1395

Scan

WHITE ROSE ®

ELAHI COTTON MILLS LIMITED

COMPANY'S INFORMATION

BOARD OF DIRECTORS

MAHBOOB ELAHI
MAHFOOZ ELAHI
MAHMOOD ELAHI
ABDUL RASHEED
FARRUKH AHMED
NAVEED AKHTER
S. M. RAUNAQ UD DIN

CHIEF EXECUTIVE

MAHBOOB ELAHI

AUDIT COMMITTEE

MAHFOOZ ELAHI
FARRUKH AHMED
NAVEED AKHTER

AUDITORS

M/S. BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
2nd FLOOR, BLOCK C,
LAKSON SQUARE BUILDING NO.1,
SARWAR SHAHEED ROAD
KARACHI.

REGISTERED OFFICE

270-SECTOR I-9,
INDUSTRIAL AREA,
ISLAMABAD.

REGISTRAR OFFICE

CORPLINK (PVT) LIMITED
WINGS ARCADE, 1-K, COMMERCIAL,
MODEL TOWN, LAHORE

MILLS

JURIAN, MANDRA,
TEHSIL GUJAR KHAN,
DISTRICT RAWALPINDI.

Vision

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

Mission Statement

It is the mission of the Company:

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

ELAHI COTTON MILLS LIMITED

NOTICE OF 39TH ANNUAL GENERAL MEETING

Notice is hereby given that 39th Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 270-Sector I/9, Industrial Area, Islamabad on Wednesday, October 28, 2009 at 10.30 a.m. to transact the following business: -

1. To confirm the minutes of the 38th Annual General Meeting.
2. To consider, approve and adopt the Audited Accounts of the Company for the year ended June 30, 2009 together with Auditors and Directors Reports thereon.
3. To appoint Auditors of the Company for the next financial year and to fix their remuneration.
4. To transact any other ordinary business of the Company with the prior permission of the Chairman.

BY ORDER OF THE BOARD

Islamabad,
September 28, 2009.

(MAHBOOB ELAHI)
Chief Executive

NOTES:

1. Share transfer Books of the Company shall remain closed from October 22, 2009 to October 28, 2009 (both days inclusive)
2. A member entitled to attend and vote in the meeting is authorized to appoint any other member of the Company a proxy to attend, speak and vote for him or her.
3. Any individual Beneficial Owner of CDC, entitled to vote at this meeting must bring his/her original NIC with him/her to prove his/her identity, and in case of proxy, a copy of shareholders attested NIC must be attached with the proxy form. Representatives of corporate members should bring the usual documents required for such purpose.
4. In order to valid, an instrument of proxy and the power of Attorney or other authority (if any) under which it is signed, or a notrially certified copy of such power or Authority, must be reached at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
5. Share holders are requested to notify any change in their registered address.

DIRECTORS REPORT TO THE MEMBERS

The Directors of the Company are pleased to present the 39th Annual Report alongwith Audited Accounts of the Company for the year ended June 30, 2009 for your consideration and approval.

FINANCIAL RESULTS

During the year under review, the sales of the Company decreased from Rs. 148.163 million to Rs. 139.722 million showing decrease of Rs. 8.441 million (5.7%). The decrease in sales is due to decrease in production and decrease in production is mainly due to excessive electric shut down during the year. Gross loss rate increased from 1.57% to 2.52% which is due to increase in input costs. The Company has suffered an operational loss of Rs. 5.327 million against loss of 3.699 million in the last year. Due to excessive electric shut down, the Company could not utilize 100% capacity during the year.

The financial results of the Company for the period under review are as under:

	RUPEES IN MILLION
Sales	139.722
Cost of Sales	143.243
Gross Loss	3.521
Operating expenses	1.806
Other income	1.393
Financial Charges	0.756
Loss before taxation	4.188
Provision for taxation	0.503
Loss after taxation	4.187
Loss per share	3.22

The net loss sustained by the Company is due to increase in the prices of Polyester Stablé Fibers, electricity tariff and wages. Minimum wages rate increased from Rs.4,600/- p.m. for unskilled worker to Rs.6,000/- p.m. This increase also affected the cost of EOBI and Social Security contribution. End product prices also remained under pressure owing to regional competition. Regional competition from traditional textile rivals China, Bangladesh and India has led price pressure resulting in negative impact on textile industry's margins. Another fact that is hurting our margins is the consistent rise in all input costs.

DIVIDEND:

As the Company suffered net loss of Rs. 4.187 million and no amount is available in reserves, the Directors do not recommend payment of any dividend and bonus shares to the shareholders of the Company.

AUDITORS:

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

SHAREHOLDING:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2009 is annexed herewith.

FUTURE PROSPECTS AND OUT LOOK:

The management expects the coming year to be a difficult one for the textile spinning industry in Pakistan, as there is excessive electric shut down and huge increase in input costs. End product prices are under extreme pressure owing to regional competition. During the year, there has been increase in raw material cost, energy cost, salary and wages. The management is making every effort to minimize the impact through improved efficiency and better marketing but expect there may be significant erosion of profitability in the next year.

The Directors have to comment on Auditors qualification as under:

1. **During the period, the Company suffered an operating loss of Rs. 5.327 million and net loss of Rs.4.188 million. The reasons for incurring loss have already been explained in the report. Current liabilities have been reduced from 19.515 million to 14.037 million showing an improvement. Despite of losses, the** management is committed with the Company and is continuously supporting in

the form of funds as and when required by the Company. With the successful efforts of the management, the Mills will continue as a going concern.

2. Provision for gratuity has not been made on the basis of actuarial valuation method as it would not materially differ from amount provided in the books of accounts. However, the actuarial valuation method for gratuity will be adopted in due course of time.

