NAGINA GROUP

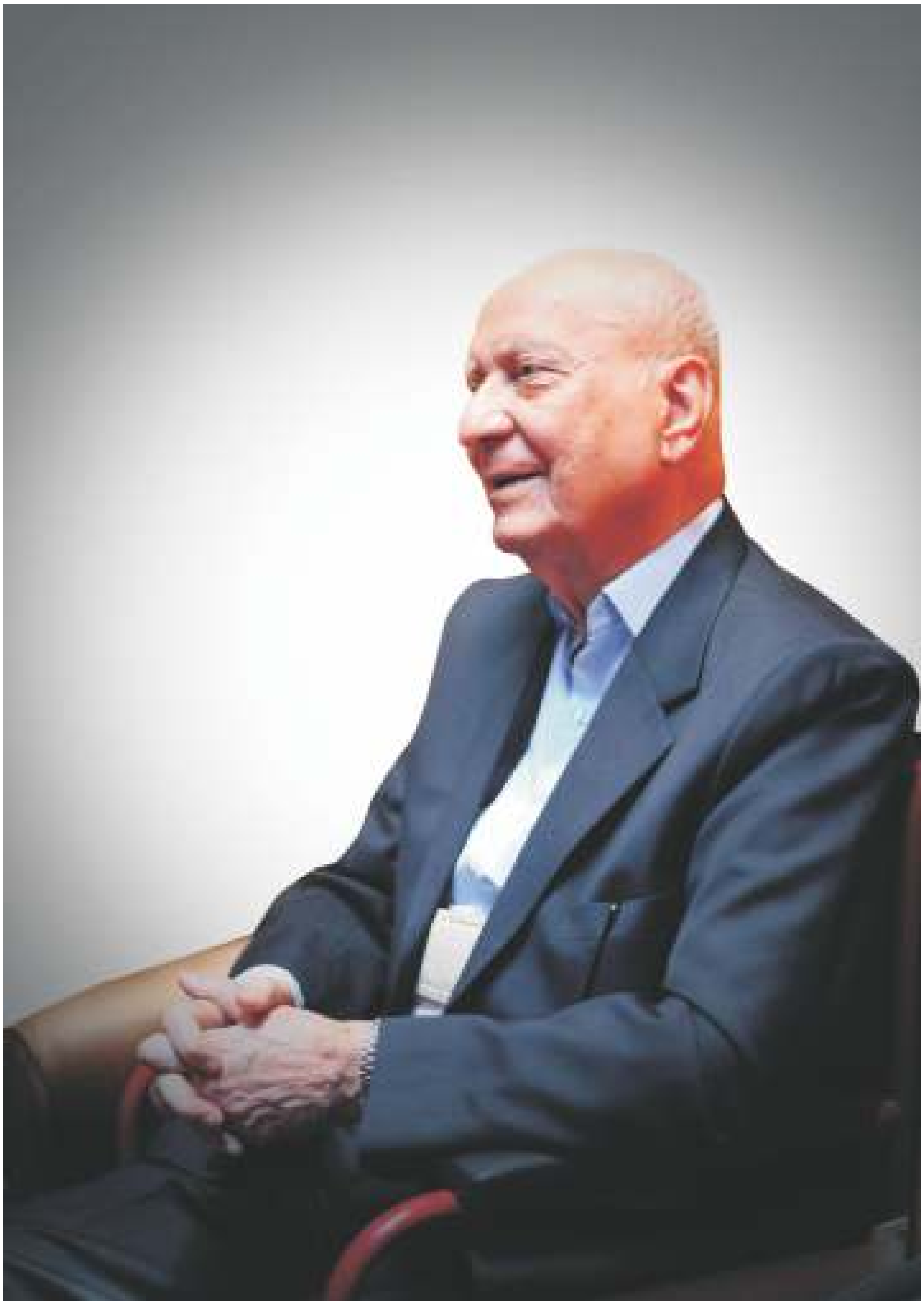
Ellcot Spinning Mills Limited

An ISO 9001:2008 Certified Company

Annual Report | 2016

Mr. Shaikh Enam Ellahi

(1926 - 2016)



Shaikh Enam Ellahi our illustrious chairman passed away on September 20, 2016.

إنا لله وإنا إليه راجعون

Enam Sahib lived a disciplined and principled life based on hard work and honest dealings. He lived his life based on a philosophy inspired by his deep religious beliefs and a strict moral code. He was an optimist and believed that the future will be better. His entrepreneurial skills were legendary and he took calculated risks to forge ahead. He displayed great administrative, organisational and leadership skills throughout his life. As a visionary, he was able to anticipate the turn of events. These qualities earned him the respect of the community while enabling him to become a very successful person. He was extremely concerned about the less fortunate and gave freely to help them. He leaves behind a grateful family, respectful colleagues in the NAGINA GROUP and an admiring community.

May ALLAH the Almighty grant Shaikh Enam Ellahi a place in JANAT UL FIRDOUS. Ameen

NAGINA
NAGINA GROUP

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shahzada Ellahi Shaikh	Non-Executive Director / Chairman
	Mr. Syed Moaz Mohiuddin	Independent Non-Executive Director
	Mr. Jamal Nasim (Nominee NIT)	Non-Executive Director
	Mr. Shaukat Ellahi Shaikh	Non-Executive Director
	Mr. Raza Ellahi Shaikh	Non-Executive Director
	Mr. Amin Ellahi Shaikh	Non-Executive Director
	Mr. Shafqat Ellahi Shaikh	Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shafqat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Syed Moaz Mohiuddin	Chairman
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Amin Ellahi Shaikh	Member
	Mr. Syed Mohsin Gilani	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Amin Ellahi Shaikh	Chairman
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Raza Ellahi Shaikh	Member
	Mr. Muhammad Azam	Secretary
EXECUTIVE COMMITTEE	Mr. Shaukat Ellahi Shaikh	Chairman
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Amin Ellahi Shaikh	Member
	Mr. Muhammad Azam	Secretary
CORPORATE SECRETARY	Mr. Syed Mohsin Gilani	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Muhammad Ahmad	

AUDITORS
Messrs Rahman Sarfraz Rahim Iqbal Rafiq
Chartered Accountants

LEGAL ADVISOR
Bandial & Associates

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

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

WEB REFERENCE
www.nagina.com

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

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of members of ELLCOT SPINNING MILLS LTD. will be held at the Registered Office of the Company, situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 28, 2016 11:30 a.m. to transact the following business:-

A. Ordinary Business

1) To confirm minutes of the Annual General Meeting held on October 28, 2015.

2) To receive, consider and adopt Audited Accounts of the Company for the year ended June 30, 2016 together with the Directors' and Auditors' reports thereon.

3) To approve and declare final dividend as recommended by the Board of Directors.

4) To appoint Auditors for the year ending June 30, 2017 and fix their remuneration.

5) To transact any other ordinary business with the permission of the Chair.

B. Special Business

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

a) **RESOLVED** that, subject to obtaining the requisite permissions and clearances, the insertion of the following new Article 54A, appearing after the existing Article 54, in the Articles of Association of the Company be and is hereby approved.

54A The Company shall comply with the provisions and requirements prescribed under the applicable laws with respect to the use of electronic voting by its members at general meetings. The same shall be deemed to be incorporated in this Article notwithstanding the other provisions of these Articles of Association including anything contradictory herein. Members may be allowed to appoint members as well as non-members as proxies for purposes of electronic voting to the extent permitted under the applicable laws.

FURTHER RESOLVED that the Company Secretary be and is hereby authorized to take or cause to be taken any and all actions necessary and incidental for the purposes of altering the Articles of Association of the Company, and make necessary filings and complete legal formalities as may be required to implement the aforesaid resolution.

b) **RESOLVED** that transmission of annual audited accounts to the shareholders in soft form i.e. CD/DVD/USB as notified by Securities & Exchange Commission of Pakistan vide its SRO No. 470(I)/2016 dated May 31, 2016 or in hard copy be and is hereby approved.

A statement under Section 160(1) (b) of the Companies Ordinance, 1984, along with the statement required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 is annexed.

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

Lahore : September 29, 2016

NOTES:

1) The share transfer books for ordinary shares of the Company will be closed from Saturday, October 22, 2016 to Friday, October, 28, 2016 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on Friday, October 21, 2016 will be in time to be passed for payment of dividend to the transferee(s).

2) A member entitled to attend and vote at the General Meeting is entitled to appoint another member as proxy. Proxies, in order to be effective, must be received at the Company's registered office not less than forty eight (48) hours before the time of meeting. Members through CDC appointing proxies must attach attested copy of their Computerised National Identity Card (CNIC) with the proxy form.

3) The shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original CNIC with copy thereof, duly attested by their bankers, account number and participant I.D number for identification purpose.

4) In case of corporate entity, certified copy of the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

5) Members who have not submitted copy of valid CNIC are once again advised to submit the same without further delay to ensure compliance with the Securities and Exchange Commission of Pakistan (SECP) Notification S.R.O. 275(I)/2016 dated March 31, 2016 read with Notification S.R.O. 19(I)/2014 dated January 10, 2014 and Notification S.R.O. 831(I)/2012 dated July 5, 2012.

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

6) SECP has taken new initiative to make the process of payment of cash dividend to shareholders more efficient through e – Dividend mechanism where shareholders can get amount of dividend credited to their respective bank accounts electronically without delay. In order to avail this benefit the members are encouraged to provide dividend mandates (i.e. bank detail for deposit of dividend). The e-Dividend Mandate forms are available with the Company Secretary.

7) The financial statements for the year ended June 30, 2016 shall be uploaded on the Company's website on or before October 7, 2016.

8) Pursuant to SECP Notification S.R.O 787(I)/ 2014 dated September 8, 2014, members may inform the Company to receive the Audited Financial Statements and notices through e-mail by submitting Standard Request Form available on Company's website.

9) Members are requested to promptly notify the Company of any change in their registered address.

10) IMPORTANT:

a) Pursuant to the provisions of the Finance Act 2016, effective from July 1, 2016, the rates of deduction of income tax from dividend payments under the income Tax Ordinance have been revised as follows:

i) Rate of tax deduction for filer of income tax return 12.5%
ii) Rate of tax deduction for non-filers of income tax return 20%

To enable the company to make tax deduction on the amount of cash dividend @12.5% instead of 20%, shareholders whose names are not entered into the Active Tax Payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to immediately make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @20% instead of 12.5%.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on “Filer/ Non-Filer” status of principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s).

b) Shareholders are requested to provide 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 Square, Lahore.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1) (B) OF THE COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS

This statement sets out the material facts concerning the special business, given in agenda item No.1 (a) and (b) of Special Business:

a) Amendments in the Articles of Association:

The amendments to the Articles of Association of the Company are being carried out in order to give effect to the requirements of newly announced Companies (E-voting) Regulations, 2016 by the Securities and Exchange Commission of Pakistan. The detail of amendments proposed in the Articles of Association is part of the resolution mentioned in the Notice.

b) Dissemination of information regarding Annual Audited Accounts to the shareholder through CD/DVD/USB

In order to implement SECP directions with respect to transmit / circulate information such as annual audited accounts through CD/DVD/USB or in hard copies, resolution is part of the notice for concurrence of shareholders to adopt the newly inducted mode of transmission.

The Directors are not interested, directly or indirectly, in the above business except to the extent of their investment as has been detailed in the pattern of shareholding annexed to the Directors' Report.

STATEMENT AS REQUIRED UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2012.

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

<table>
<tr><td>a. Total investment approved.</td><td>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)</td></tr>
<tr><td>b. Amount of investment made to date:</td><td>Nil</td></tr>
<tr><td>c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.</td><td>Due to better cash flows, the associated companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2015-16.</td></tr>
<tr><td>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.</td><td>
<table>
<tr><td></td><td colspan="2">Present Financial Position as on June 30, 2016</td><td colspan="2">Financial Position at the time of approval as on June 30, 2015</td></tr>
<tr><td></td><td>NCML</td><td>PWML</td><td>NCML</td><td>PWML</td></tr>
<tr><td></td><td colspan="4">Rupees in Millions</td></tr>
<tr><td>Net sales</td><td>4,267.869</td><td>5,211.429</td><td>4,208.114</td><td>5,811.482</td></tr>
<tr><td>Gross profit</td><td>151.481</td><td>359.653</td><td>389.233</td><td>318.755</td></tr>
<tr><td>Profit/(loss) before tax</td><td>(64.422)</td><td>72.362</td><td>148.032</td><td>31.188</td></tr>
<tr><td>Profit/(loss) after tax</td><td>(92.945)</td><td>39.972</td><td>133.689</td><td>60.831</td></tr>
</table>
</td></tr>
</table>

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 of 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
P.O. Box 161, 8000 AD Zwolle, The Netherlands
http://www.controlunion.com
tel.: +31(0)38-4260100

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU809299GOTS-01.2016
REGISTRATION No: CU 809299

Control Union Certifications declares that

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

has been inspected and assessed according to the

Global Organic Textile Standard (GOTS)

Version 4.0

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

Fabrics, Yarns

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

Exporting, Spinning, Weaving

This certificate is Valid until: 21 January 2017

Place and date of issue:
Colombo-07, 26 January 2016

Stamp of the issuing body

Standard's Logo

Name of authorised person

On behalf of the Managing Director
Mr. K.W.D.T. De Silva
Certifier

This Certificate of Compliance 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.

This issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.

Accredited by: Dutch Accreditation Council (RV A), Accreditation No: C 412

Control Union Certifications
P.O. Box 161, 8000 AD Zwolle, The Netherlands
http://www.controlunion.com
tel.: +31(0)38-4260100

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU809299OCS-01.2016
REGISTRATION No: CU 809299

Control Union Certifications declares that

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

has been inspected and assessed according to the

Organic Content Standard (OCS-NL)
Version 1.0
Organic Content Standard 100
Organic Content Standard Blended

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

Fabrics, Yarns

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

Exporting, Spinning, Weaving

This certificate is Valid until: 23 January 2017

Place and date of issue:
Colombo-07, 26 January 2016

Stamp of the issuing body

Standard's Logo

Name of authorised person

On behalf of the Managing Director
Mr. K.W.D.T. De Silva
Certifier

This certificate cannot be used as a transaction certificate.
The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.

CERTIFICATE

aitex

Instituto Tecnológico Textil
Plaza Emilio Sala, 1-1º
E-03801 Alcoy (Alicante)

Institute of the International Association for Research and Testing in the Field of Textile Ecology (OEKO-TEX®)

The company

Ellcot Spinning Mills Ltd

91, B1 M.M. ALAM ROAD, GULBERG III

54000 LAHORE, PAKISTAN

is granted authorisation according to Oeko-Tex® Standard 100 to use the Oeko-Tex® mark, based on our **test report 2016OK0154**

CONFIDENCE IN TEXTILES

Tested for harmful substances

according to Oeko-Tex® Standard 100

2015OK0011 AITEX

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 OEKO-TEX® Standard 100.

The results of the inspection made according to Oeko-Tex® Standard 100, **product class II** have shown that the above mentioned goods meet the human-ecological requirements of the standard presently established for products with direct contact to skin.

The certified articles fulfil the requirements of Annex XVII of REACH (incl. the use of azo-dyes, nickel, etc.) as well as the American requirement regarding total content of lead in children's articles (CPSIA; with the exception of accessories made from glass).

