# 48TH ANNUAL REPORT 2008

JDM

JANANA DE MALUCHO TEXTILE MILLS LIMITED



بسم الله الرحمن الرحيم

## CONTENTS

## COMPANY'S PROFILE

| | |
|---|---|
| **BOARD OF DIRECTORS** | MR. RAZA KULI KHAN KHATTAK, Chairman<br>LT. GEN. (RETD.) ALI KULI KHAN KHATTAK, Chief Executive<br>MR. AHMAD KULI KHAN KHATTAK<br>MR. MUSHTAQ AHMAD KHAN, FCA<br>MRS. ZEB GOHAR AYUB<br>MRS. SHAHNAZ SAJJAD AHMAD<br>DR. SHAHEEN KULI KHAN |
| **AUDIT COMMITTEE** | MR. RAZA KULI KHAN KHATTAK — Chairman<br>MR. AHMAD KULI KHAN KHATTAK — Member<br>MR. MUSHTAQ AHMAD KHAN, FCA — Member |
| **CHIEF FINANCIAL OFFICER & COMPANY SECRETARY** | MR. AMIN-UR-RASHEED<br>B. Com. (Hons.) FICS<br>Gen. Manager Finance & Corporate Affairs |
| **INTERNAL AUDITOR** | MR. SYED RAHEEL GILLANI |
| **AUDITORS** | M/S HAMEED CHAUDHRI & CO.<br>Chartered Accountants |
| **BANKERS** | NATIONAL BANK OF PAKISTAN<br>HABIB BANK LIMITED<br>UNITED BANK LIMITED<br>BANK ALFALAH LIMITED |
| **REGISTRARS & SHARES REGISTRATION OFFICE** | MANAGEMENT & REGISTRATION SERVICES (PVT) LIMITED.<br>BUSINESS EXECUTIVE CENTRE, F/17/3,<br>BLOCK 8, CLIFTON, KARACHI |
| **REGISTERED OFFICE & MILLS** | HABIBABAD, KOHAT (N.W.F.P)<br>TEL. 0922 - 510063 - 512930 - 510494<br>FAX. 0922 - 510474<br>E-MAIL: janana@brain.net.pk<br>WEB SITE: www.bibojee.com |



ANNUAL REPORT 2008

# VISION

"TO BE MARKET LEADERS IN YARN, BUILDING COMPANY IMAGE THROUGH INNOVATION AND COMPETITIVENESS, ENSURING SATISFACTION TO CUSTOMERS' AND STAKEHOLDERS AND TO FULFILL SOCIAL OBLIGATIONS."

# MISSION STATEMENT

"LEAD PRODUCER OF QUALITY YARN WE SHALL BUILD ON OUR CORE COMPETENCIES AND ACHIEVE EXCELLENCE IN PERFORMANCE. WE AIM AT EXCEEDING EXPECTATIONS OF ALL STAKEHOLDERS. WE TARGET TO ACHIEVE TECHNOLOGICAL ADVANCEMENTS TO INCULCATE THE MOST EFFICIENT, ETHICAL AND TIME TESTED BUSINESS PRACTICES IN OUR MANAGEMENT.

WE SHALL STRIVE TO INNOVATE AND INTRODUCE ALTERNATE USES OF PRODUCT TO BROADEN OUR CUSTOMER BASE TO HELP STRENGTHEN THE PHYSICAL INFRASTRUCTURE OF THE COUNTRY."

# OVER ALL CORPORATE STRATEGY

A. TO ACHIEVE GROWTH BY MONITORING OUR MARKET NICHE IN SUPER FINE COUNTS, AND AT THE SAME TIME DIVERSIFYING OUR PRODUCTS RANGE TO ENTER NEW PROFITABLE MARKETS.

B. TO CONSTANTLY IMPROVE PRODUCTIVITY, QUALITY AND SERVICES WHICH WILL NOT ONLY SERVE THE MARKET CONSUMERS BUT WILL ALSO RESULT IN ENHANCED PAYMENT OF SALES TAX, INCOME TAX AND OTHER GOVERNMENT LEVIES.

C. TO PROVIDE CLEAN AND POLLUTION FREE ENVIRONMENT TO OUR EMPLOYEES FOR IMPROVING THEIR PERFORMANCE & CREATING A CORPORATE CULTURE THAT FOSTERS INITIATIVE IN ITS WORK FORCE.

D. TO CONSTANTLY STRIVE FOR INCREASING INVESTOR'S SHARE VALUE BY ACHIEVING COMMENDABLE RESULTS EVEN IN VERY DIFFICULT AND HIGHLY COMPETITIVE INTERNATIONAL & LOCAL MARKETS.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 48th Annual General Meeting of the Shareholders of Janana De Malucho Textile Mills Limited will be held at the registered office of the Company at Habibabad, Kohat on **FRIDAY** the 31st **October, 2008** at **10:00 AM** to transact the following business.

### A. ORDINARY BUSINESS:

1. To confirm the minutes of the Extra Ordinary General Meeting held on March 26, 2008.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2008 together with the directors' and auditors' reports thereon.

3. To appoint auditors for the year ending on 30th June 2009 and to fix their remuneration.

### B. SPECIAL BUSINESS:

To consider and if deemed fit, pass the following special resolutions with or without amendments.

4. "Resolved that the consent of the Shareholders is hereby granted to the Board of Directors of the Company to purchase/book/pay advance for acquisition of 1/10th portion of office space at Islamabad stock exchange (Guarantee) Limited tower under construction at Blue Area Islamabad. Further resolved that Chief Executive be and is hereby authorized to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the purchase/book/pay of advance for the aforesaid acquisition".

5. "Resolved that Meeting fee be increased from Rs.3,000/= to Rs. 10,000/- and for this purpose word Rs.3,000 in Clause No. 97 of the Articles of Association of the Company shall be replaced with the word Rs. 10,000/-".

6. To consider any other business with the permission of the Chair.

By order of the Board

Kohat
Dated: 9th October 2008

AMIN-UR-RASHEED
Company Secretary
&
General Manager Corporate Affairs





## NOTES:

### BOOK CLOSURE:

1. The Share transfer books of the Company shall remain closed from 23rd October 2008 to 30th October 2008 (both days inclusive). The shares received in the Company's registered office before close of business hours on 22nd October 2008 will be considered in order for registration in the name of the transferees.

### CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

2. Members of the Company are requested to immediately notify the change of address, if any, and ask for consolidation of their folio nos.

### PARTICIPATION IN ANNUAL GENERAL MEETING:

3. Any member entitled to attend and vote at this meeting shall be entitled to appoint any other person as his/her proxy to attend and vote in respect of him/her and the proxy instrument shall be received by the Company not later than 48 hours before the meeting.

### INSTRUCTION FOR CDC ACCOUNT HOLDERS:

4. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange commission of Pakistan;

**a. For attending the meeting:**

i. In case of account holder of CDC their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his original National Identity Card (N.I.C.) or Original Passport at the time of attending the Meeting.

ii. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with certified specimen signature of the nominee shall be produced at the time of the meeting.

**b. For appointing proxies:**

iii. In case of individuals account holder of CDC registration details are uploaded as per the regulations shall submit the proxy form as per the above requirements along with attested copies of N.I.C. or the Passport of the beneficial owner and shall be furnished with proxy form.

iv. The proxy shall produce his original N.I.C. or original Passport at the time of the meeting.

v. In case of corporate entity the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted along with proxy form to the company.

**STATEMENT OF MATERIAL FACTS UNDER SECTION 161(1)(b) OF THE COMPANIES ORDINANCE 1984 REGARDING SPECIAL BUSINESS:**

5. This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting to be held on 31st October 2008.

**Item No. 4 of the Notice:**

- In order to run the business affairs of the company at a centralized place of Islamabad, Board of Directors of the Company has decided to purchase 1/10th portion of one floor of the Islamabad Stock Exchange (Guarantee) Limited with financial assistance of the other Bibojee Group of Companies (associated companies) in order to establish the central offices of all the group companies at one place in order to reduce the expenses incurred on the travelling of the directors/ executives of the associated companies to look after the affairs of the group companies keeping in view the austerity measures and to reduce the overhead expenses of the Company. It will also facilitate smooth flow of financial and administrative operations of the Company. This decision has also been taken by the Board of Directors of the company keeping in view its location in the fast deteriorating law and order situation of the North West Frontier Province

- 1/10th portion of the office space purchased by the company in any of the floors of the Islamabad Stock Exchange (G) Limited shall be registered in the name of the Company which will prove to be highly profitable investment in future.

- Majority of directors of the company are also shareholders/members and directors of associated companies/undertakings who are also acquiring offices in the same floor of the Islamabad stock Exchange (Guarantee) Limited. Apart from this fact the directors are interested in this special business only to the extent of their shareholding in the company.





**Item No. 5 of the Notice:**

- The Directors of the company intend to increase their meeting fee from Rs.3,000/= to Rs. 10,000/= per meeting, which necessitated to make amendments in Clause 97 of the Articles of Association of the Company.

# Honourable

Mr. Asif Ali Zardari, President Islamic Republic of Pakistan
Syed Yousaf Raza Gillani, Prime Minister Islamic Republic of Pakistan
Syed Naveed Qamar, Federal Minister for Finance & Commerce Govt. of Pakistan

## TEXTILE IN THE LINE OF MALIGNANT CANCER SINCE 2005 TO 2008

**Present position of the textile industry of Pakistan as on September 20, 2008:**

| | | |
|---|---|---|
| 1. | Spindles Closed | 25% |
| 2. | Spindles on one shift only | 35% |
| 3. | Mills in operation incurring huge losses | 40% |
| 4. | Mill available for sales | 60% |
| 5. | Total Ten Million Spindles have been closed | |

(Khabrain, Nawa-e-Waqat Multan Edition dated September 12, 2008)

## JANANA DE MALUCHO TEXTILE MILLS LIMITED
### INCREASE IN COST
### Impact per Year

| Capacity - Spindles | 70,896 |
|---|---|
| | (Rs. in million) |
| Cotton Cost | 33.000 |
| Interest Rate | 73.000 |
| Power / Gas Rates | 71.000 |
| Wages | 65.000 |
| Logistics | 42.000 |
| | 284.000 |
| Less: Expected increase in sales revenue | 144.000 |
| Net increase in cost/ Loss of profit | 140.000 |

### RELIEF REQUIRED

- Include Spinning Industry in LTF Scheme Since 2003.
- Cover all investments by textile industry in LTF Scheme since 2003.
- Allow all modes of Finance (Leasing, Ijara, Islamic, TFC) in LTF Scheme since, 2003.
- Restore polyester staple fiber import under DTRE Scheme.
- Provide facility for working capital at reduced rate of interest @ 7%.
- Reduce Power / gas rates by 60% for textile and provide uninterrupted supply.
- Suspend all taxes / levies on exports.
- Abolish import duty on textile spare parts.
- Provide level playing field in comparison to regional countries.





## DIRECTORS' REPORT TO THE SHAREHOLDERS

1. Your Board of Directors are pleased to present your Company's Annual Audited Accounts for the year ended 30th June, 2008, alongiwth the Auditors' Report.

**CRISIS OF PAKISTAN TEXTILE INDUSTRIES:**

2. Pakistan's Textile Industry had played a vital role in the economy of the Country upto the year 2004. Textile accounted for more than 64% of the total exports, 48% of Industrial Employment, 11% share of the GDP and 55% of bank advances.

