

# ELAHI COTTON MILLS LIMITED

## DIRECTORS HALF YEARLY REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to present financial information for the half year ended December 31, 2014 duly reviewed by the external auditors.

The Company suffered net loss after taxation of Rs.2,664,568/- for the six months from July 01, 2014 to December 31, 2014 as compared to net profit of Rs. 5,365,986/- for the corresponding period of last six months. Aggregate sales revenue of the Company increased from Rs.144,988 million to Rs.145,505 million showing increase of Rs.0,517 million (0.36%) whereas cost of sales increased from Rs.136,485 million to Rs.144,795 million showing increase of Rs.8.3 million (6.08%). The net loss incurred by the Company is due to increase in production and overhead costs especially in salary & wages (increase in minimum wage limit from Rs.10,000/- to Rs.12,000/-p.m.), electricity cost (levy of development surcharge and UOF surcharge), depreciation expense (due to revaluation of fixed assets) and store & spares consumed. The future outlook appears to be uncertain due to continued energy crises.

The loss per share for the half year ended December 31, 2014 is Rs. 2.05 and for the quarter ended December 31, 2014 is Rs. 0.58. As the Company has incurred loss and no amount is available in the reserves, the Directors do not recommend payment of any dividend to shareholders of the Company.

The Directors have to comment on Auditors observation as under:

During the period, the Company suffered an operating loss of Rs. 1,799 million and net loss of Rs.2,665 million. The reasons for incurring loss have already been explained in the report. Despite the losses, 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.

Islamabad  
February 26, 2015

On behalf of Board of Directors

(MAHFOOZ ELAHI)  
Chief Executive

# INDEPENDENT AUDITORS REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

## Introduction

We have reviewed the accompanying condensed interim balance sheet of ELAHI COTTON MILLS LIMITED ("the Company") as at December 31, 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of financial position of the Company as at December 31, 2014 and of its financial performance and its cash flows for the six months period then ended in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended December 31, 2014 and December 31, 2013 in the condensed interim profit and loss account and condensed interim statements of comprehensive income have not been reviewed and we do not express a conclusion on them.

## Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1.2 in the condensed interim financial information which indicates that the Company has suffered net loss of Rs. 2,665 million for the period ended December 31, 2014 and as of that date its accumulated losses aggregated to Rs. 73,374 million (June 30, 2014: Rs. 73,671 million). The Company's accumulated losses exceed the issued, subscribed and paid up capital by Rs. 62,374 million (June 30, 2014: Rs 60,671 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  
DATED: 26.02.2015

BDO Ebrahim & Co.  
CHARTERED ACCOUNTANTS  
Engagement Partner: Abdul Qadeer

# ELAHI COTTON MILLS LIMITED

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

### AS AT DECEMBER 31, 2014

	December 31, 2014	June 30, 2014
Note	Rs/pes Unaudited	Rs/pes Audited
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	98,216,454	100,281,359
Operating fixed assets	918,810	918,810
Long term security deposits	850,508	849,758
Loans and advances	99,985,772	102,149,927
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	1,285,326	666,599
Stock in trade	8,673,770	9,924,463
Trade debts	6,067,102	1,851,473
Loans and advances	1,514,028	1,702,432
Short term prepayments	116,415	143,187
Tax refund due from Government	189,582	27,533
Taxation - net	3,135,277	3,410,024
Cash and bank balances	20,984,880	17,887,760
	<b>120,987,652</b>	<b>119,937,687</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital	13,000,000	13,000,000
Accumulated loss	(62,373,654)	(60,671,288)
	<b>75,897,272</b>	<b>76,859,474</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		
<b>NON-CURRENT LIABILITIES</b>		
Deferred liabilities	17,020,358	16,251,328
Long term loan from directors	64,107,547	64,107,547
Due to associated undertaking	12,416,077	12,416,077
	<b>93,543,982</b>	<b>92,774,952</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	11,286,131	8,574,549
Current portion/overdue balance due to associated undertaking	2,500,000	2,500,000
Taxation - net	113,921	
	<b>13,900,052</b>	<b>10,974,549</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<b>120,987,652</b>	<b>119,937,687</b>

