ANNUAL REPORT

For The Year Ended June 30, 2014

NAGINA GROUP

PROSPERITY WEAVING MILLS LTD.

An ISO 9001 : 2008 Certified Company

بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
	Mr. Hasan Ahmed	Independent Non Executive Director
	Mr. Javaid Bashir Sheikh	Non-Executive Director
	Mr. Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shafqat Ellahi Shaikh	Non-Executive Director
	Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director
	Mr. Shaukat Ellahi Shaikh	Executive Director
	Mr. Shahzada Sultan Mubashir	Executive Director
MANAGING DIRECTOR (Chief Executive)	Mr. Shaukat Ellahi Shaikh	
AUDIT COMMITTEE	Mr. Hasan Ahmed	Chairman
	Mr. Shaikh Enam Ellahi	Member
	Mr. Haroon Shahzada Ellahi Shaikh	Member
	Mr. Shahzada Sultan Mubashir	Secretary
HUMAN RESOURCE & REMUNERATION (HR & R) COMMITTEE	Mr. Haroon Shahzada Ellahi Shaikh	Chairman
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Shahzada Sultan Mubashir	Member
	Mr. Muhammad Azam	Secretary
EXECUTIVE COMMITTEE	Mr. Shaikh Enam Ellahi	Chairman
	Mr. Shahzada Ellahi Shaikh	Member
	Mr. Shaukat Ellahi Shaikh	Member
	Mr. Shafqat Ellahi Shaikh	Member
	Mr. Muhammad Azam	Secretary
CORPORATE SECRETARY	Mr. Shahzada Sultan Mubashir	
CHIEF FINANCIAL OFFICER (CFO)	Mr. Muhammad Tariq Sheikh	
AUDITORS	Messrs M. Yousuf Adil Saleem & Co. Chartered Accountants	
CORPORATE ADVISORS	Bandial & Associates	
LEAD BANKERS	Albaraka Bank (Pakistan) Ltd. Allied Bank Ltd. Askari Bank Ltd. Bank Alfalah Ltd. Faysal Bank Ltd. Habib Bank Ltd. HSBC Bank Middle East Ltd. MCB Bank Ltd. National Bank of Pakistan Samba Bank Ltd. Standard Chartered Bank (Pakistan) Ltd. The Bank of Punjab United Bank Ltd.	
REGISTERED OFFICE	Nagina House 91-B-1, M.M. Alam Road Gulberg-III, Lahore-54660	
WEB REFERENCE	www.nagina.com	
SHARE REGISTRAR	M/s Hameed Majeed Associates (Pvt.) Ltd. 1st Floor, H.M. House 7-Bank Square, Lahore Phone # 042-37235081-2 Fax # 042-37358817	
MILLS	13.5 K.M Sheikhupura Sharaqpur Road Sheikhupura	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Monday, October 27, 2014 at 11:00 a.m. to transact the following business:-

A. Ordinary Business

1) To confirm minutes of the Extraordinary General Meeting held on January 25, 2014.

2) To receive and adopt Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and Auditors' reports thereon.

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

4) To appoint Auditors and fix their remuneration.

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

B. Special Business

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

"RESOLVED THAT pursuant to the requirements of Section 208 of the Companies Ordinance, 1984, Prosperity Weaving Mills Ltd. ("the Company") be and is hereby authorized to extend a loan as running finance facility of up to PKR 75,000,000 (Rupees Seventy Five Million Only) to each of the following Associated Companies (a) Ellcot Spinning Mills Ltd, (b) Nagina Cotton Mills Ltd, as and when required by these Associated Companies, provided that the return on such running finance shall not be less than the average borrowing cost of the Company and that such loan shall be for a period of one year renewable by the members of the Company;

FURTHER RESOLVED THAT the Chief Executive Officer and / or Corporate Secretary of the Company be and are hereby singly authorized to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, matters, deeds and things as may be necessary for the purpose of giving effect to the spirit and intent of the Special Resolution."

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

By Order of the Board

Shahzada Sultan Mubashir
Corporate Secretary

Lahore: September 25, 2014

NOTES:

1) The share transfer books for ordinary shares of the Company will be closed from Tuesday, October 21, 2014 to Monday, October 27, 2014 (both days inclusive). Valid transfer(s) received in order by our Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited, 1st Floor, H.M. House, 7-Bank Square, Lahore by the close of business on Monday, October 20, 2014 will be in time to be passed for payment of dividend to the transferee(s).

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

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

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

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

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

7) The financial statements for the year ended June 30, 2014 shall be uploaded on the Company's website on or before October 7, 2014.

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

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

10) IMPORTANT:

a) Pursuant to the Finance Act 2014, all individuals/ companies/association of persons whose CNIC/NTN is **NOT** included in the **"List of FILERS"** available at Federal Board of Revenue's website (http://www.fbr.gov.pk) are liable to deduction of tax at source at higher rate (@15%) on dividend.

b) Shareholders are requested to provide CNIC/NTN, e-Dividend information and change of address to (i) respective Central Depository System (CDS) Participant and (ii) in case of physical securities to the Company's Share Registrar M/s. Hameed Majeed Associates (Pvt.) Ltd.1st Floor, H.M. House, 7-Bank Square, Lahore.

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

<table>
<tr><th>Ref. #</th><th>Requirement</th><th>Information</th></tr>
<tr><td>i.</td><td>Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established.</td><td>a) M/s. Ellcot Spinning Mills Ltd., (ESML) due to common directorship by the following directors:
1. Mr. Shaikh Enam Ellahi
2. Mr. Shahzada Ellahi Shaikh
3. Mr. Shaukat Ellahi Shaikh
4. Mr. Shafqat Ellahi Shaikh

b) M/s. Nagina Cotton Mills Ltd., (NCML) due to common directorship by the following directors:
1. Mr. Shaikh Enam Ellahi
2. Mr. Shahzada Ellahi Shaikh
3. Mr. Shaukat Ellahi Shaikh
4. Mr. Shafqat Ellahi Shaikh
5. Mr. Shahzada Sultan Mubashir
6. Mr. Javaid Bashir Sheikh</td></tr>
<tr><td>ii.</td><td>Amount of loans or advances.</td><td>Rs.75.00 million as a running finance facility in each of the Associated Company mentioned above.</td></tr>
<tr><td>iii.</td><td>Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances.</td><td>To provide an option to the Associated Companies to avail finance as and when required and to park any surplus funds with the Associated Companies to earn a return over and above offered in the market.</td></tr>
<tr><td>iv.</td><td>In case of any loan has already been granted to the said associated company or associated undertakings, the complete details thereof.</td><td>None</td></tr>
<tr><td>v.</td><td>Financial position including main items of balance sheet and profit and loss account of the associated company(s) or associated undertaking(s) on the basis of its latest financial statements for the year ended June 30, 2014.</td><td><table>
<tr><th></th><th><u>NCML</u></th><th><u>ESML</u></th></tr>
<tr><td></td><td colspan="2">Rupees in millions</td></tr>
<tr><td>Paid Up Capital</td><td>187.000</td><td>109.500</td></tr>
<tr><td>Non-Current Liabilities</td><td>486.102</td><td>452.532</td></tr>
<tr><td>Current Liabilities</td><td>554.740</td><td>506.375</td></tr>
<tr><td>Non-Current Assets</td><td>1,104.687</td><td>1,018.613</td></tr>
<tr><td>Current Assets</td><td>1,778.967</td><td>1,338.342</td></tr>
<tr><td>Sales</td><td>4,569.161</td><td>5,709.484</td></tr>
<tr><td>Gross Profit</td><td>566.856</td><td>552.520</td></tr>
<tr><td>Finance Cost</td><td>89.748</td><td>83.975</td></tr>
<tr><td>Profit After Tax</td><td>253.833</td><td>255.903</td></tr>
</table></td></tr>
<tr><td>vi.</td><td>Average borrowing cost of the investing company.</td><td>9.28% for the year ended June 30, 2014.</td></tr>
</table>

Ref. #	Requirement	Information
vii.	Rate of interest, mark-up profit, fees or commission etc., to be charged.	**Not less than Average Borrowing cost of the Company to be decided by Chief Executive (Mg. Director).**
viii.	Sources of funds from where loans or advances will be given.	**Surplus Funds of the Company**
ix.	Where loans or advances are being granted using borrowed funds:- (I) Justification for granting loan or advance out of borrowed funds; (II) Detail of guarantees/ assets pledged for obtaining such funds, if any; (III) Repayment schedules of borrowing of the investing company.	**Not applicable.**
x.	Particulars of collateral security to be obtained against loa n to the borrowing company or undertaking, if any.	**No Security to be obtained as all Companies are under common management.**
xi.	If the loans or advances carry conversion feature.	**Not applicable**
xii.	Repayment schedule and terms of loans or advances to be given to the investee company.	**This is running finance for the period of one year and will be renewed with approval of members.**
xiii.	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed investment.	**Agreement will be executed by CEO before extending the loan on the basis of the terms and conditions as approved by the shareholders.**
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	**The Directors of the Company are interested in the business to the extent of their shareholding of the aforesaid Associated Companies.**
xv.	Any other important details necessary for the members to understand the transaction.	**None**

Ref. #	Requirement	Information
xvi.	In case of Investment in a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information is required, namely:- (I) a description of the project and its history since conceptualization; (II) starting date and expected date of completion; (III) time by which such project shall become commercially operational; (IV) expected return on total capital employed in the project; and (V) funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts;	**Not applicable**

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

Nagina Cotton Mills Ltd.	Ellcot Spinning Mills Ltd.
1. Mr. Shaikh Enam Ellahi 2. Mr. Shahzada Ellahi Shaikh 3. Mr. Shaukat Ellahi Shaikh 4. Mr. Shafqat Ellahi Shaikh 5. Mr. Shahzada Sultan Mubashir 6. Mr. Javaid Bashir Sheikh	1. Mr. Shaikh Enam Ellahi 2. Mr. Shahzada Ellahi Shaikh 3. Mr. Shaukat Ellahi Shaikh 4. Mr. Shafqat Ellahi Shaikh

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

Members had approved a special resolution u/s 208 of the Companies Ordinance, 1984 on October 26, 2009. The Company has not made any investment under the resolution. The following is the status:

a. Total investment approved	Rs. 75,000,000/= (Rupees seventy five million only) to each of the following Associated Company: i) Nagina Cotton Mills Ltd. (NCML) ii) Ellcot Spinning Mills Ltd. (ESML)
b. Amount of investment made to date:	Nil
c. Reason for not having made complete investment so far where resolution required it to be implemented in specified time.	Due to better cash flows, the Associated Companies did not need funds envisaged u/s 208 of the Companies Ordinance, 1984. Therefore, no investment transaction took place during the year 2013-14.
d. Material change in Financial Statements of Associated Company or Associated Undertaking since date of the resolution passed for approval of investment in such Company.	See table below

	Present Financial Position as on June 30, 2014		Financial Position at the time of Approval as on June 30, 2009	
	NCML	ESML	NCML	ESML
	Rupees in Millions			
Net sales	4,569.161	5,709.484	2,158.571	2,441.020
Gross Profit	566.856	552.520	216.856	273.099
Profit before tax	270.460	319.767	14.650	5.254
Profit after tax	253.833	255.903	7.576	0.997

Vision:

To be the market leader by being the best and providing the best.

Mission:

Being one of the leading manufacturers of high quality greige fabric for apparel and home furnishing, we are committed to high quality product and customer satisfaction.

Our mission is to continually improve our products and services for our worldwide customers and to provide a better return to our shareholders.

We believe in keeping our production facilities equipped with the modern technologies by continuous upgrading to be competitive in the markets.

We strive towards building long-term and better relationship with our suppliers.

We care for our employees by providing them a healthy and safe working environment and opportunity for growth through learning and experience.

We do have a social responsibility towards our community in which we operate and we are committed to safety, health and environment in all our operations.

Certificate of Registration

Intertek

MOODY INTERNATIONAL

This is to certify that the Quality Management System of

PROSPERITY WEAVING MILLS LIMITED

Head Office:91-B-1,Magina House M. M ALAM ROAD, GULBERG III, LAHORE
Factory:13.5 KM Sheikhupura Sharaqpure Road, Sheikhupura, Pakistan

has been assessed and registered as conforming to the requirements of

ISO 9001: 2008

The Quality Management System is applicable to

MANUFACTURER AND EXPORTER OF FABRICS

Certificate Number:	2141
Initial Certification Date:	16 November 2012
Certificate Expiry Date:	15 November 2015

UKAS MANAGEMENT SYSTEMS

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Calin Moldovean, President
Moody International Certification Ltd T/A Intertek – Merlin House, Stanier Way, Wyvern Business Park, Derby DE21 6BF, United Kingdom
Moody International Certification Ltd (T/A Intertek) is a UKAS accredited body under schedule of accreditation no. 014.