3. Unfortunately, for the last four years this industry, especially the Spinning Sector has been in deep crisis due to the disproportionate increases in the costs of production. Gas prices have been increased by 92% during last two years from Rs. 172 to Rs. 330 per mmbtu. Recently the electricity cost has gone up by 70% with constant load shedding; and due to the recent abnormal increase in fuel prices, transport cost has jumped by 100%. When compared to 2004, the banks have raised their mark-up rate from 6% to 16.50%, an increase of 175%.

4. As a result of the above mentioned increases the manufacturing costs have registered an increase of 300% since 2004. This single cost increase has been instrumental in the malaise that the Spinning Industry finds itself today. Finance cost as a ratio of Sales was 1.23 % in the Year 2004 but in the year 2008 - it is 9.36%.

5. The gas prices for captive power generation have increased by 92% i.e., from Rs. 172 in 2004 to Rs. 330 per mmbtu in 2008; which has totally disturbed the feasibility of gas based power generation projects. Interestingly the cost of the gas for captive power generation in Bangladesh is approximately Rs 80 per mmbtu i.e. 1/4th of our cost.

6. As far as polyester staple fibre (PSF) and viscose is concerned, all over the world the usage of this is man made fiber is around 50% whereas, in Pakistan, this ratio is close to 23%. The primary reason being the protection given to the local polyester fibre manufacturers and their cartelized pricing mechanism. All this adds up to a price differential of close to 50% with our competitors India and China and such Pakistani products become uncompetitive.

7. Wage increases of labour force totaling 140% since last June, 2006 (from Rs 2,500 to present Rs 6,000) without any qualitative and quantitative control on production of the textile industry in Pakistan.

**FINANCIAL PERFORMANCE OF THE COMPANY FOR THE YEAR 2008:**

8. We are pleased to inform you that despite deep crisis in the Country's

Spinning Industry since the year 2004, yet your Company's Financial performance has improved as compared to previous year 2007. This was due to quality production of super fine counts to meet the demand of air jet looms units. A brief summary of the Financial Year Ending 30th, June' 2008 is tabulated below:-

| | 30th June 2008 | 30th June 2007 (Restated) |
|---|---|---|
| | (Rupees in thousand) | |
| Sales Net | 1,126,924 | 1,075,183 |
| Less: Cost of Sales | 975,272 | 929,974 |
| Gross Profit | 151,652 | 145,209 |
| Administrative & Selling Expenses | 41,511 | 37,428 |
| Other operating Income | 6,234 | 3,665 |
| Operating Profit | 116,375 | 111,446 |
| Financial Cost | 93,773 | 106,647 |
| Profit before taxation | 19,436 | 6,014 |
| Taxation: | | |
| Current | 5,635 | 5,371 |
| Deferred | 8,553 | (1,045) |
| | 14,188 | 4,326 |
| Profit after taxation | 5,248 | 1,688 |
| Earning per share | Rs. 1.66 | Rs.0.53 |

However, profit before charging incremental depreciation and taxation amount to Rs. 36.933 Million for the Year under report

**OPERATING PERFORMANCE:**

9. Your Company had an installed capacity in operation 71,696 spindles during the year ended June 30, 2008. With this capacity, the Company has produced 4,954,304 Kgs. as against 5,491,651 Kgs in the twelve months period ended June 30, 2007. When actual production is converted into 20's count, the total production works out to be 24,517,579 Kgs during the year under review against 26,498,796 Kgs in the year 2007. The operating efficiency achieved was 94.60% for the year under review as against 99.50 % of the year 2007. Average count spun was 58.08 in 2008 and in 2007 was 55.08. The operating efficiency decreased by 3,699,441 spindles not worked due to unprecedented gas and power outages from December, 2007 to February, 2008.

10. **PAYMENTS OF BANK'S LOANS (OBTAINED IN 2004 & 2005) INSTALMENTS & MARKUP, BANK'S OVERDUES AND REQUEST DATED 21ST MAY, 2007 FOR RESCHEDULING & RESTRUCTURING OF OUTSTANDING BANK LOANS AND MARKUP PAYABLE BY THE COMPANY AS ON JUNE 30, 2008.**

As explained above, the deep financial crisis since 1st January, 2005 to 30th June, 2008, we have earned profit before taxation and





incremental depreciation Rs. 42.620 million alongwith payment of suppliers bills of new unit and taxes under section 80 D, Rs. 15.863 million, addition of fixed assets Rs. 167.050 million from our own cash resources, **total cash flow during this period (three years) amounts to Rs. 484.684 million includes Rs. 22.818 million provided by sponsor's associated company to raise the paid-up capital.** We have paid Rs. 393.250 million (Rs. 39.33 crore) principal Rs. 110.780 million plus markup Rs. 282.470 million (Rs. 28.25 Crore) from 1st July, 2006 to 30th June, 2008.

We applied to National Bank of Pakistan during the year 2007 for restructuring alongwith request of lowering markup at least the spread of the banks. We are pleased to inform you that National Bank of Pakistan has approved on July 23, 2007 our request of restructuring and rescheduling of the loans.

11. Due to crisis in Pakistan's Textile Industry especially in the Spinning Sector and the Government of Pakistan by not providing any remedial measures, the future prospects for the industry are not very promising.

12. The Cotton Crop for coming season 2008-2009 is expected to be short by 3.00 million bales than Government target of 14.20 million bales due to heavy rains in the cotton growing areas in Punjab and Sindh in July, August & September, 2008 against industry's demand of over 16.000 million bales. The prices of domestic cotton are likely to be higher by about 30% to 35% than the level at which yarn & fabrics prices are being offered in the export markets for the last three years. In addition to this, labour cost of the unskilled force has been increased by 109% w.e.f 1st July, 2006 again increased 31% from 1st July 2008 and main burden of this raise shall be on textile industry as it is labour intensive.

13. **NOT WITHSTANDING THE FOREGOING CONSTRAINTS, YOUR DIRECTORS WOULD LIKE TO ASSURE YOU THAT EVERY EFFORT SHALL BE MADE TO CONTROL THE COST OF PRODUCTION AND BY FURTHER IMPROVING THE QUALITY OF FINISHED GOODS (YARN OF SUPER FINE COUNTS TO MEET AIR JET LOOMS DEMAND), HIGHER SALE RATES, IN ORDER TO ACHIEVE PROFITABILITY OF THE COMPANY ENABLING US TO REPAY THE BANKS LOANS AND TO PROMOTE & SECURE THE INTEREST OF THE SHAREHOLDERS DESPITE SERIOUS UNFAVOURABLE CRISIS PREVAILING IN THE TEXTILE SECTOR OF THE COUNTRY.**

**COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

As required under the Code of Corporate Governance the Directors are pleased to confirm that:

1. The financial statements, prepared by the management of Janana De Malucho Textile Mills Ltd present fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2. Appropriate accounting policies have been consistently applied for the year ended 30-06-2008 and accounting estimates are based on reasonable and prudent judgment.
3. Proper books of account of Janana De Malucho Textile Mills Limited have been maintained.
4. International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of the financial statements.
5. The system of internal controls is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon Janana De Malucho Textile Mills Limited's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 30 June, 2008, except for those disclosed in the financial statements.
9. The pattern of shareholding and additional information regarding pattern of shareholding is included in this annual report.
10. Mr. Mushtaq Ahmad Khan, FCA Director of the company has purchased -15,900- shares during the year ended 30th June 2008.

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING**

The Company is compliant with the best practices of transfer pricing as contained in the listing regulation No. 38 of The Karachi Stock Exchange (G) Limited (see Note No. 42) of the audited financial statements for the year ended 30th June 2008.

**BOARD AUDIT COMMITTEE**

The new Board of Directors elected on 26th March 2008 in compliance with the Code of Corporate Governance has established a Board Audit Committee.

| | | |
|---|---|---|
| 1. | Mr. Raza Kuli Khan Khattak | Chairman |
| 2. | Mr. Ahmad Kuli Khan Khattak | Member |
| 3. | Mr. Mushtaq Ahmad Khan, FCA | Member |

Board Audit Committee was established by the Board in its meeting held on 8th April 2008, to assist the Board in discharging its responsibilities for corporate governance, financial reporting and Corporate Control. The Committee consists of three members including the Chairman of the Committee. Majority of the members of the Committee are non-executive directors.

The Board Audit Committee is responsible for reviewing quarterly reports of the Company's financial results, and its audited financial statements and other systems of management controls. The Committee reviews the procedures for ensuring their independence with respect to the services performed for the Company and to make recommendations to the Board of Directors regarding working of the Company.





**BOARD MEETINGS AND ATTENDANCE OF EACH DIRECTOR**

| | **Number** |
|---|---|
| Total number of Board meetings Held during the Year under review | 5 |

**Attendance of each Director**

| | |
|---|---|
| Mr. Raza Kuli Khan Khattak | 5 |
| Lt. Gen. (Retd). Ali Kuli Khan Khattak | 4 |
| Mr. Ahmad Kuli Khan Khattak | 3 |
| Mr. Mushtaq Ahmad Khan, FCA | 5 |
| Mrs. Zeb Gohar Ayub | 5 |
| Mrs. Shahnaz Sajjad Ahmad | 5 |
| Dr. Shaheen Kuli Khan | 4 |

- Leave of absence was granted to the directors who could not attend the board meetings due to their busy schedule and other appointments.
- The Board is pleased to report further that Janana De Malucho Textile Mills Limited is compliant with the provisions of best practices of Code of Corporate Governance as on 30th June 2008.

**KEY OPERATING AND FINANCIAL DATA (SIX YEARS SUMMARY)**

Key operating and financial data of last six years is enclosed.

**PATTERN OF SHAREHOLDING**

The statement of pattern of shareholding of the company as on 30th June 2008 is enclosed. This statement is prepared in accordance with the Code of Corporate Governance and the provisions of Companies Ordinance 1984 read with Companies (Amendment) Ordinance 2002.

**CONTRIBUTION OF OUR COMPANY TOWARDS GOVERNMENT AND SOCIAL SECTOR**

We wish to give hereunder our Company's revenue contribution towards the Government, Semi Government sectors, banks and Social sector during the year ended 30th June 2008.

| | (Rs. In Million) |
|---|---|
| I. GOVERNMENT SECTOR | |
| a. Income Tax | 14.188 |
| b. Power & Fuel | 132.157 |
| c. Financial Institution/ Banks | 93.773 |
| II. SOCIAL SECTOR | |
| Employees/Workers salaries, Wages and other benefits | 154.788 |
| | 394.906 |

We are also providing employment to 1593 workers (1593 families) the employment cost of which shall now be about Rs.154.788 million.

**DIVIDEND**

The Board of Directors has decided not to pay any dividend keeping in view the pressing requirement of the financial resources to repay Demand Finance Loans.