The annexed notes form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

Note	Half year ended		Quarter ended		
	December 31, 2014	2013	December 31, 2014	2013	
	Rupees				
Sales	145,504,619	144,988,465	76,556,183	77,100,936	
Cost of sales	144,794,690	136,494,806	75,473,177	74,878,072	
Gross profit	710,019	8,493,659	1,083,006	3,222,864	
Operating expenses	2,261,265	1,461,427	1,157,598	645,434	
Administrative expenses	247,826	521,387	158,436	437,619	
Other operating charges	(1,799,072)	6,511,845	(331,028)	4139,811	
Operating (loss) / profit	88,537	98,684	201	62,783	
Other income	3,908	4,792	3,908	3,342	
Financial charges	(1,714,443)	6,564,737	(236,732)	4,199,231	
Taxation:					
Current	(1,455,914)	(1,450,471)	(765,546)	(771,590)	
Deferred	505,789	251,120	252,847	(295,674)	
(Loss) / profit after taxation	(2,664,588)	5,365,386	(749,431)	3,133,981	
(Loss) / earnings per share					
Basic and diluted	12	(2.05)	4.13	(0.58)	2.41

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Half year ended		Quarter ended	
	December 31, 2014	2013	December 31, 2014	2013
	Rupees			
Other comprehensive income	(2,664,588)	5,365,386	(749,431)	3,133,981
Total comprehensive (loss) / income for the period	(2,664,588)	5,365,386	(749,431)	3,133,981

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 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Half year ended		Quarter ended	
	December 31, 2014	2013	December 31, 2014	2013
	Rupees			
CASH FLOWS FROM OPERATING ACTIVITIES:				
(Loss) / profit before taxation	(1,714,443)	6,564,737		
Adjustment for:				
Depreciation	2,123,805	1,455,496		
Financial charges	1,757,820	4,792		
Provision for gratuity	3,887,233	1,138,170		
Profit before working capital changes	2,173,090	9,163,195		
Changes in working capital:				
(Decrease) / decrease in current assets				
Stock in trade	1,250,713	(1,273,234)		
Stores, spares and loose tools	(618,277)	(571,243)		
Trade debt	(4,215,629)	(3,114,638)		
Loans and advances	187,654	(2,235,933)		
Short term investments	26,372	(123,423)		
Other receivables	-	76,099		
Increase / (decrease) in current liabilities	2,811,542	(30,715)		
Trade and other payables	(338,033)	7,279,217		
Cash generated from operations	(3,908)	(4,792)		
Financial charges paid	(1,341,994)	(1,462,809)		
Income tax paid	(483,000)	(282,801)		
Gratuity paid	(1,838,902)	(1,750,991)		
Net cash (used in) / generated from operating activities	(60,900)	(390,080)		
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed assets	(60,900)	(390,080)		
Net cash used in investing activities	(60,900)	(390,080)		
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net decrease in cash and cash equivalents	(121,800)	(780,160)		
Cash and cash equivalents at the beginning of the period	3,115,277	2,181,903		
Cash and cash equivalents at the end of the period	2,993,477	1,401,743		

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2014**

	Half year ended		Quarter ended	
	December 31, 2014	2013	December 31, 2014	2013
	Rupees			
Balance as at July 01, 2013	13,000,000	(77,512,626)	(64,512,626)	
Total comprehensive profit for the period	5,365,386	5,365,386	5,365,386	
Transfer from surplus on revaluation of fixed assets incremental depreciation net of deferred tax	515,365	515,365	515,365	
Balance as at December 31, 2013	13,000,000	(71,631,875)	(58,631,875)	
Balance as July 01, 2014	13,000,000	(73,671,288)	(60,671,288)	
Total comprehensive loss for the period	(2,664,588)	(2,664,588)	(2,664,588)	
Transfer from surplus on revaluation of fixed assets incremental depreciation net of deferred tax	962,202	962,202	962,202	
Balance as at December 31, 2014	13,000,000	(75,373,654)	(62,373,654)	

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

# ELAHI COTTON MILLS LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2014

## 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 Company is engaged in the manufacturing and sale of yarn. The registered office of the Company is situated at 270, sector 19, Industrial Area, Islamabad. The principal business of the Company is manufacture and sale of yarn.

