COMPANY'S INFORMATION

BOARD OF DIRECTORS

MAHBOOB ELAHI
MAHFOOZ ELAHI
MAHMOOD ELAHI
MURTAZA WAHAB
FARRUKH AHMED
NAVEED AKHTER
S. M. RAUNAQ UD DIN

CHAIRMAN

MAHBOOB ELAHI

CHIEF EXECUTIVE

MAHFOOZ ELAHI

AUDIT COMMITTEE

FARRUKH AHMED
MAHBOOB ELAHI
NAVEED AKHTER

HRR COMMITTEE

MAHMOOD ELAHI
NAVEED AKHTER
ROUNAQ-UD-DIN

CHIEF FINANCIAL OFFICER

MUHAMMAD IMTIAZ

COMPANY SECRETARY

SALEEM AHMED

AUDITORS

M/S. BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS
23, EAST SAEED PLAZA
BLUE AREA, ISLAMABAD

REGISTRAR OFFICE

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

LEGAL ADVISER

M/S. KHAN & PIRACHA
NO.1, 2ND FLOOR, 6-B,
MARKAZ F-6, ISLAMABAD

REGISTERED OFFICE

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

MILLS

JURIAN, MANDRA,
TEHSIL GUJAR KHAN,
DISTRICT RAWALPINDI.

WEBSITE

www.elahicotton.com

ELAHI COTTON MILLS LIMITED

NOTICE OF 44TH ANNUAL GENERAL MEETING

Notice is hereby given that 44th 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 Saturday, October 25, 2014 at 9:00 a.m. to transact the following business: -

1. To confirm the minutes of the last Annual General Meeting.

2. To consider, approve and adopt the Audited Accounts of the Company for the year ended June 30, 2014 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 25, 2014

(MAHFOOZ ELAHI)
Chief Executive

NOTES:

1. Share transfer Books of the Company will remain closed from October 18, 2014 to October 25, 2014 (both days inclusive).

2. A member entitled to attend and vote in the meeting is authorized to appoint any other member of the Company a proxy to attend, speak and vote for him or her.

3. Any individual Beneficial Owner of CDC, entitled to vote at this meeting must bring his/her original CNIC with him/her to prove his/her identity; and in case of proxy, a copy of shareholder's attested CNIC must be attached with the proxy form. Representatives of corporate members should bring the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominees at the time of meeting.

4. An instrument of proxy, duly stamped and signed, and the Board of Directors' Resolution, Power of Attorney or other authority (if any) under which they are signed, or a notarially certified copy of such Power or Authority, must be reached at the Registered Office of the Company not later than 48 hours before the time of the meeting.

5. Share holders are requested to notify immediately their CNIC numbers and/or any change in their registered address.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of the Company are pleased to present the 44th Annual Report and the Audited financial statements of the Company for the year ended June 30, 2014 together with the auditors' report thereon.

FINANCIAL RESULTS

During the year under review, the Company registered a turnover of Rs 301.384 million as compared to Rs 255.845 million in the preceding year showing an increase of Rs. 45.539 million (17.80 %) whereas the cost of sales increased from Rs. 252.044 million to Rs. 291.408 million showing increase of Rs. 39.364 million (15.62%). The Company earned gross profit of Rs. 9.976 million as compared to gross profit of 3.801 million. The financial results of the Company for the year under review are as under:

	RUPEES IN MILLION
Sales	301.384
Cost of Sales	291.408
Gross Profit	9.976
Operating expenses	4.859
Other income	0.119
Financial Charges	0.102
Profit before taxation	5.134
Provision for taxation	2.443
Profit after taxation	2.691
Earning per share (Rs.)	2.07

The Company earned profit before taxation of Rs. 5.134 million as compared to Rs. 3.319 million in the last year. The increase in profit before taxation is mainly due to increase in the prices of finished goods and decrease in the prices of raw material. However, the net profitability has been decreased from Rs. 2.814 million to Rs. 2.691 million which is due to increase in the rates of income tax (turnover tax from 0.5% to 1%). Due to electric shut down, the Company has closed one shift throughout the year and hence not utilized 100% capacity.

DIVIDEND:

The directors of the company do not recommend any dividend/ bonus shares due to accumulated losses, outstanding debts and liquidity crunch.

During the year the company couldn't make payment of current portion of debt of Rs. 2.5 million payable to associated undertaking due to financial constraints.

AUDITORS:

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

SHAREHOLDING:

A statement showing the pattern of share holding by the shareholders of the Company as on June 30, 2014 is annexed herewith.

FUTURE PROSPECTS AND OUT LOOK:

The future outlook appears to be uncertain due to continued energy crises.

The auditors have drawn attention to Note 1.2 in the financial statements that the Company has accumulated loss of Rs. 73.671 million that exceeds the Issued, Subscribed & Paid up Capital by Rs. 60.671 million which indicates the existence of a material uncertainty that cast doubt about the Company's ability to continue as a going concern.

During the year under review, the Company earned profit before tax amounting to Rs. 5.134 million and net profit after taxation amounting to Rs. 2.691 million. Accumulated losses have also been reduced from Rs. 77.513 million to Rs. 73.671 million. The current ratio of the company has also been improved from 1.30 to 1.63. These factors indicate improvement as compared to previous year. Despite the accumulated losses, the management is committed with the Company and is continuously supporting in the form of funds as and when required by the Company. With the successful efforts of the management, the Mills will continue as a going concern.

