

**THE KARACHI COTTON
ASSOCIATION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020**

AUDITORS' REPORT TO THE MEMBERS

Opinion

We have audited the annexed financial statements of **The Karachi Cotton Association** (the Company), which comprise the statement of financial position as at June 30, 2020 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in fund, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Other Matter

The engagement partner on the audit resulting in this independent auditor's report is **Younus Mohiuddin**.

Karachi.

Date: September 16, 2020


Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants

THE KARACHI COTTON ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 Rupees	2019 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	47,558,685	51,946,020
CURRENT ASSETS			
Investments	5	140,492,776	127,818,859
Stores & spares		191,397	156,672
Advance, deposits, prepayments and other receivables	6	13,390,227	11,910,645
Cash & bank balances	7	29,506,416	31,290,278
		183,580,816	171,176,454
		231,139,501	223,122,474
FUNDS RESERVES AND LIABILITIES			
FUNDS AND RESERVES			
General fund		1,019,049	1,019,049
Un-appropriated profit		153,280,727	140,276,664
		154,299,776	141,295,713
Building development fund	8	12,471,313	13,857,014
NON CURRENT LIABILITIES			
Deferred capital grant	9	30,597,254	35,574,088
Deferred liabilities		1,053,710	969,559
Long term deposits	10	8,485,000	8,235,000
		40,135,964	44,778,647
CURRENT LIABILITIES			
TDAP security deposits		6,080,676	6,080,676
Advance from members, brokers & others	11	3,203,478	3,588,959
Accrued and other liabilities	12	12,079,777	10,879,421
Provision for taxation		2,868,518	2,642,043
		24,232,449	23,191,099
		231,139,501	223,122,474

CONTINGENCIES AND COMMITMENTS

13



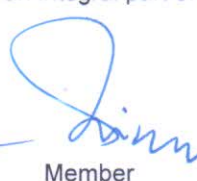

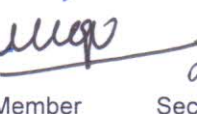

The annexed notes from 1-23 form an integral part of these financial statements.

 Chairman
 Vice-Chairman
 Member
 Member
 Member
 Secretary General

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

	Note	2020 Rupees	2019 Rupees
Income	14	33,045,938	30,615,202
Administrative & General expenses	15	(43,972,195)	(41,229,890)
		(10,926,257)	(10,614,688)
Other income	16	26,803,058	23,155,301
Finance cost		(4,221)	(7,557)
Profit before taxation		15,872,581	12,533,056
Taxation	17	(2,868,518)	(2,642,043)
Profit after taxation		13,004,063	9,891,013

The annexed notes from 1-23 form an integral part of these financial statements.

 Chairman
 Vice-Chairman
 Member
 Member
 Member
 Secretary General

**THE KARACHI COTTON ASSOCIATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>2020</u> <i>Rupees</i>	<u>2019</u> <i>Rupees</i>
Profit after taxation	13,004,063	9,891,013
Other comprehensive income	-	-
Total comprehensive income for the year	<u>13,004,063</u>	<u>9,891,013</u>

The annexed notes from 1-23 form an integral part of these financial statements *Signature*

 Chairman
 Vice-Chairman
 Member
 Member
 Member
 Secretary General

THE KARACHI COTTON ASSOCIATION
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2020

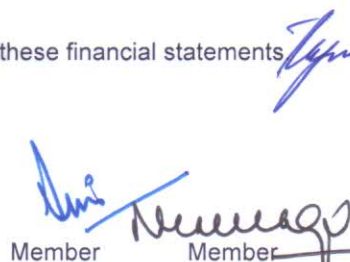
	General fund	Un-appropriated profit	Total
Balance as at June 30, 2018	1,019,049	130,385,651	131,404,700
Total comprehensive income for the year	-	9,891,013	9,891,013
Balance as at June 30, 2019	1,019,049	140,276,664	141,295,713
Total comprehensive income for the year		13,004,063	13,004,063
Balance as at June 30, 2020	1,019,049	153,280,727	154,299,776


