



ANNUAL REPORT **2020**

Ellcot Spinning Mills Limited

An ISO 9001:2015 Certified Company

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COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shahzada Ellahi Shaikh Mr. Mohammad Babar Monnoo Mr. Imran Motiwala Mrs. Faaria Rehman Salahuddin Mr. Jamal Nasim (NIT) Mr. Shaukat Ellahi Shaikh Mr. Raza Ellahi Shaikh Mr. Amin Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director / Chairman Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Executive Director Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Haroon Shahzada Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Mohammad Babar Monnoo Mr. Shaukat Ellahi Shaikh Mr. Raza Ellahi Shaikh Mr. Syed Mohsin Gilani	Chairman Member Member Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Mohammad Babar Monnoo Mr. Raza Ellahi Shaikh Mr. Haroon Shahzada Ellahi Shaikh Mr. Muhammad Azam	Chairman Member Member Secretary
EXECUTIVE COMMITTEE	Mr. Haroon Shahzada Ellahi Shaikh Mr. Shafqat Ellahi Shaikh Mr. Raza Ellahi Shaikh Mr. Amin Ellahi Shaikh Mr. Muhammad Azam	Chairman Member Member Member Secretary
CORPORATE SECRETARY	Mr. Syed Mohsin Gilani	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Muhammad Ahmad	
HEAD OF INTERNAL AUDIT	Mr. Kashif Saleem	
AUDITORS	Messrs Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants	
LEGAL ADVISOR	Bandial & Associates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. Meezan Bank Ltd. MCB Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	Nagina House 91-B-1, M.M. Alam Road Gulberg-III, Lahore-54660	
WEB REFERENCE	www.nagina.com	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1 st Floor, H.M. House 7-Bank Square, Lahore Phone # 042-37235081-2 Fax # 042-37358817	
MILLS	6.3 K.M, Manga Mandi, Raiwind Road Mouza Rossa, Tehsil & District Kasur	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of members of ELLCOT SPINNING MILLS LTD. will be held on **Monday, October 26, 2020** at 11:30 a.m., electronically through video-link facility (Zoom App.), managed from registered office of the Company, to transact the following business:-

A. ORDINARY BUSINESS

- 1) To confirm minutes of the Extraordinary General Meeting held on January 27, 2020.
- 2) To receive, consider and adopt Audited Financial statement of the Company together with the Chairman's Review Report, Directors' and Auditors' reports thereon for the year ended June 30, 2020.
- 3) To appoint Auditors for the year ending on June 30, 2021 and fix their remuneration.
- 4) To transact any other ordinary business with the permission of the Chair.

B. SPECIAL BUSINESS

To discuss, consider, approve and, if thought fit, pass the following special resolution with or without modification(s):

RESOLVED that pursuant to the requirements of Section 199 of the Companies Act, 2017, Ellcot Spinning Mills Ltd., (the "Company") be and is hereby authorized to make investment of up to PKR 100,000,000 (Rupees One Hundred Million Only) from time to time in each of the following associated companies (a) Prosperity Weaving Mills Ltd, (b) Nagina Cotton Mills Ltd, by way of advances and / loans, as and when required by these associated companies, provided that the return on such loans and / advances shall not be less than the average borrowing cost of the Company and that such loans / or advances shall be repayable within one year from the date of disbursement.

FURTHER RESOLVED that the above said resolution shall be valid for 5 (five) years and the Chief Executive Officer of the Company be and is hereby authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and the Chief Executive and/or Company Secretary be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

Statements under Section 134(3) of the Companies Act, 2017 along with the information required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 concerning special business is annexed.

By Order of the Board



Syed Mohsin Gilani
Corporate Secretary

Lahore : September 24, 2020

NOTES:

- 1) The share transfer books for ordinary shares of the Company will be closed from Tuesday, October 20, 2020 to Monday, October 26, 2020 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on Monday, October 19, 2020 will be in time to attend the meeting.
- 2) A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty-eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.
- 3) The shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof duly attested by their bankers, account number and participant I.D number for identification purpose.
- 4) In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.
- 5) Due to current COVID-19 situation, the Government has suspended large public gatherings at one place. Additionally, the Securities and Exchange Commission of Pakistan (SECP) in terms of its Circular No.5 of 2020 issued on March 17, 2020 and Pakistan Stock Exchange Limited (PSX) through its notice Ref: PSX/N-372 dated March 19, 2020 has advised companies to modify their usual planning for general meetings for the safety and well-being of shareholders and the public at large.

Considering the SECP's directives, the Company intends to convene this AGM with minimal physical interaction of shareholders while ensuring compliance with the quorum requirements and requests the members to consolidate their attendance and voting at the AGM through proxies.

The Company, furthermore, has made arrangements to ensure that all participants, including shareholders, can now participate in the AGM proceedings via video link. For this, members are required to email their Name, Folio Number, Cell Number and Number of shares held in their name with subject "Registration for Ellcot Spinning Mills Limited AGM-20" alongwith valid copy of both sides of Computerized National Identity Card (CNIC) at ellcot-agm20@nagina.com. Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM.

Shareholders can also provide their comments and questions for the agenda items of the AGM at the email address ellcot-agm20@nagina.com.

Members are therefore, encouraged to attend the AGM through video link or by consolidating their attendance through proxies.

- 6) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 275(i)/2016 dated March 31, 2016 read with Notification S.R.O. 19(I)/2014 dated January 10, 2014 and Notification S.R.O. 831(I)/2012 dated July 5, 2012.
- 7) In accordance with the provisions of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, it is mandatory for a listed company to pay cash dividend to its shareholders only through electronic mode directly into their bank account designated by the entitled shareholders instead of issuing physical dividend warrants. Therefore, shareholders are requested to provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS) for future dividends, if any.

- 8) The financial statements for the year ended June 30, 2020 shall be uploaded on the Company's website www.nagina.com twenty-one days prior to the date of holding of annual general meeting.
- 9) Pursuant to SECP Notification S.R.O. 787(I)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.
- 10) Members can exercise their right to demand a poll subject to meeting requirements of Section 143 -145 of Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations 2018.
- 11) If the Company receives consent from the members holding at least 10% shareholding residing in a city, to participate in the meeting through video-link at least 07 days prior to date of the meeting, the Company will arrange facility of video-link in that city subject to availability of such facility in that city.
- 12) Members are requested to promptly notify the Company of any change in their registered address.
- 13) IMPORTANT:**
 - a) Shareholders are again requested to provide copy of CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd., H.M. House, 7-Bank Squire, Lahore.
 - b) Shareholders are requested to contact the Registered Office of the Company or the Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Squire, Lahore for collection of their unclaimed shares / unpaid dividend which they have not received due to any reasons.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 REGARDING SPECIAL BUSINESS

This Statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on October 26, 2020.

M/s. Prosperity Weaving Mills Ltd. (PWML) and Nagina Cotton Mills Ltd., (NCML) are not members of the Company. Their sponsors/directors are directors/members of the Company. They have no interest except their directorship and to the extent of their shareholding in the Company which is as follows:

Sr. No.	Name	% of Shareholding
1.	Mr. Shahzada Ellahi Shaikh	2.22
2.	Mr. Shaukat Ellahi Shaikh	3.40
3.	Mr. Shafqat Ellahi Shaikh	2.60
4.	Mr. Raza Ellahi Shaikh	12.79
5.	Mr. Amin Ellahi Shaikh	12.79
6.	Mr. Haroon Shahzada Ellahi Shaikh	6.39
7.	Mr. Omer Ellahi Shaikh	6.39

Information under Regulation 3 of The Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

(a) Disclosure for all types of investments																
(A) Disclosure regarding associated company																
i.	Name of Associated Company or Associated Undertaking.	a) M/s. Prosperity Weaving Mills Ltd. (PWML) b) M/s. Nagina Cotton Mills Ltd., (NCML)														
ii.	Basis of Relationship.	Common Directorship														
iii.	Earnings / (Loss) per Share for the last three years.	<table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Earnings Per Share (Rs.)</th> </tr> <tr> <th>PWML</th> <th>NCML</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>8.37</td> <td>0.41</td> </tr> <tr> <td>2019</td> <td>11.37</td> <td>16.50</td> </tr> <tr> <td>2018</td> <td>2.96</td> <td>8.46</td> </tr> </tbody> </table>	Year	Earnings Per Share (Rs.)		PWML	NCML	2020	8.37	0.41	2019	11.37	16.50	2018	2.96	8.46
Year	Earnings Per Share (Rs.)															
	PWML	NCML														
2020	8.37	0.41														
2019	11.37	16.50														
2018	2.96	8.46														
iv.	Break-up value per Share, based on last audited financial statements.	PWML = Rs. 63.88 NCML = Rs. 100.56														

v.	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements.	<p>As on June 30, 2020</p> <table border="1"> <thead> <tr> <th data-bbox="751 327 1019 365">Description</th> <th data-bbox="1019 327 1195 365">PWML</th> <th data-bbox="1195 327 1360 365">NCML</th> </tr> <tr> <th colspan="3" data-bbox="1019 365 1360 403">Rupees in millions</th> </tr> </thead> <tbody> <tr> <td data-bbox="751 403 1019 441">Paid up Capital</td> <td data-bbox="1019 403 1195 441">184.800</td> <td data-bbox="1195 403 1360 441">187.000</td> </tr> <tr> <td data-bbox="751 441 1019 478">Non-current assets</td> <td data-bbox="1019 441 1195 478">2,108.991</td> <td data-bbox="1195 441 1360 478">2,973.353</td> </tr> <tr> <td data-bbox="751 478 1019 516">Current assets</td> <td data-bbox="1019 478 1195 516">1,780.575</td> <td data-bbox="1195 478 1360 516">3,950.960</td> </tr> <tr> <td data-bbox="751 516 1019 554">Non-Current Liability</td> <td data-bbox="1019 516 1195 554">1,668.421</td> <td data-bbox="1195 516 1360 554">2,321.566</td> </tr> <tr> <td data-bbox="751 554 1019 592">Current Liabilities</td> <td data-bbox="1019 554 1195 592">1,040.698</td> <td data-bbox="1195 554 1360 592">2,722.251</td> </tr> <tr> <td data-bbox="751 592 1019 630">Revenue</td> <td data-bbox="1019 592 1195 630">6,018.541</td> <td data-bbox="1195 592 1360 630">7,070.172</td> </tr> <tr> <td data-bbox="751 630 1019 667">Gross Profit</td> <td data-bbox="1019 630 1195 667">529.557</td> <td data-bbox="1195 630 1360 667">593.821</td> </tr> <tr> <td data-bbox="751 667 1019 705">Finance Cost</td> <td data-bbox="1019 667 1195 705">118.847</td> <td data-bbox="1195 667 1360 705">277.813</td> </tr> <tr> <td data-bbox="751 705 1019 743">Profit After Tax</td> <td data-bbox="1019 705 1195 743">154.755</td> <td data-bbox="1195 705 1360 743">7.629</td> </tr> </tbody> </table>	Description	PWML	NCML	Rupees in millions			Paid up Capital	184.800	187.000	Non-current assets	2,108.991	2,973.353	Current assets	1,780.575	3,950.960	Non-Current Liability	1,668.421	2,321.566	Current Liabilities	1,040.698	2,722.251	Revenue	6,018.541	7,070.172	Gross Profit	529.557	593.821	Finance Cost	118.847	277.813	Profit After Tax	154.755	7.629
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vi.	<p>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-</p> <p>(I) description of the project and its history since conceptualization;</p> <p>(II) starting date and expected date of completion of work;</p> <p>(III) time by which such project shall become commercially operational;</p> <p>(IV) expected time by which the project shall start paying return on investment; and</p> <p>(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</p>	Not Applicable																																	
(B) General Disclosures:																																			
i.	Maximum amount if investment to be made.	<p>Loan investment upto Rs. 100,000,000/- (Rupees one hundred million) to each of the following:</p> <p>a) Prosperity Weaving Mills Ltd.</p> <p>b) Nagina Cotton Mills Ltd.</p>																																	

ii.	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment.	To provide an option to the associated companies to avail finance as and when required and to park any surplus funds with the associated companies to earn a return over and above offered in the market.														
iii.	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	Surplus funds of the Company N/A N/A N/A														
iv.	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment.	Agreement will be signed after approval by the members. Other significant terms and conditions are as under: 1. Interest due on outstanding amount of loan shall be paid by the associated company on monthly basis on or before of 10th every month starting from the next month of the disbursement of loan. 2. In case of delay in re-payment principal and interest, an additional sum equivalent to 2% per annum on the unpaid amount for the period for which the payment is delayed, shall be paid by associated company to the Company in addition to the agreed interest amount. 3. All payments under the loan agreement shall be made through crossed cheques.														
v.	direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	The following directors of the Company are also the directors in the investee company, however, the directors have no director or indirect interest except to the extent of their shareholding / directorship in the investee company. <table border="1" data-bbox="748 1587 1362 1871"> <thead> <tr> <th>Sr. #</th> <th>Name</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mr. Shahzada Ellahi Shaikh</td> </tr> <tr> <td>2.</td> <td>Mr. Shaukat Ellahi Shaikh</td> </tr> <tr> <td>3.</td> <td>Mr. Shafqat Ellahi Shaikh</td> </tr> <tr> <td>4.</td> <td>Mr. Raza Ellahi Shaikh</td> </tr> <tr> <td>5.</td> <td>Mr. Amin Ellahi Shaikh</td> </tr> <tr> <td>6.</td> <td>Mr. Haroon Shahzada Ellahi Shaikh</td> </tr> </tbody> </table>	Sr. #	Name	1.	Mr. Shahzada Ellahi Shaikh	2.	Mr. Shaukat Ellahi Shaikh	3.	Mr. Shafqat Ellahi Shaikh	4.	Mr. Raza Ellahi Shaikh	5.	Mr. Amin Ellahi Shaikh	6.	Mr. Haroon Shahzada Ellahi Shaikh
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vi.	in case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs.	Not applicable
vii.	any other important details necessary for the members to understand the transaction.	None

Additional disclosure regarding investment in the form of Loan / Advance		
i.	category-wise amount of investment.	Loan investment upto Rs. 100,000,000/- (Rupees one hundred million) to each of the following: a) Prosperity Weaving Mills Ltd. b) Nagina Cotton Mills Ltd.
ii.	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period.	The current average borrowing cost of the Company for the year ended June 30, 2020 was 10.37%.
iii.	rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	Not less than average borrowing cost of the Company to be decided by Chief Executive Officer (Mg. Director).
iv.	particulars of collateral or security to be obtained in relation to the proposed investment,	No security to be obtained as all companies are under common management.
v.	if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable.	None
vi.	repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	Repayment of principal will be made within one year with payment of interest due on monthly basis.

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

Members had approved a special resolution u/s 208 of the repealed Companies Ordinance, 1984 (U/S 199 of the Companies Act, 2017) on October 30, 2015. The Company has not made any investment under the resolution. Following is the status:

a. Total investment approved.	Rs.75,000,000/= (Rupees seventy five million only) to each of the following associated company: i) Nagina Cotton Mills Ltd. (NCML) ii) Prosperity Weaving Mills Ltd. (PWML)																																			
b. Amount of investment made to date:	Nil																																			
c. Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and	Due to better cash flows, the associated companies did not need funds envisaged u/s 199 of the Companies Act, 2017. Therefore, no investment transaction took place during the year 2019-20.																																			
d. Material change in Financial Statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;">Present Financial Position as on June 30, 2020</th> <th colspan="2" style="text-align: center;">Financial Position at the time of approval as on June 30, 2015</th> </tr> <tr> <th></th> <th style="text-align: center;">NCML</th> <th style="text-align: center;">PWML</th> <th style="text-align: center;">NCML</th> <th style="text-align: center;">PWML</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="4" style="text-align: center;">Rupees in Millions</td> </tr> <tr> <td>Net sales</td> <td style="text-align: right;">7,070.172</td> <td style="text-align: right;">6,018.541</td> <td style="text-align: right;">4,208.114</td> <td style="text-align: right;">5,811.482</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">593.821</td> <td style="text-align: right;">529.557</td> <td style="text-align: right;">389.233</td> <td style="text-align: right;">318.755</td> </tr> <tr> <td>Profit before tax</td> <td style="text-align: right;">100.274</td> <td style="text-align: right;">247.969</td> <td style="text-align: right;">148.032</td> <td style="text-align: right;">31.188</td> </tr> <tr> <td>Profit after tax</td> <td style="text-align: right;">7.629</td> <td style="text-align: right;">154.755</td> <td style="text-align: right;">133.689</td> <td style="text-align: right;">60.831</td> </tr> </tbody> </table>		Present Financial Position as on June 30, 2020		Financial Position at the time of approval as on June 30, 2015			NCML	PWML	NCML	PWML		Rupees in Millions				Net sales	7,070.172	6,018.541	4,208.114	5,811.482	Gross profit	593.821	529.557	389.233	318.755	Profit before tax	100.274	247.969	148.032	31.188	Profit after tax	7.629	154.755	133.689	60.831
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Vision:

To be a dynamic, profitable and growth oriented company.

Mission:

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

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

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

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

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

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

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

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



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

SCOPE CERTIFICATE

Scope Certificate Number: CU809299GOTS-2020-00037518

Control Union Certifications declares that

Nagina Group

License Number: 809299
91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

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

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

Product categories: Undyed yarns, Fabrics, Greige yarns

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

Weaving, Exporting, Importing, Trading, Spinning

This certificate is valid from:

2020-06-06

This certificate is valid until:

2021-06-05

Place and date of issue:



2020-08-11, Zwolle

Name of authorised person:

On behalf of the Managing Director
PasanGalappaththi | Certifier

Stamp of the issuing body



Standard's Logo



This Scope Certificate provides no proof that any goods delivered by its holder are GOTS certified. Proof of GOTS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them.
Accredited by: Dutch Accreditation Council (RVA), Accreditation No: C 412



This electronically issued document is the valid original version.