CORPORATE GOVERNANCE

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

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

b) Proper Books of Accounts have been maintained.

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

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

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

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

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

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

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

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

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

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

Name of Director	*Board*	*Audit Committee*
Mr. Mahboob Elahi	12	N/A
Mr. Mahfooz Elahi	10	N/A
Mr. Mahmood Elahi	12	6
Mr. Abdul Rasheed	2	N/A

Mr. Naveed Akhter	11	6
Mr. Farrukh Ahmed	9	6
Syed Muhammad Raunaq ud din	7	N/A
Mr. Murtaza Wahab	0	N/A

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

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

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

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

ACKNOWLEDGEMENT:

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

ON BEHALF OF THE BOARD

Islamabad,
September 25, 2014

(MAHBOOB ELAHI)
Chairman

Statement of Compliance with the Code of Corporate Governance
ELAHI COTTON MILLS LIMITED
For the year ending June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi/Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1 The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Director	Murtaza Wahab
Executive Directors	Mahfooz Elahi, Mahmood Elahi
Non-Executive Directors	Mahboob Elahi, Naveed Akhtar, Farrukh Ahmad, S.M. Raunaq-ud-Din

2 The directors have confirmed that none of them is serving as a director of more than seven listed companies, including this company.

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

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

5 The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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

7 All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

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

9 Three directors of the Company are exempt from director training programme due to their qualification and relevant experience. During the year, one board member has attended orientation course and got certification from the University of Lahore. The Company is making arrangements for training of remaining directors.

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

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

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

13 The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14 The company has complied with all the corporate and financial reporting requirements of the CCG.

15 The board has formed an Audit Committee of three members which comprises of non-executive directors.

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

17 The board has formed an HR and Remuneration Committee of three members which comprises of one executive and two non-executive directors.

18 The board has set up an effective internal audit function that is qualified and experienced for the purpose and is conversant with the policies and procedures of the company.

19 The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21 The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's

securities, was determined and intimated to directors, employees and stock exchange(s).

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

23 We confirm that all other material principles enshrined in the CCG have been complied with.

Mahfooz Elahi

(MAHFOOZ ELAHI)
CHIEF EXECUTIVE

Islamabad,
September 25, 2014

LAST SIX YEARS AT A GLANCE

PARTICULARS	2012-13	2011-12	2010-2011	2009-2010	2008-2009	2007-2008
Paid up capital	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000
Reserve	--	--	--	--	--	--
Fixed asset (at cost less depreciation)	57,022,331	58,724,606	59,662,031	62,357,942	41,834,787	43,386,945
Accumulated depreciation	69,994,946	66,826,571	64,079,276	60,683,723	58,947,921	60,627,760
Long term investment	--	--	--	--	--	--
Current assets	13,181,133	12,157,853	10,225,467	9,505,412	5,937,299	6,106,293
Current Liabilities	10,178,415	8,133,406	9,220,007	10,250,356	14,037,430	19,514,758
Income						
Sales	255,845,239	211,215,463	206,403,850	150,011,159	139,722,355	148,163,333
Other Income	3,158,786	562,890	635,210	192,232	1,392,609	19,100,484
Gross profit / (loss)	3,800,913	5,185,429	2,472,197	(4,767,833)	(3,521,116)	(2,334,635)
Pre tax profit / (loss)	3,319,282	2,554,627	485,375	(6,555,367)	(4,690,211)	15,200,151
Taxation (prior year)	--	--	--	--	--	--
Taxation (current year)	(505,109)	(1,522,706)	(2,317,311)	398,768	502,560	(1,339,048)
Profit/(loss) after taxation	2,814,173	1,021,921	(1,831,936)	(6,156,599)	(4,187,651)	13,861,103
Un-appropriated profit/(loss)	(77,512,626)	(81,468,926)	(83,756,584)	(82,530,252)	(76,598,784)	(72,546,926)

BDO

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Pakistan.

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

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

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

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

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009 and sub-regulation (xiii(a)) of Listing Regulation 35 of the Islamabad Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

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

ISLAMABAD

DATED: Sept. 25, 2014

CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

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22-East Blue Area,
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ELAHI COTTON MILLS LIMITED** (the Company) as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2014 and of the profit, its comprehensive income, 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).

Without qualifying our opinion, we draw attention to Note 1.2 in the financial statements which indicates that the Company's accumulated losses exceed the issued, subscribed and paid up capital by Rs. 60.671 million as at June 30, 2014 and accumulated losses as of that date amounted to Rs. 73.671 million. These conditions, along with other matters as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

ISLAMABAD

DATE: Sept. 25, 2014

CHARTERED ACCOUNTANTS
Engagement Partner: Abdul Qadeer

ELAHI COTTON MILLS LIMITED
BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment			
Operating fixed assets	5	100,281,359	57,022,331
Long term security deposits		918,810	918,810
Loans and advances	6	849,758	714,858
		102,049,927	58,655,999
CURRENT ASSETS			
Stores, spares and loose tools	7	666,599	446,132
Stock in trade	8	9,924,483	7,454,677
Trade debts	9	1,851,473	2,067,559
Loans and advances	10	1,702,432	631,381
Short terms prepayments		143,187	72,454
Tax refunds due from government	11	27,533	70,009
Taxation - net	12	162,029	20,103
Cash and bank balances	13	3,410,024	2,418,818
		17,887,760	13,181,133
TOTAL ASSETS		119,937,687	71,837,132
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	13,000,000	13,000,000
Accumulated loss		(73,671,288)	(77,512,626)
		(60,671,288)	(64,512,626)
SURPLUS ON REVALUATION OF FIXED ASSETS	15	76,859,474	39,056,603
NON-CURRENT LIABILITIES			
Deferred liabilities	16	16,251,328	12,091,116
Long term loan from directors	17	64,107,547	62,607,547
Due to associated undertaking	18	12,416,077	12,416,077
		92,774,952	87,114,740
CURRENT LIABILITIES			
Trade and other payables	19	8,474,549	7,678,415
Current portion of balance due to associated undertaking	18	2,500,000	2,500,000
		10,974,549	10,178,415
CONTINGENCIES AND COMMITMENTS	20	-	-
TOTAL EQUITY AND LIABILITIES		119,937,687	71,837,132