**NEW BOARD OF DIRECTORS**

In the Extra Ordinary General Meeting held on March 26, 2008, the following Directors have been elected as a New Board of Directors of the company with effect from April 01, 2008 for the next term of THREE years.

| | | |
|---|---|---|
| 01. | Mr. Raza Kuli Khan Khattak | Chairman |
| 02. | Lt. Gen. (Retd) Ali Kuli Khan Khattak | Chief Executive |
| 03. | Mr. Ahmad Kuli Khan Khattak | Director |
| 04. | Mr. Mushtaq Ahmad Khan, FCA | Director |
| 05. | Mrs. Zeb Gohar Ayub | Director |
| 06. | Mrs. Shahnaz Sajjad Ahmad | Director |
| 07. | Dr. Shaheen Kuli Khan | Director |

**APPOINTMENT OF AUDITORS**

The Company's auditors M/s Hameed Chaudhri & Co., Chartered Accountants, H. M. House, 7 Bank Square, Lahore retire and offer themselves for reappointment. The Board of Directors of the Company as recommended by the Board Audit Committee has decided that the retiring auditor be re-appointed.

**ACKNOWLEDGMENT**

We would like to place on record our due appreciation for the efforts of the Senior Executives, officers and other staff members and workers of the Mills for their hard work, co-operation and dedication to the Company in achieving best possible results.

The Board also wishes to place on record their appreciation specially to the National Bank of Pakistan since 1962 for continued support to the Company in all unfavourable current circumstances prevailing in spinning industry of the country.

For and on behalf of Board of Directors

**LT. GEN. (RETD.)**
**ALI KULI KHAN KHATTAK**
Chief Executive

Dated: **07 October, 2008**





## KEY OPERATING AND FINANCIAL DATA
## SIX YEARS SUMMARY

| PARTICULARS | | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|
| SPINDLES INSTALLED | (Nos.) | **70896** | 70896 | 70896 | 70896 | 51536 | 51536 |
| ROTORS INSTALLED | (Nos.) | **400** | 400 | 400 | 200 | 0 | 0 |
| **PRODUCTION** | (Lbs. in million) | **10.922** | 12.106 | 12.110 | 5.262 | 6.683 | 5.789 |
| Sales - Net | (Rs. in million) | **1,126.924** | 1,075.183 | 969.420 | 463.866 | 633.188 | 499.477 |
| Gross Profit | ---"--- | **151.652** | 145.209 | 68.634 | 34.970 | 67.254 | 69.407 |
| Operating Profit | ---"--- | **116.375** | 107.781 | 40.410 | 11.251 | 39.685 | 49.060 |
| Profit/(Loss) before Taxation | ---"--- | **19.436** | 6.014 | (44.382) | (10.353) | 36.672 | 42.291 |
| Provision for Taxation | ---"--- | **14.188** | 4.326 | (12.070) | (3.293) | 12.805 | 18.041 |
| Profit/(Loss) after Taxation | ---"--- | **5.248** | 1.688 | (32.312) | (7.060) | 23.867 | 24.250 |
| Cash Dividend | % | **0** | 0 | 0 | 0 | 0 | 30% |
| Earning/(Loss) per share | (Rupees) | **1.66** | 0.53 | (11.23) | (2.45) | 8.29 | 8.43 |
| Breakup Value per share | (Rupees) | **65.37** | 58.15 | 60.48 | 66.14 | 57.53 | 42.00 |
| TOTAL ASSETS | (Rs. in million) | **2,128.685** | 2,061.819 | 1,649.162 | 1,623.800 | 1,062.954 | 624.967 |
| CURRENT LIABILITIES | ---"--- | **(748.822)** | (658.670) | (636.078) | (571.471) | (362.361) | (324.638) |
| | ---"--- | **1,379.863** | 1,403.149 | 1,013.084 | 1,052.329 | 700.593 | 300.329 |
| **REPRESENTED BY:** | | | | | | | |
| Share Capital | (Rs. in million) | **31.655** | 31.655 | 28.777 | 28.777 | 28.777 | 28.777 |
| Reserves and Un-appropriated Profit | ---"--- | **869.432** | 857.964 | 517.096 | 548.037 | 540.86 | 235.475 |
| Equity | ---"--- | **901.087** | 889.619 | 545.873 | 576.814 | 569.637 | 264.252 |
| Long Term Loans | ---"--- | **318.865** | 360.900 | 356.658 | 351.128 | 0 | 0 |
| Deferred Liabilities | ---"--- | **159.911** | 152.630 | 110.553 | 124.387 | 130.956 | 36.077 |
| | ---"--- | **1,379.863** | 1,403.149 | 1,013.084 | 1052.329 | 700.593 | 300.329 |

FORM 34

**THE COMPANIES ORDINANCE 1984**
**(Section 236(1) and 464)**

**PATTERN OF SHAREHOLDING**

1. Incorporation Number: **16 P.R of 1960-61**
   CUIN Number (NEW): **0001193**

2. Name of the Company: JANANA DE MALUCHO TEXTILE MILLS LIMITED

3. Pattern of holding of the shares held by the shareholders as at: 3 0 | 0 6 | 2 0 0 8

| 4. No of shareholders | Shareholdings From | Shareholdings To | Total shares held |
|---|---|---|---|
| 482 | 1 | 100 | 17,363 |
| 392 | 101 | 500 | 86,601 |
| 113 | 501 | 1,000 | 76,812 |
| 109 | 1,001 | 5,000 | 213,695 |
| 13 | 5,001 | 10,000 | 95,438 |
| 10 | 10,001 | 15,000 | 127,144 |
| 1 | 15,001 | 20,000 | 15,456 |
| 2 | 20,001 | 25,000 | 43,500 |
| 2 | 30,001 | 35,000 | 66,000 |
| 2 | 35,001 | 40,000 | 76,664 |
| 2 | 45,001 | 50,000 | 92,820 |
| 1 | 130,001 | 135,000 | 134,062 |
| 1 | 135,001 | 140,000 | 136,500 |
| 1 | 170,001 | 175,000 | 170,830 |
| 1 | 205,001 | 210,000 | 209,990 |
| 1 | 280,001 | 285,000 | 281,050 |
| 1 | 340,001 | 345,000 | 341,000 |
| 1 | 415,001 | 420,000 | 418,330 |
| 1 | 560,001 | 565,000 | 562,195 |
| 1,136 | Total | | 3,165,450 |





| 5. Categories of Shareholders | Share Held | Percentage |
|---|---|---|
| 5.1 Directors, Chief Executive Officer, and their spouse and minor children. | 103,973 | 3.28 |
| 5.2. Associated Companies, undertakings and related parties. | 1,321,525 | 41.75 |
| 5.3 NIT and ICP | 171,600 | 5.42 |
| 5.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 21,361 | 0.67 |
| 5.5 Insurance Companies | 38,992 | 1.23 |
| 5.6 Modarabas and Mutual Funds | NIL | 0.00 |
| 5.7 Share holders holding 10% | 1,321,525 | 41.75 |
| 5.8 General Public | | |
| a. Local | 874,586 | 27.63 |
| b. Foreign | NIL | 0.00 |
| 5.9 Others (to be specified) | | |
| Joint Stock Companies | 214,565 | 6.78 |
| Secretary to Govt. of N.W.F.P. | 134,062 | 4.24 |
| Deputy Administrator Abandoned Properties | 3,422 | 0.11 |
| Trusts | 281,063 | 8.88 |
| Valika Properties Ltd | 100 | 0.00 |
| Tameer-e-Millat Foundation | 200 | 0.01 |
| Govt. of Pakistan | 1 | 0.00 |

6. Signature of Secretary

7. Name of Signatory: AMIN-UR-RASHEED

8. Designation: Company Secretary & General Manager Corporate Affairs

9. CNIC Number: 1 4 3 0 1 - 4 5 7 5 7 6 4 - 3

10. Date: Day 3 0 | Month 0 6 | Year 2 0 0 8

PATTERN OF SHAREHOLDING

## DETAILS OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE

| | CATEGORIES OF SHAREHOLDERS | | SHARES HELD |
|---|---|---|---|
| 1. | ASSOCIATED COMPANIES, UNDERTAKINGS & RELATED PARTIES: | | |
| | M/S.BIBOJEE SERVICES (PVT) LTD. | | 562,195 |
| | M/S BANNU WOOLLEN MILLS LTD, | | 418,330 |
| | M/S BABRI COTTON MILLS LTD, | | 341,000 |
| 2. | N.I.T. & I.C.P: | | |
| | M/S.INVESTMENT CORPORATION OF PAKISTAN | | 770 |
| | M/S.NATIONAL INVESTMENT TRUST LTD | | 170,830 |
| 3. | DIRECTORS, CEO & THEIR SPOUSE AND MINOR CHILDREN: | | |
| | MR.RAZA KULI KHAN KHATTAK, | Chairman | 12,482 |
| | LT.GEN. (RETD) ALI KULI KHAN KHATTAK | Chief Executive | 11,114 |
| | MR.AHMED KULI KHAN KHATTAK | Director | 12,214 |
| | MR.MUSHTAQ AHMED KHAN (FCA) | Director | 43,141 |
| | MRS.ZEB GOHAR AYUB | Director | 12,808 |
| | MRS.SHAHNAZ SAJJAD AHMED | Director | 6,107 |
| | DR. SHAHEEN KULI KHAN | Director | 6,107 |
| 4. | EXECUTIVES | | 1,155 |
| 5. | JOINT STOCK COMPANIES | | 214,565 |
| 6. | BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS | | 60,353 |
| 7. | SHAREHOLDERS HOLDING 10% OR MORE: | | |
| | M/S.BIBOJEE SERVICES (PVT) LTD. | | 562,195 |
| | M/S BANNU WOOLLEN MILLS LTD, | | 418,330 |
| | M/S BABRI COTTON MILLS LTD, | | 341,000 |
| 8. | GENERAL PUBLIC & OTHERS | | 1,292,279 |





## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

[ See clause (xlv)]

Name of Company **JANANA DE MALUCHO TEXTILE MILLS LIMITED**
Year Ended **30TH JUNE 2008**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes FIVE independent non-executive directors and NO director is representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30th June, 2008.
5. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies; along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are well conversant with the legal requirements and such are fully aware of their duties and responsibilities.
10. Their were no new appointments of CFO, Company Secretary and Head of Internal Audit during the year ended 30th June 2008.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises THREE members, of whom TWO are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function and the employees working therein are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

| | |
|---|---|
| Signature | |
| (Name in block letters) | **LT. GEN. (RETD.)**<br>**ALI KULI KHAN KHATTAK**<br>(Chief Executive) |
| NIC Number | 37405-0360603-3 |



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **JANANA DE MALUCHO TEXTILE MILLS LIMITED** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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 status of the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2008

LAHORE; 07 October, 2008

**HAMEED CHAUDHRI & CO.,**
**CHARTERED ACCOUNTANTS**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **JANANA DE MALUCHO TEXTILE MILLS LIMITED** as at 30 June, 2008 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of 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;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS

