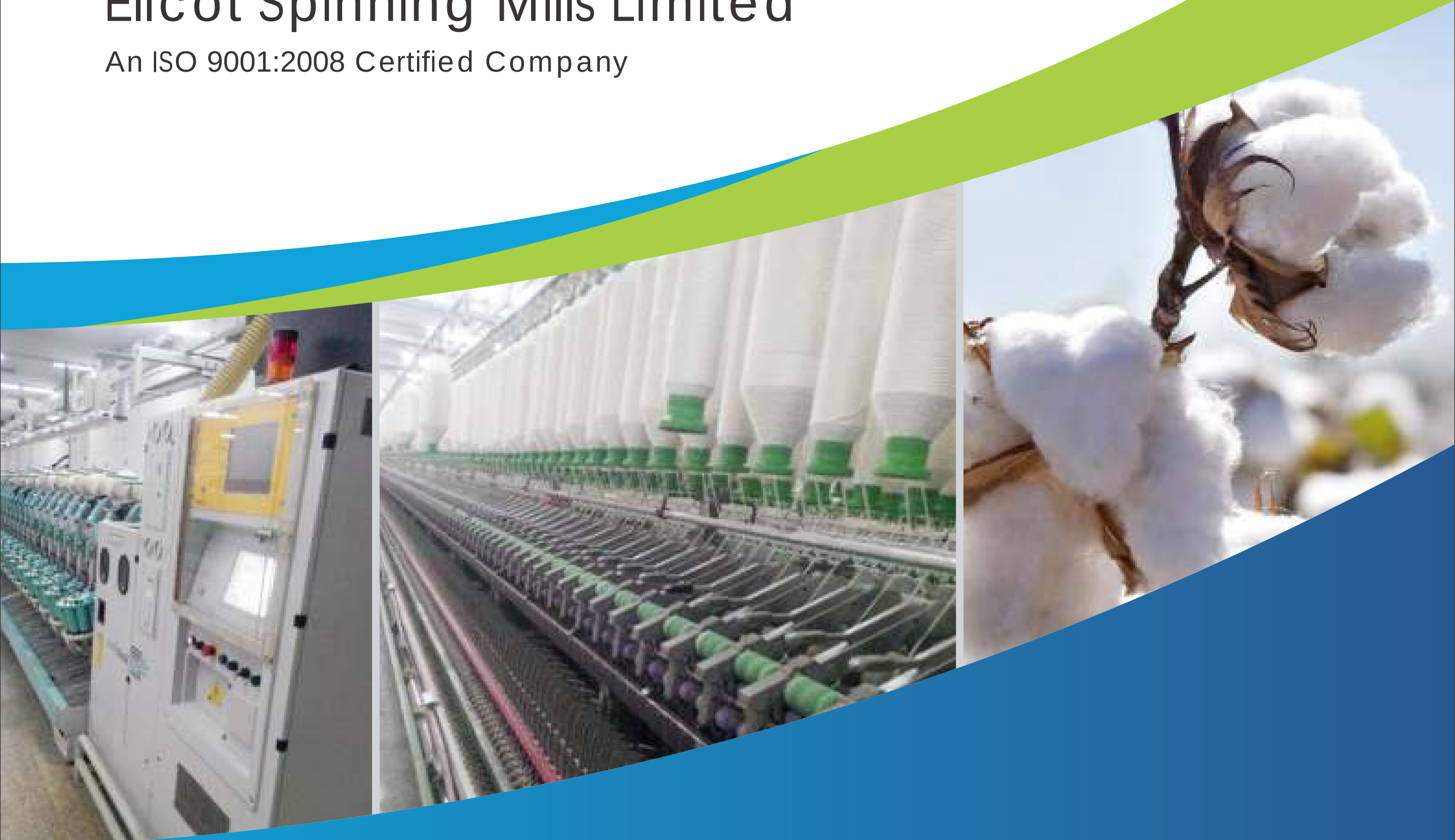
NAGINA

NAGINA GROUP

Ellcot Spinning Mills Limited

An ISO 9001:2008 Certified Company



Annual Report | 2015

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
	Mr. Syed Moaz Mohiuddin	Independent Non-Executive Director
	Mr. Jamal Nasim (Nominee NIT)	Non-Executive Director
	Mr. Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shaukat Ellahi Shaikh	Non-Executive Director
	Mr. Amin Ellahi Shaikh	Non-Executive Director
	Mr. Shafqat Ellahi Shaikh	Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shafqat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Syed Moaz Mohiuddin	Chairman
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Amin Ellahi Shaikh	Member
	Mr. Syed Mohsin Gilani	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Amin Ellahi Shaikh	Chairman
	Mr. Shaikh Enam Ellahi	Member
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Muhammad Azam	Secretary
EXECUTIVE COMMITTEE	Mr. Shaikh Enam Ellahi	Chairman
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Muhammad Azam	Secretary
CORPORATE SECRETARY	Mr. Syed Mohsin Gilani	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Muhammad Ahmad	
AUDITORS	Messrs Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants	
LEGAL ADVISOR	Bandial & Associates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. Meezan Bank Ltd. MCB Bank Ltd. National Bank of Pakistan Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	Nagina House 91-B-1, M.M. Alam Road Gulberg-III, Lahore-54660	
WEB REFERENCE	www.nagina.com	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1st Floor, H.M. House 7-Bank Square, Lahore Phone # 042-37235081-2 Fax # 042-37358817	
MILLS	6.3 K.M, Manga Mandi, Raiwind Road Mouza Rossa, Tehsil & District Kasur.	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of members of ELLCOT SPINNING MILLS LTD. will be held at the Registered Office of the Company, situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Wednesday, October 28, 2015 at 11:30 a.m. to transact the following business:

A. Ordinary Business

1) To confirm minutes of the Annual General Meeting held on October 27, 2014.

2) To receive and adopt Audited Accounts of the Company for the year ended June 30, 2015 together with the Directors' and Auditors' reports thereon.

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

4) To appoint Auditors and fix their remuneration.

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

B. Special Business

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

RESOLVED that pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Ellcot Spinning Mills Ltd., (the "Company") be and is hereby authorized to make investment of up to PKR 75,000,000 (Rupees Seventy Five Million Only) from time to time in each of the following associated companies (a) Nagina Cotton Mills Ltd, (b) Prosperity Weaving Mills Ltd, by way of advances and / loans, as and when required by these associated companies provided that the return on such loans and / advances shall not be less than the average borrowing cost of the Company and that such loans / or advances shall be repayable within one year from the date of disbursement.

FURTHER RESOLVED that the above said resolution shall be valid for 5 (five) years and the Chief Executive Officer of the Company be and is hereby authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and the Chief Executive and/or Company Secretary be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary for the purpose of giving effect to the spirit and intent of the special resolution for making investment from time to time.

A statement under Section 160(1) (b) of the Companies Ordinance, 1984, along with the information required under Clause (b) of sub-regulation (1) of Regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 is annexed.

By Order of the Board

Syed Mohsin Gilani
Corporate Secretary

Lahore : September 29, 2015

NOTES:

1) The share transfer books for ordinary shares of the Company will be closed from Thursday, October 22, 2015 to Wednesday, October 28, 2015 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore by the close of business on Wednesday, October 21, 2015 will be in time to be passed for payment of dividend to the transferee(s).

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

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

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

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

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

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

7) The financial statements for the year ended June 30, 2015 shall be uploaded on the Company's website on or before October 7, 2015.

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

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

10) IMPORTANT:

a) Pursuant to the Finance Act 2015, effective July 1, 2015, all individuals/ companies / association of persons whose CNIC/NTN is NOT included in the "List of FILERS" available at Federal Board of Revenue's website (http://www.fbr.gov.pk) are liable to deduction of a tax at source at higher rate (@17.50%) on dividend.

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

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

b) Shareholders are requested to provide CNIC/NTN, e-dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt) Ltd.. H.M. House, 7-Bank Square, Lahore.

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

<table>
<tr><th>Ref. #</th><th>Requirement</th><th>Information</th></tr>
<tr><td>i.</td><td>Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established.</td><td>a) M/s. Prosperity Weaving Mills Ltd. (PWML) due to common directorship by the following directors:
1. Mr. Shaikh Enam Ellahi
2. Mr. Shahzada Ellahi Shaikh
3. Mr. Shaukat Ellahi Shaikh
4. Mr. Shafqat Ellahi Shaikh
b) M/s. Nagina Cotton Mills Ltd., (NCML) due to common directorship by the following directors:
1. Mr. Shaikh Enam Ellahi
2. Mr. Shahzada Ellahi Shaikh
3. Mr. Shaukat Ellahi Shaikh
4. Mr. Shafqat Ellahi Shaikh</td></tr>
<tr><td>ii.</td><td>Amount of loans or advances.</td><td>Rs.75.00 million as a running finance facility in each of the associated company mentioned above.</td></tr>
<tr><td>iii.</td><td>Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advance.</td><td>To provide an option to the associated companies to avail finance as and when required and to park any surplus funds with the associated companies to earn a return over and above offered in the market.</td></tr>
<tr><td>iv.</td><td>In case of any loan has already been granted to the said associated company or associated undertakings, the complete details thereof.</td><td>None</td></tr>
<tr><td>v.</td><td>Financial position including main items of balance sheet and profit and loss account of the associated company(s) or associated undertaking(s) on the basis of its latest financial statements for the year ended June 30, 2015.</td><td>
<table>
<tr><th></th><th>NCML</th><th>PWML</th></tr>
<tr><td></td><td colspan="2">Rupees in millions</td></tr>
<tr><td>Paid Up Capital</td><td>187.000</td><td>184.800</td></tr>
<tr><td>Non-Current Liabilities</td><td>482.482</td><td>1,329.552</td></tr>
<tr><td>Current Liabilities</td><td>415.609</td><td>510.637</td></tr>
<tr><td>Non-Current Assets</td><td>1,331.674</td><td>1,913.202</td></tr>
<tr><td>Current Assets</td><td>1,436.633</td><td>875.917</td></tr>
<tr><td>Sales</td><td>4,208.114</td><td>5,811.482</td></tr>
<tr><td>Gross Profit</td><td>389.233</td><td>318.755</td></tr>
<tr><td>Finance Cost</td><td>69.959</td><td>107.221</td></tr>
<tr><td>Profit After Tax</td><td>113.689</td><td>60.831</td></tr>
</table>
</td></tr>
</table>

Ref. #	Requirement	Information
vi.	Average borrowing cost of the investing company.	**10.17 % for the year ended June 30, 2015.**
vii.	Rate of interest, mark-up, profit, fees or commission etc., to be charged.	**Not less than average borrowing cost of the Company to be decided by Chief Executive (Mg. Director).**
viii.	Sources of funds from where loans or advances will be given.	**Surplus funds of the Company**
ix.	Where loans or advances are being granted using borrowed funds:- (I) Justification for granting loan or advance out of borrowed funds; (II) Detail of guarantees/ assets pledged for obtaining such funds, if any; (III) Repayment schedules of borrowing of the investing company.	**Not applicable.**
x.	Particulars of collateral security to be obtained against loan to the borrowing company or undertaking, if any.	**No security to be obtained as all companies are under common management.**
xi.	If the loan or advances carry conversion feature.	**Not applicable.**
xii.	Repayment schedule and terms of loans or advances to be given to the investee company.	**Repayment of loan will be made in one year from the date of disbursement or such shorter period as may be mutually decided.**
xiii.	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment.	**Agreement will be executed before extending the loan on the basis of the terms and conditions as approved by the shareholders.**
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	**The Directors, sponsors, majority shareholders and their relatives are interested in the business to the extent of their shareholding of the aforesaid associated companies.**
xv.	Any other important details necessary for the members to understand the transaction.	**None**
xvi.	In case of investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely:- (I) a description of the project and its history since conceptualization; (II) starting date and expected date of completion; (III) time by which such project shall become commercially operational; (IV) expected return on total capital employed in the project; and (V) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts.	**Not applicable.**

As per the disclosure requirement of regulation 4(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012, it is informed that the following Directors of the Company are also the Directors in the investee company; however, they have no interest except to the extent of shareholding in the investee company:

Nagina Cotton Mills Ltd.	Prosperity Weaving Mills Ltd.
1. Mr. Shaikh Enam Ellahi 2. Mr. Shahzada Ellahi Shaikh 3. Mr. Shaukat Ellahi Shaikh 4. Mr. Shafqat Ellahi Shaikh	1. Mr. Shaikh Enam Ellahi 2. Mr. Shahzada Ellahi Shaikh 3. Mr. Shaukat Ellahi Shaikh 4. Mr. Shafqat Ellahi Shaikh

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

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on October 27, 2014. The Company has not made any investment under the resolution. The following is the status:

a. Total investment approved.	Rs.75,000,000/= (Rupees seventy five million only) to each of the following associated company: i) Nagina Cotton Mills Ltd. (NCML) ii) Prosperity Weaving Mills Ltd. (PWML)
b. Amount of investment made to date:	Nil
c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.	Due to better cash flows, the associated companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2014-15.
d. Material change in Financial Statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	See table below

	Present Financial Position as on June, 30, 2015		Financial Position at the time of approval as on June 30, 2014	
	NCML	PWML	NCML	PWML
	Rupees in Millions			
Net sales	4,208.114	5,811.482	4,569.161	6,346.901
Gross profit	389.233	318.755	566.856	480.701
Profit before tax	148.032	31.188	270.460	243.114
Profit after tax	133.689	60.831	253.833	182.417

Vision:

To be a dynamic, profitable and growth oriented company.

