NAGINA GROUP

Annual Report | 2017

Ellcot Spinning Mills Limited

An ISO 9001:2008 Certified Company

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	
HEAD OF INTERNAL AUDIT	Mr. Kashif Saleem	
AUDITORS	Messrs Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants	
LEGAL ADVISOR	Bandial & Associates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. Meezan Bank Ltd. MCB Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	Nagina House 91-B-1, M.M. Alam Road Gulberg-III, Lahore-54660	
WEB REFERENCE	www.nagina.com	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1st Floor, H.M. House 7-Bank Square, Lahore Phone # 042-37235081-2 Fax # 042-37358817	
MILLS	6.3 K.M, Manga Mandi, Raiwind Road Mouza Rossa, Tehsil & District Kasur	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th 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 27, 2017 11:30 a.m. to transact the following business:-

1) To confirm minutes of the Extraordinary General Meeting held on January 26, 2017.

2) To receive, consider and adopt Audited Accounts of the Company for the year ended June 30, 2017 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, 2018 and fix their remuneration.

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

A statement required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 is annexed.

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

Lahore : September 28, 2017

NOTES:

1) The share transfer books for ordinary shares of the Company will be closed from Saturday, October 21, 2017 to Friday, October 27, 2017 (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 20, 2017 will be in time to be passed for payment of dividend to the transferee(s).

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

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

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

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

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

6) In accordance with Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that given bank mandate for dividend payments is MANDATORY and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the particulars relating to name, folio number, bank account number, IBAN Number, title of account and complete mailing address of the bank directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

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

7) The financial statements for the year ended June 30, 2017 shall be uploaded on the Company's website on or before October 06, 2017.

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) In terms of sub section 1(b) of Section 134 of the Companies Act, 2017, Members can also attend and participate in the AGM through video conference facility, if members residing the vicinity, collectively holding 10% or more shareholding, provide their consent in writing, to participate in the AGM through video conference at least ten (10) days prior to date of AGM.

   After receiving the consent of the members in aggregate 10% or more shareholding, the Company will intimate members regarding venue of video conference facility at least five (5) days before the date of the AGM along with complete information necessary to enable them to access such facility.

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

11) IMPORTANT:

a) Pursuant to the provisions of the Finance Act, 2017, effective July 1, 2017, 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 15%
   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 @15% 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 theyare 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 15%.

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

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

b) Shareholders are 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 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:

a. Total investment approved.	Rs.75,000,000/= (Rupees seventy five million only) to each of the following associated company: i) Nagina Cotton Mills Ltd. (NCML) ii) Prosperity Weaving Mills Ltd. (PWML)
b. Amount of investment made to date:	Nil
c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.	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 2016-17.
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.	See table below

	Present Financial Position as on June 30, 2017		Financial Position at the time of approval as on June 30, 2016	
	NCML	PWML	NCML	PWML
	Rupees in Millions			
Net sales	5,242.033	5,820.163	4,267.869	5,211.429
Gross profit	353.294	303.179	151.481	359.653
Profit/(loss) before tax	110.886	58.496	(64.422)	72.362
Profit/(loss) after tax	78.428	56.198	(92.945)	39.972

Vision:

To be a dynamic, profitable and growth oriented company.

Mission:

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

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

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

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

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

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

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

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

Control Union Certifications
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-01.2017
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 2018

Place and date of issue:
Colombo-07, 30 January 2017

Stamp of the issuing body

Standard's Logo

Name of authorised person

On behalf of the Managing Director,
Miss. H.M.U.K. Herath
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 (RVA), 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-41.2017
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)
Version 2.0
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 operations as detailed in the annex) for certified products

Exporting, Spinning, Weaving

This certificate is Valid until: 23 January 2018

Place and date of issue:	Stamp of the issuing body	Standard's Logo
Colombo-07, 27 February 2017		

Name of authorised person:

On behalf of the Managing Director
Mies H.M.J.K. Hendriks
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.

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

OEKO-TEX®
CONFIDENCE IN TEXTILES

CERTIFICATE

The company

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

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use the STANDARD 100 by OEKO-TEX® mark, based on our test report **2017OK0422**

OEKO-TEX®
CONFIDENCE IN TEXTILES
STANDARD 100
2015OK0011 AITEX
Tested for harmful substances
www.oeko-tex.com/standard100

for the following articles:

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

The results of the inspection made according to STANDARD 100 by OEKO-TEX®, Appendix 4, **product class II** have shown that the above mentioned goods meet the human-ecological requirements of the STANDARD 100 by OEKO-TEX® presently established in Appendix 4 for products with direct contact to skin.

The certified articles fulfil requirements of Annex XVII of REACH (incl. the use of azo colourants, nickel release, 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 STANDARD 100 by OEKO-TEX® mark only in conjunction with products that conform with the sample initially tested. The conformity is verified by audits.

The certificate 2015OK0011 is valid until 31.01.2018

Alcoy (Alicante) España, 12.04.2017

Silvia Devesa Valencia
Innovation Assistant Manager

Isabel Soriano Sarrio
Chief of Innovation Area

DIRECTORS' REPORT TO THE MEMBERS

The Directors have the honor to present 29th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2017. Figures for the last year ended June 30, 2016 are included for comparison.

Company Performance

Alhamdullilah, your company has managed to earn after tax profit of Rs.77,670,924 compared to Rs.71,164,545 of last year. Earning per share (EPS) for the year is Rs. 7.09 compared to EPS of Rs. 6.50 for last year.

Sales revenue stood at Rs. 4,868,596,391 compared to Rs. 4,227,909,980 during last year showing an increase of 15.15%. Cost of sales decreased from 94.20% of sales to 93.49%. Gross Profit (GP) for the current year is 6.51% of sales compared to 5.80% during the last financial year.

Distribution costs decreased from 0.89% of sales of last year to 0.66% of sales for current year. The decrease is mainly due to overall sales mix tilted to local market. Administrative expenses increased by 8.19% over the last year due to inflationary impact. Other expenses increased from 0.13% of sales of last year to 0.32% of sales. This is mainly due to higher provision of WPPF, workers welfare fund and accounting loss on disposal of old machinery.

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 from1.20% of sales to 1.19% of sales during current year.

Capital Assets Investment

During the year your Company invested Rs.93,685,911 in Expansion / Balancing, Modernization, Replacement (BMR) of building, plant and machinery and other assets. Your company is currently undergoing major BMR/ expansion. By virtue of this BMR/ expansion the company would be installing state of the art 25,200 spindles alongwith related machinery. Overall value of capital expenditure will be around Rs. 1.6 billion. This is 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 to the needs of both domestic and international markets.

Future Outlook

It is a matter of great satisfaction that your company has reported profit for the year ended June 30, 2017 inspite of the very difficult trading conditions prevailing in the textile markets. Demand for yarn was depressed in the export as well as local markets. Profits are partly attributed to the export package announced by the government. This step has helped in boosting exports of textiles from Pakistan and restoring profitability of the textile industry. It is hoped that the government will continue the export package for the current year 2017-18. The export package is essential to help the Pakistan textile industry to face the competition from regional countries.

Raw cotton arrivals in the ginning factories for the current year upto September 15, 2017 have been reported as 2,365,555 bales. The arrival to-date is encouraging and it is hoped that Pakistan will produce a bumper cotton crop this year. A large cotton crop in Pakistan is essential to maintain the competitiveness of the textile industry and sustain the export volumes. Exchange rate of Pak rupee showed stable trend against USD. Management is well aware of the challenges ahead and making all out efforts to control costs, finding ways to enter in new markets, diversification of its product range etc. We expect that Government of Pakistan will play its role by taking steps such as continuing the export package, zero rating of exports, allowing timely refunds of stuck up amounts under sales and income taxes, maintain uninterrupted energy supplies and achieve competitiveness in the exchange rate. Investment in new technology has enabled your company to be better equipped to produce variety of yarns in order to meet requirements of our quality conscious customers.

We expect that long awaited technology up-gradation fund (TUF) support would also be released during the FY 17/18.

Wages and salaries, administration and general costs 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.

Dividend

The Board of Directors have recommended cash dividend @ 35% i.e. Rs. 3.50 per ordinary share for the year ended June 30, 2017. The dividend will amount to Rs. 38,325,000.

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 February 02, 2017 to September 15, 2018. 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 has 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:

i) The financial statements prepared by the management of the Company present fair state of Company's operations, cash flows and changes in equity.

ii) Proper books of account of the Company have been maintained.

iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.

iv) International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in the preparation of financial statements, and any departures therefrom has been adequately disclosed and explained.

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

vi) There are no doubts upon the Company's ability to continue as a going concern.

vii) Key operating and financial data for the last six years is annexed.

viii) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2017 except for those disclosed in the financial statements.

ix) 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.

x) During 2016-2017, 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:

Transferor		Transferee		No. of Shares	Nature of Transaction
Name	Designation	Name	Designation		
Mr. Jamal Nasim	Director	Through Broker	-	29,000	Sold
Mr. Shahzada Ellahi Shaikh	Director	Mr. Haroon Ellahi Shaikh	Executive	500,000	Transferred through gift
Mr. Shahzada Ellahi Shaikh	Director	Mr. Omer Ellahi Shaikh	-	500,000	
Mr. Shaukat Ellahi Shaikh	Director	Mr. Raza Ellahi Shaikh	Director	1,000,000	
Mr. Shafqat Ellahi Shaikh	CEO / Director	Mr. Amin Ellahi Shaikh	Director	1,000,000	
Mr. Shaikh Enam Ellahi (Late)	Director	Mr. Shafqat Ellahi Shaikh	CEO / Director	79,051	Due to death of Joint Investor Account holder, survivor received the shares.
Mr. Shafqat Ellahi Shaikh	CEO / Director	Mr. Shaukat Ellahi Shaikh	Director	26,350	Transferred through gift
Mr. Shafqat Ellahi Shaikh	CEO / Director	Mr. Shahzada Ellahi Shaikh	Director	26,350	
Mr. Shaikh Enam Ellahi (Late)	Director / Chairman	Mr. Shahzada Ellahi Shaikh	Director	43,783	Shares transferred under inheritance
Mr. Shaikh Enam Ellahi (Late)	Director / Chairman	Mr. Shaukat Ellahi Shaikh	Director	43,783	
Mr. Shaikh Enam Ellahi (Late)	Director / Chairman	Mr. Shafqat Ellahi Shaikh	CEO / Director	43,784	

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 Ltd.

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, 2017 including the information under the Code of Corporate Governance, for ordinary shares, is annexed.