1.2 The Company has suffered net loss of Rs. 2,665 million for the period ended December 31, 2014 and as of that date its accumulated losses aggregated to Rs. 75,374 million (June 30, 2014: Rs. 71,671 million). The Company's accumulated losses exceed the issued, subscribed and paid up capital by Rs. 62,374 million (June 30, 2014: Rs. 60,671 million). These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

This financial information has 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 periods.

## 2 BASIS OF PREPARATION

2.1 **Statement of compliance**  
This condensed interim financial information is unaudited but subject to the limited scope review by auditors and are being submitted to the shareholders as required under section 243 of the Companies Ordinance, 1984.

2.2 **Statement of compliance**  
This condensed interim financial information of the Company for the half year ended December 31, 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

The condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2014.

The comparative balance sheet presented in this condensed interim financial information has been extracted from the audited annual financial statements of the Company for the year ended June 30, 2014, whereas comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity are extracted from the unaudited interim financial information for the half year ended December 31, 2013.

## 2.3 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention except for certain fixed assets which have been stated at revalued amount and staff retirement benefits at present value.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

## 2.4 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupee, which is the functional and presentation currency of the Company.

## 3 ACCOUNTING POLICIES

3.1 The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2014.

3.2 The other standards, amendments and interpretation of approved accounting standards that became effective during the period do not have a significant impact on the Company's condensed interim financial information.

## 4 TAXATION

The provision for taxation for the half year and quarter ended December 31, 2014 has been made using the estimated effective tax rate applicable to expected half annual earnings.

## 5 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2014.

## 6 OPERATING FIXED ASSETS

	December 31, 2014	June 30, 2014
	Rs. in millions	Rs. in millions
Operating written down value	100,281,359	57,023,331
Add: Additions during the period / year	60,900	2,420,375
Add: Revaluation during the period / year	2,125,805	43,705,541
Less: Depreciation charged during the period / year	(98,216,554)	(2,956,888)
Closing written down value	64,200,710	100,281,359

6.1 Detail of additions (at cost) during the period / year are as follows:

Furniture fixture and office equipment	35,000
Power and other installations	23,900
Plant and machinery	60,900
	2,420,375

## 7 STOCK IN TRADE

Raw material	3,013,393	4,708,475
Work in progress	2,428,294	2,823,287
Finished goods	3,116,863	2,380,561
Waste	115,120	12,160
	8,673,770	9,924,483

7.1 These represent inventories carried at fair value less costs to sell. These represent net of amount of Rs. 0,363 million (June 30, 2014: Nil) charged against NRV to carry out finished goods at fair value less cost to sell.

## 8 TRADE DEBTS

	December 31, 2014	June 30, 2014
	Rs. in millions	Rs. in millions
Unsecured	6,067,102	1,851,473
Considered good		

## 9 SHARE CAPITAL

9.1 Issued, subscribed and paid up capital

	December 31, 2014	June 30, 2014
	Rs. in millions	Rs. in millions
Number of ordinary shares of Rs. 10/- each	1,300,000	1,300,000
Fully paid in cash	13,000,000	13,000,000

## 9.2 Authorized share capital

This represents 5,000,000 (June 30, 2014: 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (June 30, 2014: 50,000,000).

## 10 CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

10) Through the Pension Act, 2008 an amendment was made in section 2(6) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of Industrial Establishment has been made applicable to any establishment in 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 Labour 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 they have 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 Sindh High 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 be amounting to Rs. 227,553.

b) There was no other contingent liability of the Company as at the balance sheet date (June 30, 2014: Nil).

### 10.2 Commitments

The Company has commitments of Rs. 0,640 million as at December 31, 2014 (June 30, 2014: Nil) in respect of outstanding letter of credits for import of plant and machinery.