Control Union Certifications B.V.

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www.controlunion.com



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

SCOPE CERTIFICATE

Scope Certificate Number: CU809299GRS-2020-00037515

Control Union Certifications declares that

Nagina Group

License Number: 809299
91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

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

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

Product categories: Undyed yarns, Fabrics

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

Weaving, Exporting, Importing, Trading, Spinning

This certificate is valid from:

2020-06-06

This certificate is valid until:

2021-06-05

Place and date of issue:



2020-08-11, Zwolle

Name of authorised person:

On behalf of the Managing Director
PasanGalappaththi | Certifier

Stamp of the issuing body



Standard's Logo



This Scope Certificate provides no proof that any goods delivered by its holder are GRS certified. Proof of GRS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them.
Accredited by: Sri Lanka Accreditation Board (SLAB), Accreditation No: CP 004-01



This electronically issued document is the valid original version.

Control Union Certifications B.V.

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www.controlunion.com



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

SCOPE CERTIFICATE

Scope Certificate Number: CU809299OCS-2020-00037517

Control Union Certifications declares that

Nagina Group

License Number: 809299
91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

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

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

Product categories: Undyed yarns, Fabrics

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

Weaving, Exporting, Importing, Trading, Spinning

This certificate is valid from:

2020-06-06

This certificate is valid until:

2021-06-05

Place and date of issue:



2020-08-11, Zwolle

Name of authorised person:

On behalf of the Managing Director
PasanGalappaththi | Certifier

Stamp of the issuing body



Standard's Logo



This Scope Certificate provides no proof that any goods delivered by its holder are OCS certified. Proof of OCS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them.

Accredited by: Sri Lanka Accreditation Board (SLAB), Accreditation No: CP 004-01



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Meeuwenlaan 4-6, 8011 BZ Zwolle , Netherlands
+31 38 426 0100
www.controlunion.com

SCOPE CERTIFICATE

Scope Certificate Number: CU809299RCS-2020-00037516

Control Union Certifications declares that

Nagina Group

License Number: 809299
91-B-1, M.M. Alam Road,
Gulberg III,
Lahore 54660
Pakistan

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

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

Product categories: Undyed yarns, Fabrics

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

Weaving, Exporting, Importing, Trading, Spinning

This certificate is valid from:

2020-06-06

This certificate is valid until:

2021-06-05

Place and date of issue:



2020-08-11, Zwolle

Name of authorised person:

On behalf of the Managing Director
PasanGalappaththi | Certifier

Stamp of the issuing body



Standard's Logo



This Scope Certificate provides no proof that any goods delivered by its holder are RCS certified. Proof of RCS certification of goods delivered is provided by a valid Transaction Certificate (TC) covering them.
Accredited by: Sri Lanka Accreditation Board (SLAB), Accreditation No: CP 004-01



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AITEX
INSTITUTO TECNOLÓGICO TEXTIL
PLAZA EMEJO SALA 1
03801 ALCOY (ALICANTE) ESPAÑA, SPAIN

OEKO-TEX®
INSPIRING CONFIDENCE

CERTIFICATE

The company

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

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use the STANDARD 100 by OEKO-TEX® mark, based on our test report 20200K0384



for the following articles:

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

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

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

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

The certificate 20150K0011 is valid until 31.01.2021

Alcoy (Alicante) España, 02.03.2020

Silvia Devesa Valencia
Innovation Assistant Manager



Isabel Soriano Sarrió
Chief of Innovation Area



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

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

- The election of directors was held in January, 2020. All the elected directors are well-versed individuals as detailed in Directors' Report. The Board comprise of adequate number of Independent and Non-Executive Directors with highly qualified members from diversified backgrounds. The Board played an indispensable role in achieving the Company's objectives by providing oversight, guidance, strategic direction, assessing strategy & underlying purpose of actions taken by Management and monitoring of the Company's Performance towards achievement of its objectives;
- The Board has actively participated in strategic planning process, enterprise risk management system, policy development, and financial structure, monitoring and approval;
- All the significant issues throughout the year were presented before the Board or its committees to strengthen and formalize the corporate decision making process and particularly all the related party transactions executed by the Company were approved by the Board on the recommendation of the Audit Committee;
- The Board has ensured that the adequate system of internal control is in place and its regular assessment through self-assessment mechanism and /or internal audit activities;
- The Board has prepared and approved the director's report and has ensured that the directors' report is published with the quarterly and annual financial statement of the Company and the content of the directors' report are in accordance with the requirement of applicable laws and regulations;
- The Board has ensured the hiring, evaluation and compensation of the Chief Executive and other key executives including Chief Financial Officer, Company Secretary, and Head of Internal Audit;
- The Board has ensured that adequate information is shared among its members in a timely manner and the Board members are kept abreast of developments between meetings;
- The Board has exercised its powers in light of the power assigned to the Board in accordance with the relevant laws and regulation applicable on the Company and the Board has always prioritized the Compliance with all the applicable laws and regulation in terms of their conduct as directors and exercising their powers and decision making; and
- Necessary Board agenda and related supporting documents were duly made available to the board in sufficient time prior to the Board and it Committee Meetings. The non- executive and independent directors are equally involved in important decisions of the board.

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



Shahzada Ellahi Shaikh
Chairman

Lahore: September 24, 2020

ایلوٹ سپننگ ملز لمیٹڈ

بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ کے ممبروں کی کردار پر چیئر مین کی جائزہ رپورٹ

ایلوٹ سپننگ ملز لمیٹڈ (ESML) کے بورڈ آف ڈائریکٹرز (بورڈ) نے کمپنی کے حصہ داروں کے بہترین مفاد کو برقرار رکھنے میں اپنی ذمہ داریاں تندہی سے انجام دی ہیں اور کمپنی کے امور کو مؤثر اور بروقت انداز سے منظم کیا ہے۔ بورڈ نے کمپنی ایکٹ 2017 اور سٹیٹیکٹس (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں دئے گئے اپنے اختیارات اور ذمہ داریوں کو بخوبی سرانجام دیا ہے۔

• جنوری 2020 میں ڈائریکٹرز کے انتخابات ہوئے۔ تمام منتخب ڈائریکٹرز باصلاحیت ہیں، جس کی تفصیل ڈائریکٹرز رپورٹ میں دی گئی ہے۔ بورڈ متنوع پس منظر سے تعلق رکھنے والے انتہائی تجربہ کار ارکان کے ساتھ آزاد اور غیر ایگزیکٹو ڈائریکٹرز کی مناسب تعداد پر مشتمل ہے۔ بورڈ نے نگرانی، رہنمائی، اسٹریٹجک سمت، حکمت عملی کا اندازہ لگانے اور اپنے مقاصد کے حصول کے لئے کمپنی کی کارکردگی کی نگرانی اور اس کے تحت کیے گئے اقدامات کے بنیادی مقصد فراہم کر کے کمپنی کے مقاصد کے حصول میں ایک ناقابل فراموش کردار ادا کیا۔

• بورڈ نے اسٹریٹجک منصوبہ بندی کے عمل، ادارے کو لاحق خطرات کا انتظامی نظام، پالیسی ڈویلپمنٹ، اور مالیاتی ساخت کی نگرانی اور منظوری میں فعال طور پر حصہ لیا ہے۔

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

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

• بورڈ نے مجلس نظام کی رپورٹ کی تیاری اور منظوری دی ہے اور اس بات کو یقینی بنایا ہے کہ مجلس نظام کی رپورٹ کمپنی کی سہ ماہی اور سالانہ مالیاتی حسابات کے ساتھ شائع ہوئی اور مجلس نظام کی رپورٹ کا مواد قابل اطلاق قوانین اور قواعد و ضوابط کے مطابق ہے۔

• بورڈ نے چیف ایگزیکٹو سمیت دیگر اہم ایگزیکٹوز بشمول چیف فنانس آفیسر، کمپنی سیکریٹری، اور انٹرنل آڈٹ کے سربراہ کی ملازمت اور معاوضہ سازی کو یقینی بنایا ہے۔

• بورڈ نے اس کے اراکین کے درمیان بروقت طریقے سے تسلی بخش معلومات کے تبادلے کو یقینی بنایا اور بورڈ کے ممبران کو اجلاس کے درمیان ڈویلپمنٹ بارے میں لمحہ بہ لمحہ باخبر رکھا گیا ہے۔

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

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

بورڈ کی سالانہ کارکردگی اہم شعبوں پر مبنی ہے جہاں بورڈ کو اعلیٰ درجے کی نگرانی مہیا کرنے بشمول اسٹریٹجک عمل، کلیدی کاروباری امور، سنگ میلز کی تکمیل، عالمی معاشی ماحول اور مسابقتی سیاق و سباق جس میں کمپنی کام کرتی ہے، کمپنی کے کاروبار کو درپیش خطرات، بورڈ کے محرکات، صلاحیت اور معلومات مہیا کرنے کے لئے وضاحت دینے کی ضرورت ہوتی ہے۔ مذکورہ بالا کی بنیاد پر، یہ مناسب طور پر کہا جاسکتا ہے کہ ESML کے بورڈ نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا ہے کہ کمپنی کے مقاصد کو نہ صرف حاصل کیا جاسکتا ہے، بلکہ بورڈ اور اس کے ارکان کی رہنمائی اور نگرانی کے ذریعہ انتظامیہ ٹیم کی مشترکہ کوششوں کے ساتھ توقعات سے بھی آگے بڑھایا جاسکتا ہے۔



شہزادہ الہی شیخ

چیئر مین

لاہور 24 ستمبر 2020

DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honor to present 32nd Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2020. Figures for the previous year ended June 30, 2019 are included for comparison.

Company Performance

The year under review has been an unusual year. COVID-19 global pandemic has adversely impacted the businesses worldwide. Business confidence plummeted on the back of major supply chain disruptions and falling consumer demand. Our company endured these challenging times where we faced compulsory closure of mills, cancellation of sales orders, disruption in supply chain, steep exchange rate volatility and the constant threat of the spread of the virus. Alhamdulillah, despite all odds your Company has earned after tax profit of Rs. 225,879,281 or 3.67% of sales compared to Rs. 204,768,519 or 3.23% of sales during same period last year (SPLY). Earning per share (EPS) for the year is Rs. 20.63 compared to Rs. 18.70 during SPLY. The good results are an outcome of the management decision to maintain high liquidity, diversified customer family and the high quality of middle management.

Volume based reduction in sales resulted decrease in sales revenue by 3.05% over SPLY. However, yarn prices improved in comparison to SPLY. Cost of sales decreased from 89.90% of sales during SPLY to 87.69% of sales during the year under review. Reduction in cost of sales resulted increase in Gross Profit (GP) from 10.10% of sales during SPLY to 12.31% of sales during the year under review.

Distribution costs decreased by 8.16% over the SPLY. Administrative expenses increased by 8.73% over the SPLY due to inflationary impact. Other expenses increased by 22.14% over the SPLY. The major reason for the increase is exchange losses, impairment allowance for expected credit losses and higher provision for WPPF. The Company has been able to generate stable cash flows and made timely discharge of its operating and financial liabilities. Finance Cost decreased from 4.48% of sales during SPLY to 3.08% during the period under review. The decrease is mainly due to reduction in Kibor rates and conversion of long-term debt into concessional LTFF loans.

According to the figures issued by the Pakistan Cotton Ginners Association, for the crop year 2020-21, Kapas, (seed cotton) arrivals upto September 15, 2020, at the Ginneries totaled 1.035 million bales compared to 1.852 million bales for the year 2019-20 showing decrease in arrival of 44.12%.

Capital Assets Investment

In line with strategic plans for achieving energy efficiency in power generation and enhancing spinning quality and efficiency, your Company is in the process of installing another gas fired energy efficient power generating set and four new ring frames. This investment will enhance energy efficiency and productivity. The management has started feasibility studies for replacement of 24,768 old spindles. It is hoped that with an investment of Rs. 1.5 billion the company will be able to replace the old machinery with highly productive and energy efficient new machinery. Management is strongly in favor of continuous balancing, modernization and replacement (BMR).

Future Outlook

Year under review has been a satisfactorily profitable year. However, the global business outlook is still challenged due to Covid-19. The markets are fearful of a second wave. In order to improve the market sentiment, the Governments all over the world are injecting liquidity and encouraging businesses to open up. It is hoped that a suitable vaccine shall be available soon so that the threat of COVID 19 second wave is eliminated. The combination of government efforts and the reduction in new cases is likely to create demand. The impact of Trade war between China and USA must be watched carefully as companies in the western world may diversify their sources of supply away from China and create demand in Pakistani textile products. Demand in local market is quite encouraging as the value-added sector comprising towels, home furnishings,

denim and knitwear are reporting healthy export demand. Export markets for yarn are unable to match local prices causing fall in export of yarn. The State Bank of Pakistan and the government has been very proactive to handle the COVID 19 related challenges. Measures like enhancement of liquidity, deferment of principal payments, refinancing of wages and salaries, providing low interest loans for investment and reducing the policy rate to 7% have helped textile industry in general. Therefore, Management is optimistic that the financial year 2020-21 would remain reasonably profitable.

Local cotton crop size is expected to shrink because of excessive rains and lower cultivation area. Therefore, spinners will have to import cotton to meet raw material requirement. Exchange rate parity between USD and PKR remained volatile and we witnessed almost 6.50%-rupee devaluation during the year under review. Government has promised to provide fixed price gas and power tariff to the textile industry. We would also like to appreciate the Government for allowing refunds for sales tax and pending DLT. This will help in effective cost management and maintaining competitiveness. In this testing time of pandemic, we must appreciate the role of SBP. They have taken very timely relief measures for the business community. In a recent development, Honorable Supreme Court has issued an order with regard to long outstanding issue of GIDC. By virtue of the order industrial gas users are required to pay arrears of GIDC amount in installments. This will negatively impact the cash flows of the company. Higher prevailing inflation in the country is causing surge in costs. This may result in some reduction in margins.

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

Dividend

Our company has opted for one-year loan deferments under SBP scheme. Under banks approval terms we cannot pay dividend for the year under review. Therefore, in this year we shall conserve our reserves with the hope for better payouts in future.

Principal Activity

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

Principal Risks and Uncertainties

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

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

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

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

Material Changes and Commitments

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

ISO 9001: 2015 Certification

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

Corporate Social Responsibility

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

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

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

Internal Financial Controls

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

Related Parties

All related party transactions during the financial year ended June 30, 2020 were reviewed by the Audit Committee and approved by the Board of Directors. All the related parties' transactions were in line with the transfer pricing methods approved the Board of Directors.

Shareholding Pattern

The shareholding pattern as at June 30, 2020 for ordinary shares is annexed.

Appointment of Auditors

Messrs Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as auditors for the financial year 2020-21. The Audit Committee has recommended for re-appointment of present auditors.

Financial Statements Audit

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

Corporate Governance & Financial Reporting Framework

Further, Directors are pleased to report that:

- a) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.

- c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.
- d) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements any departures therefrom have been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts upon the Company's ability to continue as a going concern.
- g) Key operating and financial data for the last six years is annexed.
- h) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2020 except for those disclosed in the financial statements.

Composition of Board

Total number of Directors:

- a) Male: 9 (Nine)
- b) Female: 1 (One)

Composition:

- (i) Independent Directors: 3 (Three)
- (ii) Other Non-executive Directors: 5 (Five)
- (iii) Executive Director: 2 (Two)

Mr. Shahzada Ellahi Shaikh	Chairman
*Mr. Mohammad Babar Monnoo	
Mr. Imran Motiwala	
Mrs. Faaria Rehman Salahuddin	
Mr. Jamal Nasim	
Mr. Shaukat Ellahi Shaikh	
Mr. Raza Ellahi Shaikh	
Mr. Amin Ellahi Shaikh	
Mr. Shafqat Ellahi Shaikh	
Mr. Haroon Shahzada Ellahi Shaikh	Director / Chief Executive Officer

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

Committees of the Board:

The Board has made following sub-committees:

Audit Committee

Sr. No.	Name of Directors	Designation
1.	**Mr. Mohammad Babar Monnoo	Chairman
2.	Mr. Shaukat Ellahi Shaikh	Member
3.	Mr. Raza Ellahi Shaikh	Member

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

Human Resource and Remuneration (HR&R) Committee

Sr. No.	Name of Directors	Designation
1.	***Mr. Mohammad Babar Monnoo	Chairman
2.	Mr. Raza Ellahi Shaikh	Member
3.	Mr. Haroon Shahzada Ellahi Shaikh	Member

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

Executive Committee

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

Significant Features of Directors' Remuneration

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

Non-executive directors including the independent director are entitled only for fee for attending the Board and its committees' meetings. Remuneration of executive and non-executive directors shall be approved by the Board, as recommended by the Human Resource and Remuneration Committee. For information on remuneration of Directors and CEO in 2019-20, please refer notes to the Financial Statements.