Notice u/s 2018 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 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. Jamal Nasim	4
2.	Mr. Syed Moaz Mohiuddin	4
3.	Mr. Shahzada Ellahi Shaikh	3
4.	Mr. Shaukat Ellahi Shaikh	4
5.	Mr. Shafqat Ellahi Shaikh	4
6.	Mr. Raza Ellahi Shaikh	4
7.	Mr. Amin Ellahi Shaikh	4

Leave of absence was granted to the Director 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	4
2.	Mr. Shaukat Ellahi Shaikh	4
3.	Mr. Amin Ellahi Shaikh	4

Executive Committee Meetings

During the year two (2) meetings of Executive Committee were held. Attendance by each Director is as follows:

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

Human Resource & Remuneration (HR & R) Committee Meetings

During the year, three (3) meetings of HR & R Committee of the Board were held. Attendance by each Director is as follows:

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

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 FY 17/18. The Audit Committee has 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
Mg. Director (Chief Executive)

Lahore: September 28, 2017

ممبران کے لئے ڈائریکٹرز کی رپورٹ

ڈائریکٹرز 30 جون 2017 کو ختم سال کے لئے کمپنی کی 29 ویں سالانہ رپورٹ مع آڈٹ شدہ مالیاتی حسابات اور ان پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ 30 جون 2016 کو ختم ہونے والے گزشتہ سال کے اعداد و شمار بھی موازنہ کے لئے شامل کئے گئے ہیں۔

کمپنی کی کارکردگی

الحمدللہ، کمپنی نے گزشتہ سال بعد از ٹیکس منافع 71,164,545 روپے کے مقابلے اس سال بعد از ٹیکس منافع 77,670,924 روپے کمایا ہے۔ زیر جائزہ سال کے لئے فی شیئر آمدنی (EPS) گزشتہ سال کے دوران 6.50 روپے کے مقابلے 7.09 روپے ہے۔

گزشتہ سال کے دوران فروخت 4,227,909,988 روپے کے مقابلے میں اس سال 4,868,596,391 روپے رہی ہے۔ جو گزشتہ سال سے 15.15 فیصد اضافہ ظاہر کر رہی ہے۔ فروخت کی لاگت فروخت کے 94.20 فیصد سے کم ہو کر فروخت کے 93.49 فیصد تک ہو گئی۔ مجموعی منافع (GP) گزشتہ سال کے دوران فروخت کے 5.80 فیصد کے مقابلے موجودہ سال کے لئے فروخت کا 6.51 فیصد رہا ہے۔

تقسیم کے اخراجات پچھلے سال فروخت کے 0.80 فی صد سے کم ہو کر اس سال فروخت کے 0.66 فی صد تک ہو گئے۔ اس کی بنیادی وجہ مقامی مارکیٹ میں فروخت کا زیادہ ہونا ہے۔ فروخت کے تناسب کے لحاظ سے انتظامی اخراجات میں گزشتہ سال سے 8.19 فیصد اضافہ ہوا ہے۔ دیگر اخراجات گزشتہ سال کی فروخت کے 0.13 فیصد سے زیادہ ہو کر فروخت کے 0.32 فیصد تک رہے۔ یہ اضافہ بنیادی طور پر WPPF (ورکرز پرافٹ پارٹیسپیشن فنڈ) کی پرووژن اور پرانی مشینری کی فروخت پر نقصان کے باعث ہوا 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 شرحوں کے کم ہونے کے باعث مالیاتی لاگت موجودہ سال کے دوران فروخت کے 1.20 فیصد سے کم ہو کر فروخت کے 1.19 فیصد تک رہی۔

طویل مدتی اثاثوں کی سرمایہ کاری

اس سال کے دوران کمپنی نے، کمپنی کی عمارت، پلانٹ، مشینری اور دیگر اثاثوں کی توسیع / توازن جدید اور تبدیلی (BMR) میں 93,685,911 روپے کی سرمایہ کاری کی۔ آپ کی کمپنی میں فی الحال اہم BMR توسیع کی جا رہی ہے۔ اس BMR توسیع کے منصوبے کے ذریعے کمپنی مختلف مشینری کے ہمراہ جدید 25,200 سپنڈلز نصب کرے گی۔ طویل مدتی اخراجات کی مجموعی قیمت تقریباً 1.6 بلین روپے ہوگی۔ یہ سرمایہ کاری ملکی اور بین الاقوامی دونوں مارکیٹوں کی ضروریات کو پورا کرنے کے لئے پیداوار کی صلاحیت میں بہتری اور معیار کی اضافی کوالٹی اور طلب اس کی مصنوعات کی ترویج کے لئے جاری کمپنی کے کاروباری منصوبوں کے مطابق کی گئی ہے۔

مستقبل کے امکانات

یہ بات اطمینان کی ہے کہ ٹیکسٹائل مارکیٹوں میں موجودہ مشکل تجارتی حالات کے باوجود آپ کی کمپنی نے 30 جون 2017 کو ختم ہونے والے سال کے لئے منافع کمایا ہے۔ منافع بنیادی طور پر برآمدی پیکیج کے اعلان سے منسوب کیا جا سکتا ہے۔ اس اقدام سے پاکستان کی ٹیکسٹائل برآمدات کو فروغ ملے گا اور ٹیکسٹائل صنعت کے منافع کو بحال کرنے میں مدد ملے گی۔ امید ہے کہ حکومت مالی سال 2017-18 کے لئے برآمدی پیکیج جاری رکھے گی۔ علاقائی ممالک سے مقابلہ کا سامنا کرنے کے لئے پاکستانی ٹیکسٹائل صنعت کی مدد کے لئے برآمدی پیکیج ضروری ہے۔

15 ستمبر 2017 تک رواں سال کے لئے جننگ فیکٹریوں میں کپاس کی 2,265,555 گانٹھوں کی آمد کی اطلاع ہے۔ یہ رجحان حوصلہ افزا ہیں اور امید ہے کہ پاکستان میں اس سال کپاس کی فصل اچھی پیداوار ہوگی۔ پاکستان میں کپاس کی اچھی فصل ٹیکسٹائل انڈسٹری کے مقابلے اور برآمدی ترقی کو برقرار رکھنے کے لئے ضروری ہے۔ پاکستانی روپے کے زر مبادلہ کی شرح مرکزی ڈالر کے خلاف مستحکم رجحان ظاہر کر رہی ہے۔ انتظامیہ آنے والے چیلنجوں سے واقف ہے اور اخراجات کو کنٹرول کرنے اور نئی مارکیٹوں میں داخل ہونے کے طریقوں کو تلاش کرنے اور اپنی مصنوعات کی رینج میں اضافہ کرنے کے لئے تمام تر کوششیں کر رہی ہے۔ ہم امید رکھتے ہیں کہ حکومت پاکستان برآمدی پیکیج، برآمدات کی ری فنانسنگ سکیم اور انکم ٹیکس میں بروقت رقم کی واپسی کی ادائیگی جاری رکھے گی، یہ مسلسل توانائی کی فراہمی کو برقرار رکھنے اور زر مبادلہ کی شرح میں استحکام کو حاصل کرنے جیسے اقدامات اٹھا کر یہ کردار ادا کرے گی۔ ہمارے معیار کے مطابق صارفین کی ضروریات کو پورا کرنے کی خاطر ٹیکنالوجی میں سرمایہ کاری سے آپ کی کمپنی کو مختلف قسم کے مواقع پیدا کرنے کے لئے بہتر آمدنی سے ممکن ہوا ہے۔

ہمیں امید ہے کہ طویل انتظار کے بعد ٹیکنالوجی اپ گریڈیشن فنڈ (TUF) جو ہے مالی سال 2017-18 کے دوران ادا کر دیا جائے گا۔

اجرت اور گیس، انتظامی اور عمومی اخراجات مسلسل بڑھ رہے ہیں۔ لہذا ہم آگے ایک اور مشکل سال کی توقع کر رہے ہیں۔ ہم انتظامیہ صورتحال سے واقف ہے اور ان مسائل سے نمٹنے کے لئے تمام اقدامات اٹھا رہی ہے۔

منافع منقسمہ

ڈائریکٹرز کو حتمی منافع منقسمہ بشرح 35% یعنی 3.50 روپے فی عام حصص کی ادائیگی کی سفارش کرتے ہوئے خوشی ہو رہی ہے۔ منافع منقسمہ کی رقم 38,325,000 روپے تک ہوگی۔

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 جائزہ حاصل کر چکی ہے کوالٹی کنٹرول سرٹیفکیشن سے نئے اور پرانے گاہکوں کو اعتماد قائم کرنے میں مدد ملتی ہے۔

کارپوریٹ سماجی ذمہ داری

کمپنی اپنے کاروبار میں کارپوریٹ سماجی ذمہ داری کے اہتمام پر یقین رکھتی ہے اور کمیونٹی جہاں سے کاروبار کو براہ راست یا بالواسطہ طور پر متاثر کرتی ہیں کی ترقی کے لئے مسلسل کوشش کرتی 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 اس کی حفاظت اور مزدوروں کی سہولیات کا خیال رکھا جا رہا ہے۔

تحفظ مشینری اور پلانٹ 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 مالیاتی رپورٹنگ کا طریقہ کار

کارپوریٹ گورننس کے ضابطے کے مطابق ڈائریکٹرز خوشی بیان کرتے ہیں:

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

ii. کمپنی کے کھاتہ جات باقاعدہ صحیح طور سے بنائے گئے ہیں۔

iii. مالی حسابات کی تیاری میں مناسب "اکاؤنٹنگ پالیسیوں" کا تسلسل کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔

iv. 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۔

v. "اندرونی کنٹرول" کے نظام کا ڈیزائن مستحکم ہے اور اس کا موثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔

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

vii. گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

viii. ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے ماسوائے 30 جون 2017 کو جیسا کہ ان کے مالی حسابات میں انکشاف کیا گیا ہے:

ix. مالی سال کے اختتام پر کمپنی مالی حالت کو متاثر کرنے والی کوئی حقیقی مادی تبدیلیاں اور وعدے جن کا تعلق اس بیلنس شیٹ سے ہو واقع نہیں ہوئے ہیں۔

x. 2016-2017 کے دوران کمپنی کے حصص میں اس کے ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کے شریک حیات اور نابالغ بچوں کی طرف سے درج ذیل کے علاوہ کوئی تجارت نہیں کی گئی ہے:

ٹرانزیکشن کی نوعیت	حصص کی تعداد	وصول کنندہ		منتقل کنندہ	
فروخت	29,000	-	-	ڈائریکٹر	جناب جمال نسیم
بذریعہ گفٹ منتقلی	500,000	ایگزیکٹو	جناب ہارون الٰہی شیخ	ڈائریکٹر	جناب شہزاد الٰہی شیخ
	500,000	-	جناب عمر الٰہی شیخ	ڈائریکٹر	جناب شہزاد الٰہی شیخ
	1,000,000	ڈائریکٹر	جناب رضا الٰہی شیخ	ڈائریکٹر	جناب شفیق اے الٰہی شیخ
	1,000,000	ڈائریکٹر	جناب امین الٰہی شیخ	سی ای او / ڈائریکٹر	جناب مصطفیٰ الٰہی شیخ
جوائنٹ اکاؤنٹ ہولڈر کے انتقال کے باعث ان کے حصص کی منتقلی	79,051	سی ای او / ڈائریکٹر	جناب مصطفیٰ الٰہی شیخ	ڈائریکٹر	جناب شیخ انعام الٰہی (مرحوم)
بذریعہ گفٹ منتقلی	26,350	ڈائریکٹر	جناب شوکت الٰہی شیخ	سی ای او / ڈائریکٹر	جناب مصطفیٰ الٰہی شیخ
	26,350	ڈائریکٹر	جناب شہزاد الٰہی شیخ	سی ای او / ڈائریکٹر	جناب مصطفیٰ الٰہی شیخ
وراثت کے تحت منتقل حصص	43,783	ڈائریکٹر	جناب شہزاد الٰہی شیخ	ڈائریکٹر / چیئرمین	جناب شیخ انعام الٰہی (مرحوم)
	43,783	ڈائریکٹر	جناب شوکت الٰہی شیخ	ڈائریکٹر / چیئرمین	جناب شیخ انعام الٰہی (مرحوم)
	43,784	سی ای او / ڈائریکٹر	جناب مصطفیٰ الٰہی شیخ	ڈائریکٹر / چیئرمین	جناب شیخ انعام الٰہی (مرحوم)