The annexed notes from 1-23 form an integral part of these financial statements


Chairman


Vice-Chairman


Member


Member


Member


Secretary General

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

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		15,872,581	12,533,056
Adjustments for:			
Depreciation		6,802,664	5,989,482
Finance cost		4,221	7,557
Amortization of deferred grant		(4,976,834)	(4,248,562)
Amortization of Building development fund		(1,385,701)	(956,632)
Provision for gratuity		84,151	80,368
Operating profit before working capital changes		16,401,081	13,405,268
Working capital changes:			
Stores and spares		(34,725)	(15,834)
Advances, deposits, prepayments and other receivables		1,513,649	(1,053,029)
Advance from members, brokers and others		(385,481)	(272,605)
Accrued and other liabilities		1,200,355	6,160,895
Cash generated from operations		2,293,798	4,819,428
Income tax paid		(5,635,277)	(2,955,550)
Finance cost paid		(4,221)	(7,557)
Gratuity paid		-	-
Long term deposits		250,000	63,000
Net cash generated from operating activities		13,305,381	15,324,589
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(408,483)	(51,992)
Additions in capital work in progress		(2,006,847)	(5,771,053)
Investments - net		(12,673,917)	(28,678,305)
Net cash used in investing activities		(15,089,247)	(34,501,350)
Net decrease in cash and cash equivalents		(1,783,866)	(19,176,761)
Cash and cash equivalents at beginning of the year		31,290,278	50,467,039
Cash and cash equivalents at end of the year	7	29,506,416	31,290,278

The annexed notes from 1-23 form an integral part of these financial statements


Chairman


Vice-Chairman


Member


Member


Member


Secretary General

**THE KARACHI COTTON ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

1 STATUS AND NATURE OF BUSINESS

The Karachi Cotton Association (the Company) was incorporated under the Company Act 1913 (now Companies Act 2017) on April 20, 1933 as a company limited by guarantee. The registered office of the Company is situated at The Karachi Cotton Association Building, I. I. Chundrigar Road, Karachi. The Company is principally engaged in providing services to facilitate cotton trade in the country for the benefit of its members and brokers. The Company also earns rental income by letting out office space to its members and brokers besides providing dispensary services at a nominal fee.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASS as notified under the Companies Act, 2017;
- Accounting Standard for Not for Profit Organizations (Accounting Standard for NPOs) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017 and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the 'IFRS Standards' IFRS for SMEs or the Accounting Standard for NPOs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Functional and presentation currency

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

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these financial statements are set out below:

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except for certain investments which are carried at amortized cost.

3.2 Property, plant and equipment

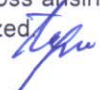
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Normal repairs and maintenance are charged to profit and loss account.

Depreciation is charged to profit and loss account by applying diminishing balance method over the estimated useful life of the assets. Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal requirements etc. Depreciation for the year is charged proportionately from the month of purchase to the month of disposal.

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss arising on derecognition of asset is included in the profit and loss account in the year the asset is derecognized.



3.3 Investments- Held to Maturity

Investments with fixed or determinable payments and fixed maturity where management has both positive intent and ability to hold to maturity are classified as held to maturity. Provision for impairment in value, if any, is taken to income currently.

3.4 Stores & Spares

These are valued at cost, determined using FIFO method. Provision is made in the financial statements for obsolete and slow moving spares based on management's best estimate regarding their future usability.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current and saving accounts.

3.6 Employees' benefits

Unfunded Gratuity scheme

The Company operates an unfunded gratuity scheme for its eligible employees. Provision is made annually to cover the obligations under the scheme based on management estimate.

3.7 Provident fund

The Company operates a contributory provident fund for all its regular employees who are eligible for the plan. Equal contributions thereto are made by both the Company and the employees at the rate of 8.33% per annum of basic salary in accordance with the Fund's rules.

3.8 Government grant

The Company receives grant from Trade Development Authority of Pakistan, Government of Pakistan, in order to facilitate the operations of the Company. The grant received is used to finance the purchase of assets. The amount of grant received is recognized as liability at inception and subsequently charged as income over the life of depreciable asset.

3.9 Taxation

Income tax expense represents current tax expense. Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates, if any.

Deferred income tax is provided in full, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. However, deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

3.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

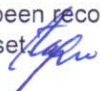
3.11 Revenue recognition

Revenue is recognized to the extent that is probable that the economic benefit will flow to the Company and the revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable on the following basis :

- . Membership subscription, rental income and parking fee is recognized on accrual basis.
- . Income from investments and bank deposits are recognized on accrual basis.
- . Income from dispensary is recognized on receipt basis.

3.12 Impairment

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of amortization or depreciation), had no impairment losses been recognized for the asset in prior years. Reversal of impairment loss is restricted to the original cost of the asset.



3.13 Financial instruments

All financial assets and liabilities are initially measured at fair value, and subsequently measured at fair value or amortized cost as the case may be. The Company derecognizes financial assets and financial liabilities when it ceases to be a party to such contractual provisions of the instrument.