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

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU809299GOTS-01.2014
REGISTRATION No: CU 809299

Control Union Certifications declares that

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

has been inspected and assessed according to the
Global Organic Textile Standard (GOTS-NL)
Version 3.0

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

Processing steps / activities carried out under responsibility of the above mentioned company (by the operaions as detailed in the annex) for certified products
Exporting, Importing, Spinning, Weaving

This certificate is Valid until: 21 January 2015

Place and date of issue:
Colombo-07, 23 April 2014

Stamp of the issuing body

Standard's Logo

Name of authorised person

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

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

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

CERTIFICATE OF COMPLIANCE

(Scope Certificate)

CERTIFICATE No: CU809299OCS-01.2014
REGISTRATION No: CU 809299

Control Union Certifications declares that

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

has been inspected and assessed according to the
Organic Content Standard (OCS)
Version 1.0
Organic Content Standard 100
Organic Content Standard Blended

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

Processing steps / activities carried out under responsibility of the above mentioned company (by the operaions as detailed in the annex) for certified products
Exporting, Importing, Spinning, Weaving

This certificate is Valid until 23 January 2015

Place and date of issue:
Colombo-07, 22 April 2014

Stamp of the issuing body

Standard's Logo

Name of authorised person

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

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

DIRECTORS' REPORT TO THE MEMBERS

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

The Directors have the honour to present 23rd Annual Report of your Company together with Audited Financial Statements and Auditors' Report thereon for the year ended June 30, 2014. Figures for the previous year ended June 30, 2013 are included for comparison.

Company Performance

Alhamdulillah, despite challenging environment, the Company has been able to report profits for the year and earned after tax profit of Rs. 182,197,111 or 2.87% of sales compared to Rs. 344,776,376 (restated) or 5.22% of sales for the previous year. Earnings Per Share (EPS), for the year under review is Rs. 9.86 compared to Rs.18.66 (restated) during the previous year.

During the year under review due to sluggish demand both from local and international markets and revaluation of PKR vs US$, Sales suffered and stood at Rs.6,346,900,609 compared to Rs.6,600,175,345 during the previous year. Company earned a gross profit for the year of Rs.480,480,408 (7.57% of sales) compared to Rs.668,705,960 (restated) (10.13% of sales) for previous year. Increase in yarn prices coupled with rise in energy costs and wages, resulted in fall in profits.

Distribution cost for the year decreased by 10.37% over the previous year. The management through effective negotiations was able to reduce the commission and brokerage expenses. Administrative expenses increased due to increase in staff salaries and other inflationary impact. Other operating expenses decreased compared to previous year mainly due to reduction in the provisions for Workers' Profit Participation Fund and Workers' welfare Fund in line with reduction in profitability for the current year.

The Company has been able to generate stable cash flows and discharged all its operating and financial liabilities in time. The Company was able to curtail finance cost from 1.26% of sales to 0.95% of sales over the previous year. Finance cost has decreased mainly due to repayments of existing long-term loans and efficient working capital management.

Capital Assets Investment

During the year your Company invested Rs. 98,062,073 in the Expansion, Balancing, Modernization, Replacement (BMR) of building, plant and machinery and other assets. This was done to enhance and improve the production capacity of the plant and machineries to cater both domestic and International markets.

Dividend

The Directors have pleasure to recommend payment of cash dividend @ 50% i.e. Rs. 5/= per ordinary share. The dividend will amount to Rs. 92,400,000/=.

Future Prospects and Outlook

Demand for greige fabric has declined and unit prices are falling. This trend reflects the sharp fall in international raw cotton prices. Customers are reducing stocks of textile products in order to protect themselves from stock losses. However, recent statistics has shown encouraging increase in exports of value added textiles from Pakistan. GSP related incentives from Europe for Pakistani Textiles are likely to maintain the trend of rising exports of value added textiles from Pakistan. It is hoped that as a supply chain partner of the value added textiles, our Company will benefit during the financial year. Pakistani Rupee has devalued against US$ since the start of this financial year. It is hoped that the Company will benefit due to these developments. In order to tap the future growth management had decided to add 84 Air Jet Looms along with necessary back process machines and civil works which shall help the Company to diversify its product range and take benefits of economies of scale to get competitive advantage over its competitors. 48 out of 84 looms have started production from August, 2014. The balance 36 looms are expected to start production by end of December, 2014.

Ever-increasing energy costs, load shedding of gas and electricity supply and sudden appreciation in Pakistani Rupee versus US Dollar has reduced the margin in weaving business. Wages and salaries are rising continuously. In future Company's ability to produce better results are dependent on uninterrupted gas and electricity supply, continued demand for fabric from both local and International markets, stability in yarn prices, single digit inflation and controlled law and order situation in the country.

The Board of Directors is cognizant of these facts and strives to take all necessary steps to protect the interests of the Company.

ISO 9001: 2008 Certification

The Company continues to operate at high standards of quality and had obtained latest version of certification for the period from November 16, 2012 to November 15, 2015. The quality control certification helps to build up trust of new and old customers.

Corporate Social Responsibility (CSR)

The Company strongly believes in the integration of Corporate Social Responsibility into its business, and has consistently worked for the uplift of communities that are influenced directly or indirectly by our business. In line with our CSR policy, management helped in developing a school in the factory site to impart preliminary level education for children of factory workers as well as for the nearby community.

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

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

Corporate Governance & Financial Reporting Framework

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

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

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

iii) Appropriate accounting policies have been consistently applied, except as disclosed in the financial statements, in the preparation of financial statements and accounting estimates are based upon reasonable and prudent judgment.

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

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

vi) There are no doubts upon the Company's ability to continue as a going concern.

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

viii) There are no statutory payments on account of taxes, duties, levies and charges that are outstanding as on June 30, 2014 except for those disclosed in the financial statements.

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

x) During 2013-2014, no trade in the shares of the Company carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Related Parties

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

Financial Statements Audit

Financial statements of the Company have been audited without any qualification by Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, the statutory external auditors of the Company.

Shareholding Pattern

The shareholding pattern as at June 30, 2014 including the information under the Code of Corporate Governance, for ordinary shares, is annexed.

Notice u/s 218 of the Companies Ordinance, 1984

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

Committees of the Board

The Board of Directors of the Company in compliance with the Code of Corporate Governance and Articles of Association of the Company has established following Committees. The names of the members of the Committees are given in the Company information.

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

Board and Committee Changes

During the financial year 2013-14, election of Directors was held on January 25, 2014. All the retiring Directors consented for re-election and were re-elected. In addition Mr. Haroon Shahzada Ellahi Shaikh has also been elected as a Non-Executive Director, making total number of Directors as 8 (2013: 7).

After election of Directors, newly elected Board, reconstituted Audit Committee and Human Resource and Remuneration (HR & R) Committee by appointing the following Directors:

Sr.No.	Audit Committee	Status	Designation
1.	Mr. Hasan Ahmed	Independent Non-Executive Director	Chairman
2.	Mr. Shaikh Enam Ellahi	Non-Executive Director	Member
3.	Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director	Member

Sr.No.	HR &R Committee	Status	Designation
1.	Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director	Chairman
2.	Mr. Shafqat Ellahi Shaikh	Non-Executive Director	Member
3.	Mr. Shahzada Sultan Mubashir	Executive Director & Company Secretary	Member

Board of Directors' Meetings

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

Sr No.	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	4
2	Mr. Javaid Bashir Sheikh	4
3	Mr. Shahzada Ellahi Shaikh	3
4	Mr. Shaukat Ellahi Shaikh	4
5	Mr. Shafqat Ellahi Shaikh	2
6	Mr. Shahzada Sultan Mubashir	4
7	Mr. Hasan Ahmed	4
8	Mr. Haroon Shahzada Ellahi Shaikh	1

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Audit Committee Meetings

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

Sr No.	Name of Director	Attendance
1	Mr. Hasan Ahmed	2
2	Mr. Shaikh Enam Ellahi	5
3	Mr. Haroon Shahzada Ellahi Shaikh	2
4	Mr. Shafqat Ellahi Shaikh*	3
5	Mr. Shahzada Ellahi Shaikh*	3

*Ceased to be member w.e.f. January 28, 2014.

Executive Committee Meetings

During the year, eight (8) meetings of Executive Committee of the Board were held. Attendance by each Director is as follows:

Sr No.	Name of Director	Attendance
1	Mr. Shaikh Enam Ellahi	8
2	Mr. Shahzada Ellahi Shaikh	8
3	Mr. Shaukat Ellahi Shaikh	8
4	Mr. Shafqat Ellahi Shaikh	7

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

Human Resource and Remuneration (HR&R) Committee Meetings

During the year, two (2) meetings of HR & R Committee of the Board were held. Attendance by each Director is as follows:

Sr No.	Name of Director	Attendance
1	Mr. Haroon Shahzada Ellahi Shaikh	1
2	Mr. Shafqat Ellahi Shaikh	2
3	Mr. Shahzada Ellahi Shaikh*	1
4	Mr. Shahzada Sultan Mubashir	2

*Ceased to be member w.e.f. January 28, 2014.

Director's Training Program

The Company has complied with the requirements of clause (xi) of the Code of Corporate Governance. Following Directors of the Company have taken certification of the Director's Training Program during the year.

Sr No.	Name of Director
1	Mr. Shaukat Ellahi Shaikh
2	Mr. Haroon Shahzada Ellahi Shaikh

Appointment of Auditors

The Audit Committee has recommended for re-appointment of present Auditors, Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, Multan. They are due to retire and being eligible, offer themselves for re-appointment as Auditors for the year 2014-15.

Acknowledgment

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

On behalf of the Board

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

Lahore: September 25, 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi & Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Board of Directors of the Prosperity Weaving Mills Ltd., has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

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

Mr. Shaikh Enam Ellahi	Non-Executive Director / Chairman
Mr. Hasan Ahmed	Independent Non-Executive Director
Mr. Javaid Bashir Sheikh	Non-Executive Director
Mr. Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shafqat Ellahi Shaikh	Non-Executive Director
Mr. Haroon Shahzada Ellahi Shaikh	Non-Executive Director
Mr. Shaukat Ellahi Shaikh	Executive Director
Mr. Shahzada Sultan Mubashir	Executive Director

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

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

5. No casual vacancy occurred on the Board during the year 2013-14.

6. The Company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

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

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

10. Requirement under Listing Regulation No. 35 (xi) has been complied with.

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

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

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

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

15. The Company has complied with all the corporate and financial reporting requirements of the CCG.

16. The Board has formed an Audit Committee. It comprises three members, all members are Non-Executive Directors.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has formed a Human Resource and Remuneration Committee. It comprises three members, of whom two are Non-Executive Directors including the Chairman.

19. The Board has formed an Executive Committee comprising four Directors to meet and take decisions on behalf of Board in the absence of full Board. The minutes of the meetings are properly maintained.

20. The Board has set up an effective internal audit function.

21. 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.

22. 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.

23. 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).

24. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.

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

26. We confirm that all other material principles enshrined in the CCG have been complied with. However, the mechanism is in process for the development of an annual evaluation of the Board's own performance.

On behalf of the Board

Shaukat Ellahi Shaikh

Lahore: September 25, 2014

Mg. Director (Chief Executive)

SHAREHOLDERS' INFORMATION

Annual General Meeting

23rd Annual General Meeting of PROSPERITY WEAVING MILLS LTD. will be held at the Registered Office of the Company, Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660 on Monday, October 27, 2014 at 11:00 a.m.

Eligible shareholders are encouraged to participate and vote.

Ownership

On June 30, 2014, the Company has 669 Shareholders.

Web Reference

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

Dividend

The Board of Directors have recommended in their meeting held on September 25, 2014, payment of final cash dividend at the rate of Rs. 5/= per share i.e. 50% for the year ended June 30, 2014.