3. As the Mills remained closed in past almost four years due to which the management could not revalued the assets timely. The revaluation will be made with regularity, as per International Accounting Standard "Property, Plant and Equipment" in due course of time.

4. Zakat deducted in the prior years was not deposited in Central Zakat Fund due to the financial constraints as the Mills remained close for the last three years. However, it will be deposited soon.

STATEMENTS OF COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE

The Directors state that: -

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

b) Proper Books of Accounts have been maintained.

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

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

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

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

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

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

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

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

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

l) Nineteen meetings of the Board of Directors of the Company were held during the year. The attendance of each Directors at the meeting of the Board of Directors is as under: -

Name of Director	*Of Meetings attended*
Mr. Mahboob Elahi	9
Mr. Mahfooz Elahi	16
Mr. Mahmood Elahi	13
Mr. Abdul Rasheed	18
Mr. Naveed Akhter	18
Mr. Farrukh Ahmed	16
Syed Muhammad Raunaq ud din	7

Leave of absence was granted to the Directors who could not attend any of the Board Meetings.

ACKNOWLEDGEMENT:

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

ON BEHALF OF THE BOARD

Islamabad,
September 28, 2009

(MAHBOOB ELAHI)
Chief Executive

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE TO THE MEMBERS.

This statement is being presented to the Company with the code of corporate governance contained in the listing regulations of Stock Exchanges for the purpose of establishing a framework with best practices of good corporate governance.

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors. However at present, the Board includes two Non Executive Directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this company.

3. All the Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy was occurred during the year.

5. The company has prepared a Statement of Ethics and Business Practices' which has been signed by all the Directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.

7. All the powers of the Board have been duly exercised and decisions on material transaction have been taken by the Board and are documented by a resolution passed at the meeting of the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Director have been provided with copies of the Listing Regulations of the Karachi/Islamabad Stock Exchanges, Company's Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities.

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit.

11. The Directors report has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executive do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of three members.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the institute of Chartered Accountants of Pakistan and 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 Institute of Chartered Accountants of Pakistan.

19. 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.

20. We confirm that all other material principles contained in the Code have been complied with.

CHIEF EXECUTIVE **DIRECTOR**

Islamabad,
September 28, 2009.

LAST SIX YEARS AT A GLANCE

PARTICULARS	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Paid up capital	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Reserve	--	--	--	--	--	--
Fixed asset	43,386,945					
(at cost less depreciation)		45,286,045	46,744,911	49,425,594	52,179,645	55,529,617
Accumulated depreciation	60,627,760	59,182,360	59,468,494	66,206,198	69,572,155	67,516,009
Long term investment	--	--	--	--	--	--
Current assets	6,106,293	5,792,431	6,673,226	4,095,174	3,109,636	9,536,958
Current Liabilities	19,514,758	61,110,450	89,192,739	70,855,255	85,043,650	78,272,255
Income						
Sales	148,163,333	109,721,141	71,074,223	8,823,814	2,137,194	2,045,670
Other Income	19,100,484	824,044	2,700,703	46,222,194	1,075,596	236,772
Gross profit / (loss)	(2,334,635)	(1,541,121)	(1,436,478)	(1,930,207)	(3,080,819)	(5,290,270)
Pre tax profit / (loss)	15,200,151	(4,468,184)	(3,126,998)	41,138,648	(5,972,022)	(8,201,696)
Taxation (prior year)	--	--	--	--	--	452,508
Taxation (current year)	(1,339,048)	334,260	272,314	2,778,765	(15,126)	(11,167)
Profit/(loss) after taxation	13,861,103	(4,133,924)	(2,854,684)	38,349,883	(5,987,148)	(8,665,371)
Un-appropriated profit/(loss)	(72,546,926)	(86,557,547)	(82,588,318)	(79,915,120)	(118,411,295)	(115,831,306)

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

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

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

As 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's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 and Listing Regulation 38 of the Islamabad Stock Exchange requires the company to place before the board of directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2009.

KARACHI

DATED: 28.09.2009

BDO EBRAHIM & COMPANY
CHARTERED ACCOUNTANTS
Engagement partner: Qasim E Causer

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ELAHI COTTON MILLS LIMITED** (the Company) as at June 30, 2009 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

1. The Company incurred an operating loss of Rs. 5.327 million for the year ended June 30, 2009 and, accumulated losses as of that date amounted to Rs. 76.599 million. Further, the Company's Current liabilities exceeded the current assets by Rs. 8.100 million. These financial statements have been prepared on a going concern basis. Considering the significance of the above matter, there is a doubt that the Company shall be able to continue as a going concern. Consequently, adjustments may be required to the recorded assets and liabilities. The financial statements and notes thereto do not adequately disclose these uncertainties.

2. The provision for gratuity has not been made on the basis of actuarial valuation as required by International Accounting Standard 19 "Employees Benefits" as explained more fully in note 12.1.1 to the financial statements.

3. The Company had revalued their land and building in 1996 and since then no further revaluation have been carried out. However, as per requirements of International Accounting Standard 16 "Property, Plant and Equipment", revaluations should be made with sufficient regularity.

Except for the adjustments in respect of matters stated above;

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

(b) in our opinion:-

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business: and

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

(c) except for the adjustment in respect of matters stated above, 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 changes in equity and cash flow statement 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, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980). However, Zakat amounting to Rs. 393,600 deducted in the years 1997 and 2002 was not deposited in Central Zakat Fund established under section 7 of the Ordinance.

