ELAHI COTTON MILLS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015

Vision

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

Mission Statement

It is the mission of the Company:

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

DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Company are pleased to present the 45th Annual Report and the Audited financial statements of the Company for the year ended June 30, 2015 together with the auditors' report thereon.

FINANCIAL RESULTS

During the year under review, the Company registered a turnover of Rs 288.805 million as compared to Rs 301.384 million in the preceding year showing decrease of Rs. 12.579 million (4.17 %) whereas the cost of sales decreased from Rs. 291.408 million to Rs. 282.288 million showing decrease of Rs. 9.120 million (3.13%). The Company earned gross profit of Rs. 6.517 million as compared to gross profit of 9.976 million. The decrease in turnover is due to decrease in rates of finished goods. The financial results of the Company for the year under review are as under:

	RUPEES IN MILLION
Sales	288.805
Cost of Sales	282.288
Gross Profit	6.517
Operating expenses	5.315
Other income	0.312
Financial Charges	0.103
Profit before taxation	1.411
Provision for taxation	1.537
Loss after taxation	0.126
Loss per share (Rs.)	0.097

The Company earned profit before taxation of Rs. 1.411 million as compared to Rs. 6.134 million in the last year and suffered net loss after taxation of Rs. 0.126 million as compared to net profit of Rs. 2.691 million. The net loss incurred by the Company is due to increase in production cost and overhead cost especially in salary & wages (increase in minimum wage limit from Rs. 10,000/- to Rs. 12,000/- p.m.), depreciation (due to revaluation of fixed assets) and store & spares consumed. Due to electric shut down, the Company has closed one shift throughout the year and hence not utilized 100% capacity.

DIVIDEND:

The Directors of the company do not recommend any dividend/ bonus shares to the shareholders as the Company has incurred net loss and also has accumulated loss and no amount is available in the reserves.

AUDITORS:

The present Auditors M/S. BDO Ebrahim & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended to appoint retiring Auditors.

SHAREHOLDING:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2015 is annexed herewith.

FUTURE PROSPECTS AND OUT LOOK:

The future outlook appears to be uncertain due to textile crises in the local market and continued energy crises.

The auditors have drawn attention to Note 1.2 in the financial statements that the Company has incurred a net loss of Rs. 0.126 million and the Company's current liabilities exceeded its current assets by Rs. 68.796 million. The Company has accumulated loss of Rs. 71.944 million that exceeds the Issued, Subscribed & Paid up Capital by Rs. 58.944 million which indicates the existence of a material uncertainty that cast doubt about the Company's ability to continue as a going concern.

During the year under review, the Company earned profit before tax amounting to Rs. 1.411 million. Accumulated losses have also been reduced from Rs. 73.671 million to Rs. 71.943 million. Despite the accumulated losses, the management is committed with the Company and is continuously supporting in the form of funds as and when required by the Company. With the successful efforts of the management, the Mills will continue as a going concern.

CORPORATE GOVERNANCE

The Company has complied with all material requirements of the Code of Corporate Governance. The Directors are pleased to report that:

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

b) Proper Books of Accounts have been maintained.

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

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

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

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

g) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

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

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

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

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

l) Five meetings of the Board of Directors and six meetings of the Audit Committee were held during the year. The attendance of each Director at the meetings is as under: -

Name of Director	Board	Audit Committee
Mr. Mahboob Elahi	4	6
Mr. Mahfooz Elahi	5	N/A
Mr. Mahmood Elahi	5	N/A

Mr. Naveed Akhtar	5	6
Mr. Farrukh Ahmed	5	6
Syed Muhammad Raunaq ud din	4	N/A
Mr. Murtaza Wahab	0	N/A

One meeting of Human Resource & Remuneration Committee was held during the year. All the relevant decisions were directly taken by the board.

m) Four directors of the Company are exempt from director training programme due to their qualification and relevant experience. One board member has attended orientation course and got certification from the University of Lahore. The Company is making arrangements for training of remaining directors.

n) The pattern of shareholding alongwith trading of shares by directors, executives and their spouses has been included in this annual report.

ACKNOWLEDGEMENT:

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

Islamabad,
September 21, 2015

ON BEHALF OF THE BOARD

(MAHBOOB ELAHI)
Chairman

Statement of Compliance with the Code of Corporate Governance
ELAHI COTTON MILLS LIMITED
For the year ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi/Islamabad Stock Exchanges 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	Murtaza Wahab
Executive Directors	Mahfooz Elahi, Mahmood Elahi
Non-Executive Directors	Mahboob Elahi, Naveed Akhtar, Farrukh Ahmad, S.M. Raunaq-ud-Din

2 The directors have confirmed that none of them is serving as a director of 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 member of a stock exchange, has been declared as a defaulter by that stock exchange.

4 No casual vacancy was occurred in the board during the current year.

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.

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/shareholders.

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. Four directors of the Company are exempt from director training programme due to their qualification and relevant experience. One board member has attended orientation course and got certification from the University of Lahore. The Company is making arrangements for training of remaining directors as required by the Code of Corporate Governance by 2016.

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit. The Head on Internal Audit is also working in a sister concern. The Company is making arrangement to appoint a full time head of Internal Audit.

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 of three members which comprises of non-executive directors.

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 of three members which comprises of one executive and two non-executive directors.

18. The board has set up an effective internal audit function that is qualified and experienced for the purpose and is 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(s).

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

23 We confirm that all other material principles enshrined in the CCG have been complied with except for the mechanism for the annual evaluation of the Board own performance which is under process.

Mahfooz Elahi

(MAHFOOZ ELAHI)
CHIEF EXECUTIVE

Islamabad,
September 21, 2015

ELAHI COTTON MILLS LIMITED

NOTICE OF 45TH ANNUAL GENERAL MEETING

Notice is hereby given that 45th Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 270-Sector I/9, Industrial Area, Islamabad on Monday October 26, 2015 at 9:00 a.m. to transact the following business: -

1. To confirm the minutes of the last Annual General Meeting.
2. To consider, approve and adopt the Audited Accounts of the Company for the year ended June 30, 2015 together with Auditors' and Directors' Reports thereon.
3. To appoint Auditors of the Company for the next financial year and to fix their remuneration.
4. To transact any other ordinary business of the Company with the prior permission of the Chairman.

