

# ELAHI COTTON MILLS LIMITED

## DIRECTORS HALF YEARLY REPORT TO THE SHAREHOLDERS

The Directors of the Company are pleased to present financial information for the half year ended December 31, 2013 duly reviewed by the external auditors.

The Company earned net profit after taxation of Rs.5,365,386/- for the six months from July 01, 2013 to December 31, 2013 as compared to net profit of Rs. 2,918,613/- for the corresponding period of last six months. Aggregate sales revenue of the Company increased from Rs.121,998 million to Rs. 144,988 million showing increase of Rs.22,99 million (18.84%) whereas cost of sales increased from Rs.117,269 million to Rs.136,495 million showing increase of Rs.19,226 million (16.39%). The gross margin increased from Rs.4,729 million to Rs.8,484 million showing improvement of 79.62% over the corresponding period. The net profit of the Company increased from Rs. 2,919 million to Rs.5,365 million. The net profit earned by the Company is due to better sales rates of finished goods as compared to corresponding period of last six months. We foresee that the Company will continue to generate profit in future provided that the electric supply remains uninterrupted and prices of polyester staple fibre remain stable.

The earning per share for the half year ended December 31, 2013 is Rs. 4.13 and for the quarter ended December 31, 2013 is Rs.2.41. As the Company has accumulated losses and no amount is available in the reserves, the Directors do not recommend payment of any dividend to shareholders of the Company.

The Directors have to comment on Auditors observations/qualifications and remark as under:

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

The Company earned an operating profit of Rs.6,511 million and net profit of Rs.5,365 million as compared to operating profit of Rs.3,046 million and net profit of Rs.2,919 million for the corresponding period of last six months. Accumulated losses have been reduced from Rs.77,513 million to Rs.71,632 million during the period under review. Current ratio is also better at 1.99:1. These indicators show improvement in financial statements. Despite accumulated losses, management is committed with the Company and is continuously supporting in the form of funds as and when required by the Company. With the successful efforts of the management, the Mills will continue as a going concern.

Islamabad

February 27, 2014

On behalf of Board of Directors

(MAHFQOZ ELAHI)

Chief Executive

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

### Introduction

We have reviewed the accompanying condensed interim balance sheet of ELAHI COTTON MILLS LIMITED ("the Company") as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

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

### Basis for Qualified Conclusion

The provision for gratuity has not been made on the basis of actuarial valuation as required by International Accounting Standard 19 "Employees Benefits".

### Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not give a true and fair view of financial position of the Company as at December 31, 2013 and of its financial performance and its cash flows for the six months period then ended in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarter ended December 31, 2013 and December 31, 2012 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

### Emphasis of Matter

Without further qualifying our conclusion, we draw attention to Note 1.2 in the condensed interim financial statements which indicates that the Company has accumulated losses of Rs. 71,632 million as at December 31, 2013. Total liabilities exceeded its total assets by Rs. 20,098 million. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

ISLAMABAD

DATED: 27.02.2014

**BDO Ebrahim & Co.**  
**CHARTERED ACCOUNTANTS**  
Engagement Partner: Ifrat Hussian

# ELAHI COTTON MILLS LIMITED

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

### AS AT DECEMBER 31, 2013

	December 31, 2013	June 30, 2013
	Rupees Unaudited	Rupees Audited
<b>ASSETS</b>		
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	55,956,834	57,022,331
Operating fixed assets	918,810	918,810
Long term security deposits	913,942	714,858
Loans and advances	57,789,586	58,655,999
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	1,017,875	446,132
Stock in trade	8,727,951	7,454,677
Trade debts	5,182,197	2,067,559
Advances	2,668,230	631,381
Short terms prepayments	195,877	72,454
Other receivables	4,504	70,009
Taxation - net	2,181,903	20,103
Cash and bank balances	19,978,537	2,418,818
	77,768,123	71,837,132
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Share capital	13,000,000	13,000,000
Accumulated loss	(71,631,875)	(77,512,626)
	(58,631,875)	(64,512,626)
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	38,533,310	39,056,603
<b>NON-CURRENT LIABILITIES</b>		
Deferred liabilities	12,695,364	12,091,116
Long term loan from directors	62,607,547	62,607,547
Due to associated undertaking	12,416,077	12,416,077
	87,718,988	87,114,740
<b>CURRENT LIABILITIES</b>		
Trade and other payables	7,647,700	7,678,415
Current portion of balance due to associated undertaking	2,500,000	2,500,000
	10,147,700	10,178,415
<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	77,768,123	71,837,132