LAHORE; 07 October, 2008





## BALANCE SHEET AS AT 30 JUNE, 2008

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | Rupees in thousand | |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorised capital | 7 | 200,000 | 200,000 |
| Issued, subscribed and paid-up capital | 8 | 31,655 | 31,655 |
| Reserves | 9 | 128,215 | 128,215 |
| Unappropriated profit | | 47,066 | 24,211 |
| | | 206,936 | 184,081 |
| **SHARES DEPOSIT MONEY** | 10 | 22,818 | 22,818 |
| **SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT** | 11 | 671,333 | 682,730 |
| **NON-CURRENT LIABILITIES** | | | |
| Demand finances | 12 | 318,865 | 359,766 |
| Liabilities against assets subject to finance lease | 13 | 0 | 1,134 |
| Staff retirement benefits-gratuity | 14 | 10,342 | 11,614 |
| Deferred taxation | 15 | 149,569 | 141,016 |
| | | 478,776 | 513,530 |
| **CURRENT LIABILITIES** | | | |
| Current portion of: | | | |
| - demand finances | 12 | 40,901 | 16,713 |
| - liabilities against assets subject to finance lease | 13 | 1,136 | 2,238 |
| Short term finances | 16 | 384,510 | 502,740 |
| Trade and other payables | 17 | 87,408 | 66,874 |
| Accrued mark-up/interest | 18 | 27,993 | 61,462 |
| Taxation | 19 | 5,635 | 5,376 |
| Preference shares redemption account | 20 | 1,239 | 1,267 |
| | | 748,832 | 656,670 |
| **CONTINGENCIES AND COMMITMENTS** | 21 | | |
| | | 2,128,685 | 2,061,819 |

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | Rupees in thousand | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | | |
| Operating fixed assets | 22 | 1,494,346 | 1,547,008 |
| Capital work-in-progress | 23 | 29,657 | 18,766 |
| Stores held for capital expenditure | | 0 | 1,741 |
| | | 1,524,003 | 1,566,505 |
| Investments in Associated Companies | 24 | 41,016 | 38,967 |
| Loans to employees | 25 | 1,087 | 479 |
| Security deposits | | 1,004 | 1,004 |
| | | 1,567,110 | 1,598,950 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 26 | 26,017 | 14,867 |
| Stock-in-trade | 27 | 430,773 | 379,028 |
| Trade debts - unsecured considered good | | 37,675 | 33,003 |
| Advances to employees | | 1,998 | 1,972 |
| Advance payments | 28 | 5,838 | 7,997 |
| Trade deposits and prepayments | 29 | 18,098 | 131 |
| Sales tax refundable | | 10,139 | 4,315 |
| Due from Associated Companies | 30 | 15,426 | 16,637 |
| Other receivables | 31 | 3,786 | 904 |
| Income tax refundable, advance tax and tax deducted at source | | 6,733 | 7,157 |
| Cash and bank balances | 32 | 5,092 | 4,766 |
| | | 561,575 | 462,869 |
| | | 2,128,685 | 2,061,819 |

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

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive

Mushtaq Ahmad Khan, FCA
Director

# PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 30 JUNE, 2008

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | Rupees in thousand | |
| SALES | 33 | 1,126,924 | 1,075,183 |
| COST OF SALES | 34 | 975,272 | 929,974 |
| GROSS PROFIT | | 151,652 | 145,209 |
| ADMINISTRATIVE AND DISTRIBUTION EXPENSES | 35 | 39,186 | 36,883 |
| OTHER OPERATING EXPENSES | 36 | 2,325 | 545 |
| | | 41,511 | 37,428 |
| | | 110,141 | 107,781 |
| OTHER OPERATING INCOME | 37 | 6,234 | 3,665 |
| OPERATING PROFIT | | 116,375 | 111,446 |
| FINANCE COST | 38 | 93,773 | 106,647 |
| | | 22,602 | 4,799 |
| SHARE OF (LOSS) / PROFIT OF ASSOCIATED COMPANIES - Net | 24 | (3,166) | 1,215 |
| PROFIT BEFORE TAXATION | | 19,436 | 6,014 |
| TAXATION | | | |
| - Current | 19 | 5,635 | 5,376 |
| - Prior year | 19 | 0 | (5) |
| - Deferred | 15 | 8,553 | (1,045) |
| | | 14,188 | 4,326 |
| PROFIT AFTER TAXATION | | 5,248 | 1,688 |
| | | ------- Rupees ------- | |
| EARNINGS PER SHARE | 39 | 1.66 | 0.53 |

- The annexed notes form an integral part of these financial statements.

- Appropriations have been reflected in the statement of changes in equity.

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive

Mushtaq Ahmad Khan, FCA
Director





# CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE, 2008

| | 2008 | 2007 |
|---|---|---|
| | Rupees in thousand | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Profit for the year - before taxation and share of (loss) / profit of Associated Companies | 22,602 | 4,799 |
| Adjustments for non-cash charges and other items: | | |
| Depreciation | 54,970 | 50,386 |
| Gain on disposal of operating fixed assets - net | (1,946) | (440) |
| Staff retirement benefits - gratuity (net) | (1,272) | 2,192 |
| Finance cost | 93,061 | 105,537 |
| Workers' welfare fund | 465 | 98 |
| **CASH FLOW FROM OPERATING ACTIVITIES** - Before working capital changes | 167,880 | 162,572 |
| (Increase) / decrease in current assets: | | |
| Stores, spares and loose tools | (11,180) | (3,679) |
| Stock-in-trade | (51,745) | (71,018) |
| Trade debts | (14,672) | (17,289) |
| Advances to employees | (634) | (634) |
| Advance payments | 2,159 | 5,996 |
| Trade deposits and prepayments | (17,967) | 611 |
| Sales tax refundable | (5,824) | 1,524 |
| Due from Associated Companies | 3,211 | 3,517 |
| Other receivables | (2,792) | 3,637 |
| Increase / (decrease) in trade and other payables | 18,074 | (12,882) |
| | (81,340) | (90,217) |
| **CASH INFLOW FROM OPERATING ACTIVITIES** - Before taxation | 86,540 | 72,355 |
| Taxes paid | (4,952) | (1,229) |
| **CASH INFLOW FROM OPERATING ACTIVITIES** - After taxation | 81,588 | 71,126 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | (13,762) | (34,658) |
| Sale proceeds of operating fixed assets | 5,240 | 1,480 |
| Investments made in an Associated Company | (9,000) | 0 |
| Security deposits | 0 | (1) |
| **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | (17,522) | (33,179) |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Shares deposit money received | 0 | 22,818 |
| Demand finances - net | (16,713) | (79,067) |
| Lease finances - net | (2,236) | (1,781) |
| Short term finances - net | 81,770 | 83,706 |
| Preference shares redeemed | (28) | (22) |
| Finance cost paid | (126,530) | (68,399) |
| Dividends paid | (5) | (215) |
| **NET CASH OUTFLOW FROM FINANCING ACTIVITIES** | (63,742) | (42,960) |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | 324 | (5,013) |
| **CASH AND CASH EQUIVALENTS** - At the beginning of the year | 4,768 | 9,781 |
| **CASH AND CASH EQUIVALENTS** - At the end of the year | 5,092 | 4,768 |

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

Lt. Gen (Retd)
Ali Kuli Khan Khattak
Chief Executive

Mushtaq Ahmad Khan, FCA
Director

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE, 2008

| | Share capital | Reserves | | | | Unappr-opriated profit | Total |
|---|---|---|---|---|---|---|---|
| | | Capital redemp-tion | Tax holiday | General | Sub-total | | |
| | Rupees in thousand | | | | | | |
| Balance as at 30 June, 2006 | 28,777 | 6,694 | 350 | 124,049 | 131,093 | 14,192 | 174,062 |
| Profit for the year ended 30 June, 2007 | 0 | 0 | 0 | 0 | 0 | 1,688 | 1,688 |
| Nominal value of ordinary bonus shares issued | 2,878 | 0 | 0 | (2,878) | (2,878) | 0 | 0 |
| Transfer from surplus on revaluation of property, plant & equipment on account of: | | | | | | | |
| - incremental depreciation for the year - net of deferred taxation | 0 | 0 | 0 | 0 | 0 | 7,257 | 7,257 |
| - realised on disposal of plant & machinery - net of deferred taxation | 0 | 0 | 0 | 0 | 0 | 203 | 203 |
| Effect of items directly credited in equity by the Associated Companies | 0 | 0 | 0 | 0 | 0 | 871 | 871 |
| Balance as at 30 June, 2007 | 31,655 | 6,694 | 350 | 121,171 | 128,215 | 24,211 | 184,081 |
| Profit for the year ended 30 June, 2008 | 0 | 0 | 0 | 0 | 0 | 5,248 | 5,248 |
| Transfer from surplus on revaluation of property, plant & equipment on account of: | | | | | | | |
| - incremental depreciation for the year - net of deferred taxation | 0 | 0 | 0 | 0 | 0 | 10,046 | 10,046 |
| - realised on disposal of plant & machinery - net of deferred taxation | 0 | 0 | 0 | 0 | 0 | 1,341 | 1,341 |
| Effect of items directly credited in equity by the Associated Companies | 0 | 0 | 0 | 0 | 0 | 6,220 | 6,220 |
| **Balance as at 30 June, 2008** | **31,655** | **6,694** | **350** | **121,171** | **128,215** | **47,066** | **206,936** |

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

**Lt. Gen (Retd)**
**Ali Kuli Khan Khattak**
**Chief Executive**

**Mushtaq Ahmad Khan, FCA**
**Director**





## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE, 2008

**1. LEGAL STATUS AND OPERATIONS**

The Company was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Karachi Stock Exchange (Guarantee) Limited. It is principally engaged in manufacture and sale of yarn. The Company's mills and its registered office are located at Habibabad, Kohat.

**2. STATEMENT OF COMPLIANCE**

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

**3. BASIS OF MEASUREMENT**

**3.1 Accounting convention**

These financial statements have been prepared under the historical cost convention, except for the following:

- modification of foreign currency translation adjustments;
- recognition of employee retirement benefits at present value; and
- measurement of certain operating fixed assets at revalued amounts.

**3.2 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is also the Company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest thousand.

**4. USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income 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 the judgements about the 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 44 to these financial statements.

## 5. NEW ACCOUNTING STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 01 July, 2008 and 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 increased disclosures in the certain cases:

- Revised IAS 1 - Presentation of Financial Statements;
- Revised IAS 23 - Borrowing Costs;
- IAS 29 - Financial Reporting in Hyperinflationary Economies;
- IAS 32 (amendment) - Financial Instruments: Presentation and consequential amendments to IAS 1 - Presentation of Financial Statements;
- IFRS 2 (amendment) - Share-based Payments;
- IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and Separate Financial Statements, IAS 28 - Investment in Associates and IAS 31 - Interest in Joint Ventures;
- IFRS 7 - Financial Instruments: Disclosures;
- IFRS 8 - Operating Segments;
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 14 - IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRIC 15 - Agreement for the Construction of Real Estate; and
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Equity instruments

These are recorded at their face value.

### 6.2 Borrowings

Loans and borrowings are initially recognised at the proceeds received; subsequent to initial recognition, these are stated at amortised cost.

### 6.3 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded gratuity scheme for all its eligible employees who have attained the minimum qualifying period of service.

Provision and current service costs are being accounted for on the basis of the actuary's recommendations based on the actuarial valuation of the scheme. Actuarial valuation of the scheme was carried-out as at 30 June, 2008 using the projected unit credit method.

### 6.4 Trade and other payables

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



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### 6.5 Taxation

**(a) Current**

Provision for current taxation is made at the current rates of taxation on taxable income for the year. Tax credits and brought forward losses are recognised for arriving at taxable income for the year.

**(b) Deferred**

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax liability is based on the expected tax rates applicable at the time of reversal.

### 6.6 Dividend and appropriation to reserves

Dividend distribution to the Company's shareholders and appropriation to reserves are recognised in the period in which these are approved.