3.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4. PROPERTY, PLANT AND EQUIPMENT

		2020 <i>Rupees</i>	2019 <i>Rupees</i>
Operating assets	(Note 4.1)	45,551,838	51,946,020
Capital work in progress	(Note 4.2)	2,006,847	-
		47,558,685	51,946,020

4.1 Operating assets

	COST			Rate	DEPRECIATION			WRITTEN DOWN VALUE AS AT JUNE 30, 2020
	As on July 01, 2019	Additions	As at June 30, 2020		As on July 01, 2019	Charge for the year	As at June 30, 2020	
	Rupees			%		Rupees		
Leasehold land	1,993,759	-	1,993,759	1.01	843,609	11,617	855,226	1,138,533
Building on leasehold land	33,084,123		33,084,123	10	15,404,676	1,767,945	17,172,621	15,911,502
Furniture & fixtures	1,970,552		1,970,552	15	1,175,546	119,251	1,294,797	675,755
Office equipment	49,168,502	394,683	49,563,185	15	17,160,247	4,851,736	22,011,983	27,551,202
Vehicles	995,000	-	995,000	15	700,015	44,248	744,263	250,737
Computers and related equipments	599,742	13,800	613,542	30	581,565	7,868	589,433	24,109
June 30, 2020	87,811,678	408,483	88,220,161		35,865,658	6,802,664	42,668,322	45,551,838
June 30, 2019	47,647,369	40,164,309	87,811,678		29,876,177	5,989,482	35,865,658	51,946,020

4.2 Capital work in progress

	2020 <i>Rupees</i>	2019 <i>Rupees</i>
Balance as on July 01	-	34,341,264
Additions during the year	2,006,847	5,771,053
Transferred during the year	-	(40,112,317)
Balance as on June 30	2,006,847	-

5 INVESTMENTS

Term Deposit Receipts

	2020 <i>Rupees</i>	2019 <i>Rupees</i>
Balance as on July 01	127,818,859	103,061,327
Additions during the year	615,014,640	489,256,017
Accruals for the year	2,861,162	8,917,619
Encashment during the year	(605,201,884)	(469,495,330)
Recovered during the year	-	(3,266,192)
Reversal of provision for investment	-	(654,581)
	140,492,776	127,818,859
	140,492,776	127,818,859

(Note 5.1)

5.1 Term deposit receipts carry an effective markup ranging from 12% to 13.65% (2019: 6.80% to 12.60%) per annum and will mature latest by March 13, 2023.

		2020 Rupees	2019 Rupees
6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Unsecured considered good			
<i>Advance:</i>			
- income tax	(Note 6.1)	8,887,042	5,893,811
- to staff		689,636	621,673
- against office expenses		368,965	250,785
		9,945,643	6,766,269
<i>Deposits:</i>			
- clearing house (office a/c)		1,000	1,000
- security deposits		29,237	29,237
- telephone, telex and other		5,050	5,050
		35,287	35,287
<i>Prepayments:</i>		958,064	1,027,476
<i>Other Receivables:</i>			
- rent, service & security charges		1,528,832	2,562,052
- building development fund - Recoverable from tenants		237,093	237,093
- others		685,308	1,282,468
		2,451,233	4,081,613
		13,390,227	11,910,645
6.1 Advance income tax			
Balance as on July 01		5,893,809	5,352,535
Addition during the year		5,635,277	2,955,550
Provision for taxation - last year		(2,642,043)	(2,414,274)
		8,887,042	5,893,811
7 CASH AND BANK BALANCES			
Cash in hand		227,937	281,576
Cash at banks:			
- in current accounts		4,568,046	1,210,851
- joint account with TDAP	(Note 7.1)	1,906,615	1,906,615
- in PLS accounts	(Note 7.2)	22,803,818	27,891,236
		29,278,479	31,008,702
		29,506,416	31,290,278
7.1	This represents the amount received by the Company from TDAP as grant for import of USTER HVI 1000 M1000 (the Fibre Classification and Analysis System). The amount is deposited with the bank in the joint account with TDAP and only be withdrawn on the fulfillment of all the conditions imposed by the TDAP.		
8 BUILDING DEVELOPMENT FUND			
Balance as on July 01		13,857,014	14,813,646
Amortization for the year		(1,385,701)	(956,632)
Balance as on June 30		12,471,313	13,857,014
9 DEFERRED CAPITAL GRANTS			
HVI Machine			
Balance as on July 01		993,319	1,168,611
Amortization during the year		(148,998)	(175,292)
Balance as on June 30	(Note 9.1)	844,321	993,319
9.1	This represents net book value of HVI machine imported from Switzerland for the purpose of testing cotton samples and quality verification. The amortization is charged at 15% each year over the net book value of asset.		