BY ORDER OF THE BOARD

Islamabad.
September 21, 2015

(MAHFOOZ ELAHI)
Chief Executive

NOTES:

1. Share transfer Books of the Company will remain closed from October 19, 2015 to October 26, 2015 (both days inclusive).
2. A member entitled to attend and vote in the meeting is authorized to appoint any other member of the Company a proxy to attend, speak and vote for him or her.
3. Any individual Beneficial Owner of CDC, entitled to vote at this meeting must bring his/her original CNIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominees at the time of meeting.
4. An instrument of proxy, duly stamped and signed, and the Board of Directors' Resolution, Power of Attorney or other authority (if any) under which they are signed, or a notarially certified copy of such Power or Authority, must be reached at the Registered Office of the Company not later than 48 hours before the time of the meeting.
5. Share holders are requested to notify immediately their CNIC numbers and/or any change in their registered address.

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ELAHI COTTON MILLS LIMITED** (the Company) to comply with the Listing Regulations of the Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's 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.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 and sub-regulation (xiii(a)) of Listing Regulation 35 of the Islamabad Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2015.

We draw your attention to following matters:

(i) Clause 10 of the Statement, which state that the Head of Internal Audit is also serving as an accountant of a related party of the Company. This may arise conflict of interest and due to which independence of internal audit function cannot be ensured as required by the Code.

(ii) Clause 23 of the Statement, which state that as per clause (v) e of the Code of Corporate Governance (the Code) "within two years of coming into force of this Code, a mechanism is put in place for an annual evaluation of the Board's own performance". However, a mechanism for the evaluation of the Board's performance is not yet in place as required by the Code.

ISLAMABAD

DATED: 2 SEP 2010

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ELAHI COTTON MILLS LIMITED** (the Company) as at June 30, 2015 and the related profit and loss account, statement of 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 purposes of our audit.

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

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

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

(b) in our opinion:-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account 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 comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

BDO Ebrahim & Co. Chartered Accountants

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

Without qualifying our opinion, we draw attention to Note 1.2 in the financial statements which indicates that the Company incurred a net loss of Rs. 0.126 million during the year ended June 30, 2015 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 66.796 million. The accumulated losses have exceeded the issued, subscribed and paid up capital by Rs. 58.944 million as at June 30, 2015 and accumulated losses as of that date amounted to Rs. 71.944 million. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

ISLAMABAD

DATE: 2 1 SEP 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Abdul Qadeer

ELAHI COTTON MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	97,401,104	100,281,359
Long term security deposits		918,810	918,810
Loans and advances	6	1,077,761	849,758
		99,397,675	102,049,927
CURRENT ASSETS			
Stores, spares and loose tools	7	1,557,205	666,599
Stock in trade	8	8,105,365	9,924,483
Trade debts	9	6,116,877	1,851,473
Loans and advances	10	855,816	1,702,432
Short terms prepayments		159,677	143,187
Tax refunds due from government	11	431,600	27,533
Taxation - net	12	-	162,029
Cash and bank balances	13	4,789,569	3,410,024
		22,016,109	17,887,760
TOTAL ASSETS		121,413,784	119,937,687
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	13,000,000	13,000,000
Accumulated loss		(71,943,701)	(73,671,288)
		(58,943,701)	(60,671,288)
SURPLUS ON REVALUATION OF FIXED ASSETS	15	75,765,405	76,859,474
NON-CURRENT LIABILITIES			
Deferred liabilities	16	15,780,001	16,251,328
Due to associated undertaking	17	-	12,416,077
Long term loan from directors	18	-	64,107,547
		15,780,001	92,774,952
CURRENT LIABILITIES			
Taxation - net	12	565,009	-
Current portion of due to associated undertaking	17	12,416,077	2,500,000
Current portion of long term loan from directors	18	69,057,547	-
Trade and other payables	19	6,773,446	8,474,549
		88,812,079	10,974,549
CONTINGENCIES AND COMMITMENTS	20	-	-
TOTAL EQUITY AND LIABILITIES		121,413,784	119,937,687

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

ELAHI COTTON MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales-net	21	288,805,082	301,384,062
Cost of sales	22	282,287,879	291,408,115
Gross profit		6,517,203	9,975,947
Administrative expenses	23	4,348,989	3,746,162
Other operating charges	24	965,868	1,112,920
		5,314,857	4,859,082
Operating profit		1,202,346	5,116,865
Other income	25	312,314	119,287
Financial charges	26	103,350	102,426
Profit before taxation		1,411,310	5,133,726
Taxation	27	(1,537,344)	(2,442,638)
(Loss) / profit after taxation		(126,034)	2,691,088
(Loss) / earnings per share - basic and diluted	29	(0.097)	2.070

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
(Loss) / profit for the year	(126,034)	2,691,088
Other comprehensive income		
(Loss)/gain on remeasurement of defined benefit liability	(70,496)	87,806
Total comprehensive (loss) / profit for the year	(196,530)	2,778,894

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 in a separate account below equity.