BDO EBRAHIM & COMPANY
Chartered Accountants

Engagement partner: Qasim E Causer

KARACHI
DATED: 28.09.2009

ELAHI COTTON MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	41,834,787	43,386,945
Long term security deposits		918,810	918,810
		42,753,597	44,305,755
CURRENT ASSETS			
Stores, spares and loose tools	6	477,556	409,001
Stock in trade	7	4,244,206	4,685,507
Advances	8	553,313	421,717
Short terms prepayments		38,225	-
Other receivables		50,761	21,931
Cash and bank balances	9	573,238	568,137
		5,937,299	6,106,293
TOTAL ASSETS		48,690,896	50,412,048
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
5,000,000 (2008: 5,000,000) ordinary shares of Rs. 10 each		50,000,000	50,000,000
Issued, subscribed and paid-up capital	10	13,000,000	13,000,000
Accumulated loss		(76,598,784)	(72,546,926)
		(63,598,784)	(59,546,926)
SURPLUS ON REVALUATION OF FIXED ASSETS	11	26,667,828	26,803,621
NON CURRENT LIABILITIES			
Deferred liabilities	12	4,786,519	4,467,679
Long term loan from directors	13	49,292,163	42,360,238
Due to associated undertaking	14	17,505,740	16,812,678
		71,584,422	63,640,595
CURRENT LIABILITIES			
Trade and other payables	15	11,353,111	16,317,644
Due to associated undertakings	16	2,295,000	2,640,000
Taxation - net	17	389,319	557,114
		14,037,430	19,514,758
CONTINGENCIES AND COMMITMENTS	18	-	-
TOTAL EQUITY AND LIABILITIES		48,690,896	50,412,048

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
Sales	19	139,722,355	148,163,333
Cost of sales	20	(143,243,471)	(150,497,968)
Gross loss		(3,521,116)	(2,334,635)
Operating expenses			
Administrative expenses	21	(1,441,552)	(1,059,581)
Other operating charges	22	(364,358)	(305,110)
		(1,805,910)	(1,364,691)
Operating loss		(5,327,026)	(3,699,326)
Other income	23	1,392,609	19,100,484
Financial charges	24	(755,794)	(201,007)
(Loss) / profit before taxation		(4,690,211)	15,200,151
Taxation	25	502,560	(1,339,048)
(Loss) / profit after taxation		(4,187,651)	13,861,103
(Loss) / earnings per share - basic and diluted	26	(3.22)	10.66

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(4,690,211)	15,200,151
Adjustment for:		
Depreciation	1,737,421	1,921,552
Financial charges	755,794	201,007
Provision for gratuity	1,282,400	875,050
Liabilities written off	-	(17,891,237)
Gain on sale of operating fixed assets	(909,260)	(587,452)
	2,866,355	(15,481,080)
Loss before working capital changes	(1,823,856)	(280,929)
Changes in working capital:		
Decrease / (increase) in current assets		
Stores and spares	(68,555)	459,267
Stock in trade	441,301	(1,380,414)
Advances	(131,596)	91,695
Short term prepayments	(38,225)	-
Other receivables	(28,830)	(5,708)
(Decrease) / increase in current liabilities		
Trade and other payables	(1,805,339)	232,728
	(1,631,244)	(602,432)
Cash used in operations	(3,455,100)	(883,361)
Financial charges paid	(5,506)	(7,208)
Income tax paid	(3,469,015)	(912,629)
Gratuity paid	(376,200)	(175,100)
	(3,850,721)	(1,094,937)
Net cash used in operating activities	(7,305,821)	(1,978,298)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale proceeds of operating fixed assets	992,000	600,000
Purchase of operating fixed assets	(268,003)	(35,000)
Net cash generated from investing activities	723,997	565,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term finance	-	(7,258,000)
Payment to related parties	(345,000)	-
Long term loan from directors	6,931,925	8,150,000
Net cash generated from financing activities	6,586,925	892,000
Net increase / (decrease) in cash and cash equivalents	5,101	(521,298)
Cash and cash equivalents at the beginning of the year	568,137	1,089,435
Cash and cash equivalents at the end of the year	573,238	568,137

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Note	Share capital	Accumulated loss	Total
		Rupees		
Balance as at July 01, 2007		13,000,000	(86,557,547)	(73,557,547)
Profit for the year ended June 30, 2008		-	13,861,103	13,861,103
Transfer from surplus on revaluation of- fixed assets incremental depreciation	11	-	149,518	149,518
Balance as at June 30, 2008		13,000,000	(72,546,926)	(59,546,926)
Loss for the year ended June 30, 2009		-	(4,187,651)	(4,187,651)
Transfer from surplus on revaluation of - fixed assets incremental depreciation	11	-	135,793	135,793
Balance as at June 30, 2009		13,000,000	(76,598,784)	(63,598,784)

The annexed notes 1 to 34 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2009

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated as a public limited company on June 26, 1970 and is listed on Karachi and Islamabad Stock Exchanges. The registered office of the Company is situated at 270, sector I-9, Industrial Area, Islamabad. The principal business of the Company is manufacture and sale of yarn.

1.2 The Company has suffered operating loss of Rs. 5.327 million for the year ended June 30, 2009 and has accumulated loss of Rs. 76.599 million. Current liabilities exceeded its current assets by Rs. 8.1 million and total liabilities exceeded its total assets by Rs. 36.931 million.

These financial statements have been prepared on going concern basis without any adjustment to assets and liabilities. The directors have made a commitment not to seek repayment of loan within the foreseeable future. Moreover, the management is confident of improving profitability through streamlining the operations of the Company.

2 STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the measurement of derivative financial instruments at fair value and recognition of certain staff retirement benefits at present value.