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

Mahfooz Elahi

CHIEF EXECUTIVE

Mahmood Elahi

DIRECTOR

ELAHI COTTON MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales-net	21	301,384,062	255,845,239
Cost of sales	22	291,408,115	252,044,326
Gross profit		9,975,947	3,800,913
Administrative expenses	23	3,746,162	3,007,743
Other operating charges	24	1,112,920	544,985
		4,859,082	3,552,728
Operating profit		5,116,865	248,185
Other income	25	119,287	3,158,786
Financial charges	26	102,426	87,689
Profit before taxation		5,133,726	3,319,282
Taxation	27	(2,442,638)	(505,109)
Profit after taxation		2,691,088	2,814,173
Earnings per share - basic and diluted	28	2.070	2.165

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

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
Profit for the year	2,691,088	2,814,173
Other comprehensive income		
Gain on remeasurement of defined benefit liability	87,806	-
Total comprehensive profit for the year	2,778,894	2,814,173

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

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

CHIEF EXECUTIVE

DIRECTOR

ELAHI COTTON MILLS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Note	Issued, subscribed and paid-up capital	Accumulated loss	Total
		Rupees		
Balance as at July 01, 2012		13,000,000	(81,468,926)	(68,468,926)
Total comprehensive income for the year ended June 30, 2013		-	2,814,173	2,814,173
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	15	-	1,142,127	1,142,127
Balance as at June 30, 2013		13,000,000	(77,512,626)	(64,512,626)
Total comprehensive income for the year ended June 30, 2014		-	2,778,894	2,778,894
Transfer from surplus on revaluation of fixed assets incremental depreciation-net of deferred tax	15	-	1,062,444	1,062,444
Balance as at June 30, 2014		13,000,000	(73,671,288)	(60,671,288)

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

CHIEF EXECUTIVE **DIRECTOR**

ELAHI COTTON MILLS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,133,726	3,319,282
Adjustment for non-cash charges and other items:		
Depreciation	2,956,888	3,168,375
Financial charges	102,426	87,689
Provision for gratuity	1,491,226	2,195,210
Liabilities written off	-	(3,009,427)
	4,550,540	2,441,847
Profit before working capital changes	9,684,266	5,761,129
Changes in working capital:		
Decrease / (increase) in current assets		
Stores and spares	(220,467)	206,612
Stock in trade	(2,469,806)	326,075
Trade debts	216,086	(1,410,069)
Loans and advances	(1,071,051)	12,728
Short term prepayments	(70,733)	(4,476)
Tax refund due from government	42,476	59,573
Increase / (decrease) in current liabilities		
Trade and other payables	706,393	2,435,666
	(2,867,102)	1,626,109
Cash generated from operations	6,817,164	7,387,238
Financial charges paid	(12,685)	(7,920)
Income tax paid	(3,156,948)	(1,413,640)
Gratuity paid	(1,601,050)	(1,091,100)
	(4,770,683)	(2,512,660)
Net cash generated from operating activities	2,046,481	4,874,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan and advances	(134,900)	(597,130)
Purchase of property, plant and equipment	(2,420,375)	(1,466,100)
Net cash used in investing activities	(2,555,275)	(2,063,230)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term loan from directors	(4,000,000)	(1,800,000)
Payment to associated undertaking	-	(2,500,000)
Long term loan from directors	5,500,000	1,800,000
Net cash generated from / (used in) financing activities	1,500,000	(2,500,000)
Net increase in cash and cash equivalents	991,206	311,348
Cash and cash equivalents at the beginning of the year	2,418,818	2,107,470
Cash and cash equivalents at the end of the year	3,410,024	2,418,818

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

CHIEF EXECUTIVE

DIRECTOR

ELAHI COTTON MILLS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

1 STATUS AND NATURE OF BUSINESS

1.1 The Company was incorporated as a public limited company on June 22, 1970 and is listed on Karachi and Islamabad Stock Exchanges. The 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 accumulated loss of Rs. 73.671 million (2013: Rs. 77.513 million). The Company's accumulated losses exceeded the issued, subscribed and paid up capital by Rs. 60.671 million. These conditions indicate the existence of material uncertainty which may cast doubt about the Company's ability to continue as going concern.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

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

The preparation of these financial statements in conformity with approved accounting standards requires the management to exercise its judgment in the process of applying the Company's accounting policies and use of certain critical accounting estimates. The areas involving a higher degree of judgment, critical accounting estimates and significant assumptions are disclosed in note 4.24.