متعلقہ پارٹیز

متعلقہ پارٹیوں کے درمیان لین دین آرمز لینتھ قیمتوں پر کیا گیا۔ کمپنی پاکستان میں رائج لسٹڈ کمپنیوں کے ضابطے میں موجود قیمتوں کے تعین کے طریقہ کار پر عمل کرتی ہے۔

مالیاتی حسابات کا آڈٹ

کمپنی کے مالی حسابات کا آڈٹ میسرز ... چارٹرڈ اکاؤنٹنٹس نے کیا ہے، جو کمپنی کے آڈیٹرز کے طور پر مناسب ہیں۔

نمونہ حصص داری

30 جون 2017ء کے مطابق نمونہ عام حصص داری کی معلومات کارپوریٹ گورننس کے ضابطے 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 ضابطے کے تحت کمپنی کے بورڈ آف ڈائریکٹرز نے مندرجہ ذیل کمیٹیاں تشکیل دی ہیں:

آڈٹ کمیٹی

ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی

ایچ آر اینڈ آر کمیٹی

متعلقہ بورڈ کمیٹیوں کے اراکین 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 جمال نسیم	4
2	جناب سید مصطفیٰ زکی الدین	4
3	جناب شہزادہ الٰہی شیخ	3
4	جناب شوکت الٰہی شیخ	4
5	جناب شفقت الٰہی شیخ	4
6	جناب رضا الٰہی شیخ	4
7	جناب امین الٰہی شیخ	4

ڈائریکٹرز جو بورڈ کے کسی اجلاس میں شرکت نہیں کر سکے انہیں 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 مصطفیٰ زکی الدین	4
2	جناب شوکت الٰہی شیخ	4
3	جناب امین الٰہی شیخ	4

ایچ آر اینڈ آر کمیٹی کے اجلاس

زیر جائزہ سال کے دوران ایچ آر اینڈ آر کمیٹی کے دو (2) اجلاس منعقد ہوئے۔ حاضری کی پوزیشن حسب ذیل تھی۔

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

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

زیر جائزہ سال کے دوران ہیومن ریسورس اینڈ ریمونریشن (R&HR) کمیٹی کے تین (3) اجلاس منعقد ہوئے۔ حاضری کی پوزیشن حسب ذیل تھی۔

نمبر شمار	نام ڈائریکٹر	تعداد حاضری
1	جناب احسن الٰہی شیخ	3
2	جناب شفقت الٰہی شیخ	3
3	جناب رضا الٰہی شیخ	3

ڈائریکٹرز کی تربیت کے پروگرام

کمپنی نے PSX رول بک کے شق (ریگولیشن) 5.19.7 کی ضروریات پر عمل کیا ہے۔

محاسب کی تقرری

میسرز رحمان سرفراز رحیم اقبال رفیق، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کی بنا پر مالی سال 2017-18 کے لئے بطور محاسب دوبارہ تقرری کے لئے خود کو پیش کرتے ہیں۔ آڈٹ کمیٹی نے موجودہ محاسب کی دوبارہ تقرری کے لئے سفارش کی ہے۔

اعتراف

کمپنی کے عملے اور ورکرز کی مسلسل محنت اور جذبہ اور تمام متعلقین کے ساتھ اچھے تعلقات کا اعتراف کرتے ہیں۔ ڈائریکٹرز بینکوں اور دیگر حصص داروں کا بھی کمپنی کی مسلسل حمایت پر شکریہ ادا کرتے ہیں۔

منجانب بورڈ

شفقت الٰہی شیخ

منیجنگ ڈائریکٹر (چیف ایگزیکٹو)

لاہور: 28 ستمبر 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

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. Jamal Nasim (Nominee NIT) Mr. Shahzada Ellahi Shaikh Mr. Shaukat Ellahi Shaikh Mr. Raza Ellahi Shaikh Mr. Amin Ellahi Shaikh

   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. During the financial year 2016-17, a casual vacancy occurred on the Board on September 20, 2016 and filled up by the board on September 29, 2016.
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.
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, six (6) 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 auditor 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. The staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

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. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. 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 28, 2017

SHAREHOLDERS' INFORMATION

Annual General Meeting

The 29th 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 27, 2017 at 11:30 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2017, the Company has 497 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 28, 2017, payment of final cash dividend at the rate of Rs. 3.50 per share i.e. 35% for the year ended June 30, 2017.

MANDATORY PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE:

In accordance with Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that given bank mandate for dividend payments is MANDATORY and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following particulars directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

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

Detail of Bank Mandate	
Name of Shareholder	
Folio No. / CDC Account No.	
Cell Number of Shareholder	
Landline Number of Shareholder	
E-mail address	
Title of Bank Account of shareholder	
International Bank Account Number (IBAN) **"Mandatory"**	PK ________________________ (24 digits) (kindly provide your accurate IBAN after consulting with your respective bank branch, in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).
Bank's Name	
Branch Name and Address	
Branch Code	
CNIC No. (copy attached)	
NTN (in case of Corporate Entity)	

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

____
Signature of the Shareholder

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

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

As has already 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, 2017 with effect from July 1, 2017, 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 @15%

(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), with-holding tax will be determined separately on "Filer/ Non-Filer" status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

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

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.

Zakat Declaration (Form CZ-50)

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

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

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

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

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

I undertake that by sending the Audited Financial Statements and Notice through e-mail, by the Company, the Company shall be considered compliant with relevant requirements of sections 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 & Dividend

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

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 28, 2017 has approved the increase in remuneration of Mr. Shafqat Ellahi Shaikh, Mg. Director (Chief Executive) effective from July 1, 2017 as under:

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

Description	Present Remuneration	Remuneration After Increase
Remuneration	Rs.497,462/= per month inclusive of 10% medical allowance.	**Rs.572,081/= 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 28, 2017

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2017
CUIN (INCORPORATION NUMBER) 0018985

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
223	1	100	7,123
114	101	500	36,125
58	501	1,000	47,175
65	1,001	5,000	163,253
16	5,001	10,000	114,516
2	10,001	15,000	25,475
-	15,001	20,000	-
1	20,001	25,000	23,900
-	25,001	40,000	-
1	40,001	45,000	41,345
-	45,001	60,000	-
1	60,001	65,000	64,626
-	65,001	190,000	-
1	190,001	195,000	191,878
-	195,001	215,000	-
1	215,001	220,000	219,359
-	220,001	240,000	-
1	240,001	245,000	242,735
-	245,001	280,000	-
1	280,001	285,000	284,335
-	285,001	370,000	-
1	370,001	375,000	371,743
1	625,001	630,000	628,400
1	630,001	635,000	634,638
-	635,001	660,000	-
3	660,001	665,000	1,993,716
-	665,001	695,000	-
2	695,001	700,000	1,400,000
1	700,001	705,000	704,380
-	705,001	880,000	-
1	880,001	885,000	883,554
-	885,001	1,395,000	-
1	1,395,001	1,400,000	1,400,000
1	1,400,001	1,405,000	1,400,500
			71,224
497	**Total:-**		**10,950,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	3,705,124	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	2,222,572	20.30
Shareholders Holding 10% or More	2,800,500	25.58
General Public		
a. Local	2,087,366	19.06
b. Foreign	-	0.00
Others (Joint Stock Companies etc.)	74,699	0.68

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 71,224 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".

NAGINA
NAGINA GROUP

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2017

S #		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	634,638	5.80
	ii)	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
	iii)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	883,554	8.07
			2,222,572	**20.30**
3)		***Directors, Chief Executive Officer and their Spouse and Minor Children***		
	i)	MR. SHAHZADA ELLAHI SHAIKH	242,735	2.22
	ii)	MR. SHAUKAT ELLAHI SHAIKH	371,743	3.39
	iii)	MR. SHAFQAT ELLAHI SHAIKH	284,335	2.60
	iv)	MR. RAZA ELLAHI SHAIKH	1,400,000	12.79
	v)	MR. AMIN ELLAHI SHAIKH	1,400,500	12.79
	vi)	MRS. HUMERA SHAHZADA ELLAHI 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	1,000	0.01
	x)	MR. SYED MOAZ MOHIUDDIN	500	-
			3,705,124	**33.83**
4)		***Executives***	**700,627**	**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)	MR. AMIN ELLAHI SHAIKH	1,400,500	12.79
	ii)	MR. RAZA ELLAHI SHAIKH	1,400,000	12.79
	iii)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	883,554	8.07
	iv)	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
	v)	HAROON SHAHZADA ELLAHI SHAIKH	700,000	6.39
	vi)	OMER ELLAHI SHAIKH	700,000	6.39
	vii)	HAROON OMER (PVT) LTD.	664,572	6.07
	viii)	MONELL (PVT) LTD.	664,572	6.07
	ix)	ICARO (PVT) LTD.	664,572	6.07
	x)	CDC - TRUSTEE AKD OPPORTUNITY FUND	634,638	5.80
	xi)	ARH (PVT) LTD.	628,400	5.74

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2017	2016	2015	2014 restated	2013 restated	2012 restated
Sales	Rs.'000	4,868,596	4,227,910	4,588,788	5,709,484	4,858,426	4,025,287
Gross profit	Rs.'000	316,950	245,286	291,992	594,188	654,883	432,740
Operating profit	Rs.'000	178,853	110,353	150,505	445,410	503,634	329,154
Profit before tax	Rs.'000	121,013	59,490	90,206	361,435	422,423	200,010
Profit after tax	Rs.'000	77,671	71,165	54,299	297,571	350,335	146,404
Share capital - paid up	Rs.'000	109,500	109,500	109,500	109,500	109,500	109,500
Shareholders' equity	Rs.'000	1,449,024	1,418,482	1,384,687	1,407,543	1,251,396	969,180
Total assets	Rs.'000	3,353,777	2,870,296	2,377,522	2,366,450	2,185,275	1,852,202
Earning per share - pre tax	Rs.	11.05	5.43	8.24	33.01	38.58	18.27
Earnings per share - after tax	Rs.	7.09	6.50	4.96	27.18	31.99	13.37
Dividend per share	Rs.	3.50	3.50	3.50	7.00	10.00	5.00
Market value per share as on 30 June	Rs.	103.40	73.39	65.00	73.95	64.89	26.00
Gross profit to sales	%	6.51	5.80	6.36	10.41	13.48	10.75
Operating profit to sales	%	3.67	2.61	3.28	7.80	10.37	8.18
Profit before tax to sales	%	2.49	1.41	1.97	6.33	8.69	4.97
Profit after tax to sales	%	1.60	1.68	1.18	5.21	7.21	3.64
Current ratio		1.69:1	2.08:1	2.68:1	2.66:1	2.27:1	1.67:1
Total debt to total assets ratio	%	56.79	50.58	41.76	40.52	42.74	47.67
Debt equity ratio	%	28.12	30.72	23.80	22.07	24.47	26.61

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, 2017 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, 2017.**

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

Engagement Partner: ***IRFAN RAHMAN MALIK***

Lahore: ***September 28, 2017***

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.