Dividend Mandate (Optional)

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

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

Detail of Bank Mandate	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Branch Code	
Cell Number of Shareholder / Transferee	
Landline Number of Shareholder / Transferee, if any	

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

____

Signature of the Shareholder

An awareness session shall be conducted in AGM to inform shareholders about the e-Dividend mechanism and its benefits.

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

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

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

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

M/s Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House,
7-Bank Square,
Lahore
Ph # (+92-42) 37235081-82
Fax # (+92-42) 37358817

Kindly note that in case of non compliance of the submission of CNIC, the Company shall be constrained to withhold the dispatch of dividend warrant in future.

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

Pursuant to the provisions of the Finance Act, 2014 with effect from July 1, 2014, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

(a) Rate of tax deduction for filer of income tax returns @10%
(b) Rate of tax deduction for non-filer of income tax returns @15%

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

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

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

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

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

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

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

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

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

____
Signature of the Shareholder.

Please send the above request form at the following address:

The Secretary,
Prosperity Weaving Mills Ltd., Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore-54660.
e-mail address: mubashir.sultan@nagina.com
or
M/s. Hameed Majeed Associates (Pvt.) Ltd.
1st Floor, H.M. House, 7-Bank Square, Lahore.
e-mail address: shares@hmaconsultants.com

Investor Relations Contact

Mr. Shahzada Sultan Mubashir, Corporate Secretary
Email: mubashir.sultan@nagina.com, Ph # (+92-42) 35756270, Fax: (+92-42) 35711856

Delivery of the Unclaimed / Undelivered Shares

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

To: All members of the Company

NOTICE UNDER SECTION 218 OF THE COMPANIES ORDINANCE, 1984

In pursuance of Section 218 of the Companies Ordinance, 1984, the members of the Company are hereby informed that upon recommendation of Human Resource and Remuneration (HR&R) Committee, Board of Directors in their meeting held on September 25, 2014 has approved the increase in remuneration of Mr. Shahzada Ellahi Shaikh effective from July 1, 2014 as under:

Remuneration of Mr. Shahzada Ellahi Shaikh, being Director and providing assistance to Chairman of the Board.

Description	Present Remuneration	Remuneration After Increase
Remuneration	Rs. 357,500/= per month inclusive of 10% medical allowance.	**Rs. 393,250/= per month inclusive of 10% medical allowance.**
Other Benefits		
Transport	Two company maintained cars with drivers	**No Change**
Utilities	Actual cost of utilities, i.e. gas, electricity and water at his residence and telecommunication facilities	**No Change**
Leave Fare Assistance (LFA)	Leave passage for self and family.	**No Change**

Lahore: September 25, 2014

Shahzada Sultan Mubashir
Corporate Secretary

NAGINA
NAGINA GROUP

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2014
CUIN (INCORPORATION NUMBER) 0025740

No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
214	1	100	4,210
153	101	500	49,351
87	501	1,000	80,702
129	1,001	5,000	345,964
37	5,001	10,000	286,746
15	10,001	15,000	189,017
3	15,001	20,000	55,515
5	20,001	25,000	115,078
5	25,001	30,000	135,895
1	30,001	35,000	31,000
1	35,001	40,000	37,500
2	40,001	45,000	85,043
-	45,001	50,000	-
6	50,001	55,000	309,626
1	55,001	60,000	56,500
1	60,001	65,000	65,000
-	65,001	80,000	-
1	80,001	85,000	84,591
-	85,001	95,000	-
1	95,001	100,000	100,000
-	100,001	270,000	-
1	270,001	275,000	272,537
-	275,001	350,000	-
1	350,001	355,000	352,000
-	355,001	1,675,000	-
1	1,675,001	1,680,000	1,678,242
-	1,680,001	3,425,000	-
2	3,425,001	3,430,000	6,858,624
-	3,430,001	3,445,000	-
1	3,445,001	3,450,000	3,447,800
-	3,450,001	3,745,000	-
1	3,745,001	3,750,000	3,747,415
			91,644
669	**Total:-**		**18,480,000**

Categories of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer, and their Spouse and Minor Children.	10,609,063	57.41
Associated Companies, Undertakings and Related Parties	5,579,283	30.19
NIT and ICP	70	0.00
Banks, Development Finance Institutions, Non Banking Finance Institutions.	3,801	0.02
Insurance Companies	Nil	Nil
Modarabas and Mutual Funds	84,591	0.46
Shareholders Holding 10% or more	14,053,839	76.05
General Public		
a. Local	1,845,077	9.98
b. Foreign	253	0.00
Others (Joint Stock Companies etc.)	357,862	1.94

Note:-

M/s. Nagina Cotton Mills Ltd., had distributed 8,415,000 ordinary shares of M/s. Prosperity Weaving Mills Ltd., among its members, out of which 91,644 ordinary shares have yet to be transferred by the members of M/s. Nagina Cotton Mills Ltd., These shares have been shown under the head of "General Public".

NAGINA
NAGINA GROUP

INFORMATION UNDER CLAUSE XVI (J) OF THE CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2014

S #		Name	Shares Held	Percentage
1)		***Associated Companies, Undertaking and Related Parties***		
	i)	ELLAHI INTERNATIONAL (PVT) LTD.	3,747,415	20.28
	ii)	ARH (PVT) LTD.	1,678,242	9.08
	iii)	HAROON OMER (PVT) LTD.	50,857	0.27
	iv)	MONELL (PVT) LTD.	51,907	0.28
	v)	ICARO (PVT) LTD.	50,862	0.28
			5,579,283	**30.19**
2)		***Mutual Funds***		
	i)	GOLDEN ARROW SELECTED STOCKS FUND	**84,591**	**0.46**
3)		***Directors, Chief Executive Officer and their Spouse and Minor Children***		
	i)	MR. SHAIKH ENAM ELLAHI	272,537	1.47
	ii)	MR. SHAHZADA ELLAHI SHAIKH	3,429,374	18.56
	iii)	MR. SHAUKAT ELLAHI SHAIKH	3,447,800	18.66
	iv)	MR. SHAFQAT ELLAHI SHAIKH	3,429,250	18.56
	v)	MRS. HUMAIRA SHAHZADA ELLAHI SHAIKH	2,934	0.02
	vi)	MRS. MONA SHAUKAT SHAIKH	2,934	0.02
	vii)	MRS. SHAISTA SHAFQAT SHAIKH	2,934	0.02
	viii)	MR. HAROON SHAHZADA ELLAHI SHAIKH	500	-
	ix)	MR. JAVAID BASHIR SHEIKH	500	-
	x)	MRS. MEHREEN SAADAT	19,300	0.10
	xi)	MR. HASAN AHMED	500	-
	xii)	MR. SHAHZADA SULTAN MUBASHIR	500	-
			10,609,063	**57.41**
4)		***Executives***	**412**	**-**
5)		***Public Sector Companies and Corporations***	**352,070**	**1.91**
6)		***Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Takaful, Modarabas and Pension Funds.***	**3,801**	**0.02**
7)		***Shareholders Holding Five Percent or More Voting Rights***		
	i)	ARH (PVT) LTD.	1,678,242	9.08
	ii)	MR. SHAFQAT ELLAHI SHAIKH	3,429,250	18.56
	iii)	MR. SHAHZADA ELLAHI SHAIKH	3,429,374	18.56
	iv)	MR. SHAUKAT ELLAHI SHAIKH	3,447,800	18.66
	v)	ELLAHI INTERNATIONAL (PVT) LTD.	3,747,415	20.28

KEY FINANCIAL INFORMATION

		YEAR ENDED 30TH JUNE					
		2014	2013 (restated)	2012	2011	2010	2009
Sales	Rs.'000	6,346,901	6,600,175	5,382,234	5,952,133	4,070,195	3,634,559
Gross profit	Rs.'000	480,480	668,706	374,694	483,539	399,270	368,861
Operating profit	Rs.'000	303,430	480,814	215,237	319,500	292,938	242,524
Profit / (loss) before tax	Rs.'000	242,894	397,872	108,170	201,098	176,388	108,120
Profit / (loss) after tax	Rs.'000	182,197	344,776	77,524	138,606	127,321	83,902
Share capital - paid up	Rs.'000	184,800	184,800	184,800	184,800	184,800	184,800
Shareholders' equity	Rs.'000	925,896	857,200	560,827	547,983	464,817	374,456
Total assets	Rs.'000	2,299,075	1,773,559	1,651,554	1,575,976	1,513,769	1,547,802
Earning per share - pre tax	Rs.	13.14	21.53	5.85	10.88	9.54	5.85
Earnings per share - after tax	Rs.	9.86	18.66	4.20	7.50	6.89	4.54
Dividend per share	Rs.	5.00	6.00	2.50	3.50	3.00	2.00
Market value per share as on 30 June	Rs.	41.00	31.00	9.37	14.05	16.89	6.00
Gross profit to sales	%	7.57	10.13	6.96	8.12	9.81	10.15
Operating profit to sales	%	4.78	7.28	4.00	5.37	7.20	6.67
Profit / (loss) before tax to sales	%	3.83	6.03	2.01	3.38	4.33	2.97
Profit / (loss) after tax to sales	%	2.87	5.22	1.44	2.33	3.13	2.31
Current ratio		1.40:1	1.55:1	1.05:1	1.42:1	1.33:1	1.61:1
Total debt ratio to total asset ratio	%	58.11	49.57	63.79	62.87	66.84	73.40
Debt equity ratio	%	42.70	25.01	41.87	53.87	61.27	70.82

Deloitte.

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Prosperity Weaving Mills Limited**, for the year ended June 30, 2014, to comply with the requirement of Listing Regulations of the Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related part transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2014.

Deloitte.

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Further, we highlight that instance as reflected in paragraph 26 of the Statement of Compliance where it is stated that mechanism for annual evaluation of the Board's own performance is in process.

M. Yousuf Adil Saleem

Chartered Accountants

Engagement Partner: Talat Javed

Multan
Dated: September 25, 2014

Deloitte.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Prosperity Weaving Mills Limited** (the Company) as at June 30, 2014 and the related profit and loss account, 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account 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 except for the change as mentioned in note 4 to the financial statements with which we concur;

(ii) the expenditure incurred during the year was for the purpose of 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, cash flow statement and statement of changes in equity together with the notes forming parts thereof conform with the 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 cash flows and changes in equity for the year then ended; and

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

M. Yousuf Adil Saleem

Chartered Accountants

Engagement Partner:
Talat Javed

September 25, 2014
Multan

BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
20,000,000 (2013: 20,000,000) ordinary shares of Rs. 10 each		**200,000,000**	200,000,000
Issued, subscribed and paid up capital	5	**184,800,000**	184,800,000
Capital reserve	6	**16,600,000**	16,600,000
Accumulated profit		**724,496,345**	655,800,247
Total equity		**925,896,345**	857,200,247
SURPLUS ON REVALUATION OF LAND	7	**37,182,634**	37,182,634
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term finances	8	**628,484,046**	214,100,319
Employees retirement benefits	9	**51,444,502**	39,000,140
Deferred taxation	10	**23,277,589**	23,798,161
		703,206,137	276,898,620
CURRENT LIABILITIES			
Trade and other payables	11	**221,967,280**	201,679,943
Accrued interest / mark-up	12	**14,509,830**	12,276,384
Short term borrowings	13	**307,204,833**	304,198,925
Current portion of long term finances	8	**89,108,234**	84,121,806
		632,790,177	602,277,058
TOTAL LIABILITIES		**1,335,996,314**	879,175,678
CONTINGENCIES AND COMMITMENTS	14		
TOTAL EQUITY AND LIABILITIES		**2,299,075,293**	1,773,558,559

The annexed notes from 1 to 44 form an integral part of these financial statements.

Shahzada Sultan Mubashir
Director

Lahore: September 25, 2014

BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	15	1,396,314,418	826,324,957
Long term deposits	16	15,039,000	15,039,000
CURRENT ASSETS			
Stores, spare parts and loose tools	17	53,614,902	38,885,526
Stock-in-trade	18	387,735,353	462,049,355
Trade debts	19	245,148,605	250,831,357
Advances	20	20,653,925	24,990,478
Short term prepayments	21	1,550,025	1,172,837
Other receivables	22	1,377,529	1,833,862
Sales tax refundable	23	111,380,286	54,598,739
Advance income tax	24	35,221,998	30,377,159
Cash and bank balances	25	31,039,252	67,455,289
		887,721,875	932,194,602
TOTAL ASSETS		2,299,075,293	1,773,558,559

The annexed notes from 1 to 44 form an integral part of these financial statements.