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,411,310	5,133,726
Adjustment for non-cash charges and other items:		
Depreciation	4,295,155	2,956,888
Financial charges	103,350	102,426
Provision for gratuity	2,480,445	1,491,226
	6,878,950	4,550,540
Profit before working capital changes	8,290,260	9,684,266
Changes in working capital:		
Decrease / (increase) in current assets		
Stores and spares	(890,606)	(220,467)
Stock in trade	1,819,118	(2,469,806)
Trade debts	(4,265,404)	216,086
Loans and advances	846,616	(1,071,051)
Short term prepayments	(16,490)	(70,733)
Tax refund due from government	(404,067)	42,476
Increase / (decrease) in current liabilities		
Trade and other payables	(1,701,103)	706,393
	(4,611,936)	(2,867,102)
Cash generated from operations	3,678,324	6,817,164
Financial charges paid	(103,350)	(12,685)
Income tax paid	(1,922,076)	(3,156,948)
Gratuity paid	(1,080,450)	(1,601,050)
	(3,105,876)	(4,770,683)
Net cash generated from operating activities	572,448	2,046,481
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan and advances	(228,003)	(134,900)
Purchase of property, plant and equipment	(1,414,900)	(2,420,375)
Net cash used in investing activities	(1,642,903)	(2,555,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan from directors	-	(4,000,000)
Payment to associated undertaking	(2,500,000)	-
Long term loan obtained from directors	4,950,000	5,500,000
Net cash generated from financing activities	2,450,000	1,500,000
Net increase in cash and cash equivalents	1,379,545	991,206
Cash and cash equivalents at the beginning of the year	3,410,024	2,418,818
Cash and cash equivalents at the end of the year	4,789,569	3,410,024

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Note	Issued, subscribed and paid-up capital	Accumulated loss	Total
		Rupees		
Balance as at July 01, 2013		13,000,000	(77,512,626)	(64,512,626)
Total comprehensive income for the year				
Profit for the year		-	2,691,088	2,691,088
Gain on remeasurement of defined benefit liability		-	87,806	87,806
		-	2,778,894	2,778,894
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	15	-	1,062,444	1,062,444
Balance as at June 30, 2014		13,000,000	(73,671,288)	(60,671,288)
Total comprehensive income for the year				
Loss for the year		-	(126,034)	(126,034)
Loss on remeasurement of defined benefit liability		-	(70,496)	(70,496)
		-	(196,530)	(196,530)
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	15	-	1,924,117	1,924,117
Balance as at June 30, 2015		13,000,000	(71,943,701)	(58,943,701)

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated as a public limited company on June 22, 1970 and is listed on Karachi and Islamabad Stock Exchanges. The registered office of the Company is situated at 270, sector I-9, Industrial Area, Islamabad. The principal business of the Company is manufacture and sale of yarn.

1.2 The Company incurred a net loss of Rs. 0.126 million during the year ended June 30, 2015 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 66.796 million. The Company has accumulated loss of Rs. 71.944 million (2014: Rs. 73.671 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 58.944 million. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

These financial statements have been prepared on going concern basis without any adjustment to assets and liabilities. The management is confident of improving profitability through streamlining the operations of the Company, which can be observed from financial results of last couple of years.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount.

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

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.25.

2.3 Functional and presentation currency

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards or interpretations that are effective in current year but not relevant to the Company

The Company has adopted the following accounting standards and interpretations which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRIC 13	Levies	January 01, 2014

3.2 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014

		Effective date (annual periods beginning on or after)
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

3.3 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IFRS 7	Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	January 01, 2016
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IFRS 10	Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

		Effective date (annual periods beginning on or after)
IAS 19	Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 34	Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

3.4 Standards or interpretations not yet effective

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

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

a) Operating fixed assets

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

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

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

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

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

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

b) Capital work-in-progress

Capital work-in-progress are stated at cost and consist of expenditure incurred, advances made and other costs directly attributable to operating fixed assets in the course of their construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant operating fixed assets category as and when assets are available for use intended by the management.

4.2 Impairment losses

The Company assesses at each balance sheet date whether there is any indication that assets other than stores and spares and stock in trade and deferred tax assets may be impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Where carrying values exceed the estimated recoverable amount, assets are written down to the recoverable amounts and the resulting impairment loss is recognized as expense in the profit and loss account, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

4.3 Stores, spares and loose tools

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

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

4.4 Stock in trade

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

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

Net realizable value represents estimated selling prices in the ordinary course of business less expenses incidental to make the sale.

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

4.5 Trade receivables

Trade receivables are recognized and carried at original invoiced amount which is fair value of the consideration to be received in future. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Debts considered irrecoverable are written-off.

4.6 Other receivables

Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future.

4.7 Investments

Investments are classified as financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term if so designated by management.

Purchase and sales are recognized on trade-date i.e. the date on which the Company commits to purchase or sell the asset.

Financial asset at fair value through profit or loss are initially recognized at fair value and subsequently re-measured at fair value at each balance sheet date. Gains and losses arising from changes in the fair value are included in the profit and loss account in which they arise.

Investments are treated as current assets where the intention is to hold for less than twelve months from the balance sheet date. Otherwise investments are treated as long term assets.

4.8 Cash and bank balances

Cash in hand and at banks are carried at nominal amounts.

4.9 Share capital

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

4.10 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation is carried out at June 30, 2015 using the projected unit credit method (refer note 16). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

4.11 Taxation

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

Current

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

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

Deferred

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

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

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

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

4.12 Borrowing

Loans and borrowings are recorded at the proceeds received. Mark up, interest and other borrowing costs are charged to income in the period in which they are incurred.

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

4.13 Trade and other payables

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

4.14 Provisions

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

4.15 Revenue recognition

Revenue comprises of the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Company's activities. Revenue from sale of goods is shown net of sales tax.

Revenue is recognized when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of revenue can be measured reliably. The revenue arising from different activities of the Company is recognized on the following basis:

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

4.16 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period.

4.17 Cash and cash equivalents

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

4.18 Related party transactions

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

4.19 Dividend and apportioning to reserves

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

4.20 Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All the financial assets of the Company as at balance sheet date are carried as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet, which are classified as non-current assets. The Company's loans and receivables comprise 'trade debts', 'loans and deposits', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

Impairment

At the end of each reporting period the Company assesses whether there is an objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed either directly or by adjusting provision account.

Financial liabilities

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

Recognition and measurement

All financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Derecognition

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

4.21 Offsetting of financial assets and financial liabilities

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

4.22 Foreign currency translation

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

4.23 Contingencies

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

4.24 Segment reporting

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

4.25 Significant accounting judgments and critical accounting estimates / assumptions

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

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

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

a) Income taxes

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

b) **Property, plant and equipment**

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

c) **Stores and spares**

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

d) **Defined benefits plan**

The management has exercised judgment in applying Company's accounting policies for classification of Post Employment Benefits as Defined Benefits Plan (refer note 4.10) that have the most significant effects on the amount recognized in the financial statements.