Rahman Sarfaraz Rahim
Iqbal Rafiq

Chartered Accountants

72-A, Faisal Town, Lahore.

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Auditors' Report to the Members

We have audited the annexed balance sheet of **ELLCOT SPINNING MILLS LIMITED** ("the Company") as at June 30, 2017 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 Repealed 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 Repealed 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 Repealed 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 Repealed 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, 2017 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

Engagement Partner: ***IRFAN RAHMAN MALIK***

Lahore: ***September 28, 2017***

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

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, 2017

	Note	2017	2016
		Rupees	*Rupees*
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2016: 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	**(2,744,398)**	8,212,161
Accumulated profit		**1,342,268,486**	1,300,769,538
TOTAL EQUITY		**1,449,024,088**	1,418,481,699
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	8	**494,645,971**	539,712,204
Liabilities against assets subject to finance lease	9	**-**	-
Employees retirement benefits	10	**70,670,998**	66,908,522
Deferred taxation	11	**51,142,039**	52,031,536
		616,459,008	658,652,262
CURRENT LIABILTIES			
Trade and other payables	12	**275,941,173**	239,845,121
Accrued interest/markup	13	**17,411,243**	11,201,552
Short term borrowings	14	**922,677,657**	452,833,638
Current portion of non-current liabilities	15	**72,263,479**	89,281,356
		1,288,293,552	793,161,667
TOTAL LIABILITIES		**1,904,752,560**	1,451,813,929
CONTINGENCIES AND COMMITMENTS	16		
TOTAL EQUITY AND LIABILITIES		**3,353,776,648**	2,870,295,628

The annexed notes from 1 to 52 form an integral part of these financial statements.

Shahzada Ellahi Shaikh
Director

Lahore: September 28, 2017

BALANCE SHEET
AS AT JUNE 30, 2017

	Note	2017	2016
		Rupees	*Rupees*
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	*17*	**1,172,920,884**	1,213,576,874
Long term deposits	*18*	**7,090,700**	7,090,700
		1,180,011,584	1,220,667,574
CURRENT ASSETS			
Stores, spares and loose tools	*19*	**38,689,803**	43,623,721
Stock in trade	*20*	**850,294,545**	738,170,879
Trade debts	*21*	**390,184,845**	281,423,824
Advances, prepayments and other receivables	*22*	**260,170,428**	206,010,087
Short term investments	*23*	**546,042,499**	119,964,290
Advance income tax	*24*	**72,443,909**	84,239,692
Cash and bank balances	*25*	**15,939,035**	176,195,561
		2,173,765,064	1,649,628,054
TOTAL ASSETS		**3,353,776,648**	2,870,295,628

The annexed notes from 1 to 52 form an integral part of these financial statements.

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	**2017** *Rupees*	2016 *Rupees*
Sales - *net*	*26*	**4,868,596,391**	4,227,909,980
Cost of sales	*27*	**(4,551,646,739)**	(3,982,624,034)
Gross profit		**316,949,652**	245,285,946
Distribution cost	*28*	**(32,358,768)**	(37,709,495)
Administrative expenses	*29*	**(111,527,721)**	(103,088,628)
Other expenses	*30*	**(15,653,977)**	(5,599,443)
		(159,540,466)	(146,397,566)
		157,409,186	98,888,380
Other income	*31*	**21,444,276**	11,464,254
Operating profit		**178,853,462**	110,352,634
Finance cost	*32*	**(57,840,774)**	(50,863,109)
Profit before taxation		**121,012,688**	59,489,525
Provision for taxation	*33*	**(43,341,764)**	11,675,020
Profit after taxation		**77,670,924**	71,164,545
Earnings per share - *basic and diluted*	*34*	**7.09**	6.50

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore: September 28, 2017

Shahzada 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, 2017

	Note	2017 Rupees	2016 Rupees
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available for sale financial assets	23	**(12,890,069)**	531,954
Taxation relating to changes in fair value of available for sale financial assets	11.1	**1,933,510**	(79,793)
		(10,956,559)	452,161
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	10.1	**2,655,119**	597,269
Taxation relating to remeasurements of defined benefit obligation	11.1	**(502,095)**	(94,194)
		2,153,024	503,075
Other comprehensive (loss)/income		**(8,803,535)**	955,236
Profit after taxation		**77,670,924**	71,164,545
Total comprehensive income		**68,867,389**	72,119,781

The annexed notes from 1 to 52 form an integral part of these financial statements.

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 28, 2017

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	2016
		Rupees	*Rupees*
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated/(used in) from operations	35	**79,153,429**	(95,837,442)
Payments for:			
Employees retirement benefits		**(18,498,021)**	(11,927,226)
Interest/markup/profit on borrowings		**(48,483,867)**	(45,339,048)
Income tax		**(31,004,063)**	(46,339,718)
Net cash used in operating activities		**(18,832,522)**	(199,443,434)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(99,164,178)**	(303,950,822)
Proceeds from disposal of property, plant and equipment		**6,908,001**	4,715,959
Purchase of short term investments		**(654,698,728)**	(914,395,330)
Proceeds from disposal of short term investments		**218,545,684**	973,404,637
Dividend received		**17,808,798**	1,742,500
Net cash used in investing activities		**(510,600,423)**	(238,483,056)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**52,148,841**	272,476,463
Repayment of long term finances		**(113,124,166)**	(72,040,831)
Repayment of liabilities against assets subject to finance lease		**(1,108,785)**	(3,938,271)
Net increase in short term borrowings		**469,217,314**	306,980,355
Dividend paid		**(37,956,785)**	(38,032,133)
Net cash generated from financing activities		**369,176,419**	465,445,583
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(160,256,526)**	27,519,093
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**-**	1,864
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**176,195,561**	148,674,604
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	36	**15,939,035**	176,195,561

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore: September 28, 2017

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	Share capital	Capital reserves				
	Issued subscribed and paid-up capital	Changes in fair value of available for sale financial assets	Reserve on merger	Total	Accumulated profit	Total equity
	Rupees	*Rupees*	*Rupees*	*Rupees*	*Rupees*	*Rupees*
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
Balance as at July 01, 2016	**109,500,000**	**452,161**	**7,760,000**	**8,212,161**	**1,300,769,538**	**1,418,481,699**
Comprehensive income						
Profit after taxation	**-**	**-**	**-**	**-**	**77,670,924**	**77,670,924**
Other comprehensive income/(loss)	**-**	**(10,956,559)**	**-**	**(10,956,559)**	**2,153,024**	**(8,803,535)**
Total comprehensive income/(loss)	**-**	**(10,956,559)**	**-**	**(10,956,559)**	**79,823,948**	**68,867,389**
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, 2017	**109,500,000**	**(10,504,398)**	**7,760,000**	**(2,744,398)**	**1,342,268,486**	**1,449,024,088**

The annexed notes from 1 to 52 form an integral part of these financial statements.

Lahore: September 28, 2017

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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

During the year, the Companies Act 2017 ('the Act') has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated July 20, 2017 communicated that the Commission has decided that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') and Islamic Financial Accounting Standards ('IFASs') issued by the Institute of Chartered Accountants of Pakistan ('ICAP') as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the repealed Companies Ordinance, 1984 shall 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 assumption

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 14 – Regulatory Deferral Accounts (2014)

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Equity Method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)

IAS 27 - Separate Financial Statements has been amended to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)

IFRS 11 - Joint Arrangements has been amended to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- Apply all of the business combinations accounting principles in IFRS 3 - Business Combinations and other IFRSs, except for those principles that conflict with the guidance in IFRS 11.
- Disclose the information required by IFRS 3 - Business Combinations and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets have been amended to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

Agriculture: Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture have been amended to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16.
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)

IAS 1 Presentation of Financial Statements has been amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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)
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 - Income Taxes)	January 01, 2017
Disclosure initiative (Amendments to IAS 7 - Statement of Cash Flows)	January 01, 2017
IFRS 9 – Financial Instruments (2014)	January 01, 2018
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2018
IFRS 16 – Leases (2016)	January 01, 2019
IFRS 17 – Insurance contracts (2017)	January 01, 2021
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	Deferred Indefinitely
Clarifications to IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRIC 22 - Foreign Currency Transactions and Advances Consideration	January 01, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 - Share-based Payment)	January 01, 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4 - Insurance Contracts)	January 01, 2018
Transfers of Investment Property (Amendments to IAS 40 - Investment Property)	January 01, 2018
Annual Improvements to IFRS 2014–2016 Cycle	January 01, 2018
Companies Act, 2017	July 01, 2017

The Company intends to adopt these new and revised standards, interpretations and amendments on their effective dates, subject to, where required, notification by Securities and Exchange Commission of Pakistan 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 15 – Revenue from Contracts with Customers (2014)

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customer.

- Identify the contract with customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contracts.
- Recognized revenue when or as the entity satisfies a performance obligation.

Adoption of this IFRS 15 may result in material adjustment to carrying amounts of contract revenue, expenses, 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.

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 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.

5.11 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	**2017**	2016
			Rupees	*Rupees*
6	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL**			
	Ordinary shares of Rs. 10 each			
	8,760,000 (2016: 8,760,000) shares issued for cash		**87,600,000**	87,600,000
	2,190,000 (2016: 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		**(10,504,398)**	452,161
	Reserve on merger	*7.1*	**7,760,000**	7,760,000
			(2,744,398)	8,212,161

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

	Note	**2017** *Rupees*	2016 *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
TF - II	*8.2*	**120,000,000**	160,000,000
TF - III	*8.3*	**56,326,650**	70,408,312
TF - IV	*8.4*	**90,909,090**	100,000,000
TF - V	*8.5*	**-**	24,951,594
TF - VI	*8.6*	**199,953,389**	199,953,389
TF - VII	*8.7*	**47,571,480**	47,571,480
TF - VIII	*8.8*	**52,148,841**	-
		566,909,450	627,884,775
Current maturity presented under current liabilities	*15*	**(72,263,479)**	(88,172,571)
		494,645,971	539,712,204

8.1 The finance was obtained from United Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest/markup at six months KIBOR plus 1.2% per annum payable semi-annually. The finance has been fully repaid during the year.