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
Sales - net	26	6,346,900,609	6,600,175,345
Cost of sales	27	(5,866,420,201)	(5,931,469,385)
Gross profit		480,480,408	668,705,960
Distribution cost	28	(93,678,354)	(104,517,907)
Administrative expenses	29	(66,514,106)	(52,022,320)
Other operating expenses	30	(19,746,430)	(33,108,138)
		(179,938,890)	(189,648,365)
		300,541,518	479,057,595
Other income	31	2,888,075	1,756,723
Operating profit		303,429,593	480,814,318
Finance cost	32	(60,535,847)	(82,942,473)
Profit before taxation		242,893,746	397,871,845
Provision for taxation	33	(60,696,635)	(53,095,469)
Profit after taxation		182,197,111	344,776,376
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement of post retirement benefits obligation		(2,832,240)	(2,400,194)
Related tax impact		211,227	197,219
Other comprehensive income		(2,621,013)	(2,202,975)
Total comprehensive income for the year		179,576,098	342,573,401
			(Restated)
Earnings per share - basic and diluted	34	9.86	18.66

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore: September 25, 2014

Shahzada Sultan Mubashir
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	**439,004,578**	490,081,226
Employee benefits paid		**(8,126,544)**	(5,749,507)
Finance cost paid		**(58,302,401)**	(91,925,025)
Income taxes paid		**(65,850,819)**	(77,038,482)
Net cash generated from operating activities		**306,724,814**	315,368,212
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(658,822,059)**	(51,613,392)
Purchase of intangible asset		**(4,402,443)**	-
Proceeds from disposal of property, plant and equipment		**7,863,183**	4,626,500
Purchase of short term investments		**(25,000,000)**	(65,000,000)
Proceeds from sale of short term investments		**25,070,331**	65,181,723
Long term deposits		**-**	176,150
Profit on deposits		**367**	20,130
Net cash used in investing activities		**(655,290,621)**	(46,608,889)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances obtained		**503,491,961**	50,000,000
Repayment of long term finances		**(84,121,806)**	(182,574,336)
Short term borrowings - net		**3,005,908**	(78,927,839)
Dividend paid		**(110,226,293)**	(45,931,164)
Net cash from / (used in) financing activities		**312,149,770**	(257,433,339)
Net (decrease) / increase in cash and cash equivalents		**(36,416,037)**	11,325,984
Cash and cash equivalents at beginning of the year		**67,455,289**	56,129,305
Cash and cash equivalents at end of the year		**31,039,252**	67,455,289

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore: September 25, 2014

Shahzada Sultan Mubashir
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Issued, subscribed and paid up capital	Capital reserve	Accumulated profit	Total
	------------------------------ Rupees			------------------------------
Balance at July 01, 2012	184,800,000	16,600,000	359,426,846	560,826,846
Comprehensive income				
Profit after taxation (restated)	-	-	344,776,376	344,776,376
Other comprehensive income - net of tax (restated)	-	-	(2,202,975)	(2,202,975)
Total comprehensive income for the year	-	-	342,573,401	342,573,401
Transactions with owners				
Final dividend @ 25% i.e. Rs. 2.50 per share	-	-	(46,200,000)	(46,200,000)
Balance at June 30, 2013	184,800,000	16,600,000	655,800,247	857,200,247
Comprehensive income				
Profit after taxation	-	-	182,197,111	182,197,111
Other comprehensive income - net of tax	-	-	(2,621,013)	(2,621,013)
Total comprehensive income for the year	-	-	179,576,098	179,576,098
Transactions with owners				
Final dividend @ 60% i.e. Rs. 6 per share	-	-	(110,880,000)	(110,880,000)
Balance at June 30, 2014	**184,800,000**	**16,600,000**	**724,496,345**	**925,896,345**

The annexed notes from 1 to 44 form an integral part of these financial statements.

Lahore: September 25, 2014

Shahzada Sultan Mubashir
Director

Shaukat Ellahi Shaikh
Mg. Director (Chief Executive)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND OPERATIONS

1.1 Prosperity Weaving Mills Limited ("the Company") was incorporated in Pakistan on November 20, 1991 as a public limited company under the Companies Ordinance, 1984. The registered office of the Company is situated at Nagina House, 91-B-1, M.M. Alam Road, Gulberg-III, Lahore. The Company is currently listed on Karachi Stock Exchange Limited and Lahore Stock Exchange Limited. The principal activity of the Company is manufacturing and sale of woven cloth. The Mill is located at District Sheikhupura in the Province of Punjab.

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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 (IASB) as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984 or the directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Companies Ordinance, 1984, and the said directives shall take precedence.

2.2 STANDARDS, INTERPRETATION AND AMENDMENT ADOPTED DURING THE YEAR

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 ***New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2014***

2.2.1.1 The following standards, amendments and interpretations are effective for the year ended June 30, 2014. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

- Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative Information	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	**Effective from accounting period beginning on or after January 01, 2013**

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	**Effective from accounting period beginning on or after January 01, 2013**

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	**Effective from accounting period beginning on or after January 01, 2013**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	**Effective from accounting period beginning on or after January 01, 2013**

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

2.2.1.2 The amendments to IAS 19 - Employee Benefits is effective from accounting period beginning on or after January 01, 2013 and have significant impact on the Company's financial statements for the year as discussed in the pursing paragraph. These changes are considered as change in policy.

IAS 19 - Employee Benefits (as revised in 2011)

In the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous versions of IAS 19 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net gratuity asset or liability recognised in the balance sheet to reflect the full value of plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to the first-time application of IAS 19 (as revised in 2011). The Company has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis.

The impact of amendments to "IAS 19 Employee Benefits" on the financial statements has been disclosed in note 4.

2.2.2 ***New accounting standards and IFRS interpretations that are not yet effective***

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 19 Employee Benefits: Employee contributions — **Effective from accounting period beginning on or after July 01, 2014**

This amendment clarifies the application of IAS 19, 'Employee benefits' (2011) – referred to as 'IAS 19R', to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities — **Effective from accounting period beginning on or after January 01, 2014**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

- IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets — **Effective from accounting period beginning on or after January 01, 2014**

The amendments:
- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and
- introduce additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting — **Effective from accounting period beginning on or after January 01, 2014**

The amendment allows the continuation of hedge accounting (under IAS 39 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditioned are met.

- IFRIC 21 - Levies — **Effective from accounting period beginning on or after January 01, 2014**

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

- IFRS 10 – Consolidated Financial Statements **Effective from accounting period beginning on or after January 01, 2015**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

- IFRS 11 – Joint Arrangements **Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control.

There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

- IFRS 12 – Disclosure of Interests in Other Entities **Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

- IFRS 13 – Fair Value Measurement **Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

- IAS 27 – Separate Financial Statements Effective from accounting period **Effective from accounting period beginning on or after January 01, 2015.**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

- IAS 28 – Investments in Associates and Joint Ventures (Revised 2011) — **Effective from accounting period beginning on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

2.2.3 ***Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:***

- IFRS 1 First Time Adoption of International Financial Reporting Standards
- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral accounts
- IFRS 15 Revenue from Contracts with Customers

2.3 SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with IFRS's requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, employee benefits, provision for doubtful receivables and taxation. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 ACCOUNTING CONVENTION

These financial statements have been prepared under historical cost convention modified by:
- revaluation of land;
- financial instruments at fair value; and
- recognition of certain employee retirement benefits at present value

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except freehold land and capital work-in-progress are stated at cost less accumulated depreciation and impairment in value, if any. Freehold land is stated at revalued amount. Capital work-in-progress and stores held for capital expenditure are stated at cost. Cost also includes borrowing cost; wherever applicable.

Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

When significant parts of an item of property, plant and equipment have different useful lives, they are recognized as separate items of property, plant and equipment.

Subsequent costs are recognized as part of asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit and loss account applying the reducing balance method over its estimated useful life at the rates specified in note 15.1 to the financial statements.

Depreciation on additions to property, plant and equipment is charged from the month in which property, plant and equipment is available for use while no depreciation is charged for the month in which property, plant and equipment is disposed off.

Exchange differences in respect of foreign currency loans obtained for acquisition of property, plant and equipment are recognized in the profit and loss account, as and when incurred.

Surplus arising on revaluation of property, plant and equipment is credited to surplus on revaluation of property, plant and equipment. The surplus on revaluation of property, plant and equipment to the extent of incremental depreciation charged on the related property, plant and equipment during the year is transferred by the Company to its accumulated profit.

Gain or loss on disposal of property, plant and equipment, if any, is recognized in the profit and loss account, as and when incurred.

All costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when these assets are available for use.

3.3 ASSETS SUBJECT TO FINANCE LEASE

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

3.4 INTANGIBLE ASSETS

Intangible assets except those under implementation are stated at cost less accumulated amortisation and impairment in value, if any. Intangible assets under implementation are carried at cost less impairment in value, if any.

Intangible assets are amortised over a period of three years using straight line method. Amortisation on additions during the year is charged from the month in which an asset is acquired or captalised.

All costs / expenditure connected with implementation of Intangible assets are collected in Intangible assets under implementation. These are transferred to specific assets as and when assets are available for intended use.

3.5 STORES, SPARE PARTS AND LOOSE TOOLS

These are valued at the cost, determined on moving average basis except fuel which is determined on FIFO basis less allowance for obsolete and slow moving items. Items in transit are valued at invoice values plus other charges incurred thereon.

3.6 STOCK-IN-TRADE

These are valued at the lower of cost and net realizable value. Cost is determined by applying the following basis:

Raw material	First in first out
Work-in-process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

Raw material in transit is stated at invoice value plus other charges paid thereon up to the balance sheet date.

Average manufacturing cost in relation to work-in-process and finished goods consists of direct material, labour and a proportion of manufacturing overheads based on normal capacity.

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

3.7 IMPAIRMENT

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the assets is increased to the revised recoverable amount but limited to the extent of carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversal of impairment loss is recognized as income.

3.8 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Financial instruments are initially recorded at fair value on the date a derivative contract is entered into and are re-measured to fair value at subsequent reporting dates.

The gain or loss relating to financial instruments is recognized immediately in the profit and loss account.

Particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

3.9 INVESTMENTS

At fair value through profit or loss

These include investments designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

3.10 IMPAIRMENT OF FINANCIAL ASSETS

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

3.11 OFF SETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has a current legal enforceable right to set off the recognised amount and the Company also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.12 TRADE DEBTS AND OTHER RECEIVABLES

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful debts and receivables based on review of outstanding amounts at the period end. Balances considered bad and irrecoverable are written off when identified.

3.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks, highly liquid short-term investments that are convertible to known amount of cash and are subject to insignificant risk of change in value.

3.14 TRADE AND OTHER PAYABLES

Liabilities for trade and other payables are carried at their fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

3.15 EMPLOYEE BENEFITS

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualifying period of service as defined under the respective scheme. Provisions are made annually to cover the obligation under the schemes on the basis of actuarial valuation and are charged to profit and loss account for the year. The assumptions are determined by independent actuary.

The amount recognized in the balance sheet represents the present value of defined benefit obligations using the projected unit credit actuarial valuation method. Actuarial gains/ losses arising from the actuarial valuation are recognized immediately and are presented in other comprehensive income. The latest actuarial valuation was carried on June 30, 2014.

The Company has adopted IAS 19 (as revised in 2011) during the year and all the changes have been fully explained in note 4.

Details of the schemes are given in note 9 to these financial statements.

The Company provides for compensated absences of its employees on un-availed balance of leaves in the period in which the leaves are earned.

3.16 PROVISION

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.17 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business.

- Sales of goods are recognized when goods are delivered and title has been passed.
- Export rebate is recognized on accrual basis at the time of making the export sales.
- Profit on saving accounts is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective profit rate applicable.

3.18 BORROWINGS

Loans and borrowings are initially recorded at the proceeds received. In subsequent periods, borrowings are stated at amortized cost using the effective yield method. Finance cost is accounted for on an accrual basis and are included in mark-up accrued on loans to the extent of amount remaining unpaid, if any.

3.19 LEASES

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long-term depending upon the timing of payment. Lease payments are apportioned between finance cost and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost is charged to profit and loss account.