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

This authorisation is valid until 31.01.2017

Alcoy (Alicante) España, 24.02.2016

Silvia Devesa Valencia
Innovation Assistant Manager

Isabel Soriano Sarrió
Chief of Innovation Area

DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honor to present 28th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2016. Figures for the previous year ended June 30, 2015 are included for comparison.

Company Performance

Alhamdullilah, despite unfavorable market conditions, your Company has managed to earn profit after tax of Rs.71,164,545 or 1.68% of sales compared to Rs. 54,298,728 or 1.18% of sales last year. Earning per share (EPS) for the year under review is Rs. 6.50 compared to Rs. 4.96 during last year.

Sales for the year is Rs.4,227,909,980 compared to Rs.4,588,787,945. Depressed yarn market resulted in decrease of 7.86% over last year. Cost of sales increased from 93.64% of sales to 94.20% of sales and caused reduction in GP by 16% over last year. GP for the current year stood at 5.80% compared to 6.36% during the corresponding financial year of 2014-15.

Distribution costs decreased from 1.05% of sales to 0.89% of sales over previous year. This decrease is mainly due to reduction in export sales. Inflationary impact caused administrative expenses to increase by 12.31% over last year. Other expenses reduced by 42.76% in comparison to last year. This reduction is mainly due to lower provisions for Workers' Profit Participation Fund and Workers' Welfare Fund which is in line with lower operating profit.

The Company has been able to generate stable cash flows and discharged all its operating and financial liabilities in time. Due to efficient utilization of financial resources, repayment of long term loans and hard negotiations of pricing, the finance cost decreased and remained lower by 15.65% over last year.

Capital Assets Investment

During the year your Company invested Rs.311,574,263 in Expansion / Balancing, Modernization, Replacement (BMR) of building, plant and machinery and other assets. This was done in line with Company's strategic plans to continue to diversify its product line, addition of new qualities and blends of yarn and improvement in the production capacity of the plant to cater both domestic and international markets.

Dividend

The Directors have pleasure to recommend payment of cash dividend @ 35% i.e. Rs. 3.50 per ordinary share. The dividend will amount to Rs. 38,325,000.

Future Outlook

This financial year was a difficult year for the textile industry in general and the spinning sector in particular. There was a substantial reduction in the production of raw cotton in the country. Demand for yarn was depressed in the export as well as local markets. Prices of the company's products remained under pressure causing decline in margins. The current market situation is not encouraging. Overall textile exports of the country has declined by 7.40% in the financial year (FY) 2016 compared to 2015. FY 2017 would be another challenging year for the spinning sector as general and global economic uncertainty may dampen the demand for textiles. Exchange rate of USD to PKR showed stable trend and remained range bound. Our regional competitors have been devaluing their currencies to remain competitive. Local yarn market is showing bearish trend. Resultantly product margins are squeezing for yarn. We hope that our Government would extend its support to industry in order to revive exports of the country which have fallen sharply since the start of FY 2015. Measures such as rationalizing the currency exchange rates, zero rating of exports, lowering the energy costs, providing uninterrupted supply of energy to industries, timely payment of sales tax, income tax and customs duty refunds and lowering interest rates are required to improve the situation. We expect that long awaited technology up-gradation fund (TUF) support would also be released during the FY 2017.

Raw cotton prices have remained volatile. However, production estimates for raw cotton are encouraging compared to last year. It is hoped that a larger crop will help the textile industry to become internationally competitive. Energy prices in Pakistan are higher than regional competitors. Wages and salaries are rising continuously. Therefore, we are foreseeing another challenging year ahead of us. However, management is cognizant of the situation and taking all measures to cope with these challenges.

ISO 9001: 2008 Certification

The Company continues to operate at high standards of quality and had obtained latest version of certification for the period from January 17, 2014 to January 16, 2017. 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.

Compliance with the Code of Corporate Governance

The “Statement of Compliance with the Code of Corporate Governance (CCG)” is annexed.

Corporate Governance & Financial Reporting Framework

As required by the Code of Corporate Governance, 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, as applicable in Pakistan, have been followed in the preparation of financial statements, and any departures therefrom has been adequately disclosed and explained.

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

f) There is no doubt 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, 2016 except for those disclosed in the financial statements.

i) 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.

j) During 2015-2016, no trade in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children except the following shares, totaling to 600,000 shares, which were transferred as gift by Directors:

Name of Transferor	Designation	Name of Transferee	No. of Shares
Mr. Shahzada Ellahi Shaikh	Director	Mr. Haroon Shahzada Ellahi Shaikh	100,000
Mr. Shahzada Ellahi Shaikh	Director	Mr. Omer Ellahi Shaikh	100,000
Mr. Shaukat Ellahi Shaikh	Director	Mr. Raza Ellahi Shaikh	200,000
Mr. Shafqat Ellahi Shaikh	CEO / Director	Mr. Amin Ellahi Shaikh	200,000

Related Parties

The transactions between the related parties were carried out at an arm's length basis. The Company has fully complied with the best practices of the transfer pricing as contained in the listing regulation of Pakistan Stock Exchange Limited.

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.

Shareholding Pattern

The shareholding pattern as at June 30, 2016 including the information under the Code of Corporate Governance, for ordinary shares, is annexed.

Notice u/s 218 of the Companies Ordinance, 1984

Notice u/s 218 of the Companies Ordinance, 1984 is annexed.

Committees of the Board

In compliance with the Code of Corporate Governance and Articles of the Association of the Company, the Board of Directors had formed following Committees.

- Audit Committee
- Human Resource and Remuneration (HR & R) Committee
- Executive Committee

The names of the members of above committees are given in the Company information.

Board of Directors' Meetings

During the year four (4) meetings of the Board of Directors were held. Attendance by each Director is as follows:

Sr. No.	Name of Directors	Attendance
1.	Mr. Shaikh Enam Ellahi	4
2.	Mr. Jamal Nasim	4
3.	Mr. Syed Moaz Mohiuddin	3
4.	Mr. Shahzada Ellahi Shaikh	4
5.	Mr. Shaukat Ellahi Shaikh	4
6.	Mr. Shafqat Ellahi Shaikh	2
7.	Mr. Amin Ellahi Shaikh	3

Leave of absence was granted to the Directors who could not attend any of the Board meetings.

Audit Committee Meetings

During the year, four (4) meetings of Audit Committee of the Board were held. Attendance by each Director is as follows:

Sr. No.	Name of Directors	Attendance
1.	Mr. Syed Moaz Mohiuddin	3
2.	Mr. Shaukat Ellahi Shaikh	4
3.	Mr. Amin Ellahi Shaikh	3

Leave of absence was granted to Directors who could not attend any of the Audit Committee meetings.

Executive Committee Meetings

During the year six (6) meetings of Executive Committee were held. Attendance by each Director is as follows:

Sr. No.	Name of Directors	Attendance
1.	Mr. Shaikh Enam Ellahi	6
2.	Mr. Shahzada Ellahi Shaikh	6
3.	Mr. Shaukat Ellahi Shaikh	3
4.	Mr. Shafqat Ellahi Shaikh	6

Leave of absence was granted to the Director who could not attend any of the Board meetings.

Human Resource & Remuneration (HR & R) Committee Meetings

During the year, one (1) meeting of HR & R Committee of the Board was held. Attendance by each Director is as follows:

Sr. No.	Name of Directors	Attendance
1.	Mr. Amin Ellahi Shaikh	1
2.	Mr. Shaikh Enam Ellahi	1
3.	Mr. Shaukat Ellahi Shaikh	1

Director's Training Program

The Company has complied with the requirements of regulation 5.19.7 of PSX Rule Book.

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 year 2016-17. The Audit Committee and Board of Directors have recommended for re-appointment of present auditors.

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

Sd/

Shafqat Ellahi Shaikh

Lahore: September 29, 2016

Mg. Director (Chief Executive)

ممبران کے لئے مجلس نظماء کی رپورٹ

مجلس نظماء 30 جون 2016 کو مختتمہ سال کے لئے کمپنی کی 28ویں سالانہ رپورٹ معہ نظرثانی شدہ مالیاتی حسابات اور اس پر آڈیٹر کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہی ہے۔ 30 جون 2015 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

کمپنی کی کارکردگی

الحمدللہ مارکیٹ کے غیر موزوں حالات کے باوجود، کمپنی نے گزشتہ سال کے بعد از ٹیکس منافع 54,298,728 روپے یا فروخت کا 1.18 فیصد کے تقابل میں اس سال بعد از ٹیکس منافع 71,164,545 روپے یا فروخت کا 1.68 فیصد کمایا ہے۔ زیر جائزہ سال کے لئے فی حصص آمدنی (EPS) گزشتہ سال کے دوران 4.96 روپے کے مقابلے میں 6.50 روپے ہے۔

امسال فروخت کی مجموعی مالیت 4,227,909,980 روپے رہی۔ جب کے گذشتہ سال فروخت کی مجموعی مالیت 4,588,787,945 تھی۔ اس سال فروخت کی مالیت سوت (Yarn) کے بازار کے غیر موضوع حالات کی وجہ سے 7.86 فیصد گذشتہ سال کے مقابلے میں کم رہی۔ فروخت کی لاگت فروخت کے 93.64 فیصد سے بڑھ کر فروخت کے 94.20 فیصد تک ہوگئی اور اس وجہ سے مجموعی منافع میں گزشتہ سال سے 16 فیصد کمی واقع ہوئی۔ موجودہ سال کے لئے مجموعی منافع مالی سال 2014-15 کے دوران 6.36 فیصد کے مقابلے میں 5.80 فیصد رہا ہے۔

تقسیم کے اخراجات پچھلے سال میں فروخت کے 1.05 فیصد سے اس سال فروخت کے 0.89 فیصد تک کم ہوئے۔ اس کمی کی بنیادی وجہ برآمد فروخت میں کمی ہے۔ افراط زر کے اثرات کی وجہ سے انتظامی اخراجات میں گزشتہ سال سے 12.31 فیصد اضافہ ہوگیا۔ دیگر اخراجات گزشتہ سال کے مقابلے میں 42.76 فیصد تک کم ہوئے۔ یہ کمی بنیادی طور پر ورکرز پرافٹ پارٹیسپیشن فنڈ اور ورکرز ویلفیئر فنڈ کی کم پرووژنز کے باعث ہوئی جو کم آپریٹنگ منافع کی مد میں ہے۔

کمپنی اپنے تمام کاروباری اور مالیاتی واجبات بروقت ادا کرنے اور مستحکم کیش فلو پیدا کرنے کے قابل رہی۔ مالی وسائل کے موثر استعمال کی وجہ سے، طویل مدتی قرضوں کی واپسی اور قیمتوں کے تحت تعین کے باعث مالی لاگت میں کمی واقع ہوئی ہے اور گزشتہ سال کے مقابلے میں 15.65 فیصد کم رہی۔

طویل مدتی اثاثوں کی سرمایہ کاری

سال کے دوران کمپنی نے (BMR)، پلانٹ اور مشینری اور دیگر اثاثوں کی توسیع/توازن اور جدت میں 311,574,263 روپے کی سرمایہ کاری کی۔ یہ سرمایہ کاری ملکی اور بین الاقوامی دونوں مارکیٹوں کی ضروریات کو پورا کرنے کے لئے پلانٹ کی پیداواری صلاحیت میں بہتری اور نئی خوبیوں والے یارن اور بلینڈز کی بہتری، اس کی مصنوعات کی تنوع کے لئے جاری کمپنی کے کلیدی منصوبوں کے مطابق کی گئی ہے۔

منافع منقسمہ

ڈائریکٹرز کو نقد منافع منقسمہ بشرح 35 فیصد یعنی 3.5 روپے فی حصص کی ادائیگی کی سفارش کرتے ہوئے خوشی ہو رہی ہے۔ منافع منقسمہ کی رقم 38,325,000 روپے تک ہوگی۔

مستقبل کے امکانات

یہ مالی سال عام طور پر ٹیکسٹائل کی صنعت اور خاص طور پر سپننگ کے شعبے کے لیے ایک مشکل سال تھا۔ ملک میں خام کپاس کی پیداوار میں قابل ذکر کمی ہوئی تھی۔ یارن کی طلب برآمدات کے ساتھ ساتھ مقامی مارکیٹوں میں بھی کم ہوگئی تھی۔ کمپنی کی مصنوعات کی قیمتیں مارجن میں کمی کے باعث دباؤ کا شکار رہیں۔ مارکیٹ کی موجودہ صورت حال حوصلہ افزا نہیں ہے۔ ملک کی مجموعی ٹیکسٹائل برآمدات سال 2015 کے مقابلے مالی سال (FY) 2016 میں 7.40 فیصد تک کمی واقع ہوئی ہے۔ مالی سال 2017 ٹیکسٹائلز کی مرطوب طلب کی عام اور عالمی اقتصادی غیر یقینی صورتحال کی وجہ سے سپننگ شعبے کے لئے ایک اور مشکل سال ہوگا۔ ڈالر اور پاکستانی روپے کے تبادلے کی شرح نے مستحکم رجحان کا مظاہرہ کیا اور متعین رینج برقرار رہی۔ ہمارے علاقائی حریف مقابلہ میں رہنے کے لئے اپنی کرنسی کی قدر کو گرا رہے ہیں۔ مقامی یارن مارکیٹ مندی کا رجحان ظاہر کر رہی ہے جس کے نتیجے میں یارن کی مصنوعات کا مارجن سکڑ رہا ہے۔ ہم امید کرتے ہیں کہ ہماری حکومت ملک کی برآمدات کو بحال کرنے کی مد میں صنعت کے لئے اپنی مدد کو توسیع دے گی جو مالی سال 2015 کے آغاز سے ہی بری طرح گر چکی ہے۔ حالات کی بہتری کے لئے کرنسی کے تبادلے کی شرح کو جدید خطوط پر استوار کرتے، برآمدات کی زیرو ریٹنگ، بجلی کی لاگتوں میں کمی، صنعتوں

کوتوانائی کی بلاتعطل فراہمی، سیلز ٹیکس، انکم ٹیکس اور کسٹم ڈیوٹی رقوم کی بروقت واپسی اور شرح سود کی کمی جیسے اقدامات کرنے کی ضرورت ہے۔ ہمیں امید ہے کہ ٹیکنالوجی اپ گریڈیشن فنڈ (TUF) کی رقم مالی سال 2017ء میں فراہم کی دی جائے گی۔
خام کپاس کی قیمتیں مستحکم رہی ہیں۔ تاہم، خام کپاس کے پیداواری تخمینے گزشتہ سال کے مقابلے حوصلہ افزاء ہیں۔ امید ہے کپاس کی بھرپور فصل بین الاقوامی سطح پر مسابقتی بننے کے لئے ٹیکسٹائل صنعت کی مدد کرے گی۔ پاکستان میں توانائی کی قیمتیں علاقائی حریفوں کے مقابلے میں زیادہ ہیں۔ اجرت اور تنخواہ مسلسل اضافہ ہو رہا ہے۔ لہذا، ہم آگے ایک اور مشکل سال کی توقع کر رہے ہیں۔ تاہم، انتظامیہ صورتحال سے واقف ہے اوران مسائل سے نمٹنے کے لئے تمام ضروری اقدامات اٹھا رہی ہے۔