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

2.3 Functional and presentation currency

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

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT HAVE BEEN OR ARE NOT YET EFFECTIVE:

3.1 Standards, interpretations and amendments that have been effective during the year

- IFRS 7 – Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008) supersedes IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 – Financial Instruments: Disclosure and Presentation. The application of the standard did not have significant impact on the Company's financial statements other than increase in disclosures.

- IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The Company does not have any operations in Hyperinflationary Economies and therefore the application of the standard did not affect the Company's financial statements.

- IFRIC 13 – Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not affect the Company's financial statements.

- IFRIC 14 – IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements for such assets.

3.2 Standards, interpretations and amendments to the published approved accounting standards that are relevant but not yet effective

The following standards, interpretations and amendments to approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

Revised IAS 1 - Presentation of Financial Statements	(effective 1 January 2009)
Revised IAS 23 - Borrowing Costs	(effective 1 January 2009)
Amended IAS 27 - Consolidated and Separate Financial Statements	(effective 1 July 2009)
Amendments to IAS 32 - Financial Instruments	(effective 1 January 2009)
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement	(effective 1 July 2009)
Amendment to IFRS 2 - Share-based Payment	(effective 1 January 2009)
Revised IFRS 3 - Business Combinations	(effective 1 July 2009)
IFRS 8 - Operating Segments	(effective 1 January 2009)
IFRIC 15 - Agreement for the Construction of Real Estate	(effective 1 January 2009)
IFRIC 16 - Hedge of Net Investment in a Foreign Operation	(effective 1 October 2008)
IFRIC 17 - Distribution of Non-Cash Assets to Owners	(effective 1 July 2009)

The IASB's annual improvements project published in May 2008, contains a number of amendments which would generally be applicable for financial periods beginning on or after January 1, 2009. These amendments extend to 35 standards and include changes in terminology and accounting requirements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

Operating fixed assets except for freehold land and building are stated at cost or revalued amounts less accumulated depreciation or impairment, if any. Freehold land and building is stated at revalued amount and capital work in progress is stated at cost.

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

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

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

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

Disposal of assets is recognized when significant risks and reward incidental to the ownership have been transferred to buyers. Gain and losses on disposal of assets are included in income currently.

4.2 Impairment losses

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

4.3 Stores, spares and loose tools

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

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

4.4 Stock in trade

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

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

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

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

4.5 Trade debts

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

4.6 Other receivables

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

4.7 Investments

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

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

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

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

4.8 Cash and bank balances

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

4.9 Staff retirement benefits

The Company operates contributory unfunded gratuity scheme for its officers and employees. Provision for gratuity is made on the basis of last drawn salary for each completed year of service. Minimum qualifying period for gratuity benefit is one year from the date of joining.

4.10 Taxation

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

Current

The Company accounts for current taxation on the basis of taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, or half a percent of turnover, whichever is higher in accordance with the provisions of the Income Tax Ordinance, 2001.

Deferred

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

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

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

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

4.11 Trade and other payables

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

4.12 Provisions

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

4.13 Borrowing

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

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

4.14 Revenue recognition

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

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

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

4.15 Cash and cash equivalents

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

4.16 Related party transactions

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

4.17 Dividend and apportioning to reserves

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

4.18 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. All financial liabilities are derecognized at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in profit and loss account.

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Derivative Financial Instruments

The Company enters into derivative financial instruments. The derivatives that do not qualify for hedge accounting are recognized in the balance sheet at fair value with corresponding effect to profit and loss account.

4.21 Foreign currency translation

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

5 OPERATING FIXED ASSETS

	Note	2009 Rupees	2008 Rupees
Operating fixed assets	5.1	41,834,787	43,386,945

5.1 Operating fixed assets

	Land free hold	Buildings: Residential	Buildings: Factory	Plant & machinery	Furniture fixture and office equipments	Computer equipments	Power and other installations	Factory equipments and scientific instruments	Motor vehicles	Total
	Rupees									
As at July 01, 2007										
Cost	25,515,000	2,257,500	12,891,331	57,846,387	1,006,252	-	2,162,040	2,001,887	788,008	104,468,405
Accumulated depreciation	-	(1,021,587)	(9,025,854)	(44,032,563)	(821,153)	-	(1,752,616)	(1,776,217)	(752,370)	(59,182,360)
Net book value	25,515,000	1,235,913	3,865,477	13,813,824	185,099	-	409,424	225,670	35,638	45,286,045
Year ended June 30, 2008										
Opening book value	25,515,000	1,235,913	3,865,477	13,813,824	185,099	-	409,424	225,670	35,638	45,286,045
Additions	-	-	-	35,000	-	-	-	-	-	35,000
Disposals										
Cost	-	-	-	(488,700)	-	-	-	-	-	(488,700)
Depreciation	-	-	-	476,152	-	-	-	-	-	476,152
	-	-	-	(12,548)	-	-	-	-	-	(12,548)
Depreciation charge	-	(61,796)	(386,548)	(1,384,061)	(18,510)	-	(40,942)	(22,567)	(7,128)	(1,921,552)
Closing net book value	25,515,000	1,174,117	3,478,929	12,452,215	166,589	-	368,482	203,103	28,510	43,386,945
As at July 01, 2008										
Cost	25,515,000	2,257,500	12,891,331	57,392,687	1,006,252	-	2,162,040	2,001,887	788,008	104,014,705
Accumulated depreciation	-	(1,083,383)	(9,412,402)	(44,940,472)	(839,663)	-	(1,793,558)	(1,798,784)	(759,498)	(60,627,760)
Net book value	25,515,000	1,174,117	3,478,929	12,452,215	166,589	-	368,482	203,103	28,510	43,386,945
Year ended June 30, 2009										
Opening book value	25,515,000	1,174,117	3,478,929	12,452,215	166,589	-	368,482	203,103	28,510	43,386,945
Additions	-	-	-	221,500	-	5,000	41,503	-	-	268,003
Disposals										
Cost	-	-	-	(3,500,000)	-	-	-	-	-	(3,500,000)
Depreciation	-	-	-	3,417,260	-	-	-	-	-	3,417,260
	-	-	-	(82,740)	-	-	-	-	-	(82,740)
Depreciation charge	-	(58,706)	(347,893)	(1,247,578)	(16,659)	(1,650)	(38,923)	(20,310)	(5,702)	(1,737,421)
Closing net book value	25,515,000	1,115,411	3,131,036	11,343,397	149,930	3,350	371,062	182,793	22,808	41,834,787
As at June 30, 2009										
Cost	25,515,000	2,257,500	12,891,331	54,114,187	1,006,252	5,000	2,203,543	2,001,887	788,008	100,782,708
Accumulated depreciation		1,142,089	9,760,295	42,770,790	856,322	1,650	1,832,481	1,819,094	765,200	58,947,921
Net book value	25,515,000	1,115,411	3,131,036	11,343,397	149,930	3,350	371,062	182,793	22,808	41,834,787
Annual rate of depreciation (%)		5%	10%	10%	10%	33%	10%	10%	20%	