Acknowledgment

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

On behalf of the Board



Haroon Shahzada Ellahi Shaikh
Mg. Director (Chief Executive)



Amin Ellahi Shaikh
Director

Lahore: September 24, 2020

ممبران کے لئے ڈائریکٹرز کی رپورٹ

مجلس انقضاء 30 جون 2020 کو مختتمہ سال کے لئے کمپنی کی 32 ویں سالانہ رپورٹ معہ نظر ثانی شدہ مالیاتی حسابات اور اس پر محاسب کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہی ہے۔ 30 جون 2019 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

کمپنی کی کارکردگی

زیر جائزہ سال ایک غیر مستحکم سال تھا۔ COVID-19 عالمی وبائی بیماری نے دنیا بھر کے کاروباروں پر بری طرح سے اثر ڈالا ہے۔ اہم سپلائی چین میں رکاوٹوں اور صارفین کی طلب میں کمی کے نتیجے میں کاروباری اختتام کم ہو گیا۔ ہماری کمپنی نے ان مشکل حالات کا سامنا کیا جہاں ہمیں ملوں کی لازمی بندش، ہیل آرڈرز کی منسوخی، سپلائی چین میں خلل، زرمبادلہ کی شرح میں اتار چڑھاؤ اور وائرس کے پھیلاؤ کے مستقل خطرہ کا سامنا کرنا پڑا۔ الحمد للہ، تمام مشکلات کے باوجود آپ کی کمپنی نے گزشتہ سال (SPLY) کی اسی مدت کے دوران 204,768,519 روپے یا فروخت کا 3.23 فیصد کے مقابلے 225,879,281 روپے یا فروخت کا 3.67 فیصد کا بعد از ٹیکس منافع درج کیا ہے۔ فی شیئر آمدنی (EPS) (SPLY) کی 18.70 روپے کے مقابلے اس سال 20.63 روپے ہے۔ یہ بہتر کارکردگی انتظامیہ کی طرف سے اعلیٰ لیکویڈیٹی، متنوع کسٹمر فیملی اور درمیانی انتظامیہ کی اعلیٰ کوالٹی کو برقرار رکھنے کے فیصلے کا نتیجہ ہے۔

تجم کے لحاظ سے فروخت میں کمی کے نتیجے میں فروخت آمدن میں SPLY سے 3.05 فیصد کمی ہوئی۔ تاہم، سوتز کی قیمتیں SPLY کے موازنہ میں بہتر ہوئیں۔ SPLY کے دوران فروخت کی لاگت فروخت کی 89.90 فیصد سے کم ہو کر زیر جائزہ سال کے دوران فروخت کی 87.69 فیصد تک ہوئی۔ فروخت کی لاگت میں کمی کے نتیجے میں گزشتہ سال کی اسی مدت کے دوران مجموعی منافع (GP) فروخت کے 10.10 فیصد سے بڑھ کر زیر جائزہ سال کے دوران فروخت کا 12.31 فیصد ہو گیا۔

موجودہ سال تقسیم کے اخراجات SPLY سے 8.16 فیصد تک کم ہوئے۔ افراط زر کے دباؤ کی وجہ سے انتظامی اخراجات گزشتہ سال سے 8.73 فیصد تک زیادہ ہوئے۔ دیگر اخراجات SPLY سے 22.14 فیصد تک زیادہ ہوئے۔ اضافہ کی اہم وجوہات زرمبادلہ کے نقصانات، مشکوک وصولیاں اور WPPF کے لئے زیادہ پروویژن ہیں۔ کمپنی مستحکم نقد بہاؤ پیدا کرنے اور اپنی آپریٹنگ اور مالی ادائیگیاں بروقت ادا بروقت ادا کرنے میں کامیاب رہی۔ کمپنی کی مالی لاگت گزشتہ سال SPLY کی فروخت کی 4.48 فیصد سے کم ہو کر زیر جائزہ سال کے دوران فروخت کی 3.08 فیصد تک ہوئی۔ یہ کمی Kibor شرحوں میں کمی اور طویل مدتی قرضوں کی رعایتی LTFB قرضوں میں تبدیلی کی وجہ سے ہوئی۔

پاکستان کاٹن جز زاویوسی ایشن کی طرف سے فصل سال 2020-21 کے لئے جاری کردہ اعداد و شمار کے مطابق 15 ستمبر 2020 تک جزیز میں کپاس، (بیج کپاس) کی پہنچ سال 2019-20 کی کل 1.852 بلین کانٹھوں کے مقابلے 1.035 بلین کانٹھیں ہوئی جو 44.12 فیصد کمی کی ظاہر کر رہی ہے۔

طویل مدتی اثاثوں کی سرمایہ کاری

زیر جائزہ سال کے دوران آپ کی کمپنی نے، بجلی پیدا کرنے میں توانائی کے حصول اور اسپننگ کی کوالٹی اور صلاحیت کو بہتر بنانے کے لئے ایک اور گیس پر چلنے اور توانائی بچانے والا پاور جزیز اینگ سیٹ اور چار نئے ٹگ فریمز نصب کرنے کے عمل میں ہے۔ یہ سرمایہ کاری توانائی کی بچت اور پیداوار کو بڑھائے گی۔ انتظامیہ نے 24,768 پرانے سپنڈلز کی تبدیلی کے لئے فریٹلٹی اسٹڈیز شروع کی ہے۔ امید کی جاتی ہے کہ کمپنی 1.5 بلین روپے کی سرمایہ کاری کے ساتھ پرانی مشینری کو اعلیٰ پیداواری اور توانائی بچانے والی نئی مشینری کے ساتھ تبدیل کر لے گی۔ انتظامیہ مسلسل توازن، جدت اور تبدیلی کے حق میں ہے۔

مستقبل کے امکانات

زیر جائزہ سال موزوں منافع بخش سال رہا ہے۔ تاہم، Covid-19 کی وجہ سے عالمی کاروباری نقطہ نظر اب بھی غیر یقینی ہے۔ مارکیٹ وبا کی دوسری لہر سے خوف زدہ ہے۔ مارکیٹ کے حالات کو بہتر بنانے کے لئے، پوری دنیا کی حکومتیں سرمایہ لگا رہی ہیں اور کاروبار کو رکھولنے کے لئے کاروباروں کی حوصلہ افزائی کر رہی ہیں۔ امید کی جاتی ہے کہ موزوں ویکسین جلد ہی دستیاب ہو جائے گی تاکہ COVID-19 کی دوسری لہر کا خطرہ کم ختم ہو جائے۔ حکومت کی کوششوں اور نئے مریضوں میں کمی کے باعث مجموعی طور پر طلب میں اضافہ کا امکان ہے۔ چین اور امریکہ کے درمیان تجارتی جنگ کے اثرات کی احتیاط سے نگرانی کی جانی چاہئے کیونکہ مغربی دنیا میں کمپنیاں اپنے سپلائی کے ذرائع چین سے تبدیل کر لیں گی اور پاکستانی ٹیکسٹائل مصنوعات میں طلب پیدا کر سکتی ہیں۔ مقامی مارکیٹ میں طلب حوصلہ افزاء ہے کیونکہ تولیہ، ہوم فرنیٹنگ، ڈینیم اور نیٹ ویئر پر مشتمل ویلیو ایڈڈ شعبوں میں صحتمند برآمدی طلب ظاہر کر رہی ہے۔ سوتز کی برآمدی مارکیٹیں سوتز کی برآمد میں کمی کی وجہ سے مقامی قیمتوں کا موازنہ کرنے کے قابل نہیں ہیں۔ اسٹیٹ بینک آف پاکستان اور حکومت COVID-19 سے متعلقہ مشکلات پر قابو پانے کے لئے بہت فعال رہے ہیں۔ سرمایہ کو بڑھانے، اصل ادائیگیوں کو مؤخر کرنے، اجرتوں اور تنخواہوں کی ریفرنڈنگ، سرمایہ کاری کے لئے کم شرح پر قرضوں کی فراہمی اور پالیسی شرح 7% تک کم کرنے جیسے اقدامات نے ٹیکسٹائل صنعت کی مدد کی ہے۔ لہذا انتظامیہ پُر امید ہے کہ مالی سال 2020-21 معقول حد تک منافع بخش سال رہے گا۔

توقع کی جارہی ہے کہ زیادہ بارشوں اور کاشت کے کم رقبے کی وجہ سے مقامی کپاس کی فصل کا حجم کم ہو جائے گا۔ لہذا، اسپنرز کو خام مال کی ضرورت کو پورا کرنے کے لئے روٹی درآد کرنا پڑے گی۔ امریکی ڈالر اور پاکستانی روپیہ کے درمیان شرح تبادلہ غیر مستحکم رہی اور زیر جائزہ سال کے دوران ہم نے قدر میں تقریباً 6.50 فیصد کمی دیکھی۔ حکومت نے ٹیکسٹائل صنعت کو مخصوص نرخوں پر گیس اور بجلی کی فراہمی کا وعدہ کیا ہے۔ ہم سٹریٹجکس اور زیر التواء DTL کی واپسی کی اجازت دینے پر حکومت کو سراہتے ہیں۔

اس سے لاگت کے موثر انتظام اور مسابقت کو برقرار رکھنے میں مدد ملے گی۔ وبائی مرض کے اس آزمائشی حالات میں، ہمیں اسٹیٹ بینک کے کردار کی بھی تعریف کرنی چاہئے۔ اس نے تاجر برادری کے لئے بروقت امدادی اقدامات اٹھائے ہیں۔ ایک حالیہ پیشرفت میں، محرز سپریم کورٹ نے GIDC کے طویل عرصے سے غیر حل شدہ تنازع کے سلسلے میں ایک حکم جاری کیا ہے۔ حکم کی بناء پر صنعتی گیس کے صارفین کو GIDC کی بتایا رقم اقتساط میں ادا کرنا ضروری ہے۔ اس سے کمپنی کے نقد بہاؤ پر منفی اثر پڑے گا۔ ملک میں موجودہ اعلیٰ افراط زر اخراجات میں اضافے کا سبب بن رہا ہے۔ اس کے نتیجے میں منافع جات میں کچھ کمی واقع ہو سکتی ہے۔

یہ امید کی جاتی ہے کہ حکومت کاروبار میں موثر لاگتی باقاعدگی یا تعطل توانائی کی فراہمی، بتایا سٹریٹجکس اور انکم ٹیکس کی واپسی جیسی دوستانہ پالیسیاں لائے گی تاکہ کاروبار کے نقدی بہاؤ کے تناؤ کو کم کیا جاسکے۔ حکومتی پالیسیاں ٹیکسٹائل شعبہ میں ویلیو چین کی مکمل حوصلہ افزاء ہونی چاہئیں تاکہ ملک تیار مصنوعات برآمد کر سکے۔

منافع منقسمہ

ہماری کمپنی نے اسٹیٹ بینک اسکیم کے تحت ایک سال کے قرض کا التواء حاصل کیا ہے۔ بینکوں کی منظور شرائط کے تحت ہم زیر جائزہ سال کے لئے منافع ادا نہیں کر سکتے ہیں۔ لہذا، اس سال میں ہم مستقبل میں بہتر وصولیوں کی امید کے ساتھ اپنے ذخائر محفوظ کریں گے۔

نمایاں سرگرمی

کمپنی کی اصل سرگرمی سوت کی تیاری اور فروخت کرنا ہے۔

نمایاں خطرات اور غیر یقینی حالات

بورڈ آف ڈائریکٹرز کمپنی کے آپریشنز کی نگرانی اور خطرات کے کسی ممکنہ منفی اثر کا سدباب ختم کرنے کے لئے موثر حکمت عملی وضع کرنے کے ذمہ دار ہیں۔

کمپنی کی اصل مالی ادائیگیوں میں طویل مدتی قرضے، تجارتی اور دیگر قابل ادائیگیاں اور مختصر مدتی قرضے شامل ہیں۔ ان مالی ادائیگیوں کا اہم مقصد کمپنی کے آپریشنز کے لئے فنڈس کا بندوبست کرنا ہے۔ کمپنی کے اصل مالیاتی اثاثوں میں تجارتی وصولیاں، پیٹنگی ادائیگیاں، مختصر مدتی ڈیپازٹس، دیگر وصولیاں اور نقدی اور بینک بیلنسز شامل ہیں جو اس کے آپریشنز سے براہ راست حاصل ہوتے ہیں۔ کمپنی کی سرگرمیوں کو کسی قسم کے مالیاتی خطرات کا سامنا ہے جس میں مارکیٹ خطرہ (بشمول کرنسی خطرہ، شرح سود کا خطرہ اور قیمت کا خطرہ)، ادھار کا خطرہ اور نقدی بہاؤ کا خطرہ شامل ہے۔ کمپنی کا مجموعی رسک بیجنٹ پروگرام مالیاتی مارکیٹوں کی غیر متوقعات پر توجہ مرکوز اور مالی کارکردگی پر ممکنہ منفی اثرات کو کم کرنے کی کوشش کرتا ہے۔

اہم تبدیلیاں اور معاہدات

اس بیلسٹ سے متعلقہ مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان، کمپنی کی مالی حیثیت پر اثر انداز ہونے والی کوئی اہم منفی تبدیلیاں اور معاہدات رونما نہیں ہوئے۔

ISO 9001:2015 سرٹیفیکیشن

کمپنی کو ایٹمی کے اعلیٰ معیارات پر کام جاری رکھتی ہے اور 10 جولائی 2021 تک کارآمد سرٹیفیکیشن کے حالیہ ورژن حاصل کر چکی ہے۔ کو ایٹمی کنٹرول سرٹیفیکیشن نئے اور پرانے کسٹمرز کے اعتماد کو فروغ دینے میں مدد کرتی ہے۔

کاروباری سماجی ذمہ داری

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

ماحول، صحت اور تحفظ

کمپنی اپنے ملازمین اور عوام کی صحت کو درپیش خطرات سے بچانے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنے تمام انتظامات میں محفوظ ماحول کو برقرار رکھا ہے اور مسلسل ان کی حفاظت اور زندگی کی سہولیات کو بہتر بنا رہی ہے۔

مشینری اور ساتھ میں پلانٹ پر کام کرنے والے ملازمین کا تحفظ ایک تشویش کی بات ہے۔ آگ بجھانے والے آلات اور آگ سے بچاؤ کے دیگر آلات کمپنی کی سائٹس کے ساتھ ساتھ اس کے رجسٹرڈ اور مرکزی دفتر میں نصب کئے گئے ہیں۔ آگ سے بچاؤ کے آلات کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ مشقیں کی جاتی ہیں۔

اندرونی مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز کی طرف سے کمپنی کے تمام سطحوں پر مضبوط اندرونی کنٹرول کا ایک نظام قائم اور نافذ کیا گیا ہے۔ اندرونی کنٹرول کا نظام کمپنی کے مقاصد اور آپریشنل مؤثرگی اور کارکردگی کے حصول، قابل اعتماد مالیاتی رپورٹنگ اور قوانین، قواعد و ضوابط اور پالیسیوں کی تعمیل کو یقینی بنانے کے لئے ڈیزائن میں مستحکم ہے۔

متعلقہ پارٹیاں

30 جون 2020 کو ختم ہونے والے مالی سال کے دوران تمام متعلقہ پارٹی کے ساتھ لین دین کا آڈٹ کمپنی نے جائزہ لیا اور بورڈ آف ڈائریکٹرز کی طرف سے منظوری دی گئی ہے۔ تمام متعلقہ پارٹیوں کے ساتھ لین دین بورڈ آف ڈائریکٹرز سے منظور شدہ منتقلی قیمتوں کے طریقوں کے مطابق تھے۔

نمونہ حصص داری

30 جون 2020 کے مطابق عام شیئرز کے لئے نمونہ حصص داری منسلک کیا گیا ہے۔

آڈیٹرز کی تقرری

ریٹائر ہونے والے میسرز رحمان سرفراز رحیم اقبال، چارٹرڈ اکاؤنٹنٹس، لاہور نے اہل ہونے کی بناء پر مالی سال 2020-21 کے لئے بحیثیت آڈیٹرز دوبارہ تقرری کے لئے خود کو پیش کیا ہے۔ آڈٹ کمپنی نے موجودہ آڈیٹرز کی دوبارہ تقرری کی منظوری دے دی ہے۔

مالیاتی حسابات کا آڈٹ

کمپنی کے مالی حسابات، کمپنی کے قانونی ایکسٹرنل آڈیٹرز، میسرز رحمان سرفراز رحیم اقبال، چارٹرڈ اکاؤنٹنٹس کی طرف سے کسی کو الیکٹرونک کے بغیر نظر ثانی شدہ ہیں۔

کاروباری نظام اور مالیاتی رپورٹنگ کا طریقہ کار

مزید ڈائریکٹرز بخوشی بیان کرتے ہیں کہ:

- کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات میں کمپنی کے امور، نقدی بہاؤ اور سرمائے میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔
- اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- کمپنی کے دواں دواں ہونے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔
- گزشتہ چھ سال کا کلیدی آپریشننگ اور مالیاتی ڈیٹا منسلک ہے۔
- ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے جو 30 جون 2020 کو بقایا ہوں، سوائے ان کے جو مالی حسابات میں ظاہر کر دیئے گئے ہیں۔

بورڈ کی ترتیب

ڈائریکٹرز کی کل تعداد:

(a) مرد (نو) 9

(b) خاتون (ایک) 1

ترتیب:

i- آزاد ڈائریکٹرز (تین) 3

ii- دیگر نان ایگزیکٹو ڈائریکٹرز (پانچ) 5

iii- ایگزیکٹو ڈائریکٹرز (دو) 2

ڈائریکٹرز کے نام

جناب شہزادہ الہی شیخ

چیرمین

* جناب محمد بابر منو

جناب عمران موقی والا

محترمہ فاریہ رحمان صلاح الدین

جناب جمال نسیم

جناب شوکت الہی شیخ

جناب رضا الہی شیخ

جناب امین الہی شیخ

جناب شفقت الہی شیخ

جناب ہارون شہزادہ الہی شیخ ڈائریکٹر/چیف ایگزیکٹو آفیسر

* 20 ستمبر 2019 کو جناب سید معاذ محی الدین مستعفی ہو گئے اور ان کی جگہ جناب محمد بابر منو کو بطور آزاد ڈائریکٹر مقرر کیا گیا۔

بورڈ کی کمیٹیاں

بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں:

• آڈٹ کمیٹی

** جناب محمد بابر منو

چیرمین

جناب شوکت الہی شیخ

رکن

جناب رضا الہی شیخ

رکن

** 20 ستمبر 2019 کو جناب سید معاذ محی الدین مستعفی ہو گئے اور ان کی جگہ جناب محمد بابر منو کو بطور چیرمین آڈٹ کمیٹی مقرر کیا گیا۔