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR



**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

Note	Half year ended December 31,		Quarter ended December 31,	
	2013	2012	2013	2012
	Rupees			
Sales	144,988,465	121,998,235	77,100,936	64,046,490
Cost of sales	136,494,806	117,268,800	71,873,756	61,873,286
Gross profit	8,493,659	4,729,435	5,227,180	2,173,204
Operating expenses	1,461,427	1,429,949	645,434	727,386
Administrative expenses	521,387	253,387	457,619	178,351
Other operating charges	6,510,845	3,046,099	4,144,127	1,267,467
Operating profit	58,684	68,517	58,466	68,517
Other income	(4,292)	(67,250)	(3,342)	(67,455)
Financial charges	6,564,737	3,046,866	4,199,251	1,268,538
Profit before taxation	(1,450,471)	(610,334)	(771,596)	(320,575)
Taxation:				
Current	251,120	482,081	(293,674)	296,371
Deferred	5,365,386	2,918,613	3,133,980	1,244,324
Profit after taxation	12	413	2,25	2,41
Earnings per share - basic and diluted				0.96

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Half year ended December 31,		Quarter ended December 31,	
	2013	2012	2013	2012
	Rupees			
Profit for the period	5,365,386	2,918,613	3,133,980	1,244,324
Other comprehensive income				
Total comprehensive income for the period	5,365,386	2,918,613	3,133,980	1,244,324

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

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Half year ended December 31,	
	2013	2012
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	6,564,737	3,046,866
Profit before taxation	1,455,496	1,546,540
Adjustment for:	4,792	67,750
Depreciation	1,138,470	1,471,620
Financial charges	2,598,458	3,085,910
Provision for gratuity	9,165,195	6,152,776
Profit before working capital changes	(1,273,274)	(3,629,291)
Changes in working capital:	(571,743)	(226,857)
Increase / (decrease) in current assets	(3,114,638)	645,630
Stock in trade	(2,235,933)	(85,152)
Stores, spares and loose tools	(123,423)	(8,495)
Trade debts	70,069	(51,123)
Advances	(30,715)	4,256,597
Other receivables	(7,279,717)	901,319
Decrease / (increase) in current liabilities	1,885,478	7,034,085
Trade and other payables	(4,792)	(67,750)
Cash generated from operations	(1,442,801)	(657,414)
Financial charges paid	(282,801)	(510,621)
Income tax paid	(17,780,591)	(12,244,785)
Gratuity paid	153,084	5,789,300
Net cash generated from operating activities	(991,000)	(738,600)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	(390,000)	(738,600)
Purchase of fixed assets	(390,000)	(738,600)
Net cash used in investing activities	(390,000)	(738,600)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	(236,916)	5,050,700
Net (decrease) / increase in cash and cash equivalents	2,418,818	2,107,470
Cash and cash equivalents at the beginning of the period	2,181,903	7,158,170
Cash and cash equivalents at the end of the period	4,600,721	9,265,640

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ELAHI COTTON MILLS LIMITED**  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013