5.1.1 Depreciation has been allocated as follows:

	Note	2009 Rupees	2008 Rupees
Cost of sales	20	1,654,704	1,834,118
Administrative expenses	21	82,717	87,434
		1,737,421	1,921,552

5.2 Disposal of fixed assets:

PARTICULARS	Qty.	Cost	Accumulated Depreciation	Book value	Sale Proceeds	Mode of disposals	Particulars of Purchaser
Scutcher Model (1971)	1	800,000	781,221	18,779	200,000	Negotiation	Itfaq Traders, P-286, Dar-ul- Ehsan town, Samundari Road, Faisalabad
Ring Frames Marzoli (1971)	9	2,700,000	2,636,039	63,961	792,000	Negotiation	Malik Manzoor Hussain & Khalid Javed Brothers, Godown No. 272, Dar-ul- Ehsan town, Samundari Road, Faisalabad.

	2009 Rupees	2008 Rupees
6 STORES, SPARES AND LOOSE TOOLS		
Stores	428,738	185,136
Spares	44,491	211,865
Loose tools	4,327	12,000
	477,556	409,001
7 STOCK IN TRADE		
Raw material	2,155,195	2,414,012
Work in process	1,469,535	1,723,771
Finished goods	619,476	547,724
	4,244,206	4,685,507
8 ADVANCES		
Unsecured-considered good		
Advances to employees	553,313	421,717
9 CASH AND BANK BALANCES		
Cash in hand	28,288	23,670
Cash with banks (in current accounts)	544,950	544,467
	573,238	568,137

10 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs. 10/- each 2009	Number of ordinary shares of Rs. 10/- each 2008		2009 Rupees	2008 Rupees
1,300,000	1,300,000	Fully paid in cash	13,000,000	13,000,000

	Note	2009 Rupees	2008 Rupees

11 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

Balance brought forward		27,660,321	27,890,349
Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)		135,793	149,518
Related deferred tax liability during the year transferred to profit and loss account		73,119	80,510
		27,451,409	27,660,321
Less: Related deferred tax effect: As at July 1,		856,700	937,210
Less: Incremental depreciation charged during the year transferred to profit and loss account		(73,119)	(80,510)
		783,581	856,700
		26,667,828	26,803,621

11.1 Freehold land and building was revalued on June 30, 1996 by M/S. Zia Consultants, independent firm of industrial valuation consultants. The revaluation was based on prevailing market price for free hold land and replacement value for building. At the above date, the revaluation resulted in a surplus of Rs. 33,215,659 of these assets.

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

Freehold land		302,395	302,395
Buildings on freehold land		2,007,643	2,205,330

12 DEFERRED LIABILITIES

Employees gratuity	12.1	2,286,500	1,465,100
Deferred taxation	12.2	2,500,019	3,002,579
		4,786,519	4,467,679

	Note	2009 Rupees	2008 Rupees
12.1 Employees gratuity			
Balance brought forward		1,465,100	870,550
Add: Provision for the year	12.1.1	1,282,400	875,050
		2,747,500	1,745,600
Less: Paid during the year		376,200	175,100
Transfer to current liabilities		84,800	105,400
		461,000	280,500
		2,286,500	1,465,100

12.1.1 Provision for gratuity has not been made on the basis of actuarial valuation as the management is of the view that the values determined by actuarial valuation method would not materially differ from the amounts provided in the books of accounts.

12.2 Deferred taxation

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

	2009 Rupees	2008 Rupees
Accelerated tax depreciation	2,516,713	2,658,664
Provision for gratuity	(800,275)	(512,785)
Surplus on revaluation of fixed assets	783,581	856,700
	2,500,019	3,002,579
Tax rate used	35%	35%

13 LONG TERM LOAN FROM DIRECTORS

	Note	2009 Rupees	2008 Rupees
Balance brought forward	13.1	42,360,238	34,210,238
Additions during the year	13.2	6,931,925	8,150,000
		49,292,163	42,360,238

13.1 This represents unsecured interest free loans from two directors of the Company, repayable at the convenience of the Company on attaining financial stability.

13.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 49,292,163. (2008: Rs. 42,360,238).

14 DUE TO ASSOCIATED UNDERTAKING

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

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

The amount due is repayable to IBL at the convenience of the Company on attaining financial stability.

The maximum aggregate amount due to associated undertaking at the end of any month during the year was Rs. 17,505,740 (2008: 16,812,678).