Mission:

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

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

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

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

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

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

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

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

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

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU809299GOTS-01.2015
REGISTRATION No: CU 809299

Control Union Certifications declares that

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

has been inspected and assessed according to the

Global Organic Textile Standard (GOTS-NL)
version 4.0

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

Fabrics, Yarns

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

Exporting, Importing, Spinning, Weaving

This certificate is Valid until: 21 January 2016

Place and date of issue:
Colombo-07, 06 January 2015

Name of authorised person

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

Stamp of the issuing body

CONTROL UNION CERTIFIED

Standard's Logo

GLOBAL ORGANIC TEXTILE STANDARD · GOTS ·

This certificate cannot be used as a transaction certificate.
The issuing body can withdraw this certificate before it expires if the declared compliance is no longer guaranteed.
Accredited by: Dutch Accreditation Council (RV A), Accreditation No: C 412

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

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU809299OCS-01.2015
REGISTRATION No: CU 809299

Control Union Certifications declares that

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

has been inspected and assessed according to the

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

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

Fabrics, Yarns

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

Exporting, Importing, Spinning, Weaving

This certificate is Valid until: 23 January 2016

Place and date of issue:
Colombo-07, 20 January 2015

Name of authorised person

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

Stamp of the issuing body

CONTROL UNION CERTIFIED

Standard's Logo

ORGANIC BLENDED content standard

ORGANIC 100 content standard

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

CERTIFICATE | ZERTIFICAT | ΠΙΣΤΟΠΟΙΗΤΙΚΟ | SERTIFICA | شهادة | 证书 | CERTIFICAT

CERTIFICATE

TÜV AUSTRIA

Management System as per
EN ISO 9001 : 2008

In accordance with TÜV AUSTRIA HELLAS procedures, it is hereby certified that

ELLCOT SPINNING MILLS LIMITED.

6.3 K.M. MANGA MANDI RAIWIND ROAD, MOUZA ROSSA, TEHSIL AND DISTRICT KASUR, PAKISTAN.

Applies a Quality Management System in line with the above Standard for the following Scope

MANUFACTURING AND EXPORTING OF YARN.

Certificate Registration No.: **01013739**

Valid until: 2017-01-16
Initial certification: 2011-02-06

Certification Body
at TÜV AUSTRIA HELLAS

Athens, 2014-01-17

This certification was conducted in accordance with TÜV AUSTRIA HELLAS auditing and certification procedures and is subject to regular surveillance audits.

TÜV AUSTRIA HELLAS
429, Mesogeion Ave.
GR-153 43 Athens, Greece
www.tuvaustriahellas.gr

IAF ESYD
MS Certification
No. of Certificate 236

CePRK416_A3e

TÜV AUSTRIA GROUP

DIRECTORS' REPORT TO THE MEMBERS

IN THE NAME OF ALLAH THE MOST GRACIOUS
THE MOST BENEVOLENT THE MOST MERCIFUL

The Directors have the honor to present 27th Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2015. Figures for the previous year ended June 30, 2014 are included for comparison.

Company Performance

It has been a tough and challenging year in which Company had to face extreme volatility in yarn, raw cotton and polyester markets. Overall demand for spun yarn remained extremely weak. Customers attributed this diminishing demand to high inventory levels and global recession in textiles. Unit selling prices were lower in comparison to last year. Alhamdullilah, despite unfavorable market conditions , your Company has managed to earn profit after tax of Rs. 54,298,728 or 1.18% of sales compared to Rs. 297,570,685 (restated) or 5.21 % of sales in the last year. Earning per share (EPS) for the year under review is Rs. 4.96 compared to Rs. 27.18 (restated) during the previous year.

Sales for the year is Rs. 4,588,787,945 compared to Rs. 5,709,483,886 showing decrease of 19.63% over previous year. Main cause of falling sales revenue was the reduction in unit sales price of yarn. Cost of sales increased from 89.59% (re-stated) of sales to 93.64% of sales causing reduction in GP by 50.86% over the corresponding last year. GP for the current year stood at 6.36% of sales (2013-14: 10.41% (restated) of sales).

Distribution costs increased from 0.93% of sales to 1.05% of sales over previous year. This increase is mainly due to fall in sales revenue. Administrative costs increased due to rise in staff salaries and general inflationary impact. Other expenses reduced by 59.58% in comparison to last year. This reduction is mainly due to lower provisions for Workers Profit Participation Fund and Workers Welfare Fund which is in line with lower profitability.

The Company has been able to generate stable cash flows and discharged all its operating and financial liabilities in time. Due to efficient utilization of financial resources, repayment of long term loans and hard negotiations of pricing, the finance cost decreased and remained lower by 28.19% over the last year.

Capital Assets Investment

During the year your Company invested Rs.119,026,029 in Balancing, Modernization, Replacement (BMR) of building, plant and machinery and other assets. This was done in line with Company's strategic plans to continue to diversify its product line, addition of new qualities and blends of yarn and improvement in the production capacity of the plant to cater both domestic and International markets. Company is undergoing an expansion/ BMR plan, the approximate value of which is Rs. 300 million. Through this plan the Company would be installing latest state of the art 7200 spindles with slub option and related machinery.

Dividend

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

Future Outlook

As mentioned in company performance segment the completed year has been a difficult one for the industry. In this period we have seen drastic fall in commodities prices. Our regional competitors have been devaluing their currencies to support their exports. Contrary to this our country has opted for a stable exchange rate path with US Dollar. This has handicapped Pakistani exports, the largest contributor to which is the textile sector.

Continuous reduction in prices of yarn from regional competitors and their aggressive marketing has marred our ability to compete with them. Resultantly product margins in yarn are declining. Board is apprehensive that this recessionary situation will continue to prevail in the major part of next financial year. We hope that our Government will take vigorous steps to revive falling exports. Measures such as rationalizing currency exchange rates, lowering energy costs, providing continuous supply of energy to industry, timely payments of pending sales and income tax refunds, lowering interest rates are required to improve the situation.

Cotton prices both in local and global markets continue to show downward trends. Price of new cotton is fluctuating between 4600 to 5000 per maund. Wages and salaries are rising continuously. Therefore, we are foreseeing another challenging year ahead of us but at the same time management is cognizant of the situation and taking all measures to cope with these challenges.

ISO 9001: 2008 Certification

The Company continues to operate at high standards of quality and had obtained latest version of certification for the period from January 17, 2014 to January 16, 2017. The quality control certification helps to build up trust of new and old customers.

Corporate Social Responsibility

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and consistently endeavors to uplift communities that are influenced directly or indirectly by our business.

Environment, Health and Safety: The Company maintains safe working conditions avoiding the risk to the health of employees and public at large. The management has maintained safe environment in all its operations throughout the year and is constantly upgrading their safety and living facilities.

Safety is a matter of concern for machinery as well as the employees working at plant. Fire extinguishers and other fire safety equipments have been placed at sites as well as registered and head office of the Company. Regular drills are performed to ensure efficiency of fire safety equipments.

Corporate Governance & Financial Reporting Framework

As required by the Code of Corporate Governance, Directors are pleased to report that:

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

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

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

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

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

f) There is no doubt upon the Company's ability to continue as a going concern.

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

h) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2015 except for those disclosed in the financial statements.

i) No adverse material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year to which this balance sheet relates and the date of the Director's Report.

j) During 2014-2015, no trade in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children except the following shares, totaling to 600,000 shares, which were transferred as gift by Directors;

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

Related Parties

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

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, the statutory external auditors of the Company.

Shareholding Pattern

The shareholding pattern as at June 30, 2015 including the information under the Code of Corporate Governance, for ordinary shares, is annexed.

Notice u/s 218 of the Companies Ordinance, 1984

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

Committees of the Board

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

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

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

Board of Directors' Meetings

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

Sr. No.	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	4

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

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

Audit Committee Meetings

During the year, five (5) meetings of Audit Committee of the Board were held. Attendance by each Director is as follows:

Sr. No.	Name of Director	Attendance
1	Mr. Syed Moaz Mohiuddin	5
2	Mr. Shaukat Ellahi Shaikh	5
3	Mr. Amin Ellahi Shaikh	3

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

Executive Committee Meetings

During the year ten (10) meetings of Executive Committee were held. Attendance by each Director is as follows:

Sr. No.	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	10
2	Mr. Shahzada Ellahi Shaikh	10
3	Mr. Shaukat Ellahi Shaikh	10
4	Mr. Shafqat Ellahi Shaikh	9

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

Human Resource & Remuneration (HR & R) Committee Meetings

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

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

Director's Training Program

The Company has complied with the requirements of clause (xi) of the Code of Corporate Governance.

Appointment of Auditors

Messrs Rahman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants, Lahore are due to retire and being eligible, offer themselves for re-appointment as auditors for the year 2015-2016. The Audit Committee has recommended for re-appointment of present auditors.

Acknowledgment

Despite adverse conditions, profitable, results have been possible due to continued diligence and devotion of the staff and workers of the Company and the continued good human relations at all levels deserve acknowledgement.

On behalf of the Board

Shaikh Enam Ellahi
Chairman

Lahore : September 29, 2015

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi & Lahore 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 Board of Directors of the Ellcot Spinning Mills Ltd., has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

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

Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
Mr. Syed Moaz Mohiuddin	Independent Non-Executive Director
Mr. Jamal Nasim (Nominee NIT)	Non-Executive Director
Mr. Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Non-Executive Director
Mr. Amin Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Executive Director

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

4. 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.

5. No casual vacancy occurred on the Board during the year 2014-15.

6. 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.

7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board in line with Articles of Association of the Company.

9. 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.

10. Requirement under Listing Regulation No. 5.19.7 has been complied with.

11. The Board had approved appointment of CFO, Company Secretary and Head of Internal Audit in line with Code of Corporate Governance.

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

13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board. However, in the absence of CEO, financial statements were signed by two Directors and CFO in compliance of section 241 (2) of the Companies Ordinance, 1984.
14. 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.
15. The Company has complied with all the corporate and financial reporting requirements of the CCG.
16. The Board has formed an Audit Committee. It comprises three members, all members are non-executive Directors.
17. 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.
18. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, all members are Non-Executive Directors including the Chairman.
19. The Board has formed an Executive Committee comprising four directors to meet and take decisions on behalf of Board in the absence of full Board. The minutes of the meetings are properly maintained.
20. The Board of Directors has put in place a mechanism for undertaking annually an evaluation of the Board's own performance and of its committees to enhance performance of the Board and its Committees.
21. The Board has set up an effective internal audit function.
22. 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.
23. 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.
24. 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).
25. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.
26. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
27. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board

Shaikh Enam Ellahi
Chairman

Lahore : September 29, 2015

SHAREHOLDERS' INFORMATION

Annual General Meeting

The 27th Annual General Meeting of ELLCOT SPINNING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Wednesday, October 28, 2015 at 11:30 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2015, the Company has 582 Shareholders.

Web Reference

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

Dividend

The Board of Directors have recommended in their meeting held on September 29, 2015, payment of final cash dividend at the rate of Rs. 3.50 per share i.e. 35% for the year ended June 30, 2015.

Dividend Mandate (Optional)

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

In order to avail this benefit, the members are encouraged to provide dividend mandates by sending the mandate information on the following format, directly to the Company's Share Registrar in case of physical shareholders and directly to the relevant Participant / CDC Investor Account Service in case of maintaining shareholding under Central Depository System (CDS).

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

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

Signature of the Shareholder

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

As has already notified from time to time, the Securities and Exchange Commission of Pakistan (SECP), vide SRO 19(I)/2014 dated January 10, 2014 read with SRO 831(I)2012 dated July 5, 2012 required that dividend warrants should bear Computerized National Identity Card (CNIC) number of the registered member.

Members who have not yet submitted copy of their valid Computerized National Identity Card (CNIC) / National Tax Number (NTN) Certificate (in case of Corporate Entity) are requested to submit the same at the earliest.

Copy of CNIC/NTN may be sent directly to the Share Registrar:

M/s Hameed Majeed Associates (Pvt.) Limited,

1st Floor, H.M. House,
7-Bank Square,
Lahore
Ph # (+92-42) 37235081-82
Fax # (+92-42) 37358817

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

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

Pursuant to the provisions of the Finance Act, 2015 with effect from July 1, 2015, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

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

(b) Rate of tax deduction for non-filer of income tax returns @17.5%

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

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

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

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

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

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

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

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

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

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

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

I undertake that by sending the Audited Financial Statements and Notice through e-mail, by the Company, the Company shall be considered compliant with relevant requirements of sections 50, 158 and 233 of the Companies Ordinance, 1984.

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

____

Signature of the Shareholder.