	2020 <i>Rupees</i>	2019 <i>Rupees</i>
USTER HVI 1000 M1000		
Balance as on July 01	34,580,769	38,654,039
Received during the year	-	
Amortization during the year	(4,827,836)	(4,073,270)
Balance as on June 30	29,752,933	34,580,769
	30,597,254	35,574,088

(Note 9.2)

9.2 This represents an amount received from TDAP in respect of import of USTER HVI 1000 M1000 (the Fibre Classification and Analysis System). The amortization is charged at 15% each year over the net book value of asset.

10 LONG TERM DEPOSITS

Membership deposits	5,928,000	5,678,000
Brokers security deposits	2,557,000	2,557,000
	8,485,000	8,235,000

11 ADVANCES FROM MEMBERS, BROKERS AND OTHERS

Rent, license fee & charges	1,258,868	1,623,188
Membership admission & application fee	164,250	164,000
Brokers' security deposits	40,000	20,000
Brokers' license renewal fee	31,500	46,500
Vehicle parking fee	828,420	887,020
Members' Subscription	880,440	848,251
	3,203,478	3,588,959

12 ACCRUED AND OTHER LIABILITIES

Accrued liabilities	8,018,931	7,667,992
Others	4,060,846	3,211,429
	12,079,777	10,879,421

13 CONTINGENCIES AND COMMITMENTS

Contingencies

- a) The lease of the building of Karachi Cotton Association (KCA) had been expired in 1982. In 2005, KCA pays renewal fee for 99 years amounting to Rs. 1,804,950/- and Ground rent for the period from 1982 till 2005 amounting to Rs. 216,594/-. In response to which City District Government Karachi (CDGK) issued a confirmation letter for acceptance of above payments as full and final. In 2006, CDGK issued a challan of Rs. 5,000,000/- against the additional payment for building lease and ground rent. However, KCA had filed the case in high court via case no. 293/2006 against the above additional payment required. The decision in this regard is pending till June 30, 2019. No provision has been made in these financial statements as the management is confident that decision would be made in favour of KCA. The matter was fixed on 25-08-2020 for Order, Adjourned, Date-in-Office (Pending).

Commitments

There were no commitments as at June 30, 2020

14 INCOME

Rent and allied income- net	31,425,871	28,765,649
Membership subscription	953,000	940,500
Income from cotton laboratory	545,131	788,992
Subscription for daily cotton market report	121,936	120,061
	33,045,938	30,615,202

		2020 <i>Rupees</i>	2019 <i>Rupees</i>
15 ADMINISTRATIVE EXPENSES			
Salaries and allowances	(Note 15.1)	19,797,336	18,111,486
Repair, maintenance & others		5,692,142	5,071,450
Utility charges		2,563,789	2,524,801
Vehicle parking expenses		461,690	259,548
Laboratory expenses	(Note 15.2)	6,834,894	6,130,155
Dispensary expenses	(Note 15.3)	2,762,993	2,560,331
Traveling & conveyance		895,110	831,180
Printing & Postage		334,317	348,724
Data collection expenses		250,000	250,000
Legal & professional charges		385,000	560,650
Audit fee		145,800	135,000
Entertainment		167,189	337,534
Fee and subscription & donation		157,500	150,000
Vehicle running expenses		217,006	142,710
Insurance		76,895	61,821
Depreciation		1,972,792	1,873,717
Others		819,635	851,649
ICA training workshop expenses		-	698,413
KCA Cotton training course expenses		438,107	330,721
		43,972,195	41,229,890
15.1 This includes Gratuity at Rs.84,151 (2019: Rs. 80,368).			
15.2 LABORATORY EXPENSES			
Salaries, Allowances & Others		591,068	1,151,512
Electricity Charges		363,833	377,144
Printing & Stationery		6,595	5,243
Repair & maintenance		171,595	150,645
Other Lab. Expenses		542,336	87,277
Insurance		330,429	243,554
Depreciation		4,829,038	4,114,780
		6,834,894	6,130,155
15.3 DISPENSARY EXPENSES			
Salaries, allowances & others		2,265,489	2,132,964
Medicines consumed		365,587	366,221
Instruments consumed		15,668	13,647
Electricity charges		22,012	34,223
General, misc. & sanitary expenses.		560	2,795
Printing & stationery		9,440	9,496
Repair, maintenance & replacement		83,400	-
Depreciation		837	985
		2,762,993	2,560,331
16 OTHER INCOME			
Income from financial assets			
Profit on investments		16,677,648	12,183,811
Profit on PLS accounts		2,154,309	3,281,848
Income from non-financial assets			
Vehicle parking fee- net		871,900	823,300
Income for dispensary		289,326	237,745
License fee		77,700	33,800
Amortization of building development fund		1,385,701	956,632
Amortization of deferred grant		4,976,834	4,248,562
Sale of cotton		-	307,360
ICA training workshop receipts		-	537,880
KCA Cotton training course receipts		127,500	207,500
Others		242,140	332,763
		26,803,058	23,151,201

17 TAXATION

Current
Prior

2020 Rupees	2019 Rupees
(2,868,518)	2,634,342
-	(22,810)
<u>(2,868,518)</u>	<u>2,611,532</u>

18 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the management under policies approved by the Board of Directors.