آئی ایس او 9001:2008 سرٹیفکیشن

کمپنی کوالٹی کے اعلیٰ معیارات پر کام جاری رکھتی ہے اور 17 جنوری 2014 سے 16 جنوری 2017 تک کی مدت کے لئے سرٹیفکیشن کا تجدیدی ورژن حاصل کر چکی ہے۔ کوالٹی کنٹرول سرٹیفکیشن سے نئے اور پرانے گاہکوں کا اعتماد حاصل کرنے میں مدد ملتی ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی اپنے کاروبار میں کارپوریٹ سماجی ذمہ داری کے اہتمام پر پختہ یقین رکھتی ہے، اور جید مسلسل سے معاشرتی بہتری جو کہ بالواسطہ اور بلاواسطہ ہمارے کاروبار سے متعلق ہو کیلئے کوشاں ہے۔

ماحول، صحت اور تحفظ

کمپنی اپنے ملازمین اور عوام کی صحت کے لئے خطرات سے بچنے کے لئے محفوظ کام کے حالات کو برقرار رکھتی ہے۔ انتظامیہ نے سال بھر اپنی تمام کارروائیوں میں محفوظ ماحول کو برقرار رکھا ہے اور مسلسل ملازمین کی حفاظت اور زندگی کی سہولیات کو بہتر بنا رہی ہے۔
مشینری اور ان پر کام کرنے والے ملازمین کا تحفظ کمپنی کی ترجیحات ہیں۔ آگ بجھانے والے آلات اور آگ سے بچاؤ کا دیگر ساز و سامان کمپنی کی سائٹس کے ساتھ ساتھ اس کے رجسٹرڈ اور صدر دفتر میں رکھا گیا ہے۔ آگ سے بچاؤ کے ساز و سامان کی کارکردگی کو یقینی بنانے کے لئے باقاعدہ مشق کی جاتی ہے۔

کارپوریٹ گورننس کے ضابطہ کی تعمیل

"کارپوریٹ گورننس (CCG) کے ضابطہ کی تعمیل کا بیان" منسلک ہے۔

کارپوریٹ گورننس اور عمومی مالیاتی رپورٹنگ کا طریقہ کار

کارپوریٹ گورننس کے ضابطہ کے مطابق، ڈائریکٹرز بخوشی بیان کرتے ہیں:

۱۔ کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔

۲۔ کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔

۳۔ 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۔

۴۔ مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی پیروی کی گئی ہے، اور کسی بھی انحراف کا موزوں انکشاف اور وضاحت کی گئی ہے۔

۵۔ اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

۶۔ کمپنی کے رواں دواں رہنے کی صلاحیت پر کوئی قابل ذکر شکوک و شبہات نہیں ہیں۔

۷۔ گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی شماریات منسلک ہیں۔

۸۔ ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے جو 30 جون 2016 کو بقایا ہوں، سوائے ان کے جن کا مالی حسابات میں ظاہر کیا گیا ہے؛

۹۔ مالی سال کے اختتام سے اب تک، کمپنی مالی حالت کو متاثر کرنے والی کوئی منفی مادی تبدیلیاں اور وعدے جن کا تعلق اس بیلنس شیٹ سے ہو وقوع پذیر نہیں ہوئے ہیں۔

ط۔ 2015-2016 کے دوران کمپنی کے حصص میں اس کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کے ازواج اور نابالغ بچوں کی طرف سے کوئی تجارت نہیں کی گئی سوائے درج ذیل کل 600,000 حصص، جو ڈائریکٹرز کی طرف سے بطور تحفہ منتقل کئے گئے تھے۔

نام منتقل کنندہ	عہدہ	نام وصول کنندہ	حصص کی تعداد
جناب شہزادہ الٰہی شیخ	ڈائریکٹر	جناب ہارون شہزادہ الٰہی شیخ	100,000
جناب شہزادہ الٰہی شیخ	ڈائریکٹر	جناب عمر الٰہی شیخ	100,000
جناب شوکت الٰہی شیخ	ڈائریکٹر	جناب رضا الٰہی شیخ	200,000
جناب شفقت الٰہی شیخ	سی ای او/ڈائریکٹر	جناب امین الٰہی شیخ	200,000

متعلقہ پارٹیز

متعلقہ پارٹیوں کے درمیان لین دین بازار کے مطابق قیمتیں مقرر کرکے کیا گیا۔ کمپنی پاکستان میں سٹاک ایکسچینج کی لسٹنگ کے ضابطے میں موجود منتقلی قیمتوں کے تعین کے بہترین طریقوں پر عمل پیرا ہے۔

مالیاتی حسابات کا آڈٹ

کمپنی کے مالی حسابات کا آڈٹ بغیر کسی بے ضابطگی کی نشان دہی کے میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس، نے کیا ہے، جو کہ کمپنی کے بیرونی آڈیٹر ہیں۔

تقسیم حصص داری

30 جون 2016 کے مطابق تقسیم، عام حصص داری کی معلومات کارپوریٹ گورننس کے ضابطہ کے تحت منسلک ہے۔

کمپنیز آرڈیننس 1984 کی دفعہ 218 کے تحت نوٹس

کمپنیز آرڈیننس 1984 کی دفعہ 218 کے تحت نوٹس منسلک ہے۔

بورڈ کی کمیٹیاں

کارپوریٹ گورننس کے ضابطہ اور کمپنی کے آرٹیکلز آف ایسوسی ایشن کے مطابق بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں:

- آڈٹ کمیٹی
- ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی
- ایگزیکٹو کمیٹی

مندرجہ بالا کمیٹیوں کے ارکان کے نام کمپنی کی معلومات میں دیے گئے ہیں۔

بورڈ آف ڈائریکٹرز کے اجلاس

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے حاضری کی پوزیشن حسب ذیل تھی:۔

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب شیخ انعام الٰہی	4
2	جناب جمال نسیم	4
3	جناب سید معاذ محی الدین	3
4	جناب شہزادہ الٰہی شیخ	4
5	جناب شوکت الٰہی شیخ	4
6	جناب شفقت الٰہی شیخ	2
7	جناب امین الٰہی شیخ	3

ڈائریکٹرز جو بورڈ کے کسی اجلاس میں نہیں آسکتے تھے کو غیر موجودگی کی رخصت عطا کی گئی۔

آڈٹ کمیٹی کے اجلاس

زیر جائزہ سال کے دوران، آڈٹ کمیٹی کے چار اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل تھی:۔

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب سید معاذ محی الدین	3
2	جناب شوکت الٰہی شیخ	4
3	جناب امین الٰہی شیخ	3

ڈائریکٹرز جو بورڈ کے کسی اجلاس میں نہیں آسکتے تھے کو غیر موجودگی کی رخصت عطا کی گئی۔

ایگزیکٹو کمیٹی کے اجلاس

زیر جائزہ سال کے دوران، ایگزیکٹو کمیٹی کے چھ (6) اجلاس منعقد ہوئے، حاضری کی پوزیشن حسب ذیل تھی:۔

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب شیخ انعام الٰہی	6
2	جناب شہزادہ الٰہی شیخ	6
3	جناب شوکت الٰہی شیخ	3
4	جناب شفقت الٰہی شیخ	6

ڈائریکٹرز جو بورڈ کے کسی اجلاس میں نہیں آسکتے تھے کو غیر موجودگی کی رخصت عطا کی گئی۔

ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی کے اجلاس

زیر جائزہ سال کے دوران، ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی کا ایک اجلاس منعقد ہوا، حاضری کی پوزیشن حسب ذیل تھی:۔

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب امین الٰہی شیخ	1
2	جناب شیخ انعام الٰہی	1
3	جناب شوکت الٰہی شیخ	1

NAGINA
NAGINA GROUP

ڈائریکٹرز کی تربیت کے پروگرام

کمپنی نے PSX رول بک کے قوانین 5.19.7 کے ضابطہ پر عمل کیا ہے۔

آڈیٹر کی تقرری

میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس، لاہور ریٹائر ہو گئے ہیں اور اہل ہونے کی بناء پر سال 2016-17 کے لئے بطور آڈیٹر دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ آڈٹ کمیٹی اور مجلس نظماء موجودہ آڈیٹر کی دوبارہ تعیناتی کے لئے سفارش کی ہے۔

اعتراف

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

منجانب بورڈ

شفقت الٰہی شیخ

مینجنگ ڈائریکٹر (چیف ایگزیکٹو)

لاہور: 29 ستمبر 2016

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Chapter 5.19 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of Independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

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

   *Mr. Shaikh Enam Ellahi has passed away on September 20, 2016

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

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the financial year 2015-16.
5. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board in line with Articles of Association of the Company.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in Code of Corporate Governance, five (5) Directors have obtained certification under Directors' Training Program (DTP) and one (1) Director is exempted. All the Directors are fully conversant with their duties and responsibilities as Directors, they were further apprised through presentations during the year.
10. No new appointment of CFO and Company Secretary has been made during the year. However, Head of Internal Audit has been appointed and the remuneration and terms and conditions of his employment were approved by the Board.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

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

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises three members, all members are Non-Executive Directors and the Chairman of the committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises three members, all members are non-executive Directors including the Chairman.

18. The Board has set up an effective internal audit function.

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Sd/-

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 29, 2016

SHAREHOLDERS' INFORMATION

Annual General Meeting

The 28th Annual General Meeting of ELLCOT SPINNING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Friday, October 28, 2016 at 11:30 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2016, the Company has 559 Shareholders.

Web Reference

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

Dividend

The Board of Directors have recommended in their meeting held on September 29, 2016, payment of final cash dividend at the rate of Rs. 3.50 per share i.e. 35 % for the year ended June 30, 2016.

Dividend Mandate (Optional)

Securities and Exchange Commission of Pakistan has taken new initiative to make the process of payment of cash dividend to shareholders more efficient through e – Dividend mechanism, where shareholders can get amount of dividend credited to their respective bank accounts electronically without delay. By opting this mechanism, there will be instant credit of dividend and no chance of dividend warrants getting lost in the post, undelivered or delivered to the wrong address etc.

In order to avail this benefit, the members are encouraged to provide dividend mandates by sending the mandate information on the following format, 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).

Detail of Bank Mandate	
Title of Bank Account	
Bank Account No.	
Bank's Name	
Branch Name and Address	
Branch Code	
Cell Number of Shareholder/Transferee	
Landline Number of Shareholder/ Transferee, if any	

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 notified from time to time, the Securities and Exchange Commission of Pakistan (SECP), vide 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.

Copy of CNIC/NTN may be sent 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

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

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

Pursuant to the provisions of the Finance Act, 2016 with effect from July 1, 2016, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

(a) Rate of tax deduction for filer of income tax returns @12.5%

(b) Rate of tax deduction for non-filer of income tax returns @20%

All shareholders of the Company who hold shares in physical form are therefore requested to send a valid copy of their CNIC (individuals) and NTN (Corporate entities) certificate to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd. to allow the Company to ascertain the status of the shareholder.

Shareholders of the Company who hold shares in scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Ltd (CDC) are requested to send valid copies of their CNIC (individuals) and NTN (Corporate entities) certificate to their CDC Participants / CDC Investor Account Services.

Where the required documents are not submitted, the Company will be constrained to treat the non-complying shareholders as a non-filer thereby attracting a higher rate of withholding tax.

Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on "Filer/ Non-Filer" status of Principal shareholder as well as joint-holders (s) based on their shareholding proportions, in case of joint accounts.

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of principal shareholder and joint-holder(s) in respect of shares held by them to our Share Registrar, in writing, within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s).

Requirement of Valid Tax Exemption Certificate for Claiming Exemption from Withholding Tax.

As per FBR Circulars C.No.1(29)WHT/2006 dated 30 June 2010 and C.No. 1(43)DG(WHT)/2008-Vol.II-66417-R dated 12 May 2015, the valid exemption certificate is mandatory to claim exemption of withholding tax U/S 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under Clause 47B of Part-IV of Second Schedule is available. The shareholders who fall in the category mentioned in above clause and want to avail exemption U/S 150 of the Ordinance, must provide valid Tax Exemption Certificate to our Share Registrar before book closure otherwise tax will be deducted on dividend as per applicable rates.

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 50, 158 and 233 of the Companies Ordinance, 1984.

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,
Ellcot 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

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

To: All members of the Company

NOTICE UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resource and Remuneration (HR&R) Committee, Board of Directors in their meeting held on September 29, 2016 has approved the increase in remuneration of Mr. Shafqat Ellahi Shaikh, Mg. Director (Chief Executive) effective from July 1, 2016 as under:

Remuneration of Mr. Shafqat Ellahi Shaikh, Mg. Director (Chief Executive)

Description	Present Remuneration	Remuneration After Increase
Remuneration	Rs.452,238/= per month inclusive of 10% medical allowance.	**Rs.497,462/= per Month inclusive of 10% medical allowance.**
Other Benefits		
Transport	Two company maintained cars with drivers	**No Change**
Utilities	Actual cost of utilities, i.e. gas, electricity and water at his residence and telecommunication facilities	**No Change**
Leave Fare Assistance (LFA)	Leave passage for self and family.	**No Change**

Syed Mohsin Gilani
Corporate Secretary

Lahore : September 29, 2016

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2016
CUIN (INCORPORATION NUMBER) 0018985

No. of Shareholders	Shareholding From	To	Total Shares Held
225	1	100	7,133
134	101	500	43,371
71	501	1,000	59,680
87	1,001	5,000	230,435
16	5,001	10,000	111,866
3	10,001	15,000	37,375
-	15,001	20,000	-
1	20,001	25,000	22,500
2	25,001	30,000	59,000
-	30,001	35,000	-
1	35,001	40,000	39,500
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
2	195,001	200,000	400,000
-	200,001	210,000	-
1	210,001	215,000	210,401
1	215,001	220,000	219,359
-	220,001	395,000	-
1	395,001	400,000	400,000
1	400,001	405,000	400,500
-	405,001	440,000	-
1	440,001	445,000	443,638
-	445,001	625,000	-
1	625,001	630,000	628,400
-	630,001	660,000	-
3	660,001	665,000	1,993,716
-	665,001	700,000	-
1	700,001	705,000	704,380
-	705,001	880,000	-
1	880,001	885,000	881,054
-	885,001	1,170,000	-
1	1,170,001	1,175,000	1,172,602
-	1,175,001	1,210,000	-
1	1,210,001	1,215,000	1,214,200
-	1,215,001	1,300,000	-
1	1,300,001	1,305,000	1,301,610
			71,431
559	**Total:-**		**10,950,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	4,334,124	39.57
Associated Companies, Undertakings and Related Parties	2,663,461	24.33
NIT and ICP	-	0.00
Banks, Development Finance Institutions, Non Banking Finance Institutions	4,900	0.04
Insurance Companies	191,878	1.75
Modarabas and Mutual Funds	2,029,072	18.53
Shareholders Holding 10% or More	3,688,412	33.68
General Public		
a. Local	1,613,376	14.73
b. Foreign	39,500	0.36
Others (Joint Stock Companies etc.)	73,689	0.67

Note:-

M/s. Nagina Cotton Mils Ltd., had distributed 6,545,000 ordinary shares of M/s. Ellcot Spinning Mills Ltd., among its members, out of which 71,431 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".