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 0.75% per annum (2016: 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 (2016: 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 (2016: 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 was obtained from Bank Alfalah Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company. The finance carried interest/markup at six months KIBOR plus 0.75% per annum payable quarterly. The finance has been fully repaid during the year.

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% per annum (2016: SBP base rate plus 0.5% per annum) 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 (2016: 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 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 November 2018.

8.9 For mortgages and charges on assets as security for liabilities, refer to note 42 to the financial statements.

	Note	2017	2016
		Rupees	*Rupees*

9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2017	2016
Present value of minimum lease payments	*9.1 & 9.2*	-	1,108,785
Current maturity presented under current liabilities	*9.1 & 9.2*	-	(1,108,785)
		-	-

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 (2016: 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	2017	2016
		Rupees	*Rupees*
Not later than one year		-	1,131,218
Later than one year but not later than five years		-	-
Total future minimum lease payments		-	1,131,218
Finance charge allocated to future periods		-	(22,433)
Present value of future minimum lease payments		-	1,108,785
Not later than one year	*15*	-	(1,108,785)
Later than one year but not later than five years		-	-

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	2017	2016
		Rupees	*Rupees*
10.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**66,908,522**	54,593,956
Charged to profit or loss for the year	*10.2*	**24,915,616**	24,839,061
Benefits paid during the year		**(18,498,021)**	(11,927,226)
Remeasurements recognized in other comprehensive income	*10.4*	**(2,655,119)**	(597,269)
As at end of the year		**70,670,998**	66,908,522
10.2 Charge to profit or loss			
Current service cost		**20,735,301**	20,097,603
Interest cost		**4,180,315**	4,741,458
		24,915,616	24,839,061

	Note	2017	2016
		Rupees	*Rupees*

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

	Note	2017 Rupees	2016 Rupees
Cost of sales	*27.2*	**14,140,124**	15,187,814
Administrative and general expenses	*29.1*	**10,775,492**	9,651,247
		24,915,616	24,839,061

10.4 Remeasurements recognized in other comprehensive income

	2017 Rupees	2016 Rupees
Actuarial gain arising from:		
Changes in demographic assumptions	**-**	3,301,239
Changes in financial assumptions	**137,481**	(658,879)
Experience adjustments	**(2,792,600)**	(3,239,629)
	(2,655,119)	(597,269)

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:

	2017	2016
Discount rate	**7.75%**	7.25%
Expected rate of increase in salary	**5.75%**	5.25%
Expected average remaining working lives	**7 years**	7 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, 2018 amounts to Rs. 26.78 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:

	2017		2016	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	66,338,894	+ 1%	62,688,012
	- 1%	75,599,580	- 1%	71,713,589
Expected rate of increase in salary	+ 1%	75,843,207	+ 1%	71,949,378
	- 1%	66,042,010	- 1%	62,400,039

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	**2017**	2016
		Rupees	*Rupees*
11 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*11.1*	**119,424,123**	102,195,673
Deferred tax asset on deductible temporary differences	*11.1*	**(68,282,084)**	(50,164,137)
		51,142,039	52,031,536

11.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017			
	As at July 01, 2016	**Recognized in profit or loss**	**Recognized in OCI**	**As at June 30, 2017**
	Rupees	***Rupees***	***Rupees***	***Rupees***
Deferred tax liabilities				
Operating fixed assets - owned	**101,126,589**	**18,129,484**	**-**	**119,256,073**
Operating fixed assets - leased	**810,031**	**(810,031)**	**-**	**-**
Intangible assets	**179,260**	**(11,210)**	**-**	**168,050**
Short term investments	**79,793**	**(79,793)**	**-**	**-**
	102,195,673	**17,228,450**	**-**	**119,424,123**
Deferred tax assets				
Employees retirement benefits	**(10,551,971)**	**(3,314,326)**	**502,095**	**(13,364,202)**
Short term investments	**-**	**-**	**(1,933,510)**	**(1,933,510)**
Unused losses and credits	**(39,612,166)**	**(13,372,206)**	**-**	**(52,984,372)**
	(50,164,137)	**(16,686,532)**	**(1,431,415)**	**(68,282,084)**
	52,031,536	**541,918**	**(1,431,415)**	**51,142,039**

	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)
Short term investments	-	-	-	-
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

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 30% (2016: 31%) 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% (2016: 15%) of the timing differences based on tax rates notified by the Government of Pakistan for future tax years for such income.

	Note	**2017**	2016
		Rupees	*Rupees*
12 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**31,471,589**	34,556,378
Accrued liabilities		**127,263,866**	106,044,828
Advances from customers - *Unsecured*		**9,083,011**	3,949,522
Infrastructure tax	*12.1*	**65,597,039**	59,183,318
Workers' Profit Participation Fund	*12.2*	**6,559,531**	3,296,582
Workers' Welfare Fund	*12.3*	**20,866,081**	18,662,637
Unclaimed dividend		**4,606,115**	4,237,900
Other payables - *Unsecured*		**10,493,941**	9,913,956
		275,941,173	239,845,121

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

		Note	2017 Rupees	2016 Rupees
12.2	**Workers' Profit Participation Fund**			
	As at beginning of the year		**3,296,582**	4,895,355
	Interest on funds utilized by the Company	*12.2.1*	**450,525**	947,682
	Charged to profit or loss for the year	*30*	**6,508,771**	3,245,822
	Paid during the year		**(3,696,347)**	(5,792,277)
	As at end of the year		**6,559,531**	3,296,582

12.2.1 Interest has been charged at 26.25% (2016: 26.25%) per annum.

		Note	2017 Rupees	2016 Rupees
12.3	**Workers' Welfare Fund**			
	As at beginning of the year		**18,662,637**	18,190,484
	Charged to profit or loss for the year	*30*	**2,203,444**	1,233,412
	Paid/adjusted during the year		**-**	(761,259)
	As at end of the year		**20,866,081**	18,662,637
13	**ACCRUED INTEREST/MARKUP**			
	Long term finances		**8,036,166**	6,883,604
	Liabilities against assets subject to finance lease		**-**	15,793
	Short term borrowings		**9,375,077**	4,302,155
			17,411,243	11,201,552

14 SHORT TERM BORROWINGS

Secured

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

	Note	2017 Rupees	2016 Rupees
Running finances	*14.1*	**431,710,985**	225,898,030
Running musharakah	*14.2*	**169,348,286**	2,353
Term loans	*14.3*	**276,581,588**	200,645,222
		877,640,859	426,545,605
Unsecured			
Book overdraft	*14.4*	**45,036,798**	26,288,033
		922,677,657	452,833,638

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 (2016: one to three months KIBOR plus 0.20% to 0.75% 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 (2016: three months KIBOR plus 0.20% per annum) payable quarterly.

14.3 These facilities have been obtained from various commercial banks for import of goods and are secured by charge over all present and future current assets of the Company, lien over documents of title of imported goods and trust receipts. These carry interest/markup at rates ranging from 1% to 2.25% 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 (2016: Rs. 2,212 million) out of which Rs. 1,289 million (2016: Rs. 1,785 million) remained unavailed as at the reporting date.

14.6 For mortgages and charges on assets as security for liabilities, refer to note 42 to the financial statements.

		Note	2017	2016
			Rupees	*Rupees*
15	**CURRENT PORTION OF NON-CURRENT LIABILITIES**			
	Long term finances	8	**72,263,479**	88,172,571
	Liabilities against assets subject to finance lease	9	**-**	1,108,785
			72,263,479	89,281,356
16	**CONTINGENCIES AND COMMITMENTS**			
16.1	**Contingencies**			
16.1.1	Guarantees issued by banks on behalf of the Company		**166,203,053**	149,641,844
16.1.2	Bills discounted/negotiated		**-**	58,038,425

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.

		2017	2016
		Rupees	*Rupees*
16.2	**Commitments**		
16.2.1	Commitments under irrevocable letters of credit for:		
	- purchase of property plant and equipment	**1,165,518,505**	27,164,549
	- purchase of stores, spare and loose tools	**18,434,649**	2,444,050
	- purchase of raw material	**51,075,067**	93,551,527
		1,235,028,221	123,160,126

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	2017	2016
			Rupees	*Rupees*
	- payments not later than one year		**396,000**	360,000
	- payments later than one year		**-**	-
			396,000	360,000
17	**FIXED ASSETS**			
	Property, plant and equipment			
	Operating fixed assets	17.1	**1,162,585,962**	1,207,480,222
	Capital work in progress	17.2	**5,478,267**	-
			1,168,064,229	1,207,480,222
	Intangible assets	17.3	**4,856,655**	6,096,652
			1,172,920,884	1,213,576,874

17.1 Operating fixed assets

	2017										
	COST						DEPRECIATION				
	As at July 01, 2016 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2017 *Rupees*	Rate %	As at July 01, 2016 *Rupees*	For the year *Rupees*	Disposal/ transfer adjustment *Rupees*	As at June 30, 2017 *Rupees*	Net book value as at June 30, 2017 *Rupees*
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-	-	6,093,568
Buildings on freehold land											
Mills	184,810,390	-	-	3,479,103	188,289,493	10	134,203,084	5,168,280	-	139,371,364	48,918,129
Other factory buildings	68,841,136	-	-	-	68,841,136	5	32,080,876	1,842,247	-	33,923,123	34,918,013
	253,651,526	-	-	3,479,103	257,130,629		166,283,960	7,010,527	-	173,294,487	83,836,142
Plant and machinery	2,030,006,391	-	(32,945,732)	92,170,888	2,089,231,547	10	1,000,765,583	107,495,343	(18,975,702)	1,089,285,224	999,946,323
Electric installations and equipment	82,025,017	-	-	-	82,025,017	10	54,602,942	2,742,207	-	57,345,149	24,679,868
Factory equipment	19,595,787	-	-	-	19,595,787	10	14,001,531	559,425	-	14,560,956	5,034,831
Office equipment	24,202,839	1,828,358	(86,000)	-	25,945,197	10	10,525,600	1,433,647	(20,382)	11,938,865	14,006,332
Furniture and fixtures	7,342,103	212,770	-	-	7,554,873	10	5,114,075	233,054	-	5,347,129	2,207,744
Arms and ammunition	631,513	-	-	-	631,513	10	498,740	13,278	-	512,018	119,495
Vehicles	58,026,461	6,294,499	(5,719,420)	-	58,601,540	20	28,570,060	6,329,762	(2,959,941)	31,939,881	26,661,659
	2,481,575,205	8,335,627	(38,751,152)	95,649,991	2,546,809,671		1,280,362,491	125,817,243	(21,956,025)	1,384,223,709	1,162,585,962
Assets subject to finance lease											
Plant and machinery	10,299,707	-	-	(10,299,707)	-	10	4,032,199	145,060	(4,177,259)	-	-
	2,491,874,912	8,335,627	(38,751,152)	85,350,284	2,546,809,671		1,284,394,690	125,962,303	(26,133,284)	1,384,223,709	1,162,585,962