• ہیومن ریسورس اینڈ ریلیشنز (HR&R) کمیٹی

** جناب محمد بابر منو

چیرمین

جناب رضا الہی شیخ

رکن

جناب ہارون شہزادہ الہی شیخ رکن

***20 ستمبر 2019 کو جناب سید معاذ محمد الدین مستعفی ہو گئے اور ان کی جگہ جناب محمد باہر منو کو بطور چیئر مین ایچ آر اینڈ آرکائیو مقرر کیا گیا۔

۱۰ ایگزیکٹو کمیٹی

جناب ہارون شہزادہ الہی شیخ چیئر مین

جناب شفقت الہی شیخ رکن

جناب رضا الہی شیخ رکن

جناب امین الہی شیخ رکن

ڈائریکٹرز کے معاوضے کی نمایاں خصوصیات

بورڈ آف ڈائریکٹرز نے کمپنی کے امور میں ان کی ذمہ داری پر منحصر ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کے معاوضے کے لئے رسمی پالیسی کی منظوری دی ہے۔ معاوضہ کامیابی سے کمپنی کو منظم طریقہ سے چلانے کے لئے ان کی ذمہ داری اور ضروری مہارت اور ان سے ویلویو ایڈیشن حوصلہ افزائی کی سطح کے مطابق ہے۔

آزاد ڈائریکٹر سمیت نان ایگزیکٹو ڈائریکٹرز فقط بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کی فیس کے اہل ہیں۔ ایگزیکٹو اور نان ایگزیکٹو ڈائریکٹرز کا مشاہرہ ہیومن ریسورس اینڈ ریمنٹیشن کمیٹی کی سفارشات پر، بورڈ کی طرف سے منظور کیا گیا ہے۔ 20-2019 میں ڈائریکٹرز اور سی ای او کے معاوضے کی معلومات کے لئے، براہ مہربانی مالی گوشواروں کے نوٹ ملاحظہ فرمائیں۔

اظہار تشکر

کمپنی کے عملے اور کارکنوں کی مسلسل محنت اور جذبہ اور تمام سطحوں پر اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز کمپنی کی مسلسل حمایت پر ٹیکرز اور دیگر حصہ داروں کا بھی شکریہ ادا کرتے ہیں۔

منجانب بورڈ



امین الہی شیخ

ڈائریکٹر



ہارون شہزادہ الہی شیخ

مینیجنگ ڈائریکٹر (چیف ایگزیکٹو)

لاہور: 24 ستمبر 2020ء

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: Ellicot Spinning Mills Limited

Year ended: June 30, 2020

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

1. The total number of directors are ten as per the following:
 - a) Male: Nine
 - b) Female: One
2. The composition of the Board of Directors is as follows:

Category	Names
i. Independent Director	Mr. Mohammad Babar Monnoo Mr. Imran Motiwala Mrs. Faaria Rehman Salahuddin
ii. Non-Executive Directors	Mr. Shahzada Ellahi Shaikh Mr. Jamal Nasim (NIT) Mr. Shaukat Ellahi Shaikh Mr. Raza Ellahi Shaikh Mr. Amin Ellahi Shaikh
iii. Executive Directors	Mr. Shafqat Ellahi Shaikh Mr. Haroon Shahzada Ellahi Shaikh
iv. Female Directors	Mrs. Faaria Rehman Salahuddin

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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Companies Act, 2017 ("the Act") and Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations").
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. The Board remained fully compliant with the provision with regards to their Directors' Training Program (DTP). Out of total ten directors, eight directors have obtained certification under DTP.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer 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

Mr. Mohammad Babar Monnoo, Chairman
Mr. Shaukat Ellahi Shaikh, Member
Mr. Raza Ellahi Shaikh, Member

b. Human Resource and Remuneration (HR & R) Committee

Mr. Mohammad Babar Monnoo, Chairman
Mr. Raza Ellahi Shaikh, Member
Mr. Haroon Shahzada Ellahi Shaikh, 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 aforesaid committees were as per following:

- a) Audit Committee: Four quarterly meetings were held during the financial year ended June 30, 2020.
- b) HR and Remuneration Committee: One meeting was held during the financial year ended June 30, 2020.

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

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.

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 requirements of the regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Explanation as required under the Regulations is mentioned below:

The Company has three independent directors out of ten directors. Fractional requirement for Independent directors have not been rounded up as all independent directors have requisite competencies, skills, knowledge and experience to discharge and execute their duties competently as per laws and regulations under which hereby fulfill the necessary requirements; therefore, not warrant the appointment of a fourth independent director.

On behalf of the Board



Haroon Shahzada Ellahi Shaikh
Director



Shahzada Ellahi Shaikh
Chairman

Lahore: September 24, 2020

SHAREHOLDERS' INFORMATION

Annual General Meeting

The 32nd Annual General Meeting of members of ELLCOT SPINNING MILLS LTD. will be held on Monday, October 26, 2020 at 11:30 a.m., electronically through video-link facility (Zoom App.), managed from registered office of the Company.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2020, the Company has 479 Shareholders.

Web Reference

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

Book Closure

The register of the members and shares transfer books of the Company will remain closed from Tuesday, October 20, 2020 to Monday, October 26, 2020 (both days inclusive).

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

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

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

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

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

Signature of the Shareholder

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

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

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

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

Zakat Declaration (Form CZ-50)

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

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

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

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

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

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

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

Signature of the Shareholder.

Please send the above request form at the following address:

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

or

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

Investor Relations Contact

Mr. Syed Mohsin Gilani, Corporate Secretary
Email: mohsin.gilani@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares & Dividend

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

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2020
CUIN (INCORPORATION NUMBER) 0018985**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
210	1	100	6,295
111	101	500	36,276
59	501	1,000	48,192
66	1,001	5,000	163,099
11	5,001	10,000	81,411
4	10,001	15,000	49,475
-	15,001	40,000	-
1	40,001	45,000	41,345
-	45,001	60,000	-
1	60,001	65,000	64,626
-	65,001	190,000	-
1	190,001	195,000	191,878
-	195,001	215,000	-
1	215,001	220,000	219,359
-	220,001	240,000	-
1	240,001	245,000	242,735
-	245,001	280,000	-
1	280,001	285,000	284,335
-	285,001	370,000	-
1	370,001	375,000	371,743
-	375,001	625,000	-
1	625,001	630,000	628,400
-	630,001	660,000	-
3	660,001	665,000	1,993,716
1	665,001	670,000	669,138
-	670,001	695,000	-
2	695,001	700,000	1,400,000
1	700,001	705,000	704,380
-	705,001	880,000	-
1	880,001	885,000	883,554
-	885,001	1,395,000	-
1	1,395,001	1,400,000	1,400,000
1	1,400,001	1,405,000	1,400,500
			69,543
479	Total:-		10,950,000

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2020

Sr #	Categories of Shareholders	Shares Held	Percentage
1)	Directors, Chief Executive Officer, and their Spouse and Minor Children		
	i) MR. SHAHZADA ELLAHI SHAIKH	242,735	2.22
	ii) MR. SHAIKAT ELLAHI SHAIKH	371,743	3.40
	iii) MR. SHAFQAT ELLAHI SHAIKH	284,335	2.60
	iv) MR. RAZA ELLAHI SHAIKH	1,400,000	12.79
	v) MR. AMIN ELLAHI SHAIKH	1,400,500	12.79
	vi) MR. HAROON SHAHZADA ELLAHI SHAIKH	700,000	6.39
	vii) MR. JAMAL NASIM	1,000	0.01
	viii) MR. MOHAMMAD BABAR MONNOO	500	0.00
	ix) MR. IMRAN MOTIWALA	500	0.00
	x) MRS. FAARIA REHMAN SALAHUDDIN	500	0.00
	xi) MRS. HUMERA SHAHZADA ELLAHI SHEIKH	1,437	0.01
	xii) MRS. MONA SHAIKAT SHAIKH	1,437	0.01
	xiii) MRS. SHAISTA SHAFQAT	1,437	0.01
		4,406,124	40.24
2)	Associated Companies, Undertakings and Related Parties		
	i) ELLAHI INTERNATIONAL (PVT) LIMITED	41,345	0.38
	ii) HAROON OMER (PVT) LIMITED	664,572	6.07
	iii) MONELL (PVT) LIMITED	664,572	6.07
	iv) ICARO (PVT) LIMITED	664,572	6.07
	v) ARH (PVT) LIMITED	628,400	5.74
		2,663,461	24.33
3)	NIT and ICP	Nil	Nil
4)	Banks, Development Finance Institutions, Non Banking Finance Institutions		
	i) NATIONAL BANK OF PAKISTAN	396	0.00
	ii) ESCORTS INVESTMENT BANK LIMITED	4	0.00
		400	-
5)	Insurance Companies	191,878	1.75
6)	Modarabas and Mutual Funds		
	i) CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
	ii) CDC - TRUSTEE AKD OPPORTUNITY FUND	669,138	6.11
	iii) CDC - TRUSTEE GOLDEN ARROW STOCK FUND	883,554	8.07
		2,257,072	20.61
7)	Shareholders Holding 10% or more		
	i) MR. AMIN ELLAHI SHAIKH	1,400,500	12.79
	ii) MR. RAZA ELLAHI SHAIKH	1,400,000	12.79
8)	General Public		
	i) a. Local	1,344,233	12.28
	ii) b. Foreign	-	-
9)	Others (Joint Stock Companies)	86,832	0.79

Note:-

M/s. Nagina Cotton Mills Ltd., had distributed 6,545,000 ordinary shares of M/s. Ellicot Spinning Mills Ltd., among its members, out of which 69,543 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2020	2019	2018	2017	2016	2015
Sales	Rs.'000	6,152,929	6,346,642	5,563,119	4,868,596	4,227,910	4,588,788
Gross profit	Rs.'000	757,673	640,754	406,645	316,950	245,286	291,992
Operating profit	Rs.'000	550,716	452,055	247,172	178,853	110,353	150,505
Profit before tax	Rs.'000	361,369	167,489	132,008	121,013	59,490	90,206
Profit after tax	Rs.'000	225,879	204,769	130,515	77,671	71,165	54,299
Share capital - paid up	Rs.'000	109,500	109,500	109,500	109,500	109,500	109,500
Shareholders' equity	Rs.'000	1,755,131	1,634,434	1,549,270	1,449,024	1,418,482	1,384,687
Total assets	Rs.'000	5,377,420	5,593,261	6,253,850	3,353,777	2,870,296	2,377,522
Earning per share - pre tax	Rs.	33.00	15.30	12.06	11.05	5.43	8.24
Earnings per share - after tax	Rs.	20.63	18.70	11.92	7.09	6.50	4.96
Dividend per share	Rs.	-	6.00	6.00	3.50	3.50	3.50
Market value per share as on 30 June	Rs.	89.98	79.00	71.40	103.40	73.39	65.00
Gross profit to sales	%	12.31	10.10	7.31	6.51	5.80	6.36
Operating profit to sales	%	8.95	7.12	4.44	3.67	2.61	3.28
Profit before tax to sales	%	5.87	2.64	2.37	2.49	1.41	1.97
Profit after tax to sales	%	3.67	3.23	2.35	1.60	1.68	1.18
Current ratio		1.89:1	1.40:1	1.30:1	1.69:1	2.08:1	2.68:1
Total debt to total assets ratio	%	67.36	70.78	75.23	56.79	50.58	41.76
Debt equity ratio	%	53.45	53.96	55.10	28.12	30.72	23.80

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ELLCOT SPINNING MILLS LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 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 **ELLCOT SPINNING MILLS LIMITED** [the Company] for the year ended June 30, 2020 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, 2020**.



RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: *September 24, 2020*



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the annexed financial statements of **ELLCOT SPINNING MILLS LIMITED** [the Company], which comprise the statement of financial position as at **June 30, 2020**, 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, 2020 and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter

How our audit addressed the matter

1. COVID-19

As part of the preparation of the financial statements, management is responsible to assess the possible effects of COVID-19 on the Company's liquidity and related ability to continue as a going concern and appropriately disclose the results of its assessment in the financial statements. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the financial statements its effects are subject to uncertainty.

We considered the uncertainties arising from COVID-19 in planning and performing our audit. Our procedures included:

- evaluated the Company's most recent financial results forecasts and liquidity analysis underlying their going concern assessment and tested the integrity of the forecasts, including mathematical accuracy;
- assessed the reliability of the forecasted cash flows by comparing with the historical performance and market expectations;

Key audit matter

Management prepared a financial and liquidity risk analysis addressing amongst others future compliance with financing conditions as well as financing and cash requirements to ensure continuation of the Company's operations.

Refer to note 50 to the financial statements regarding the impact of COVID-19.

How our audit addressed the matter

- discussed the most recent forecast with management to understand their views on going concern and the potential impact of COVID-19 on the Company;
- evaluated the assumptions in respect of projected available future cash flows from operating, financing and investing activities and projected key ratios for covenant calculations;
- inspected supporting documentation such as contracts and underlying calculations and correspondence with financing and other relevant parties;
- evaluated the Company's assessment of other accounting estimates within the financial statements which could be impacted by the challenging economic environment resulting from COVID-19, including trade receivables and inventory provisioning; and
- considered the appropriateness of the disclosures made in the financial statements in respect of the potential impact of COVID-19.

2. First time adoption of IFRS 16 – Leases

As referred to in note 3.1 to the financial statements, the Company has adopted IFRS 16 – 'Leases'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model with corresponding recognition of right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17 'Leases' i.e. operating and finance leases. For lessees all leases will be classified as finance leases only with the exception of certain short-term leases.

We have considered the first time application of IFRS 16 as a key audit matter due to significance of the change in accounting methodology, involvement of significant estimates and judgments resulting in adjustments, presentation and incremental quantitative and qualitative disclosures.

Our key procedures to review the application of IFRS 16 included, amongst others, review of managements' impact assessment of all lease arrangements in light of application of the new standard, review of lease contracts to determine whether the same are in scope of IFRS 16 and are also subject to recognition exemption under IFRS 16 for short-term and low value leases.

3. Inventory valuation

Stock in trade amounts to Rs 1,743 million as at the reporting date. The valuation of stock in trade at cost has different components, which includes judgment in relation to the allocation of labour and overheads which are incurred in bringing the stock to its present location and condition. Judgment has also been applied by management in determining the Net Realizable Value ['NRV'] of stock in trade.

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

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

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

Key audit matter

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

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

How our audit addressed the matter

4. Tax contingencies

As disclosed in note 34 to the annexed financial statements, various tax matters are pending adjudication at various levels with the taxation authorities and other legal forums. Such contingencies require the management to make judgments and estimates in relation to the interpretation of tax laws and regulations and the recognition and measurement of any provisions that may be required against such contingencies. Due to inherent uncertainties and the time period such matters may take to resolve, the management's judgments and estimates in relation to such contingencies may be complex and can significantly impact the financial statements. For such reasons we have considered tax contingencies as a key audit matter.

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

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

We involved internal tax experts to assess and review the management's conclusions on contingent tax matters and evaluated whether adequate disclosures have been made in note 34 to the annexed financial statements.