Rentals payable under operating leases are charged to profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

3.20 BORROWING COSTS

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.21 TAXATION

CURRENT

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum taxation as per Income Tax Ordinance, 2001. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

DEFERRED

Deferred taxation is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amount for financial reporting purposes. In this regard the effects on deferred taxation of the portion of income subject to final tax regime is also considered in accordance with the requirement of "Technical Release - 27" of the Institute of Chartered Accountants of Pakistan.

Deferred income tax liability is recognized for all taxable temporary differences. Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against such temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statements, except in the case of items credited or charged to equity in that case it is included in equity.

3.22 FOREIGN CURRENCIES

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit and loss for the year.

3.23 DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3.24 RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out on commercial terms and conditions.

3.25 EARNINGS PER SHARE

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

4 CHANGE IN ACCOUNTING POLICY

4.1 Adoption of amendments in IAS 19, (Revised) 'Employee benefits'.

During the current year, the Company has applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

As per IAS 19 (revised) actuarial gains and losses are recognised in other comprehensive income in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

The change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting policies, Changes in Accounting Estimates and Errors' and corresponding figures have been restated. The effects of the change in accounting policy on the prior periods' financial statements have been summarized as follow:

	2013 Rupees
Impact on profit and loss account:	
Increase in profit for the year - net of tax	2,202,975
Increase in earnings per share	0.12
Impact on other comprehensive income:	
Decrease in other comprehensive income for the year - net of tax	2,202,975
Impact on cash flow statement	
Increase in profit before taxation	2,400,194
Decrease in provision for employee benefits	(2,400,194)

The change in accounting policy has no impact on the balance sheet for the current and previous years. Therefore, third balance sheet as at June 30, 2012 has not been presented.

Had there been no change in the accounting policy, the profit after tax would have been lower by Rs. 2,621,013 and the other comprehensive income would have been nil.

5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014 Number of shares	2013 Number of shares		**2014 Rupees**	2013 Rupees
		Ordinary shares of Rs. 10 each		
9,600,000	9,600,000	- fully paid in cash	**96,000,000**	96,000,000
8,880,000	8,880,000	- issued as bonus shares	**88,800,000**	88,800,000
18,480,000	18,480,000		**184,800,000**	184,800,000

5.1 There is no movement during the year in issued, subscribed and paid-up capital.

5.2 The Company has one class of ordinary shares which carry no right to fixed income.

5.3 Following shares are held by associates of the Company as at balance sheet date:

	2014 Number of ordinary shares of Rs. 10 each	2013
Ellahi International (Private) Limited	**3,747,415**	3,747,415
ARH (Private) Limited	**1,678,242**	1,678,242
Monell (Private) Limited	**51,907**	51,907
ICARO (Private) Limited	**50,862**	50,862
Haroon Omer (Private) Limited	**50,857**	50,857
	5,579,283	5,579,283

6 CAPITAL RESERVE

This represents the difference between book value of shares held by the Company in Ellahi Electric Company Limited as at September 30, 2001 and breakup value of such shares, the value at which net assets and liabilities of Power Unit 3 of Ellahi Electric Company Limited were merged into Prosperity Weaving Mills Limited, at that date.

7 **SURPLUS ON REVALUATION OF LAND**	**Note**	**2014 Rupees**	2013 Rupees
Balance at beginning and end of the year	**15.3**	**37,182,634**	37,182,634

		Note	2014 Rupees	2013 Rupees
8	**LONG TERM FINANCES**			
	From banking companies - secured	8.1	**717,592,280**	298,222,125
	Less: current portion		**89,108,234**	84,121,806
			628,484,046	214,100,319

8.1 From banking companies - secured

	Nature	Interest	Other terms and conditions – Security	Other terms and conditions – Arrangements and repayment	2014 Rupees	2013 Rupees
8.1.1	Term finance	Six months KIBOR plus 1.75 % (2013: Six months KIBOR plus 1.75 %) per annum payable quarterly.	First pari passu charge on fixed assets of the Company excluding power genration plant amounting to Rs. 852 million and personal guarantees of sponsor directors of the Company.	The Loan is repayable in 18 quarterly installments following 6 month grace period, commenced from April 11, 2013.	**36,111,110**	47,222,222
8.1.2	Term finance	7.00% (2013: 7.00%) per annum payable quarterly.	Exclusive ranking charge of Rs. 60 million on gas power generator and first pari passu registered hypothecation charge on all present and future and floating fixed assets of the Company amounting to Rs. 175 million and personal guarantees of sponsor directors of the Company.	This facility has been converted to LTF-EOP scheme of State Bank of Pakistan. The loan is repayable in twelve equal half yearly installments, commenced from January 4, 2010.	**13,565,747**	22,609,581
8.1.3	Term finance	11.20% (2013: 11.20%) per annum payable quarterly.	Existing first pari passu charge on all present and future fixed assets including land, building, plant and machinery of the Company excluding power generation plant of the Company to the extent of Rs. 692 million and personal guarantees of sponsor directors of the Company.	This facility has been converted to LTF-EOP scheme of State Bank of Pakistan. The facility has been provided by the bank in two tranches of Rs. 40.53 million and Rs. 39.08 million respectively. Tranches are repayable in 20 equal quarterly installments, commenced from April 18, 2012.	**43,790,933**	59,714,913
8.1.4	Term finance	Six months KIBOR plus 2.00% (2013: Six months KIBOR plus 2.00%) per annum payable quarterly.		The loan is repayable in 20 equal quarterly installments, commenced from April 18, 2012.	**5,778,641**	7,879,965
8.1.5	Term finance	Six months KIBOR plus 1.35% (2013: Six months KIBOR plus 1.35%) per annum payable semi annually.	First pari passu charge on fixed assets of the Company amounting to Rs. 275.65 million and personal guarantees of sponsor directors of the Company.	The loan is repayable in nine equal half yearly installments, commenced from September 27, 2012.	**114,853,888**	160,795,444

	Nature	Interest	Other terms and conditions: Security	Other terms and conditions: Arrangements and repayment	2014 Rupees	2013 Rupees
8.1.6	Term finance	Three months KIBOR plus 1.35% (2013: nil) per annum payable quarterly.	First pari passu charge of PKR 852 million on entire present and future fixed assets (including Land, Building, Plant & Machinery) of the Company and personal guarantees of sponsor directors of the Company.	The loan is repayable in 22 equal quarterly installments with 18 months grace period, commencing from April 8, 2015. This facility has been obtained against a sanctioned limit of Rs. 200 million to finance project cost.	**109,701,408**	-
8.1.7	Term finance	Three months KIBOR plus 1% (2013: nil) per annum payable quarterly.		The loan is repayable in 22 equal quarterly installments with 18 months grace period, commencing from February 14, 2016. This facility has been obtained against a sanctioned limit of Rs. 350 million to finance project cost.	**322,772,453**	-
8.1.8	Term finance	Three months KIBOR plus 1% (2013: nil) per annum payable quarterly.	First pari passu hypothecation charge of Rs. 175 million over all present and future fixed assets of the Company with 25% margin.	The loan is repayable in 22 equal quarterly principal Installments with 18 months grace period, commencing from February 12, 2016. This facility has been obtained against a sanctioned limit of Rs. 113 million to finance project cost.	**71,018,100**	-
					717,592,280	298,222,125

8.2 These facilities carry effective mark-up rate ranging from 7.00% to 12.15% (2013: 7.00% to 14.06%) per annum.

		2014	2013
9	**EMPLOYEES RETIREMENT BENEFITS**	**2014**	2013
9.1	**Amounts recognised in the balance sheet are as follows:**	**Rupees**	Rupees
	Present value of defined benefit obligation as at June 30,	**51,444,502**	39,000,140
9.2	**Movement in liability:**		(Restated)
	Net liability at the beginning of the year	**39,000,140**	28,903,292
	Charge for the year	**17,738,666**	13,446,161
	Benefits paid during the year	**(8,126,544)**	(5,749,507)
	Remeasurement changes chargeable to other comprehensive income	**2,832,240**	2,400,194
	Net liability at the end of the year	**51,444,502**	39,000,140
9.3	**Movement in the present value of defined benefit obligation is as follows:**		
	Present value of defined benefit obligation as at July 01,	**39,000,140**	28,903,292
	Current service cost	**11,571,295**	9,399,700
	Past service cost	**2,499,000**	-
	Interest cost	**3,668,371**	4,046,461
	Benefits paid	**(8,126,544)**	(5,749,507)
	Remeasurement of obligation	**2,832,240**	2,400,194
	Present value of defined benefit obligation as at June 30,	**51,444,502**	39,000,140
9.4	**Expense recognised in profit and loss account is as follows:**		
	Current service cost	**11,571,295**	9,399,700
	Past service cost	**2,499,000**	-
	Interest cost	**3,668,371**	4,046,461
		17,738,666	13,446,161
9.5	**Charge for the year has been allocated as follows:**		
	Cost of sales	**13,165,110**	12,173,759
	Administrative expenses	**4,573,556**	1,272,402
		17,738,666	13,446,161
9.6	**Total remeasurement chargeable to other comprehensive income:**		
	Remeasurement of defined benefit obligation:		
	Experience adjustment	**2,832,240**	2,400,194

9.7 Projected unit credit method, based on the following significant assumptions, is used for valuation of gratuity:

	2014	2013
Discount rate	**13.50%**	10.50%
Expected rate of salary increase		
2013	**-**	8.50%
2014 and thereafter	**11.50%**	8.50%
Average retirement age of employee	**60 years**	60 years

9.8 Sensitivity analysis

	Changes in assumptions	Defined benefit obligation — Increase in assumption Rupees	Defined benefit obligation — Decrease in assumption Rupees
Discount rate	1%	46,960,113	56,730,985
Salary growth rate	1%	56,914,807	46,728,623

The aforementioned sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the balance sheet.

9.9 The expected contribution to defined benefit obligation for the year ending June 30, 2015 is Rs. 20.854 million.

10 DEFERRED TAXATION

The liability for deferred taxation comprises timing differences relating to:	**2014 Rupees**	2013 Rupees
Taxable temporary differences		
Accelerated tax depreciation	**27,114,287**	27,002,699
Deductible temporary differences		
Provision for employee benefits	**(3,836,698)**	(3,204,538)
	23,277,589	23,798,161

10.1 Movement in temporary differences for the year

	Taxable temporary differences *Accelerated tax depreciation*	***Deductible temporary differences*** *Provision for employee benefits*	**Total**
	Rupees		
Balance as at July 1, 2012	39,550,874	(3,672,680)	35,878,194
Recognised in Profit and Loss Account	(12,548,175)	665,361	(11,882,814)
Recognised in Other Comprehensive Income	-	(197,219)	(197,219)
Balance as at June 30, 2013	27,002,699	(3,204,538)	23,798,161
Recognised in Profit and Loss Account	111,588	(420,933)	(309,345)
Recognised in Other Comprehensive Income	-	(211,227)	(211,227)
Balance as at June 30, 2014	27,114,287	(3,836,698)	23,277,589

11 TRADE AND OTHER PAYABLES

	Note	2014 Rupees	2013 Rupees
Creditors		**49,949,424**	48,552,437
Accrued liabilities		**122,049,483**	98,838,301
Workers' Profit Participation Fund	**11.1**	**13,045,000**	21,422,989
Workers' Welfare Fund		**17,003,614**	13,292,122
Advance from customers		**11,733,183**	13,878,231
Unclaimed dividend		**3,429,624**	2,775,917
Retention money		**214,016**	194,523
Withholding tax payable		**771,733**	1,386,536
Others		**3,771,203**	1,338,887
		221,967,280	201,679,943

11.1 Workers' Profit Participation Fund

	Note	2014 Rupees	2013 Rupees
Balance as at beginning of year		**21,422,989**	5,735,044
Interest on funds utilized in the Company's business	**11.1.1**	**3,248,664**	359,422
		24,671,653	6,094,466
Paid during the year		**(24,671,653)**	(6,094,466)
		-	-
Allocation for the year	**30**	**13,045,000**	21,422,989
Balance as at end of year		**13,045,000**	21,422,989

11.1.1 Interest on Workers' Profit Participation Fund has been provided @45% (2013:18.75%) per annum.

12 ACCRUED INTEREST / MARK-UP

		2014 Rupees	2013 Rupees
Long term finances		**12,684,892**	8,440,909
Short term borrowings		**1,824,938**	3,835,475
		14,509,830	12,276,384

13 SHORT TERM BORROWINGS

	Note	2014 Rupees	2013 Rupees
From banking companies:			
Financing against packing credit - foreign currency	**13.2**	**285,345,492**	222,300,000
Running finance	**13.3**	**1,600,580**	51,526,588
Book overdraft	**13.4**	**20,258,761**	30,372,337
		307,204,833	304,198,925

13.1 The aggregate un-availed short term borrowing facilities amount to Rs.1,356 million (2013: Rs.1,259 million).

13.2 These foreign currency facilities amounting to US$ 2,888,000 (2013: US$ 2,250,000) have been obtained from various commercial banks for working capital requirements; carrying markup rate ranging from 0.75% to 2.65% (2013: 1.20% to 2.996%) per annum. These facilities expire on various dates by March 31, 2015.