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2016

Sr. No.	Name	Shares Held	Percentage
1)	***Associated Companies, Undertaking and Related Parties***		
i)	ELLAHI INTERNATIONAL (PVT) LTD.	41,345	0.38
ii)	HAROON OMER (PVT) LTD.	664,572	6.07
iii)	MONELL (PVT) LTD.	664,572	6.07
iv)	ICARO (PVT) LTD.	664,572	6.07
v)	ARH (PVT) LTD.	628,400	5.74
		2,663,461	**24.33**
2)	***Mutual Funds***		
i)	CDC - TRUSTEE AKD OPPORTUNITY FUND	443,638	4.05
ii)	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
iii)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	881,054	8.05
		2,029,072	**18.53**
3)	***Directors, Chief Executive Officer and their Spouse and Minor Children***		
i)	MR. SHAIKH ENAM ELLAHI	210,401	1.92
ii)	MR. SHAHZADA ELLAHI SHAIKH	1,172,602	10.71
iii)	MR. SHAUKAT ELLAHI SHAIKH	1,301,610	11.89
iv)	MR. SHAFQAT ELLAHI SHAIKH	1,214,200	11.09
v)	MR. AMIN ELLAHI SHAIKH	400,500	3.66
vi)	MRS. HUMERA SHAHZADA ELLAHI SHEIKH	1,437	0.01
vii)	MRS. MONA SHAUKAT SHAIKH	1,437	0.01
viii)	MRS. SHAISTA SHAFQAT SHAIKH	1,437	0.01
ix)	MR. JAMAL NASIM	30,000	0.27
x)	MR. SYED MOAZ MOHIUDDIN	500	-
		4,334,124	**39.57**
4)	***Executives***	**200,627**	**1.83**
5)	***Public Sector Companies and Corporations***	**Nil**	**Nil**
6)	***Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.***	**196,778**	**1.80**
7)	***Shareholders Holding Five Percent or More Voting Rights***		
i)	ARH (PVT) LTD.	628,400	5.74
ii)	HAROON OMER (PVT) LTD.	664,572	6.07
iii)	MONELL (PVT) LTD.	664,572	6.07
iv)	ICARO (PVT) LTD.	664,572	6.07
v)	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
vi)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	881,054	8.05
vii)	MR. SHAHZADA ELLAHI SHAIKH	1,172,602	10.71
viii)	MR. SHAFQAT ELLAHI SHAIKH	1,214,200	11.09
ix)	MR. SHAUKAT ELLAHI SHAIKH	1,301,610	11.89

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2016	2015	2014 restated	2013 restated	2012 restated	2011
Sales	Rs.'000	4,227,910	4,588,788	5,709,484	4,858,426	4,025,287	4,991,956
Gross profit	Rs.'000	245,286	291,992	594,188	654,883	432,740	689,245
Operating profit	Rs.'000	110,353	150,505	445,410	503,634	329,154	559,844
Profit before tax	Rs.'000	59,490	90,206	361,435	422,423	200,010	421,921
Profit after tax	Rs.'000	71,165	54,299	297,571	350,335	146,404	352,101
Share capital - paid up	Rs.'000	109,500	109,500	109,500	109,500	109,500	109,500
Shareholders' equity	Rs.'000	1,418,482	1,384,687	1,407,543	1,251,396	969,180	903,057
Total assets	Rs.'000	2,870,296	2,377,522	2,366,450	2,185,275	1,852,202	2,237,348
Earning per share - pre tax	Rs.	5.43	8.24	33.01	38.58	18.27	38.53
Earnings per share - after tax	Rs.	6.50	4.96	27.18	31.99	13.37	32.16
Dividend per share	Rs.	3.50	3.50	7.00	10.00	5.00	7.00
Market value per share as on 30 June	Rs.	73.39	65.00	73.95	64.89	26.00	24.00
Gross profit to sales	%	5.80	6.36	10.41	13.48	10.75	13.81
Operating profit to sales	%	2.61	3.28	7.80	10.37	8.18	11.21
Profit before tax to sales	%	1.41	1.97	6.33	8.69	4.97	8.45
Profit after tax to sales	%	1.68	1.18	5.21	7.21	3.64	7.05
Current ratio		2.08:1	2.68:1	2.66:1	2.27:1	1.67:1	1.33:1
Total debt to total assets ratio	%	50.58	41.76	40.52	43.37	47.67	59.64
Debt equity ratio	%	30.72	23.80	22.07	24.95	26.61	33.80

Rahman Sarfaraz Rahim
Iqbal Rafiq

Chartered Accountants

72-A, Faisal Town, Lahore.

T: +92 42 35160431 - 35160432
F: +92 42 35160433

Review Report on Statement of Compliance with Best practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **ELLCOT SPINNING MILLS LIMITED** for the year ended June 30, 2016 to comply with the requirements of Regulation No 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Company is listed.

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

As 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 Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with best practices contained in the Code as applicable to the Company for the year ended June **30, 2016.**

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Lahore: ***September 29, 2016***

Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, is a partnership firm registered in Pakistan and a member of Russell Bedford International, a global network of independent accounting firms and consultants with affiliated offices worldwide.

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq

Chartered Accountants

72-A, Faisal Town, Lahore.
T: +92 42 35160431 - 35160432
F: +92 42 35160433

Auditors' Report to the Members

We have audited the annexed balance sheet of **ELLCOT SPINNING MILLS LIMITED** ("the Company") as at June 30, 2016 and the related profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion-

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

   ii. the expenditure incurred during the year was for the purpose of the Company's business; and

   iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, 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.

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ CHARTERED ACCOUNTANTS

Engagement Partner: ***ZUBAIR IRFAN MALIK***

Lahore: ***September 29, 2016***

Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, is a partnership firm registered in Pakistan and a member of Russell Bedford International, a global network of independent accounting firms and consultants with affiliated offices worldwide.

BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016	2015
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2015: 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*	**8,212,161**	7,760,000
Accumulated profit		**1,300,769,538**	1,267,426,918
TOTAL EQUITY		**1,418,481,699**	1,384,686,918
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	*8*	**539,712,204**	355,408,312
Liabilities against assets subject to finance lease	*9*	**-**	1,018,110
Employees retirement benefits	*10*	**66,908,522**	54,593,956
Deferred taxation	*11*	**52,031,536**	78,901,740
		658,652,262	489,922,118
CURRENT LIABILTIES			
Trade and other payables	*12*	**239,845,121**	270,309,275
Accrued interest/markup	*13*	**11,201,552**	10,442,857
Short term borrowings	*14*	**452,833,638**	146,091,234
Current portion of non-current liabilities	*15*	**89,281,356**	76,069,777
		793,161,667	502,913,143
TOTAL LIABILITIES		**1,451,813,929**	992,835,261
CONTINGENCIES AND COMMITMENTS	*16*		
TOTAL EQUITY AND LIABILITIES		**2,870,295,628**	2,377,522,179

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

Lahore: September 29, 2016

Amin Ellahi Shaikh
Director

NAGINA
NAGINA GROUP

BALANCE SHEET
AS AT JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	17	**1,213,576,874**	1,020,168,306
Long term deposits	18	**7,090,700**	7,090,700
		1,220,667,574	1,027,259,006
CURRENT ASSETS			
Stores, spares and loose tools	19	**43,623,721**	49,814,587
Stock in trade	20	**738,170,879**	668,865,762
Trade debts	21	**281,423,824**	216,902,704
Advances, prepayments and other receivables	22	**206,010,087**	42,242,332
Short term investments	23	**119,964,290**	170,494,039
Advance income tax	24	**84,239,692**	53,269,145
Cash and bank balances	25	**176,195,561**	148,674,604
		1,649,628,054	1,350,263,173
TOTAL ASSETS		**2,870,295,628**	2,377,522,179

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

Sd/-

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016	2015
		Rupees	Rupees
Sales - *net*	26	**4,227,909,980**	4,588,787,945
Cost of sales	27	**(3,982,624,034)**	(4,296,796,234)
Gross profit		**245,285,946**	291,991,711
Distribution cost	28	**(37,709,495)**	(48,371,287)
Administrative expenses	29	**(103,088,628)**	(91,788,604)
Other expenses	30	**(5,599,443)**	(9,782,844)
		(146,397,566)	(149,942,735)
		98,888,380	142,048,976
Other income	31	**11,464,254**	8,455,985
Operating profit		**110,352,634**	150,504,961
Finance cost	32	**(50,863,109)**	(60,298,606)
Profit before taxation		**59,489,525**	90,206,355
Provision for taxation	33	**11,675,020**	(35,907,627)
Profit after taxation		**71,164,545**	54,298,728
Earnings per share - *basic and diluted*	34	**6.50**	4.96

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

Lahore: September 29, 2016

Amin Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for sale financial assets	23.2	**531,954**	-
Taxation relating to changes in fair value of available for sale financial assets	11.1	**(79,793)**	-
		452,161	-
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	10.1	**597,269**	(587,492)
Taxation relating to remeasurements of defined benefit obligation	11.1	**(94,194)**	82,990
		503,075	(504,502)
Other comprehensive income/(loss)		**955,236**	(504,502)
Profit after taxation		**71,164,545**	54,298,728
Total comprehensive income		**72,119,781**	53,794,226

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

Lahore: September 29, 2016

Amin Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 Rupees	2015 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	36	**(94,094,942)**	527,357,316
Payments for:			
Employees retirement benefits		**(11,927,226)**	(12,549,786)
Interest/markup/profit on borrowings		**(45,339,048)**	(50,218,677)
Income tax		**(46,339,718)**	(60,672,383)
Net cash (used in)/generated from operating activities		**(197,700,934)**	403,916,470
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(303,950,822)**	(118,064,167)
Proceeds from disposal of property, plant and equipment		**4,715,959**	6,284,468
Purchase of short term investments		**(914,395,330)**	(1,251,161,301)
Proceeds from disposal of short term investments		**973,404,637**	1,088,007,199
Net cash used in investing activities		**(240,225,556)**	(274,933,801)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**272,476,463**	100,000,000
Repayment of long term finances		**(72,040,831)**	(62,500,000)
Repayment of liabilities against assets subject to finance lease		**(3,938,271)**	(3,570,721)
Net increase/(decrease) in short term borrowings		**306,980,355**	(71,567,409)
Dividend paid		**(38,032,133)**	(75,938,608)
Net cash generated from/(used in) financing activities		**465,445,583**	(113,576,738)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**27,519,093**	15,405,931
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,864**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**148,674,604**	133,268,673
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	37	**176,195,561**	148,674,604

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

Lahore: September 29, 2016

Amin Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2016

	Share capital	Capital reserves				
	Issued subscribed and paid-up capital	Changes in fair value of available for sale financial assets	Capital reserve	Total	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Balance as at July 01, 2014	109,500,000	-	7,760,000	7,760,000	1,290,282,692	1,407,542,692
Comprehensive income						
Profit after taxation	-	-	-	-	54,298,728	54,298,728
Other comprehensive loss	-	-	-	-	(504,502)	(504,502)
Total comprehensive income	-	-	-	-	53,794,226	53,794,226
Transaction with owners						
Final dividend @ 70% i.e. Rs. 7 per ordinary share	-	-	-	-	(76,650,000)	(76,650,000)
Balance as at June 30, 2015	109,500,000	-	7,760,000	7,760,000	1,267,426,918	1,384,686,918
Balance as at July 01, 2015	**109,500,000**	**-**	**7,760,000**	**7,760,000**	**1,267,426,918**	**1,384,686,918**
Comprehensive income						
Profit after taxation	**-**	**-**	**-**	**-**	**71,164,545**	**71,164,545**
Other comprehensive income	**-**	**452,161**	**-**	**452,161**	**503,075**	**955,236**
Total comprehensive income	**-**	**452,161**	**-**	**452,161**	**71,667,620**	**72,119,781**
Transaction with owners						
Final dividend @ 35% i.e. Rs. 3.5 per ordinary share	**-**	**-**	**-**	**-**	**(38,325,000)**	**(38,325,000)**
Balance as at June 30, 2016	**109,500,000**	**452,161**	**7,760,000**	**8,212,161**	**1,300,769,538**	**1,418,481,699**

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

Lahore: September 29, 2016

Amin Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

1 REPORTING ENTITY

Ellcot Spinning Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 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 in 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 approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board as notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives under the Companies Ordinance, 1984 prevail.

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 cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

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. There are no estimation uncertainties as at the reporting date. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 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.

2.3.2 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.

2.3.3 Recoverable amount and impairment (see note 5.25)

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

2.3.4 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.

2.3.5 Taxation (see note 5.20)

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.

2.3.6 Provisions (see note 5.15)

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.

2.3.7 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.

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.

IFRS 10 - Consolidated Financial Statements (2011)

The standard replaces those parts of IAS 27 - Consolidated and Separate Financial Statements, that address when and how an investor should prepare consolidated financial statements and supersedes SIC 12 - Consolidation: Special Purpose Entities.

IFRS 11 - Joint Arrangements (2011)

The standard supersedes IAS 31 - Interest in Joint Ventures and SIC 13 - Jointly Controlled Entities: Non-monetary Contributions by Venturers.

IFRS 12 - Disclosure of Interests in Other Entities (2011)

The standard introduces disclosure requirements relating to interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IFRS 13 - Fair Value Measurements (2011)

The standard establishes a single framework for measuring fair value where that is required by other standards.

Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities)

The amendments provide transitional relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

Investment Entities (Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements)

The amendments provide exemption from consolidation of particular subsidiaries by certain entities defined as "Investment Entities" and require additional disclosures where such subsidiaries are excluded from consolidation pursuant to exemption.

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 9 – Financial Instruments (2014)	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)	January 01, 2016

	Effective date (annual periods beginning on or after)
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
Classification and Measurement of Share-based Payment Transactions	January 01, 2018
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
Annual Improvements 2012-2014 cycle	January 01, 2016

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 234 of the Companies Ordinance, 1984 regarding their adoption. The management anticipates that, except as stated below, 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.

IFRS 9 – Financial Instruments: Classification and Measurement (2014)

IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their cash flow characteristics. The standard introduces a 'fair value through comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to measurement of entity's own credit risk.
- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit loss to have occurred before a credit loss is recognized.
- **Hedge accounting**: IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposure.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Adoption of this IFRS 9 may result in material adjustment to carrying amounts of financial assets and liabilities. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

IFRS 16 – Leases (2016)

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the leases term is twelve months or less or the underlying asset has low value.

Adoption of this IFRS 16 will result in recognition of assets and liabilities for all operating leases for which the lease terms is more than twelve months. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)

The amendments clarify the following:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to deductible temporary differences regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax laws restrict utilization of tax losses, an entity would assess a deferred tax asset in combination with deferred tax assets of the same type.

Adoption of this amendment may result in material adjustment to deferred tax assets. However, the financial impact of the same cannot be estimated with reasonable certainty at this stage.

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 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 of the item 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.

5.2 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 import duties and 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 operate 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 weighted 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 materials	Weighted 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 approved accounting standards. 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 balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 10 to the financial statements.

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 instruments into following classes depending on the purpose for which the financial assets and liabilities are acquired or incurred. The Company determines the classification of its financial assets and liabilities on initial recognition.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets in this category are presented as current assets except for maturities greater than twelve months from the reporting date, where these are presented as non-current assets.