2.3 **Functional and presentation currency**

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

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

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

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

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

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

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

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities	January 01, 2013
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance	January 01, 2013

		Effective date (annual periods beginning on or after)
IFRS 11	Joint Arrangements - Amendments to transitional guidance	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance	January 01, 2013
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

3.3 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3	Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014

		Effective date (annual periods beginning on or after)
IFRS 7	Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	January 01, 2018
IFRS 8	Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	January 01, 2018
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2018
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments for investment entities	January 01, 2014
IFRS 12	Disclosure of Interests in Other Entities - Amendments for investment entities	January 01, 2014
IFRS 13	Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

		Effective date (annual periods beginning on or after)
IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24	Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27	Separate Financial Statements - Amendments for investment entities	January 01, 2014
IAS 32	Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 36	Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	January 01, 2014
IAS 38	Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 39	Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	January 01, 2014
IAS 39	Financial Instruments: Recognition and Measurement: Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	January 01, 2018
IAS 40	Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014
IAS 41	Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016

3.4 Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	January 01, 2018
IFRS 14	Regulatory Deferral Accounts	January 01, 2016
IFRS 15	Revenue from Contracts with Customers	January 01, 2017
IFRIC 21	Levies	January 01, 2014

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Property, plant and equipment

Operating fixed assets

Operating fixed assets except for freehold land, building and plant and machinery are stated at cost less accumulated depreciation or impairment, if any. Freehold land, building and plant and machinery are stated at cost/revalued amount less accumulated depreciation or impairment, if any 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 are determined by comparing the proceeds with the carrying amount and are recognized in the profit and loss accounts.

4.2 Impairment losses

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

4.3 Stores, spares and loose tools

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

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

4.4 Stock in trade

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

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

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

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

4.5 Trade receivables

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

4.6 Other receivables

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

4.7 Investments

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

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

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

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

4.8 Cash and bank balances

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

4.9 Share capital

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

4.10 Staff retirement benefits

The Company operates an unfunded gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation is carried out at June 30, 2014 using the projected unit credit method (refer note 16). Actuarial gains and losses are recognized as income or expense in the other comprehensive income. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

4.11 Change in accounting estimate

The Company makes contribution to the above defined benefit plan on the basis of actuarial valuation, carried out by independent actuary for the first times as of June 30, 2014. The calculations of actuary are based on the projected unit credit method. Previously, provision for gratuity was being determined on the gross of last drawn basic pay and the number of years served. This year the Company has changed its accounting policy and now provision is being determined on the basis of actuary recommendations. This change in accounting policy has resulted in decreasing the current year's gratuity charge by Rs. 0.1166 million with corresponding decrease in gratuity liability.

4.12 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 one 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.

4.13 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 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.

4.15 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.

4.16 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.

4.17 Earnings per share

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

4.18 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.

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 Trade and other payables

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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.

4.19 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.

4.20 Dividend and apportioning to reserves

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

4.21 Financial instruments

Financial assets

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

Loans and receivables

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

Impairment

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

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

Financial liabilities

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

Recognition and measurement

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

Derecognition

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

4.22 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.

4.23 Foreign currency translation

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

4.24 Significant accounting judgments and critical accounting estimates / assumptions

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

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

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

a) Income taxes

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

b) **Property, plant and equipment**

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

c) **Stores and spares**

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

d) **Defined benefits plan**

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

5 OPERATING FIXED ASSETS

The following is the statement of operating fixed assets:

Description	Free hold land	Buildings – 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									
Year ended June 30, 2014										
Net carrying value basis										
Opening book value	28,350,000	2,037,586	6,393,161	18,714,307	98,369	675	243,454	119,931	1,064,848	57,022,331
Additions	-	-	-	2,420,375	-	-	-	-	-	2,420,375
Revaluations	28,350,000	2,071,693	4,431,205	8,942,643	-	-	-	-	-	43,795,541
Depreciation charge	-	(101,879)	(639,316)	(1,956,325)	(9,837)	(223)	(24,345)	(11,993)	(212,970)	(2,956,888)
Closing net book value	56,700,000	4,007,400	10,185,050	28,121,000	88,532	452	219,109	107,938	851,878	100,281,359
Gross carrying value basis										
Cost/revalue	56,700,000	5,645,385	23,324,387	79,946,219	1,006,252	5,000	2,203,543	2,001,887	2,400,520	173,233,193
Accumulated depreciation	-	1,637,985	13,139,337	51,825,219	917,720	4,548	1,984,434	1,893,949	1,548,642	72,951,834
Net book value	56,700,000	4,007,400	10,185,050	28,121,000	88,532	452	219,109	107,938	851,878	100,281,359
Year ended June 30, 2013										
Net carrying value basis										
Opening book value	28,350,000	2,104,639	7,103,512	19,321,328	109,299	1,007	270,504	133,257	1,331,060	58,724,606
Additions during the year	-	38,500	-	1,427,600	-	-	-	-	-	1,466,100
Depreciation charge	-	(105,553)	(710,351)	(2,034,621)	(10,930)	(332)	(27,050)	(13,326)	(266,212)	(3,168,375)
Closing net book value	28,350,000	2,037,586	6,393,161	18,714,307	98,369	675	243,454	119,931	1,064,848	57,022,331
Gross carrying value basis										
Cost/revalue	28,350,000	3,573,692	18,893,182	68,583,201	1,006,252	5,000	2,203,543	2,001,887	2,400,520	127,017,277
Accumulated depreciation	-	1,536,106	12,500,021	49,868,894	907,883	4,325	1,960,089	1,881,956	1,335,672	69,994,946
Net book value	28,350,000	2,037,586	6,393,161	18,714,307	98,369	675	243,454	119,931	1,064,848	57,022,331
Annual rate of depreciation (%)	-	5%	10%	10%	10%	33%	10%	10%	20%	