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Lahore: September 24, 2020



STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
<i>Authorized capital</i>			
20,000,000 (2019: 20,000,000) ordinary shares of Rs. 10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	6	109,500,000	109,500,000
Capital reserve	7	(101,904,670)	(54,965,746)
Accumulated profit		1,747,535,710	1,579,899,248
TOTAL EQUITY		1,755,131,040	1,634,433,502
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	8	1,935,827,028	1,704,814,412
Employees retirement benefits	9	107,407,455	90,270,716
Deferred taxation	10	38,456,941	7,575,622
Deferred grant	11	1,865,501	-
		2,083,556,925	1,802,660,750
CURRENT LIABILITIES			
Trade and other payables	12	587,873,291	456,809,473
Unclaimed dividend		6,014,183	5,505,184
Accrued interest/profit	13	47,924,330	41,487,122
Short term borrowings	14	819,226,442	1,441,742,636
Current portion of non-current liabilities	15	77,693,413	210,622,756
		1,538,731,659	2,156,167,171
TOTAL LIABILITIES		3,622,288,584	3,958,827,921
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		5,377,419,624	5,593,261,423

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

Lahore: September 24, 2020



Amin Ellahi Shaikh
Director

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020**

	<i>Note</i>	2020 <i>Rupees</i>	2019 <i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	17	2,453,332,154	2,453,351,807
Long term deposits	18	7,090,700	7,090,700
Long term investments	19	-	109,421,506
		2,460,422,854	2,569,864,013
CURRENT ASSETS			
Stores, spares and loose tools	20	70,145,017	47,471,743
Stock in trade	21	1,743,157,595	1,510,387,815
Trade receivables	22	551,607,736	547,519,263
Advances, deposits, prepayments and other receivables	23	50,978,693	188,637,482
Other financial assets	24	353,113,980	448,743,765
Advance income tax	25	121,994,957	152,095,042
Bank balances	26	25,998,792	128,542,300
		2,916,996,770	3,023,397,410
TOTAL ASSETS		5,377,419,624	5,593,261,423

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



Muhammad Ahmad
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Chief Executive

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
Sales - net	27	6,152,929,463	6,346,641,819
Cost of sales	28	(5,395,256,861)	(5,705,887,620)
Gross profit		757,672,602	640,754,199
Distribution cost	29	(58,387,003)	(63,577,578)
Administrative expenses	30	(156,376,571)	(143,814,682)
Other expenses	31	(47,962,145)	(39,268,851)
		(262,725,719)	(246,661,111)
Other income	32	494,946,883	394,093,088
		55,769,452	57,962,083
Operating profit		550,716,335	452,055,171
Finance cost	33	(189,347,115)	(284,566,257)
Profit before taxation		361,369,220	167,488,914
Provision for taxation	34	(135,489,939)	37,279,605
Profit after taxation		225,879,281	204,768,519
Earnings per share - basic and diluted	35	20.63	18.70

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



Amin Ellahi Shaikh
Director



Muhammad Ahmad
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Chief Executive

Lahore: September 24, 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2020

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of defined benefit obligation	9.1	6,494,607	4,029,180
Taxation relating to remeasurements of defined benefit obligation	10.1	(1,258,327)	(995,267)
		5,236,280	3,033,913
Financial assets at fair value through OCI		(52,130,201)	(66,987,424)
Taxation relating to financial assets at fair value through OCI	10.1	7,412,178	10,048,113
		(44,718,023)	(56,939,311)
		(39,481,743)	(53,905,398)
Other comprehensive loss		(39,481,743)	(53,905,398)
Profit after taxation		225,879,281	204,768,519
Total comprehensive income		186,397,538	150,863,121

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



Amin Ellahi Shaikh
Director



Muhammad Ahmad
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Chief Executive

Lahore: September 24, 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	36	804,789,570	1,445,223,707
Payments for:			
Employees retirement benefits		(6,968,256)	(18,502,860)
Finance cost		(182,909,907)	(294,560,152)
Income tax		(68,354,684)	(50,145,327)
Net cash generated from operating activities		546,556,723	1,082,015,368
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(288,904,896)	(106,949,794)
Proceeds from disposal of property, plant and equipment		32,237,710	25,016,968
Purchase of short term investments		(319,727,627)	(186,851,403)
Proceeds from disposal of short term investments		381,422,607	98,711,509
Proceeds from disposal of long term investments		108,500,000	-
Dividend received		35,834,624	35,657,574
Net cash used in investing activities		(50,637,582)	(134,415,146)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		248,893,576	122,105,495
Repayment of long term finances		(148,944,802)	(108,137,068)
Net decrease in short term borrowings		(633,246,286)	(785,713,932)
Dividend paid		(65,191,001)	(65,103,435)
Net cash used in financing activities		(598,488,513)	(836,848,940)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(102,569,372)	110,751,282
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		128,542,300	16,953,009
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		25,864	838,009
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	25,998,792	128,542,300

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



Amin Ellahi Shaikh
Director



Muhammad Ahmad
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Chief Executive

Lahore: September 24, 2020

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020**

	Share capital		Capital reserves		Revenue reserves		Total equity Rupees
	Issued and subscribed and paid-up capital Rupees	Reserve for financial assets measured at FVTOCI Rupees	Reserve on merger Rupees	Total Rupees	Accumulated profit Rupees	Total equity Rupees	
Balance as at July 01, 2018 - as adjusted	109,500,000	(5,786,435)	7,760,000	1,973,565	1,437,796,816	1,549,270,381	
Comprehensive income							
Profit after taxation	-	-	-	-	204,768,519	204,768,519	
Other comprehensive (loss)/income	-	(56,939,311)	-	(56,939,311)	(3,033,913)	(53,905,398)	
Total comprehensive (loss)/income	-	(56,939,311)	-	(56,939,311)	207,802,432	150,863,121	
Transaction with owners							
Final dividend @ 60% i.e. Rs. 6.0 per ordinary share	-	-	-	-	(65,700,000)	(65,700,000)	
Balance as at June 30, 2019	109,500,000	(62,725,746)	7,760,000	(54,965,746)	1,579,899,248	1,634,433,502	
Balance as at July 01, 2019	109,500,000	(62,725,746)	7,760,000	(54,965,746)	1,579,899,248	1,634,433,502	
Comprehensive income							
Profit after taxation	-	-	-	-	225,879,281	225,879,281	
Other comprehensive (loss)/income	-	(44,718,023)	-	(44,718,023)	(5,236,280)	(39,481,743)	
Total comprehensive (loss)/income	-	(44,718,023)	-	(44,718,023)	231,115,561	186,397,538	
Other transactions							
Transfer of reserve for financial assets at FVTOCI on derecognition	-	(2,704,381)	-	(2,704,381)	2,704,381	-	
Taxation relating to transfer of reserve for financial assets at FVTOCI on derecognition	-	483,480	-	483,480	(483,480)	-	
Transaction with owners							
Final dividend @ 60% i.e. Rs. 6.0 per ordinary share	-	(2,220,901)	-	(2,220,901)	2,220,901	-	
Balance as at June 30, 2020	109,500,000	(109,664,670)	7,760,000	(101,904,670)	1,747,535,710	1,755,131,040	

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

Amin Ellahi Shaikh
Director

Haroon Shahzada Ellahi Shaikh
Chief Executive

Lahore: September 24, 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

1 LEGAL STATUS AND OPERATIONS

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.3.1 Critical accounting judgements

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

(a) *Business model assessment (see note 5.7.2)*

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

2.3.2 Key sources of estimation uncertainty

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

(a) Calculation of impairment allowance for expected credit losses on financial assets (see note 5.27.1)

The Company recognizes a loss allowance for expected credit losses on financial assets carried at amortized cost on date of initial recognition. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since initial recognition of the respective financial asset. Estimating expected credit losses and changes there in requires taking into account qualitative and quantitative forward looking information. When measuring expected credit losses on financial assets the Company uses reasonable and supportable forward looking information as well as historical data to calculate the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements, if any. Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

(b) Depreciation method, rates and useful lives of operating fixed assets (see note 5.1.1)

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

(c) Amortization method, rates and useful lives of intangible assets (see note 5.2)

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

(d) Recoverable amount and impairment of non-financial assets (see note 5.27.2)

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

(e) Obligation under defined benefit plan (see note 5.6.2)

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

(f) Taxation (see note 5.22)

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

(g) Provisions (see note 5.16)

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

(h) Net realizable values of stock in trade (see note 5.5)

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

2.4 Functional currency

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

2.5 Date of authorization for issue

These financial statements were authorized for issue on September 24, 2020 by the Board of Directors of the Company.

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

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

3.1 IFRS 16 - Leases (2016)

IFRS 16 supersedes IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases- Incentives and SIC-27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Whereas, for lessees all leases will be classified as finance leases only. However, as per relevant guidelines issued by Institute of Chartered Accountants of Pakistan, contracts under Ijarah will continue to be treated as operating leases under IFAS 2. The Company has elected recognition exemption under this IFRS due to short term and low value leases.

3.2 IFRIC 23 - Uncertainty over Income Tax Treatments

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

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

3.3 Prepayment Features with Negative Compensation (Amendments to IFRS 9 - Financial Instruments)

IFRS 9 - Financial Instruments has been amended regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

3.4 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28 - Investments in Associates and Joint Ventures)

IAS 28 - Investments in Associates and Joint Ventures have been amended to clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

3.5 Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The annual improvements have made amendments to the following standards:

- **IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 - Income Taxes** - The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.
- **IAS 23 - Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

3.6 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19 - Employee Benefits)

IAS 19 - Employees Benefits has been amended to provide that:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

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

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

	Effective date (annual periods beginning on or after)
IFRS 17 - Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Definition of a Business (Amendments to IFRS 3 - Business Combinations)	January 01, 2020
Definition of Material (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors)	January 01, 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurements, and IFRS 7 - Financial Instruments: Disclosures).	January 01, 2020
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 - First-time Adoption of International Financial Reporting Standards).	January 01, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3 - Business Combinations).	January 01, 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16 - Property, Plant and Equipment).	January 01, 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 - Impairment of Assets).	January 01, 2022
Annual Improvements to IFRS Standards 2018–2020.	January 01, 2022
COVID-19 - Related Rent Concessions (Amendment to IFRS 16 - Leases).	June 01, 2020

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

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

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

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

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

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

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

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

5.1.2 Capital work in progress

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

5.1.3 Spare parts held exclusively for capitalization

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

5.2 Intangible assets

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

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

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

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

5.3 Software

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

5.4 Stores, spares and loose tools

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

5.5 Stock in trade

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

Raw material	Moving average cost
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

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

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

5.6 Employee benefits

5.6.1 Short-term employee benefits

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

5.6.2 Post-employment benefits

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

5.7 Financial instruments

5.7.1 Recognition

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

5.7.2 Classification

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

(a) *Financial assets at amortized cost*

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

(b) *Financial assets at fair value through other comprehensive income ['fair value through OCI']*

These are:

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

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

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

(d) *Financial liabilities at amortized cost*

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

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

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

5.7.3 Measurement

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

5.7.4 Derecognition

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

5.7.5 Off-setting

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

5.7.6 Regular way purchases or sales of financial assets

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

5.8 Ordinary share capital

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

5.9 Loans and borrowings

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

5.10 Investments in mutual funds

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

5.11 Investments in asset management account

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

5.12 Investments in listed equity securities

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

5.13 Investments in debt securities

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

5.14 Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

5.15 Trade and other payables

5.15.1 Financial liabilities

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

5.15.2 Non-financial liabilities

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

5.16 Provisions and contingencies

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

5.17 Trade and other receivables**5.17.1 Financial assets**

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

5.17.2 Non-financial assets

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

5.18 Revenue

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

5.19 Comprehensive income

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

5.20 Borrowing costs

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

5.21 Government grants

Assistance by government in the form of transfer of resources to the Company that compensate for expenses or losses already incurred or to be incurred in future are recognized as government grant when there is reasonable assurance that the Company will be able to comply with the conditions attaching to the assistance and that the grant will be received. Grant that compensates the Company for expenses or losses already incurred is recognized in profit or loss on receipt. Grant that compensates the Company for future expenses is recognized on the statement of financial position as 'deferred grant' on initial recognition. Subsequently, it is recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are expected to compensate.

5.22 Income tax

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

5.22.1 Current taxation

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

5.22.2 Deferred taxation

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

5.23 Earnings per share ['EPS']

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

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

5.24 Cash and cash equivalents

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

5.25 Operating segment

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

5.26 Foreign currency transactions and balances

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

5.27 Impairment

5.27.1 Financial assets

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

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

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

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

5.27.2 Non-financial assets

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

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

5.28 Dividend distribution to ordinary shareholders

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

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
6 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10 each			
8,760,000 (2019: 8,760,000) shares issued for cash		87,600,000	87,600,000
2,190,000 (2019: 2,190,000) shares issued as fully paid bonus shares		21,900,000	21,900,000
		109,500,000	109,500,000
7 CAPITAL RESERVES			
Reserve for financial assets measured at FVTOCI		(109,664,670)	(62,725,746)
Reserve on merger	7.1	7,760,000	7,760,000
		(101,904,670)	(54,965,746)

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

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
8 LONG TERM FINANCES			
These represent long term finances utilized under interest arrangements from banking companies			
Term Finances ['TF']			
TF - I	8.1	-	40,000,000
TF - II	8.2	14,081,663	28,163,325
TF - III	8.3	40,909,091	54,545,454
TF - IV	8.4	89,598,698	95,571,944
TF - V	8.5	14,623,508	-
		159,212,960	218,280,723
Long Term Financing Facilities ['LTFF']			
LTFF - I	8.6	134,943,174	143,939,386
LTFF - II	8.7	156,213,588	174,959,217
LTFF - III	8.8	37,165,217	41,625,044
LTFF - IV	8.9	42,370,935	47,259,888
LTFF - V	8.10	604,316,000	604,316,000
LTFF - VI	8.11	22,944,000	22,944,000
LTFF - VII	8.12	51,628,000	51,628,000
LTFF - VIII	8.13	522,579,000	557,417,000
LTFF - IX	8.14	49,743,000	53,067,910
LTFF - X	8.15	124,984,000	-
LTFF - XI	8.16	55,335,000	-
		1,802,221,914	1,697,156,445
Refinance Scheme ['RS']			
RS - I	8.17	48,830,085	-
		2,010,264,959	1,915,437,168
Current maturity presented under current liabilities	15	(74,437,931)	(210,622,756)
		1,935,827,028	1,704,814,412

- 8.1** TF - I was obtained from Bank Alfalah Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest at six months KIBOR plus 0.75% per annum (2019: six months KIBOR plus 0.75% per annum) payable quarterly. The finance was fully repaid during the year.
- 8.2** TF - II has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at six months KIBOR plus 1% per annum (2019: six months KIBOR plus 1% per annum) payable semi-annually. The finance is repayable in eleven equal semi-annual installments with the first installment due in January 2016. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.3** TF - III has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at three months KIBOR plus 1% per annum (2019: three months KIBOR plus 1% per annum) payable quarterly. The finance is repayable in twenty two equal quarterly installments with the first installment due in March 2017. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.4** TF - IV has been obtained from Habib Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at three months KIBOR plus 0.5% per annum (2019: three months KIBOR plus 0.5% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in December 2019. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.5** TF - V was obtained from Bank Alfalah Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest at six months KIBOR plus 1.75% per annum payable quarterly. The finance was repayable in thirty two equal quarterly installments with the first installment due in April 2022. However, during the year, the entire outstanding liability was converted into LTFF - X (see note 8.15) under a debt restructuring arrangement.

- 8.6** LTFF - I has been obtained from Habib Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest 2.50% per annum (2019: 2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in December 2019. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.7** LTFF - II has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.50% per annum (2019:2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in August 2018. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.8** LTFF - III has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.75% per annum (2019: 2.75% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in August 2018. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.9** LTFF - IV has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.75% per annum (2019: 2.75% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in November 2018. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.10** LTFF - V has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.50% per annum (2019: 2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in June 2020. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.11** LTFF - VI has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.50% per annum (2019: 2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in May 2020. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.12** LTFF - VII has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.50% per annum (2019: 2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in May 2020. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.13** LTFF - VIII has been obtained from Habib Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.50% per annum (2019: 2.50% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in November 2019. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.14** LTFF - IX has been obtained from Habib Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest at 2.50% per annum (2019:2.5% per annum) payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in October 2019. However, during the year, the lender has approved principal deferral for a period of one year under the State Bank of Pakistan BPRD circular No. 14 of 2020.
- 8.15** LTFF - X has been obtained from Bank Alfalah Limited on conversion of TF - V (see note 8.5) and is secured by charge over operating fixed assets of the Company. The finance carries interest 3.50% per annum payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in April 2022.
- 8.16** LTFF - XI has been obtained from Habib Bank Limited to finance capital expenditure and is secured by charge over operating present and future fixed assets of the Company. The finance carries interest at 2.50% per annum payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in October 2021.
- 8.17** RS - I has been obtained from Bank Alfalah Limited to finance payment of wages and salaries of workers and employees for the month of April, May and June 2020 and is secured by charge over operating fixed assets of the Company. The finance carries interest at 1% per annum payable quarterly. The finance is repayable in eight equal quarterly installments with the first installment due in January 2021. The amortized cost this finance has determined using a discount rate of three months KIBOR plus 1% (8.26%) being the prevailing market rate of interest for similar instruments. The difference between the amortised cost and face value has been recognized as deferred grant (See note 11). The details are as follows:

	Note	2020 Rupees	2019 Rupees
Face value of finance		53,951,068	-
Deferred grant	11	(5,120,983)	-
		48,830,085	-

8.18 For mortgages and charges on assets as security for liabilities, refer to note 43 to the financial statements.

9 EMPLOYEES RETIREMENT BENEFITS

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

	Note	2020 Rupees	2019 Rupees
9.1 Movement in present value of defined benefit obligation			
As at beginning of the year		90,270,716	80,310,848
Charged to profit or loss for the year	9.2	30,599,602	32,491,908
Benefits paid during the year		(6,968,256)	(18,502,860)
Remeasurements recognized in other comprehensive income	9.4	(6,494,607)	(4,029,180)
As at end of the year		107,407,455	90,270,716

9.2 Charge to profit or loss

Current service cost		25,231,400	26,096,560
Past service cost		(6,998,887)	-
Interest cost		12,367,089	6,395,348
		30,599,602	32,491,908

9.3 The charge to profit or loss has been allocated as follows

Cost of sales	28.2	11,869,786	16,404,955
Administrative and general expenses	30.1	18,729,816	16,086,953
		30,599,602	32,491,908

9.4 Remeasurements recognized in other comprehensive income

Actuarial gain arising from:			
Changes in financial assumptions		5,124,383	1,656,862
Experience adjustments		(11,618,990)	(5,686,042)
		(6,494,607)	(4,029,180)

9.5 Principal actuarial assumptions

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

	2020	2019
Discount rate	8.50%	14.25%
Expected rate of increase in salary	7.50%	12.25%

9.6 Average duration of the defined benefit obligation

The average duration of the defined benefit obligation is 7 years.

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

The expected charge to profit or loss for the year ending June 30, 2021 amounts to Rs. 32.32 million.

9.8 Sensitivity analysis

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

	2020		2019	
	Change in actuarial assumption	Defined benefit obligation <i>Rupees</i>	Change in actuarial assumption	Defined benefit obligation <i>Rupees</i>
Discount rate	+ 1%	100,681,615	+ 1%	85,124,595
	- 1%	115,071,347	- 1%	96,082,971
Expected rate of increase in salary	+ 1%	115,315,896	+ 1%	96,357,740
	- 1%	100,337,065	- 1%	84,788,962

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

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

9.9 Risk factors

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

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

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

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

Deferred tax arising from timing differences pertaining to income from investment in mutual funds taxable as a separate block under the provisions of the Ordinance, has been calculated, for stock funds, at 10% (2019: 15%) and, for other funds, at 25% (2019: 25%) of the timing differences based on tax rates notified by the Government of Pakistan for future tax years for such income.

11 DEFERRED GRANT

During the year, State Bank of Pakistan [‘SBP’] through IH&SMEFD circular no. 6 of 2020 dated April 10, 2020, introduced a ‘Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Bussinss Concern’ [‘the Refinance Scheme’]. The purpose of the Refinance Scheme was to provide relief to dampen the effects of Covid - 19 by providing loans at interest rates that are below normal lending rates.