### 6.7 Property, plant and equipment and depreciation

These, other than freehold land, buildings on freehold land, plant & machinery, generators and capital work-in-progress, are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at revalued amount whereas buildings on freehold land, plant & machinery and generators are stated at revalued amounts less accumulated depreciation and any identified impairment loss. Capital work-in-progress is stated at cost. Cost of some items of plant & machinery consists of historical cost and exchange fluctuation effects on foreign currency loans capitalised during prior years. Borrowing costs are also capitalised for the period upto the date of commencement of commercial production of the respective plant & machinery, acquired out of the proceeds of such borrowings.

Depreciation is taken to profit and loss account applying reducing balance method so as to write-off the depreciable amount of an asset over its remaining useful life at the rates stated in note 22. The assets' residual values and useful lives are reviewed at each financial year-end and adjusted if impact on depreciation is significant.

Depreciation on additions to property, plant and equipment is charged from the month in which an asset is acquired or capitalised while no depreciation is charged for the month in which the asset is disposed-off.

Normal repairs and replacements are taken to profit and loss account. Major improvements and modifications are capitalised and assets replaced, if any, other than those kept as stand-by, are retired.

Gain / loss on disposal of property, plant and equipment, if any, is taken to profit and loss account.

### 6.8 Assets subject to finance lease

These are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets. The related obligation of leases is accounted for as liability. Finance cost is allocated to accounting periods in a manner so as to provide a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Depreciation is charged to income at the rates stated in note 22 applying reducing balance method to write-off the cost of the asset over its estimated remaining useful life in view of certainty of ownership of assets at the end of lease period.

Finance cost and depreciation on leased assets are charged to income currently.

### 6.9 Investments in Associated Companies

Investments in Associated Companies are accounted for using equity basis of accounting under which the investments in Associated Companies are initially recognised at cost and the carrying amounts are increased or decreased to recognise the Company's share of the profit or loss of the Associated Companies after the date of acquisition. The Company's share of the profit or loss of the Associated Companies is recognised in the Company's profit or loss. Distributions received from Associated Companies reduce the carrying amount of the investments. Adjustments to the carrying amounts are also made for changes in the Company's proportionate interest in the Associated Companies arising from changes in the Associated Companies' equity that have not been recognised in the Associated Companies' profit or loss. The Company's share of those changes is recognised directly in equity of the Company.

The carrying amount of the investment is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in profit or loss.

### 6.10 Stores, spares and loose tools

These are valued at moving average cost except items-in-transit, which are valued at cost accumulated to the balance sheet date.

### 6.11 Stock-in-trade

Basis of valuation are as follows:

| Particulars | Mode of valuation |
|---|---|
| Raw materials: | |
| At warehouses | - At lower of annual average cost and net realisable value. |
| In transit | - At cost accumulated to the balance sheet date. |
| Work-in-process | - At cost. |
| Finished goods | - At lower of cost and net realisable value. |
| Waste | - At net realisable value. |

- Cost in relation to work-in-process and finished goods represents annual average manufacturing cost which consists of prime cost and appropriate manufacturing overheads.
- Net realisable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred to effect such sale.

### 6.12 Trade debts

Trade debts are carried at original invoice amount less an estimate for doubtful debts based on review of outstanding amounts at the year-end. Bad debts are written-off when identified.

### 6.13 Cash and cash equivalents

These consist of cash-in-hand and balances with banks.

### 6.14 Provisions

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





### 6.15 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account.

### 6.16 Revenue recognition

- Sales are recorded on dispatch of goods.
- Dividend income is accounted for when the right of receipt is established.

### 6.17 Borrowing costs

Borrowing costs incurred on finances obtained for acquisition of fixed assets are capitalised upto the date of commissioning of the respective assets. All other borrowing costs are taken to profit and loss account.

### 6.18 Foreign currency translations

Transactions in foreign currencies are accounted for in Pak Rupees at the exchange rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies except for those covered under forward foreign exchange contracts are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date. Forward foreign exchange contracts, if any, are translated at contracted rates. Exchange differences on foreign currency translations are included in profit and loss account.

### 6.19 Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 6.20 Off-setting of financial instruments

Financial assets and liabilities are off-set and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 6.21 Related party transactions

Sale, purchase and other transactions with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Associated Companies, which are on the actual basis.

## 7. AUTHORISED SHARE CAPITAL

| | 2008 | 2007 |
|---|---|---|
| | Rupees in thousand | |
| 18,000,000 ordinary shares of Rs.10 each | **180,000** | 180,000 |
| 700,000 - 7.5% redeemable cumulative preference shares of Rs.10 each | **7,000** | 7,000 |
| 1,300,000 - 10% redeemable cumulative preference shares of Rs.10 each | **13,000** | 13,000 |
| | **200,000** | 200,000 |

## 8. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | 2008 | 2007 |
|---|---|---|
| **Issued for cash:** | **Rupees in thousand** | |
| 500,000 ordinary shares of Rs.10 each | **5,000** | 5,000 |
| 1,652,100 ordinary shares of Rs.10 each issued to Financial Institutions by conversion of loans and debentures | **16,521** | 16,521 |
| 6,832 ordinary shares of Rs.10 each issued by conversion of preference shares | **68** | 68 |
| | **21,589** | 21,589 |
| **Issued as bonus shares:** | | |
| 1,006,518 ordinary shares of Rs.10 each | **10,066** | 10,066 |
| | **31,655** | 31,655 |

8.1 Ordinary shares held by the Associated Companies at the year-end are as follows:

| | **Number of shares** | |
|---|---|---|
| - Bibojee Services (Pvt.) Ltd. | **562,195** | 562,195 |
| - Bannu Woollen Mills Ltd. | **418,330** | 418,330 |
| - Babri Cotton Mills Ltd. | **341,000** | 341,000 |
| | **1,321,525** | 1,321,525 |

## 9. RESERVES

| | **Rupees in thousand** | |
|---|---|---|
| Capital: | | |
| - capital redemption reserve | **6,694** | 6,694 |
| - tax holiday reserve | **350** | 350 |
| | **7,044** | 7,044 |
| Revenue - general reserve | **121,171** | 121,171 |
| | **128,215** | 128,215 |

## 10. SHARES DEPOSIT MONEY

This shares deposit money amounting Rs.22.818 million was received from Bannu Woollen Mills Ltd. (BWM) during the preceding financial year ended 30 June, 2007 for issue of right shares. The said right issue was subsequently withdrawn / cancelled by the shareholders of the Company in their annual general meeting held on 31 October, 2007 as the Company was unable to have the issue underwritten by financial institutions as per the requirements of the Companies (Issue of Capital) Rules, 1996.

The Company's board of directors, in their meeting held on 29 February, 2008, proposed to issue shares to BWM as otherwise than right at a price of Rs.30/- per share against the shares deposit money already lying with the Company.

The Company's shareholders in the extra-ordinary general meeting held on 26 March, 2008 have also resolved to raise the capital of the Company by issuing 761,000 shares to BWM at a price of Rs.30/- per share (or at a price to be approved by the SECP) without issue of right shares under section 86(1) of the Companies Ordinance, 1984 against the shares deposit money deposited by BWM. BWM has consented to take the shares at face value with the premium of Rs.20/- per share subject to the approval of the SECP. The Company, during June, 2008, has filed an application with the SECP in this regard.

The SECP, during July, 2008, has declined the Company's request to issue shares to BWM as otherwise than right. The Company, during August, 2008, has submitted the review application to the SECP and is hopeful that the SECP will give its permission to issue the shares under section 86(1) of the Companies Ordinance, 1984 at an elevated price.





## 11. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

11.1 The freehold land of the Company was revalued on 30 September, 1998 by M/s Hamid Mukhtar & Co. - Valuation Consultants and Surveyors, Lahore. The Company, during the financial year ended 30 September, 2004, had again revalued its freehold land, buildings on freehold land, plant & machinery and generators to replace the carrying amounts of these assets with their market values / depreciated market values. This revaluation was carried-out by independent Valuers - M/s Yunus Mirza & Co., Incorporated Architects, Engineers, Town Planners & Banks' Approved Surveyors, Karachi. The appraisal surplus arisen on the revaluation aggregating Rs.375.511 million was credited to this account.

11.2 The Company, as at 30 April, 2007, has again revalued its freehold land, buildings on freehold land, plant & machinery and generators. The revaluation exercise has been carried-out by M/s Yunus Mirza & Co. to replace the carrying amounts of these assets with their market value / depreciated market values. The net appraisal surplus arisen on the latest revaluation aggregating Rs.359.299 million has been credited to this account to comply with the requirements of section 235 Of the Companies Ordinance, 1984. The year-end balance has been arrived at as follows:

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | **Rupees in thousand** | |
| Opening balance | | **682,720** | 371,811 |
| Net surplus arisen on revaluation carried-out during the preceding year | | **0** | 359,299 |
| Less: related deferred taxation | | **0** | (40,930) |
| | | **0** | 318,369 |
| Less: | | | |
| transferred to unappropriated profit on account of: | | | |
| - incremental depreciation for the year - net of deferred taxation | | **(10,046)** | (7,257) |
| - realised on disposal of plant & machinery - net of deferred taxation | | **(1,341)** | (203) |
| | | **(11,387)** | (7,460) |
| Closing balance | | **671,333** | 682,720 |

## 12. DEMAND FINANCES - Secured

| | Note | 2008 | 2007 |
|---|---|---|---|
| Demand Finance I (DF I) | 12.1 | **201,930** | 201,930 |
| Demand Finance III (DF III) | 12.1 | **7,177** | 7,177 |
| Demand Finance IV (DF IV) | 12.1 | **27,500** | 27,500 |
| Demand Finance V (DF V) | 12.1 | **69,818** | 69,818 |
| Rescheduled Demand Finance I (RDF I) | 12.3 | **22,407** | 28,809 |
| Rescheduled Demand Finance III (RDF III) | 12.3 | **30,934** | 41,245 |
| | | **359,766** | 376,479 |
| Less: current portion grouped under current liabilities | | **40,901** | 16,713 |
| | | **318,865** | 359,766 |

12.1 These finances have been obtained from National Bank of Pakistan (NBP) against various demand finance facilities aggregating Rs.451 million (2007: Rs.471 million) and are secured against first charge on fixed assets of the Company for Rs.1,099 million. These finances, during the year, carried mark-up at the rates ranging from 11.85% to 11.87% per annum.

12.2 As per the revised repayment terms communicated by NBP vide its letter Ref. #CBIG-N / JDM / 349/2007 dated 14 November, 2007:

(a) DF I is repayable in 14 equal half-yearly installments commencing January, 2009

(b) DF III is repayable in 6 equal half-yearly installments commencing January, 2009

(c) DF IV is repayable in 10 equal half-yearly installments commencing January, 2009

(d) DF V is repayable in 12 equal half-yearly installments commencing January, 2009.

12.3 NBP, vide its letter Ref. # KT / MBR / FIN / 07 dated 12 January, 2007, has sanctioned for release of finance facilities under the State Bank of Pakistan's Scheme for export oriented projects. Accordingly, DF I balance amounting Rs.32.010 million and DF III balance amounting Rs.46.401 million have been converted into RDF I and RDF III with effect from 01 January, 2007. RDF I is repayable in 20 equal quarterly installments commenced from March, 2007 whereas RDF III is repayable in 18 equal quarterly installments commenced from March, 2007. These rescheduled finances, during the year, carried mark-up at the rate of 7% per annum and are secured against the securities as detailed in note 12.1.