5.1 **Depreciation has been allocated as follows:**

	Note	2014 Rupees	2013 Rupees
Cost of sales	22	2,631,979	2,785,348
Administrative expenses	23	324,909	383,027
		2,956,888	3,168,375

	Note	2014 Rupees	2013 Rupees

6 LOANS AND ADVANCES

	Note	2014 Rupees	2013 Rupees
Unsecured			
Considered good			
Opening balance		892,208	739,808
Loan given to employees during the year		565,859	774,480
Payment received during the year		(398,140)	(622,080)
		1,059,927	892,208
Less: Current portion shown under current assets	10	(210,169)	(177,350)
		849,758	714,858

7 STORES, SPARES AND LOOSE TOOLS

	2014 Rupees	2013 Rupees
Stores	543,510	366,742
Spares	-	47,770
Loose tools	31,350	31,620
Fair price shop	91,739	-
	666,599	446,132

7.1 Stores and spares also include items which may result in capital expenditure but are not distinguishable at the time of purchase. However, management believes that there is no stores and spares at the balance sheet which may result in capital expenditure.

8 STOCK IN TRADE

	2014 Rupees	2013 Rupees
Raw material	4,708,475	3,185,445
Work in process	2,823,287	2,658,086
Finished goods	2,380,561	1,590,516
Waste	12,160	20,630
	9,924,483	7,454,677

9 TRADE DEBTS

	2014 Rupees	2013 Rupees
Unsecured-considered good		
Local	1,851,473	2,067,559

	Note	2014 Rupees	2013 Rupees

10 ADVANCES

	Note	2014 Rupees	2013 Rupees
Unsecured-considered good			
Advances to employees	6	210,169	177,350
Advances to suppliers		1,492,263	454,031
		1,702,432	631,381

11 TAX REFUNDS DUE FROM GOVERNMENT

	Note	2014 Rupees	2013 Rupees
Income tax		27,533	7,430
Sales tax		-	62,579
		27,533	70,009

12 TAXATION - NET

	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		20,103	7,430
Transferred to tax refunds due from government		(20,103)	(7,430)
		-	-
Provision for the year	27	(3,015,022)	(1,393,537)
		(3,015,022)	(1,393,537)
Less: Payment/adjustment		3,177,051	1,413,640
		162,029	20,103

13 CASH AND BANK BALANCES

	Note	2014 Rupees	2013 Rupees
Cash in hand		82,643	64,076
Cash at banks:			
Current accounts		3,015,144	1,948,526
Saving account	13.1	312,237	406,216
		3,410,024	2,418,818

13.1 Saving account carries mark up at the rates ranging from 0.05% to 0.06% (2013: 2% - 3%) per annum.

14 SHARE CAPITAL

14.1 Authorized share capital:

This represents 5,000,000 (2013 : 5,000,000) ordinary shares of Rs. 10 each amounting to Rs. 50,000,000 (2013 : Rs. 50,000,000).

	2014 Rupees	2013 Rupees

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

Number of ordinary shares of Rs. 10/- each 2014	2013		2014 Rupees	2013 Rupees
1,300,000	1,300,000	Fully paid in cash	13,000,000	13,000,000

15 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS

	2014 Rupees	2013 Rupees
Balance brought forward	44,727,905	46,485,024
Add: Revaluations during the year	43,795,541	-
	88,523,446	46,485,024
Less: Transferred to equity in respect of incremental depreciation charged during the year - (net of deferred tax)	1,062,444	1,142,127
Related deferred tax liability during the year transferred to profit and loss account	523,294	614,992
	1,585,738	1,757,119
	86,937,708	44,727,905
Less: Related deferred tax effect:		
Balance as at July 01	5,671,302	6,453,096
On revaluation during the year	5,097,029	-
Effect of change in rate	(166,803)	(166,802)
Less: Incremental depreciation charged during the year transferred to profit and loss account	(523,294)	(614,992)
	10,078,234	5,671,302
	76,859,474	39,056,603

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

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

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

	Note	2014 Rupees	2013 Rupees
Freehold land		302,395	302,395
Buildings on freehold land		1,352,950	1,424,158
Plant and machinery		8,136,538	9,040,598

16 DEFERRED LIABILITIES

	Note	2014 Rupees	2013 Rupees
Staff retirement benefits - gratuity	16.1	4,480,580	4,678,210
Deferred taxation	16.2	11,770,748	7,412,906
		16,251,328	12,091,116

16.1 Staff retirement benefits - gratuity

General description

The scheme provides for terminal benefits for all its permanent employees who attain the minimum qualifying period at varying percentages of last drawn basic salary. The percentage depends on the number of service years with the Company. Annual charge is based on actuarial valuation carried out as at June 30, 2014 using the Projected Unit Credit Method.