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

Financial assets at fair value through profit or loss are financial assets that are either designated as such on initial recognition or are classified as held for trading. Financial assets are designated as financial assets at fair value through profit or loss if the Company manages such assets and evaluates their performance based on their fair value in accordance with the Company's risk management and investment strategy. Financial assets are classified as held for trading when these are acquired principally for the purpose of selling and repurchasing in the near term, or when these are part of a portfolio of identified financial instruments that are managed together and for which there is a recent actual pattern of profit taking, or where these are derivatives, excluding derivatives that are financial guarantee contracts or that are designated and effective hedging instruments. Financial assets in this category are presented as current assets.

(c) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such on initial recognition or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Assets in this category are presented as non-current assets unless the management intends to dispose of the asset within twelve months from the reporting date.

(d) Financial liabilities at amortized cost

Non-derivative financial liabilities that are not financial liabilities at fair value through profit or loss are classified as financial liabilities at amortized cost. Financial liabilities in this category are presented as current liabilities except for maturities greater than twelve months from the reporting date where these are presented as non-current liabilities.

5.7.3 Measurement

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

5.7.4 De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged or cancelled. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in profit or loss.

5.7.5 Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet 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 and sales of financial assets

'Regular way' purchases and sales of financial assets are those contracts which require delivery of assets within the time frame generally established by the regulation or convention in the market. 'Regular way' purchases and sales of financial assets are recognized and derecognized on trade dates.

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.

5.10 Investments in mutual funds

Investments in mutual funds units held for trading are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss.

5.11 Investments in listed equity securities

Investments in listed equity securities are designated as 'available for sale financial assets' on initial recognition. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in other comprehensive income. Gains and losses on de-recognition are recognized in profit or loss.

5.12 Finance leases

Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are classified as 'operating fixed assets'. On initial recognition, these are measured at cost, being an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, these are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation, subsequent expenditure, de-recognition, and gains and losses on de-recognition are accounted for in accordance with the respective policies for operating fixed assets. Liabilities against assets subject to finance lease and deposits against finance lease are classified as 'financial liabilities at amortized cost' and 'loans and receivables' respectively, however, since they fall outside the scope of measurement requirements of IAS 39 'Financial Instruments - Recognition and Measurement', these are measured in accordance with the requirements of IAS 17 'Leases'. On initial recognition, these are measured at cost, being their fair value at the date of commencement of lease, less attributable transaction costs. Subsequent to initial recognition, minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Deposits against finance leases, subsequent to initial recognition are carried at cost.

5.13 Operating leases

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

5.14 Trade and other payables

5.14.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their 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.

5.14.2 Non-financial liabilities

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

5.15 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.

5.16 Trade and other receivables

5.16.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus 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.

5.16.2 Non-financial assets

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

5.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Revenue from sale of goods is recognized when risks and rewards incidental to the ownership of goods are transferred to the buyer. Transfer of risks and rewards vary depending on the individual terms of the contract of sale. Transfer usually occurs on dispatch of goods to customers.

Export rebate is recognized at the same time when revenue from export sales is recognized.

Interest income is recognized using effective interest method.

Dividend income is recognized when the right to receive payment is established.

5.18 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 approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

5.19 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.

5.20 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.

5.20.1 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.

5.20.2 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.

5.21 Government grants

Government grants that compensate the Company for expenses or losses already incurred are recognized in profit or loss in the period in which these are received and are deducted in reporting the relevant expenses or losses.

5.22 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.

5.23 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at banks. These, with the exception of cash in hand, are classified as 'loans and receivables' and are carried at amortized cost. Cash in hand is carried at cost.

5.24 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.

5.25 Impairment

5.25.1 Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

5.25.2 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.

5.26 Dividend distribution to ordinary shareholders

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

		Note	**2016**	2015
			Rupees	*Rupees*
6	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	Ordinary shares of Rs. 10 each			
	8,760,000 (2015: 8,760,000) shares issued for cash		**87,600,000**	87,600,000
	2,190,000 (2015: 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**			
	Changes in fair value of available for sale financial assets		**503,075**	-
	Capital reserve	*7.1*	**7,760,000**	7,760,000
			8,263,075	7,760,000

7.1 On September 30, 2001, the net assets of Power Unit II of Ellahi Electric Company Limited were merged into the Company. Capital 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.

		Note	**2016**	2015
			Rupees	*Rupees*
8	**LONG TERM FINANCES**			
	These represent secured long term finances utilized under interest/markup arrangements from banking companies			
	Term Finances ('TF')			
	TF - I	*8.1*	**25,000,000**	50,000,000
	TF - II	*8.2*	**160,000,000**	200,000,000
	TF - III	*8.3*	**70,408,312**	77,449,143
	TF - IV	*8.4*	**100,000,000**	100,000,000
	TF - V	*8.5*	**24,951,594**	-
	TF - VI	*8.6*	**199,953,389**	-
	TF - VII	*8.7*	**47,571,480**	-
			627,884,775	427,449,143
	Current portion presented under current liabilities	*15*	**(88,172,571)**	(72,040,831)
			539,712,204	355,408,312

8.1 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at six months KIBOR plus 1.2% per annum (2015: six months KIBOR plus 1.2% per annum) payable semi-annually. The finance is repayable in eight equal semi-annual installments with the first installment due in December 2013.

8.2 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at six months KIBOR plus 1.35% per annum (2015: six months KIBOR plus 1.35% per annum) payable quarterly. The finance is repayable in ten equal semi-annual installments with the first installment due in August 2015.

8.3 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at six months KIBOR plus 1% per annum (2015: 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.

8.4 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at three months KIBOR plus 1% per annum (2015: 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.

8.5 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at six months KIBOR plus 0.75% per annum payable quarterly. The finance is repayable in twenty equal quarterly installments with the first installment due in July 2018.

8.6 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at SBP base rate plus 0.5% payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in August 2018.

8.7 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company. The finance carries interest/markup at SBP base rate plus 0.75% per annum payable quarterly. The finance is repayable in thirty two equal quarterly installments with the first installment due in August 2018.

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

		Note	**2016**	2015
			Rupees	*Rupees*
9	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Present value of minimum lease payments	*9.1 & 9.2*	**1,108,785**	5,047,056
	Current portion presented under current liabilities	*9.1 & 9.2*	**(1,108,785)**	(4,028,946)
			-	1,018,110

9.1 These represent plant and machinery acquired under finance lease arrangements. The leases are priced at six months KIBOR plus 1.75% per annum (2015: six months KIBOR plus 1.75% per annum). Lease rentals are payable quarterly over a tenor ranging from 4 to 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

9.2 The amount of future payments under the finance lease arrangements and the period in which these payments will become due are as follows:

	Note	2016 Rupees	2015 Rupees
Not later than one year		**1,131,218**	4,433,372
Later than one year but not later than five years		**-**	1,043,045
Total future minimum lease payments		**1,131,218**	5,476,417
Finance charge allocated to future periods		**(22,433)**	(429,361)
Present value of future minimum lease payments		**1,108,785**	5,047,056
Not later than one year	*15*	**(1,108,785)**	(4,028,946)
Later than one year but not later than five years		**-**	1,018,110

10 EMPLOYEES RETIREMENT BENEFITS

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

	Note	2016 Rupees	2015 Rupees
10.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**54,593,956**	46,469,085
Charged to profit or loss for the year	*10.2*	**24,839,061**	20,087,165
Benefits paid during the year		**(11,927,226)**	(12,549,786)
Remeasurements recognized in other comprehensive income	*10.4*	**(597,269)**	587,492
As at end of the year		**66,908,522**	54,593,956
10.2 Charge to profit or loss			
Current service cost		**20,097,603**	14,761,435
Interest cost		**4,741,458**	5,325,730
		24,839,061	20,087,165
10.3 The charge to profit or loss has been allocated as follows			
Cost of sales	*27.2*	**15,187,814**	12,699,737
Administrative and general expenses	*29.1*	**9,651,247**	7,387,428
		24,839,061	20,087,165
10.4 Remeasurements recognized in other comprehensive income			
Actuarial (gain)/loss arising from:			
Changes in demographic assumptions		**3,301,239**	-
Changes in financial assumptions		**(658,879)**	-
Experience adjustments		**(3,239,629)**	587,492
		(597,269)	587,492

10.5 Principal actuarial assumptions

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

	2016	2015
Discount rate	**7.25%**	9.75%
Expected rate of increase in salary	**5.25%**	7.75%
Expected average remaining working lives	**7 years**	9 years

10.6 Average duration of the defined benefit obligation

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

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

The expected charge to profit or loss for the year ending June 30, 2017 amounts to Rs. 25.11 million.

10.8 Sensitivity analysis

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

	2016		2015	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	62,688,012	+ 1%	50,076,784
	- 1%	71,713,589	- 1%	59,869,473
Expected rate of increase in salary	+ 1%	71,949,378	+ 1%	60,048,741
	- 1%	62,400,039	- 1%	49,844,595

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

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

10.9 Risk factors

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

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in 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 the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

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

		Note	2016	2015
			Rupees	*Rupees*
11	**DEFERRED TAXATION**			
	Deferred tax liability on taxable temporary differences	*11.1*	**102,195,673**	86,613,727
	Deferred tax asset on deductible temporary differences	*11.1*	**(50,164,137)**	(7,711,987)
			52,031,536	78,901,740

11.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016			
	As at July 01, 2015 *Rupees*	**Recognized in profit or loss** *Rupees*	**Recognized in OCI** *Rupees*	**As at June 30, 2016** *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	**85,939,354**	**15,187,235**	**-**	**101,126,589**
Operating fixed assets - leased	**674,373**	**135,658**	**-**	**810,031**
Intangible assets	**-**	**179,260**	**-**	**179,260**
Short term investments	**-**	**-**	**79,793**	**79,793**
	86,613,727	**15,502,153**	**79,793**	**102,195,673**
Deferred tax assets				
Employees retirement benefits	**(7,711,987)**	**(2,934,178)**	**94,194**	**(10,551,971)**
Unused losses and credits	**-**	**(39,612,166)**	**-**	**(39,612,166)**
	(7,711,987)	**(42,546,344)**	**94,194**	**(50,164,137)**
	78,901,740	**(27,044,191)**	**173,987**	**52,031,536**

	2015			
	As at July 01, 2014 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in OCI *Rupees*	As at June 30, 2015 *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	79,339,151	6,600,203	-	85,939,354
Operating fixed assets - leased	178,755	495,618	-	674,373
Intangible assets	-	-	-	-
Short term investments	-	-	-	-
	79,517,906	7,095,821	-	86,613,727
Deferred tax assets				
Employees retirement benefits	(5,993,083)	(1,635,914)	(82,990)	(7,711,987)
Unused losses and credits	-	-	-	-
	(5,993,083)	(1,635,914)	(82,990)	(7,711,987)
	73,524,823	5,459,907	(82,990)	78,901,740

11.2 Deferred tax arising from timing differences pertaining to income from business is provided for only that portion of timing differences that represent income taxable under normal provisions of the Income Tax Ordinance, 2001 ('the Ordinance') as revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 31% (2015: 32%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

Deferred tax arising from timing differences pertaining to income taxable as a separate block under the provisions of Income Tax Ordinance, 2001 has been calculated at 15% (2015: nil) of the timing differences based on tax rates notified by the Government of Pakistan for future tax years for such income.

	Note	2016	2015
		Rupees	Rupees
12 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**34,556,378**	40,183,099
Accrued liabilities		**106,044,828**	144,495,341
Advances from customers - *Unsecured*		**3,949,522**	3,835,795
Infrastructure tax	12.1	**59,183,318**	49,508,309
Workers' Profit Participation Fund	12.2	**3,296,582**	4,895,355
Workers' Welfare Fund	12.3	**18,662,637**	18,190,484
Unclaimed dividend		**4,237,900**	3,945,033
Other payables - *Unsecured*		**9,913,956**	5,255,859
		239,845,121	270,309,275

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

	Note	2016	2015
		Rupees	Rupees
12.2 Workers' Profit Participation Fund			
As at beginning of the year		**4,895,355**	17,225,428
Interest on funds utilized by the Company	12.2.1	**947,682**	3,285,538
Charged to profit or loss for the year	30	**3,245,822**	4,844,595
Paid during the year		**(5,792,277)**	(20,460,206)
As at end of the year		**3,296,582**	4,895,355

12.2.1 Interest has been charged at 26.25% (2015: 52.50%) per annum.

	Note	2016	2015
		Rupees	Rupees
12.3 Workers' Welfare Fund			
As at beginning of the year		**18,190,484**	18,209,733
Charged to profit or loss for the year	30	**1,233,412**	1,840,946
Paid/adjusted during the year		**(761,259)**	(1,860,195)
As at end of the year		**18,662,637**	18,190,484

		Note	2016	2015
			Rupees	*Rupees*
13	**ACCRUED INTEREST/MARKUP**			
	Long term finances		**6,883,604**	9,923,813
	Liabilities against assets subject to finance lease		**15,793**	62,652
	Short term borrowings		**4,302,155**	456,392
			11,201,552	10,442,857
14	**SHORT TERM BORROWINGS**			
	Secured			
	These represent short term finances utilized under interest/markup/profit arrangements from banking companies.			
	Running finances	*14.1*	**225,898,030**	146,091,234
	Running musharakah	*14.2*	**2,353**	-
	Term loans	*14.3*	**200,645,222**	-
			426,545,605	146,091,234
	Unsecured			
	Book overdraft	*14.4*	**26,288,033**	-
			452,833,638	146,091,234

14.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company and lien over export documents. These carry interest/markup at rates ranging from one to three months KIBOR plus 0.20% to 0.75% per annum (2015: one to three months KIBOR plus 0.25% to 0.95% per annum) payable quarterly.

14.2 The facility has been obtained from a Islamic banking company for working capital requirements and is secured by charge over all present and future current assets of the Company and lien over export documents. It carries profit at three months KIBOR plus 0.20% per annum (2015: three months KIBOR plus 1% per annum) payable quarterly.

14.3 The facilities has been obtained from various commercial banks for import of goods and is secured by charge over all present and future current assets of the Company, lien over documents of title of imported goods and trust receipts. These carry interest/markup at rates ranging from 1% to 1.15% per annum based on floating LIBOR.

14.4 These represent cheques issued by the Company in excess of balances at bank which have presented for payments after the reporting period.

14.5 The aggregate available short term funded facilities amounts to Rs. 2,212 million (2015: Rs. 2,512 million) out of which Rs. 1,785 million (2015: Rs. 2,366 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.

		Note	2016	2015
			Rupees	*Rupees*
15	**CURRENT PORTION OF NON-CURRENT LIABILITIES**			
	Long term finances	*8*	**88,172,571**	72,040,831
	Liabilities against assets subject to finance lease	*9*	**1,108,785**	4,028,946
			89,281,356	76,069,777

		2016	2015
		Rupees	*Rupees*

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

		2016 Rupees	2015 Rupees
16.1.1	Guarantees issued by banks on behalf of the Company	**149,641,844**	142,641,844
16.1.2	Bills discounted/negotiated	**58,038,425**	69,935,560

16.1.3 The Company may have to indemnify its Directors for any loss that may arise due to personal guarantees given by them for securing the debts of the Company, in case the Company defaults.