	Note	2009 Rupees	2008 Rupees
15 TRADE AND OTHER PAYABLES			
Creditors		3,622,331	4,918,228
Advances from customers		442,139	413,520
Accrued expenses		3,827,420	3,754,031
Government dues		592,128	741,309
Unclaimed dividend		314,653	314,653
Gratuity payable		424,688	428,463
Withholding tax		332,101	694,486
Zakat payable		393,600	393,600
Income tax payable		-	3,301,220
Workers profit participation fund	15.1	404,051	346,825
Other liabilities		1,000,000	1,011,309
		11,353,111	16,317,644
15.1 Workers' profit participation fund			
Balance brought forward		346,825	297,704
Add: Interest for the year @ 16.5%		57,226	49,121
		404,051	346,825

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

	Note	2009 Rupees	2008 Rupees

16 DUE TO ASSOCIATED UNDERTAKINGS

	Note	2009 Rupees	2008 Rupees
Taj Mills Limited	16.1	545,000	890,000
Jamrud Industries (Private) Limited	16.1	1,750,000	1,750,000
		2,295,000	2,640,000

16.1 The maximum aggregate amount due to associated undertakings at the end of any month during the year was Rs. 2,640,000. (2008: Rs. 2,640,000).

17 TAXATION - NET

	2009 Rupees	2008 Rupees
Balance at beginning of the year	557,114	479,812
Provision for the year	-	746,926
	557,114	1,226,738
Less: Payment/adjustment	(167,795)	(669,624)
	389,319	557,114

17.1 The income tax assessments of the Company have been finalized upto tax year 2008 and adequate provisions have been made in these financial statements for the year ended June 30, 2009 (Tax year 2009).

18 CONTINGENCIES AND COMMITMENTS

18.1 CONTINGENCIES

There was no contingent liability of the Company at the balance sheet date.

The Company has outstanding income tax liability amounting to Rs. 3,301,220 relating to periods from assessment year 1995-1996 to tax year 2003 finalised during the year 2008. The same has been duly accounted for in books of account. However, the principal amount has been paid during the year ended June 30, 2009 and the additional tax/penalty was waived off as a part of Tax Arrears Settlement Incentives Scheme 2008.

18.2 COMMITMENTS

There were no commitment for capital expenditures as at the balance sheet date (2008: Nil).

		Note	2009 Rupees	2008 Rupees
19	**SALES**			
	Yarn		139,288,500	147,775,128
	Waste		433,855	388,205
			139,722,355	148,163,333
20	**COST OF SALES**			
	Raw material consumed	20.1	112,925,963	121,420,193
	Store and spares consumed	20.2	2,396,966	3,229,002
	Salaries, wages and other benefits	20.3	14,311,542	11,988,244
	Power charges		11,647,066	11,906,832
	Insurance		124,746	5,555
	Repairs and maintenance		-	9,625
	Depreciation	5.1	1,654,704	1,834,118
			143,060,987	150,393,569
	Work in process			
	Opening		1,723,771	1,898,628
	Closing		(1,469,535)	(1,723,771)
			254,236	174,857
	Cost of goods manufactured		143,315,223	150,568,426
	Finished goods			
	Opening		547,724	477,266
	Closing		(619,476)	(547,724)
			(71,752)	(70,458)
			143,243,471	150,497,968
20.1	**Raw material consumed**			
	Opening stock		2,414,012	929,199
	Add: Purchases		112,667,146	122,905,006
	Cost of raw materials available for use		115,081,158	123,834,205
	Less: Closing stock		(2,155,195)	(2,414,012)
			112,925,963	121,420,193

	Note	2009 Rupees	2008 Rupees

20.2 Stores and loose tools consumed

		2009 Rupees	2008 Rupees
Opening stock		409,001	868,268
Add: Purchases		2,465,521	2,769,735
		2,874,522	3,638,003
Less: Closing stock		(477,556)	(409,001)
		2,396,966	3,229,002

20.3 Salaries, wages and other benefits includes an amount of Rs. 1,101,150 (2008: Rs. 1,051,929) in respect of staff retirement benefits.

21 ADMINISTRATIVE EXPENSES

	Note	2009 Rupees	2008 Rupees
Director's remuneration	21.1	278,400	278,400
Salaries and other benefits	21.2	722,621	297,926
Telephone expenses		68,281	62,831
Motor running expenses		106,200	96,090
Printing, stationery and periodicals		42,944	41,901
Advertisement		17,280	36,330
Travelling and conveyance		14,090	29,922
Entertainment		19,579	22,923
Repair and maintenance		6,050	15,039
Subscription and membership fee		61,962	51,375
Depreciation	5.1	82,717	87,434
Other expenses		21,428	39,410
		1,441,552	1,059,581

21.1 Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the financial statements for the year in respect of remuneration including benefits applicable to the chief executive, directors and executives of the Company are as follows:

	Chief Executive	
Managerial remuneration	278,400	278,400
Number of persons	1	1

Other than remuneration no other benefit is provided to the Chief Executive (2008: Nil).

No fee or remuneration was paid to the directors of the Company (2008 : Nil).