13.3 These facilities have been obtained from various commercial banks for working capital requirements; carrying mark-up ranging from 9.13% to 11.43% (2013: 9.24% to 13.64%) per annum. These facilities expire on various dates by March 31, 2015.

13.4 This represents booked overdraft due to cheques issued by the Company in excess of balance with banks which will be presented for payment in subsequent period.

13.5 Short term borrowings are secured against ranking charge of Rs. 2,914 million (2013: Rs.2,339 million) and first pari passu charge of Rs. 2,121 million (2013: Rs. 2,121 million) on all present and future current assets of the Company and personal guarantees of directors of Company.

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 For contingencies relating to tax matters, please refer to note 33.2 to note 33.9 to the financial statements.

		Note	2014 Rupees	2013 Rupees
14.1.2	Guarantees issued by banks in favor of Government departments on behalf of the Company in the normal course of business		**97,503,845**	57,851,139
	Post dated cheques		**104,544,206**	38,745,384
			202,048,051	96,596,523
14.2	**Commitments**			
	Irrevocable letters of credit for:			
	Capital expenditures		**279,540,405**	20,787,520
	Non-capital expenditures		**61,479,410**	9,089,098
			341,019,815	29,876,618
	Operating lease			
	Payable within one year		**483,333**	539,000
	Payable later than one year but not later than five years		**-**	183,333
			483,333	722,333
			341,503,148	30,598,951
15	**FIXED ASSETS**			
	Property, plant and equipment			
	Operating fixed assets	**15.1**	**831,044,977**	826,217,945
	Capital work in progress	**15.5**	**560,866,998**	107,012
			1,391,911,975	826,324,957
	Advance for intangible asset - computer software	**15.6**	**4,402,443**	-
			1,396,314,418	826,324,957

15.1 Operating fixed assets - as at June 30, 2014

Description	COST / REVALUED AMOUNT			DEPRECIATION			Book value as at June 30, 2014	Annual rate of depreciation
	As at July 01, 2013	Additions / (disposals)	As at June 30, 2014	As at July 01, 2013	For the year / (on disposals)	As at June 30, 2014		
	Rupees							
Owned								
Freehold land (note 15.3)	39,390,000	-	39,390,000	-	-	-	39,390,000	-
Building on freehold land								
Factory	121,974,006	2,785,828	124,759,834	79,741,349	4,244,996	83,986,345	40,773,489	10%
Residential	50,174,702	-	50,174,702	35,233,205	1,495,316	36,728,521	13,446,181	10%
Building on leasehold land	22,391,752	-	22,391,752	15,595,499	679,625	16,275,124	6,116,628	10%
Plant and machinery	1,716,763,243	83,190,540	1,759,558,132	1,076,824,318	65,361,071	1,107,951,808	651,606,324	10%
		(40,395,651)			(34,233,581)			
Electric installation	68,694,033	-	68,694,033	27,664,348	4,102,969	31,767,317	36,926,716	10%
Factory equipment	5,853,448	2,150,070	8,003,518	2,841,356	355,836	3,197,192	4,806,326	10%
Furniture and fixture	5,516,674	125,700	5,642,374	3,614,445	195,418	3,809,863	1,832,511	10%
Office equipment	5,990,494	1,127,242	7,117,736	3,930,180	256,259	4,186,439	2,931,297	10%
Arm and ammunition	165,700	163,074	328,774	105,666	18,200	123,866	204,908	10%
Vehicles	49,352,700	8,519,619	51,843,155	14,498,441	6,967,738	18,832,558	33,010,597	20%
		(6,029,164)			(2,633,621)			
	2,086,266,752	98,062,073	2,137,904,010	1,260,048,807	83,677,428	1,306,859,033	831,044,977	
		(46,424,815)			(36,867,202)			

15.1.1 Plant and machinery includes borrowing cost capitalised during the year amounting to Rs. 638,000.

Operating fixed assets - as at June 30, 2013

Description	COST / REVALUED AMOUNT			DEPRECIATION			Book value as at June 30, 2013	Annual rate of depreciation
	As at July 01, 2012	Additions / (disposals)	As at June 30, 2013	As at July 01, 2012	For the year / (on disposals)	As at June 30, 2013		
	Rupees							
Owned								
Freehold land (note 15.3)	39,390,000	-	39,390,000	-	-	-	39,390,000	-
Building on freehold land								
Factory	121,974,006	-	121,974,006	75,048,831	4,692,518	79,741,349	42,232,657	10%
Residential	48,755,342	1,419,360	50,174,702	33,717,782	1,515,423	35,233,205	14,941,497	10%
Building on leasehold land	22,391,752	-	22,391,752	14,840,360	755,139	15,595,499	6,796,253	10%
Plant and machinery	1,654,286,257	65,254,344	1,716,763,243	1,011,659,175	67,604,135	1,076,824,318	639,938,925	10%
		(2,777,358)			(2,438,992)			
Electric installation	61,508,784	7,185,249	68,694,033	23,732,159	3,932,189	27,664,348	41,029,685	10%
Factory equipment	5,359,075	494,373	5,853,448	2,529,792	311,564	2,841,356	3,012,092	10%
Furniture and fixture	5,440,352	93,017	5,516,674	3,425,736	203,509	3,614,445	1,902,229	10%
		(16,695)			(14,800)			
Office equipment	5,779,194	211,300	5,990,494	3,712,573	217,607	3,930,180	2,060,314	10%
Arms and ammunition	165,700	-	165,700	98,995	6,671	105,666	60,034	10%
Vehicles	27,455,864	28,391,173	49,352,700	14,023,468	4,316,503	14,498,441	34,854,259	20%
		(6,494,337)			(3,841,530)			
	1,992,506,326	103,048,816	2,086,266,752	1,182,788,871	83,555,258	1,260,048,807	826,217,945	
		(9,288,390)			(6,295,322)			

15.2 The depreciation charge for the year has been allocated as follows:

	Note	2014 Rupees	2013 Rupees
Cost of sales	27	**76,239,813**	78,810,968
Administrative expenses	29	**7,437,615**	4,744,290
		83,677,428	83,555,258

15.3 The revaluation of the free hold land was initially carried out by "Indus Surveyors (Private) Limited", independent valuers not connected with the Company as at March 09, 2009. Latest revaluation was also conducted by "Indus Surveyors (Private) Limited", independent valuers not connected with the Company as at May 08, 2012. The value of the free hold land is ascertained according to the local market value.

	2014	2013
Had there been no revaluation, the cost of the land would have been as follows:	**Rupees**	Rupees
Free hold land	**2,207,366**	2,207,366

15.4 Disposal of property, plant and equipment

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (Loss)	Mode of disposal	Particulars of buyer
	---------- Rupees ----------						
Plant and machinery							
Boiler	1,518,655	1,207,050	311,605	400,000	88,395	Negotiation	Abdul Majeed
Sizing Machine	22,097,782	19,778,373	2,319,409	1,269,927	(1,049,482)	Negotiation	Haji & Sons
Warping Machine	13,330,075	11,930,935	1,399,140	761,956	(637,184)	Negotiation	Haji & Sons
Chiller	3,449,139	1,317,223	2,131,916	1,450,000	(681,916)	Negotiation	Ahmed Bhatti
	40,395,651	34,233,581	6,162,070	3,881,883	(2,280,187)		
Vehicles							
Suzuki Cultus LEB-5564	925,056	601,515	323,541	450,000	126,459	Negotiation	Umer Cheema
Suzuki Cultus LEA-9838	944,885	466,143	478,742	600,000	121,258	Negotiation	Umer Cheema
Suzuki Cultus LEA-9833	944,885	466,143	478,742	590,000	111,258	Negotiation	Adnan Naser
Suzuki Cultus LEA-9834	944,885	466,143	478,742	590,000	111,258	Negotiation	Adnan Naser
Suzuki Cultus LEA-9836	944,885	466,143	478,742	590,000	111,258	Negotiation	Adnan Naser
Suzuki Cultus (Unregistered)	1,056,800	-	1,056,800	1,056,800	-	Negotiation	Chaudhry Zahoor Ahmed
Vehicles having net book value upto Rs. 50,000 each.	267,768	167,534	100,234	104,500	4,266	Negotiation	
	6,029,164	2,633,621	3,395,543	3,981,300	585,757		
2014	**46,424,815**	**36,867,202**	**9,557,613**	**7,863,183**	**(1,694,430)**		
2013	9,288,390	6,295,322	2,993,068	4,626,500	1,633,432		

		Note	2014 Rupees	2013 Rupees
15.5	**Capital work in progress**			
	Plant and machinery	**15.5.1**	**493,432,339**	107,012
	Advances for plant and machinery		**27,714,502**	-
	Advances for building on freehold land		**37,893,345**	-
	Others		**1,826,812**	-
			560,866,998	107,012

15.5.1 This includes installation of 48 air jet looms with complete back process and 36 air jet looms separately. Plant and machinery includes borrowing cost capitalised during the year amounting to Rs. 3,701,206.

15.6 This represents licensing fees and consultancy charges pertaining to implementation of ERP solution.

16 LONG TERM DEPOSITS

	2014	2013
Balance at beginning of the year	**15,039,000**	15,215,150
Less: refunded during the year	**-**	(176,150)
Balance at end of the year	**15,039,000**	15,039,000

16.1 These include interest free refundable security deposits given to various organizations.

17 STORES, SPARE PARTS AND LOOSE TOOLS

	2014	2013
Stores	**49,525,379**	32,865,082
Spare parts	**3,523,737**	5,382,184
Loose tools	**565,786**	638,260
	53,614,902	38,885,526

18 STOCK-IN-TRADE

	2014	2013
Raw material:		
- at mills	**105,201,836**	204,754,730
- in-transit	**5,465,200**	3,310,800
- held with third party	**4,793,399**	-
	115,460,435	208,065,530
Work-in-process	**75,367,952**	77,257,447
Finished goods	**196,906,966**	176,726,378
	387,735,353	462,049,355

19 TRADE DEBTS

	Note	2014	2013
Considered good:			
Local - unsecured		**80,570,930**	90,517,677
Foreign - secured	**19.1**	**164,577,675**	160,313,680
		245,148,605	250,831,357

19.1 These are secured through letters of credit.

		Note	2014 Rupees	2013 Rupees
20	**ADVANCES**			
	Advances - considered good			
	Suppliers - unsecured		**19,347,659**	21,632,413
	Staff - secured	**20.1**	**1,215,066**	655,379
	Letters of credit	**20.2**	**91,200**	2,702,686
			20,653,925	24,990,478

20.1 These are interest free advances to employees, other than executives, against salaries and repayable within one to six months.

20.2 These include expenses incurred in respect of letters of credit for spare parts and raw material.

21	**SHORT TERM PREPAYMENTS**			
	Prepaid insurance		**991,183**	936,812
	Prepaid rent		**183,336**	183,336
	Prepaid guarantee commission		**375,506**	52,689
			1,550,025	1,172,837
22	**OTHER RECEIVABLES**			
	Export rebate receivable		**1,327,232**	1,776,051
	Sundry receivables - unsecured		**50,297**	57,811
			1,377,529	1,833,862

23 SALES TAX REFUNDABLE

This represents accumulated differences of input tax on purchases and output tax payable.

24	**ADVANCE INCOME TAX**			
	Balance at beginning of the year		**30,377,159**	18,316,960
	Paid / adjusted during the year		**65,850,819**	77,442,020
			96,227,978	95,758,980
	Provision for taxation		**(61,005,980)**	(65,381,821)
	Balance at end of the year		**35,221,998**	30,377,159
25	**CASH AND BANK BALANCES**			
	Cash in hand		**-**	517,900
	Cash at banks			
	Current accounts		**31,039,252**	66,865,349
	Saving accounts	**25.1**	**-**	72,040
			31,039,252	67,455,289

25.1 These include Rs. nil (2013: Rs. 47,885) in foreign currency saving account. Saving accounts carried mark-up ranging from 0.21% to 6.49% (2013: 1% to 6%) per annum.