## 13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE - Secured

| Particulars | Upto one year | From one to five years | 2008 | Upto one year | From one to five years | 2007 |
|---|---|---|---|---|---|---|
| | | Rupees in thousand | | | | |
| Minimum lease payments | 1,190 | 0 | 1,190 | 2,581 | 1,184 | 3,765 |
| Less: finance cost allocated to future periods | 54 | 0 | 54 | 343 | 50 | 393 |
| Present value of minimum lease payments | 1,136 | 0 | 1,136 | 2,238 | 1,134 | 3,372 |
| Less: current portion grouped under current liabilities | | | 1,136 | | | 2,238 |
| | | | 0 | | | 1,134 |

13.1 The Company had entered into lease agreements with ORIX Leasing Pakistan Ltd. for lease of vehicles. The liabilities under these agreements are payable by March, 2009 and during the year, were subject to finance cost at the rates ranging from 14.49% to 18.43% per annum. The Company intends to exercise its option to purchase the leased vehicles upon completion of the lease terms. The lease liabilities are secured against title to leased vehicles in ORIX name and demand promissory notes.



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## 14. STAFF RETIREMENT BENEFITS - Gratuity

The future contribution rates of this scheme include allowance for deficit and surplus. Projected unit credit method, based on the following significant assumptions, is used for valuation:

| | 2008 | 2007 |
|---|---|---|
| - discount rate | 12% | 9% |
| - expected rate of growth per annum in future salaries | 11% | 8% |
| - average expected remaining working life time of employees | 10 years | 10 years |

| **The amount recognised in the balance sheet is as follows:** | Rupees in thousand | |
|---|---|---|
| Present value of defined benefit obligation | 23,720 | 25,433 |
| Unrecognised actuarial loss | (13,378) | (13,819) |
| Net liability as at 30 June, | 10,342 | 11,614 |
| Net liability as at 01 July, | 11,614 | 9,422 |
| Charge to profit and loss account | 7,646 | 7,154 |
| Payments during the year | (8,918) | (4,962) |
| Net liability as at 30 June, | 10,342 | 11,614 |
| **The movement in the present value of defined benefit obligation is as follows:** | | |
| Present value of defined benefit obligation | 25,433 | 24,504 |
| Current service cost | 4,230 | 3,685 |
| Interest cost | 2,289 | 2,206 |
| Benefits paid | (8,918) | (4,962) |
| Actuarial loss | 686 | 0 |
| Present value of defined benefit obligation | 23,720 | 25,433 |

Comparison of present value of defined benefit obligation and the surplus or deficit of gratuity fund for five years is as follows:

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| | | | Rupees in thousand | | |
| Present value of defined benefit obligation | 23,720 | 25,433 | 24,504 | 10,153 | 11,110 |
| | | | Percentage | | |
| Experience adjustment on obligation | 3% | N/A | 60% | N/A | N/A |

The Company's policy with regard to actuarial gains / losses is to follow the minimum recommended approach under IAS 19 (Employee Benefits).

## 15. DEFERRED TAXATION

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | Rupees in thousand | |
| The deferred taxation liability comprises of temporary differences arising due to: | | | |
| Credit balance arising in respect of: | | | |
| - accelerated tax depreciation allowances | | 158,350 | 154,088 |
| - surplus on revaluation of property, plant and equipment | | 102,183 | 108,314 |
| - lease finances | | 961 | 542 |
| | | 261,494 | 262,944 |
| Debit balance arising in respect of: | | | |
| - staff retirement benefits - gratuity | | (3,620) | (4,065) |
| - available tax losses | | (108,305) | (117,863) |
| | | (111,925) | (121,928) |
| | | 149,569 | 141,016 |

## 16. SHORT TERM FINANCES

| | Note | 2008 | 2007 |
|---|---|---|---|
| Cash finance / trust receipt - secured | 16.1 | 584,510 | 495,420 |
| Temporary bank overdraft - unsecured | 16.2 | 0 | 7,320 |
| | | 584,510 | 502,740 |

**16.1** Short term finance facilities available from National Bank of Pakistan (NBP) under mark-up arrangements aggregate Rs.770 million (2007: Rs.770 million) and are secured against pledge of stock-in-trade, lien on export documents and first charge on current and fixed assets of the Company. These facilities, during the year, carried mark-up at the rates ranging from 11.09% to 11.64% (2007: 11.11% to 12.15%) per annum.

Facilities available for opening letters of credit and guarantee from NBP aggregate Rs.215.000 million (2007: Rs.211.200 million) of which the amount remained unutilised at the year-end was Rs.188.760 million (2007: Rs.198.761million). These facilities are secured against lien on import documents and first charge on current and fixed assets of the Company.

These facilities are available upto 31 October, 2008.

**16.2** The overdraft had arisen due to issuance of cheques for amounts in excess of balance at a bank account. The cheques aggregating Rs.7.500 million were issued in favor of The Universal Insurance Company Ltd. (an Associated Company).

## 17. TRADE AND OTHER PAYABLES

| | Note | 2008 | 2007 |
|---|---|---|---|
| Due to related parties | | 6,513 | 20,175 |
| Creditors | | 15,622 | 16,451 |
| Bills payable against imported plant & machinery | | 25,799 | 0 |
| Advance payments | 17.1 | 184 | 184 |
| Accrued expenses | | 29,451 | 24,192 |
| Tax deducted at source | | 267 | 206 |
| Due to Waqf-e-Kuli Khan | 17.2 | 1,016 | 586 |
| Security deposits repayable on demand - interest free | | 112 | 112 |
| Workers' (profit) participation fund - allocation for the year | | 1,249 | 264 |
| Workers' welfare fund | | 563 | 98 |
| Dividends | 17.3 | 6,440 | 6,445 |
| Others | | 192 | 161 |
| | | 87,408 | 68,874 |





**17.1** These advances have been received against sale of land.

**17.2** Waqf-e-Kuli Khan (a Charitable Institution) is administered by the following directors of the Company:

- Mr. Raza Kuli Khan Khattak
- Lt. General (Retd.) Ali Kuli Khan Khattak
- Mrs. Zeb Gohar Ayub Khan
- Mr. Mushtaq Ahmad Khan, FCA
- Mr. Ahmad Kuli Khan Khattak
- Dr. Shaheen Kuli Khan Khattak
- Mrs. Shahnaz Sajjad Ahmad

**17.3 Dividends**

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | Rupees in thousand | |
| Unclaimed dividends | | 5,154 | 5,159 |
| Dividends on preference shares | (a) | 1,286 | 1,286 |
| | | 6,440 | 6,445 |

(a) These represent dividends on 7.5% and 10% redeemable cumulative preference shares for the years from 30 September, 1979 to 30 September, 1989, 30 September, 1992 to 30 September, 1994 and 30 September, 2000. As the management had decided to redeem the preference shares as stated in notes 20.1 and 20.2, dividends on these shares for the aforesaid years were appropriated during the financial year ended 30 September, 2000 and grouped under current liabilities.

## 18. ACCRUED MARK-UP / INTEREST

| | 2008 | 2007 |
|---|---|---|
| Mark-up / interest accrued on: | | |
| - demand finances | 9,028 | 19,969 |
| - short term finances | 17,658 | 40,481 |
| - associated companies' balances | 1,307 | 993 |
| - liabilities against assets subject to finance lease | 0 | 19 |
| | 27,993 | 61,462 |

## 19. TAXATION - Net

| | 2008 | 2007 |
|---|---|---|
| Opening balance | 5,376 | 1,474 |
| Add: provision made during the year | | |
| - current | 5,635 | 5,376 |
| - prior year (net) | 0 | (5) |
| | 5,635 | 5,371 |
| | 11,011 | 6,845 |
| Less: adjustments against completed assessments | 5,376 | 1,469 |
| | 5,635 | 5,376 |

**19.1** Income tax assessments of the Company have been completed upto the Tax Year 2007; the return for the said year has not been taken-up for audit till 30 June, 2008.

**19.2** In view of available tax losses, the current tax provision represents the minimum tax on turnover for the year due under section 113 of the Income Tax Ordinance, 2001.

**19.3** No numeric tax rate reconciliation is given as the Company is liable for minimum tax.

## 20. PREFERENCE SHARES REDEMPTION ACCOUNT

| | Note | 2008 | 2007 |
|---|---|---|---|
| Amounts payable on: | | | |
| - 7.5% redeemable cumulative preference shares | 20.1 | 141 | 142 |
| - 10% redeemable cumulative preference shares | 20.2 | 1,098 | 1,125 |
| | | 1,239 | 1,267 |

20.1 This represents the balance of total issue of 250,000 shares which became convertible at par into ordinary shares of the Company or redeemable in cash at the option of the shareholders of the said class of shares after 30 August, 1976. The Company had redeemed 118,828 shares during the year 1976, which were tendered for redemption in accordance with the terms of the issue.

3,060 shares were converted into ordinary shares of the Company after the year 1976 at the option exercised by the shareholders.

These shares totaling 128,112 could not be redeemed during the preceding years due to non-availability of adequate funds and incurrence of persistent losses. The Company's profitability and availability of funds in the recent past has allowed the management to redeem these shares fully as provided under section 85 of the Companies Ordinance, 1984. Out of the opening balance of 14,188 shares, the Company during the current year has redeemed 20 (2007: 94) further shares.

20.2 This represents the balance of total issue of 426,250 shares which were convertible at par into ordinary shares of the Company at the option of the shareholders of the said class of shares during the period from 01 October, 1977 to 01 October, 1981. As per terms of the issue, the unconverted shares were to be redeemed on 01 October, 1982. However, 3,772 shares were converted into ordinary shares of the Company after the year 1984 at the request of the shareholders although the time for conversion as fixed by the Controller of Capital Issues had expired on 01 October, 1981. These shares are due for redemption at par since 01 October, 1982.

As stated in the preceding note, the Company's profitability and availability of funds in the recent past has allowed the management to redeem these shares also. The Company, upto 30 June, 2007, has redeemed 309,989 shares whereas 2,674 (2007: 2,115) shares have been redeemed during the current year.

## 21. CONTINGENCIES AND COMMITMENTS

21.1 The Enquiry Officer of the Government of Pakistan had raised demands for war risk insurance premium (including surcharge and interest) amounting Rs.655 thousand against which the Company made provision to the tune of Rs.403 thousand. The Company has filed an appeal with the Secretary, Ministry of Commerce, which is pending for decision. The Company, however, had paid Rs.201 thousand towards this demand.

21.2 Pakistan Industrial Development Corporation (Pvt.) Limited (PIDC) had filed a case against the Company during the year 1975 for recovery of Rs.1.674 million payable to Bannu Sugar Mills Limited (an ex-associated company). The management had filed an affidavit with the Sindh High Court challenging the suit against the Company as the said amount was subject to adjustment against compensation payable to one of its associated company (Bibojee Services (Pvt.) Limited).

A Government Committee, during the year 1985, had decided the compensation claims of Bibojee Services (Pvt.) Limited according to which no amount was payable to PIDC. Negotiations for withdrawal of the suit are still in process between Bibojee Services (Pvt.) Limited and PIDC.

21.3 Central Excise and Land Customs Department claimed additional duty on count variation amounting Rs.51 thousand. However, the Lahore High Court, on an appeal filed by the Company, ordered for reassessment of the case.