5 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Free hold land	Buildings		Plant & machinery	Furniture fixture and office equipments	Computer equipments	Power and other installations	Factory equipments and scientific instruments	Motor vehicles	Total
		Residential	Factory							
	Rupees									
Year ended June 30, 2015										
Net carrying value basis										
Opening book value	56,700,000	4,007,400	10,185,050	28,121,000	88,532	452	219,109	107,938	851,878	100,281,359
Additions	-	-	-	1,374,000	35,000	-	25,900	-	-	1,434,900
Depreciation charge	-	(200,370)	(1,018,505)	(2,859,921)	(11,186)	(149)	(23,854)	(10,794)	(170,376)	(4,295,155)
Closing net book value	56,700,000	3,807,030	9,166,545	26,635,079	112,346	303	221,155	97,144	681,502	97,421,104
Gross carrying value basis										
Cost/revalue	56,700,000	5,645,385	23,324,187	81,320,219	1,041,252	5,000	2,229,443	3,001,847	2,400,520	174,648,093
Accumulated depreciation	-	1,838,355	14,157,642	54,685,140	928,906	4,697	2,008,288	2,904,703	1,719,018	77,246,989
Net book value	56,700,000	3,807,030	9,166,545	26,635,079	112,346	303	221,155	97,144	681,502	97,421,104
Year ended June 30, 2014										
Net carrying value basis										
Opening book value	28,350,000	2,037,586	6,392,881	18,714,307	98,369	675	243,454	119,931	1,064,848	57,022,051
Additions	-	-	-	2,420,575	-	-	-	-	-	2,420,575
Revaluations	28,350,000	2,071,693	4,431,285	8,942,643	-	-	-	-	-	43,795,621
Depreciation charge	-	(101,879)	(639,116)	(1,956,525)	(9,837)	(223)	(24,345)	(11,993)	(212,970)	(2,956,888)
Closing net book value	56,700,000	4,007,400	10,185,050	28,121,000	88,532	452	219,109	107,938	851,878	100,281,359
Gross carrying value basis										
Cost/revalue	56,700,000	5,645,385	23,324,187	79,946,219	1,006,252	5,000	2,203,543	3,001,847	2,400,520	173,213,193
Accumulated depreciation	-	1,637,985	13,139,137	51,825,219	917,720	4,548	1,984,434	2,893,909	1,548,642	72,951,834
Net book value	56,700,000	4,007,400	10,185,050	28,121,000	88,532	452	219,109	107,938	851,878	100,281,359
Annual rate of depreciation (%)	-	5%	10%	10%	10%	33%	10%	10%	20%	

5.1 Depreciation has been allocated as follows:

	Note	2015 Rupees	2014 Rupees
Cost of sales	24	3,913,074	2,631,979
Administrative expenses	25	382,081	324,909
		4,295,155	2,956,888

	Note	2015 Rupees	2014 Rupees

6 LOANS AND ADVANCES

	Note	2015 Rupees	2014 Rupees
Unsecured			
Considered good			
Opening balance		1,059,927	892,208
Loan given to employees during the year		381,084	565,859
Payment received during the year		(192,250)	(398,140)
		1,248,761	1,059,927
Less: Current portion shown under current assets	10	(171,000)	(210,169)
		1,077,761	849,758

6.1 These represent interest free loan and advances to employees. Chief Executive Officer and Directors have not taken any loans and advances from the Company.

7 STORES, SPARES AND LOOSE TOOLS

	Note	2015 Rupees	2014 Rupees
Stores		1,298,833	543,510
Spares		127,444	-
Loose tools		35,350	31,350
Fair price shop		95,578	91,739
		1,557,205	666,599

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

8 STOCK IN TRADE

	Note	2015 Rupees	2014 Rupees
Raw material		3,485,972	4,708,475
Work in process		2,386,497	2,823,287
Finished goods	8.1	2,220,440	2,380,561
Waste		12,456	12,160
		8,105,365	9,924,483

8.1 This includes net off amount of Rs. 0.019 million (2014 : Nil) charged against NRV to carry out finished goods at fair value less cost to sell. During the year, write down in the carrying value of finished goods in hand amounting to Rs. 0.504 million (2014: nil) has been recorded on account of net realisable value being lower than cost.

		Note	2015 Rupees	2014 Rupees
9	**TRADE DEBTS**			
	Unsecured-considered good			
	Local		6,116,877	1,851,473
10	**ADVANCES**			
	Unsecured-considered good			
	Advances to employees	6	171,000	210,169
	Advances to suppliers		684,816	1,492,263
			855,816	1,702,432
11	**TAX REFUNDS DUE FROM GOVERNMENT**			
	Income tax		431,600	27,533
12	**TAXATION - NET**			
	Balance at beginning of the year		162,029	20,103
	Transferred to tax refunds due from government		(162,029)	(20,103)
			-	-
	Provision for the year	27	(2,891,152)	(3,015,022)
			(2,891,152)	(3,015,022)
	Less: Payment/adjustment		2,326,143	3,177,051
	Closing balance (payable) / receivable		(565,009)	162,029
13	**CASH AND BANK BALANCES**			
	Cash in hand		109,068	82,643
	Cash at banks:			
	Current accounts		2,866,751	3,015,144
	Saving account	13.1	1,813,750	312,237
			4,789,569	3,410,024

13.1 Saving account carries mark up at the rates ranging from 0.02% to 0.06% (2014: 0.05% to 0.06%) per annum.

14 **SHARE CAPITAL**

14.1 **Authorized share capital:**

This represents 5,000,000 (2014 : 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (2014 : Rs. 50,000,000).