	2016										
	COST						DEPRECIATION				
	As at July 01, 2015 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2016 *Rupees*	Rate %	As at July 01, 2015 *Rupees*	For the year *Rupees*	Disposal /transfer adjustment *Rupees*	As at June 30, 2016 *Rupees*	Net book value as at June 30, 2016 *Rupees*
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-	-	6,093,568
Buildings on freehold land											
Mills	184,810,390	-	-	-	184,810,390	10	128,589,465	5,613,619	-	134,203,084	50,607,306
Other factory buildings	68,841,136	-	-	-	68,841,136	5	30,141,669	1,939,207	-	32,080,876	36,760,260
	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 installation 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	19,595,787	-	-	-	19,595,787	10	13,379,947	621,584	-	14,001,531	5,594,256
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

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**

2017

Particulars	**Cost**	**Accumulated depreciation**	**Net book value**	**Disposal proceeds**	**Gain/(loss) on disposal**	**Mode of disposal**	**Particulars of buyer**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***		
Plant and machinery							
Savio Auto Coner	**13,387,481**	**8,791,591**	**4,595,890**	**2,300,000**	**(2,295,890)**	**Negotiation**	**Sana Industries Limited**
Savio Auto Coner	**11,984,570**	**8,568,433**	**3,416,137**	**830,001**	**(2,586,136)**	**Negotiation**	**Sana Industries Limited**
Fly Frame	**7,573,681**	**5,792,937**	**1,780,744**	**754,000**	**(1,026,744)**	**Negotiation**	**Abdullah Textile Trader**
	32,945,732	**23,152,961**	**9,792,771**	**3,884,001**	**(5,908,770)**		
Office Equipment							
Laptop	**86,000**	**20,382**	**65,618**	**23,000**	**(42,618)**	**Negotiation**	**Mr. Waqar Hussain**
Vehicles							
Motorcycle	**68,500**	**39,261**	**29,239**	**23,000**	**(6,239)**	**Negotiation**	**Mr. Jamil Hassan**
Honda City	**1,672,000**	**914,621**	**757,379**	**886,000**	**128,621**	**Negotiation**	**Mr. Mahar Asif Yaar**
Honda City	**1,512,000**	**639,408**	**872,592**	**935,000**	**62,408**	**Negotiation**	**Mr. Mehar Asif Yaar**
Suzuki Swift	**1,233,460**	**702,973**	**530,487**	**575,000**	**44,513**	**Negotiation**	**Mr. Irfan**
Suzuki Swift	**1,233,460**	**663,678**	**569,782**	**582,000**	**12,218**	**Negotiation**	**Mr. Amir Javeed**
	5,719,420	**2,959,941**	**2,759,479**	**3,001,000**	**241,521**		
	38,751,152	**26,133,284**	**12,617,868**	**6,908,001**	**(5,709,867)**		

2016

Particulars	Cost	Accumulated depreciation	Net book value	Disposal proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyer
	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		

	Note	2017	2016
		Rupees	*Rupees*

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

	Note	2017 Rupees	2016 Rupees
Cost of sales	*27*	**117,952,562**	99,087,767
Administrative and general expenses	*29*	**8,009,741**	7,423,889
		125,962,303	106,511,656

17.2 Capital work in progress

	2017			
	As at July 01, 2016 ***Rupees***	**Additions** ***Rupees***	**Transfers** ***Rupees***	**As at June 30, 2017** ***Rupees***
Building	**-**	**3,479,103**	**(3,479,103)**	**-**
Plant and machinery	**-**	**87,349,448**	**(81,871,181)**	**5,478,267**
	-	**90,828,551**	**(85,350,284)**	**5,478,267**

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

17.3 INTANGIBLE ASSETS

	2017							
	Cost				**Accumulated Amortization**			**Net book**
	As at July 01, 2016 *Rupees*	**Additions** *Rupees*	**Transfers** *Rupees*	**As at June 30, 2017** *Rupees*	**As at July 01, 2016** *Rupees*	**For the period** *Rupees*	**As at June 30, 2017** *Rupees*	**value as at June 30, 2017** *Rupees*
Software	**6,199,985**	**-**	**-**	**6,199,985**	**103,333**	**1,239,997**	**1,343,330**	**4,856,655**
	6,199,985	**-**	**-**	**6,199,985**	**103,333**	**1,239,997**	**1,343,330**	**4,856,655**

	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

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

17.3.2 Transfers represent related hardware transferred to operating fixed assets.

18 LONG TERM DEPOSIT

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.

		2017	2016
		Rupees	*Rupees*
19	**STORES, SPARES AND LOOSE TOOLS**		
	Stores	**30,700,341**	39,630,326
	Spares	**7,872,845**	3,925,080
	Loose tools	**116,617**	68,315
		38,689,803	43,623,721

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

		Note	**2017**	2016
			Rupees	*Rupees*
20	**STOCK IN TRADE**			
	Raw material		**751,263,154**	587,424,897
	Work in process		**46,147,798**	53,273,667
	Finished goods	*20.1*	**52,883,593**	97,472,315
			850,294,545	738,170,879

20.1 Stock of finished goods include stock of waste valued at Rs. 13,888,903 (2016: Rs. 4,286,806). 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	**2017**	2016
			Rupees	*Rupees*
21	**TRADE DEBTS**			
	Local - *unsecured, considered good*		**375,448,860**	263,025,667
	Foreign - *secured*	*21.1*	**14,735,985**	18,398,157
			390,184,845	281,423,824
21.1	These are secured through letters of credit.			
22	**ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**			
	Advances to suppliers - *unsecured, considered good*		**63,777,331**	60,176,224
	Advances to employees - *unsecured, considered good*	*22.1*	**885,379**	946,220
	Prepayments		**1,593,731**	8,791,646
	Export rebate receivable		**1,949,596**	534,403
	Letters of credit		**4,661,477**	4,642,496
	Sales tax refundable		**182,119,692**	125,965,595
	Other receivables - *unsecured, considered good*		**5,183,222**	4,953,503
			260,170,428	206,010,087

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	2017	2016
			Rupees	*Rupees*
23	**SHORT TERM INVESTMENTS**			
	Investments in mutual fund units	*23.1*		
	Cost of investment		**31,740,304**	-
	Changes in fair value		**(4,096,219)**	-
			27,644,085	-
	Investments in listed equity securities	*23.2*		
	Cost of investment		**527,192,264**	119,432,336
	Changes in fair value		**(8,793,850)**	531,954
			518,398,414	119,964,290
			546,042,499	119,964,290

23.1 These represent investments in mutual fund units have been designated as 'available for sale financial assets' on initial recognition. The details are as follows.

	2017	2016
	Rupees	*Rupees*
NAFA Islamic Energy Fund		
1,040,543 units (2016: nil units)		
Market value per unit: Rs. 13.0957 (2016: Rs. nil)		
Cost of investment	**15,716,230**	-
Changes in fair value	**(2,089,590)**	-
	13,626,640	-
NAFA Stock Fund		
864,538 units (2016: nil units)		
Market value per unit: Rs. 16.2138 (2016: Rs. nil)		
Cost of investment	**16,024,074**	-
Changes in fair value	**(2,006,629)**	-
	14,017,445	-
	27,644,085	**-**

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.

	2017	2016
	Rupees	*Rupees*
Pakistan Petroleum Limited		
265,000 ordinary shares of Rs. 10 each (2016: 150,000) Market value: Rs. 148.14 (2016: Rs. 155.05) per share		
Cost of investment	**41,938,737**	24,121,617
Changes in fair value	**(2,681,637)**	(864,117)
	39,257,100	23,257,500
Oil and Gas Development Company Limited		
25,000 ordinary shares of Rs. 10 each (2016: 25,000) Market value per share: Rs. 140.69 (2016: Rs. 138.07)		
Cost of investment	**3,451,750**	4,206,258
Changes in fair value	**65,500**	(754,508)
	3,517,250	3,451,750
United Bank Limited		
233,000 ordinary shares of Rs. 10 each (2016: 100,000) Market value per share: Rs. 235.52 (2016: Rs. 176.92)		
Cost of investment	**47,657,187**	14,560,218
Changes in fair value	**7,218,973**	3,131,782
	54,876,160	17,692,000
Fatima Fertilizer Company Limited		
370,000 ordinary shares of Rs. 10 each (2016: 100,000) Market value per share: Rs. 33.69 (2016: Rs. 33.94)		
Cost of investment	**11,743,965**	3,894,261
Changes in fair value	**721,336**	(500,261)
	12,465,301	3,394,000
Bank Al Habib Limited		
483,000 ordinary shares of Rs. 10 each (2016: 200,000) Market value per share: Rs. 56.75 (2016: Rs. 43.12)		
Cost of investment	**25,543,606**	8,012,520
Changes in fair value	**1,866,645**	611,480
	27,410,251	8,624,000
Engro Fertilizers Limited		
1,335,500 ordinary shares of Rs. 10 each (2016: 985,500) Market value per share: Rs. 55.24 (2016: Rs. 64.48)		
Cost of investment	**86,302,597**	64,637,462
Changes in fair value	**(12,529,577)**	(1,092,422)
	73,773,020	63,545,040
Fauji Cement Company Limited		
1,250,000 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 41.03 (2016: Rs. nil)		
Cost of investment	**48,737,299**	-
Changes in fair value	**2,550,201**	-
	51,287,500	-

	Note	2017 Rupees	2016 Rupees
International Steel Limited			
100,000 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 127.89 (2016: Rs. nil)			
Cost of investment		13,239,361	-
Changes in fair value		(450,361)	-
		12,789,000	-
Habib Metropolitan Bank Limited			
447,500 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 33.05 (2016: Rs. nil)			
Cost of investment		16,222,665	-
Changes in fair value		(1,432,790)	-
		14,789,875	-
Pak Elektron Limited			
100,000 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 110.32 (2016: Rs. nil)			
Cost of investment		8,667,179	-
Changes in fair value		2,364,821	-
		11,032,000	-
Century Paper And Board Mills Limited			
120,000 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 98.05 (2016: Rs. nil)			
Cost of investment		9,967,301	-
Changes in fair value		1,798,699	-
		11,766,000	-
Agriauto Industries Limited			
19,400 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 431.9 (2016: Rs. nil)			
Cost of investment		8,633,373	-
Changes in fair value		(254,512)	-
		8,378,861	-
Shabbir Tiles And Ceramics Limited			
200,000 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 19.17 (2016: Rs. nil)			
Cost of investment		3,988,192	-
Changes in fair value		(154,192)	-
		3,834,000	-
Loads Limited			
100,000 ordinary shares of Rs. 10 each (2016: nil) Market value per share: Rs. 41.47 (2016: Rs. nil)			
Cost of investment		4,862,355	-
Changes in fair value		(715,355)	-
		4,147,000	-

	Note	2017 Rupees	2016 Rupees
Bank Alfalah Limited			
333,000 ordinary shares of Rs. 10 each (2016: nil)			
Market value per share: Rs. 40.2 (2016: Rs. nil)			
Cost of investment		**13,758,810**	-
Changes in fair value		**(372,209)**	-
		13,386,601	-
Mari Petroleum Company Limited			
10,000 ordinary shares of Rs. 10 each (2016: nil)			
Market value per share: Rs. 1575.64 (2016: Rs. nil)			
Cost of investment		**15,416,807**	-
Changes in fair value		**339,593**	-
		15,756,400	-
MCB Bank Limited			
100,000 ordinary shares of Rs. 10 each (2016: nil)			
Market value per share: Rs. 210.43 (2016: Rs. nil)			
Cost of investment		**21,037,695**	-
Changes in fair value		**5,305**	-
		21,043,000	-
Separately Managed Account	*23.2.1*		
Cost of investment		**146,023,385**	-
Changes in fair value		**(7,134,290)**	-
		138,889,095	-
		518,398,414	119,964,290

23.2.1 These represent investments in listed equity securities through a separately managed account with Alfalah GHP Investment Management Limited.