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26	SALES - NET	Note	Local	Export	2014 Total	2013 Total
			---------------- Rupees ----------------			
	Cloth	26.1	1,378,680,512	4,926,577,505	6,305,258,017	6,545,103,449
	Yarn		1,139,781	-	1,139,781	14,075,103
	Waste		39,427,907	-	39,427,907	39,415,817
			1,419,248,200	4,926,577,505	6,345,825,705	6,598,594,369
	Add: Export rebate		-	1,074,904	1,074,904	1,580,976
			1,419,248,200	4,927,652,409	6,346,900,609	6,600,175,345

26.1 Cloth export sales includes indirect exports amounting to Rs.1,449,150,200 (2013: Rs. 1,740,777,600).

27	COST OF SALES	Note	2014 Rupees	2013 Rupees (Restated)
	Raw material consumed	27.1	4,800,909,993	5,044,890,719
	Fuel and power		537,927,996	448,445,829
	Salaries, wages and benefits	27.2	240,777,237	211,789,511
	Stores and spares consumed		70,963,592	51,340,974
	Sizing material consumed		99,994,064	100,524,075
	Depreciation	15.2	76,239,813	78,810,968
	Packing material consumed		21,416,095	19,621,780
	Insurance		9,185,444	9,012,020
	Repairs and maintenance		4,897,517	4,458,943
	Electricity duty		1,275,231	1,916,624
	Vehicles running and maintenance		5,098,432	5,056,223
	Traveling and conveyance		492,352	408,608
	Lease rentals-land	27.3	275,000	275,000
	Entertainment		1,214,877	1,125,081
	Fee and subscription		177,223	187,352
	Others		6,911,660	3,655,754
			5,877,756,526	5,981,519,461
	Work-in-process			
	At beginning of year		77,257,447	78,121,186
	At end of year	18	(75,367,952)	(77,257,447)
			1,889,495	863,739
	Cost of goods manufactured		5,879,646,021	5,982,383,200
	Finished goods			
	At beginning of year		176,726,378	121,718,813
	Cloth purchased		6,954,768	4,093,750
	At end of year	18	(196,906,966)	(176,726,378)
			(13,225,820)	(50,913,815)
			5,866,420,201	5,931,469,385

27.1	Raw material consumed	Note	2014	2013
	At beginning of year		208,065,530	143,108,095
	Purchases - net		4,708,304,898	5,109,848,154
			4,916,370,428	5,252,956,249
	At end of year	18	(115,460,435)	(208,065,530)
			4,800,909,993	5,044,890,719

27.2 Staff salaries, wages and benefits include employee benefits amounting to Rs. 13,165,110 (2013: Rs. 12,173,759).

27.3 The Company has obtained land under operating lease arrangement from Nagina Cotton Mills Limited, ("a related party") for two years starting from March 01, 2013 and ending on February 28, 2015 against annual rental of Rs. 275,000 (2013: 275,000).

			2014	2013
28	**DISTRIBUTION COST**	**Note**	**Rupees**	Rupees
	Export			
	Ocean freight and forwarding		**22,930,699**	19,516,318
	Transportation and octroi		**14,799,000**	18,466,103
	Export development surcharge		**8,601,099**	9,355,484
	Quality claims		**238,201**	244,887
	Commission		**22,817,714**	29,728,648
	Others		**7,193,454**	8,507,251
			76,580,167	85,818,691
	Local			
	Freight, handling and transportation		**2,740,550**	3,096,400
	Commission		**14,260,103**	15,585,064
	Others		**97,534**	17,752
			17,098,187	18,699,216
			93,678,354	104,517,907

29	**ADMINISTRATIVE EXPENSES**			(Restated)
	Staff salaries and benefits	**29.1**	**28,661,978**	22,848,748
	Traveling and conveyance		**8,358,011**	4,164,554
	Directors' remuneration		**4,811,440**	4,457,346
	Vehicles running and maintenance		**3,594,888**	3,493,729
	Depreciation	**15.2**	**7,437,615**	4,744,290
	Insurance		**2,214,417**	1,848,798
	Telephone, telex and postage		**1,688,283**	1,762,748
	Electricity		**2,473,883**	2,514,801
	Fee and subscription		**2,547,913**	1,825,306
	Auditors' remuneration	**29.2**	**1,285,000**	1,285,000
	Printing and stationery		**782,240**	748,948
	Legal and professional charges		**1,181,977**	701,665
	Lease rentals	**29.3**	**564,000**	504,000
	Repairs and maintenance		**210,950**	337,530
	Directors' meeting fee		**250,000**	175,000
	Advertising		**104,813**	44,925
	Others		**346,698**	564,932
			66,514,106	52,022,320

29.1 Staff salaries and benefits include employee benefits amounting to Rs. 4,573,556 (2013: Rs. 1,272,402).

29.2 **Auditors' remuneration**

Annual statutory audit	**1,000,000**	1,000,000
Half yearly review	**125,000**	125,000
Review report on code of corporate governance	**85,000**	85,000
Out of pocket expenses	**75,000**	75,000
	1,285,000	1,285,000

29.3 The Company has obtained an office space from Nagina Cotton Mills Limited, ("a related party") against rental of Rs. 564,000 per annum, payable quarterly.

			2014	2013
30	**OTHER OPERATING EXPENSES**	**Note**	**Rupees**	Rupees
	Workers' Profit Participation Fund	**11.1**	**13,045,000**	21,422,989
	Workers' Welfare Fund		**4,957,000**	11,005,144
	Loss on forward contracts		**-**	9,500
	Donations	**30.1**	**50,000**	-
	Exchange loss		**-**	670,505
	Loss on sale of property, plant and equipment	**15.4**	**1,694,430**	-
			19,746,430	33,108,138

30.1 No director or his spouse had any interest in the donee institution.

31	**OTHER INCOME**			
	Income from financial assets			
	Gain on sale of short term investments		**70,331**	103,161
	Profit on saving accounts		**367**	20,130
	Gain on forward contracts		**31,196**	-
	Unrealised exchange gain on			
	- remeasurement of debtors		**295,895**	-
	- on dollar loan		**2,490,286**	-
	Income from assets other than financial assets			
	Gain on disposal of property, plant and equipment	**15.4**	**-**	1,633,432
			2,888,075	1,756,723
32	**FINANCE COST**			
	Mark-up on:			
	Long term finances from banking companies		**31,995,328**	46,103,678
	Short term borrowings		**12,749,596**	20,467,033
	Workers' Profit Participation Fund		**3,248,664**	359,422
			47,993,588	66,930,133
	Bank charges and commission		**12,542,259**	16,012,340
			60,535,847	82,942,473
33	**PROVISION FOR TAXATION**			(Restated)
	Current		**59,411,854**	65,381,821
	Prior		**1,594,126**	(403,538)
			61,005,980	64,978,283
	Deferred	**10.1**	**(309,345)**	(11,882,814)
			60,696,635	53,095,469

		2014	2013
33.1	**Numerical reconciliation between the average effective tax rate and applicable tax**	**%**	
	Applicable tax rate	**34.00**	35.00
	Tax effects of amounts that are:		
	Temporary diffrence	**(0.39)**	0.00
	Effect of change in statutory rate change	**0.29**	0.09
	Effect of income chargeable at diffrent tax rates	**(6.15)**	(21.65)
	Tax credits	**(3.42)**	0.00
	Adjustment of prior years	**0.66**	(0.10)
	Average effective tax rate	**24.99**	13.34

33.2 Income tax assessments upto assessment year 2002-2003 had been finalized under the relevant provision of repealed Income Tax Ordinance, 1979 ('Repealed Ordinance').

33.3 For Tax Year 2003

The company's case was selected for audit by the department for tax year 2003 in terms of section 177 of the Income Tax Ordinance ('Ordinance') vide letter dated November 13, 2006. The audit proceedings concluded by the department through order dated September 29, 2008 passed under section 122(1)/122(5) of the Ordinance, raising a tax demand of Rs. 13,543,537 by making certain disallowances / additions out of the profit and loss account. The company filed an appeal before the Commissioner Inland Revenue (Appeals) ['CIR(A)'] against this order. However, the CIR(A), through order, dated June 13, 2009 partially allowed relief to the company. Both the company and the department filed the appeals before the Appellate Tribunal Inland Revenue ('ATIR').

The department has, however, given the effect of the above referred appellate order through order dated September 30, 2009, reducing the impugned demand to Rs. 5,388,661. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Company.

33.4 For Tax Year 2004

The deemed assessment has been amended under section 122(5A) of the Ordinance, through order, dated June 10, 2010, passed by the Additional Commissioner Inland Revenue, Audit Division - B, Large Taxpayers Unit ('ACIR'), working out taxable income at Rs. 1,999,685 and tax refundable at Rs. 2,239,067.

The Company has filed an appeal against this order before CIR(A) against disputed issues in the impugned order. The CIR(A), through order dated June 15, 2011, accepted the company's appeal on all the issues except the issue of treatment of export rebate as part of turnover which has not been adjudicated by the CIR(A). Miscellaneous application under section 221 of the Income Tax Ordinance, 2001 was also filed on June 20, 2011 to CIR(A) on the Issue of the export rebate which was accepted by the by the CIR(A) through appellate Order dated May 12, 2012. The company also filed an appeal before the ATIR against the impugned order of CIR(A) which is pending for adjudication. The company has also filed an application to the department for the issuance of the appeal effect order which has not yet been disposed off.

33.5 For Tax Year 2005

The deemed assessment was amended by the Additional Commissioner Inland Revenue, Audit Division - A, Large Taxpayers Unit, Lahore, through order dated May 3, 2011, under section 122(5A) of the Ordinance. As a result, the taxable income was determined at Rs. 3,862,046 and tax refundable at Rs. 1,262,056. This tax refund was subsequently adjusted by the department against advance tax liability of tax year 2012 for issuance of exemption certificate under section 153 of the Ordinance through adjustment memo dated July 18, 2011.

The Company has filed an appeal against the above referred amended assessment order before CIR(A) which is pending for adjudication. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Company.

33.6 For Transitional Tax Year 2005

The deemed assessment was amended by the Additional Commissioner Inland Revenue, Audit Division - A, Large Taxpayers Unit, Lahore, through order dated May 3, 2011, under section 122(5A) of the Ordinance. As a result, the taxable income was determined at Rs. 3,347,682 and tax payable at Rs. 1,174,826. The tax demand raised through the aforementioned order has been adjusted by the department against tax refund available from tax year 2007 through adjustment memo dated July 14, 2011.

The company has filed an appeal against the above referred order before CIR(A) which is pending for adjudication. No provision has been made in these financial statements as the management is confident that the ultimate outcome of this case will be in favour of the Company.

33.7 For Tax Year 2008

The Additional Commissioner Inland Revenue ('ACIR') initiated proceedings under section 122(5A) of the Ordinance through notice dated January 9, 2014 wherein intentions were shown to amend the assessment under section 120 of the Ordinance on the basis of certain issues stated therein. The proceedings were finalised through order dated March 31, 2014 where the ACIR accepted Company's contention on all issues except for the issue of 'allocation of expenses', mark-up on loans to director, allocation of interest on swap transactions. The ACIR did not raise any demand in view of available prior year refunds. The Company has filed an appeal with the CIR(A) against the order which is yet to be fixed for hearing.

33.8 For Tax Year 2011

The Deputy Commissioner Inland Revenue ('DCIR') had earlier initiated proceedings under section 161/205 of the Ordinance which were concluded through order dated October 5, 2012 wherein a demand of Rs 7,704,233 was raised against the Company. The Company filed a rectification application with the DCIR which was disposed off through order dated February 11, 2013 passed under section 221 of the Ordinance, wherein the demand was reduced to Rs 1,806,707. The Company had also appealed against the original order with the CIR (A) which was decided through the order dated August 30, 2013 remanding all the issues back to the department. The remand back proceedings are yet to be initiated by the department.