Please send the above request form at the following address:

The Secretary,

Ellcot Spinning Mills Ltd., Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660.
e-mail address: mohsin.gilani@nagina.com

or

M/s. Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House, 7-Bank Square, Lahore.
e-mail address: shares@hmaconsultants.com

Investor Relations Contact

Mr. Syed Mohsin Gilani, Corporate Secretary

Email: mohsin.gilani@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares

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

To: All members of the Company

NOTICE UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resource and Remuneration (HR&R) Committee, Board of Directors in their meeting held on September 29, 2015 has approved the increase in remuneration of Mr. Shafqat Ellahi Shaikh, Mg. Director (Chief Executive) and Mr. Shaikh Enam Ellahi, Chairman of the Board effective from July 1, 2015 as under:

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

Description	Present Remuneration	Remuneration After increase
Remuneration	Rs.393,250/= per month inclusive of 10% medical allowance.	**Rs.452,238/= per Month inclusive of 10% medical allowance.**
Other Benefits		
Transport	Two company maintained cars with drivers	**No Change**
Utilities	Actual cost of utilities, i.e. gas, electricity and water at his residence and telecommunication facilities	**No Change**
Leave Fare Assistance (LFA)	Leave passage for self and family.	**No Change**

b) Remuneration of Mr. Shaikh Enam Ellahi, Chairman of the Board

Remuneration	Rs.514,250/= per month inclusive of 10% medical allowance.	**Rs.591,388/= per month inclusive of 10% medical allowance.**
Other Benefits		
Transport	One company maintained car with driver	**No Change**
Utilities	Actual cost of utilities, i.e. gas, electricity and water at his residence and telecommunication facilities	**No Change**
Leave Fare Assistance (LFA)	Leave passage for self and family.	**No Change**

Syed Mohsin Gilani
Corporate Secretary

Lahore : September 29, 2015

NAGINA
NAGINA GROUP

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2015
CUIN (INCORPORATION NUMBER) 0018985

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
226	1	100	7,316
141	101	500	45,777
70	501	1,000	59,245
94	1,001	5,000	244,447
20	5,001	10,000	144,896
4	10,001	15,000	48,375
2	15,001	20,000	33,500
3	20,001	25,000	69,000
2	25,001	30,000	58,500
-	30,001	35,000	-
1	35,001	40,000	39,500
1	40,001	45,000	41,345
-	45,001	60,000	-
1	60,001	65,000	64,626
-	65,001	95,000	-
2	95,001	100,000	200,000
-	100,001	190,000	-
1	190,001	195,000	191,878
1	195,001	200,000	200,000
1	200,001	205,000	200,500
-	205,001	210,000	-
1	210,001	215,000	210,401
1	215,001	220,000	219,359
-	220,001	325,000	-
1	325,001	330,000	328,138
-	330,001	625,000	-
1	625,001	630,000	628,400
-	630,001	660,000	-
3	660,001	665,000	1,993,716
-	665,001	700,000	-
1	700,001	705,000	704,380
-	705,001	855,000	-
1	855,001	860,000	855,554
-	860,001	1,370,000	-
1	1,370,001	1,375,000	1,372,602
-	1,375,001	1,410,000	-
1	1,410,001	1,415,000	1,414,200
-	1,415,001	1,500,000	-
1	1,500,001	1,505,000	1,501,610
			72,735
582	**Total:-**		**10,950,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children	4,734,124	43.23
Associated Companies, Undertakings and Related Parties	2,663,461	24.32
NIT and ICP	-	0.00
Banks, Development Finance Institutions, Non Banking Finance Institutions	5,100	0.05
Insurance Companies	191,878	1.75
Modarabas and Mutual Funds	1,888,072	17.24
Shareholders Holding 10% or More	4,288,412	39.16
General Public		
a. Local	1,359,417	12.41
b. Foreign	39,500	0.36
Others (Joint Stock Companies etc.)	68,448	0.63

Note:-

M/s. Nagina Cotton Mills Ltd., had distributed 6,545,000 ordinary shares of M/s. Ellcot Spinning Mills Ltd., among its members, out of which 72,735 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2015

S #		Name	Shares Held	Percentage
1)		***Associated Companies, Undertaking and Related Parties***		
	i)	ELLAHI INTERNATIONAL (PVT) LTD.	41,345	0.38
	ii)	HAROON OMER (PVT) LTD.	664,572	6.07
	iii)	MONELL (PVT) LTD.	664,572	6.07
	iv)	ICARO (PVT) LTD.	664,572	6.07
	v)	ARH (PVT) LTD.	628,400	5.74
			2,663,461	**24.33**
2)		***Mutual Funds***		
	i)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	855,554	7.81
	ii)	CDC - TRUSTEE AKD OPPORTUNITY FUND	328,138	3.00
	iii)	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
			1,888,072	**17.24**
3)		***Directors, Chief Executive Officer and their Spouse and Minor Children***		
	i)	MR. SHAIKH ENAM ELLAHI	210,401	1.92
	ii)	MR. SHAHZADA ELLAHI SHAIKH	1,372,602	12.54
	iii)	MR. SHAUKAT ELLAHI SHAIKH	1,501,610	13.71
	iv)	MR. SHAFQAT ELLAHI SHAIKH	1,414,200	12.92
	v)	MR. AMIN ELLAHI SHAIKH	200,500	1.83
	vi)	MRS. HUMERA SHAHZADA ELLAHI SHEIKH	1,437	0.01
	vii)	MRS. MONA SHAUKAT SHAIKH	1,437	0.01
	viii)	MRS. SHAISTA SHAFQAT SHAIKH	1,437	0.01
	ix)	MR. JAMAL NASIM	30,000	0.27
	x)	SYED MOAZ MOHIUDDIN	500	-
			4,734,124	**43.22**
4)		***Executives***	**100,627**	**0.01**
5)		***Public Sector Companies and Corporations***	**200**	**0.00**
6)		***Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.***	**261,404**	**2.39**
7)		***Shareholders Holding Five Percent or More Voting Rights***		
	i)	ARH (PVT) LTD.	628,400	5.74
	ii)	HAROON OMER (PVT) LTD.	664,572	6.07
	iii)	ICARO (PVT) LTD.	664,572	6.07
	iv)	MONELL (PVT) LTD.	664,572	6.07
	v)	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	704,380	6.43
	vi)	GOLDEN ARROW SELECTED STOCKS FUND LIMITED	855,554	7.81
	vii)	MR. SHAHZADA ELLAHI SHAIKH	1,372,602	12.54
	viii)	MR. SHAFQAT ELLAHI SHAIKH	1,414,200	12.92
	ix)	MR. SHAUKAT ELLAHI SHAIKH	1,501,610	13.71

NAGINA
NAGINA GROUP

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2015	2014 restated	2013 restated	2012 restated	2011	2010
Sales	Rs.'000	4,588,788	5,709,484	4,858,426	4,025,287	4,991,956	3,186,160
Gross profit	Rs.'000	291,992	594,188	654,883	432,740	689,245	413,790
Operating profit	Rs.'000	150,505	445,410	503,634	329,154	559,844	306,737
Profit before tax	Rs.'000	90,206	361,435	422,423	200,010	421,921	166,677
Profit after tax	Rs.'000	54,299	297,571	350,335	146,404	352,101	128,633
Share capital - paid up	Rs.'000	109,500	109,500	109,500	109,500	109,500	109,500
Shareholders' equity	Rs.'000	1,384,687	1,407,543	1,251,396	969,180	903,057	589,281
Total assets	Rs.'000	2,377,522	2,366,450	2,185,275	1,852,202	2,237,348	1,725,678
Earning per share - pre tax	Rs.	8.24	33.01	38.58	18.27	38.53	15.22
Earnings per share - after tax	Rs.	4.96	27.18	31.99	13.37	32.16	11.75
Dividend per share	Rs.	3.50	7.00	10.00	5.00	7.00	3.50
Market value per share as on 30 June	Rs.	65.00	73.95	64.89	26.00	24.00	21.40
Gross profit to sales	%	6.36	10.41	13.48	10.75	13.81	12.99
Operating profit to sales	%	3.28	7.80	10.37	8.18	11.21	9.63
Profit before tax to sales	%	1.97	6.33	8.69	4.97	8.45	5.23
Profit after tax to sales	%	1.18	5.21	7.21	3.64	7.05	4.04
Current ratio		2.68:1	2.66:1	2.21:1	1.67:1	1.33:1	1.20:1
Total debt to total assets ratio	%	41.76	40.52	43.37	47.67	59.64	65.85
Debt equity ratio	%	23.80	22.07	24.95	26.61	33.80	48.97

Financial Statements

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq

Chartered Accountants

72 - A, Faisal Town, Lahore.

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

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **ELLCOT SPINNING MILLS LIMITED** for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No 35 of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

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

Date: ***SEPTEMBER 29, 2015***
Place: ***LAHORE***

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

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

Russell Bedford

Rahman Sarfaraz Rahim
Iqbal Rafiq

Chartered Accountants

72 - A, Faisal Town, Lahore.

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

Auditors' Report to the Members

We have audited the annexed balance sheet of **ELLCOT SPINNING MILLS LIMITED** ("the Company") as at June 30, 2015 and the related profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

b) in our opinion-

   i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied, with the exception of the change referred to in note 5 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the profit, other comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980.), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Rahman Sarfaraz Rahim Iqbal Rafiq

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

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

Date: ***SEPTEMBER 29, 2015***
Place: ***LAHORE***

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014	2013
		Rupees	*Rupees*	*Rupees*
			(Restated)	*(Restated)*
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
20,000,000 (2014: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000	200,000,000
Issued, subscribed and paid-up capital	7	**109,500,000**	109,500,000	109,500,000
Capital reserve	8	**7,760,000**	7,760,000	7,760,000
Accumulated profit		**1,267,426,918**	1,290,282,692	1,101,962,581
TOTAL EQUITY		**1,384,686,918**	1,407,542,692	1,219,222,581
LIABILITIES				
NON-CURRENT LIABILITIES				
Long term finances	9	**355,408,312**	327,449,143	294,826,393
Liabilities against assets subject to finance lease	10	**1,018,110**	5,089,192	8,927,987
Employees retirement benefits	11	**54,593,956**	46,469,085	36,797,059
Deferred taxation	12	**78,901,740**	73,524,823	75,138,055
		489,922,118	452,532,243	415,689,494
CURRENT LIABILTIES				
Trade and other payables	13	**270,309,275**	214,767,545	245,106,852
Accrued interest/mark-up	14	**10,442,857**	7,920,294	10,729,631
Short term borrowings	15	**146,091,234**	217,658,643	160,781,337
Current portion of non-current liabilities	16	**76,069,777**	66,028,585	101,571,999
		502,913,143	506,375,067	518,189,819
TOTAL LIABILITIES		**992,835,261**	958,907,310	933,879,313
CONTINGENCIES AND COMMITMENTS	17	**-**	-	-
TOTAL EQUITY AND LIABILITIES		**2,377,522,179**	2,366,450,002	2,153,101,894

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

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Mg. Director (Chief Executive) who for the time being is not in the country.

Shahzada Ellahi Shaikh
Director

Lahore: September 29, 2015

BALANCE SHEET
AS AT JUNE 30, 2015

	Note	2015	2014	2013
		Rupees	*Rupees (Restated)*	*Rupees (Restated)*
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	*18*	**1,020,168,306**	1,011,522,729	1,002,596,544
Long term deposits	*19*	**7,090,700**	7,090,700	7,090,700
		1,027,259,006	1,018,613,429	1,009,687,244
CURRENT ASSETS				
Stores, spares and loose tools	*20*	**49,814,587**	33,711,906	48,681,445
Stock in trade	*21*	**668,865,762**	768,810,236	665,747,041
Trade debts	*22*	**216,902,704**	310,675,746	200,969,718
Advances, prepayments and other receivables	*23*	**42,242,332**	78,325,530	90,109,984
Short term investments	*24*	**170,494,039**	-	-
Advance income tax	*25*	**53,269,145**	23,044,482	32,813,872
Bank balances	*26*	**148,674,604**	133,268,673	105,092,590
		1,350,263,173	1,347,836,573	1,143,414,650
TOTAL ASSETS		**2,377,522,179**	2,366,450,002	2,153,101,894

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

Shaukat Ellahi Shaikh
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	**2015**	2014
		Rupees	*Rupees*
			(Restated)
Sales - ***net***	*27*	**4,588,787,945**	5,709,483,886
Cost of sales	*28*	**(4,296,796,234)**	(5,115,295,745)
Gross profit		**291,991,711**	594,188,141
Distribution cost	*29*	**(48,371,287)**	(53,092,741)
Administrative expenses	*30*	**(91,788,604)**	(79,276,152)
Other expenses	*31*	**(9,782,844)**	(24,205,197)
		(149,942,735)	(156,574,090)
		142,048,976	437,614,051
Other income	*32*	**8,455,985**	7,796,164
Operating profit		**150,504,961**	445,410,215
Finance cost	*33*	**(60,298,606)**	(83,975,010)
Profit before taxation		**90,206,355**	361,435,205
Provision for taxation	*34*	**(35,907,627)**	(63,864,520)
Profit after taxation		**54,298,728**	297,570,685
Earnings per share - ***basic and diluted***	*35*	**4.96**	27.18

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

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Mg. Director (Chief Executive) who for the time being is not in the country.