21.4 Counter guarantee given by the Company to a commercial bank outstanding as at 30 June, 2008 was for Rs.15.000 million (2007: Rs.11.200 million).





21.5 Commitments for:

| | 2008 | 2007 |
|---|---|---|
| | Rupees in thousand | |
| irrevocable letters of credit | | |
| - stores and spares | 7,899 | 1,238 |
| - raw materials | 3,342 | 0 |
| | 11,241 | 1,238 |

## 22. OPERATING FIXED ASSETS - Tangible

| 2008 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | COST / REVALUATION | | | | DEPRECIATION | | | |
| PARTICULARS | As at 30 June, 2007 | Additions / (disposals) | As at 30 June, 2008 | Rate % | Upto 30 June, 2007 | For the year / (on disposals) | To 30 June, 2008 | BOOK VALUE AS AT 30 JUNE, 2008 |
| | ------ Rupees in thousand ------ | | | | ------------ Rupees in thousand ------------ | | | |
| OWNED: | | | | | | | | |
| Freehold land | 481,905 | 0 | 481,905 | 0 | 0 | 0 | 0 | 481,905 |
| Roads, paths and culverts | 830 | 0 | 830 | 0 | 0 | 0 | 0 | 830 |
| Buildings on freehold land: | | | | | | | | |
| Factory | 154,923 | 173 | 155,096 | 5 | 1,320 | 7,682 | 9,002 | 146,094 |
| Non-factory | 6,143 | 536 | 6,679 | 5 | 435 | 291 | 726 | 5,953 |
| Residential | | | | | | | | |
| - Officers | 8,962 | 0 | 8,962 | 5 | 77 | 444 | 521 | 8,441 |
| - Workers | 8,371 | 0 | 8,371 | 5 | 2,737 | 282 | 3,019 | 5,352 |
| | 178,399 | 709 | 179,108 | | 4,569 | 8,699 | 13,268 | 165,840 |
| Plant & machinery | 1,028,715 | 2,300 (14,885) | 1,016,130 | 5 | 258,223 | 38,517 (11,659) | 285,081 | 731,049 |
| Generators | 114,449 | 365 | 114,814 | 5 | 11,014 | 5,173 | 16,187 | 98,627 |
| Workshop equipment | 3,331 | 0 | 3,331 | 5 | 1,577 | 88 | 1,665 | 1,666 |
| Furniture and fixtures | 6,948 | 835 | 7,783 | 5 | 3,400 | 204 | 3,604 | 4,179 |
| Office & other equipment | 1,985 | 161 | 2,146 | 5 | 996 | 53 | 1,049 | 1,097 |
| Vehicles | 12,946 | 0 (788) | 12,158 | 20 | 6,656 | 1,247 (720) | 7,183 | 4,975 |
| Arms | 17 | 242 | 259 | 5 | 12 | 5 | 17 | 242 |
| | 1,829,525 | 4,612 (15,673) | 1,818,464 | | 286,447 | 53,986 (12,379) | 328,054 | 1,490,410 |
| LEASED: | | | | | | | | |
| Vehicles | 6,874 | 0 | 6,874 | 20 | 1,954 | 984 | 2,938 | 3,936 |
| | 1,836,399 | 4,612 (15,673) | 1,825,338 | | 288,401 | 54,970 (12,379) | 330,992 | 1,494,346 |

**22.1 OPERATING FIXED ASSETS** - Tangible

2007

| PARTICULARS | COST / REVALUATION: As at 30 June, 2006 | Additions / (disposals) | Revaluation surplus/ (deficit) | As at 30 June, 2007 | Rate % | DEPRECIATION: Upto 30 June, 2006 | For the year / (on disposals) | Elimination against gross carrying amount | To 30 June, 2007 | BOOK VALUE AS AT 30 JUNE, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees in thousand | | | | | Rupees in thousand | | | | |
| OWNED: | | | | | | | | | | |
| Freehold land | 239,550 | 0 | 242,355 | 481,905 | 0 | 0 | 0 | 0 | 0 | 481,905 |
| Roads, paths and culverts | 830 | 0 | 0 | 830 | 0 | 0 | 0 | 0 | 0 | 830 |
| Buildings on freehold land: | | | | | | | | | | |
| Factory | 125,665 | 1,772 | 27,485 | 154,923 | 5 | 30,357 | 5,307 | (34,344) | 1,320 | 153,603 |
| Non factory | 6,067 | 76 | 0 | 6,143 | 5 | 1,273 | 290 | (1,088) | 435 | 5,708 |
| Residential | | | | | | | | | | |
| - Officers | 7,966 | 0 | 996 | 8,962 | 5 | 1,469 | 348 | (1,740) | 77 | 8,885 |
| - Workers | 7,705 | 2,161 | (1,495) | 8,371 | 5 | 2,426 | 311 | 0 | 2,737 | 5,634 |
| | 147,403 | 4,010 | 26,986 | 178,399 | | 35,525 | 6,256 | (37,172) | 4,569 | 173,830 |
| Plant & machinery | 917,055 | 112,627 (967) | 0 | 1,028,715 | 5 | 264,463 | 36,074 (554) | (41,760) | 258,223 | 770,492 |
| Generators | 114,449 | 0 | 0 | 114,449 | 5 | 17,080 | 4,960 | (11,026) | 11,014 | 103,435 |
| Workshop equipment | 2,307 | 1,024 | 0 | 3,331 | 5 | 1,534 | 43 | 0 | 1,577 | 1,754 |
| Furniture and fixtures | 5,895 | 1,053 | 0 | 6,948 | 5 | 3,245 | 155 | 0 | 3,400 | 3,548 |
| Office & other equipment | 1,763 | 222 | 0 | 1,985 | 5 | 948 | 48 | 0 | 996 | 989 |
| Vehicles | 14,340 | 962 (2,356) | 0 | 12,946 | 20 | 6,725 | 1,660 (1,729) | 0 | 6,656 | 6,290 |
| Arms | 17 | 0 | 0 | 17 | 5 | 12 | 0 | 0 | 12 | 5 |
| | 1,443,609 | 119,898 (3,323) | 269,341 | 1,829,525 | | 329,532 | 49,156 (2,283) | (89,958) | 286,447 | 1,543,078 |
| LEASED: | | | | | | | | | | |
| Vehicles | 6,874 | 0 | 0 | 6,874 | 20 | 724 | 1,230 | 0 | 1,954 | 4,920 |
| | 1,450,483 | 119,898 (3,323) | 269,341 | 1,836,399 | | 330,256 | 50,386 (2,283) | (89,958) | 288,401 | 1,547,998 |





**22.2** The management, during the preceding financial year ended 30 June, 2007, in order to ascertain the useful life of operating fixed assets carried-out an internal exercise and assessed the remaining useful life of depreciable assets other than vehicles. Keeping in consideration the assessed useful life of these assets, the depreciation rates of depreciable assets were found excessive and consequently depreciation rates were reduced to 5% from 10%. The management, in this regard, had also obtained opinion from independent Valuers [M/s Dimen Associates (Pvt.) Ltd., approved Valuers of Pakistan Banks Association]; the Valuers had confirmed the depreciation rates adopted by the management.

**22.3** Depreciation had not been provided for on operating fixed assets for the tax holiday period. The effect of which, on the basis of reducing balance method, has lowered accumulated depreciation by Rs.0.313 million approximately as at 30 June, 2008 (2007: Rs.0.329 million).

| **22.4 Depreciation for the year has been apportioned as under:** | **2008** | 2007 |
|---|---|---|
| | **Rupees in thousand** | |
| cost of sales | **51,740** | 46,696 |
| administrative expenses | **3,230** | 3,690 |
| | **54,970** | 50,386 |

**22.5 Disposal of operating fixed assets:**

| Particulars | Cost / revaluation | Accumulated depreciation | Book value | Sale proceeds | Gain / (loss) | Sold through negotiation to: |
|---|---|---|---|---|---|---|
| | Rupees in thousand | | | | | |
| Plant & machinery: | | | | | | Islamia Park, Lahore. |
| Cone winding machines | 1,228 | 639 | 589 | 980 | 391 | Malik Imran, Sheikhupura Road, Faisalabad. |
| -do- | 909 | 335 | 574 | 240 | (334) | Texila Cotton Mills Ltd., Hassan Abad, Islamabad. |
| Auto cone machines | 12,748 | 10,685 | 2,063 | 3,770 | 1,707 | Muhammad Sarwar, Green Plaza Square, Karachi. |
| | 14,885 | 11,659 | 3,226 | 4,990 | 1,764 | |
| Vehicle: | | | | | | |
| Nissan Sunny | 788 | 720 | 68 | 250 | 182 | Mr. Mansoor Saeed, Kohat Cantt. |
| | **15,673** | **12,379** | **3,294** | **5,240** | **1,946** | |

| **23. CAPITAL WORK-IN-PROGRESS** | Note | **2008** | 2007 |
|---|---|---|---|
| | | **Rupees in thousand** | |
| Factory buildings on freehold land: | | | |
| - costs and expenses | | **896** | 0 |
| - advance payments | | **360** | 0 |
| | | **1,256** | 0 |
| Mobilisation advance to an Associated Company against construction of cotton godowns | 23.1 | **0** | 18,500 |
| Plant & machinery: | | | |
| - costs and expenses | | **28,401** | 0 |
| - advance payments | | **0** | 266 |
| | | **28,401** | 266 |
| | | **29,657** | 18,766 |

**23.1** 2007 balance of Rs.18.500 million represents advance made to Gammon Pakistan Ltd. (GPL - an Associated Company) against construction of cotton godowns. As the cotton godowns could not be constructed due to pre-occupation of GPL in the existing projects, GPL has got adjustment of this advance through debit to Bibojee Services (Pvt.) Ltd. (an other Associated Company).

**24. INVESTMENTS IN ASSOCIATED COMPANIES** - Quoted

| | 2008 | 2007 |
|---|---|---|
| | **Rupees in thousand** | |
| **Babri Cotton Mills Ltd. (BCM)** | | |
| 510,864 (2007: 150,864) ordinary shares of Rs.10 each - **cost** Equity held: 17.64% (2007: 7.54%) | **10,973** | 1,973 |
| Post acquisition profit brought forward including effect of items directly credited in equity by BCM | **11,177** | 6,123 |
| Loss for the year - net of taxation | **(5,279)** | (837) |
| | **16,871** | 7,259 |
| **Bannu Woollen Mills Ltd. (BWM)** | | |
| 585,301 (2007: 390,201) ordinary shares of Rs.10 each including 285,146 (2007: 90,046) bonus shares - **cost** Equity held: 7.70% (2007: 7.70%) | **7,697** | 7,697 |
| Post acquisition profit brought forward including effect of items directly credited in equity by BWM | **14,335** | 11,984 |
| Profit for the year - net of taxation | **2,113** | 2,052 |
| | **24,145** | 21,703 |
| | **41,016** | 28,962 |

**24.1** Pursuant to the special resolution passed by the shareholders of the Company in their extra-ordinary general meeting held on 26 March, 2008 and the approval granted by the SECP vide letter dated 16 January, 2008 to BCM for raising its further capital without issue of right shares, the Company has acquired additional 360,000 ordinary shares in BCM at a price of Rs.25/- per share.