21.2 Salaries and other benefits include Rs. 260,250. (2008: Rs. 16,250) in respect of staff retirement benefits.

	Note	2009 Rupees	2008 Rupees
22 OTHER OPERATING CHARGES			
Legal and professional expenses		114,358	75,110
Auditor's remuneration			
Audit fee		170,000	150,000
Fee for certification including half yearly review		80,000	80,000
		250,000	230,000
		364,358	305,110
23 OTHER INCOME			
Scrap sales		46,280	46,795
Liabilities written off - Markup accrued		-	17,588,602
Liabilities written off - Creditors		-	302,635
Gain on sale of fixed assets		909,260	587,452
Other income		437,069	575,000
		1,392,609	19,100,484
24 FINANCIAL CHARGES			
Mark-up/interest on:			
Due to associated undertaking	14	693,062	144,678
Workers' profit participation fund	15.1	57,226	49,121
		750,288	193,799
Bank commission and charges		5,506	7,208
		755,794	201,007
25 TAXATION			
Provision for taxation			
Current		-	746,926
Deferred		(502,560)	592,122
		(502,560)	1,339,048

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

Deferred tax asset of Rs. 8,686,461 due to turnover tax and brought forward losses has not been recognised in the current financial statements, as in the opinion of the management there is no certainty regarding realisibility of the amount due to negative margin for the year and future market conditions.

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

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

	2009 Rupees	2008 Rupees
(Loss) / profit after taxation	(4,187,651)	13,861,103
	Number of shares	
Weighted average number of ordinary shares at the end of the year	1,300,000	1,300,000
	Rupees	
(Loss)/Earning per share	(3.22)	10.66

27 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company's main accounting policies affecting its result of operations and financial condition are set out in note 4. Judgements and assumptions have been required by the management in applying the Company's accounting policies in many areas. Actual results may differ from estimates calculated using these judgements and assumptions. Key sources of estimation, uncertainty and critical accounting judgements are as follows:

27.1 Income tax

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

27.2 Property, plant and equipment

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

28 TRANSACTIONS WITH RELATED PARTIES

28.1 The related parties and associated undertakings of the Company comprise of associated companies, directors and key management personnel. Transactions with related parties and associated undertakings involve advance for repayments for the long term finance. These transactions including remuneration to key management personnel under the terms of their employment are as follows:

Transaction with the Companies	Nature of Transaction	2009 Rupees	2008 Rupees
Associated companies			
Taj Mills Limited	Advance for repayment of long term finance	-	890,000
Taj Mills Limited	Repayment of long term finance	(345,000)	-
Jamrud Industries (Private) Limited	Advance for repayment of long term finance	-	1,750,000
International Beverages (Private) Limited	Mark up on long term finance facility - MCB Bank Limited	693,062	16,812,678
Directors	Advance for payment of income tax and for working capital requirements.	6,931,925	8,150,000

28.2 Compensation to key management personnel

	2009 Rupees	2008 Rupees
Short term employee benefits	446,400	377,400
Provision towards retirement benefits (Provision for gratuity)	14,000	8,250
	460,400	385,650

There are no other transactions with key management personnel other than under their terms of employment.

29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments	Interest bearing				Non interest bearing				Interest Rate
	Due with in one year		Due after one year		Due with in one year		Due after one year		
	2009	2008	2009	2008	2009	2008	2009	2008	
	Rupees								
Financial Assets									
Long term security deposits	-	-	-	-	-	-	918,810	918,810	
Advances	-	-	-	-	553,313	421,717	-	-	
Other receivables	-	-	-	-	18,554	21,931	-	-	
Cash and bank balances	-	-	-	-	573,238	568,137	-	-	
Total	-	-	-	-	1,145,105	1,011,785	918,810	918,810	
Financial Liabilities									
Long term loan from directors	-	-	-	-	-	-	49,292,163	42,360,238	
Provision for gratuity	-	-	-	-	-	-	2,286,500	1,465,100	
Due to associated undertaking	-	-	17,505,740	16,812,678	-	-	2,295,000	2,640,000	6%
Trade and other payables	404,051	346,825	-	-	9,189,092	10,426,684	-	-	16.5%
	(404,051)	(346,825)	(17,505,740)	(16,812,678)	(9,189,092)	(10,426,684)	(53,873,663)	(46,465,338)	
On balance sheet gap	(404,051)	(346,825)	(17,505,740)	(16,812,678)	(8,043,987)	(9,414,899)	(52,954,853)	(45,546,528)	
Off balance sheet items									
Financial commitments:									
Letter of credits	-	-	-	-	-	-	-	-	
Capital Commitment including letter of credits	-	-	-	-	-	-	-	-	
Commitments for rental under operating leases	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	
Total Gap	(404,051)	(346,825)	(17,505,740)	(16,812,678)	(8,043,987)	(9,414,899)	(52,954,853)	(45,546,528)	

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a. Credit quality of financial assets

The credit quality of the Company's financial assets have been assessed below by reference to external credit rating of counter parties determined by the Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS).

	2009 Rupees	2008 Rupees
Cash at bank	544,950	544,467
A-1+		

b. Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's credit risk is primarily attributable to its balances at banks. The credit risk on liquid assets is limited as the counter parties are banks with reasonably high credit rating.

c. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity date. The amounts disclosed in the table are undiscounted cash flows:

2009	Not later than three months	Three months to one year	One to five years	Over five years
Trade and other payables	3,827,420	5,765,723	-	-
Due to associated undertakings	-	2,295,000	17,505,740	-
Long term loan from directors	-	-	49,292,163	-
Provision for gratuity	-	-	-	2,286,500
	3,827,420	8,060,723	66,797,903	2,286,500

2008	Not later than three months	Three months to one year	One to five years	Over five years
Trade and other payables	3,754,031	7,019,478	-	-
Due to associated undertakings	-	2,640,000	16,812,678	-
Long term loan from directors	-	-	42,360,238	-
Provision for gratuity	-	-	-	1,465,100
	3,754,031	9,659,478	59,172,916	1,465,100

d. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of:

(i) Currency risk

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

Presently the Company is not exposed to foreign currency risk.

(ii) Interest rate risk

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

Interest rate of the Company's financial assets and financial liabilities as at June 30, 2009 can be evaluated from the schedule given in note 30 to these financial statements.