16.1.4 Contingencies related to tax matters are referred to in note 33 to the financial statements.

16.2 Commitments

16.2.1 Commitments under irrevocable letters of credit for:

	2016 Rupees	2015 Rupees
- purchase of property plant and equipment	**27,164,549**	128,447,100
- purchase of stores, spare and loose tools	**2,444,050**	8,075,478
- purchase of raw material	**93,551,527**	97,075,914
	123,160,126	233,598,492

16.2.2 Commitments under operating leases:

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

	Note	2016 Rupees	2015 Rupees
- payments not later than one year		**360,000**	330,000
- payments later than one year		**-**	-
		360,000	330,000

17 FIXED ASSETS

	Note	2016 Rupees	2015 Rupees
Property, plant and equipment			
Operating fixed assets	*17.1*	**1,207,480,222**	1,006,344,880
Capital work in progress	*17.2*	**-**	-
		1,207,480,222	1,006,344,880
Intangible assets	*17.3*	**6,096,652**	13,823,426
		1,213,576,874	1,020,168,306

17.1 Operating fixed assets

	2016										
	COST						DEPRECIATION				Net book value as at June 30, 2016
	As at July 01, 2015	Additions	Disposals	Transfers	As at June 30, 2016	Rate	As at July 01, 2015	For the year	Disposal /transfer adjustment	As at June 30, 2016	
	Rupees	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees	Rupees
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-	-	6,093,568
Buildings on freehold land											
Mills	173,401,446	-	-	-	173,401,446	10	123,346,586	5,005,486	-	128,352,072	45,049,374
Other factory buildings	68,841,136	-	-	-	68,841,136	5	30,141,669	1,939,207	-	32,080,876	36,760,260
Non-factory buildings	11,408,944	-	-	-	11,408,944	10	5,242,879	608,133	-	5,851,012	5,557,932
	253,651,526	-	-	-	253,651,526		158,731,134	7,552,826	-	166,283,960	87,367,566
Plant and machinery	1,735,997,240	-	(264,673)	294,273,824	2,030,006,391	10	911,587,888	87,012,255	2,165,440	1,000,765,583	1,029,240,808
Electric installations and equipment	79,975,017	2,050,000	-	-	82,025,017	10	51,726,878	2,876,064	-	54,602,942	27,422,075
Factory equipment	6,582,763	-	-	-	6,582,763	10	4,730,767	185,200	-	4,915,967	1,666,796
Laboratory equipment	11,166,359	-	-	-	11,166,359	10	7,193,344	397,301	-	7,590,645	3,575,714
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	1,455,836	39,083	-	1,494,919	351,746
Office equipment	15,878,603	700,795	-	7,623,441	24,202,839	10	9,823,521	702,079	-	10,525,600	13,677,239
Furniture and fixtures	6,922,603	419,500	-	-	7,342,103	10	4,898,447	215,628	-	5,114,075	2,228,028
Arms and ammunition	631,513	-	-	-	631,513	10	483,987	14,753	-	498,740	132,773
Vehicles	55,890,160	11,641,000	(9,504,699)	-	58,026,461	20	27,909,710	6,491,429	(5,831,079)	28,570,060	29,456,401
	2,174,636,017	14,811,295	(9,769,372)	301,897,265	2,481,575,205		1,178,541,512	105,486,618	(3,665,639)	1,280,362,491	1,201,212,714
Assets subject to finance lease											
Plant and machinery	15,434,004	-	-	(5,134,297)	10,299,707	10	5,183,629	1,025,038	(2,176,468)	4,032,199	6,267,508
	2,190,070,021	14,811,295	(9,769,372)	296,762,968	2,491,874,912		1,183,725,141	106,511,656	(5,842,107)	1,284,394,690	1,207,480,222

	2015										
	COST						DEPRECIATION				Net book value as at
	As at July 01, 2014 Rupees	Additions Rupees	Disposals Rupees	Transfers Rupees	As at June 30, 2015 Rupees	Rate %	As at July 01, 2014 Rupees	For the year Rupees	Disposal /transfer adjustment Rupees	As at June 30, 2015 Rupees	June 30, 2015 Rupees
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-	-	6,093,568
Buildings on freehold land											
Mills	173,401,446	-	-	-	173,401,446	10	117,784,935	5,561,651	-	123,346,586	50,054,860
Other factory buildings	68,841,136	-	-	-	68,841,136	5	28,015,661	2,126,008	-	30,141,669	38,699,467
Non-factory buildings	10,137,938	-	-	1,271,006	11,408,944	10	4,698,984	543,895	-	5,242,879	6,166,065
	252,380,520	-	-	1,271,006	253,651,526		150,499,580	8,231,554	-	158,731,134	94,920,392
Plant and machinery	1,648,473,941	-	(20,304,208)	107,827,507	1,735,997,240	10	845,912,896	81,009,180	(15,334,188)	911,587,888	824,409,352
Electric installation and equipment	77,775,017	2,200,000	-	-	79,975,017	10	48,812,270	2,914,608	-	51,726,878	28,248,139
Factory equipment	6,582,763	-	-	-	6,582,763	10	4,524,990	205,777	-	4,730,767	1,851,996
Laboratory equipment	11,166,359	-	-	-	11,166,359	10	6,751,898	441,446	-	7,193,344	3,973,015
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	1,412,411	43,425	-	1,455,836	390,829
Office equipment	13,175,587	1,883,154	(142,000)	961,862	15,878,603	10	9,356,244	513,394	(46,117)	9,823,521	6,055,082
Furniture and fixtures	6,922,603	-	-	-	6,922,603	10	4,673,541	224,906	-	4,898,447	2,024,156
Arms and ammunition	631,513	-	-	-	631,513	10	467,595	16,392	-	483,987	147,526
Vehicles	56,274,447	4,882,500	(5,266,787)	-	55,890,160	20	23,563,423	6,965,843	(2,619,556)	27,909,710	27,980,450
	2,081,322,983	8,965,654	(25,712,995)	110,060,375	2,174,636,017		1,095,974,848	100,566,525	(17,999,861)	1,178,541,512	996,094,505
Assets subject to finance lease											
Plant and machinery	15,434,004	-	-	-	15,434,004	10	4,044,698	1,138,931	-	5,183,629	10,250,375
	2,096,756,987	8,965,654	(25,712,995)	110,060,375	2,190,070,021		1,100,019,546	101,705,456	(17,999,861)	1,183,725,141	1,006,344,880

17.1.1 Transfers represent transfers from capital work in progress on related assets becoming available for use and those from assets subject to finance lease on transfer of title to the Company at the end of lease term.

17.1.2 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
2016							
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Plant and machinery							
Silver Cans	**264,673**	**11,028**	**253,645**	**264,673**	**11,028**	**Negotiation**	**Nagina Cotton Mills Limited**
Vehicles							
Motorcycle	**64,729**	**44,567**	**20,162**	**28,000**	**7,838**	**Negotiation**	**Mr. Muhammad Naveed**
Motorcycle	**67,755**	**41,375**	**26,380**	**25,000**	**(1,380)**	**Negotiation**	**Mr. Hafiz Ahmad**
Motorcycle	**67,755**	**41,375**	**26,380**	**30,000**	**3,620**	**Negotiation**	**Mr. M. Khan**
Motorcycle	**67,755**	**41,375**	**26,380**	**28,000**	**1,620**	**Negotiation**	**Mr. Munir**
Master High Land - Loader	**1,279,130**	**578,735**	**700,395**	**727,500**	**27,105**	**Negotiation**	**Mr. M. Shahbaz Khan**
Honda City	**1,388,910**	**937,585**	**451,325**	**525,786**	**74,461**	**Negotiation**	**Mr. Muhammad Waqas**
Honda City	**814,660**	**756,344**	**58,316**	**305,000**	**246,684**	**Negotiation**	**Mr. Tariq Mahmood**
Suzuki Cultus	**1,007,317**	**559,800**	**447,517**	**452,000**	**4,483**	**Negotiation**	**Mr. Shakil Anwar**
Honda Civic	**2,397,910**	**1,223,893**	**1,174,017**	**1,250,000**	**75,983**	**Negotiation**	**Mr. M. Ibrar Arshad**
Suzuki Cultus	**959,868**	**612,029**	**347,839**	**455,000**	**107,161**	**Negotiation**	**Mr. Noor Zaman Khan**
Honda City	**1,388,910**	**994,001**	**394,909**	**625,000**	**230,091**	**Negotiation**	**Mr. Muhammad Ashraf**
	9,504,699	**5,831,079**	**3,673,620**	**4,451,286**	**777,666**		
	9,769,372	**5,842,107**	**3,927,265**	**4,715,959**	**788,694**		

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
2015							
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*		
Plant and machinery							
Auto Blender	465,110	335,938	129,172	150,000	20,828	Negotiation	Saritow Spinning Mills Limited
Auto Coner Murata 60 Spindle	9,605,381	7,265,553	2,339,828	1,400,000	(939,828)	Negotiation	Nagina Cotton Mills Limited
Auto Coner Murata 60 Spindle	9,605,381	7,265,554	2,339,827	1,400,000	(939,827)	Negotiation	Nagina Cotton Mills Limited
Forklifter	628,336	467,143	161,193	175,000	13,807	Negotiation	Malik Lifter and Crane Center
	20,304,208	15,334,188	4,970,020	3,125,000	(1,845,020)		
Office Equipments							
Laptop	142,000	46,117	95,883	55,468	(40,415)	Negotiation	Mr. Waqar Hussain
Vehicles							
Honda CD-70	69,500	10,039	59,461	65,000	5,539	Insurance claim	New Hampshire Insurance Company
Honda CD-100	71,799	44,841	26,958	22,000	(4,958)	Negotiation	Mr. Muhammad Rasheed
Honda CD-100	72,427	51,397	21,030	22,000	970	Negotiation	Mr. Umer Farooq
Honda CD-70	65,381	47,706	17,675	30,000	12,325	Negotiation	Mr. Hafeez ur Rehman
Honda CD-70	65,381	47,706	17,675	30,000	12,325	Negotiation	Mr. Tanveer Ahmad
Master Forland	1,037,160	558,500	478,660	500,000	21,340	Negotiation	Mr. Muhammad Aleem
Honda CD-70	64,729	37,407	27,322	35,000	7,678	Negotiation	Mr. Hakim Ali
Honda City	1,388,910	813,691	575,219	625,000	49,781	Negotiation	Mr. M.Akbar
Toyota XLI	1,569,500	458,643	1,110,857	1,350,000	239,143	Negotiation	Mr. Asif Yar
Suzuki Cultus	862,000	549,626	312,374	425,000	112,626	Negotiation	Ms. Sumera Muzaffar
	5,266,787	2,619,556	2,647,231	3,104,000	456,769		
	25,712,995	17,999,861	7,713,134	6,284,468	(1,428,666)		

17.3 INTANGIBLE ASSETS

	2016							
	Cost				Accumulated Amortization			Net book
	As at July 01, 2015 *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at June 30, 2016 *Rupees*	As at July 01, 2015 *Rupees*	For the period *Rupees*	As at June 30, 2016 *Rupees*	value as at June 30, 2016 *Rupees*
Software	**13,823,426**	**-**	**(7,623,441)**	**6,199,985**	**-**	**103,333**	**103,333**	**6,096,652**
	13,823,426	**-**	**(7,623,441)**	**6,199,985**	**-**	**103,333**	**103,333**	**6,096,652**

	2015							
	Cost				Accumulated Amortization			Net book
	As at July 01, 2014 *Rupees*	Additions *Rupees*	Transfers *Rupees*	As at June 30, 2015 *Rupees*	As at July 01, 2014 *Rupees*	For the period *Rupees*	As at June 30, 2015 *Rupees*	value as at *June 30, 2015* *Rupees*
Software	13,823,426	-	-	13,823,426	-	-	-	13,823,426
	13,823,426	-	-	13,823,426	-	-	-	13,823,426

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

17.3.2 Transfers represent related hardware transferred to operating fixed assets.

	Note	2016	2015
		Rupees	*Rupees*

17.1.3 The depreciation charge for the year has been allocated as follows:

	Note	2016	2015
Cost of sales	*27*	**99,087,767**	93,984,921
Administrative and general expenses	*29*	**7,423,889**	7,720,535
		106,511,656	101,705,456

17.2 Capital work in progress

	2016			
	As at July 01, 2015	**Additions**	**Transfers**	**As at June 30, 2016**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Building	**-**	**-**	**-**	**-**
Plant and machinery	**-**	**289,139,527**	**(289,139,527)**	**-**
Office equipment	**-**	**-**	**-**	**-**
	-	**289,139,527**	**(289,139,527)**	**-**

	2015			
	As at July 01, 2014	Additions	Transfers	As at June 30, 2015
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	-	1,271,006	(1,271,006)	-
Plant and machinery	-	107,827,507	(107,827,507)	-
Office equipment	961,862	-	(961,862)	-
	961,862	109,098,513	(110,060,375)	-

18 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' 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.

	2016	2015
	Rupees	*Rupees*

19 STORES, SPARES AND LOOSE TOOLS

	2016	2015
Stores	**39,630,326**	32,951,032
Spares	**3,925,080**	16,614,394
Loose tools	**68,315**	249,161
	43,623,721	49,814,587

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

		Note	2016	2015
			Rupees	*Rupees*
20	**STOCK IN TRADE**			
	Raw material		**587,424,897**	582,447,109
	Work in process		**53,273,667**	46,147,113
	Finished goods	*20.1*	**97,472,315**	40,271,540
			738,170,879	668,865,762

20.1 Stock of finished goods include stock of waste valued at Rs. 4,286,806 (2015: Rs. 3,337,495). The entire stock of waste is valued at net realizable value.

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

		Note	2016	2015
			Rupees	*Rupees*
21	**TRADE DEBTS**			
	Local - *unsecured, considered good*		**263,025,667**	155,406,455
	Foreign - *secured*	*21.1*	**18,398,157**	61,496,249
			281,423,824	216,902,704

21.1 These are secured through letters of credit.

		Note	2016	2015
22	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured, considered good*		**60,176,224**	1,143,591
	Advances to employees - *unsecured, considered good*	*22.1*	**946,220**	337,989
	Prepayments		**8,791,646**	1,363,317
	Export rebate receivable		**534,403**	659,924
	Letters of credit		**4,642,496**	2,753,423
	Sales tax refundable		**125,965,595**	35,918,980
	Other receivables - *unsecured, considered good*		**4,953,503**	65,108
			206,010,087	42,242,332

22.1 These represent advances to employees for purchases and expenses on behalf of the Company and those against future salaries and post employment benefits in accordance with the Company policy. No advances have been given to any of the directors or executives of the Company.

		Note	2016	2015
			Rupees	*Rupees*
23	**SHORT TERM INVESTMENTS**			
	Investments in mutual fund units	*23.1*		
	Cost of investment		**-**	170,489,763
	Changes in fair value		**-**	4,276
			-	170,494,039
	Investments in listed equity securities	*23.2*		
	Cost of investment		**119,432,336**	-
	Changes in fair value		**531,954**	-
			119,964,290	-
			119,964,290	170,494,039

23.1 These represent investments in mutual fund units held for trading and have been classified as 'financial assets at fair value through profit or loss'. The details are as follows:

	2016 Rupees	2015 Rupees
MCB Cash Management Optimizer		
Nil units (2015: 399,647.7123 units) Market value per unit: Rs. nil (2015: Rs. 100.0091)		
Cost of investment	-	39,998,729
Changes in fair value	-	5,547
	-	40,004,276
NAFA Money Market Fund		
Nil units (2015: 12,552,765.5133 units) Market value per unit: Rs. nil (2015: Rs. 10.3953)		
Cost of investment	-	130,491,034
Changes in fair value	-	(1,271)
	-	130,489,763
	-	170,494,039

23.2 These represent investments in listed equity securities and have been designated as 'available for sale financial assets' on initial recognition. The details are as follows.