The Company faces the following risks on account of gratuity:

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

Asset volatility - Most assets are invested in risk free investments i.e. Government Bonds / Treasury bills. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

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

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

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

Principal actuarial assumptions

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

	2014 Rupees	2013 Rupees
Discount rate (%)	12	-
Expected rate of return on plan assets (%)	-	-
Expected rate of increase in salary (%)	11	-
Maturity profile	SLIC(2001-05)	

16.1.1 Reconciliation of balance due to defined benefit plan

Present value of defined benefit obligation	4,480,580	4,678,210
Fair value of plan assets	-	-
Closing net liability	4,480,580	4,678,210

16.1.2 Movement of the liability recognized in the balance sheet

Opening net liability	4,678,210	-
Charge for the year	1,491,226	-
Remeasurement chargeable to other comprehensive income	(87,806)	-
Benefits paid during the year	(1,601,050)	-
Closing net liability	4,480,580	-

16.1.3 Movement in present value of defined benefit obligations

Opening present value of defined benefit obligations	4,678,210	-
Current service cost for the year	929,841	-
Interest cost for the year	561,385	-
Benefits paid during the year	(1,601,050)	-
Remeasurement (gain) on obligation	(87,806)	-
Closing present value of defined benefit obligations	4,480,580	-

	Note	2014 Rupees	2013 Rupees

16.1.4 Charge for the year

		2014 Rupees	2013 Rupees
Current service cost		929,841	-
Interest cost		561,385	-
Charge for the year		1,491,226	-

16.1.5 Remeasurement chargeable to other comprehensive income

		2014 Rupees	2013 Rupees
Remeasurement gain obligation		(87,806)	-

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

16.1.7 **Sensitivity analysis**

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

	Increase in Assumption Rupees	Decrease in Assumption Rupees
Discount rate	221,453	253,065
Salary increase	253,065	225,219

16.2 Deferred taxation

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

	2014 Rupees	2013 Rupees
Accelerated tax depreciation	1,692,514	1,741,604
Surplus on revaluation of fixed assets	10,078,234	5,671,302
	11,770,748	7,412,906
Tax rate used	33%	34%

16.3 Deferred tax asset of Rs. 2,522,878 (2013: Rs. 4,881,749) brought forward losses has not been recognised in the current financial statements, as in the opinion of the management there is no certainty regarding realisability of the amount. No deferred tax assets has been recognized on gratuity as the Company is claiming it as tax expense.

16.4 In view of judgement of Sindh High Court vide ITRA No. 132 of 2011 dated May 07, 2013, the benefit of section 113 (2) (c) is no more available to the taxpayer. Accordingly minimum tax paid in previous years due to losses cannot be adjusted from the tax liability of subsequent years. Therefore deferred tax assets on turnover tax amounting to Rs. 9,22,915 has been not been disclosed during the year.

	Note	2014 Rupees	2013 Rupees
17 LONG TERM LOAN FROM DIRECTORS			
Balance brought forward	17.1	62,607,547	62,607,547
Additions during the year		5,500,000	1,800,000
Payments during the year		(4,000,000)	(1,800,000)
		64,107,547	62,607,547

17.1 This represents unsecured interest free loans from two directors and Chief Executive of the Company. The Loan is payable on July 1, 2015.

17.2 The maximum aggregate amount due to directors at the end of any month during the year was Rs. 64,107,547 (2013: Rs. 62,607,547).

	Note	2014 Rupees	2013 Rupees
18 DUE TO ASSOCIATED UNDERTAKING			
Unsecured			
International Beverages (Private) Limited			
Opening balance		14,916,077	17,416,077
Paid during the year		-	(2,500,000)
		14,916,077	14,916,077
Less: Current portion shown under current liabilities		(2,500,000)	(2,500,000)
	18.1	12,416,077	12,416,077

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

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

The amount due 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. 14,916,077 (2013: Rs. 17,416,077).

	Note	2014 Rupees	2013 Rupees
19 TRADE AND OTHER PAYABLES			
Creditors		757,783	3,000
Accrued expenses		4,419,774	4,102,251
Advances from customers		1,583,091	1,529,560
Government dues		229,385	201,839
Unclaimed dividend		248,165	248,165
Insurance claim payable		-	200,000
Gratuity payable		-	51,000
Income tax payable		3,089	3,507
Zakat payable		-	393,600
Workers profit participation fund	19.1	1,077,861	892,623
Sales tax due to government		66,763	-
Sales tax payable		88,638	52,870
		8,474,549	7,678,415

19.1 Workers' profit participation fund

	2014 Rupees	2013 Rupees
Balance brought forward	892,623	803,169
Paid during the year	(174,699)	(165,014)
For the year	270,196	174,699
Add: Interest for the year @ 12.5% (2013: 12.5%)	89,741	79,769
	1,077,861	892,623

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

20 CONTINGENCIES AND COMMITMENTS

20.1 CONTINGENCIES

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

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

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

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

20.2 COMMITMENTS

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

		Note	2014 Rupees	2013 Rupees
21	**SALES**			
	Yarn		307,197,494	257,371,795
	Waste		436,988	392,604
			307,634,482	257,764,399
	Less sales tax		(6,250,420)	(1,919,160)
			301,384,062	255,845,239
22	**COST OF SALES**			
	Raw material consumed	22.1	217,150,881	192,827,719
	Store and spares consumed	22.2	8,451,565	6,602,565
	Salaries, wages and other benefits	22.3	32,478,852	27,390,084
	Power charges		31,302,708	22,149,348
	Insurance		213,496	141,856
	Repairs and maintenance		125,410	33,800
	Depreciation	5.1	2,631,979	2,785,348
			292,354,891	251,930,720
	Work in process			
	Opening		2,658,086	2,367,107
	Closing	8	(2,823,287)	(2,658,086)
			(165,201)	(290,979)
	Cost of goods manufactured		292,189,690	251,639,741
	Finished goods			
	Opening		1,590,516	2,011,170
	Closing	8	(2,380,561)	(1,590,516)
			(790,045)	420,654
	Waste			
	Opening	8	20,630	4,561
	Closing		(12,160)	(20,630)
			8,470	(16,069)
			291,408,115	252,044,326
22.1	**Raw material consumed**			
	Opening stock		3,185,445	3,397,914
	Add: Purchases		218,673,911	192,615,250
	Cost of raw materials available for use		221,859,356	196,013,164
	Less: Closing stock		(4,708,475)	(3,185,445)
			217,150,881	192,827,719