18.1 CREDIT RISK

Credit risk represents the risk of financial loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its receivables and its balances at bank. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. Out of the total financial assets of Rs.174,133,412(2019: Rs. 164,875,186), the financial assets which are subject to credit risk amount to Rs. 171,040,796(2019:Rs.161,659,519) and the details are as follows:

Advances to staff	689,636	621,673
Deposits	35,287	35,287
Other receivables	2,451,233	4,081,613
Short term investments	140,492,776	127,818,859
Cash and bank balances	27,371,864	29,102,087
	<u>171,040,796</u>	<u>161,659,519</u>

The credit quality of Company's bank balances can be assessed with reference to external credit rating agencies as follows:

	Rating		Agency		
	Short term	Long term			
National Bank of Pakistan	A1+	AAA	PACRA	4,295,829	981,776
Habib Bank Ltd	A-1+	AAA	JCR-VIS	144,819	116,777
Bank Al-Falah Ltd	A1+	AA+	PACRA	28,292	29,118
Habib Metropolitan Bank L	A1+	AA+	PACRA	25,410	35,869
MIB Bank Limited	A1	A	PACRA	23,958	23,958
Soneri Bank Limited	A1+	AA-	PACRA	22,742,870	27,837,631
Faysal Bank Limited	A1+	AA	PACRA	11,894	12,479
JS Bank Limited	A1+	AA-	PACRA	28,040	20,697
Bank Al-Habib Limited	A1+	AA+	PACRA	70,787	43,782
				<u>27,371,899</u>	<u>29,102,087</u>

18.2 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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. Following are the contractual maturities of the Company's financial liabilities:

	2020		2019	
	Maturity up to one year	Maturity after one	Maturity up to one year	Maturity after one year
Provision for gratuity	-	1,053,710	-	969,559
Long term security deposits	-	8,485,000	-	8,235,000
Security deposit-TDAP	6,080,676	-	6,080,676	-
Advance from members, brokers and others	3,203,478	-	3,588,959	-
Accrued and other liabilities	12,079,777	-	10,879,421	-
	<u>21,363,931</u>	<u>9,538,710</u>	<u>20,549,056</u>	<u>9,204,559</u>

18.3 MARKET RISK

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices such as foreign exchange rates, interest rates and equity prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The market risk associated with the Company's business activities are discussed

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to foreign exchange risk.

b) Interest Rate Risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest/ mark-up rates. Sensitivity to interest/ mark-up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted.

As at the balance sheet date, the interest/ profit bearing financial instruments comprised term deposit receipts with the bank.

If interest rates on variable rate instruments of the Company, at the year end date, fluctuate by 1% higher/ lower with all other variables held constant, profit after taxation for the year would have been Rs. 228,038 (2019: Rs. 278,912)higher/ lower, mainly as a result of higher/ lower markup income/ expense on floating rate investments/ running finance.

c) Price Risk

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

The Company is not exposed to price risk.

18.4 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

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

18.5 CAPITAL MANAGEMENT

The company does not have any share capital nor it has any borrowings, hence, this disclosure is not presented in the financial statements.

19 TRANSACTIONS WITH RELATED PARTIES

Name and Relationship with Related Party	Nature of Transaction	2020 Rupees	2019 Rupees
Associate:			
Employees' Provident fund	Contribution for the year	44,439	42,560

20 NUMBER OF EMPLOYEES

	2020	2019
Number of employees	34	36
Average number of employees	35	35

21 IMPACT OF COVID-19 (CORONA VIRUS)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 18, 2020, the Government of the Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. The company's operations were not affected as it fell under the exemption provided by the Government of Sindh to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

22 DATE OF AUTHORIZATION

These financial statements have been authorized for issue on 19 6 SEP 2020 by the Board of Directors of the Company.

23 GENERAL

Figures have been rounded off to the nearest rupee

Chairman

Vice-Chairman

Member

Member

Member

Secretary General