	2016 Rupees	2015 Rupees
Pakistan Petroleum Limited		
150,000 ordinary shares of Rs. 10 each (2015: nil) Market value: Rs. 155.05 (2015: Rs. nil) per share		
Cost of investment	**24,121,617**	-
Changes in fair value	**(864,117)**	-
	23,257,500	-
Oil and Gas Development Company Limited		
25,000 ordinary shares of Rs. 10 each (2015: nil) Market value per share: Rs. 138.07 (2015: Rs. nil)		
Cost of investment	**4,206,258**	-
Changes in fair value	**(754,508)**	-
	3,451,750	-
United Bank Limited		
100,000 ordinary shares of Rs. 10 each (2015: nil) Market value per share: Rs. 176.92 (2015: Rs. nil)		
Cost of investment	**14,560,218**	-
Changes in fair value	**3,131,782**	-
	17,692,000	-

	Note	2016 Rupees	2015 Rupees
Fatima Fertilizer Company Limited			
100,000 ordinary shares of Rs. 10 each (2015: nil)			
Market value per share: Rs. 33.94 (2015: Rs. nil)			
Cost of investment		**3,894,261**	-
Changes in fair value		**(500,261)**	-
		3,394,000	-
Bank Al Habib Limited			
200,000 ordinary shares of Rs. 10 each (2015: nil)			
Market value per share: Rs. 43.12 (2015: Rs. nil)			
Cost of investment		**8,012,520**	-
Changes in fair value		**611,480**	-
		8,624,000	-
Engro Fertilizers Limited			
985,500 ordinary shares of Rs. 10 each (2015: nil)			
Market value per share: Rs. 64.48 (2015: Rs. nil)			
Cost of investment		**64,637,462**	-
Changes in fair value		**(1,092,422)**	-
		63,545,040	-
		119,964,290	-

24 ADVANCE INCOME TAX

	Note	2016 Rupees	2015 Rupees
Advance income tax/income tax refundable		**99,140,123**	89,310,216
Provision for taxation	*33*	**(14,900,431)**	(36,041,071)
		84,239,692	53,269,145

25 CASH AND BANK BALANCES

	Note	2016 Rupees	2015 Rupees
Cash in hand		**2,565,443**	-
Cash at bank:			
Current accounts - *local currency*		**73,525,863**	148,643,446
Deposit/saving accounts - *local currency*		**100,071,233**	-
Deposit/saving accounts - *foreign currency*		**33,022**	31,158
		173,630,118	148,674,604
		176,195,561	148,674,604

25.1 This represents term deposit account with a banking company. The deposit carries return at 6.5 % per annum. The term deposit expires/matures on July 03, 2016.

26 SALES - *NET*

	Note	2016			
		Yarn	Raw cotton, polyester etc.	Waste	Total
		Rupees	*Rupees*	*Rupees*	*Rupees*
Local		**3,279,360,747**	**88,755,911**	**56,896,586**	**3,425,013,244**
Export	*26.1*	**851,619,057**	**-**	**42,241,015**	**893,860,072**
Gross sales		**4,130,979,804**	**88,755,911**	**99,137,601**	**4,318,873,316**
Export rebate		**-**	**-**	**-**	**-**
Sales tax		**(87,811,098)**	**(1,394,734)**	**(1,757,504)**	**(90,963,336)**
		4,043,168,706	**87,361,177**	**97,380,097**	**4,227,909,980**

	Note	2015			
		Yarn	Raw cotton, polyester etc.	Waste	Total
		Rupees	*Rupees*	*Rupees*	*Rupees*
Local		1,884,480,469	11,548,755	44,503,686	1,940,532,910
Export	*26.1*	2,632,312,120	-	89,288,523	2,721,600,643
Gross sales		4,516,792,589	11,548,755	133,792,209	4,662,133,553
Export rebate		195,035	-	-	195,035
Sales tax		(72,312,339)	(226,446)	(1,001,858)	(73,540,643)
		4,444,675,285	11,322,309	132,790,351	4,588,787,945

26.1 Yarn export sales include indirect exports amounting to Rs. 524,151,801 (2015: Rs. 2,141,447,350).

	Note	**2016**	2015
		Rupees	*Rupees*
27 COST OF SALES			
Raw material consumed	*27.1*	**2,778,363,474**	3,145,501,694
Stores, spares and loose tools consumed		**167,607,732**	170,603,682
Salaries, wages and benefits	*27.2*	**309,650,214**	298,721,173
Insurance		**8,463,882**	8,692,314
Power and fuel		**372,951,188**	536,292,607
Repair and maintenance		**10,690,226**	11,589,267
Depreciation	*17.1.3*	**99,087,767**	93,984,921
Others		**13,318,650**	14,037,360
Manufacturing cost		**3,760,133,133**	4,279,423,018
Work in process			
As at beginning of the year		**46,147,113**	46,327,710
As at end of the year		**(53,273,667)**	(46,147,113)
		(7,126,554)	180,597
Cost of goods manufactured		**3,753,006,579**	4,279,603,615
Finished goods			
As at beginning of the year		**40,271,540**	24,300,229
Purchased during the year		**286,818,230**	33,163,930
As at end of the year		**(97,472,315)**	(40,271,540)
		229,617,455	17,192,619
		3,982,624,034	4,296,796,234

		2016	2015
		Rupees	*Rupees*
27.1	**Raw material consumed**		
	As at beginning of the year	**582,447,109**	698,182,297
	Purchased during the year	**2,856,137,382**	3,039,652,573
	Sold during the year	**(72,796,120)**	(9,886,067)
	As at end of the year	**(587,424,897)**	(582,447,109)
		2,778,363,474	3,145,501,694

27.2 These include charge in respect of employees retirement benefits amounting to Rs. 15,187,814 (2015: Rs. 12,699,737).

		Note	2016	2015
			Rupees	*Rupees*
28	**DISTRIBUTION COST**			
	Export			
	Ocean freight and forwarding		**9,408,437**	15,796,627
	Commission		**7,053,858**	9,429,328
	Export development surcharge		**907,099**	1,449,682
			17,369,394	26,675,637
	Local			
	Inland transportation		**11,512,069**	11,994,188
	Commission		**8,257,936**	8,830,093
	Others		**570,096**	871,369
			20,340,101	21,695,650
			37,709,495	48,371,287
29	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration	*44*	**13,950,394**	12,625,378
	Directors' meeting fee	*44*	**340,000**	355,000
	Salaries and benefits	*29.1*	**55,124,035**	46,296,165
	Rent, rates and taxes		**690,000**	900,310
	Printing and stationery		**975,296**	933,417
	Communication		**2,117,580**	2,201,010
	Electricity		**2,444,436**	2,852,574
	Repair and maintenance		**562,794**	463,073
	Vehicles running and maintenance		**3,972,056**	4,110,574
	Traveling and conveyance		**7,563,273**	3,948,304
	Legal and professional charges		**1,845,168**	1,729,819
	Auditors' remuneration	*29.2*	**776,500**	940,000
	Fee and subscription		**1,252,866**	2,189,105
	Entertainment		**452,999**	706,332
	Insurance		**3,207,605**	3,557,966
	Depreciation	*17.1.3*	**7,423,889**	7,720,535
	Amortization of intangible assets	*17.3*	**103,333**	-
	Others		**286,404**	259,042
			103,088,628	91,788,604

29.1 These include charge in respect of employees retirement benefits amounting to Rs. 9,651,247 (2015: Rs. 7,387,428).

		Note	2016	2015
			Rupees	*Rupees*
29.2	**Auditor's remuneration**			
	Annual statutory audit		**577,500**	550,000
	Half yearly review		**136,500**	130,000
	Review report under Code of Corporate Governance		**52,500**	50,000
	Other certifications		**-**	200,000
	Out of pocket expenses		**10,000**	10,000
			776,500	940,000
30	**OTHER EXPENSES**			
	Loss on financial instruments			
	Foreign exchange loss		**620,209**	1,168,637
	Other expenses			
	Loss on disposal of property, plant and equipment	*17.1.2*	**-**	1,428,666
	Workers' Profit Participation Fund	*12.2*	**3,245,822**	4,844,595
	Workers' Welfare Fund	*12.3*	**1,233,412**	1,840,946
	Donations	*30.1*	**500,000**	500,000
			4,979,234	8,614,207
			5,599,443	9,782,844

30.1 None of the directors or their spouses had any interest in donations made by the Company.

		Note	2016	2015
			Rupees	*Rupees*
31	**OTHER INCOME**			
	Gain on financial instruments			
	Gain on disposal of short term investments		**7,947,604**	7,335,661
	Changes in fair value of investments at fair value through profit or loss	*23.1*	**-**	4,276
	Return on term deposits	*25.1*	**265,318**	-
	Dividend income		**1,742,500**	-
			9,955,422	7,339,937
	Other income			
	Gain on disposal of property, plant and equipment	*17.1.2*	**788,694**	-
	Scrap sale		**720,138**	1,116,048
			1,508,832	1,116,048
			11,464,254	8,455,985
32	**FINANCE COST**			
	Interest/markup/profit on borrowings:			
	long term finances	*32.1*	**33,345,498**	41,290,149
	liabilities against assets subject to finance lease	*32.2*	**475,399**	823,859
	short term borrowings		**12,276,846**	10,627,232
			46,097,743	52,741,240
	Interest on workers' profit participation fund	*12.2*	**947,682**	3,285,538
	Bank charges and commission		**3,817,684**	4,271,828
			50,863,109	60,298,606

32.1 This includes interest/markup rate subsidy amouting to Rs. nil (2015: Rs. 659,206) recognized as government grants. See note 35.

32.2 This includes interest/markup rate subsidy amouting to Rs. nil (2015: Rs. 76,346) recognized as government grants. See note 35.

	Note	2016 Rupees	2015 Rupees
33 PROVISION FOR TAXATION			
Current taxation			
for current year	24 & 33.1	**14,900,431**	36,041,071
for prior years		**468,740**	(5,593,351)
		15,369,171	30,447,720
Deferred taxation	11.1		
attributable to origination and reversal of temporary differences		**(24,519,121)**	7,687,932
attributable to changes in tax rates		**(2,525,070)**	(2,228,025)
		(27,044,191)	5,459,907
		(11,675,020)	35,907,627

33.1 Provision for current tax has been made in accordance with section 113 and section 154 of the Income Tax Ordinance, 2001 ('the Ordinance').

33.2 As the provision for current taxation for the year ended June 30, 2016 has been made under section 113 and section 154 of the Ordinance, there is no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented.

33.3 The Government of Pakistan vide Finance Act 2015 notified a reduced tax rate of 32% for tax year 2016 as compared to 33% applicable to previous year for Companies.

33.4 Assessments up to assessment year 2002-2003 have been finalized under the relevant provisions of the Repealed Income Tax Ordinance, 1979.

33.5 The income tax assessments of the Company up to and including tax year 2015 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 for the tax years highlighted below.

33.6 The Company's case was selected for audit by the department for tax year 2003 in terms of section 177 of the Ordinance. On conclusion of audit proceedings, the department, through order passed under section 122(1) of the Ordinance, raised a tax demand of Rs. 8,458,874. The Company filed an appeal before CIR (A) against this order and CIR (A), through order, dismissed certain disallowances / additions made by the Assistant Commissioner Inland Revenue ('ACIR') and upheld some of them against which the Company filed an appeal before Appellate Tribunal Inland Revenue ('ATIR'). Moreover, the department also went into cross appeal against the CIR (A)'s order before ATIR. Both appeals are heard by the ATIR but the judgment is awaited.

33.7 The assessment for the tax year 2005 was amended under section 122(5A) of the Ordinance through order dated June 06, 2011, issued by the ACIR, thereby creating a demand of Rs 5,374,044 which was further rectified by the department on rectification application to a demand of Rs. 452,722. The Company filed revised return for the tax year 2005 on March 27, 2012 consequent to the decision of ATIR passed in the Company's case in the tax year 2004, whereby the ATIR confirmed an addition of Rs. 9,689,817 million made by the ACIR on account of unpaid liability under section 34(5) of the Ordinance. In respect of transitional tax year 2005, a rectification order dated March 31, 2011 has been passed by the ACIR under section 221 of the Ordinance thereby creating a demand of Rs. 2,832,615 against the Company by aligning the refund adjustment relating to the tax year 2005 according to the departmental records.

The Company has filed an appeal against the above referred orders of the both the years before the CIR(A). The CIR(A) accepted the Company's appeal on all the issues except on the issue of minimum tax. The Company has filed appeal before the ATIR, against the order of CIR(A), on the issue of minimum tax for both tax years. The department also went into cross appeal before the ATIR on the issues of apportionment of 'export rebate' and 'financial charges', deletion of 'interest on Workers' Profit Participation Fund' and inclusion of other income in turnover for the purposes of minimum tax under section 113 of the Ordinance. The cross appeals are yet to be fixed for hearing.

33.8 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 with CIR(A) 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 over and above paid under the final tax regime. The Company has file an appeal with the ATIR which yet to be fixed for hearing. The rectification application has, however, not yet been taken up for disposal.

33.9 In respect of tax year 2011, the ACIR initiated proceedings under section 122(5A) of the Ordinance which were finalized through order dated October 31, 2013 wherein a demand of Rs. 237,313 was raised against the Company mainly on account of allocation of expenses to income under the final tax regime and disallowance of interest on Workers' Profit Participation Fund. The Company filed appeal against the order with the CIR (A), which is yet to be fixed for hearing.

		Unit	**2016**	2015
34	**EARNINGS PER SHARE - *BASIC AND DILUTED***			
	Profit attributable to ordinary shareholders	*Rupees*	**71,164,545**	54,298,728
	Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**10,950,000**	10,950,000
	Earnings per share - *basic and diluted*	*Rupees*	**6.50**	4.96

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

35 GOVERNMENT GRANTS

During the year, the Company recognized Rs. nil (2015: Rs. 735,552) as interest/mark-up rate subsidy which has been accounted for as government grant in accordance with IAS 20 'Government Grants'. The amount has been deducted in reporting interest/markup expenses on relevant borrowings.

		2016 *Rupees*	2015 *Rupees*
36	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	**59,489,525**	90,206,355
	Adjustments for non-cash and other items		
	Interest/markup/profit on borrowings	**46,097,743**	52,741,240
	(Gain)/loss on disposal of property, plant and equipment	**(788,694)**	1,428,666
	Foreign exchange loss	**620,209**	1,168,637
	Changes in fair value of investments at fair value through profit or loss	**-**	(4,276)
	Gain on disposal of short term investments	**(7,947,604)**	(7,335,661)
	Provision for employees retirement benefits	**24,839,061**	20,087,165
	Depreciation	**106,511,656**	101,705,456
	Amortization of intangible asset	**103,333**	-
		169,435,704	169,791,227
		228,925,229	259,997,582
	Changes in working capital		
	Stores, spares and loose tools	**6,190,866**	(16,102,681)
	Stock in trade	**(69,305,117)**	99,944,474
	Trade debts	**(65,381,144)**	92,604,405
	Advances, prepayments and other receivables	**(163,767,755)**	36,083,198
	Trade and other payables	**(30,757,021)**	54,830,338
		(323,020,171)	267,359,734
	Cash (used in)/generated from operations	**(94,094,942)**	527,357,316

		2016	2015
		Rupees	*Rupees*
37	**CASH AND CASH EQUIVALENTS**		
	Cash and bank balances	**176,195,561**	148,674,604
		176,195,561	148,674,604

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.