The Company obtained financing of Rs. 53.95 million under the Refinance Scheme (see note 8.17). The benefit of below market interest rates, measured as the difference between the fair value of loan on the date of disbursement and its face value on that date has been recognised as deferred grant.

The movement during the year is as follows:

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
As at beginning of the year		-	-
Recognized during the year	8.17	5,120,983	-
As at end of the year		5,120,983	-
Current maturity presented under current liabilities	15	(3,255,482)	-
		1,865,501	-

12 TRADE AND OTHER PAYABLES

Trade creditors		106,699,737	47,175,027
Accrued liabilities		335,508,503	303,456,648
Advances from customers		12,293,464	3,889,963
Infrastructure tax	12.1	102,524,505	89,363,503
Workers' Profit Participation Fund	12.2	19,487,609	8,886,740
Workers' Welfare Fund	12.3	7,405,291	-
Other payables		3,954,182	4,037,592
		587,873,291	456,809,473

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

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>

12.2 Workers' Profit Participation Fund

As at beginning of the year		8,886,740	8,046,840
Interest on funds utilized by the Company	12.2.1	1,490,051	1,359,144
Charged to profit or loss for the year	31	19,487,609	8,886,740
Paid during the year		(10,376,791)	(9,405,984)
As at end of the year		19,487,609	8,886,740

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
12.2.1			
Interest has been charged at 45% (2019: 45%) per annum.			
12.3			
Workers' Welfare Fund			
As at beginning of the year		-	-
Charged to profit or loss for the year	31	9,128,024	-
Adjusted during the year		(1,722,733)	
As at end of the year		7,405,291	-
13			
ACCRUED INTEREST/PROFIT			
Long term finances		16,772,411	12,759,317
Short term borrowings		31,151,919	28,727,805
		47,924,330	41,487,122
14			
SHORT TERM BORROWINGS			
Secured			
These represent short term finances utilized under interest/profit arrangements from banking companies.			
Running finances	14.1	73,884,388	577,045,805
Running musharakah	14.2	738,813,989	636,836
Term loans	14.3	-	850,000,000
		812,698,377	1,427,682,641
Unsecured			
Book overdraft	14.4	6,528,065	14,059,995
		819,226,442	1,441,742,636
14.1			
These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company and lien over export documents. These carry interest at rates ranging from one to six months KIBOR plus 0.25% to 1% per annum (2019: one to three months KIBOR plus 0.20% to 1% per annum) payable quarterly.			
14.2			
These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company. These carry interest at one to three months KIBOR plus 0.35% to 1% per annum (2019: three months KIBOR plus 0.35% per annum) payable quarterly.			
14.3			
These facilities were obtained from various banking companies for import of goods and were secured by charge over all present and future current assets of the Company and lien over foreign bills. These carried interest at rates ranging from one to three months KIBOR plus 0.2% to 0.3% per annum (2019: one to three months KIBOR plus 0.2% to 0.3% per annum) payable quarterly.			
14.4			
These represent cheques issued by the Company in excess of balances at bank which have been presented for payments after the reporting period.			
14.5			
The aggregate available short term funded facilities amounts to Rs. 3,702 million (2019: Rs. 3,752 million) out of which Rs. 2,889 million (2019: Rs. 2,324 million) remained unavailed as at the reporting date.			
14.6			
For mortgages and charges on assets as security for liabilities, refer to note 43 to the financial statements.			

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
15 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances	8	74,437,931	210,622,756
Deferred grant	11	3,255,482	-
		77,693,413	210,622,756

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 Guarantees issued by banks on behalf of the Company amount to Rs. 207.075 million (2019: Rs. 188.769 million)

16.1.2 Bills discounted/negotiated as at the reporting date amount to Rs. 260.306 million (2019: Rs. 58.913 million).

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

		2020	2019
		<i>Rupees</i>	<i>Rupees</i>
16.2 Commitments			
16.2.1 Commitments under irrevocable letters of credit for:			
- purchase of property plant and equipment		370,697,423	111,808,130
- purchase of stores, spare and loose tools		18,708,583	12,455,069
- purchase of raw material		197,592,542	58,224,233
		586,998,548	182,487,432

16.2.2 Commitments under short term leases:

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

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
- payments not later than one year		503,100	479,160
- payments later than one year		-	-
		503,100	479,160

17 FIXED ASSETS

Property, plant and equipment

Operating fixed assets	17.1	2,445,620,896	2,450,975,146
Capital work in progress	17.2	6,574,594	-
		2,452,195,490	2,450,975,146
Intangible assets	17.3	1,136,664	2,376,661
		2,453,332,154	2,453,351,807

17.1 Operating fixed assets

	2020										Net book value as at June 30, 2020 Rupees
	COST					DEPRECIATION					
	As at July 01, 2019 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2020 Rupees	Rate %	For the year Rupees	Adjustment Rupees	As at June 30, 2020 Rupees		
Freehold land	7,173,568	-	-	-	7,173,568	-	-	-	-	-	7,173,568
Buildings on freehold land											
Mills	354,874,376	-	-	-	354,874,376	10	19,045,103	-	183,387,999	171,486,377	
Other factory buildings	68,841,136	-	-	-	68,841,136	5	1,579,497	-	38,911,149	29,929,987	
	423,715,512	-	-	-	423,715,512		20,624,600	-	222,299,148	201,416,364	
Plant and machinery	3,396,338,909	-	(144,532,846)	262,564,556	3,514,370,619	10	219,567,486	(116,015,107)	1,382,975,056	2,131,395,561	
Electric installations and equipment	112,496,233	386,200	-	-	112,882,433	10	4,738,192	-	70,013,428	42,869,005	
Factory equipment	21,053,187	189,767	-	-	21,242,954	10	558,062	-	16,172,948	5,070,006	
Office equipment	27,620,345	979,778	-	-	28,600,123	10	1,337,018	-	16,108,812	12,491,311	
Furniture and fixtures	9,697,189	266,501	-	-	9,963,690	10	391,653	-	6,338,749	3,624,941	
Arms and ammunition	631,513	-	-	-	631,513	10	9,678	-	544,401	87,112	
Vehicles	73,985,857	17,943,500	(10,328,235)	-	81,601,122	20	8,690,882	(7,078,993)	40,108,094	41,493,028	
	4,072,712,313	19,765,746	(154,861,081)	262,564,556	4,200,181,534		255,917,571	(123,094,100)	1,754,560,638	2,445,620,896	

	2019										Net book value as at June 30, 2019 Rupees
	COST					DEPRECIATION					
	As at July 01, 2018 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2019 Rupees	Rate %	For the year Rupees	Adjustment Rupees	As at June 30, 2019 Rupees		
Freehold land	6,093,568	1,080,000	-	-	7,173,568	-	-	-	-	-	7,173,568
Buildings on freehold land											
Mills	332,498,606	-	-	22,375,770	354,874,376	10	18,882,211	-	164,342,896	190,531,480	
Other factory buildings	68,841,136	-	-	-	68,841,136	5	1,662,628	-	37,331,652	31,509,484	
	401,339,742	-	-	22,375,770	423,715,512		20,544,839	-	201,674,548	222,040,964	
Plant and machinery	3,509,096,732	-	(171,343,706)	56,585,883	3,396,338,909	10	232,991,792	(143,367,568)	1,279,422,679	2,116,916,230	
Electric installation and equipment	111,159,045	-	-	1,337,188	112,496,233	10	5,191,696	-	65,275,236	47,220,997	
Factory equipment	19,711,787	1,341,400	-	-	21,053,187	10	549,481	-	15,614,886	5,438,301	
Office equipment	26,653,845	966,500	-	-	27,620,345	10	1,391,366	-	14,771,794	12,848,551	
Furniture and fixtures	8,169,505	1,527,684	-	-	9,697,189	10	349,952	-	5,947,096	3,750,093	
Arms and ammunition	631,513	-	-	-	631,513	10	10,755	-	534,723	96,790	
Vehicles	59,361,857	19,871,500	(5,247,500)	-	73,985,857	20	5,139,289	(2,490,891)	38,496,205	35,489,652	
	4,142,217,594	24,787,084	(176,591,206)	82,298,841	4,072,712,313		266,169,170	(145,868,459)	1,621,737,167	2,450,975,146	

17.1.1 Free hold land of the Company is located at District Kasur with a total area of 228 Kanal 14 Marla (2019: 228 Kanal 14 Marla).

17.1.2 Transfers represent transfers from capital work in progress on related assets becoming available for use.

17.1.3 Disposal of operating fixed assets

Particulars	2020					Mode of disposal	Particulars of buyer
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal		
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and machinery							
Gas Generator	44,480,546	35,703,988	8,776,558	4,350,000	(4,426,558)	Negotiation	H and D Enterprises, Multan.
Gas Generator	32,225,060	26,502,499	5,722,561	2,900,000	(2,822,561)	Negotiation	H and D Enterprises, Multan.
Caterpillar	11,293,333	9,753,646	1,539,687	1,269,813	(269,874)	Negotiation	Bilal Engineering, Lahore.
Drawing Frames	10,883,514	8,810,757	2,072,757	2,400,000	327,243	Negotiation	Ejaz Shabbir Textile Mills (Private) Limited, Khanewal.
Drawing Frames	8,162,636	6,608,067	1,554,569	1,500,000	(54,569)	Negotiation	Nagina Cotton Mills Limited, Karachi.
Drawing Frames	8,144,971	6,774,043	1,370,928	1,800,000	429,072	Negotiation	H.A. Haq Spinning Mills (Private) Limited, Faisalabad.
Cross Roll Cards	7,000,483	5,425,689	1,574,794	2,600,000	1,025,206	Negotiation	Asim Textile Mills Limited, Faisalabad.
Caterpillar Generator	5,374,065	4,469,518	904,547	604,255	(300,292)	Negotiation	Bilal Engineering, Lahore.
Cross Roll Cards	4,218,483	3,520,821	697,662	2,250,000	1,552,338	Negotiation	Asim Textile Mills Limited, Faisalabad.
Drawing Frames	3,786,365	3,131,519	654,846	756,000	101,154	Negotiation	Sultan Associates, Faisalabad.
Drawing Frames	2,711,357	2,238,244	473,113	540,000	66,887	Negotiation	Ruby Textile Mills Limited, Lahore.
Rieter Uniflex B-60	1,850,000	374,625	1,475,375	99,800	(1,375,575)	Negotiation	Muhammad Tahir, Faisalabad.
Toyoda Machine 500	1,684,077	1,437,625	246,452	379,242	132,790	Negotiation	Ibrahim Traders, Faisalabad.
Diesel Generator	1,120,000	497,026	622,974	125,932	(497,042)	Negotiation	Bilal Engineering, Lahore.
Drawing Dyh-500-C	984,456	446,177	538,279	460,000	(78,279)	Negotiation	Saritow Spinning Mills Limited, Lahore.
Porcupine	363,500	205,239	158,261	166,334	8,073	Negotiation	Ibrahim Traders, Faisalabad.
Porcupine Beater	250,000	115,624	134,376	166,334	31,958	Negotiation	Ibrahim Traders, Faisalabad.
	144,532,846	116,015,107	28,517,739	22,367,710	(6,150,029)		
Vehicles							
Honda City	1,693,000	1,192,943	500,057	1,530,000	1,029,943	Negotiation	Muhammad Ikram, Lahore.
Honda City	1,552,000	1,140,208	411,792	1,590,000	1,178,208	Negotiation	Muhammad Khan Khattak, Lahore.
Honda City	1,549,000	1,063,278	485,722	1,450,000	964,278	Negotiation	Mohammad Asim Mumtaz, Lahore.
Honda City	1,464,235	1,226,697	237,538	1,332,000	1,094,462	Negotiation	Muhammad Mohsin Mumtaz, Lahore.
Suzuki Swift	1,463,000	746,195	716,805	1,460,000	743,195	Negotiation	Mohammad Asim Mumtaz, Lahore.
Suzuki Swift	1,221,000	733,208	487,792	1,206,000	718,208	Negotiation	Ghulam Hussain, Lahore.
Suzuki Mehran	693,000	488,232	204,768	675,000	470,232	Negotiation	Farzad Aslam, Lahore.
Suzuki Mehran	693,000	488,232	204,768	627,000	422,232	Negotiation	Tahir Ali, Lahore.
	10,328,235	7,078,993	3,249,242	9,870,000	6,620,758		
	154,861,081	123,094,100	31,766,981	32,237,710	470,729		
Particulars	2019					Mode of disposal	Particulars of buyer
	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal		
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and machinery							
Ring Frame	54,857,515	50,315,357	4,542,158	4,289,987	(252,171)	Negotiation	Ideal Trading Company, Faisalabad
Ring Frame	54,857,515	50,353,527	4,503,988	4,290,013	(213,975)	Negotiation	Ideal Trading Company, Faisalabad
Auto Cone	29,126,668	26,775,802	2,350,866	6,300,000	3,949,134	Negotiation	Nagina Cotton Mills Limited, Karachi
Auto Cone	22,863,018	8,966,790	13,896,228	3,000,000	(10,896,228)	Negotiation	Nagina Cotton Mills Limited, Karachi
Simplex Machine	1,554,385	1,280,756	273,629	582,169	308,540	Negotiation	Mohammad Tahir, Faisalabad
Compressor	4,013,358	2,220,820	1,792,538	700,000	(1,092,538)	Negotiation	Wisal Kamal Fabrics (Private) Limited, Lahore
Cross Roll Cards	3,611,247	3,064,199	547,048	1,600,965	1,053,917	Negotiation	Ibrahim Traders, Faisalabad
Porcupine	290,000	246,069	43,931	104,863	60,932	Negotiation	Ibrahim Traders, Faisalabad
Condensers	170,000	144,248	25,752	61,471	35,719	Negotiation	Ibrahim Traders, Faisalabad
	171,343,706	143,367,568	27,976,138	20,929,468	(7,046,670)		
Vehicles							
Honda Civic	2,396,000	1,038,906	1,357,094	1,818,000	460,906	Negotiation	Khurram Ayub, Lahore
Honda CD 70	68,500	46,241	22,259	33,000	10,741	Negotiation	Abdul Qayyum, Lahore.
Honda CD 100	86,000	50,383	35,617	34,000	(1,617)	Negotiation	Abdul Qayyum, Lahore.
Suzuki Swift	1,282,000	642,026	639,974	1,000,000	360,026	Negotiation	Mohammad Asim Mumtaz, Lahore.
Suzuki Swift	1,282,000	630,174	651,826	1,130,000	478,174	Negotiation	Ali Abbas, Lahore.
Honda CD 70	69,500	47,319	22,181	32,500	10,319	Negotiation	Mohammad Iqbal, Lahore.
Honda CD 70	63,500	35,842	27,658	40,000	12,342	Negotiation	IGI General Insurance Limited, Lahore.
	5,247,500	2,490,891	2,756,609	4,087,500	1,330,891		
	176,591,206	145,858,459	30,732,747	25,016,968	(5,715,779)		

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
17.1.4 The depreciation charge for the year has been allocated as follows:			
Cost of sales	28	245,488,340	259,277,808
Administrative expenses	30	10,429,231	6,891,362
		255,917,571	266,169,170

17.2 Capital work in progress

	2020			
	As at July 01, 2019 <i>Rupees</i>	Additions <i>Rupees</i>	Transfers <i>Rupees</i>	As at June 30, 2020 <i>Rupees</i>
Building	-	6,574,594	-	6,574,594
Plant and machinery	-	262,564,556	(262,564,556)	-
Electric installations and equipment	-	-	-	-
	-	269,139,150	(262,564,556)	6,574,594
	2019			
	As at July 01, 2018 <i>Rupees</i>	Additions <i>Rupees</i>	Transfers <i>Rupees</i>	As at June 30, 2019 <i>Rupees</i>
Building	-	22,375,770	(22,375,770)	-
Plant and machinery	-	58,585,883	(58,585,883)	-
Electric installations and equipment	136,131	1,201,057	(1,337,188)	-
	136,131	82,162,710	(82,298,841)	-

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
18 LONG TERM DEPOSITS		
Regulatory authorities	25,000	25,000
Utility companies	7,065,700	7,065,700
	7,090,700	7,090,700

18.1 These have been deposited with various utility companies and regulatory authorities. These are classified as 'financial assets at amortized cost' under IFRS 9 which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

19 LONG TERM INVESTMENTS

These were 1,085 sale tax refund bonds issued by FBR Refund Settlement Company (Private) Limited at a face value of Rs. 100,000 each with a maturity period of three years. During the year, the Company was given a pre-mature refund at face value. Accrued profit amounting to Rs. 921,506 was written-off.

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
20 STORES, SPARES AND LOOSE TOOLS		
Stores	56,748,944	33,270,941
Spares	13,332,618	14,096,368
Loose tools	63,455	104,434
	70,145,017	47,471,743

20.1 There are no spare parts held exclusively for capitalization as at the reporting date.

21 STOCK IN TRADE

Raw material		1,567,381,276	1,402,454,647
Work in process		64,558,660	50,421,233
Finished goods	21.1	111,217,659	57,511,935
		1,743,157,595	1,510,387,815

21.1 Stock of finished goods includes stock of waste valued at Rs. 12,404,573 (2019: Rs. 8,375,579). The entire stock of waste is valued at net realizable value.