Lahore: September 29, 2015

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		Rupees	*Rupees*
			(Restated)
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit obligation	11.1	**(587,492)**	286,357
Taxation relating to remeasurements of defined benefit obligation		**82,990**	(36,931)
		(504,502)	249,426
Other comprehensive (loss)/income		**(504,502)**	249,426
Profit after taxation		**54,298,728**	297,570,685
Total comprehensive income		**53,794,226**	297,820,111

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

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Mg. Director (Chief Executive) who for the time being is not in the country.

Lahore: September 29, 2015

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		Rupees	Rupees (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	37	**527,357,316**	334,980,405
Payments for:			
Employees retirement benefits		**(12,549,786)**	(10,427,562)
Interest/markup on borrowings		**(50,218,677)**	(73,899,026)
Income tax		**(60,672,383)**	(55,745,293)
Net cash generated from operating activities		**403,916,470**	194,908,524
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(118,064,167)**	(108,721,622)
Proceeds from disposal of property, plant and equipment		**6,284,468**	7,667,330
Purchase of intangible assets		**-**	(13,823,426)
Purchase of short term investments		**(1,251,161,301)**	(398,000,000)
Proceeds from disposal of short term investments		**1,088,007,199**	400,855,764
Net cash used in investing activities		**(274,933,801)**	(112,021,954)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances obtained		**100,000,000**	77,449,143
Repayment of long term finances		**(62,500,000)**	(76,213,034)
Repayment of liabilities against assets subject to finance lease		**(3,570,721)**	(7,995,568)
Net (decrease)/increase in short term borrowings		**(71,567,409)**	60,505,923
Dividend paid		**(75,938,608)**	(108,456,951)
Net cash used in financing activities		**(113,576,738)**	(54,710,487)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,405,931**	28,176,083
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**133,268,673**	105,092,590
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	38	**148,674,604**	133,268,673

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

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Mg. Director (Chief Executive) who for the time being is not in the country.

Lahore: September 29, 2015

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Note	Share capital: Issued subscribed and paid-up capital	Reserves: Capital reserve	Reserves: Accumulated profit	Total equity
		Rupees	Rupees	Rupees (Restated)	Rupees
Balance as at July 01, 2013 - (*as originally reported*)		109,500,000	7,760,000	1,134,135,737	1,251,395,737
Impact of change in accounting policy	5	-	-	(32,173,156)	(32,173,156)
Balance as at July 01, 2013 - (*restated*)		109,500,000	7,760,000	1,101,962,581	1,219,222,581
Comprehensive income - (*restated*)					
Profit after taxation - *(restated)*		-	-	297,570,685	297,570,685
Other comprehensive income - *(restated)*		-	-	249,426	249,426
Total comprehensive income - *(restated)*		-	-	297,820,111	297,820,111
Transaction with owners					
Final dividend @ 100% i.e. Rs. 10 per ordinary share		-	-	(109,500,000)	(109,500,000)
Balance as at June 30, 2014 - *(restated)*		109,500,000	7,760,000	1,290,282,692	1,407,542,692
Balance as at July 01, 2014 - *(restated)*		**109,500,000**	**7,760,000**	**1,290,282,692**	**1,407,542,692**
Comprehensive income					
Profit after taxation		**-**	**-**	**54,298,728**	**54,298,728**
Other comprehensive loss		**-**	**-**	**(504,502)**	**(504,502)**
Total comprehensive income		**-**	**-**	**53,794,226**	**53,794,226**
Transaction with owners					
Final dividend @ 70% i.e. Rs. 7 per ordinary share		**-**	**-**	**(76,650,000)**	**(76,650,000)**
Balance as at June 30, 2015		**109,500,000**	**7,760,000**	**1,267,426,918**	**1,384,686,918**

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

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Mg. Director (Chief Executive) who for the time being is not in the country.

Lahore: September 29, 2015

Shahzada Ellahi Shaikh
Director

Shaukat Ellahi Shaikh
Director

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

1 REPORTING ENTITY

Ellcot Spinning Mills Limited ('the Company') is incorporated in Pakistan as a Public Limited Company under the Companies Ordinance, 1984 and is listed on Karachi Stock Exchange and Lahore Stock Exchange. The Company is a spinning unit engaged in the manufacture and sale of yarn. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg III, Lahore. The manufacturing facility is located in District Kasur in the Province of Punjab.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for employees retirement benefits liabilities measured at present value and certain financial instruments measured at fair value/amortized cost. In these financial statements, except for the amounts reflected in the cash flow statement, all transactions have been accounted for on accrual basis.

2.3 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Subsequently, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follows:

2.3.1 *Depreciation method, rates and useful lives of property, plant and equipment*

The Company reassesses useful lives, depreciation method and rates for each item of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to derive from that item.

2.3.2 *Recoverable amount and impairment*

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

2.3.3 *Obligation under defined benefit plan*

The Company's obligation under the defined benefit plan is based on assumptions of future outcomes, the principal ones being in respect of increases in remuneration, remaining working lives of employees and discount rates to be used to determine present value of defined benefit obligation. These assumptions are determined periodically by independent actuaries.

2.3.4 *Taxation*

The Company takes into account the current income tax law and decisions taken by appellate and other relevant legal forums while estimating its provision for current tax. Provision for deferred tax is estimated after taking into account historical and expected future turnover and profit trends and their taxability under the current tax law.

2.3.5 *Provisions*

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.4 Functional currency

These financial statements have been prepared in Pak Rupees which is the Company's functional currency.

3 NEW AND REVISED STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE DURING THE YEAR.

3.1 The following new/revised standards/interpretations and amendments are effective in the current year but are either not relevant to the Company or their application does not have any material impact on the financial statements of the Company.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 – Impairment of Assets)

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required and introduce an explicit requirement to disclose the discount rate used in determining impairment or reversals where recoverable amount, based on fair value less costs to sell, is determined using a present value technique.

Offsetting financial assets and financial liabilities (Amendments to IAS 32 – Financial Instruments: Presentation)

The amendments update the application guidance in IAS 32 to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment focuses on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements

Contributions from employees or third parties (Amendments to IAS 19 – Employee Benefits)

The amendments 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.

Novation of Derivative and Continuation of Hedge Accounting (Amendments to IAS 39 – Financial Instruments: Recognition and Measurement)

The amendments clarify that there is no need to discontinue hedge accounting if a hedge derivative is novated provided certain criteria are met.

Annual Improvements 2010-2012

Annual Improvements 2010-2012 cycle makes changes to the following standards:

IFRS 2 - Share Based Payment: Amends the definition of 'vesting condition' and 'market condition' and adds definitions for 'performance conditon' and 'service condition'.

IFRS 3 - Business Combinations: Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8 - Operating Segments: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarifies that reconciliations of segment assets only required if segment assets reported regularly.

IFRS 13 - Fair Value Measurement: Clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is still available.

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarifies that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24 - Related Party Disclosures: Clarifies how payment to entities provding management services are to be disclosed.

Annual Improvements 2011-2013

Annual Improvements 2011-2013 cycle makes changes to the following standards:

IFRS 1 - First-time Adoption of International Financial Reporting Standards: Clarifies which versions of IFRSs can be used on initial adoption.

IFRS 3 - Business Combinations: Clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangment in the financial statements of the joint arrangement itself.

IFRS 13 - Fair Value Measurement: Clarifies the scope of portfolio exception.

IAS 40 - Investment Property: Clarifies the interrelationship with IFRS 3 - Business Combinations when classifying property as investment property or owner-occupied property.

IFRIC 21 - Levies (2013)

The interpretation provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of levy is certain.

The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognized progressively if the obligating event occurs over a period of time.
- If an obligation is trigerred on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

3.2 The following new/revised standards/interpretations and amendments are effective in the current year but have been notified for adoption under section 234 of the Companies Ordinance, 1984 for annual periods beginning on or after January 01, 2015.

IFRS 10 - Consolidated Financial Statements (2011)

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

IFRS 11 - Joint Arrangements (2011)

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

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

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

IFRS 13 - Fair Value Measurement (2011)

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

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

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

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

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

4 NEW AND REVISED STANDARDS/INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE.

The following standards, interpretations and amendments are in issue which are not effective as at the reporting date and have not been early adopted by the Company.

	Effective date (annual periods beginning on or after)
Equity method in Separate Financial Statements (Amendments to IAS 27 - Separate Financial Statements)	January 01, 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 – Joint Arrangements)	January 01, 2016
Sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures).	January 01, 2016
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets)	January 01, 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, IAS 28 - Accounting for Investments in Associates and Joint Ventures)	January 01, 2016
Bearer Plants (Amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture)	January 01, 2016
Disclosure initiative (Amendments to IAS 1 - Presentation of Financial Statements)	January 01, 2016
Annual Improvements 2012-2014	July 01, 2016
IFRS 14 – Regulatory Deferral Accounts (2014)	January 01, 2017
IFRS 15 – Revenue from Contracts with Customers (2014)	January 01, 2017
IFRS 9 – Financial Instruments: Classification and Measurement (2014)	January 01, 2018

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the Company's financial statements other than in presentation/disclosures.

5 CHANGE IN ACCOUNTING POLICY

During the year, the Company has changed its accounting policy for valuation of raw material from First In First Out ('FIFO') to Weighted Average Cost. The change has been applied retrospectively. The impact of retrospective application is as follows:

	2015 Rupees	2014 Rupees
Impact on profit or loss		
(Increase)/decrease in cost of sales	**(11,798,074)**	41,667,889
(Decrease)/increase in profit after taxation	**(11,798,074)**	41,667,889
Impact on earnings per share		
(Decrease)/increase in earnings per share	**(1.08)**	3.81
Impact on assets		
(Decrease)/increase in stock in trade	**(2,303,340)**	9,494,734
(Decrease)/increase in assets	**(2,303,340)**	9,494,734
Impact on equity		
(Decrease)/increase in accumulated profits	**(2,303,340)**	9,494,734
(Decrease)/increase in equity	**(2,303,340)**	9,494,734
Impact on liabilities	**-**	-

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, with the exception of change referred to in note 5.

6.1 Property, plant and equipment

6.1.1 Operating fixed assets

Operating fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses with the exception of freehold land, which is stated at cost less accumulated impairment losses. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition or construction, erection and installation.

Major renewals and improvements to operating fixed assets are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of operating fixed assets are recognized in profit or loss as incurred.

The Company recognizes depreciation in profit or loss by applying reducing balance method over the useful life of each operating fixed asset using rates specified in note 18.1 to the financial statements. Depreciation on additions to operating fixed assets is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

An operating fixed asset is de-recognized when permanently retired from use. Any gain or loss on disposal of operating fixed assets is recognized in profit or loss.

6.1.2 Capital work in progress

Capital work in progress is stated at cost less identified impairment loss, if any, and includes the cost of material, labour and appropriate overheads directly relating to the construction, erection or installation of an item of operating fixed assets. These costs are transferred to operating fixed assets as and when related items become available for intended use.

6.2 Intangible assets

An intangible asset is recognized when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

In assessing the probability of expected future economic benefits the Company uses reasonable and supportable assumptions that represents management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An intangible asset is measured initially at cost. The cost of intangible asset acquired comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and includes other costs directly attributable to the acquisition. Costs incurred after the asset is in the condition necessary for it to operate in the manner intended by the management are recognized in profit or loss. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized over the estimated period over which the Company expects to obtain economic benefits, on a straight line basis. All intangible assets are tested for impairment at each reporting date.

6.3 Software

The cost of acquisition, development and installation of identifiable software products having finite useful lives of more than one year is recognized as an intangible asset at cost. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment losses, if any.

6.4 Stores, spares and loose tools

These are generally held for internal use and are valued at cost. Cost is determined on the basis of weighted average except for items in transit, which are valued at invoice price plus related cost incurred up to the reporting date. For items which are considered obsolete, the carrying amount is written down to nil. Spare parts held exclusively for capitalization are classified as property, plant and equipment.

6.5 Stock in trade

These are valued at lower of cost and net realizable value, with the exception of stock of waste which is valued at net realizable value. Cost is determined using the following basis:

Raw materials	Weighted average cost (see note 5)
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Stock in transit	Invoice price plus related cost incurred up to the reporting date

Average manufacturing cost in relation to work in process and finished goods consists of direct material, labour and an appropriate proportion of manufacturing overheads.

Net realizable value signifies the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

6.6 Employee benefits

6.6.1 Short-term employee benefits

The Company recognizes the undiscounted amount of short term employee benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit or loss unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

6.6.2 Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its employees who have completed the minimum qualifying service period. Liability is adjusted on each reporting date to cover the obligation and the adjustment is charged to profit or loss with the exception of remeasurements which are recognized in other comprehensive income. The amount recognized on balance sheet represents the present value of defined benefit obligation. The details of the scheme are referred to in note 11 to the financial statements.