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. Details of transactions with related parties is as follows:

			2016	2015
			Rupees	*Rupees*
38.1	**Transactions with related parties**			
	Nature of relationship	**Nature of transactions**		
	Associated companies	Purchases	**76,637,954**	36,237,307
		Sales	**1,145,617,237**	1,422,714,397
		Dividend paid	**9,322,114**	18,644,227
	Key management personnel	Short term employee benefits	**14,290,394**	12,980,378
		Dividend paid to directors and their family members	**17,969,434**	35,938,868

39 FINANCIAL INSTRUMENTS

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

		Note	2016	2015
			Rupees	*Rupees*
39.1	**Financial assets**			
	Cash in hand	*25*	**2,565,443**	-
	Loans and receivables			
	Long term deposits	*18*	**7,090,700**	7,090,700
	Trade debts	*21*	**281,423,824**	216,902,704
	Cash at bank	*25*	**173,630,118**	148,674,604
			462,144,642	372,668,008
	Financial assets at fair value through profit or loss			
	Investments in mutual funds held for trading	*23*	-	170,494,039
	Available for sale financial assets			
	Investments in listed equity securities	*23*	**119,964,290**	-
			584,674,375	543,162,047

	Note	2016	2015
		Rupees	*Rupees*

39.2 Financial liabilities

Financial liabilities at amortized cost

	Note	2016 Rupees	2015 Rupees
Long term finances	*8*	**627,884,775**	427,449,143
Liabilities against assets subject to finance lease	*9*	**1,108,785**	5,047,056
Short term borrowings	*14*	**452,833,638**	146,091,234
Accrued interest/markup	*13*	**11,201,552**	10,442,857
Trade creditors	*12*	**34,556,378**	40,183,099
Accrued liabilities	*12*	**106,044,828**	144,495,341
Unclaimed dividend	*12*	**4,237,900**	3,945,033
		1,237,867,856	777,653,763

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 Maximum exposure to credit risk

Credit risk principally arises from the Company's loans and receivables. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	2016 Rupees	2015 Rupees
Loans and receivables			
Long term deposits	*18*	**7,090,700**	7,090,700
Trade debts	*21*	**281,423,824**	216,902,704
Cash at bank	*25*	**173,630,118**	148,674,604
		462,144,642	372,668,008

40.1.2 Concentrations of credit risk

The Company's maximum exposure to credit risk, as at the reporting date, by type of counterparty is as follows:

	2016 Rupees	2015 Rupees
Customers	**281,423,824**	216,902,704
Utility companies and regulatory authorities	**7,090,700**	7,090,700
Banking companies and financial institutions	**173,630,118**	148,674,604
	462,144,642	372,668,008

40.1.3 Credit quality and impairment

Credit quality of financial assets is assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates.

(a) Counterparties with external credit ratings

These include banking companies, which are counterparties to 'cash at bank'. These counterparties have reasonably high credit ratings as determined by various credit rating agencies. Due to long standing business relationships with these counterparties and considering their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company.

(b) Counterparties without external credit ratings

These include customers which are counter parties to 'trade debts' and utility companies and regulatory authorities which are counter parties to 'long term deposits'. Credit risk in respect of long term deposits is considered to be insignificant as non-performance by these parties is not expected. The Company is exposed to credit risk in respect of trade debts. The analysis of ages of trade debts as at the reporting date is as follows:

	2016		2015	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**124,000,123**	**-**	216,805,255	-
Past due by 0 to 12 months	**148,692,778**	**-**	-	-
Past due by more than 12 months	**8,730,923**	**-**	97,449	-
	281,423,824	**-**	216,902,704	-

The Company's two (2015: two) significant customers account for Rs. 88.34 million (2015: Rs. 77.14 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2015: 10%) of trade debts 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. Further, trade debts amounting to Rs. 18.40 million (2015: Rs. 61.50 million) are secured through letters of credit and thus do not carry any significant credit risk. Management believes that trade debts that are past due are collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk.

40.1.4 Collateral held

The Company does not hold any collateral to secure its financial assets with the exception of trade debts, which are partially secured through letters of credit.

40.1.5 Credit risk management

As mentioned in note 40.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of trade debts are established and executed. In monitoring customer credit risk, the ageing profile of trade debts 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.

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 Exposure to liquidity risk

The following is the analysis of contractual maturities of financial liabilities, including estimated interest/markup/profit payments.

	2016				
	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	**627,884,775**	**735,193,619**	**120,050,417**	**224,564,331**	**390,578,871**
Liabilities against assets subject to finance lease	**1,108,785**	**1,131,218**	**1,131,218**	**-**	**-**
Short term borrowings	**452,833,638**	**453,753,218**	**453,753,218**	**-**	**-**
Accrued interest/mark-up	**11,201,552**	**11,201,552**	**11,201,552**	**-**	**-**
Trade creditors	**34,556,378**	**34,556,378**	**34,556,378**	**-**	**-**
Accrued liabilities	**106,044,828**	**106,044,828**	**106,044,828**	**-**	**-**
Unclaimed dividend	**4,237,900**	**4,237,900**	**4,237,900**	**-**	**-**
	1,237,867,856	**1,346,118,713**	**730,975,511**	**224,564,331**	**390,578,871**

	2015				
	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	427,449,143	554,438,358	121,535,271	212,931,757	219,971,330
Liabilities against assets subject to finance lease	5,047,056	5,476,417	4,433,372	1,043,045	-
Short term borrowings	146,091,234	146,091,234	146,091,234	-	-
Accrued interest/mark-up	10,442,857	10,442,857	10,442,857	-	-
Trade creditors	40,183,099	40,183,099	40,183,099	-	-
Accrued liabilities	144,495,341	144,495,341	144,495,341	-	-
Unclaimed dividend	3,945,033	3,945,033	3,945,033	-	-
	777,653,763	905,072,339	471,126,207	213,974,802	219,971,330

40.2.2 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.

40.3 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) *Exposure to currency risk*

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

	2016				
	CHF	**JPY**	**Euro**	**USD**	**Total**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Financial assets					
Trade debts	**-**	**-**	**-**	**18,398,157**	**18,398,157**
Cash at bank	**-**	**-**	**-**	**33,022**	**33,022**
	-	**-**	**-**	**18,431,179**	**18,431,179**
Financial liabilities					
Short term borrowings	**-**	**-**	**-**	**(200,645,222)**	**(200,645,222)**
Accrued interest/markup	**-**	**-**	**-**	**(308,591)**	**(308,591)**
	-	**-**	**-**	**(200,953,813)**	**(200,953,813)**
Net balance sheet exposure	**-**	**-**	**-**	**(182,522,634)**	**(182,522,634)**
Foreign currency commitments	**-**	**(424,771)**	**(27,164,550)**	**(95,570,805)**	**(123,160,126)**
Net exposure	**-**	**(424,771)**	**(27,164,550)**	**(278,093,439)**	**(305,682,760)**

	2015				
	CHF	JPY	Euro	USD	Total
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*
Financial assets					
Trade debts	-	-	-	61,496,249	61,496,249
Cash at bank	-	-	-	31,158	31,158
	-	-	-	61,527,407	61,527,407
Financial liabilities					
Short term borrowings	-	-	-	-	-
Accrued interest/markup	-	-	-	-	-
	-	-	-	-	-
Net balance sheet exposure	-	-	-	61,527,407	61,527,407
Foreign currency commitments	(1,026,230)	(3,751,477)	-	(228,820,785)	(233,598,492)
Net exposure	(1,026,230)	(3,751,477)	-	(167,293,378)	(172,071,085)

(b) *Exchange rates applied as at the reporting date*

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

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	Rupees	***Rupees***	*Rupees*	*Rupees*
CHF	**-**	**-**	-	109.6400
JPY	**-**	**1.0186**	-	0.8213
Euro	**-**	**116.3100**	-	-
USD	**104.5000**	**104.7000**	101.5000	101.7000

(c) *Sensitivity analysis*

A five percent appreciation in Pak Rupee against foreign currencies would have increased profit for the year and equity as at the reporting date by Rs. 9.13 million (2015: decrease profit for the year and equity as at the reporting date by Rs. 3.07 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit 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.

(d) 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.

40.3.2 Interest rate risk

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

(a) Interest/markup/profit bearing financial instruments

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

	2016	2015
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**100,071,233**	-
Financial liabilities	**-**	-
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**1,055,539,165**	578,587,433

(b) Fair value sensitivity analysis for fixed rate instruments

The Company does not account for its fixed rate instruments at fair value through profit or loss.

(c) Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year and equity as at the reporting date by Rs. 10.56 million (2015: Rs. 5.79 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.

(d) Interest rate risk management

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

40.3.3 Price risk

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 in equity securities and mutual fund units.

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 1.2 million (2015: nil) and profit for the year by nil (2015: Rs. 1.7 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 profit and equity. 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 and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity as shown in the balance sheet 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:

	Unit	**2016**	2015
Total debt	*Rupees*	**628,993,560**	432,496,199
Total equity	*Rupees*	**1,418,481,699**	1,384,686,918
Total capital employed		**2,047,475,259**	1,817,183,117
Gearing	*% age*	**30.72**	23.80

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, 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**	**2016**	2015
			Rupees	*Rupees*
Financial assets at fair value through profit or loss				
Investments in mutual fund units	Level 1	Quoted prices in an active market	**-**	170,494,039
Available for sale financial assets				
Investments in equity securities	Level 1	Quoted prices in an active market	**119,964,290**	-

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.

	2016	2015
	Rupees	*Rupees*
43 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**6,051,095,898**	5,743,095,898
Charge over fixed assets	**1,161,000,000**	1,429,000,000

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:

	2016		
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**3,614,400**	**4,731,600**	**12,507,000**
Allowances and perquisites	**2,839,852**	**2,764,542**	**6,248,200**
Meeting fee	**-**	**340,000**	**-**
Post employment benefits	**-**	**-**	**3,763,980**
	6,454,252	**7,836,142**	**22,519,180**
Number of persons	**1**	**3**	**11**

	2015		
	Chief Executive	Directors	Executives
	Rupees	*Rupees*	*Rupees*
Managerial remuneration	3,146,160	4,114,200	11,408,400
Allowances and perquisites	2,916,948	2,448,070	5,696,400
Meeting fee	-	355,000	-
Post employment benefits	-	-	1,425,400
	6,063,108	6,917,270	18,530,200
Number of persons	1	3	10

44.1 Remuneration, allowances and meeting fee include Rs. 7,836,142 (2015: Rs. 6,917,270) paid to non-executive directors of the Company.

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

	2016	2015
	No of shares	*No of shares*
45 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

46 SEGMENT INFORMATION

46.1 The Company is a single operating segment.

46.2 All non-current assets of the Company are situated in Pakistan.

46.3 All sales of the Company have originated from Pakistan.

46.4 Sales include Rs. 1,762 million (2015: Rs. 1,934 million) of revenue derived from sales to two (2015: 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.

47 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on September 29, 2016 has proposed dividend on ordinary shares at Rs. 3.50 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 has not been included as a liability in the financial statements.

48 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2016**	2015
Number of spindles installed	*No.*	**61,728**	54,528
Plant capacity on the basis of utilization converted into 30s count	*Kgs*	**11,635,279**	11,510,359
Actual production converted into 30s count	*Kgs*	**11,267,568**	10,828,088

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.

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2016 by the Board of Directors of the Company.

50 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,040 (2015: 1,081). Average number of persons employed by the Company during the year are 1,027 (2015: 1,105).

51 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.

52 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which may require adjustment and/or disclosure 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.

	Amin Ellahi Shaikh	**Shafqat Ellahi Shaikh**
Lahore: September 29, 2016	Director	Mg. Director (Chief Executive)

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NOTES

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 28th Annual General Meeting of the Company to be held on October 28, 2016 and at any adjournment thereof.

Affix Rs. 5/= Revenue Stamp

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

Signed at ___________________ this the _____________ day of _________________ 2016

NOTES:

1. If a member is unable to attend the meeting, he/she may sign this form and send it to the Secretary so as to reach him not less than 48 hours before the time of holding the meeting.

2. Members through CDC appointing proxies must attach attested copy of their Computerized National Identity Card with the proxy form.

3. The Shareholders through CDC, who wish to attend the Annual General Meeting are requested to please bring, original Computerized National Identity Card with copy thereof duly attested by their Bankers, Account Number and Participant I.D Number for identification purpose.

4. In case of corporate entity, certified copy of the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form of the Company.

پراکسی فارم (مختارنامہ)

سیکرٹری

ایلکوٹ سپننگ ملز لمیٹڈ

نگینہ ہاؤس، 91-B، ایم ایم عالم روڈ

گلبرگIII، لاہور54660

میں/ہم ____________________

ساکن ____________________

بحیثیت رکن ایلکوٹ سپننگ ملز لمیٹڈ اور حامل __________ عام حصص بمطابق شیئر رجسٹر فولیو نمبر __________

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

بذریعہ ہذا

محترم/محترمہ __________ ساکن __________

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فولیو نمبر __________

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

یا اسکی غیر موجودگی میں محترم/محترمہ __________ ساکن __________

جو کمپنی کا ممبر ہے بمطابق شیئر رجسٹر فولیو نمبر __________

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر __________ پارٹیسپنٹ (شرکت) آئی ڈی نمبر __________) کو

مورخہ 28 اکتوبر 2016ء کو منعقد ہونے والے کمپنی کے 28 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ ہمارا بطور مختار (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

دستخط.................. آج بروز.................. بتاریخ........... 2016ء

5 روپے کا رسیدی ٹکٹ چسپاں کریں

دستخط کمپنی کے ہاں رجسٹرڈ نمونہ دستخطوں کے
مطابق ہونے چاہئیں

نوٹ:

1۔ اگر ایک ممبر اجلاس میں شرکت کے قابل نہیں ہے تو وہ اس فارم پر دستخط کرے اور سیکرٹری کو اس طور ارسل کردے کہ اجلاس کے انعقاد کے وقت سے کم از کم 48 گھنٹے قبل پہنچ جانا چاہئے۔

2۔ سی ڈی سی کے ذریعے حصص یافتگان پراکسیز تقرر کرتے ہوئے پراکسی فارم کے ہمراہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی مصدقہ کاپی منسلک کریں۔

3۔ سی ڈی سی کے ذریعے حصص یافتگان جو سالانہ اجلاس میں شرکت کرنا چاہتے ہوں سے التماس ہے کہ شناخت کے مقصد کے لئے اصل کمپیوٹرائزڈ قومی شناختی کارڈ بمعہ اپنے بینکرز سے اسکی مصدقہ کاپی، اکاؤنٹ نمبر اور پارٹیسپنٹ آئی ڈی نمبر ہمراہ لائیں۔

4۔ کارپوریٹ اینٹٹی کی صورت میں، بورڈ آف ڈائریکٹر کی قرارداد/مختارنامہ کی مصدقہ کاپی معہ نمونہ دستخط (اگر پہلے فراہم نہ کئے گئے ہوں) پراکسی فارم (مختارنامہ) کے ہمراہ کمپنی میں جمع کرانا ہو گا۔