33.9 For Tax Year 2012

The DCIR initiated the proceedings under section 161/205 of the Ordinance for verification of compliance of withholding tax provisions by the Company, through notice dated May 28, 2013 whereby the Company was required to submit a reconciliation statement as per Rule 44(4) of the Income Tax Rules. In this connection, the reconciliation along with supporting documents was submitted to the DCIR on July 18, 2013. The proceedings were concluded through DCIR's order dated April 29, 2014 through which a demand of Rs 171,487 was raised against the Company. The Company has filed an appeal against the order with the CIR (A) on May 23, 2014 which is yet to be fixed for hearing.

34	**EARNINGS PER SHARE - BASIC AND DILUTED**	**2014**	2013 (Restated)
	The calculation of the basic earnings per share is based on the following data:		
	Profit after taxation for the year **- (Rupees)**	**182,197,111**	344,776,376
	Number of shares outstanding	**18,480,000**	18,480,000
	Earnings per share - Basic **- (Rupees)**	**9.86**	18.66

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

35 **REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**	**Director**		**Executives**	
	2014	2013	**2014**	2013
	Rupees	Rupees	**Rupees**	Rupees
Remuneration	**3,432,000**	3,120,000	**7,159,501**	6,487,200
House rent	**858,000**	780,000	**-**	-
Utilities	**521,440**	557,346	**-**	-
Gratuity	**-**	-	**919,495**	820,274
Other allowances	**-**	-	**3,579,751**	3,243,600
	4,811,440	4,457,346	**11,658,747**	10,551,074
Number of persons	**1**	1	**6**	6

35.1 In addition to above, the Directors have been provided with free use of the Company maintained cars.

35.2 In addition to above, 2 (2013: 2) non executive directors were paid aggregate meeting fee of Rs. 250,000 (2013: Rs.175,000).

35.3 No remuneration has been paid to Chief Executive. All remuneration, meeting fee, house rent and utilities have been paid to non-executive directors of the Company.

36 DIVIDEND

In respect of current year, the board of directors proposed to pay cash dividend @ Rs. 5/= per ordinary share of Rs. 10 each. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements.

37 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

37.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. To manage credit risk the Company maintains procedures covering the application for credit approvals, granting and renewal of counterparty limits and monitoring of exposures against these limits. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

The Company is exposed to credit risk from its operating activities primarily for local trade debts, sundry receivables and other financial assets.

The Company does not hold collateral as security.

The Company's credit risk exposures are categorized under the following headings:

37.1.1 Counterparties

The Company conducts the following major types of the transactions with the counterparties:

Trade debts

Trade debts are essentially due from local customers against sale of cloth and from foreign customers against supply of cloth and the Company does not expect these counterparties to fail to meet their obligations. The majority of sales to the Company's customers are made on specific terms. Customer credit risk is managed subject to the Company's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit evaluation. Outstanding customer receivables are regularly monitored and any shipments to foreign customers are generally covered by letters of credit or other form of security.

Banks and investments

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties that have a good credit rating. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

37.1.2 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2014 Rupees	2013 Rupees
Long term deposits	**15,039,000**	15,039,000
Trade debts	**245,148,605**	250,831,357
Advances	**1,215,066**	655,379
Other receivables	**50,297**	57,811
Bank balances	**31,039,252**	66,937,389
	292,492,220	333,520,936

Geographically there is no concentration of credit risk.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Cloth	**245,148,605**	250,831,357

There is no single significant customer in the trade debts of the Company.

The maximum exposure to credit risk for trade debts at the reporting date by type of product was:

Textile	**245,148,605**	250,831,357

Ageing analysis of trade debts subject to credit risk

1 to 90 days	**245,148,605**	250,831,357
91 to 180 days	**-**	-
180 days and above	**-**	-
	245,148,605	250,831,357

37.1.3 Impairment losses

Based on age analysis, relationship with customers and past experience the management does not expect any party to fail to meet their obligations. The management believes that trade debts are considered good and hence no impairment allowance is required in this regard.

37.2 Liquidity risk management

Liquidity risk reflects the Company's inability in raising funds to meet commitments. Management closely monitors the Company's liquidity and cash flow position. This includes maintenance of balance sheet liquidity ratios, debtors and creditors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual customer.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in note 13.1 to these financial statements is a listing of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk.

37.2.1 Liquidity and interest risk table

The following table detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities under long term financing agreements based on the earliest date on which the Company can be required to pay.

For effective markup rate please see note 8.2, 13.2 and note 13.3 to these financial statements.

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

	Carrying amount	
	2014	2013
	Rupees	Rupees
Trade and other payables		
Maturity upto one year	**191,146,933**	165,578,296
Short term borrowings		
Maturity upto one year	**307,204,833**	304,198,925
Long term finances		
Maturity upto one year	**89,108,234**	84,121,806
Maturity after one year and upto five years	**551,899,336**	214,100,319
Maturity after five years	**76,584,710**	-
	1,215,944,046	767,999,346

37.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

37.3.1 Foreign currency risk management

Pak Rupee (PKR) is the functional currency of the Company and as a result currency exposure arise from transactions and balances in currencies other than PKR. The Company's potential currency exposure comprise;

- **Transactional exposure in respect of non functional currency monetary items**

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

- **Transactional exposure in respect of non functional currency expenditure and revenues**

Certain operating and capital expenditure is incurred by the Company in currencies other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy.

Exposure to foreign currency risk

The Company's net exposure to foreign currency risk was as follows based on notional amounts:

	2014 USD	2013 USD
Short term borrowings	**(2,895,439)**	(2,238,672)
Trade debts	**1,669,992**	1,614,438
Bank balances	**-**	483
	(1,225,447)	(623,751)

The following significant exchange rates have been applied:

	Average rate		Reporting date mid spot rate	
	2014 Rupees	2013 Rupees	**2014 Rupees**	2013 Rupees
USD 1	**98.65**	95.20	**98.55**	99.30

Commitments outstanding at year end amounted to USD 523,930 (2013: USD 60,878), EUR 105,423 (2013: EUR nil), CHF 145,000 (2013: CHF nil) and JPY 265,704,950 (2013: JPY 23,876,224) relating to letter of credits for import of stores, spare parts and raw material.

Sensitivity analysis

At June 30 if Rupee had weakened/ strengthened by 5% against US dollar with all other variables held constant, the Company's profit for the year would have decreased/ increased by Rs 6,038,390 (2013: decreased/ increased by Rs. 3,096,924) mainly as a result of foreign exchange gains/ losses on foreign currency transactions.

37.3.2 Interest rate risk

The interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

Profile

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Fixed rate instruments	**2014**	2013	**2014**	2013
	-------------%	-------------	------------- Rupees	-------------
Financial assets	-	-	**-**	-
Financial liabilities				
Long term finances	**7.00%**	7.00%	**13,565,747**	22,609,591
	11.20%	11.20%	**43,790,933**	59,714,913
			(57,356,680)	(82,324,504)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss therefore, a change in interest rate would not affect profit or loss.

Floating rate instruments	**2014**	**2013**	**2014**	**2013**
	-------------%	-------------	------------- Rupees	-------------
Financial assets				
Bank balances	**0.21 % to 6.49%**	1.00 % to 6.00%	**-**	72,040
Financial liabilities				
Long term finances	**10.41% to 12.15%**	10.88% to 14.06%	**660,235,600**	215,897,631
Short term borrowings	**0.75% to 11.43%**	1.20% to 13.64%	**307,204,833**	304,198,925
			(967,440,433)	(520,024,516)

Fair value sensitivity analysis for floating rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in floating interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	Increase / (decrease) in basis points	Decrease / (increase) of profit
	Points	Rupees
2014	+ (-) 20	**19,348,809**
2013		10,401,931

37.3.3 Equity price risk management

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs. Nil.

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. Nil.

37.3.4 Other price risk

Other price risk represents 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, currency risk or equity price), 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. The Company is not exposed to commodity price risk since it has a diverse portfolio of commodity suppliers.

37.4 Determination of fair values

Fair value of financial instruments

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

The financial instrument, if any, that are not traded in active market are carried at cost and are tested for impairment according to IAS 39.

The carrying amount less impairment provision, if any, of trade receivables and payables and financial liabilities are assumed to approximate to their fair values.

37.5 Fair value hierarchy

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June, 2014, the Company has no financial instruments measured using the above fair value hierarchy.

37.6 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

	2014 Rupees	2013 Rupees
Total borrowings	**1,024,797,113**	602,421,050
Less: Cash and bank balance	**31,039,252**	67,455,289
Net debt	**993,757,861**	534,965,761
Total Equity including surplus on revaluation of land	**963,078,979**	894,382,881
Total capital	**1,956,836,840**	1,429,348,642
Gearing ratio	**50.78%**	37.43%

38 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors of the company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties.

Amounts due from and to related parties are shown under receivables and payables, if any, and remuneration of directors and key management personnel is disclosed in note 35.

Other significant transactions with related parties are as follows:

Nature of relation	**Nature of transactions**	**2014 Rupees**	2013 Rupees
Associated company	Purchase of goods and services	**1,393,637,453**	1,250,019,237
	Sale of goods and services	**235,505**	7,654,115
	Dividend paid	**33,475,698**	13,948,208
	Rent expense	**839,000**	779,000
Key management personnel	Payment of dividend to directors and their close family members	**63,651,378**	26,522,145

39 PLANT CAPACITY AND ACTUAL PRODUCTION

Weaving	**2014**	**2013**
Air Jet Looms installed	**344**	340
Installed capacity at 50 Picks (meters)	**60,080,809**	59,301,885
Actual production (meters)	**48,208,201**	49,855,885
Actual production after conversion into 50 Picks (meters)	**60,604,107**	61,733,757

The difference between installed capacity and actual production is in normal course of business.

40 CASH GENERATED FROM OPERATIONS

	2014 Rupees	2013 Rupees (Restated)
Profit before taxation	**242,893,746**	397,871,845
Adjustments for:		
Depreciation of property, plant and equipment	**83,677,428**	83,555,258
Provision for employee benefits	**17,738,666**	13,446,161
Loss / (gain) on disposal of property, plant and equipment	**1,694,430**	(1,633,432)
Gain on sale of short term investments	**(70,331)**	(103,161)
Finance cost	**60,535,847**	82,942,473
Profit on deposits	**(367)**	(20,130)
	163,575,673	178,187,169
	406,469,419	576,059,014
Changes in working capital		
(Increase) / decrease in:		
Stores, spare parts and loose tools	**(14,729,376)**	2,485,642
Stock-in-trade	**74,314,002**	(119,101,261)
Trade debts	**5,682,752**	22,487,753
Advances	**4,336,553**	(12,219,114)
Short-term prepayments	**(377,188)**	359,776
Other receivables	**456,333**	1,074,085
Sales tax	**(56,781,547)**	(28,895,260)
	12,901,529	(133,808,379)
Increase in:		
Trade and other payables	**19,633,630**	47,830,591
Cash generated from operations	**439,004,578**	490,081,226

41 NUMBER OF EMPLOYEES

	2014	2013
Average number of employees during the year	**1,080**	1,066
Number of employees as at June 30,	**1,130**	1,038

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the board of directors of the Company and authorized for issue on September 25, 2014.

43 CORRESPONDING FIGURES

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made.

44 GENERAL

The figures have been rounded off to the nearest Rupee.

	Shahzada Sultan Mubashir	**Shaukat Ellahi Shaikh**
Lahore: September 25, 2014	Director	Mg. Director (Chief Executive)

FORM OF PROXY

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

I/We ______________________________________ of _____________ being member(s) of **PROSPERITY WEAVING MILLS LTD.,** and holder of ______________ Ordinary Shares as per Share Register Folio No. ________ (In case of Central Depository System Account Holder A/c No. ____________ Participant I.D. No. _________________) hereby appoint ______________________________ of _____________ who is member of the Company as per Register Folio No. _______________ (In case of Central Depository System Account Holder A/c No. ___________ Participant I.D. No. ____________________) or failing him/her ___________________________________ of _____________ who is member of the Company as per Register Folio No. _______________ (In case of Central Depository System Account Holder A/c No. ____________ Participant I.D. No.____________) as my/our proxy to vote for me/us and on my/our behalf at the 23rd Annual General Meeting of the Company to be held on October 27, 2014 and at any adjournment thereof.

affix Rs. 5/= Revenue Stamp

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

Signed at _______________ this the ___________ day of _______________ 2014

NOTES:

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

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

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

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