292
Average during the year	294	283

43 CORRESPONDING FIGURES

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

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 26 SEP 2022

45 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

FORM 34

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

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

2.1. Pattern of holding of the shares held by the shareholders as at: **30-06-2022**

2.2 No. of Shareholders	------Shareholdings------ From	To	Total Shares Held
36	1	100	999
22	101	500	9,206
33	501	1,000	21,076
23	1,001	5,000	45,207
2	5,001	10,000	15,000
1	15,001	20,000	19,244
1	70,001	75,000	73,500
1	150,001	155,000	152,743
1	195,001	200,000	199,625
1	200,001	205,000	200,200
1	560,001	565,000	563,200
122			**1,300,000**

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	1,058,369	81.4130%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	0	0.0000%
2.3.6 Modarabas and Mutual Funds	0	0.0000%
2.3.7 Shareholders holding 10% or more	1,115,868	85.8360%
2.3.8 General Public		
a. Local	88,888	6.8375%
b. Foreign	0	0.0000%
2.3.9 Others (to be specified)		
Joint Stock Companies	152,743	11.7495%

ELAHI COTTON MILLS LIMITED

Categories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2022

Sr. No.	Name	No. of Shares	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		-	-
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. MAHBOOB ELAHI (CDC)	563,200	43.3231
2	MR. MAHFOOZ ELAHI	199,675	15.3596
3	MR. MAHMOOD ELAHI	200,250	15.4038
4	SH. FARRUKH AHMED	2,500	0.1923
5	MR. AHMED SHAFFI (CDC)	19,244	1.4803
6	MRS. SAMINA BEGUM (CDC)	73,500	5.6538
7	MR. MUHAMMAD AZEEM AFZAL HASHMI	-	0.0000
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		-	-
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	MR. MAHBOOB ELAHI	563,200	43.3231
2	MR. MAHMOOD ELAHI	200,250	15.4038
3	MR. MAHFOOZ ELAHI	199,675	15.3596
4	SALIM SOZER SECURITIES (PVT) LTD. (CDC)	152,743	11.7495
5	MRS. SAMINA BEGUM (CDC)	73,500	5.6538

All trades in the shares of the listed company, carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:

Sr. No.	Name	Sale	Purchase
	NIL		

Folio No.	CDC Account No.	
	Participant I. D.	Account No.

PROXY FORM

I/We _____ of _____ being a member/members of **ELAHI COTTON MILLS LIMITED** hereby appoint _____ (name) of _____ (Full address) or failing him/her _____ (name) of _____ (Full address) another member of the company as my/our proxy to attend and vote for me/us and on my/our behalf, at the 52nd Annual General Meeting of the company to be held at registered office of the Company at Plot # 270, Sector I-9, Industrial Area, Islamabad on Tuesday October 25, 2022 at 10.30 a.m.or at any adjournment thereof.

Signed this _____ day of _____ in the presence of the following witnesses

_____
Signature on Rupees Five
Revenue Stamp
(Signature should agree with the
specimen signature registered with
the company)

_____ Witness 1
Signature

Name _____

CNIC No. _____

Address _____

_____

_____ Witness 2
Signature

Name _____

CNIC No. _____

Address _____

_____

Important

1. A member entitled to attend and vote at this Annual General Meeting of the company may appoint another member as proxy to attend and vote instead of him / her. No person shall act as proxy, who is not a member.
2. The instrument appointing a proxy should be signed by the member (s) or by his/her attorney duly authorized in writing. If the member is a corporation, its common seal should be affixed to the instrument.
3. This Proxy Form, duly completed, must be deposited at the company's Registered Office, at Plot # 270, Sector I-9, Industrial Area, Islamabad, not less than 48 hours before the time of holding the meeting.
4. The Proxy shall produce his original CNIC or original passport at the time of the Meeting.
5. In case of individual CDC Account holders, attested copy of CNIC or passport (as the case may be) of the beneficial owner will have to be provided with this Proxy.
6. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signature of the nominee shall be submitted along-with this Proxy.

فولیو نمبر	سی ڈی سی اکاؤنٹ نمبر	
	شرکت دار کی شناخت	اکاؤنٹ نمبر
	-	

پراکسی فارم

میں/ہم ..... ساکن ..... بحیثیت ممبر الٰہی کاٹن ملز لمیٹڈ مسمی/مسمات ..... (مکمل پتہ)

یا پراکسی کے غیر حاضر ہونے کی صورت میں مسمی/مسمات ..... ساکن ..... (مکمل پتہ) کو بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں تا کہ وہ میری غیر موجودگی میں میری طرف سے کمپنی کے بانویں سالانہ اجلاس عام، جو کہ مورخہ ۲۵ اکتوبر ۲۰۲۲ کو ساڑھے دس بجے صبح یا کسی اور ملتوی شدہ تاریخ پر کمپنی کے رجسٹرڈ دفتر واقع ۲۷ سیکٹر آئی نائن انڈسٹریل ایریا، اسلام آباد پر منعقد ہوگا، میں شرکت کرے یا ووٹ ڈالے۔

دستخط منظور کنندہ بتاریخ ..... روبرو مندرجہ ذیل گواہان

دستخط ..... (۵ روپے کے ریونیو سٹیمپ پر) تاریخ .....

گواہان:

	دستخط		دستخط .....
۱۔	نام	۱۔	نام .....
۲۔	شناختی کارڈ نمبر	۲۔	شناختی کارڈ نمبر .....
۳۔	پتہ	۳۔	پتہ .....

نوٹس:

۱۔ ووٹر کن جسے اجلاس میں شریک ہونے کا حق حاصل ہے وہ کسی ناگزیر صورت حال میں اپنی جگہ دوسرے ممبر کو یہ حق دے سکتا ہے کہ وہ اس کی جگہ اجلاس میں شرکت کر سکتا ہے اور ووٹ کا اندراج کر سکتا ہے۔ کوئی بھی ایسا شخص پراکسی مقرر نہیں ہو سکتا جو کہ ممبر نہ ہو

۲۔ ووٹر کن جو پراکسی مقرر کرے گا اس کے اپنے دستخط یا مجاز اٹارنی کے دستخط ہونا لازمی ہیں اور کارپوریٹ ادارہ ہونے کی صورت میں کمپنی کی (common seal) مخصوص مہر ثبت ہونی چاہیے۔

۳۔ پراکسی موثر ہونے کے لیے ہمارے رجسٹرڈ آفس ۲۷ سیکٹر آئی نائن، انڈسٹریل ایریا، اسلام آباد میں اجلاس سے کم از کم ۴۸ گھنٹے قبل موصول ہونا لازمی ہے۔

۴۔ پراکسی اپنے ہمراہ اپنا اصل شناختی کارڈ/پاسپورٹ لے کر آئے تا کہ اسکی شناخت ہو سکے

۵۔ انفرادی سی ڈی سی رکن کی صورت میں اصل شناختی کارڈ اور پراکسی کے شناختی کارڈ/پاسپورٹ کی تصدیق شدہ نقول منسلک کرنا ضروری ہے۔

۶۔ کارپوریٹ پراکسی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد، پاور آف اٹارنی، ہمراہ نامزد شخص کے نمونہ دستخط منسلک کرنا لازمی ہے۔