6.7 Financial instruments

6.7.1 Recognition

A financial instrument is recognized when the Company becomes a party to the contractual provisions of the instrument.

6.7.2 Classification

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

6.7.2(a) Loans and receivables

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

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

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

6.7.2(c) Financial liabilities at amortized cost

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

6.7.3 Measurement

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

6.7.4 De-recognition

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

6.7.5 Off-setting

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

6.8 Ordinary share capital

Ordinary share capital is recognized as equity. Transaction costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

6.9 Loans and borrowings

Loans and borrowings are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost with any difference between cost and value at maturity recognized in the profit or loss over the period of the borrowings on an effective interest basis.

6.10 Investments in mutual funds

Investment in mutual funds units which are acquired principally for the purpose of selling in the near term and short term profit taking are classified as 'financial assets at fair value through profit or loss'. On initial recognition, these are measured at cost, being their fair value on the date of acquisition. Subsequent to initial recognition, these are measured at fair value. Changes in fair value are recognized in profit or loss. Gains and losses on de-recognition are recognized in profit or loss.

6.11 Finance leases

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

6.12 Operating leases

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

6.13 Trade and other payables

6.13.1 Financial liabilities

These are classified as 'financial liabilities at amortized cost'. On initial recognition, these are measured at cost, being their fair value at the date the liability is incurred, less attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.13.2 Non-financial liabilities

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

6.14 Provisions and contingencies

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provision is recognized at an amount that is the best estimate of the expenditure required to settle the present obligation at the reporting date. Where outflow of resources embodying economic benefits is not probable, or where a reliable estimate of the amount of obligation cannot be made, a contingent liability is disclosed, unless the possibility of outflow is remote.

6.15 Trade and other receivables

6.15.1 Financial assets

These are classified as 'loans and receivables'. On initial recognition, these are measured at cost, being their fair value at the date of transaction, plus attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method, with interest recognized in profit or loss.

6.15.2 Non-financial assets

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

6.16 Revenue

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

Revenue from different sources is recognized as follows:

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

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

Interest income is recognized using effective interest method.

6.17 Comprehensive income

Comprehensive income is the change in equity resulting from transactions and other events, other than changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income comprises items of income and expense, including reclassification adjustments, that are not recognized in profit or loss as required or permitted by approved accounting standards, and is presented in 'statement of profit or loss and other comprehensive income'.

6.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss as incurred.

6.19 Income tax

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

6.19.1 Current taxation

Current tax is the amount of tax payable on taxable income for the year and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

6.19.2 Deferred taxation

Deferred tax is accounted for using the' balance sheet approach' providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effects on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the treatment prescribed by The Institute of Chartered Accountants of Pakistan. Deferred tax is measured at rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

6.20 Government grants

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

6.21 Earnings per share ('EPS')

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

6.22 Cash and cash equivalents

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

6.23 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at exchange rate prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate prevailing at the date the fair value is determined. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are translated to functional currency at exchange rate prevailing at the date of initial recognition. Any gain or loss arising on translation of foreign currency transactions and balances is recognized in profit or loss.

6.24 Impairment

6.24.1 Financial assets

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

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

6.24.2 Non-financial assets

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amounts of the assets in a unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used in determining the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

6.25 Dividend distribution to ordinary shareholders

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

	2015	2014
	Rupees	*Rupees*
7 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10 each		
8,760,000 (2014: 8,760,000) shares issued for cash	**87,600,000**	87,600,000
2,190,000 (2014: 2,190,000) shares issued as fully paid bonus shares	**21,900,000**	21,900,000
	109,500,000	109,500,000

8 CAPITAL RESERVE

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

	Note	2015	2014
		Rupees	*Rupees*

9 LONG TERM FINANCES

These represent secured long term finances utilized under interest/markup arrangements from banking companies

	Note	2015 Rupees	2014 Rupees
Term Finances ('TF')			
TF - I	*9.1*	**-**	37,500,000
TF - II	*9.2*	**50,000,000**	75,000,000
TF - III	*9.3*	**200,000,000**	200,000,000
TF - IV	*9.4*	**77,449,143**	77,449,143
TF - V	*9.5*	**100,000,000**	-
		427,449,143	389,949,143
Current portion presented under current liabilities	*16*	**(72,040,831)**	(62,500,000)
		355,408,312	327,449,143

9.1 The finance was obtained from United Bank Limited to finance capital expenditure and was secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carried mark-up at six months KIBOR plus 1.2% per annum payable semi-annually. The finance has been fully repaid during the year.

9.2 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantees of the Company's Directors. The finance carries mark-up at six months KIBOR plus 1.2% per annum (2014: six months KIBOR plus 1.2% per annum), payable semi-annually. The finance is repayable in eight equal semi-annual installments with the first installment due in December 2013.

9.3 The finance has been obtained from Bank Alfalah Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantee of the Company's directors. The finance carries mark-up at six months KIBOR plus 1.35% per annum (2014: six months KIBOR plus 1.35% per annum), payable quarterly. The finance is repayable in ten equal semi-annual installments with the first installment due in August 2015.

9.4 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantee of the Company's directors. The finance carries mark-up at six months KIBOR plus 1% per annum (2014: six months KIBOR plus 1% per annum), payable semi annually. The finance is repayable in eleven equal semi-annual installments with the first installment due in January 2016.

9.5 The finance has been obtained from United Bank Limited to finance capital expenditure and is secured by charge over operating fixed assets of the Company and personal guarantee of the Company's directors. The finance carries mark-up at three months KIBOR plus 1% per annum, payable quarterly. The finance is repayable in twenty two equal qurateriy installments with the first installment due in March 2017.

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

10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2015 Rupees	2014 Rupees
Present value of minimum lease payments	*10.1 & 10.2*	**5,047,056**	8,617,777
Current portion presented under current liabilities	*10.1 & 10.2*	**(4,028,946)**	(3,528,585)
		1,018,110	5,089,192

10.1 These represent vehicles and machinery acquired under finance lease arrangements. The leases are priced at six months KIBOR plus 1.75% per annum (2014: six months KIBOR plus 1.75% per annum). Lease rentals are payable quarterly over a tenor ranging from 4 to 5 years. Under the terms of agreement, taxes, repairs, replacements and insurance costs in respect of assets subject to finance lease are borne by the Company. The Company also has the option to acquire these assets at the end of their respective lease terms by adjusting the deposit amount against the residual value of the asset and intends to exercise the option.

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

	Note	**2015**	2014
		Rupees	*Rupees*
Not later than one year		**4,433,372**	4,388,025
Later than one year but not later than five years		**1,043,045**	5,615,254
Total future minimum lease payments		**5,476,417**	10,003,279
Finance charge allocated to future periods		**(429,361)**	(1,385,502)
Present value of future minimum lease payments		**5,047,056**	8,617,777
Not later than one year	*16*	**(4,028,946)**	(3,528,585)
Later than one year but not later than five years		**1,018,110**	5,089,192

11 EMPLOYEES RETIREMENT BENEFITS

The Company operates an unfunded gratuity scheme, a defined benefit plan, for all its permanent employees who have completed one year of service. Under the scheme, the Company pays an amount equal to thirty days gross salary for each year of service. For the purpose of calculating the number of year of service, six or more months in excess of completed years of service are included as a complete year, whereas period of less than six months in excess of completed years of service are ignored.

The amount recognized on balance sheet represents present value of defined benefit obligation.

	Note	**2015**	2014
		Rupees	*Rupees*
11.1 Movement in present value of defined benefit obligation			
As at beginning of the year		**46,469,085**	36,797,059
Charged to profit or loss for the year	*11.2*	**20,087,165**	20,385,945
Benefits paid during the year		**(12,549,786)**	(10,427,562)
Remeasurements recognized in other comprehensive income	*11.4*	**587,492**	(286,357)
As at end of the year		**54,593,956**	46,469,085
11.2 Charge to profit or loss			
Current service cost		**14,761,435**	17,069,701
Interest cost		**5,325,730**	3,316,244
		20,087,165	20,385,945
11.3 The charge to profit or loss has been allocated as follows			
Cost of sales	*28.2*	**12,699,737**	14,939,980
Administrative and general expenses	*30.1*	**7,387,428**	5,445,965
		20,087,165	20,385,945

	2015	2014
	Rupees	*Rupees*

11.4 Remeasurements recognized in other comprehensive income

Actuarial loss/(gain) arising from changes in:		
Demographic assumptions	**-**	-
Financial assumptions	**-**	-
Experience adjustments	**587,492**	(286,357)
	587,492	(286,357)

11.5 Principal actuarial assumptions

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

	2015	2014
Discount rate	**9.75%**	13.25%
Expected rates of increase in salary	**7.75%**	11.25%
Expected average remaining working lives	**9 years**	10 years

11.6 Sensitivity analysis

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

	2015		2014	
	Change in actuarial assumption	**Defined benefit obligation**	Change in actuarial assumption	Defined benefit obligation
		Rupees		*Rupees*
Discount rate	+ 1%	50,076,784	+ 1%	43,068,288
	- 1%	59,869,473	- 1%	50,418,279
Expected rate of increase in salary	+ 1%	60,048,741	+ 1%	50,555,342
	- 1%	49,844,595	- 1%	42,892,317

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

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

11.7 Risk factors

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

Interest risk: The discount rate used in determination of present value of defined benefit obligation has been determined by reference to market yield at the reporting date on Pakistan Investment Bonds since there is no deep market in long term corporate bonds in Pakistan. An increase in market yield resulting in a higher discount rate will decrease in the defined benefit liability.

Longevity risk: The present value of defined benefit obligation is calculated by reference to the best estimate of the expected remaining working lives of the employees. An increase in the expected remaining working lives will increase the defined benefit obligation. However, the increase is not expected to be material.

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

	Note	**2015** *Rupees*	2014 *Rupees*
12 DEFERRED TAXATION			
Deferred tax liability on taxable temporary differences	*12.1*	**86,613,727**	79,517,906
Deferred tax asset on deductible temporary differences	*12.1*	**(7,711,987)**	(5,993,083)
		78,901,740	73,524,823

12.1 Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

	2014			
	As at July 01, 2013 *Rupees*	Recognized in profit or loss *Rupees*	Recognized in equity *Rupees*	As at June 30, 2014 *Rupees*
Deferred tax liabilities				
Operating fixed assets - owned	75,670,730	3,668,421	-	79,339,151
Operating fixed assets - leased	1,842,940	(1,664,185)	-	178,755
	77,513,670	2,004,236	-	79,517,906
Deferred tax assets				
Employees retirement benefits	(2,375,615)	(3,654,399)	36,931	(5,993,083)
	75,138,055	(1,650,163)	36,931	73,524,823

12.2 Revenue from export sales of the Company is subject to taxation under the final tax regime, while the remaining portion of revenue attracts assessment under normal provisions of the Ordinance. Deferred tax is provided for only that portion of timing differences that represent income taxable under normal provisions of the Ordinance. These differences are calculated at that proportion of total timing differences that the local sales, other than the indirect exports taxable under section 154 (3) of the Ordinance, bear to the total sales revenue based on historical and future trends. Deferred tax has been calculated at 32% (2014: 33%) of the timing differences so determined based on tax rates notified by the Government of Pakistan for future tax years.

	Note	2015	2014
		Rupees	*Rupees*
13 TRADE AND OTHER PAYABLES			
Trade creditors - *Unsecured*		**40,183,099**	30,288,048
Accrued liabilities		**144,495,341**	91,918,207
Advances from customers - *Unsecured*		**3,835,795**	4,212,949
Infrastructure tax	*13.1*	**49,508,309**	44,768,348
Workers' Profit Participation Fund	*13.2*	**4,895,355**	17,225,428
Workers' Welfare Fund	*13.3*	**18,190,484**	18,209,733
Unclaimed dividend		**3,945,033**	3,233,641
Other payables - *Unsecured*		**5,255,859**	4,911,191
		270,309,275	214,767,545

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

	Note	2015	2014
		Rupees	*Rupees*
13.2 Workers' Profit Participation Fund			
As at beginning of the year		**17,225,428**	22,727,936
Interest on funds utilized by the Company	*13.2.1*	**3,285,538**	5,731,423
Charged to profit or loss for the year	*31*	**4,844,595**	17,174,668
Paid during the year		**(20,460,206)**	(28,408,599)
As at end of the year		**4,895,355**	17,225,428

13.2.1 Interest is charged at 52.50% (2014: 75%) per annum.

	Note	2015	2014
13.3 Workers' Welfare Fund			
As at beginning of the year		**18,209,733**	15,681,569
Charged to profit or loss for the year	*31*	**1,840,946**	6,526,374
Paid/adjusted during the year		**(1,860,195)**	(3,998,210)
As at end of the year		**18,190,484**	18,209,733
14 ACCRUED INTEREST/MARK-UP			
Long term finances		**9,923,813**	4,019,521
Liabilities against assets subject to finance lease		**62,652**	79,360
Short term borrowings		**456,392**	3,821,413
		10,442,857	7,920,294

15 SHORT TERM BORROWINGS

These represent secured short term finances utilized under interest/mark-up arrangements from banking companies

	Note	2015	2014
Running finances	*15.1*	**146,091,234**	18,264,306
Term loans	*15.1*	**-**	199,394,337
		146,091,234	217,658,643

15.1 These facilities have been obtained from various banking companies for working capital requirements and are secured by charge over all present and future current assets of the Company, lien over documents of title of imported goods, lien over firm export orders, trust receipts, demand promissory notes, counter guarantees, specific indemnities.