	2015 Rupees	2014 Rupees

14.2 **Issued, subscribed and paid up capital:**

Number of ordinary shares of Rs. 10/- each 2015	2014		2015 Rupees	2014 Rupees
1,300,000	1,300,000	Fully paid in cash	13,000,000	13,000,000

15 **SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS**

		2015 Rupees	2014 Rupees
Balance brought forward		86,937,708	44,727,905
Add:	Revaluations during the year	-	43,795,541
		86,937,708	88,523,446
Less:	Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)	1,924,117	1,062,444
	Related deferred tax liability during the year transferred to profit and loss account	947,700	523,294
		2,871,817	1,585,738
		84,065,891	86,937,708
Less:	Related deferred tax effect:		
	Balance as at July 01	10,078,234	5,671,302
	On revaluation during the year	-	5,097,029
	Effect of change in rate	(830,048)	(166,803)
Less:	Incremental depreciation charged during the year transferred to profit and loss account	(947,700)	(523,294)
		8,300,486	10,078,234
		75,765,405	76,859,474

15.1 The Company has revalued its freehold land, buildings and plant and machinery on June 30, 2014 by independent valuer M/s Asrem (Private) Limited on the basis of market value. At the above date, the revaluation resulted in a surplus of Rs. 43,795, 541. Previously freehold land, buildings and plant and machinery was revalued on June 07, 2010 by the same valuer. At that date, the revaluation resulted in a surplus of Rs. 22,258,957 of these assets. Prior to that freehold land and building was revalued on June 30, 1996 by M/s Zia Consultants, independent firm of industrial valuation consultants. The revaluation was based on prevailing market price for free hold land and replacement value for building. At that date, the revaluation resulted in a surplus of Rs. 33,215,659 of these assets.

15.2 Under the requirements of the Companies Ordinance, 1984, the Company cannot use the surplus except for setting off the losses arising out of the disposal of the revalued assets, losses arising out of the subsequent revaluation of assets and to set-off any incremental depreciation arising as a result of revaluation.

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

	Note	2015 Rupees	2014 Rupees
Freehold land		302,395	302,395
Buildings on freehold land		1,285,303	1,352,950
Plant and machinery		7,322,884	8,136,538

16 DEFERRED LIABILITIES

	Note	2015 Rupees	2014 Rupees
Staff retirement benefits - gratuity	16.1	5,951,071	4,480,580
Deferred taxation	16.2	9,828,930	11,770,748
		15,780,001	16,251,328

16.1 Staff retirement benefits - gratuity

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn gross salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2015 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

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

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

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

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

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

Principal actuarial assumptions

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

	2015 Rupees	2014 Rupees
Discount rate (%)	9	12
Expected rate of return on plan assets (%)	-	-
Expected rate of increase in salary (%)	8	11
Maturity profile	SLIC(2001-05)	

16.1.1 Reconciliation of balance due to defined benefit plan

Present value of defined benefit obligation	5,951,071	4,480,580
Fair value of plan assets	-	-
Closing net liability	5,951,071	4,480,580

16.1.2 Movement of the liability recognized in the balance sheet

Opening net liability	4,480,580	4,678,210
Charge for the year	2,480,445	1,491,226
Remeasurement chargeable to other comprehensive income	70,496	(87,806)
Benefits paid during the year	(1,080,450)	(1,601,050)
Closing net liability	5,951,071	4,480,580

16.1.3 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations	4,480,580	4,678,210
Current service cost for the year	2,007,602	929,841
Interest cost for the year	472,843	561,385
Benefits paid during the year	(1,080,450)	(1,601,050)
Remeasurement (gain) on obligation	70,496	(87,806)
Closing present value of defined benefit obligations	5,951,071	4,480,580

16.1.4 Charge for the year

Current service cost	2,007,602	929,841
Interest cost	472,843	561,385
Charge for the year	2,480,445	1,491,226

	Note	2015 Rupees	2014 Rupees

16.1.5 Remeasurement chargeable to other comprehensive income

Remeasurement loss / (gain) obligation		70,496	(87,806)

16.1.6 This is second year of the Company as actuarial valuation therefore no comparison for five years has been presented. Further, the Company has no plan assets, therefore fair value and movement in the fair value of plan assets has not been presented.

16.1.7 Sensitivity analysis

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

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	327,404	376,226
Salary increase	376,226	333,112

16.1.8 The charge in respect of defined benefit plan for the year ending June 30, 2016 is estimated to be Rs. 2.587 million.

16.2 Deferred taxation

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

	2015 Rupees	2014 Rupees
Accelerated tax depreciation	1,528,444	1,692,514
Surplus on revaluation of fixed assets	8,300,486	10,078,234
	9,828,930	11,770,748
Tax rate used	30%	33%

16.3 Deferred tax asset of Rs. 984,560 (2014: Rs. 2,522,878) on brought forward losses has not been recognised in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount. No deferred tax assets has been recognized on gratuity as the Company is claiming it as tax expense.

16.4 In view of judgment of Sindh High Court vide ITRA No. 132 of 2011 dated May 07, 2013, the benefit of section 113 (2) (c) is no more available to the taxpayer. Accordingly minimum tax paid in previous years due to losses cannot be adjusted from the tax liability of subsequent years. Therefore deferred tax assets on turnover tax amounting to Rs. 2.891 million has been not been disclosed during the year.

	Note	2015 Rupees	2014 Rupees
17 DUE TO ASSOCIATED UNDERTAKING			
Unsecured			
International Beverages (Private) Limited			
Opening balance		14,916,077	14,916,077
Paid during the year		(2,500,000)	-
		12,416,077	14,916,077
Less: Current portion shown under current liabilities		(12,416,077)	(2,500,000)
	17.1	-	12,416,077

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

As per agreement the settled amount is Rs. 17.866 million which includes Rs. 16.668 million as principal and Rs. 1.198 million as markup payable at 6% by the Company.

The amount due was repayable to IBL at the convenience of the Company on attaining financial stability. However, during the year all amounts have been shown under the current liabilities.

The maximum aggregate amount due to associated undertaking at the end of any month during the year was Rs. 14,416,077 (2014: Rs. 14,916,077).