	Note	2017 Rupees	2016 Rupees
24 ADVANCE INCOME TAX			
Advance income tax/income tax refundable		**115,288,755**	99,140,123
Provision for taxation	*33*	**(42,844,846)**	(14,900,431)
		72,443,909	84,239,692
25 CASH AND BANK BALANCES			
Cash in hand		**-**	2,565,443
Cash at bank:			
Current accounts - *local currency*		**15,939,035**	73,525,863
Deposit/saving accounts - *local currency*		**-**	100,071,233
Deposit/saving accounts - *foreign currency*		**-**	33,022
		15,939,035	173,630,118
		15,939,035	176,195,561

26 SALES - *NET*

	Note	2017			
		Yarn	Raw cotton, polyester etc.	Waste	Total
		Rupees	*Rupees*	*Rupees*	*Rupees*
Local		**4,389,103,957**	**132,123,687**	**106,661,420**	**4,627,889,064**
Export	*26.1*	**221,057,666**	**-**	**19,603,769**	**240,661,435**
Gross sales		**4,610,161,623**	**132,123,687**	**126,265,189**	**4,868,550,499**
Export rebate		**1,415,193**	**-**	**-**	**1,415,193**
Sales tax		**-**	**-**	**(1,369,301)**	**(1,369,301)**
		4,611,576,816	**132,123,687**	**124,895,888**	**4,868,596,391**

	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

26.1 Yarn export sales include indirect exports amounting to Rs.157,507,040 (2016: Rs.524,151,801).

		Note	2017 Rupees	2016 Rupees
27	**COST OF SALES**			
	Raw material consumed	*27.1*	**3,242,907,648**	2,778,363,474
	Stores, spares and loose tools consumed		**183,739,667**	167,607,732
	Salaries, wages and benefits	*27.2*	**375,180,996**	309,650,214
	Insurance		**9,973,044**	8,463,882
	Power and fuel		**466,731,742**	372,951,188
	Repair and maintenance		**11,562,480**	10,690,226
	Depreciation	*17.1.3*	**117,952,562**	99,087,767
	Others		**13,822,259**	13,318,650
	Manufacturing cost		**4,421,870,398**	3,760,133,133
	Work in process			
	As at beginning of the year		**53,273,667**	46,147,113
	As at end of the year		**(46,147,798)**	(53,273,667)
			7,125,869	(7,126,554)
	Cost of goods manufactured		**4,428,996,267**	3,753,006,579
	Finished goods			
	As at beginning of the year		**97,472,315**	40,271,540
	Purchased during the year		**78,061,750**	286,818,230
	As at end of the year		**(52,883,593)**	(97,472,315)
			122,650,472	229,617,455
			4,551,646,739	3,982,624,034
27.1	**Raw material consumed**			
	As at beginning of the year		**587,424,897**	582,447,109
	Purchased during the year		**3,522,762,626**	2,856,137,382
	Sold during the year		**(116,016,721)**	(72,796,120)
	As at end of the year		**(751,263,154)**	(587,424,897)
			3,242,907,648	2,778,363,474

27.2 These include charge in respect of employees retirement benefits amounting to Rs. 14,140,124 (2016: Rs. 15,187,814).

		Note	2017 Rupees	2016 Rupees
28	**DISTRIBUTION COST**			
	Export			
	Ocean freight and forwarding		**7,135,458**	9,408,437
	Commission		**1,253,396**	7,053,858
	Export development surcharge		**195,446**	907,099
			8,584,300	17,369,394
	Local			
	Inland transportation		**12,537,690**	11,512,069
	Commission		**10,864,470**	8,257,936
	Others		**372,308**	570,096
			23,774,468	20,340,101
			32,358,768	37,709,495
29	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration	*43*	**8,344,279**	13,950,394
	Directors' meeting fee	*43*	**420,000**	340,000
	Salaries and benefits	*29.1*	**65,472,195**	55,124,035
	Rent, rates and taxes		**756,000**	690,000
	Printing and stationery		**880,843**	975,296
	Communication		**2,012,886**	2,117,580
	Electricity		**2,634,179**	2,444,436
	Repair and maintenance		**379,904**	562,794
	Vehicles running and maintenance		**4,265,341**	3,972,056
	Traveling and conveyance		**6,135,629**	7,563,273
	Legal and professional charges		**2,581,994**	1,845,168
	Auditors' remuneration	*29.2*	**776,500**	776,500
	Fee and subscription		**2,718,940**	1,252,866
	Entertainment		**576,080**	452,999
	Insurance		**3,886,742**	3,207,605
	Depreciation	*17.1.3*	**8,009,741**	7,423,889
	Amortization of intangible assets	*17.3*	**1,239,997**	103,333
	Others		**436,471**	286,404
			111,527,721	103,088,628

29.1 These include charge in respect of employees retirement benefits amounting to Rs. 10,775,492 (2016: Rs. 9,651,247).

		Note	2017 Rupees	2016 Rupees
29.2	**Auditor's remuneration**			
	Annual statutory audit		**577,500**	577,500
	Half yearly review		**136,500**	136,500
	Review report under Code of Corporate Governance		**52,500**	52,500
	Out of pocket expenses		**10,000**	10,000
			776,500	776,500

	Note	2017 Rupees	2016 Rupees
30 OTHER EXPENSES			
Loss on financial instruments			
Foreign exchange loss		**631,895**	620,209
Other expenses			
Loss on disposal of property, plant and equipment	17.1.2	**5,709,867**	-
Workers' Profit Participation Fund	12.2	**6,508,771**	3,245,822
Workers' Welfare Fund	12.3	**2,203,444**	1,233,412
Donations	30.1	**600,000**	500,000
		15,022,082	4,979,234
		15,653,977	5,599,443

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

	Note	2017 Rupees	2016 Rupees
31 OTHER INCOME			
Gain on financial instruments			
Gain on disposal of short term investments		**2,815,234**	7,947,604
Return on term deposits		**53,425**	265,318
Dividend income		**17,808,798**	1,742,500
		20,677,457	9,955,422
Other income			
Gain on disposal of property, plant and equipment	17.1.2	**-**	788,694
Scrap sale		**766,819**	720,138
		766,819	1,508,832
		21,444,276	11,464,254
32 FINANCE COST			
Interest/markup/profit on borrowings:			
long term finances		**30,026,147**	33,345,498
liabilities against assets subject to finance lease		**27,589**	475,399
short term borrowings		**24,639,822**	12,276,846
		54,693,558	46,097,743
Interest on workers' profit participation fund	12.2	**450,525**	947,682
Bank charges and commission		**2,696,691**	3,817,684
		57,840,774	50,863,109

	Note	2017 Rupees	2016 Rupees
33 PROVISION FOR TAXATION			
Current taxation			
for current year	24 & 33.1	**42,844,846**	14,900,431
for prior years		**(45,000)**	468,740
		42,799,846	15,369,171
Deferred taxation			
attributable to origination and reversal of temporary differences		**2,220,355**	(24,519,121)
attributable to changes in tax rates		**(1,678,437)**	(2,525,070)
	11.1	**541,918**	(27,044,191)
		43,341,764	(11,675,020)

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, 2017 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 2016 notified a reduced tax rate of 31% for tax year 2017 as compared to 32% 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 2016 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 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.

33.8 The DCIR through notice dated April 10, 2017 initiated proceedings under section 161/205 of the Ordinance for tax years 2013 and 2014. The proceedings are yet to be concluded.

	Unit	2017	2016
34 EARNINGS PER SHARE - *BASIC AND DILUTED*			
Profit attributable to ordinary shareholders	Rupees	**77,670,924**	71,164,545
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	**7.09**	6.50

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

	2017	2016
	Rupees	*Rupees*

35 CASH GENERATED FROM OPERATIONS

	2017 Rupees	2016 Rupees
Profit before taxation	**121,012,688**	59,489,525
Adjustments for non-cash and other items		
Interest/markup/profit on borrowings	**54,693,558**	46,097,743
Loss/(gain) on disposal of property, plant and equipment	**5,709,867**	(788,694)
Foreign exchange loss	**631,895**	620,209
Dividend income	**(17,808,798)**	(1,742,500)
Gain on disposal of short term investments	**(2,815,234)**	(7,947,604)
Provision for employees retirement benefits	**24,915,616**	24,839,061
Depreciation	**125,962,303**	106,511,656
Amortization of intangible asset	**1,239,997**	103,333
	192,529,204	167,693,204
	313,541,892	227,182,729
Changes in working capital		
Stores, spares and loose tools	**4,933,918**	6,190,866
Stock in trade	**(112,123,666)**	(69,305,117)
Trade debts	**(108,766,211)**	(65,381,144)
Advances, prepayments and other receivables	**(54,160,341)**	(163,767,755)
Trade and other payables	**35,727,837**	(30,757,021)
	(234,388,463)	(323,020,171)
Cash generated from/(used in) operations	**79,153,429**	(95,837,442)

36 CASH AND CASH EQUIVALENTS

	2017 Rupees	2016 Rupees
Cash and bank balances	**15,939,035**	176,195,561
	15,939,035	176,195,561

37 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. Detail of transactions with related parties is as follows:

37.1 Transactions with related parties

Nature of relationship	Nature of transactions	2017 Rupees	2016 Rupees
Associated companies	Purchases	**12,202,250**	76,637,954
	Sales	**741,435,524**	1,145,617,237
	Dividend paid	**9,322,114**	9,322,114
Key management personnel	Short term employee benefits	**8,764,279**	14,290,394
	Dividend paid to directors and their family members	**17,131,531**	17,969,434

38 FINANCIAL INSTRUMENTS

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

		Note	2017	2016
			Rupees	Rupees
38.1	**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	**390,184,845**	281,423,824
	Cash at bank	25	**15,939,035**	173,630,118
			413,214,580	462,144,642
	Available for sale financial assets			
	Investments in mutual fund units	23.1	**27,644,085**	-
	Investments in listed equity securities	23.2	**518,398,414**	119,964,290
			546,042,499	119,964,290
			959,257,079	584,674,375
38.2	**Financial liabilities**			
	Financial liabilities at amortized cost			
	Long term finances	8	**566,909,450**	627,884,775
	Liabilities against assets subject to finance lease	9	**-**	1,108,785
	Short term borrowings	14	**922,677,657**	452,833,638
	Accrued interest/markup	13	**17,411,243**	11,201,552
	Trade creditors	12	**31,471,589**	34,556,378
	Accrued liabilities	12	**127,263,866**	106,044,828
	Unclaimed dividend	12	**4,606,115**	4,237,900
			1,670,339,920	1,237,867,856

39 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:

39.1 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.