Interest/mark-up on running finances is payable quarterly whereas interest/mark-up on terms loans is payable along with principal on maturity, except where interest/mark-up is paid in advance at the time of disbursement. Local currency finances carry mark up at rates ranging from one to three months KIBOR plus 0.25% to 0.95% per annum (2014: one to three months KIBOR plus 0.1% to 1.5% per annum).

The aggregate available short term funded facilities amounts to Rs. 2,512 million (2014: Rs. 3,377 million) out of which Rs. 2,366 million (2014: Rs. 3,159 million) remained unavailed as at the reporting date.

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

	Note	2015 Rupees	2014 Rupees
16 CURRENT PORTION OF NON-CURRENT LIABILITIES			
Long term finances	9	**72,040,831**	62,500,000
Liabilities against assets subject to finance lease	10	**4,028,946**	3,528,585
		76,069,777	66,028,585
17 CONTINGENCIES AND COMMITMENTS			
17.1 Contingencies			
17.1.1 Guarantees issued by banks on behalf of the Company		**142,641,844**	137,641,844
17.1.2 Bills discounted/negotiated		**69,935,560**	54,437,622

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

17.1.4 Contingencies related to tax matters are referred to in note 34 to the financial statements.

	2015 Rupees	2014 Rupees
17.2 Commitments		
17.2.1 Commitments under irrevocable letters of credit for:		
- purchase of property plant and equipment	**128,447,100**	-
- purchase of stores, spare and loose tools	**8,075,478**	6,628,635
- purchase of raw material	**97,075,914**	89,372,952
	233,598,492	96,001,587

17.2.2 Commitments under operating leases

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

	Note	2015	2014
		Rupees	*Rupees*
- payments not later than one year		**330,000**	300,000
- payments later than one year		**-**	-
		330,000	300,000

18 FIXED ASSETS

	Note	2015	2014
Property, plant and equipment			
Operating fixed assets	*18.1*	**1,006,344,880**	996,737,441
Capital work in progress	*18.2*	**-**	961,862
		1,006,344,880	997,699,303
Intangible asset under development - Software	*18.3*	**13,823,426**	13,823,426
		1,020,168,306	1,011,522,729

NAGINA
NAGINA GROUP

18.1 Operating fixed assets

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

	2014										
	COST						DEPRECIATION				
	As at July 01, 2013 *Rupees*	Additions *Rupees*	Disposals *Rupees*	Transfers *Rupees*	As at June 30, 2014 *Rupees*	Rate %	As at July 01, 2013 *Rupees*	For the year *Rupees*	Disposal/ transfer adjustment *Rupees*	As at June 30, 2014 *Rupees*	Net book value as at June 30, 2014 *Rupees*
Assets owned by the Company											
Freehold land	6,093,568	-	-	-	6,093,568	-	-	-	-	-	6,093,568
Buildings on freehold land											
Mills	173,401,446	-	-	-	173,401,446	10	111,605,323	6,179,612	-	117,784,935	55,616,511
Other factory buildings	68,841,136	-	-	-	68,841,136	5	25,866,952	2,148,709	-	28,015,661	40,825,475
Non-factory buildings	6,773,921	-	-	3,364,017	10,137,938	10	4,250,398	448,586	-	4,698,984	5,438,954
	249,016,503	-	-	3,364,017	252,380,520		141,722,673	8,776,907	-	150,499,580	101,880,940
Plant and machinery	1,546,804,440	-	(21,827,195)	123,496,696	1,648,473,941	10	767,641,443	82,372,642	(4,101,189)	845,912,896	802,561,045
Electric installation and equipment	77,775,017	-	-	-	77,775,017	10	45,594,187	3,218,083	-	48,812,270	28,962,747
Factory equipment	6,582,763	-	-	-	6,582,763	10	4,296,348	228,642	-	4,524,990	2,057,773
Laboratory equipment	11,166,359	-	-	-	11,166,359	10	6,261,402	490,496	-	6,751,898	4,414,461
Fire fighting equipment	1,846,665	-	-	-	1,846,665	10	1,364,161	48,250	-	1,412,411	434,254
Office equipment	12,661,131	514,456	-	-	13,175,587	10	8,957,933	398,311	-	9,356,244	3,819,343
Furniture and fixtures	6,922,603	-	-	-	6,922,603	10	4,423,645	249,896	-	4,673,541	2,249,062
Arms and ammunition	763,013	-	(131,500)	-	631,513	10	540,653	18,958	(92,016)	467,595	163,918
Vehicles	48,541,856	8,593,900	(4,936,309)	4,075,000	56,274,447	20	16,777,327	7,229,187	(443,091)	23,563,423	32,711,024
	1,968,173,918	9,108,356	(26,895,004)	130,935,713	2,081,322,983		997,579,772	103,031,372	(4,636,296)	1,095,974,848	985,348,135
Assets subject to finance lease											
Plant and machinery	43,643,313	-	-	(28,209,309)	15,434,004	10	13,500,329	2,577,094	(12,032,725)	4,044,698	11,389,306
Vehicles	4,075,000	-	-	(4,075,000)	-	20	2,215,586	278,912	(2,494,498)	-	-
	2,015,892,231	9,108,356	(26,895,004)	98,651,404	2,096,756,987		1,013,295,687	105,887,378	(19,163,519)	1,100,019,546	996,737,441

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

18.1.2 Disposal of operating fixed assets

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

	2014						
	Cost *Rupees*	Accumulated depreciation *Rupees*	Net book value *Rupees*	Disposal proceeds *Rupees*	Gain/(loss) on disposal *Rupees*	Mode of disposal	Particulars of buyer
Plant and machinery							
Vision Shield	4,737,455	2,405,106	2,332,349	2,000,000	(332,349)	Negotiation	Olympia Textile Mills Limited
Comber Set	2,987,879	2,337,075	650,804	389,830	(260,974)	Negotiation	Imran Textile Machinery Traders
Auto Coner Murata 60 Spindle	4,496,480	4,149,352	347,128	500,000	152,872	Negotiation	Colony Mills Limited
Auto Coner Murata 60 Spindle	9,605,381	7,242,381	2,363,000	2,500,000	137,000	Negotiation	Colony Mills Limited
	21,827,195	16,133,914	5,693,281	5,389,830	(303,451)		
Arms and ammunition							
12 Bore Pump Action	70,000	50,020	19,980	13,000	(6,980)	Negotiation	M. Siddique Asla Repair Shop
12 Bore Pump Action	42,000	28,680	13,320	2,500	(10,820)	Negotiation	M. Siddique Asla Repair Shop
44 Bore	19,500	13,316	6,184	9,500	3,316	Negotiation	M. Siddique Asla Repair Shop
	131,500	92,016	39,484	25,000	(14,484)		
Vehicles							
Honda Civic	1,457,490	1,011,342	446,148	570,000	123,852	Negotiation	Hassan Jameel Saddiqui, Lahore
Honda CD - 70	67,860	34,834	33,026	24,500	(8,526)	Negotiation	Muhammad Irfan, Lahore
Honda CD - 70	65,381	43,718	21,663	36,000	14,337	Negotiation	Asad Malak, Lahore
Honda City	1,252,000	685,762	566,238	650,000	83,762	Negotiation	Mansoor Mughal, Lahore
Suzuki Liana	1,099,000	601,959	497,041	490,000	(7,041)	Negotiation	Amjad Khokhar, Lahore
Suzuki Cultus	862,000	472,146	389,854	425,000	35,146	Negotiation	Khuram Ayub, Lahore
Honda CD - 70	65,428	42,544	22,884	21,000	(1,884)	Negotiation	Muhammad Sarwar, Lahore
Honda CD - 70	67,150	45,284	21,866	36,000	14,134	Negotiation	Hassan Ali, Lahore
	4,936,309	2,937,589	1,998,720	2,252,500	253,780		
	26,895,004	19,163,519	7,731,485	7,667,330	(64,155)		

	Note	2015	2014
		Rupees	*Rupees*
18.1.3 The depreciation charge for the year has been allocated as follows:			
Cost of sales	*28*	**93,984,921**	100,306,657
Administrative and general expenses	*30*	**7,720,535**	5,580,721
		101,705,456	105,887,378

18.2 Capital work in progress

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

	2014			
	As at July 01, 2013	Additions	Transfers	As at June 30, 2014
	Rupees	*Rupees*	*Rupees*	*Rupees*
Building	-	3,364,017	(3,364,017)	-
Plant and machinery	-	95,287,387	(95,287,387)	-
Office equipment	-	961,862	-	961,862
	-	99,613,266	(98,651,404)	961,862

18.3 Intangible asset under development - Software

This represents expenditure incurred on implementation of Oracle Financials Suite which is in progress and not ready for intended use as at reporting date.

19 LONG TERM DEPOSITS

These have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as their amortized cost is impracticable to determine.

	2015	2014
	Rupees	*Rupees*
20 STORES, SPARES AND LOOSE TOOLS		
Stores	**32,951,032**	28,470,435
Spares	**16,614,394**	5,008,951
Loose tools	**249,161**	232,520
	49,814,587	33,711,906

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

	Note	2015	2014
		Rupees	Rupees (Restated)

21 STOCK IN TRADE

	Note	2015 Rupees	2014 Rupees (Restated)
Raw material		**582,447,109**	698,182,297
Work in process		**46,147,113**	46,327,710
Finished goods	*21.1*	**40,271,540**	24,300,229
		668,865,762	768,810,236

21.1 Stock of finished goods include stock of waste valued at Rs. 3,337,495 (2014: Rs. 8,105,966). The entire stock of waste is valued at net realizable value.

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

22 TRADE DEBTS

	Note	2015 Rupees	2014 Rupees
Local - *unsecured, considered good*		**155,406,455**	248,921,967
Foreign - *secured*	*22.1*	**61,496,249**	61,753,779
		216,902,704	310,675,746

22.1 These are secured through letters of credit.

23 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2015 Rupees	2014 Rupees
Advances to suppliers - *unsecured, considered good*		**1,143,591**	6,948,475
Advances to employees - *unsecured, considered good*	*23.1*	**337,989**	326,178
Prepayments		**1,363,317**	1,147,339
Export rebate receivable		**659,924**	659,924
Letters of credit		**2,753,423**	61,860,236
Sales tax refundable		**35,918,980**	7,255,770
Other receivables - *unsecured, considered good*		**65,108**	127,608
		42,242,332	78,325,530

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

24 SHORT TERM INVESTMENTS

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

	Note	2015 Rupees	2014 Rupees
MCB Cash Management Optimizer	*24.1*	**40,004,276**	-
NAFA Money Market Fund	*24.2*	**130,489,763**	-
		170,494,039	-

	Note	2015 Rupees	2014 Rupees
24.1 MCB Cash Management Optimizer			
399,646.7123 units (2014: nil)			
Market value per unit: Rs. 100.0991 (2014: nil)			
Cost of investment		**39,998,729**	-
Changes in fair value		**5,547**	-
		40,004,276	-
24.2 NAFA Money Market Fund			
12,552,765.5133 units (2014: nil)			
Market value per unit: Rs. 10.3953 (2014: nil)			
Cost of investment		**130,491,034**	-
Changes in fair value		**(1,271)**	-
		130,489,763	-
25 ADVANCE INCOME TAX			
Advance income tax/income tax refundable		**89,310,216**	87,400,802
Provision for taxation	*34*	**(36,041,071)**	(64,356,320)
		53,269,145	23,044,482
26 BANK BALANCES			
Current accounts in local currency		**148,643,446**	133,237,515
Deposit/saving accounts in foreign currency		**31,158**	31,158
		148,674,604	133,268,673

27 SALES - NET

	Note	2015			
		Yarn *Rupees*	**Raw cotton, polyester etc.** *Rupees*	**Waste** *Rupees*	**Total** *Rupees*
Local		**1,884,480,469**	**11,548,755**	**44,503,686**	**1,940,532,910**
Export	*27.1*	**2,632,312,120**	**-**	**89,288,523**	**2,721,600,643**
Gross sales		**4,520,442,286**	**11,548,755**	**133,792,075**	**4,665,783,116**
Export rebate		**195,035**	**-**	**-**	**195,035**
Sales tax		**(72,312,339)**	**(226,446)**	**(1,001,858)**	**(73,540,643)**
		4,444,675,285	**11,322,309**	**132,790,351**	**4,588,787,945**