	Half year ended December 31,	
	2013	2012
	Rupees	
Balance as at July 01, 2012	1,000,000	(81,468,926)
Balance as at July 01, 2013	1,000,000	(81,468,926)
Total comprehensive profit for the half year ended December 31, 2012	2,918,613	2,918,613
Total comprehensive profit for the half year ended December 31, 2013	5,365,386	5,365,386
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	571,064	571,064
Balance as at December 31, 2012	1,100,000	(77,979,249)
Balance as at December 31, 2013	1,100,000	(77,512,826)
Total comprehensive income for the half year ended December 31, 2013	5,365,386	5,365,386
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	515,365	515,365
Balance as at December 31, 2013	1,100,000	(71,631,875)

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

DIRECTOR



# ELAHI COTTON MILLS LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2013

### 1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated as a public limited Company on June 22, 1970 and is listed on Karachi and Islamabad Stock Exchanges. The Company is engaged in the manufacturing and sale of yarn. The registered office of the Company is situated at 270, sector 1-9, Industrial Area, Islamabad.

1.2 The Company has accumulated loss of Rs. 71,632 million (June 30, 2013: Rs. 77,513 million). Total liabilities exceeded its total assets by Rs. 20,098 million (June 30, 2013: Rs. 25,456 million). These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

This financial information has been prepared on going concern basis without any adjustment to assets and liabilities. The 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 BASIS OF PREPARATION

2.1 **Statement of compliance**  
This condensed interim financial information is unaudited but subject to the limited scope review by auditors and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

This condensed interim financial information of the Company for the half year ended December 31, 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended June 30, 2013.

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

### 2.2 Basis of measurement

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

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

### 2.3 Functional and presentation currency

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

### 3 ACCOUNTING POLICIES

3.1 The accounting policies adopted and methods of computation followed in the preparation of this condensed interim financial information are same as those for the preceding annual financial statements for the year ended June 30, 2013.

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

### 4 TAXATION

The provision for taxation for the half year and quarter ended December 31, 2013 has been made using the estimated effective tax rate applicable to expected total annual earnings.

### 5 ESTIMATES

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and key sources of estimation of uncertainty are the same as those that were applied to the financial statements for the year ended June 30, 2013.

### 6 OPERATING FIXED ASSETS

	December 31, 2013	June 30, 2013
	Rupees	Rupees
Operating written down value	57,022,331	58,724,606
Add: Additions during the period / year	390,000	1,466,100
Less: Depreciation charged during the period / year	1,455,497	3,168,375
Closing written down value	55,956,834	57,022,331

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

	December 31, 2013	June 30, 2013
	Rupees	Rupees
Plant and machinery	390,000	1,427,600
Vehicles	390,000	38,500
		1,466,100

### 7 STOCK IN TRADE

	December 31, 2013	June 30, 2013
	Rupees	Rupees
Raw material	2,816,823	3,185,445
Work in progress	3,360,565	2,658,086
Finished goods	2,435,283	1,590,516
Waste	115,280	20,630
	8,727,951	7,454,677

### 8 TRADE DEBTS

	December 31, 2013	June 30, 2013
	Rupees	Rupees
Unsecured	5,182,197	2,067,559
Considered good		

### 9 SHARE CAPITAL

	December 31, 2013	June 30, 2013
	Rupees	Rupees
Issued, subscribed and paid up capital	Unaudited	Audited
Number of ordinary shares of Rs. 10/- each	2013	2012
	1,300,000	1,300,000
Fully paid in cash	13,000,000	13,000,000

9.2 Authorized share capital  
This represents 5,000,000 (June 30, 2013: 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (June 30, 2013: 50,000,000).

### 10 CONTINGENCIES AND COMMITMENTS

#### 10.1 Contingencies

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

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

Besides this, the judgment of three member larger bench of Sindh High Court has also been challenged before Supreme Court of Pakistan. Therefore, the management of the Company is of the opinion that no provision is to be made till the outcome of these petitions. Had this provision been made since July 01, 2010 it would amounting to Rs. 256,173.

b) There was no other contingent liability of the Company as at the balance sheet date (June 30, 2013: Nil).