The Company is not exposed to interest rate risk as the interest payable to associated undertaking is fixed as per terms of agreement.

(iii) Other price risk

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

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

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

	2009 Rupees	2008 Rupees
32 PLANT CAPACITY AND PRODUCTION		
No. of spindles installed	6,216	10,212
Installed capacity converted into 20's count lbs.	4,679,483	5,591,070
Actual production converted into 20's count lbs.	3,128,250	3,821,650
Actual production in lbs.	2,297,600	2,684,900
Average count manufactured	27	28
No. of shifts worked daily	2	3

32.1 Reasons for under utilization of capacity

The decrease in production is due to excessive electricity shut down which resulted in decrease in one production shift.

33 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 28-09-2009

34 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE **DIRECTOR**

THE COMPANIES ORDINANCE, 1984

(Section 236 (1) and 464) -

PATTERN OF SHAREHOLDINGS

1.	Incorporation Number	:	0004649
2.	Name of the Company	:	ELAHI COTTON MILLS LIMITED
3.	Pattern of holding of the share holders as at	:	June 30, 2009.

4.

NO. OF SHARE HOLDERS	SHAREHOLDERS			TOTAL SHARES HELD
18	1	to	100	869
36	101	to	500	15,600
45	501	to	1,000	31,592
21	1,001	to	5,000	33,550
5	5,001	to	10,000	35,364
1	15,001	to	20,000	18,000
1	45,001	to	50,000	48,000
1	65,001	to	70,000	65,500
1	150,001	to	155,000	151,500
1	195,001	to	200,000	199,625
1	200,001	to	205,000	200,200
1	500,001	to	550,000	500,200
132			-: TOTAL: -	1,300,000

Note: The slabs not applicable have not been shown.

5.	*CATEGORIES OF SHAREHOLDERS*	Shares held	Percentage
5.1	Directors, Chief Executive Officer and their spouse and minor children	1,021,625	78.59
5.2	Associated Companies, undertakings and related parties	-	-
5.3	NIT AND ICP	-	-
5.4	Banks, Development Financial institution	-	-
5.5	Insurance companies	-	-
5.6	Modarabas and mutual funds	-	-
5.7	Share holders holding 10%	948,125	72.93
5.8	General Public		
	a. → Local	126,875	9.76
	b. → foreign	-	-
5.9	Others (to be specified) Joint Stock Companies	151,500	11.65

6.	Signature of Chief Executive	
7.	Name of signatory	Mr. Mahboob Elahi
8.	Designation	Chief Executive
9.	NIC Number	61101-1999531-3

		Day	Month	Year
10.	Date	2 8	0 9	2 0 0 9

CATEGORIES OF SHARE HOLDING AS ON JUNE 30, 2009

CATEGORIES OF SHARE HOLDERS	SHARES HELD
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	
NIT & ICP	NIL
DIRECTORS, CEO, & THEIR SPOUSES AND MINOR CHILDREN	
Mr. Mahboob Elahi, Director / Chief Executive	548,200
Mr. Mahfooz Elahi S/o Mr. Mahboob Elahi, Director	199,675
Mr. Mahmood Elahi S/o Mr. Mahboob Elahi, Director	200,250
Mrs. Samina Begum w/o Mr. Mahboob Elahi	73,500
EXECUTIVE	NIL
PUBLIC SECTOR COMPANIES & CORPORATIONS	NIL
BANKS, DEVELOPMENT FINANCE INSTITUTIONS	NIL
NON BANKING FINANCIAL INSTITUTIONS	NIL
INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	NIL
JOINT STOCK COMPANIES (M/S. Salim Sozer Securities (Pvt) Ltd.)	151,500
INVESTMENT COMPANIES	NIL
INDIVIDUALS	126,875
OTHERS	NIL
:- TOTAL -:	1300,000

TRADING IN THE SHARES OF THE COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVES, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.

Shares purchased during the year by Mr. Mahboob Elahi	177,200
Shares purchased during the year by Mr. Mahfooz Elahi	122,000
Shares purchased during the year by Mr. Mahmood Elahi	96,000

CATEGORIES OF SHARE HOLDING AS ON JUNE 30, 2009

CATEGORIES OF SHARE HOLDERS	SHARES HELD
ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES	
NIT & ICP	NIL
DIRECTORS, CEO, & THEIR SPOUSES AND MINOR CHILDREN	
Mr. Mahboob Elahi, Director / Chief Executive	548,200
Mr. Mahfooz Elahi S/o Mr. Mahboob Elahi, Director	199,675
Mr. Mahmood Elahi S/o Mr. Mahboob Elahi, Director	200,250
Mrs. Samina Begum w/o Mr. Mahboob Elahi	73,500
EXECUTIVE	NIL
PUBLIC SECTOR COMPANIES & CORPORATIONS	NIL
BANKS, DEVELOPMENT FINANCE INSTITUTIONS	NIL
NON BANKING FINANCIAL INSTITUTIONS	NIL
INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	NIL
JOINT STOCK COMPANIES (M/S. Salim Sozer Securities (Pvt) Ltd.)	151,500
INVESTMENT COMPANIES	NIL
INDIVIDUALS	126,875
OTHERS	NIL
: - TOTAL -:	1300,000

TRADING IN THE SHARES OF THE COMPANY DURING THE YEAR BY THE DIRECTORS, CHIEF EXECUTIVES, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND THEIR SPOUSES AND MINOR CHILDREN.

Shares purchased during the year by Mr. Mahboob Elahi	177,200
Shares purchased during the year by Mr. Mahfooz Elahi	122,000
Shares purchased during the year by Mr. Mahmood Elahi	96,000