	Note	2014 Yarn Rupees	2014 Raw cotton, polyester etc. Rupees	2014 Waste Rupees	2014 Total Rupees
Local		1,986,398,663	219,123,269	60,385,606	2,265,907,538
Export	*27.1*	3,416,136,364	-	104,432,371	3,520,568,735
Gross sales		5,402,535,027	219,123,269	164,817,977	5,786,476,273
Export rebate		-	-	-	-
Sales tax		(73,224,201)	(2,607,640)	(1,160,546)	(76,992,387)
		5,329,310,826	216,515,629	163,657,431	5,709,483,886

27.1 Yarn export sales include indirect exports amounting to Rs. 2,141,447,350 (2014: Rs. 2,346,798,915).

	Note	**2015 *Rupees***	2014 *Rupees* *(Restated)*
28 COST OF SALES			
Raw material consumed	*28.1*	**3,145,501,694**	3,895,060,003
Stores, spares and loose tools consumed		**170,603,682**	182,672,557
Salaries, wages and benefits	*28.2*	**298,721,173**	276,542,823
Insurance		**8,692,314**	10,935,357
Power and fuel		**536,292,607**	559,657,147
Repair and maintenance		**11,589,267**	5,675,284
Depreciation	*18.1.3*	**93,984,921**	100,306,657
Others		**14,037,360**	16,791,474
Manufacturing cost		**4,279,423,018**	5,047,641,302
Work in process			
As at beginning of the year		**46,327,710**	42,484,186
As at end of the year		**(46,147,113)**	(46,327,710)
		180,597	(3,843,524)
Cost of goods manufactured		**4,279,603,615**	5,043,797,778
Finished goods			
As at beginning of the year		**24,300,229**	72,989,279
Purchased during the year		**33,163,930**	22,808,917
As at end of the year		**(40,271,540)**	(24,300,229)
		17,192,619	71,497,967
		4,296,796,234	5,115,295,745

28.1 Raw material consumed

As at beginning of the year	**698,182,297**	550,273,576
Purchased during the year	**3,029,766,506**	4,042,968,724
As at end of the year	**(582,447,109)**	(698,182,297)
	3,145,501,694	3,895,060,003

28.2 These include charge in respect of employees retirement benefits amounting to Rs. 12,699,737 (2014: Rs. 14,939,980).

	Note	2015 Rupees	2014 Rupees
29 DISTRIBUTION COST			
Export			
Ocean freight and forwarding		**15,796,627**	18,600,617
Commission		**9,429,328**	9,713,183
Export development surcharge		**1,449,682**	2,746,505
		26,675,637	31,060,305
Local			
Inland transportation		**11,994,188**	12,188,639
Commission		**8,830,093**	8,484,616
Others		**871,369**	1,359,181
		21,695,650	22,032,436
		48,371,287	53,092,741
30 ADMINISTRATIVE EXPENSES			
Directors' remuneration	*44*	**12,625,378**	11,279,059
Directors' meeting fee	*44*	**355,000**	250,000
Salaries and benefits	*30.1*	**46,296,165**	36,193,133
Rent, rates and taxes		**900,310**	564,000
Printing and stationery		**933,417**	943,881
Communication		**2,201,010**	2,320,966
Electricity		**2,852,574**	2,273,470
Repair and maintenance		**463,073**	977,953
Vehicles running and maintenance		**4,110,574**	3,807,689
Traveling and conveyance		**3,948,304**	6,632,589
Legal and professional charges		**1,729,819**	1,282,411
Auditors' remuneration	*30.2*	**940,000**	935,000
Fee and subscription		**2,189,105**	2,000,068
Entertainment		**706,332**	862,250
Insurance		**3,557,966**	3,151,153
Depreciation	*18.1.3*	**7,720,535**	5,580,721
Others		**259,042**	221,809
		91,788,604	79,276,152

30.1 These include charge in respect of employees retirement benefits amounting to Rs. 7,387,428 (2014: Rs. 5,445,965).

	Note	2015 Rupees	2014 Rupees
30.2 Auditor's remuneration			
Annual statutory audit		**750,000**	750,000
Half yearly review		**130,000**	125,000
Review report under Code of Corporate Governance		**50,000**	50,000
Out of pocket expenses		**10,000**	10,000
		940,000	935,000

	Note	2015	2014
		Rupees	*Rupees*
31 OTHER EXPENSES			
Loss on financial instruments			
Foreign exchange loss		**1,168,637**	-
Other expenses			
Loss on disposal of property, plant and equipment	*18.1.2*	**1,428,666**	64,155
Workers' Profit Participation Fund	*13.2*	**4,844,595**	17,174,668
Workers' Welfare Fund	*13.3*	**1,840,946**	6,526,374
Donations	*31.1*	**500,000**	440,000
		8,614,207	24,205,197
		9,782,844	**24,205,197**

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

	Note	2015	2014
		Rupees	*Rupees*
32 OTHER INCOME			
Gain on financial instruments			
Gain on disposal of short term investments		**7,335,661**	2,855,764
Changes in fair value of investments at fair value through profit or loss		**4,276**	-
Return on bank deposits		**-**	101,526
Foreign exchange gain		**-**	3,870,312
		7,339,937	6,827,602
Other income			
Scrap sale		**1,116,048**	968,562
		8,455,985	7,796,164
33 FINANCE COST			
Interest / mark-up on borrowings:			
long term finances	*33.1*	**41,290,149**	40,892,226
liabilities against assets subject to finance lease	*33.2*	**823,859**	1,204,987
short term borrowings		**10,627,232**	28,992,476
		52,741,240	71,089,689
Interest on workers' profit participation fund	*13.2*	**3,285,538**	5,731,423
Bank charges and commission		**4,271,828**	7,153,898
		60,298,606	83,975,010

33.1 This includes interest/mark-up rate subsidy amouting to Rs. 659,206 (2014: Rs. 1,646,979) recognized as government grants. See note 36.

33.2 This includes interest/mark-up rate subsidy amouting to Rs. 76,346 (2014: Rs. 117,293) recognized as government grants. See note 36.

	Note	2015	2014
		Rupees	*Rupees*

34 PROVISION FOR TAXATION

Current taxation			
for current year	*25 & 34.1*	**36,041,071**	64,356,320
for prior years		**(5,593,351)**	1,158,363
		30,447,720	65,514,683
Deferred taxation	*12.1*		
attributable to origination and reversal of temporary differences		**7,687,932**	2,643,441
attributable to changes in tax rates		**(2,228,025)**	(4,293,604)
		5,459,907	(1,650,163)
		35,907,627	63,864,520

34.1 Provision for current tax has been made in accordance with section 113 and section 154 (2014: section 18 and section 154) of the Income Tax Ordinance, 2001 ('the Ordinance').

34.2 The Government of Pakistan vide Finance Act 2014 notified a reduced tax rate of 33% for tax year 2015 as compared 34% applicable to previous year for Companies.

34.3 Reconciliation between average effective tax rate and applicable tax rate

	Unit	2014
Profit before taxation - *restated*	**Rupees**	361,435,205
Provision for taxation	**Rupees**	63,864,520
Average effective tax rate	%	17.67
Tax effects of:		
Items not included in determination of taxable income	%	(5.03)
Admissible deductions, losses and tax credits	%	7.21
Income taxable under final tax regime	%	11.69
Adjustment for current tax of prior years	%	(0.36)
Provision for deferred taxation	%	0.52
Others	%	2.30
Applicable tax rate	%	34.00

As the provision for current taxation for the year ended June 30, 2015 has been made under section 113 and section 154 of the Ordinance, there was no relationship between aggregate tax expense and accounting profit. Accordingly no numerical reconciliation has been presented for the year ended June 30, 2015.

34.4 The Government of Pakistan vide Finance Act 2014 notified a reduced tax rate of 33% for tax year 2015 as compared 34% applicable to previous year for Companies.

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

34.6 The income tax assessments of the Company up to and including tax year 2014 have been completed by the concerned income tax authorities or are deemed to have been so completed under the provisions of section 120 of the Income Tax Ordinance, 2001 (‘Ordinance’) except for the tax years highlighted below.

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

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

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

34.9 In respect of tax year 2006, the ACIR finalized proceedings under section 122(5A) of the Ordinance through order dated June 30, 2012, wherein a demand of Rs. 4.855 million was raised against the Company on the grounds that minimum tax under section 113 of the Ordinance is to be levied in addition to tax under final tax regime. The Company appealed against the order with CIR(A) and applied for rectification on account of correction of charge of 'Workers' Welfare Fund' and 'brought forward losses' under section 221 of the Ordinance. The CIR (A), through order dated February 22, 2013, decided the above mentioned appeal by upholding the levy of minimum tax over and above paid under the final tax regime. The Company has file an appeal with the ATIR which yet to be fixed for hearing. The rectification application has, however, not yet been taken up for disposal.

	Unit	**2015**	2014 *(Restated)*
35 EARNINGS PER SHARE - BASIC AND DILUTED			
Profit attributable to ordinary shareholders	*Rupees*	**54,298,728**	297,570,685
Weighted average number of ordinary shares outstanding during the year	*No. of shares*	**10,950,000**	10,950,000
Earnings per share - *basic and diluted*	*Rupees*	**4.96**	27.18

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

36 GOVERNMENT GRANTS

During the year, the Company recognized Rs. 735,552 (2014: Rs. 1,764,272) as interest/mark-up rate subsidy which has been accounted for as government grant in accordance with IAS 20 'Government Grants'. The amount has been deducted in reporting interest/markup expenses on relevant borrowings.

	2015 *Rupees*	2014 *Rupees* *(Restated)*
37 CASH GENERATED FROM OPERATIONS		
Profit before taxation	**90,206,355**	361,435,205
Adjustments for non-cash and other items		
Interest/mark-up on borrowings	**52,741,240**	71,089,689
Loss on disposal of property, plant and equipment	**1,428,666**	64,155
Foreign exchange loss/(gain)	**1,168,637**	(3,870,312)
Changes in fair value of investments at fair value through profit or loss	**(4,276)**	-
Gain on disposal of short term investments	**(7,335,661)**	(2,855,764)
Provision for employees retirement benefits	**20,087,165**	20,385,945
Depreciation	**101,705,456**	105,887,378
	169,791,227	190,701,091
	259,997,582	552,136,296
Changes in working capital		
Stores, spares and loose tools	**(16,102,681)**	14,969,539
Stock in trade	**99,944,474**	(103,063,195)
Trade debts	**92,604,405**	(109,598,238)
Advances, prepayments and other receivables	**36,083,198**	11,784,454
Trade and other payables	**54,830,338**	(31,248,451)
	267,359,734	(217,155,891)
Cash generated from operations	**527,357,316**	334,980,405
38 CASH AND CASH EQUIVALENTS		
Bank balances	**148,674,604**	133,268,673
	148,674,604	133,268,673

39 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties from the Company's perspective comprise associated companies and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and includes the Chief Executive and Directors of the Company.

Transactions with key management personnel are limited to payment of short term employee benefits and dividend on ordinary shares. The Company in the normal course of business carries out various transactions with associated companies and continues to have a policy whereby all such transactions are carried out on commercial terms and conditions which are equivalent to those prevailing in an arm's length transaction.

There are no balances outstanding with related parties as at the reporting date. Details of transactions with related parties is as follows:

		2015 *Rupees*	2014 *Rupees*
39.1 Transactions with related parties			
Nature of relationship	**Nature of transactions**		
Associated companies	Purchase of goods and services	**36,237,307**	11,718,348
	Sales of goods and services	**1,422,714,397**	1,399,206,653
	Dividend paid	**18,644,227**	26,634,610
Key management personnel	Short term employee benefits	**12,980,378**	11,529,059
	Dividend paid to directors and their family members	**35,938,868**	51,426,240

	Note	2015	2014
		Rupees	Rupees

40 FINANCIAL INSTRUMENTS

40.1 Financial instruments by class and category

40.1.1 Financial assets

	Note	2015 Rupees	2014 Rupees
Financial assets at fair value through profit or loss			
Short term investments	24	**170,494,039**	-
Loans and receivables			
Long term deposits	19	**7,090,700**	7,090,700
Trade debts	22	**216,902,704**	310,675,746
Bank balances	26	**148,674,604**	133,268,673
		372,668,008	451,035,119
		543,162,047	451,035,119

40.1.2 Financial liabilities

	Note	2015 Rupees	2014 Rupees
Financial liabilities at amortized cost			
Long term finances	9	**427,449,143**	389,949,143
Liabilities against assets subject to finance lease	10	**5,047,056**	8,617,777
Short term borrowings	15	**146,091,234**	217,658,643
Accrued interest/mark-up	14	**10,442,857**	7,920,294
Trade creditors	13	**40,183,099**	30,288,048
Accrued liabilities	13	**144,495,341**	91,918,207
Unclaimed dividend	13	**3,945,033**	3,233,641
		777,653,763	749,585,753

40.2 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or liability be settled between knowledgeable willing parties in an arm's length transaction. As at the reporting date, fair values of all financial instruments are considered to approximate their carrying amounts. Further, there are no fair value estimation uncertainties.

40.2.1 Methods of determining fair values

Fair values of financial instruments for which prices are available from the active market are measured by reference to those market prices. Fair values of financial assets and liabilities with no active market are determined in accordance with generally accepted pricing models based on discounted cash flow analysis based on inputs from other than observable market.