	Note	2015 Rupees	2014 Rupees
18 LONG TERM LOAN FROM DIRECTORS			
Balance brought forward	18.1	64,107,547	62,607,547
Additions during the year		4,950,000	5,500,000
Payments during the year		-	(4,000,000)
		69,057,547	64,107,547
Less: Current portion shown under current liabilities		(69,057,547)	-
		-	64,107,547

18.1 This represents unsecured interest free loan from two directors and Chief Executive of the Company. The loan was payable on July 1, 2015. During the year all amounts have been shown under current liabilities.

18.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 69,057,547 (2014: Rs. 64,107,547).

	Note	2015 Rupees	2014 Rupees
19 TRADE AND OTHER PAYABLES			
Creditors		194,631	757,783
Accrued expenses		4,214,798	4,419,774
Advances from customers		1,500,743	1,583,091
Government dues		280,118	229,385
Unclaimed dividend		248,165	248,165
Income tax payable		55,680	3,089
Workers profit participation fund	19.1	74,280	1,077,861
Sales tax due to government		129,642	66,763
Sales tax payable		75,389	88,638
		6,773,446	8,474,549

19.1 Workers' profit participation fund

	2015	2014
Balance brought forward	1,077,861	892,623
Paid during the year	(1,077,861)	(174,699)
For the year	74,280	270,196
Add: Interest for the year @ 12.5% (2014: 12.5%)	-	89,741
	74,280	1,077,861

19.2 The Company retains the allocation to this fund for its business operations till the amounts are paid to the employees.

20 CONTINGENCIES AND COMMITMENTS

20.1 CONTINGENCIES

(a) Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, the Company was considered to be subject to the provisions of the WWF Ordinance.

The Lahore High Court has struck down the aforementioned amendments to the WWF Ordinance. However, a three member larger bench of Sindh High Court has held that such amendments were validly made. Subsequent to this judgment, various petitions have been filed before Sindh High Court challenging the vires of such amendments and stay has been granted by a Division Bench of Sindh High Court.

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions. Had this provision been made since July 01, 2010 it would amounting to Rs. 227,553.

b) The Karachi Stock Exchange Limited (KSE) had issued a notice KSE/GEN-3713 dated April 30, 2012 and subsequent stating that the Company had defaulted to comply with the Listing Regulation No. 30(1) (e), i.e. the Company has failed to pay the annual listing fee amounting to Rs. 446,739 since July 01, 2000. In this regard the Company is being quoted in the defaulters' segment of the Exchange w.e.f. March 02, 2012. The Company has not paid the annual listing fee to Karachi Stock Exchange amounting to Rs. 446,739/- upto balance sheet date, as the Company has made request for delisting from Karachi Stock Exchange Limited and waiver of listing fee. The Company is listed on Islamabad Stock Exchange Limited, therefore, it is not liable to pay annual listing fee to KSE after filing of application for delisting. The Company is expecting favourable outcome, therefore, no provision has been made in these financial statements.

c) There was no other contingent liability of the Company as at the balance sheet date (2014: Nil).

20.2 COMMITMENTS

There were no commitments for capital expenditures as at the balance sheet date (2014: Nil).

	Note	2015 Rupees	2014 Rupees
21 SALES			
Yarn		294,891,349	307,197,494
Waste		331,681	436,988
		295,223,030	307,634,482
Less sales tax		(6,417,948)	(6,250,420)
		288,805,082	301,384,062

	Note	2015 Rupees	2014 Rupees
22 COST OF SALES			
Raw material consumed	22.1	191,984,956	217,150,881
Stores and spares consumed	22.2	12,297,933	8,451,565
Salaries, wages and other benefits	22.3	40,432,847	32,478,852
Power charges		32,640,078	31,302,708
Insurance		235,276	213,496
Repairs and maintenance		187,100	125,410
Depreciation	5.1	3,913,074	2,631,979
		281,691,264	292,354,891
Work in process			
Opening		2,823,287	2,658,086
Closing	8	(2,386,497)	(2,823,287)
		436,790	(165,201)
Cost of goods manufactured		282,128,054	292,189,690
Finished goods			
Opening		2,380,561	1,590,516
Closing	8	(2,220,440)	(2,380,561)
		160,121	(790,045)
Waste			
Opening	8	12,160	20,630
Closing		(12,456)	(12,160)
		(296)	8,470
		282,287,879	291,408,115

22.1 Raw material consumed

	2015 Rupees	2014 Rupees
Opening stock	4,708,475	3,185,445
Add: Purchases	190,762,453	218,673,911
Cost of raw materials available for use	195,470,928	221,859,356
Less: Closing stock	(3,485,972)	(4,708,475)
	191,984,956	217,150,881

22.2 Stores and loose tools consumed

	2015 Rupees	2014 Rupees
Opening stock	574,860	446,132
Add: Purchases	13,184,700	8,580,293
	13,759,560	9,026,425
Less: Closing stock	(1,461,627)	(574,860)
	12,297,933	8,451,565

22.3 Salaries, wages and other benefits includes an amount of Rs. 1,891,911 (2014: Rs. 1,114,327) in respect of staff retirement benefits.

23 ADMINISTRATIVE EXPENSES

	Note	2015 Rupees	2014 Rupees
Director's remuneration	28	278,400	278,400
Salaries and other benefits	23.1	2,234,851	1,757,749
Telephone expenses		52,264	28,785
Motor running expenses		470,456	470,923
Printing, stationery and periodicals		55,570	52,930
Rent		240,000	240,000
Rent rates and taxes		9,900	106,220
Advertisement		19,200	39,680
Traveling and conveyance		64,860	110,238
Repair and maintenance		-	2,400
Entertainment		82,123	86,712
Subscription and membership fee		105,725	167,325
Depreciation	5.1	382,081	324,909
Donation	23.2	250,000	-
Other expenses		103,559	79,891
		4,348,989	3,746,162

23.1 Salaries and other benefits include Rs. 388,534 (2014: Rs. 376,899) in respect of staff retirement benefits.

23.2 Donations were not made to any donee in which any director of the Company or his spouse had any interest at any time during the year.