39.1.1 Maximum exposure to credit risk

Credit risk principally arises from the Company's loans and receivables and investment in separately managed accounts with asset management companies. The maximum exposure to credit risk as at the reporting date is as follows:

	Note	2017	2016
		Rupees	*Rupees*
Loans and receivables			
Long term deposits	*18*	**7,090,700**	7,090,700
Trade debts	*21*	**390,184,845**	281,423,824
Cash at bank	*25*	**15,939,035**	173,630,118
		413,214,580	462,144,642
Available for sale financial assets			
Separately managed account	*23.2*	**138,889,095**	-
		552,103,675	462,144,642

39.1.2 Concentrations of credit risk

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

	2017	2016
	Rupees	*Rupees*
Customers	**390,184,845**	281,423,824
Utility companies and regulatory authorities	**7,090,700**	7,090,700
Banking companies and financial institutions	**154,828,130**	173,630,118
	552,103,675	462,144,642

39.1.3 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 and financial institutions, which are counterparties to 'cash at bank' and 'separately managed account'. 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:

	2017		2016	
	Gross carrying amount	Accumulated Impairment	Gross carrying amount	Accumulated Impairment
	Rupees	*Rupees*	*Rupees*	*Rupees*
Neither past due nor impaired	**216,206,358**	**-**	124,000,123	-
Past due by 0 to 12 months	**165,853,747**	**-**	148,692,778	-
Past due by more than 12 months	**8,124,740**	**-**	8,730,923	-
	390,184,845	**-**	281,423,824	-

The Company's two (2016: two) significant customers account for Rs. 152.29 million (2016: Rs. 88.34 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2016: 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. 14.74 million (2016: Rs. 18.40 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 behavior and extensive analysis of customer credit risk.

39.1.4 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.

39.1.5 Credit risk management

As mentioned in note 39.1.3 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.

39.2 Liquidity risk

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

39.2.1 Exposure to liquidity risk

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

	2017				
	Carrying amount	**Contractual cash flows**	**One year or less**	**One to three years**	**More than three years**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Long term finances	**566,909,450**	**641,173,470**	**95,745,463**	**247,806,074**	**297,621,933**
Liabilities against assets subject to finance lease	-	-	-	-	-
Short term borrowings	**922,677,657**	**924,397,662**	**924,397,662**	-	-
Accrued interest/markup	**17,411,243**	**17,411,243**	**17,411,243**	-	-
Trade creditors	**31,471,589**	**31,471,589**	**31,471,589**	-	-
Accrued liabilities	**127,263,866**	**127,263,866**	**127,263,866**	-	-
Unclaimed dividend	**4,606,115**	**4,606,115**	**4,606,115**	-	-
	1,670,339,920	**1,746,323,945**	**1,200,895,938**	**247,806,074**	**297,621,933**

	2016				
	Carrying amount	Contractual cash flows	One year or less	One to three years	More than three years
	Rupees	*Rupees*	*Rupees*	*Rupees*	*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/markup	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

39.2.2 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.

39.3 Market risk

39.3.1 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:

	2017				
	CHF	**JPY**	**Euro**	**USD**	**Total**
	Rupees	***Rupees***	***Rupees***	***Rupees***	***Rupees***
Financial assets					
Trade debts	-	-	-	**14,735,985**	**14,735,985**
Cash at bank	-	-	-	-	-
	-	-	-	**14,735,985**	**14,735,985**
Financial liabilities					
Short term borrowings	-	-	-	**(276,581,588)**	**(276,581,588)**
Accrued interest/markup	-	-	-	**(719,304)**	**(719,304)**
	-	-	-	**(277,300,892)**	**(277,300,892)**
Net balance sheet exposure	-	-	-	**(262,564,907)**	**(262,564,907)**
Foreign currency commitments	**(223,656,395)**	**(4,167,925)**	**(254,995,370)**	**(752,208,531)**	**(1,235,028,221)**
Net exposure	**(223,656,395)**	**(4,167,925)**	**(254,995,370)**	**(1,014,773,438)**	**(1,497,593,128)**

	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)

(b) Exchange rates applied as at the reporting date

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

	2017		2016	
	Assets	**Liabilities**	Assets	Liabilities
	Rupees	***Rupees***	*Rupees*	*Rupees*
CHF	**-**	**109.7500**	-	-
JPY	**-**	**0.9392**	-	1.0186
Euro	**-**	**120.1400**	-	116.3100
USD	**104.8000**	**105.0000**	104.5000	104.7000

(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. 13.13 million (2016: Rs. 9.13 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.

39.3.2 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:

	2017	2016
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**-**	100,071,233
Financial liabilities	**-**	-
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**1,444,550,309**	1,055,539,165

(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. 14.45 million (2016: Rs. 10.56 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.

39.3.3 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 5.46 million (2016: 1.2 million) and profit for the year by nil (2016: nil). A one percent diminution in prices of equity securities and mutual fund units as at the reporting date would have had equal but opposite effect on 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.

40 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	**2017**	2016
Total debt	*Rupees*	**566,909,450**	628,993,560
Total equity	*Rupees*	**1,449,024,088**	1,418,481,699
Total capital employed		**2,015,933,538**	2,047,475,259
Gearing	*% age*	**28.12**	30.72

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.

41 FAIR VALUE MEASUREMENTS

41.1 Financial Instruments

41.1.1 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**	**2017** ***Rupees***	2016 *Rupees*
Available for sale financial assets				
Investments in mutual fund units	Level 1	Quoted prices in an active market	**21,043,000**	-
Investments in equity securities	Level 1	Quoted prices in an active market	**518,398,414**	119,964,290

b) **Non-recurring fair value measurements**

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

41.1.2 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.

41.2 Assets and liabilities other than financial instruments.

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

	2017	2016
	Rupees	***Rupees***
42 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY		
Mortgages and charges		
Charge over current assets	**2,926,000,000**	6,051,095,898
Charge over fixed assets	**934,000,000**	1,161,000,000

43 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:

		2017	
	Chief Executive	**Directors**	**Executives**
	Rupees	***Rupees***	***Rupees***
Managerial remuneration	**3,979,200**	**788,400**	**12,606,900**
Allowances and perquisites	**3,074,529**	**502,150**	**6,301,056**
Meeting fee	**-**	**420,000**	**-**
Post employment benefits	**-**	**-**	**1,829,830**
	7,053,729	**1,710,550**	**20,737,786**
Number of persons	**1**	**2**	**11**

		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

43.1 Remuneration, allowances and meeting fee include Rs. 1,710,550 (2016: Rs. 7,836,142) paid to non-executive directors of the Company.

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

	2017	2016
	No of shares	*No of shares*
44 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

45 SEGMENT INFORMATION

45.1 The Company is a single operating segment.

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

45.3 All sales of the Company have originated from Pakistan.

45.4 Sales include Rs. 1,984 million (2016: Rs. 1,762 million) of revenue derived from sales to three (2016: 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.

46 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on September 28, 2017 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.

47 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	2017	2016
Number of spindles installed	*No.*	**61,728**	61,728
Plant capacity on the basis of utilization converted into 30s count	*Kgs*	**13,030,213**	11,635,279
Actual production converted into 30s count	*Kgs*	**12,332,907**	11,267,568

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.

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 28, 2017 by the Board of Directors of the Company

49 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 827 (2016: 1,040). Average number of persons employed by the Company during the year are 885 (2016: 1,027).

50 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.

51 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.

NAGINA
NAGINA GROUP

52 GENERAL

52.1 Figures have been rounded off to the nearest rupee.

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

Lahore: September 28, 2017

Shahzada Ellahi Shaikh
Director

Shafqat Ellahi Shaikh
Mg. Director (Chief Executive)

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 29th Annual General Meeting of the Company to be held on October 27, 2017 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 ______________ 2017

NOTES:

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

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

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

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

پراکسی فارم (مختار نامہ)

سیکرٹری

ایلکوٹ سپننگ ملز لمیٹڈ

نگینہ ہاؤس، B-91، بی/1، ایم ایم عالم روڈ

گلبرگ-III، لاہور 54660

میں/ہم ____________________

ساکن ____________________

بحیثیت رکن ایلکوٹ سپننگ ملز لمیٹڈ اور حامل ____________ عام حصص بمطابق شیئرز رجسٹرڈ فولیو نمبر ____________

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر ____________ پارٹیسپنٹ (شراکت) آئی ڈی نمبر ____________)

بذریعہ ہذا

محترم/محترمہ ____________ ساکن ____________

جو کمپنی کا ممبر ہے بمطابق شیئرز رجسٹرڈ فولیو نمبر ____________

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر ____________ پارٹیسپنٹ (شراکت) آئی ڈی نمبر ____________)

یا اس کی غیر موجودگی میں محترم/محترمہ ____________ ساکن ____________

جو کمپنی کا ممبر ہے بمطابق شیئرز رجسٹرڈ فولیو نمبر ____________

(بصورت سنٹرل ڈیپازٹری سسٹم اکاؤنٹ ہولڈر اکاؤنٹ نمبر ____________ پارٹیسپنٹ (شراکت) آئی ڈی نمبر ____________) کو

مورخہ 27 اکتوبر 2017 کو منعقد ہونے والے کمپنی کے 29 ویں سالانہ اجلاس عام میں حق رائے دہی استعمال کرنے، تقریر اور شرکت کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور (پراکسی) مقرر کرتا ہوں/کرتے ہیں۔

دستخط ________ آج بروز ________ تاریخ ________ 2017ء

پانچ روپے کا رسیدی ٹکٹ
چسپاں کریں

دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخطوں کے
مطابق ہونے چاہئیں

نوٹ:

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

2۔ سی ڈی سی کے ذریعے حصص یافتگان پراکسی مقرر 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 ہمراہ اپنے شیئرز سے متعلق مصدقہ کاپی اکاؤنٹ نمبر اور پارٹیسپنٹ آئی ڈی نمبر ہمراہ لائیں۔

4۔ کارپوریٹ اینٹٹی کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/مختار نامہ کی مصدقہ کاپی بمعہ نمونہ دستخط (اگر پہلے فراہم نہ کیے گئے ہوں) پراکسی فارم (مختار نامہ) کے ہمراہ کمپنی میں جمع کرانا ہوگا۔

Ellcot Spinning Mills Limited
Nagina House, 91-B-1, M.M. Alam Road,
Gulberg-III Lahore-54660

www.nagina.com