40.2.2 Discount/interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve as at the reporting date plus an adequate credit spread.

41 FINANCIAL RISK EXPOSURE AND MANAGEMENT

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks affect revenues, expenses and assets and liabilities of the Company.

The Board of Directors has the overall responsibility for establishment and oversight of risk management framework. The Board of Directors has developed a risk policy that sets out fundamentals of risk management framework. The risk policy focuses on unpredictability of financial markets, the Company's exposure to risk of adverse effects thereof and objectives, policies and processes for measuring and managing such risks. The management team of the Company is responsible for administering and monitoring the financial and operational financial risk management throughout the company in accordance with the risk management framework.

The Company's exposure to financial risks, the way these risks affect the financial position and performance, and forecast transactions of the Company and the manner in which such risks are managed is as follows:

41.1 Credit risk

Credit risk is the risk of financial loss to the Company, if the counterparty to a financial instrument fails to meet its obligations.

	Note	**2015**	2014
		Rupees	*Rupees*
41.1.1 Maximum exposure to credit risk			
The maximum exposure to credit risk as at the reporting date is as follows:			
Financial assets at fair value through profit or loss			
Short term investments	*24*	**170,494,039**	-
Loans and receivables			
Long term deposits	*19*	**7,090,700**	7,090,700
Trade debts	*22*	**216,902,704**	310,675,746
Bank balances	*26*	**148,674,604**	133,268,673
		543,162,047	451,035,119

41.1.2 Concentration of credit risk

The Company identifies concentrations of credit risk by reference to type of counter party. Maximum exposure to credit risk by type of counterparty is as follows:

	2015	2014
	Rupees	*Rupees*
Customers	**216,902,704**	310,675,746
Utility companies and regulatory authorities	**7,090,700**	7,090,700
Banking companies and financial institutions	**319,168,643**	133,268,673
	543,162,047	451,035,119

41.1.3 Credit quality and impairment

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

41.1.3(a) Counterparties with external credit ratings

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

41.1.3(b) Counterparties without external credit ratings

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

	2015		2014	
	Gross carrying amount	**Accumulated Impairment**	Gross carrying amount	Accumulated Impairment
	Rupees	***Rupees***	*Rupees*	*Rupees*
Neither past due nor impaired	**216,805,255**	-	310,578,297	-
Past due by 0 to 12 months	**-**	-	97,449	-
Past due by more than 12 months	**97,449**	-	-	-
	216,902,704	-	310,675,746	-

The Company's two (2014: one) significant customers account for Rs. 77.14 million (2014: Rs. 39.37 million) of trade debts as at the reporting date, apart from which, exposure to any single customer does not exceed 10% (2014: 10%) of trade debts as at the reporting date. These significant customers have long standing business relationships with the Company and have a good payment record and accordingly non-performance by these customers is not expected. Further, trade debts amounting to Rs. 61.50 million (2014: Rs. 61.75 million) are secured through letters of credit and thus do not carry any significant credit risk.

41.1.4 Collateral held

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

41.1.5 Credit risk management

As mentioned in note 41.1.3 to the financial statements, the Company's financial assets do not carry significant credit risk, with the exception of trade debts, which are exposed to losses arising from any non-performance by customers. In respect of trade debts, the Company manages credit risk by limiting significant exposure to any single customer. Formal policies and procedures of credit management and administration of trade debts are established and executed. In monitoring customer credit risk, the ageing profile of trade debts and individually significant balances, along with collection activities are reviewed on a regular basis. High risk customers are identified and restrictions are placed on future trading, including suspending future shipments and administering dispatches on a prepayment basis or confirmed letters of credit.

41.2 Liquidity risk

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

41.2.1 Exposure to liquidity risk

The followings is the analysis of contractual maturities of financial liabilities, including estimated interest payments.

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

	2014				
	Carrying amount *Rupees*	Contractual cash flows *Rupees*	One year or less *Rupees*	One to three years *Rupees*	More than three years *Rupees*
Long term finances	389,949,143	546,061,259	111,686,418	229,921,787	204,453,054
Liabilities against assets subject to finance lease	8,617,777	10,003,279	4,388,025	5,615,254	-
Short term borrowings	217,658,643	218,441,039	218,441,039	-	-
Accrued interest/mark-up	7,920,294	7,920,294	7,920,294	-	-
Trade creditors	30,288,048	30,288,048	30,288,048	-	-
Accrued liabilities	91,918,207	91,918,207	91,918,207	-	-
Unclaimed dividend	3,233,641	27,862,534	27,862,534	-	-
	749,585,753	932,494,660	492,504,565	235,537,041	204,453,054

41.2.2 Liquidity risk management

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company monitors cash flow requirements and produces cash flow projections for the short and long term. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational cash flows, including servicing of financial obligations. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of overall funding mix and avoidance of undue reliance on large individual customer. The Company also maintains various lines of credit with banking companies.

41.3 Market risk

41.3.1 Currency risk

Currency risk is the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from sales, purchases and resulting balances that are denominated in a currency other than functional currency.

41.3.1.1 Exposure to currency risk

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

	2015 Rupees	2014 Rupees
Financial liabilities		
Short term borrowings	**-**	(199,394,337)
Accrued interest/mark-up	**-**	(1,713,769)
	-	(201,108,106)
Financial assets		
Trade debts	**61,496,249**	61,753,779
Bank balances	**31,158**	31,158
	61,527,407	61,784,937
Net exposure	**61,527,407**	(139,323,169)

41.3.1.2 Exchange rates applied during the year

All foreign currency balances are denominated in United States Dollars (US $). Spot exchange rates applied are as follows:

	2015 Rupees	2014 Rupees
Financial assets	**101.50**	98.55
Financial liabilities	**101.70**	98.75

41.3.1.3 Sensitivity analysis

A five percent appreciation in Pak Rupee against the US $ would have decreased profit for the year by Rs. 3.07 million (2014: increase profit by Rs. 6.97 million). A five percent depreciation in Pak Rupee would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

41.3.1.4 Currency risk management

The Company manages its exposure to currency risk through continuous monitoring of expected/forecast committed and non-committed foreign currency payments and receipts. Reports on forecast foreign currency transactions, receipts and payments are prepared on monthly basis, exposure to currency risk is measured and appropriate steps are taken to ensure that such exposure is minimized while optimizing return. This includes matching of foreign currency liabilities/payments to assets/receipts and using source inputs in foreign currency.

41.3.2 Interest rate risk

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

41.3.2(a) Interest/mark-up bearing financial instruments

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

	2015	2014
	Rupees	*Rupees*
Fixed rate instruments		
Financial assets	**-**	-
Financial liabilities	**-**	-
Variable rate instruments		
Financial assets	**31,158**	31,158
Financial liabilities	**578,587,433**	616,225,563

41.3.2(b) **Fair value sensitivity analysis for fixed rate instruments**

The Company does not have fixed rate financial assets and liabilities as at the reporting date.

41.3.2(c) **Cash flow sensitivity analysis for variable rate instruments**

An increase of 100 basis points in interest rates as at the reporting date would have decreased profit for the year by Rs. 5.79 million (2014: Rs. 6.16 million). A decrease of 100 basis points wound have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

41.3.2(d) **Interest rate risk management**

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

41.3.3 Price risk

Price risk represents the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments. The Company is not exposed to price risk in respect of its investments in mutual funds.

A one percent appreciation in market prices of investments in mutual funds as at reporting date would have increased the profit for the year by Rs. 1.7 million (2014: nil). A one percent diminution in market prices of investments in mutual funds as at reporting date would have had an equal but opposite effect on profit for the year. The analysis assumes that all other variables remain constant and ignores the impact, if any, on provision for taxation for the year.

42 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends to ordinary shareholders. The Company seeks to keep a balance between the higher return that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position. The Company monitors capital using the gearing ratio which is debt divided by total capital employed. Debt comprises long term finances and liabilities against assets subject to finances lease, including current maturity. Total capital employed includes total equity as shown in the balance sheet plus debt. The Company's strategy is to maintain an optimal capital structure in order to minimize cost of capital. Gearing ratio of the Company as at the reporting date is as follows:

	Unit	2015	2014
Total debt	*Rupees*	**432,496,199**	398,566,920
Total equity	*Rupees*	**1,384,686,918**	1,407,542,692
Total capital employed		**1,817,183,117**	1,806,109,612
Gearing	*% age*	**23.80**	22.07

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements, except those related to maintenance of debt covenants, commonly imposed by the providers of debt finance.

	2015 *Rupees*	2014 *Rupees*

43 RESTRICTION ON TITLE AND ASSETS PLEDGED/MORTGAGED AS SECURITY

Mortgages and charges

	2015 Rupees	2014 Rupees
Charge over current assets	5,743,095,898	5,636,845,898
Charge over fixed assets	1,429,000,000	1,429,000,000

44 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to profit or loss in respect of chief executive, directors and executives on account of managerial remuneration, allowances and perquisites, post employment benefits and the number of such directors and executives is as follows:

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

	2014		
	Chief Executive *Rupees*	Directors *Rupees*	Executives *Rupees*
Managerial remuneration	2,859,960	3,740,160	9,290,400
Allowances and perquisites	2,390,858	2,288,081	4,652,400
Meeting fee	-	250,000	-
Post employment benefits	-	-	1,161,900
	5,250,818	6,278,241	15,104,700
Number of persons	1	3	9

44.1 Remuneration, allowances and meeting fee include Rs. 6,917,270 (2014: Rs. 6,278,241) paid to non-executive directors of the Company.

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

	2015 *No. of shares*	2014 *No. of shares*

45 SHARES IN THE COMPANY HELD BY ASSOCIATES

Ordinary shares in the Company held by associates are as follows:

	2015	2014
Haroon Omer (Private) Limited	**664,572**	664,572
Monell (Private) Limited	**664,572**	664,572
Icaro (Private) Limited	**664,572**	664,572
ARH (Private) Limited	**628,400**	628,400
Ellahi International (Private) Limited.	**41,345**	41,345
	2,663,461	2,663,461

46 SEGMENT INFORMATION

46.1 The Company is a single reportable segment.

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

46.3 All sales of the Company have originated from Pakistan.

46.4 Sales include Rs. 1,934 million (2014: Rs. 1,367 million) of revenue derived from sales to two (2014: one) customers. There is no other single significant external customer to whom sales in excess of 10% of the Company's total sales were made during the year.

47 PLANT CAPACITY AND ACTUAL PRODUCTION

	Unit	**2015**	2014
Number of spindles installed	*No.*	**54,528**	54,528
Plant capacity on the basis of utilization converted into 30s count	*Kgs*	**11,510,359**	11,510,359
Actual production converted into 30s count	*Kgs*	**10,828,088**	10,556,810

It is difficult to precisely compare production capacity and the resultant production converted into base count in the textile industry since it fluctuates widely depending on various factors such as count of yarn spun, raw materials used, spindle speed and twist etc. It would also vary according to pattern of production adopted in a particular year.

48 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 29, 2015 by the Board of Directors of the Company.

49 NUMBER OF EMPLOYEES

Total number of employees of the Company as at the reporting date are 1,081 (2014: 1,068). Average number of persons employed by the Company during the year are 1,105 (2014: 1,034).

50 RECOVERABLE AMOUNTS AND IMPAIRMENT

As at the reporting date, recoverable amounts of all assets/cash generating units are equal to or exceed their carrying amounts, unless stated otherwise in these financial statements.

51 EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in their meeting held on September 29, 2015 has propsed dividend on ordinary shares at Rs. 3.50 per ordinary share of Rs. 10 each. The proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting.

52 GENERAL

52.1 Figures have been rounded off to the nearest rupee.

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

Pursuant to Section 241(2) of the Companies Ordinance, 1984, these financial statements have been signed by two Directors in the absence of Mg. Director (Chief Executive) who for the time being is not in the country.

	Shahzada Ellahi Shaikh	**Shaukat Ellahi Shaikh**
Lahore: September 29, 2015	Director	Director

FORM OF PROXY

The Secretary,
ELLCOT SPINNING MILLS LTD.
Nagina House,
91-B-1, M.M. Alam Road,
Gulberg-III,
Lahore-54660.

I/We ____ of ______________ being member(s) of **ELLCOT SPINNING MILLS LTD.,** and holder of ____________________ Ordinary Shares as per Share Register Folio No. ______________ (In case of Central Depository System Account Holder A/c No. _____________ Participant I.D. No. ____________- ____________) hereby appoint ______________________________________ of ________________ who is member of the company as per Register Folio No. - ____________________ (In case of Central Depository System Account Holder A/c No. _____________ Participant I.D. No. _______________________) or failing him/her ____ of ________________ who is member of the Company as per Register Folio No. ____________________ (In case of Central Depository System Account Holder A/c No. ______________ Participant I.D. No. ______________) as my/our proxy to vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Company to be held on October 28, 2015 and at any adjournment thereof.

Affix
Rs. 5/=
Revenue
Stamp

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

Signed at ____________________ this the _____________ day of _________________ 2015

NOTES:

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

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

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

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