#### 10.2 Commitments

There were no commitment for capital expenditures as at the balance sheet date (June 30, 2013: Nil).

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	Note	Note	Note	Note
<b>COST OF SALES</b>				
Raw material consumed	11.1	104,917,411	90,494,001	55,135,219
Salaries, wages and other benefits		15,381,195	13,574,659	7,875,172
Electricity		12,923,921	10,988,801	6,568,478
Insurance		9,629	69,439	64,316
Repair and maintenance		77,160	21,800	25,660
Stores and spares consumed		3,534,345	2,734,177	1,478,179
Depreciation		1,293,043	1,355,187	646,522
		138,136,702	118,958,644	71,722,914
Operating work in process		2,658,086	2,367,107	2,744,245
Closing work in process		(3,360,565)	(2,865,900)	(3,360,565)
Cost of goods manufactured		(702,479)	(498,793)	(650,630)
		137,434,223	118,459,851	71,069,594
				62,587,174
Closing stock of finished goods		1,590,516	2,011,170	3,317,725
		(2,435,283)	(1,144,252)	(1,144,252)
		(844,767)	(1,133,082)	882,442
Operating stock of waste material		20,630	4,361	
Closing stock of waste material		(94,650)	(62,530)	(115,280)
		(115,280)	(62,530)	(62,530)
Closing stock of waste material		136,494,806	117,268,800	71,873,756
				61,873,286

#### 11.1 Raw material consumed

	3,185,445	3,597,914	3,215,474	2,532,570
Operating stock	104,548,289	92,443,048	54,724,568	51,761,181
Purchases	107,734,234	95,831,962	57,950,042	54,296,751
	(2,816,823)	(5,337,610)	(2,816,823)	(5,337,610)
Closing stock	(104,917,411)	(90,494,601)	(55,135,219)	(48,958,330)

#### 11.2 Stores and spares consumed

	446,132	652,744	818,690	917,672
Operating stock	4,080,016	2,971,024	1,652,702	1,152,001
Purchases	4,536,648	3,637,778	2,470,782	2,108,573
	(692,202)	(879,601)	(499,260)	(679,901)
Closing stock	(3,534,345)	(2,748,177)	(1,478,179)	(1,196,072)

#### 12 EARNING PER SHARE: BASIS AND DILUTED

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

	Half year ended		Quarter ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Profit after taxation (Rupees)	5,365,386	2,918,613	3,133,980	1,244,324

Weighted average number of ordinary shares at the end of the period (Number of shares)

	1,300,000	1,300,000	1,300,000	1,300,000
Earnings per shares (Rupees)	4.13	2.25	2.41	0.96



13 TRANSACTIONS WITH RELATED PARTIES

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

Half year ended	Quarter ended	
	2013	2012
Rupees	Rupees	Rupees

Relation with the Company

Directors  
 Loan received during the year 4,000,000  
 Loan repaid during the year 4,000,000

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

Half year ended	Quarter ended	
	2013	2012
Rupees	Rupees	Rupees
Short term employee benefits	277,800	223,200
Provision towards retirement benefits	23,100	21,000
	300,900	244,200
		138,900
		132,600
		132,600

14 DATE OF AUTHORIZATION

This condensed interim financial information was authorised for issue on 22.02.2014 by the Board of Directors of the Company.

15 GENERAL

Figures have been rounded off to the nearest rupee.

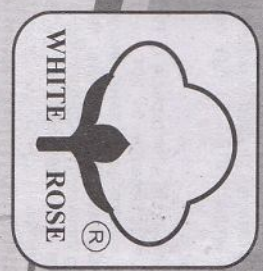
CHIEF EXECUTIVE

DIRECTOR

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**ELAHI COTTON MILLS LIMITED**

FINANCIAL STATEMENTS  
 FOR THE  
 HALF YEAR ENDED  
 DECEMBER 31-2013

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