24 OTHER OPERATING CHARGES

	Note	2015 Rupees	2014 Rupees
Commission on selling of yarn		530,150	431,338
Legal and professional expenses		111,438	161,386
Auditor's remuneration		250,000	250,000
Workers' profit participation fund	19	74,280	270,196
		965,868	1,112,920

25 OTHER INCOME

		2015 Rupees	2014 Rupees
Income from non-financial assets			
Scrap sales		310,101	118,100
Other income		2,213	1,187
		312,314	119,287

	Note	2015 Rupees	2014 Rupees

26 FINANCIAL CHARGES

	Note	2015 Rupees	2014 Rupees
Mark-up/interest on:			
Workers' profit participation fund	19.1	92,545	89,741
Bank commission and charges		10,805	12,685
		103,350	102,426

27 TAXATION

		2015 Rupees	2014 Rupees
Provision for taxation			
Current		2,891,152	3,015,022
Prior		(242,038)	-
Deferred		(1,111,770)	(572,384)
		1,537,344	2,442,638

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

27.2 The applicable income tax rate was reduced from 34% to 33% for the year on account of the changes made to Income Tax Ordinance 2001 through Finance Act, 2014.

27.3 The applicable income tax rate for subsequent years beyond Tax year 2017 was reduced to 30% on account of changes made to Income Tax Ordinance 2001 through Finance Act 2015. Therefore, deferred tax is computed at the rate of 30% applicable to the period when temporary differences are expected to be reversed/utilised.

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2015				2014			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	278,400	-	920,000	1,198,400	278,400	-	883,000	1,161,400
Bonus	-	-	-	-	-	-	-	-
Staff retirement benefits	-	-	75,000	75,000	-	-	68,000	68,000
Medical	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total	278,400	-	995,000	1,273,400	278,400	-	951,000	1,229,400
Number of persons	1	6	1	8	1	6	1	8

b) The executive is also provided with car for business and personal use in accordance with the Company car scheme.

29 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	2015 Rupees	2014 Rupees
(Loss) / profit after taxation	(126,034)	2,691,088
	Number of shares	
Weighted average number of ordinary shares at the end of the year	1,300,000	1,300,000
	Rupees	
(Loss) / earnings per share	(0.097)	2.070

30 TRANSACTIONS WITH RELATED PARTIES

30.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve advance for working capital requirements. These transactions including remuneration to key management personnel under the terms of their employment are as follows:

Transaction with the Companies	Nature of Transaction	2015 Rupees	2014 Rupees
International Beverages (Private) Limited	Payment made against balance due to associated undertaking	2,500,000	-
Taj Mills Limited	Rent paid	240,000	240,000
Directors	Advance for payment for working capital requirements	4,950,000	5,500,000
	Adjustment / repayment of long term finance	-	(4,000,000)

30.2 Compensation to key management personnel

The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 30)". There are no transactions with key management personnel other than under their terms of employment.

30.3 The status of outstanding balances of related parties as at June 30, 2015 are included in "Long/short term loan from directors" (note 18& 20) and "Due to associated undertaking" (note 17&19).

FINANCIAL ASSETS AND LIABILITIES

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

2015

	Total	Interest/mark up bearing: Maturity up to one year	Interest/mark up bearing: Maturity after one year	Interest/mark up bearing: Sub-total	Not interest /mark up bearing
			Rupees		
Financial assets					
Loans and receivables at amortized cost					
Long term security deposits	918,810	-	-	-	918,810
Trade debts	6,116,877	-	-	-	6,116,877
Loans and advances	1,248,761	-	-	-	1,248,761
Cash and bank balances	4,789,569	1,813,750	-	1,813,750	2,975,819
	13,074,017	1,813,750	-	1,813,750	11,260,267
Financial liabilities					
Financial liabilities carried at amortized cost					
Short term loan from directors	69,057,547	-	-	-	69,057,547
Provision for gratuity	5,951,071	-	-	-	5,951,071
Due to associated undertaking	12,416,077	-	-	-	12,416,077
Trade and other payables	5,011,992	74,280	-	74,280	4,937,712
	92,436,687	74,280	-	74,280	92,362,407
On balance sheet gap	(79,362,670)	1,739,470	-	1,739,470	(81,102,140)
Off Balance sheet Items					
Financial commitments	-	-	-	-	-
Total Gap	(79,362,670)	1,739,470	-	1,739,470	(81,102,140)

2014

	Total	Interest/mark up bearing: Maturity up to one year	Interest/mark up bearing: Maturity after one year	Interest/mark up bearing: Sub-total	Not interest /mark up bearing
			Rupees		
Financial assets					
Loans and receivables at amortized cost					
Long term loan from directors	918,810	-	-	-	918,810
Trade debts	1,851,473	-	-	-	1,851,473
Advances	1,059,927	-	-	-	1,059,927
Cash and bank balances	3,410,024	312,237	-	312,237	3,097,787
	7,240,234	312,237	-	312,237	6,927,997
Financial liabilities					
Financial liabilities carried at amortized cost					
Long-term loan from directors	64,107,547	-	-	-	64,107,547
Provision for gratuity	4,480,580	-	-	-	4,480,580
Due to associated undertaking	14,916,077	-	-	-	14,916,077
Trade and other payables	6,732,968	1,077,861	-	1,077,861	5,655,107
	90,237,172	1,077,861	-	1,077,861	89,159,311
On balance sheet gap	(82,996,938)	(765,624)	-	(765,624)	(82,231,314)
Off Balance sheet Items					
Financial commitments	-	-	-	-	-
Total Gap	(82,996,938)	(765,624)	-	(765,624)	(82,231,314)

Effective interest rates are mentioned in the respective notes to the financial statements.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Credit risk

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

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets of Rs. 13.074 million (2014: Rs. 7.240 million), the financial assets which are subject to credit risk amounted to Rs. 12.964 million (2014: Rs. 7.157 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2015 Rupees	2014 Rupees
Long term security deposits	918,810	918,810
Trade debts	6,116,877	1,851,473
Loans and advances	1,248,761	1,059,927
Bank balances	4,680,501	3,327,381
	12,964,949	7,157,591

The aging of trade debts at the reporting date is:

	2015	2014
Not past due	-	-
Past due 1-30 days	4,345,696	67,398
Past due 30-60 days	29,803	-
Over one year	1,741,378	1,784,075
	6,116,877	1,851,473

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

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

Concentration of credit risk

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

Impaired assets

During the year no assets have been impaired.