21.2 Entire stock in trade, with exception of stock of waste, is carried at cost being lower than net realizable value.

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
22 TRADE RECEIVABLES			
Considered good			
- local - unsecured		520,525,620	310,695,063
- foreign - secured	22.1	39,822,455	237,748,304
		560,348,075	548,443,367
Impairment allowance for expected credit losses	22.2	(8,740,339)	(924,104)
		551,607,736	547,519,263

22.1 These are secured through letters of credit.

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
22.2 Impairment allowance for expected credit losses			
As at beginning of the year		924,104	-
Recognized during the year	31	7,816,235	924,104
As at end of the year		8,740,339	924,104

23 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances to suppliers		25,670,063	32,614,643
Advances to employees			
- against purchases and expenses	23.1	127,425	472,550
- against salaries and benefits		765,000	752,300
Prepayments		1,861,821	1,780,450
Export rebate receivable		-	3,598,362
Letters of credit		860,435	3,977,123
Sales tax refundable		6,406,301	141,776,290
Other receivables		15,287,648	3,665,764
		50,978,693	188,637,482

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

24 OTHER FINANCIAL ASSETS

Financial assets at fair value through other comprehensive income	24.1	353,113,980	341,632,278
Financial assets at fair value through profit or loss	24.2	-	107,111,487
		353,113,980	448,743,765

24.1 Financial assets at fair value through other comprehensive income

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

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
<i>Investments in listed equity securities</i>	24.1.1		
Cost of investment		380,692,480	399,479,136
Changes in fair value		(101,372,027)	(67,594,776)
		279,320,453	331,884,360
<i>Investments in mutual funds</i>			
Cost of investment	24.1.2	101,051,076	15,948,136
Changes in fair value		(27,257,549)	(6,200,218)
		73,793,527	9,747,918
		353,113,980	341,632,278

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
24.1.1 Investments in listed equity securities		
Habib Bank Limited		
312,000 ordinary shares of Rs. 10 each (2019: 412,000)		
Market value: 96.87 (2019: Rs. 113.26) per share		
Cost of investment	44,583,629	60,214,631
Changes in fair value	(14,360,187)	(13,551,509)
	30,223,442	46,663,122
Oil and Gas Development Company Limited		
150,000 ordinary shares of Rs. 10 each (2019: 150,000)		
Market value per share: Rs. 109 (2019: Rs. 131.49)		
Cost of investment	23,794,037	23,794,037
Changes in fair value	(7,444,037)	(4,070,537)
	16,350,000	19,723,500
United Bank Limited		
310,100 ordinary shares of Rs. 10 each (2019: 310,100)		
Market value per share: Rs. 103.36 (2019: Rs. 147.38)		
Cost of investment	54,437,627	54,437,627
Changes in fair value	(22,385,691)	(8,735,089)
	32,051,936	45,702,538
Fatima Fertilizer Company Limited		
370,000 ordinary shares of Rs. 10 each (2019: 370,000)		
Market value per share: Rs. 26.73 (2019: Rs. 29.85)		
Cost of investment	12,244,225	12,244,225
Changes in fair value	(2,354,124)	(1,199,724)
	9,890,101	11,044,501
Bank Al-Habib Limited		
483,000 ordinary shares of Rs. 10 each (2019: 483,000)		
Market value per share: Rs. 52.3 (2019: Rs. 78.83)		
Cost of investment	24,932,125	24,932,125
Changes in fair value	328,776	12,925,416
	25,260,901	37,857,541
Engro Fertilizers Limited		
1,335,500 ordinary shares of Rs. 10 each (2019: 1,335,500)		
Market value per share: Rs. 60.28 (2019: Rs. 63.97)		
Cost of investment	87,395,019	87,395,019
Changes in fair value	(6,891,079)	(1,963,084)
	80,503,940	85,431,935
Fauji Cement Company Limited		
1,250,000 ordinary shares of Rs. 10 each (2019: 1,250,000)		
Market value per share: Rs. 16.88 (2019: Rs. 15.73)		
Cost of investment	48,737,299	48,737,299
Changes in fair value	(27,637,299)	(29,074,799)
	21,100,000	19,662,500

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
Habib Metropolitan Bank Limited		
447,500 ordinary shares of Rs. 10 each (2019: 447,500)		
Market value per share: Rs. 27.81 (2019: Rs. 36.08)		
Cost of investment	16,222,665	16,222,665
Changes in fair value	(3,777,690)	(76,865)
	12,444,975	16,145,800
Century Paper and Board Mills Limited		
120,000 ordinary shares of Rs. 10 each (2019: 120,000)		
Market value per share: Rs. 71.57 (2019: Rs. 31.15)		
Cost of investment	9,967,301	9,967,301
Changes in fair value	(1,378,901)	(6,229,301)
	8,588,400	3,738,000
Agriauto Industries Limited		
19,400 ordinary shares of Rs. 10 each (2019: 19,400)		
Market value per share: Rs. 182 (2019: Rs. 199.96)		
Cost of investment	8,633,373	8,633,373
Changes in fair value	(5,102,572)	(4,754,148)
	3,530,801	3,879,225
Loads Limited		
110,000 ordinary shares of Rs. 10 each (2019: 110,000)		
Market value per share: Rs. 13.9 (2019: Rs. 15.11)		
Cost of investment	4,862,355	4,862,355
Changes in fair value	(3,333,355)	(3,200,255)
	1,529,000	1,662,100
Bank Alfalah Limited		
271,300 ordinary shares of Rs. 10 each (2019: 271,300)		
Market value per share: Rs. 33.57 (2019: Rs. 43.59)		
Cost of investment	11,583,977	11,583,977
Changes in fair value	(2,476,435)	241,991
	9,107,542	11,825,968
Mari Petroleum Company Limited		
12,100 ordinary shares of Rs. 10 each (2019: 11,000)		
Market value per share: Rs. 1236.65 (2019: Rs. 1009.33)		
Cost of investment	15,416,807	15,416,807
Changes in fair value	(453,342)	(4,314,177)
	14,963,465	11,102,630
MCB Bank Limited		
85,000 ordinary shares of Rs. 10 each (2019: 100,000)		
Market value per share: Rs. 162.07 (2019: Rs. 174.45)		
Cost of investment	17,882,041	21,037,695
Changes in fair value	(4,106,091)	(3,592,695)
	13,775,950	17,445,000
	279,320,453	331,884,360

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
24.1.2 Investments in mutual funds		
NAFA Islamic Energy Fund		
1,040,543 units (2019: 1,040,543 units)		
Market value per unit: Rs. 8.4866 (2019: Rs. 9.1493)		
Cost of investment	15,716,230	15,716,230
Changes in fair value	(6,885,557)	(6,195,990)
	8,830,673	9,520,240
NAFA Free Saving Fund		
24,337 units (2019: 22,311 units)		
Market value per unit: 10.2319 (2019: Rs. 10.2049)		
Cost of investment	252,594	231,906
Changes in fair value	(3,581)	(4,228)
	249,013	227,678
Alfalah GHP Stock Fund		
682,831 units (2019: Nil units)		
Market value per unit: 94.6522 (2019: Rs. Nil)		
Cost of investment	85,000,000	-
Changes in fair value	(20,368,568)	-
	64,631,432	-
Alfalah GHP Money Market Fund		
840 units (2019: Nil units)		
Market value per unit: 98.1382 (2019: Rs. Nil)		
Cost of investment	82,252	-
Changes in fair value	157	-
	82,409	-
	73,793,527	9,747,918

24.2 Financial assets at fair value through profit or loss

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

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
Cost of investment	-	126,683,091
Changes in fair value	-	(19,571,604)
	-	107,111,487
	353,113,980	448,743,765

24.3 Changes in fair value of investments at fair value through other comprehensive income

	2020		
	Listed equity securities	Mutual funds	Total
As at beginning of the year	(67,594,776)	(6,200,218)	(73,794,994)
Fair value loss arising during the year	(31,851,098)	(20,279,103)	(52,130,201)
Fair value gain transferred to accumulated profits on disposal	(1,926,153)	(778,228)	(2,704,381)
Reclassified to profit or loss	-	-	-
As at end of the year	(101,372,027)	(27,257,549)	(128,629,576)
Deferred taxation	15,205,804	3,759,102	18,964,906
	(86,166,223)	(23,498,447)	(109,664,670)
	2019		
	Listed equity securities	Mutual funds	Total
As at beginning of the year	15,898,634	(2,531,405)	13,367,229
Fair value loss arising during the year	(63,318,611)	(3,668,813)	(66,987,424)
Fair value gain transferred to accumulated profits on disposal	-	-	-
Reclassified to profit or loss	(20,174,799)	-	(20,174,799)
As at end of the year	(67,594,776)	(6,200,218)	(73,794,994)
Deferred taxation	10,139,216	930,032	11,069,248
	(57,455,560)	(5,270,186)	(62,725,746)
	Note	2020	2019
		Rupees	Rupees

25 ADVANCE INCOME TAX

Advance income tax/income tax refundable		217,339,244	152,095,042
Provision for taxation	34	(95,344,287)	-
		121,994,957	152,095,042

26 BANK BALANCES

Current accounts - local currency	25,322,214	27,109,838
Deposit/saving accounts - local currency	-	100,067,808
Current accounts - foreign currency	676,578	1,364,654
	25,998,792	128,542,300

27 SALES - NET

		2020			
	Note	Yarn Rupees	Raw cotton, polyester etc. Rupees	Waste Rupees	Total Rupees
Local		5,776,248,170	120,346,374	276,062,550	6,172,657,094
Export	27.1	825,874,988	-	37,171,416	863,046,404
Gross sales		6,602,123,158	120,346,374	313,233,966	7,035,703,498
Export rebate		12,540,150	-	-	12,540,150
Sales tax		(841,554,113)	(13,631,296)	(40,128,776)	(895,314,185)
		5,773,109,195	106,715,078	273,105,190	6,152,929,463
		2019			
		Yarn Rupees	Raw cotton, polyester etc. Rupees	Waste Rupees	Total Rupees
Local		4,927,958,905	132,048,352	185,029,443	5,245,036,700
Export	27.1	1,095,173,979	-	4,655,000	1,099,828,979
Gross sales		6,023,132,884	132,048,352	189,684,443	6,344,865,679
Export rebate		1,826,952	-	-	1,826,952
Sales tax		-	-	(50,812)	(50,812)
		6,024,959,836	132,048,352	189,633,631	6,346,641,819

27.1 Yarn export sales include indirect exports amounting to Rs. 218,631,523 (2019: Rs. 71,891,750). Yarn export for the year ended June 30, 2020 include sale of \$ 2,132,500 generated from new machinery 'Project-67'.

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

27.3 Sales for the year include Rs. 845,971 (2019: Rs. 1,955,435) against advances from customers at the beginning of the year.

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
28 COST OF SALES			
Raw material consumed	28.1	3,536,521,210	3,660,039,958
Stores, spares and loose tools consumed		195,895,352	168,633,476
Salaries, wages and benefits	28.2	340,448,880	353,385,160
Insurance		14,481,731	14,931,956
Power and fuel		578,992,974	558,296,099
Repair and maintenance		9,131,247	8,125,043
Depreciation	17.1.4	245,488,340	259,277,808
Others		22,041,083	16,820,735
Manufacturing cost		4,943,000,817	5,039,510,235
Work in process			
As at beginning of the year		50,421,233	58,649,452
As at end of the year		(64,558,660)	(50,421,233)
		(14,137,427)	8,228,219
Cost of goods manufactured		4,928,863,390	5,047,738,454
Finished goods			
As at beginning of the year		57,511,935	61,759,790
Purchased during the year		423,441,111	538,378,860
As at end of the year		(111,217,659)	(57,511,935)
		369,735,387	542,626,715
Cost of raw material sold	28.1	96,658,084	115,522,451
		5,395,256,861	5,705,887,620
28.1 Raw material consumed			
As at beginning of the year		1,402,454,647	1,700,658,723
Purchased during the year		3,798,105,923	3,477,358,333
Sold during the year		(96,658,084)	(115,522,451)
As at end of the year		(1,567,381,276)	(1,402,454,647)
		3,536,521,210	3,660,039,958

28.2 These include charge in respect of employees retirement benefits amounting to Rs. 11,869,786 (2019: Rs. 16,404,955)

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
29 DISTRIBUTION COST			
Export			
Ocean freight and forwarding		29,046,779	25,823,388
Commission		2,331,413	14,805,662
Export development surcharge		1,403,246	2,610,759
		32,781,438	43,239,809
Local			
Inland transportation		12,336,846	12,513,061
Commission		13,189,359	7,736,843
Others		79,360	87,865
		25,605,565	20,337,769
		58,387,003	63,577,578

30 ADMINISTRATIVE EXPENSES

Directors' remuneration	44	16,933,419	10,340,317
Directors' meeting fee	44	580,000	445,000
Salaries and benefits	30.1	93,759,607	86,959,327
Rent, rates and taxes		991,860	924,710
Printing and stationery		1,083,965	1,161,234
Communication		2,268,364	2,089,573
Electricity		4,360,886	4,199,282
Repair and maintenance		450,451	103,097
Vehicles running and maintenance		7,193,981	7,836,777
Traveling and conveyance		2,633,285	9,301,218
Legal and professional		2,585,799	2,531,842
Auditor's remuneration	30.2	1,144,000	1,144,000
Fee and subscription		4,780,865	3,415,795
Entertainment		286,380	337,910
Insurance		4,615,128	3,928,462
Depreciation	17.1.4	10,429,231	6,891,362
Amortization of intangible assets	17.3	1,239,997	1,239,997
Others		1,039,353	964,779
		156,376,571	143,814,682

30.1 These include charge in respect of employees retirement benefits amounting to Rs. 18,729,816 (2019: Rs. 16,086,953).

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
30.2 Auditor's remuneration		
Annual statutory audit	945,000	945,000
Limited scope review	136,500	136,500
Review report on corporate governance	52,500	52,500
Out of pocket expenses	10,000	10,000
	1,144,000	1,144,000

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
31 OTHER EXPENSES			
Loss on financial instruments			
Foreign exchange loss		10,229,071	-
Impairment allowance for expected credit losses	22.2	7,816,235	924,104
Changes in fair value of financial assets at fair value through profit or loss	24.3	-	4,109,555
Loss on disposal of short term investments		-	19,332,673
Accrued profit on long term investment written-off	19	921,506	-
		18,966,812	24,366,332
Other expenses			
Loss on disposal of property, plant and equipment	17.1.3	-	5,715,779
Workers' Profit Participation Fund	12.2	19,487,609	8,886,740
Workers' Welfare Fund	31.1	9,128,024	-
Donations		379,700	300,000
		28,995,333	14,902,519
		47,962,145	39,268,851
31.1 Workers' Welfare Fund			
Current year		7,405,291	-
Prior years		1,722,733	-
	12.3	9,128,024	-
32 OTHER INCOME			
Gain on financial instruments			
Foreign exchange gain		-	20,242,105
Accrued profit on long term investment	19	-	921,506
Gain on disposal of short term investments	24.3	18,195,396	-
Return on bank deposits		22,603	67,808
Dividend income	32.1	35,834,624	35,657,574
		54,052,623	56,888,993
Other income			
Gain on disposal of property, plant and equipment	17.1.3	470,729	-
Scrap sale		1,246,100	1,073,090
		1,716,829	1,073,090
		55,769,452	57,962,083
32.1 Dividend income			
On investments derecognized during the year		4,277,119	188,800
On investments held at the end of the year		31,557,505	35,468,774
		35,834,624	35,657,574

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
33 FINANCE COST			
Interest/profit on borrowings:			
long term finances		74,573,945	88,699,295
short term borrowings		110,531,674	188,460,043
		185,105,619	277,159,338
Interest on workers' profit participation fund	12.2	1,490,051	1,359,144
Bank charges and commission		2,751,445	6,047,775
		189,347,115	284,566,257
34 PROVISION FOR TAXATION			
Current taxation			
for current year	34.1	95,344,287	-
for prior years		3,110,482	-
		98,454,769	-
Deferred taxation			
attributable to origination and reversal of temporary differences		37,035,170	(37,279,605)
attributable to changes in tax rates		-	-
	10.1	37,035,170	(37,279,605)
		135,489,939	(37,279,605)

- 34.1** Provision for current tax has been made in accordance with section 113, 154, 150 and 169 of the Income Tax Ordinance, 2001 ['the Ordinance'], there is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented. No provision for current tax was made, for year ended June 30, 2019, due to utilization of available unused tax losses and tax credits.
- 34.2** The income tax assessments of the Company up to and including tax year 2019 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Ordinance except as explained in note 34.3, 34.4 and 34.5).
- 34.3** The Company's case was selected for audit by the Additional Commissioner Inland Revenue ['ACIR'] for tax year 2003 in terms of section 177 of the Ordinance in May 2004. On conclusion of audit proceedings, ACIR through order passed under section 122(1) of the Ordinance in September 2008, raised a tax demand of Rs. 8,458,874. The Company filed an appeal before Commissioner Inland Revenue (Appeals) ['CIR (A)'] against this order in November 2008 and the CIR (A), through order in June 2009, dismissed certain disallowances / additions made by the ACIR and upheld some of them against which the Company filed an appeal before Appellate Tribunal Inland Revenue ['ATIR'] in August 2009. Moreover, ACIR also went into cross appeal against the CIR (A)'s order before the ATIR. Both appeals have been heard by the ATIR and judgment is awaited.
- 34.4** In respect of tax year 2006, the ACIR finalized proceedings under section 122(5A) of the Ordinance through order dated June 30, 2012, wherein a demand of Rs. 4.855 million was raised against the Company on the grounds that minimum tax under section 113 of the Ordinance is to be levied in addition to tax under final tax regime. The Company appealed against the order before CIR(A) in September 2012 and applied for rectification on account of correction of charge of 'Workers' Welfare Fund' and 'brought forward losses' under section 221 of the Ordinance. The CIR(A), through order dated February 22, 2013, decided the above mentioned appeal by upholding the levy of minimum tax. The Company has filed an appeal with the ATIR in April 2013 which is yet to be fixed for hearing. The rectification application has, however, not yet been taken up for disposal.
- 34.5** In respect of tax year 2017, audit proceedings under section 177 were initiated against the Company, through order passed by Deputy Commission Inland Revenue (Audit) ['DCIR(A)'] dated July 28, 2018, under section 122(1)/122(5) of the Ordinance. The refund for the aforementioned year was reduced by Rs. 527,393 which majorly pertains to proportion of expenses. The Company is in the process of filing appeal before the CIR(A).