	Note	2014 Rupees	2013 Rupees

22.2 Stores and loose tools consumed

Opening stock		446,132	652,744
Add: Purchases		8,580,293	6,395,953
		9,026,425	7,048,697
Less: Closing stock		(574,860)	(446,132)
		8,451,565	6,602,565

22.3 Salaries, wages and other benefits includes an amount of Rs. 1,114,327 (2013: Rs. 1,960,050) in respect of staff retirement benefits.

23 ADMINISTRATIVE EXPENSES

	Note	2014 Rupees	2013 Rupees
Director's remuneration	29	278,400	278,400
Salaries and other benefits	23.1	1,757,749	1,397,401
Telephone expenses		28,785	59,163
Motor running expenses		470,923	425,310
Printing, stationery and periodicals		52,930	72,379
Rent		240,000	-
Rent rates and taxes		106,220	-
Advertisement		39,680	9,440
Traveling and conveyance		110,238	79,025
Repair and maintenance		2,400	11,000
Entertainment		86,712	76,247
Subscription and membership fee		167,325	89,956
Depreciation	5.1	324,909	383,027
Donation		-	50,000
Other expenses		79,891	76,395
		3,746,162	3,007,743

23.1 Salaries and other benefits include Rs. 376,899 (2013: Rs. 235,160) in respect of staff retirement benefits.

24 OTHER OPERATING CHARGES

	Note	2014 Rupees	2013 Rupees
Commission on selling of yarn		431,338	37,569
Legal and professional expenses		161,386	82,717
Auditor's remuneration		250,000	250,000
Workers' profit participation fund	19	270,196	174,699
		1,112,920	544,985

	Note	2014 Rupees	2013 Rupees

25 OTHER INCOME

	Note	2014 Rupees	2013 Rupees
Income from non-financial assets			
Scrap sales		118,100	148,907
Other income		1,187	452
Liabilities written off		-	3,009,427
		119,287	3,158,786

26 FINANCIAL CHARGES

	Note	2014 Rupees	2013 Rupees
Mark-up/interest on:			
Workers' profit participation fund	19.1	89,741	79,769
Bank commission and charges		12,685	7,920
		102,426	87,689

27 TAXATION

	Note	2014 Rupees	2013 Rupees
Provision for taxation			
Current		3,015,022	1,279,971
Prior		-	113,566
Deferred		(572,384)	(888,428)
		2,442,638	505,109

27.1 Numerical reconciliation between applicable tax rate and average effective tax rate has not been prepared as the Company was subject to minimum tax in the current year and has no tax provision for the prior year.

28 EARNINGS PER SHARE - BASIC AND DILUTED

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

	2014 Rupees	2013 Rupees
Profit after taxation	2,691,088	2,814,173
	Number of shares	
Weighted average number of ordinary shares at the end of the year	1,300,000	1,300,000
	Rupees	
Earnings per share	2.070	2.165

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2014				2013			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
	(Rupees)							
Managerial remuneration	278,400	-	883,000	1,161,400	278,400	-	787,000	1,065,400
Bonus	-	-	-	-	-	-	-	-
Staff retirement benefits	-	-	68,000	68,000	-	-	67,000	67,000
Medical	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total	278,400	-	951,000	1,229,400	278,400	-	854,000	1,132,400
Number of persons	1	6	1	8	1	6	1	8

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

30 TRANSACTIONS WITH RELATED PARTIES

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

		2014 Rupees	2013 Rupees
Transaction with the Companies	**Nature of Transaction**		
International Beverages (Private) Limited	Payment made against balance due to associated undertaking	-	(2,500,000)
Taj Mills Limited	Rent paid	240,000	-
Directors	Advance for payment for working capital requirements	5,500,000	1,800,000
	Adjustment / repayment of long term finance	(4,000,000)	(1,800,000)

30.2 Compensation to key management personnel

The details of compensation paid to key management personnel are shown under the heading of "Remuneration of Chief Executive, Directors and Executive (note 29)". There are no transactions with key management personnel other than under their terms of employment.

30.3 The status of outstanding balances of related parties as at June 30, 2014 are included in "Long term loan from directors" (note 17) and "Due to associated undertaking" (note 18).