## 11 COST OF SALES

	Half year ended December 31, 2014	Half year ended December 31, 2013	Quarter ended December 31, 2014	Quarter ended December 31, 2013
	Rs. in millions	Rs. in millions	Rs. in millions	Rs. in millions
Raw material consumed	180,431,207	104,917,411	51,537,013	53,133,219
Salaries, wages and other benefits	19,458,680	15,381,191	10,888,446	7,275,172
Electricity	17,026,596	12,923,921	8,827,904	6,368,478
Insurance	104,301	9,629	91,437	25,600
Repair and maintenance	131,200	77,169	90,780	35,600
Stores and spares consumed	6,144,009	3,554,345	2,897,036	1,478,179
Depreciation	1,033,014	1,292,012	967,187	646,522
	145,228,969	138,136,702	75,299,723	71,727,210
Opening work in process	2,823,287	2,632,105	2,632,105	2,714,245
Closing work in process	(2,428,394)	(3,360,563)	(2,428,394)	(3,360,563)
Cost of goods manufactured	394,893	(702,479)	304,671	(606,320)
	145,623,862	137,434,223	75,504,394	71,120,910
Opening stock of finished goods	2,380,561	1,590,516	1,301,766	1,317,725
Closing stock of finished goods	(3,116,863)	(2,415,283)	(2,415,283)	(3,116,863)
Cost of goods sold	144,787,560	136,633,450	74,198,417	70,724,772
Opening stock of waste material	12,160	20,620		
Closing stock of waste material	(115,120)	(112,380)	(115,120)	(115,280)
	(102,960)	(91,760)	(103,600)	(93,660)
	144,794,600	136,499,890	73,473,177	71,878,072

## 11.1 Raw material consumed

Opening stock	4,708,475	1,183,445	4,124,963	3,215,474
Purchases	96,726,125	108,548,789	30,425,443	54,734,568
	101,434,600	109,732,234	34,550,406	57,950,042
Closing stock	(3,013,393)	(2,816,823)	(3,013,393)	(2,816,823)
	100,421,207	106,915,411	31,537,013	55,133,219

## 11.2 Stores and spares consumed

Opening stock	574,861	446,132	976,024	818,690
Purchases	6,257,192	4,080,816	3,108,924	1,652,992
Closing stock	(1,187,913)	(992,467)	(1,187,913)	(992,467)
	6,144,009	3,534,481	2,897,036	1,478,215

## 12 (LOSS) / EARNING PER SHARE: BASIS AND DILUTED

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

	Half year ended December 31, 2014	Half year ended December 31, 2013	Quarter ended December 31, 2014	Quarter ended December 31, 2013
(Loss) / profit after taxation (Rs. in millions)	(2,664,568)	5,365,386	(749,433)	3,133,081
Weighted average number of ordinary shares at the end of the period (Number of shares)	1,300,000	1,300,000	1,300,000	1,300,000
(Loss) / earnings per share (Rs. in millions)	(2.05)	4.13	(0.58)	2.41

## 13 TRANSACTIONS WITH RELATED PARTIES

13.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties during the period are as follows:

Relation with the Company Nature of transactions	Half year ended December 31,		Quarter ended December 31,	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees

Directors	-	4,000,000	-	-
Loan received during the period	-	4,000,000	-	-
Loan repaid during the period	-	-	-	-
Associated company Taj Mills Limited	120,000	-	60,000	-

13.2 The transactions with key management personnel includes remuneration and other benefits under the terms of their employment which are as follows:-

	Half year ended December 31,		Quarter ended December 31,	
	2014 Rupees	2013 Rupees	2014 Rupees	2013 Rupees

Short term employee benefits	606,000	277,800	281,850	138,900
Provision towards retirement benefits	82,000	21,100	-	-
	<b>688,000</b>	<b>300,900</b>	<b>281,850</b>	<b>138,900</b>

**14 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison and better presentation. However, no significant reclassification has been made during the period except insurance amounting to Rs. 4,316 (for the quarter ended December 31, 2013) has been reclassified to other income.

**15 DATE OF AUTHORIZATION**

This condensed interim financial information was authorized for issue on 26/02/2015 by the Board of Directors of the Company.

**16 GENERAL**

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE DIRECTOR

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**ELAHI COTTON  
MILLS LIMITED**

FINANCIAL STATEMENTS  
FOR THE  
HALF YEAR ENDED  
DECEMBER 31-2014

**ELAHI COTTON MILLS LIMITED**

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