32.3 Liquidity risk

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

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
				Rupees			
2015							
Deferred liabilities	5,951,071	5,951,071	-	-	-	-	5,951,071
Short term loan from directors	69,057,547	69,057,547	-	69,057,547	-	-	-
Due to associated undertaking	12,416,077	12,416,077	-	12,416,077	-	-	-
Trade and other payables	6,773,446	6,773,446	3,386,723	3,386,723	-	-	-
	94,198,141	94,198,141	3,386,723	84,860,347	-	-	5,951,071
2014							
Deferred liabilities	4,480,580	4,480,580	-	-	-	-	4,480,580
Long term loan from directors	64,107,547	64,107,547	-	-	-	64,107,547	-
Due to associated undertaking	14,916,077	14,916,077	-	2,500,000	-	12,416,077	-
Trade and other payables	8,474,549	8,474,549	4,237,275	4,237,275	-	-	-
	91,978,753	91,978,753	4,237,275	6,737,275	-	76,523,624	4,480,580

32.4 Market risk

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

(i) Currency risk

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

Presently the Company is not exposed to foreign currency risk.

(ii) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loans and short borrowings.

Interest rate of the Company's financial assets and financial liabilities as at June 30, 2015 can be evaluated from the schedule given in note 30 to these financial statements.

The Company is not exposed to interest rate risk , therefore, no sensitivity analysis has been presented.

(iii) **Other price risk**

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

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

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date. The financial instruments that are not traded in active market are carried at cost and are tested for impairment according to IAS 39. The carrying amount of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

34 CAPITAL MANAGEMENT

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

35 PLANT CAPACITY, PRODUCTION AND EMPLOYEES

	2015 Numbers	2014 Numbers
No. of spindles installed	7,548	7,104
Installed capacity converted into 20's count lbs.	5,682,229	5,347,980
Actual production converted into 20's count lbs.	3,443,190	3,389,430
Actual production in lbs.	2,993,900	2,748,500
Average count manufactured	23	25
No. of shifts worked daily	2	2

35.1 Reasons for under utilization of capacity

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

36 NUMBER OF EMPLOYEES

The number of employees as at year end was 228 (2014: 211) and average number of employees during the year was 223 (2014: 196).

37 CORRESPONDING FIGURES

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

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 21 SEP 2015

39 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE DIRECTOR

THE COMPANIES ORDINANCE, 1984

(Section 236 (1) and 464)

PATTERN OF SHAREHOLDINGS

1.	Incorporation Number	:	0004649
2.	Name of the Company	:	ELAHI COTTON MILLS LIMITED
3.	Pattern of holding of the shares held by the shareholders as at	:	June 30, 2015

4.	NO. OF SHARE HOLDERS	SHAREHOLDING From	SHAREHOLDING To	TOTAL SHARES HELD
	32	1	100	990
	23	101	500	9,706
	34	501	1,000	22,242
	20	1,001	5,000	37,050
	1	5,001	10,000	5,500
	2	15,001	20,000	35,244
	1	45,001	50,000	48,000
	1	70,001	75,000	73,500
	1	150,001	155,000	152,743
	1	195,001	200,000	199,825
	1	200,001	205,000	200,200
	1	515,001	520,000	515,200
	118			1,300,000

Note: The slabs not applicable have not been shown.

5.	CATEGORIES OF SHAREHOLDERS	Shares held	Percentage
5.1	Directors, Chief Executive Officer, and their spouse and minor children	1,047,625	80.59%
5.2	Associated Companies, undertakings and related parties	–	–
5.3	NIT and ICP	–	–
5.4	Banks, Development Financial Institutions, Non-Banking Financial Institutions	–	–
5.5	Insurance companies	–	–
5.6	Modarabas and Mutual Funds	–	–
5.7	Shareholders holding 10%	1,115,868	85.83%
5.8	General Public		
	a. ——→ Local	99,632	7.66%
	b. ——→ foreign	–	–
5.9	Others (to be specified) **Joint Stock Companies**	152,743	11.75%

6.	Signature of Chief Executive	
7.	Name of signatory	Mr. Mahfooz Elahi
8.	Designation	Chief Executive
9.	NIC Number	61101-1966627-5
10.	Date (Day / Month / Year)	21 / 09 / 2015

CATEGORIES OF SHARE HOLDING AS ON JUNE 30, 2015

As per requirements of Code of Corporate Governance

CATEGORIES OF SHARE HOLDERS	Shares Held	Percentage
Associated Companies, undertakings and related parties (Name wise detail)	NIL	
Mutual Funds (Name wise detail)	NIL	
Directors and their spouse and Minor children (Name wise detail):		
Mr. Mahboob Elahi	563,200	43.32
Mr. Mahfooz Elahi	199,675	15.36
Mr. Mahmood Elahi	200,250	15.40
Sheikh Farrukh Ahmed	2,500	0.19
Mr. Naveed Akhter Idrees	2,500	0.19
Syed Muhammad Raunaq ud din	2,500	0.19
Mr. Murtaza Wahab	3,500	0.27
Mrs. Samina Begum W/o Mr. Mahboob Elahi	73,500	5.65
Executives:	NIL	
Public Sector Companies and Corporations	NIL	
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	NIL	
Shareholders holding five percent or more voting rights in the listed company (Name wise detail)		
1. Mr. Mahboob Elahi	563,200	43.32
2. Mr. Mahfooz Elahi	199,675	15.36
3. Mr. Mahmood Elahi	200,250	15.40
4. M/S. Salim Sozer Securities (Pvt) Limited	152,743	11.75
5. Mrs. Samina Begum	73,500	5..65

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

S.No.	Name	Sale	Purchase
	NIL		