31 FINANCIAL ASSETS AND LIABILITIES

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

2014

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

2013

	Total	Interest/mark up bearing: Maturity up to one year	Interest/mark up bearing: Maturity after one year	Interest/mark up bearing: Sub-total	Not interest /mark up bearing
	Rupees				
Financial assets					
Loans and receivables at amortized cost					
Long term loan from directors	918,810	-	-	-	918,810
Trade debts	2,067,559	-	-	-	2,067,559
Advances	892,208	-	-	-	892,208
Cash and bank balances	2,418,818	406,216	-	406,216	2,012,602
	6,297,395	406,216	-	406,216	5,891,179
Financial liabilities					
Financial liabilities carried at amortized cost					
Long-term loan from directors	62,607,547	-	-	-	62,607,547
Provision for gratuity	4,678,210	-	-	-	4,678,210
Due to associated undertaking	12,416,077	-	-	-	12,416,077
Trade and other payables	6,092,478	892,623	-	892,623	5,199,855
	85,794,312	892,623	-	892,623	84,901,689
On balance sheet gap	(79,496,917)	(486,407)	-	(486,407)	(79,010,510)
Off Balance sheet Items					
Financial commitments:	-	-	-	-	-
Total Gap	(79,496,917)	(486,407)	-	(486,407)	(79,010,510)

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

32.2 Credit risk

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

Exposure to credit risk

The carrying amounts of the financial assets represent the maximum credit exposures before any credit enhancements. Out of total financial assets of Rs. 7.240 million (2013: Rs. 6.297 million), the financial assets which are subject to credit risk amounted to Rs. 7.157 million (2013: Rs. 6.233 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	2014 Rupees	2013 Rupees
Long term security deposits	918,810	918,810
Trade debts	1,851,473	2,067,559
Loans and advances	1,059,927	892,208
Bank balances	3,327,381	2,354,742
	7,157,591	6,233,319

The aging of trade debts at the reporting date is:

Not past due	-	-
Past due 1-30 days	67,398	1,010,572
Past due 30-60 days	-	1,056,987
Over one year	1,784,075	-
	1,851,473	2,067,559

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

The exposure to banks is managed by dealing with variety of major banks and monitoring exposure limits on continuous basis.

Concentration of credit risk

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

Impaired assets

During the year no assets have been impaired.

32.3 Liquidity risk

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

	Carrying Amount	Contractual Cash Flows	Six months or less	Six to Twelve months	One to two years	Two to five years	Over five years
				Rupees			
2014							
Deferred liabilities	4,480,580	4,480,580	-	-	-	-	4,480,580
Long term loan from directors	64,107,547	64,107,547	-	-	-	64,107,547	-
Due to associated undertaking	14,916,077	14,916,077	-	2,500,000	-	12,416,077	-
Trade and other payables	8,474,549	8,474,549	4,237,275	4,237,275	-	-	-
	91,978,753	91,978,753	4,237,275	6,737,275	-	76,523,624	4,480,580
2013							
Deferred liabilities	4,678,210	4,678,210	-	-	-	-	4,678,210
Long term loan from directors	62,607,547	62,607,547	-	-	-	62,607,547	-
Due to associated undertaking	14,916,077	14,916,077	-	2,500,000	-	12,416,077	-
Trade and other payables	7,678,415	7,678,415	3,839,208	3,839,208	-	-	-
	89,880,249	89,880,249	3,839,208	6,339,208	-	75,023,624	4,678,210

32.4 Market risk

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

(i) Currency risk

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

Presently the Company is not exposed to foreign currency risk.

(ii) Interest rate risk

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

Interest rate of the Company's financial assets and financial liabilities as at June 30, 2014 can be evaluated from the schedule given in note 31 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, therefore, no sensitivity analysis has been presented.

(iii) Other price risk

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

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

33 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

34 CAPITAL MANAGEMENT

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

35 PLANT CAPACITY, PRODUCTION AND EMPLOYEES

	2014 Numbers	2013 Numbers
No. of spindles installed	7,104	6,216
Installed capacity converted into 20's count lbs.	5,347,980	4,679,483
Actual production converted into 20's count lbs.	3,389,430	3,130,590
Actual production in lbs.	2,748,500	2,407,500
Average count manufactured	25	26
No. of shifts worked daily	2	2

33.1 Reasons for under utilization of capacity

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

36 NUMBER OF EMPLOYEES

The number of employees as at year end was 211 (2013: 189) and average number of employees during the year was 196 (2013: 188).

37 CORRESPONDING FIGURES

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

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by the Board of Directors on 25 SEP 2014

39 GENERAL

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

THE COMPANIES ORDINANCE, 1984

(Section 236 (1) and 464)

PATTERN OF SHAREHOLDINGS

1.	Incorporation Number	:	0004649
2.	Name of the Company	:	ELAHI COTTON MILLS LIMITED
3.	Pattern of holding of the shares held by the shareholders as at	:	June 30, 2014

4.	NO. OF SHARE HOLDERS	SHAREHOLDING From	To	TOTAL SHARES HELD
	33	1	100	960
	29	101	500	12,706
	35	501	1,000	23,242
	18	1,001	5,000	28,050
	1	5,001	10,000	5,500
	1	15,001	20,000	19,244
	1	20,001	25,000	21,030
	1	45,001	50,000	48,000
	1	70,001	75,000	73,500
	1	150,001	155,000	152,743
	1	195,001	200,000	199,625
	1	200,001	205,000	200,200
	1	515,001	520,000	515,200
	124			1,300,000

Note: The slabs not applicable have not been shown.

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

6.	Signature of Chief Executive	Mahfooz Elahi
7.	Name of signatory	Mr. Mahfooz Elahi
8.	Designation	Chief Executive
9.	NIC Number	61101-1999527-5

10. Date — Day: 2 5 Month: 0 9 Year: 2 0 1 4

CATEGORIES OF SHARE HOLDING AS ON JUNE 30, 2014

As per requirements of Code of Corporate Governance

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

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

S.No.	Name	Sale	Purchase
1.	Sheikh Farrukh Ahmed		2,500
2.	Mr. Naveed Akhter Idrees		2,500
3.	Syed Muhammad Raunaq ud din		2,500
4.	Mr. Murtaza Wahab		500