	<i>Unit</i>	2020	2019
35 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit attributable to ordinary shareholders	<i>Rupees</i>	225,879,281	204,768,519
Weighted average number of ordinary shares outstanding during the year	<i>No. of shares</i>	10,950,000	10,950,000
Earnings per share - <i>basic and diluted</i>	<i>Rupees</i>	20.63	18.70

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

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
36 CASH GENERATED FROM OPERATIONS		
Profit before taxation	361,369,220	167,488,914
Adjustments for non-cash and other items		
Finance cost	189,347,115	284,566,257
Accrued profit on long term investment written-off	921,506	-
Accrued profit on long term investment	-	(921,506)
(Gain)/loss on disposal of property, plant and equipment	(470,729)	5,715,779
Foreign exchange loss/(gain)	10,229,071	(20,242,105)
Dividend income	(35,834,624)	(35,657,574)
Impairment allowance for expected credit losses	7,816,235	924,104
(Gain)/loss on disposal of short term investments	(18,195,396)	19,332,673
Changes in fair value of financial assets at fair value through profit or loss	-	4,109,555
Provision for employees retirement benefits	30,599,602	32,491,908
Depreciation	255,917,571	266,169,170
Amortization	1,239,997	1,239,997
	441,570,348	557,728,258
	802,939,568	725,217,172
Changes in working capital		
Stores, spares and loose tools	(22,673,274)	18,613,114
Stock in trade	(232,769,780)	310,680,150
Trade receivables	(11,429,551)	209,449,025
Advances, deposits, prepayments and other receivables	137,658,789	109,500,843
Trade and other payables	131,063,818	71,763,403
	1,850,002	720,006,535
Cash generated from operations	804,789,570	1,445,223,707

37 CASH AND CASH EQUIVALENTS

Bank balances	25,998,792	128,542,300
	25,998,792	128,542,300

38 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Name of related party	Nature of relationship	Basis of relationship	Aggregate %age of shareholding in the Company
Prosperity Weaving Mills Limited	Associated company	Common directorship	0.000%
Nagina Cotton Mills Limited	Associated company	Common directorship	0.000%
Haroon Omer (Private) Limited	Associated company	Common directorship	6.069%
Monell (Private) Limited	Associated company	Common directorship	6.069%
Icaro (Private) Limited	Associated company	Common directorship	6.069%
ARH (Private) Limited	Associated company	Common directorship	5.739%
Ellahi International (Private) Limited	Associated company	Common directorship	0.378%
Haroon Shahzada Ellahi Shaikh	Key management personnel	Chief executive officer	6.393%
Shafqat Ellahi Shaikh	Key management personnel	Director	2.597%
Jamal Nasim	Key management personnel	Director	0.009%
Shahzada Ellahi Shaikh	Key management personnel	Director/Chairman	2.217%
Shaukat Ellahi Shaikh	Key management personnel	Director	3.395%
Amin Ellahi Shaikh	Key management personnel	Director	12.790%
Raza Ellahi Shaikh	Key management personnel	Director	12.785%
Mohammad Babar Monnoo	Key management personnel	Director	0.005%
Faaria Rehman Salahuddin	Key management personnel	Director	0.005%
Imran Motiwala	Key management personnel	Director	0.005%
Humera Shahzada Ellahi Sheikh	Close family member of Director	Spouse of Director	0.013%
Mona Shaukat Shaikh	Close family member of Director	Spouse of Director	0.013%
Shaista Shafqat	Close family member of Director	Spouse of Director	0.013%
Omer Ellahi Shaikh	Close family member of Director	Son of Director	6.393%

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

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

		2020	2019
		<i>Rupees</i>	<i>Rupees</i>
38.1	Transactions with related parties		
Nature of relationship	Nature of transactions		
Associated companies	Purchases	316,312,873	453,569,826
	Sales	1,612,482,650	1,578,761,745
	Rent paid	982,260	914,760
	Doubling and rewinding charges	-	313,500
	Dividend paid	15,980,766	15,980,766
Key management personnel	Short term employee benefits	17,513,419	10,785,317
	Dividend paid to directors and their family members	30,630,744	30,630,744

39 FINANCIAL INSTRUMENTS

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

	<i>Note</i>	2020	2019
		<i>Rupees</i>	<i>Rupees</i>
39.1 Financial assets			
<i>Financial assets at amortized cost</i>			
Long term deposits	18	7,090,700	7,090,700
Long term investment	19	-	109,421,506
Trade receivables	22	551,607,736	547,519,263
Advances to employees	23	765,000	752,300
Bank balances	26	25,998,792	128,542,300
		585,462,228	793,326,069
<i>Financial assets designated as fair value through OCI</i>			
Investments in listed equity securities	24.1.1	279,320,453	331,884,360
Investment in mutual funds	24.1.2	73,793,527	9,747,918
<i>Financial assets mandatorily measured at fair value through profit or loss</i>			
Investment in asset management account	24.2	-	107,111,487
		938,576,208	1,242,069,834
39.2 Financial liabilities			
<i>Financial liabilities at amortized cost</i>			
Long term finances	8	2,010,264,959	1,915,437,168
Short term borrowings	14	819,226,442	1,441,742,636
Accrued interest/profit	13	47,924,330	41,487,122
Trade creditors	12	106,699,737	47,175,027
Accrued liabilities	12	335,508,503	303,456,648
Unclaimed dividend		6,014,183	5,505,184
		3,325,638,154	3,754,803,785

40 FINANCIAL RISK EXPOSURE AND MANAGEMENT

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

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

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

40.1 Credit risk

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

40.1.1 Credit risk management practices

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

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

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

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

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

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

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

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

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

40.1.2 Exposure to credit risk

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

	Note	2020 Rupees	2019 Rupees
Financial assets at amortized cost			
Long term deposits	18	7,090,700	7,090,700
Long term investment	19	-	109,421,506
Trade receivables	22	560,348,075	548,443,367
Advances to employees	23	765,000	752,300
Bank balances	26	25,998,792	128,542,300
		594,202,567	794,250,173

40.1.3 Credit quality and impairment

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

	Note	External credit rating	Internal credit risk grading	12-month or life-time ECL	Gross carrying amount	Loss allowance
Long term deposits	18	N/A	Performing	12-month ECL	7,090,700	-
Trade receivables	22	N/A	Performing	Lifetime ECL	560,348,075	8,740,339
Advances to employees	23	N/A	Performing	12-month ECL	765,000	-
Bank balances	26	A1 - A1+	N/A	12-month ECL	25,998,792	-
					594,202,567	8,740,339

(a) Long term deposits

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

(b) Trade receivables

For trade receivables, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on trade receivables by using internal credit risk gradings. As at the reporting date, all trade receivables are considered 'performing' including those past due amounting to Rs. 279 million as there is no significant increase in credit risk in respect of these receivables since initial recognition. The ageing analysis of trade receivables as at the reporting date is as follows:

Note	2020	2019
	Rupees	Rupees
Neither past due nor impaired	281,189,187	357,760,641
Past due by up to 30 days	222,314,875	157,726,465
Past due by 31 days to 180 days	45,837,089	26,404,336
Past due by 180 days or more	11,006,924	6,551,925
	560,348,075	548,443,367

(c) Advances to employees

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

(d) Bank balances

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

40.1.4 Concentrations of credit risk

There are no significant concentrations of credit risk, except for trade receivables. The Company's two (2019: three) significant customers account for Rs. 134.679 million (2019: Rs. 261.788) of trade receivables as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2019: 10%) of trade receivables as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected.

40.1.5 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade receivables amounting to Rs. 39.82 million (2019: Rs. 237.75 million), which are partially secured through letters of credit and advances to employees which are secured against future salaries and post-employment benefits.

40.1.6 Changes in impairment allowance for expected credit losses

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

40.2 Liquidity risk

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

40.2.1 Liquidity risk management

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

40.2.2 Exposure to liquidity risk

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

	2020				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	2,010,264,959	2,305,899,840	141,729,059	688,279,184	1,475,891,597
Short term borrowings	819,226,442	819,226,442	819,226,442	-	-
Accrued interest/profit	47,924,330	47,924,330	47,924,330	-	-
Trade creditors	106,699,737	106,699,737	106,699,737	-	-
Accrued liabilities	335,508,503	335,508,503	335,508,503	-	-
Unclaimed dividend	6,014,183	6,014,183	6,014,183	-	-
	3,325,638,154	3,621,273,035	1,457,102,254	688,279,184	1,475,891,597
	2019				
	Carrying amount Rupees	Contractual cash flows Rupees	One year or less Rupees	One to three years Rupees	More than three years Rupees
Long term finances	1,915,437,168	2,164,033,237	272,411,688	598,497,045	1,293,124,504
Short term borrowings	1,441,742,636	1,446,835,430	1,446,835,430	-	-
Accrued interest/profit	41,487,122	41,487,122	41,487,122	-	-
Trade creditors	47,175,027	47,175,027	47,175,027	-	-
Accrued liabilities	303,456,648	303,456,648	303,456,648	-	-
Unclaimed dividend	5,505,184	5,505,184	5,505,184	-	-
	3,754,803,785	4,008,492,648	2,116,871,099	598,497,045	1,293,124,504

40.3 Market risk

40.3.1 Currency risk

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

(a) Currency risk management

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

(b) Exposure to currency risk

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

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
Financial assets		
Trade receivables		
USD	39,822,455	237,748,304
Bank balances		
USD	676,578	1,364,654
	40,499,033	239,112,958
Financial liabilities		
Short term borrowings	(117,635,756)	-
Accrued interest/profit	(63,969,017)	-
	(181,604,773)	-
Net balance sheet exposure	(141,105,740)	239,112,958
Foreign currency commitments		
CHF	(13,116,553)	(25,751,579)
CNY	-	(77,352,588)
EUR	(5,592,030)	(2,857,919)
JPY	(4,682,100)	(3,563,515)
USD	(556,851,115)	(72,961,831)
	(580,241,798)	(182,487,432)
Net exposure	(721,347,538)	56,625,526

(c) Exchange rates applied as at the reporting date

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

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
CNY	23.7569	23.3140
CHF	176.5886	164.3162
JPY	1.5607	1.4869
Euro	188.6116	182.3234
USD	168.0506	160.0521

(d) Sensitivity analysis

A five percent appreciation in Pak Rupee against foreign currencies would have increased (2019: decreased) profit for the year and equity as at the reporting date by Rs. 7.055 million (2019: Rs. 11.956 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year and equity. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

40.3.2 Interest/profit rate risk

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

(a) Interest/profit rate risk management

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

(b) Interest/profit bearing financial instruments

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

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>
Fixed rate instruments		
Financial assets	-	209,489,314
Financial liabilities	1,851,051,999	1,697,156,445
Variable rate instruments		
Financial assets	-	-
Financial liabilities	971,911,337	1,645,963,364

(c) Fair value sensitivity analysis for fixed rate instruments

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

(d) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest/profit rates as at the reporting date would have decreased profit for the year and equity as at the reporting date by Rs. 9.719 million (2019: 16.46 million). A decrease of 100 basis points would have had an equal but opposite effect on profit and equity. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant and ignores the impact, if any, on provision for taxation for the year.

40.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is exposed to price risk in respect of its investments.

(a) Equity price risk management

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

(b) Sensitivity analysis

A one percent appreciation in prices of equity securities and mutual fund units as at reporting date would have increased equity as at the reporting date by Rs 3.53 million (2019: 3.42 million) and profit for the year by nil (2019: 1.07 million). A one percent diminution in prices of equity securities and mutual fund units as at the reporting date would have had equal but opposite effect on equity and profit for the year. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

41 CAPITAL MANAGEMENT

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

	<i>Unit</i>	2020	2019
Total debt	<i>Rupees</i>	2,015,385,942	1,915,437,168
Total equity	<i>Rupees</i>	1,755,131,040	1,634,433,502
Total capital employed		3,770,516,982	3,549,870,670
Gearing	<i>% age</i>	53.45	53.96

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

42 FAIR VALUE MEASUREMENTS

42.1 Financial Instruments

42.1.1 Financial instruments measured at fair value

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

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

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

a) *Recurring fair value measurements*

Nature of asset	Hierarchy	Valuation techniques/Key inputs	2020	2019
			<i>Rupees</i>	<i>Rupees</i>
Investments				
Investments in equity securities	Level 1	Quoted prices in an active market	279,320,453	331,884,360
Investments in mutual funds	Level 1	Quoted prices in an active market	73,793,527	9,747,918
Investments in asset management account	Level 1	Quoted prices in an active market	-	107,111,487

b) *Non-recurring fair value measurements*

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

42.1.2 Financial instruments not measured at fair value

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

42.2 Assets and liabilities other than financial instruments.

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

	2020	2019
	<i>Rupees</i>	<i>Rupees</i>

43 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY

Mortgages and charges

Charge over current assets	9,757,095,898	8,556,095,898
Charge over fixed assets	3,662,000,000	2,895,000,000

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2020		
	Chief Executive <i>Rupees</i>	Directors <i>Rupees</i>	Executives <i>Rupees</i>
Managerial remuneration	7,650,000	3,187,500	21,600,117
Allowances and perquisites	3,998,661	2,097,258	10,800,091
Meeting fee	-	580,000	-
Post employment benefits	-	-	3,054,184
	11,648,661	5,864,758	35,454,392
Number of persons	1	5	10

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

44.1 Remuneration, allowances and meeting fee include Rs. 580,000 (2019: Rs. 445,000) paid to non-executive directors of the Company.

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

45 NON-CASH FINANCING ACTIVITIES

During the year, term finances amounting to Rs. 124.984 million were converted into long term financing facilities as referred to in note 8.5.

46 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on September 24, 2020 has proposed dividend on ordinary shares at Rs. ___ per ordinary share of Rs. 10 each. The proposed dividend is subject to approval of the Company's shareholders in the forthcoming annual general meeting and thus has not been included as a liability in the financial statements.

	2020	2019
	<i>No of shares</i>	<i>No of shares</i>
47 SHARES IN THE COMPANY HELD BY ASSOCIATED COMPANIES		
Ordinary shares in the Company held by associated companies are as follows:		
Haroon Omer (Private) Limited	664,572	664,572
Monell (Private) Limited	664,572	664,572
Icaro (Private) Limited	664,572	664,572
ARH (Private) Limited	628,400	628,400
Ellahi International (Private) Limited	41,345	41,345
	2,663,461	2,663,461

48 SEGMENT INFORMATION

- 48.1** The Company is a single operating segment.
- 48.2** All non-current assets of the Company are situated in Pakistan.
- 48.3** All sales of the Company have originated from Pakistan.
- 48.4** Sales include Rs. 1,401.84 million (2019: Rs. 2,226.44 million) of revenue derived from sales to one (2019: two) customers. There is no other single significant external customer to whom sales in excess of 10% of the Company's total sales were made during the year.

49 PLANT CAPACITY AND ACTUAL PRODUCTION

	<i>Unit</i>	2020	2019
Number of spindles installed	<i>No.</i>	61,968	61,968
Plant capacity on the basis of utilization converted into 30s count	<i>Kgs</i>	14,812,614	14,812,614
Actual production converted into 30s count	<i>Kgs</i>	13,689,504	13,592,007

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

50 IMPACT OF COVID - 19 ON THE FINANCIAL STATEMENTS

COVID-19 pandemic started at the end of December 2019 and broke out in China in January 2020. The slow down in Pakistan started in February 2020 following which a nationwide lockdown was imposed in Pakistan. Although, the Company's production facilities remained closed very briefly during the lockdown, material exports remained suspended throughout the last quarter of the financial year or were otherwise slow as the Company's buyers renegotiated contracts. However, things are now seen getting back to track and as exports continue to pick up with the pandemic easing out, the management expects sustainable growth in revenue and profits in the ensuing financial year. The benefits of principal deferrals on long term finances and payroll financing at low interest rates under various schemes of the State Bank of Pakistan will further provide required momentum. There is no financial impact of COVID-19 on the carrying amounts of assets and liabilities or items of income and expenses reported in these financial statements.

51 NUMBER OF EMPLOYEES

	2020	2019
Total number of employees	1,019	1,000
Average number of employees	1,011	958

52 RECOVERABLE AMOUNTS AND IMPAIRMENT

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

53 GENERAL

53.1 Figures have been rounded off to the nearest rupee.

53.2 Comparative figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However, there were no significant reclassifications during the year.

Lahore: September 24, 2020



Amin Ellahi Shaikh
Director



Muhammad Ahmad
Chief Financial Officer



Haroon Shahzada Ellahi Shaikh
Chief Executive

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FORM OF PROXY

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

I/We _____ of _____ being member(s) of **ELLCOT SPINNING MILLS LTD.**, and holder of _____ Ordinary Shares as per Share Register Folio No. _____ (In case of Central Depository System Account Holder A/c No. _____ Participant I.D. No. _____ - _____) hereby appoint _____ of _____ who is member of the company as per Register Folio No. - _____ (In case of Central Depository System Account Holder A/c No. _____ Participant I.D. No. _____) or failing him/her _____ of _____ who is member of the Company as per Register Folio No. _____ (In case of Central Depository System Account Holder A/c No. _____ Participant I.D. No. _____) as my/our proxy to vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on October 26, 2020 and at any adjournment thereof.

Signed at _____ this the _____ day of _____ 2020

WITNESSES:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
_____	_____
CNIC _____	CNIC _____
_____	_____

Affix
Rs. 50/=
Revenue
Stamp

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

NOTES:

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

Elcot Spinning Mills Limited

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Gulberg-III Lahore-54660

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