**24.2** Fair value of investments in BCM as at 30 June, 2008 was Rs.11.750 million (2007: Rs.2.338 million).

**24.3** Fair value of investments in BWM as at 30 June, 2008 was Rs.30.131 million (2007: Rs.20.290 million).

**24.4** Summarised financial information of BCM, based on the financial statements for the year ended 30 June, 2008, is as follows:

| | 2008 | 2007 |
|---|---|---|
| - equity as at 30 June, | **95,640** | 96,233 |
| - total assets as at 30 June, | **1,180,036** | 1,130,312 |
| - total liabilities as at 30 June, | **866,057** | 796,891 |
| - revenue for the year ended 30 June, | **739,868** | 746,626 |
| - loss after taxation for the year ended 30 June, | **29,926** | 11,094 |

**24.5** Summarised financial information of BWM, based on the financial statements for the year ended 30 June, 2008, is as follows:

| | 2008 | 2007 |
|---|---|---|
| - equity as at 30 June, | **313,718** | 281,990 |
| - total assets as at 30 June, | **713,499** | 668,981 |
| - total liabilities as at 30 June, | **156,472** | 141,141 |
| - revenue for the year ended 30 June, | **319,692** | 284,422 |
| - profit after taxation for the year ended 30 June, | **27,458** | 26,663 |

**24.6** The Company, during the financial years 1972-73 and 1973-74, declared dividend in specie by distributing its investment in the Share Capital of Babri Cotton Mills Limited. The Company wrote-back these unclaimed dividends in specie during the years 1989 and 1990 and incorporated these as investment. During the current year, Nil (2007: 22) shares were distributed by way of dividend in [illegible]





**25. LOANS TO EMPLOYEES** - Secured

| | Note | 2008 | 2007 |
|---|---|---|---|
| | | **Rupees in thousand** | |
| Loans to executives | 25.1 | **1,030** | 251 |
| Loans to employees | 25.2 | **1,395** | 1,031 |
| | | **2,425** | 1,282 |
| Less: current portion grouped under current assets | | **1,338** | 803 |
| | | **1,087** | 479 |

**25.1 Movement in the account of loans to executives is as follows:**

| | 2008 | 2007 |
|---|---|---|
| Opening balance | **251** | 24 |
| Less: received-back during the year | **(251)** | (24) |
| Loans advanced during the year | **1,100** | 500 |
| Less: deductions made during the year | **(70)** | (249) |
| Closing balance | **1,030** | 251 |

**(a)** These interest free loans to executives have been advanced for construction of house and various other purposes. Out of the year-end receivable balance from the executives, Rs.600 thousand have been received during August, 2008 whereas the balance of Rs.430 thousand is receivable in 43 equal monthly instalments.

**25.2** These interest free loans to employees have been advanced for various purposes and are recoverable in instalments which vary from case to case.

**25.3** The fair value adjustments as required by IAS 39 (Financial instruments: Recognition and Measurement) arising in respect of staff loans are not considered material and hence not recognised.

**26. STORES, SPARES AND LOOSE TOOLS**

| | 2008 | 2007 |
|---|---|---|
| Stores | | |
| - at mills | **12,311** | 7,883 |
| - in transit | **652** | 0 |
| Spares | **12,922** | 6,852 |
| Loose tools | **132** | 132 |
| | **26,017** | 14,867 |

**26.1** The entire closing inventory is pledged with National Bank of Pakistan as security for short term finance facilities (note 16).

**27. STOCK-IN-TRADE**

| | 2008 | 2007 |
|---|---|---|
| Raw materials | | |
| - at mills | **353,243** | 292,301 |
| - in transit | **0** | 18,244 |
| | **353,243** | 310,545 |
| Work-in-process | **55,884** | 36,790 |
| Finished goods | **21,646** | 31,693 |
| | **430,773** | 379,028 |

**27.1** The entire closing inventory is pledged with National Bank of Pakistan as security for short term finance facilities (note 16).

| | Note | 2008 | 2007 |
|---|---|---|---|
| **28. ADVANCE PAYMENTS** - Unsecured - Considered good | | **Rupees in thousand** | |
| Raw material suppliers | | **23** | 41 |
| Store suppliers | | **4,876** | 7,653 |
| Others | | **939** | 303 |
| | | **5,838** | 7,997 |
| **29. TRADE DEPOSITS AND PREPAYMENTS** | | | |
| Letters of credit | | **99** | 15 |
| Margin deposits | | **17,580** | 0 |
| Prepayments | | **419** | 116 |
| | | **18,098** | 131 |
| **30. DUE FROM ASSOCIATED COMPANIES** | | | |
| **30.1 Due on account of normal trading transactions:** | | | |
| Rahman Cotton Mills Limited | | **17,884** | 15,727 |
| Babri Cotton Mills Limited | | **1,344** | 7,863 |
| Gammon Pakistan Limited | | **0** | 5 |
| | | **19,228** | 23,595 |
| **30.2 Due on account of fund transfers and other transactions:** | | | |
| Rahman Cotton Mills Limited: | | | |
| - mark-up | | **310** | 267 |
| - fund transfers | | **(9,496)** | (5,721) |
| | | **(9,186)** | (5,454) |
| Babri Cotton Mills Limited: | | | |
| - mark-up | | **0** | 2,315 |
| - fund transfers | | **5,384** | (1,819) |
| | | **5,384** | 496 |
| | | **15,426** | 18,637 |
| **31. OTHER RECEIVABLES** | | | |
| Claims receivable | | **54** | 17 |
| Mark-up rate subsidy receivable from National Bank of Pakistan | 31.1 | **3,732** | 0 |
| Others | | **0** | 977 |
| | | **3,786** | 994 |

**31.1** This represents mark-up rate subsidy of 3% to spinning mills on their outstanding running balances of principal amount of floating rate loans availed from commercial banks / DFIs for financing of import of spinning plant and machinery vide SRO No.973 (I) / 2007 dated 06 September, 2007. Effective from 01 July, 2007, the Federal Government is providing a mark-up rate subsidy of 3% for one year to spinning mills.



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| | Note | 2008 | 2007 |
|---|---|---|---|
| **32. CASH AND BANK BALANCES** | | **Rupees in thousand** | |
| Cash: | | | |
| in hand | | **135** | 91 |
| at banks on: | | | |
| - current accounts | | **4,627** | 4,248 |
| - PLS security deposit accounts | | **118** | 217 |
| - dividend accounts | | **195** | 195 |
| - PLS accounts | | **17** | 17 |
| | | **4,957** | 4,677 |
| | | **5,092** | 4,768 |
| **33. SALES** - Net | | | |
| Yarn | | **1,095,039** | 1,040,925 |
| Waste | | **32,760** | 34,090 |
| Raw materials purchased for resale | | **2,812** | 4,538 |
| | | **1,130,611** | 1,079,553 |
| Less: commission | | **3,687** | 4,370 |
| | | **1,126,924** | 1,075,183 |
| **34. COST OF SALES** | | | |
| Raw materials consumed | 34.1 | **613,069** | 619,958 |
| Packing materials consumed | | **17,939** | 18,797 |
| Salaries, wages and benefits | 34.2 | **132,384** | 125,070 |
| Power and fuel | | **132,157** | 119,419 |
| Stores consumed | | **19,847** | 15,808 |
| Repair and maintenance | | **7,040** | 3,938 |
| Depreciation | | **51,740** | 46,696 |
| Insurance | | **7,331** | 6,405 |
| Others | | **633** | 829 |
| | | **981,840** | 956,920 |
| Adjustment of work-in-process | | | |
| Opening | | **36,790** | 26,079 |
| Closing | | **(55,884)** | (36,790) |
| | | **(19,094)** | (10,711) |
| Cost of goods manufactured | | **962,746** | 946,209 |
| Adjustment of finished goods | | | |
| Opening stock | | **31,693** | 11,179 |
| Closing stock | | **(21,646)** | (31,693) |
| | | **10,047** | (20,514) |
| Cost of goods sold - own manufactured | | **972,793** | 925,695 |
| Cost of goods sold - raw materials purchased for resale | | **2,479** | 4,279 |
| | | **975,272** | 929,974 |

| | Note | 2008 | 2007 |
|---|---|---|---|
| **34.1 Raw materials consumed** | | **Rupees in thousand** | |
| Opening stock | | **310,545** | 270,752 |
| Purchases | | **655,391** | 659,258 |
| | | **965,936** | 930,010 |
| Less: closing stock [including in transit valuing Rs.Nil (2007: Rs.18.244 million)] | | **353,243** | 310,545 |
| Raw materials issued | | **612,693** | 619,465 |
| Cess on cotton consumed | | **376** | 493 |
| | | **613,069** | 619,958 |

**34.2 These include following in respect of staff retirement benefits (gratuity):**

| | | 2008 | 2007 |
|---|---|---|---|
| - current service cost | | **3,823** | 3,123 |
| - interest cost | | **2,069** | 1,869 |
| - actuarial loss recognised | | **1,018** | 1,070 |
| | | **6,910** | 6,062 |

## 35. ADMINISTRATIVE AND DISTRIBUTION EXPENSES

| | Note | 2008 | 2007 |
|---|---|---|---|
| **Administrative:** | | | |
| Salaries and benefits | 35.1 | **20,381** | 16,774 |
| Printing and stationery | | **789** | 861 |
| Traveling and conveyance - staff | | **526** | 703 |
| Traveling - directors | | **114** | 196 |
| Communication | | **932** | 1,002 |
| Rent, rates and taxes | | **1,367** | 1,883 |
| Guest house expenses and entertainment | | **622** | 551 |
| Insurance | | **619** | 767 |
| Vehicles' running and maintenance | | **2,971** | 3,088 |
| Advertisement | | **198** | 96 |
| Subscription | | **480** | 474 |
| Repair and maintenance | | **494** | 542 |
| Auditors' remuneration: | | | |
| - statutory audit | | **275** | 200 |
| - half yearly review | | **65** | 50 |
| - certification charges | | **80** | 110 |
| - audit fee - prior year | | **0** | 70 |
| - out-of-pocket expenses | | **20** | 20 |
| | | **440** | 450 |
| Legal and professional charges (other than Auditors') | | **510** | 554 |
| Depreciation | | **3,230** | 3,690 |
| Others | | **450** | 518 |
| | | **34,123** | 32,149 |
| **Distribution:** | | | |
| Salaries and benefits | 35.2 | **2,023** | 1,648 |
| Freight and handling | | **1,624** | 2,027 |
| Gifts and samples | | **488** | 326 |
| Others | | **928** | 733 |
| | | **5,063** | 4,734 |
| | | **39,186** | 36,883 |





| | Note | 2008 | 2007 |
|---|---|---|---|
| **35.1 These include following in respect of staff retirement benefits** (gratuity): | | **Rupees in thousand** | |
| - current service cost | | **357** | 539 |
| - interest cost | | **193** | 322 |
| - actuarial loss recognised | | **95** | 185 |
| | | **645** | 1,046 |

**35.2 These include following in respect of staff retirement benefits** (gratuity):

| | | 2008 | 2007 |
|---|---|---|---|
| - current service cost | | **50** | 24 |
| - interest cost | | **27** | 14 |
| - actuarial loss recognised | | **14** | 8 |
| | | **91** | 46 |

**35.3** The Company has charged Rs.8.001 million (2007: Rs.6.203 million) to its Associated Companies on account of administrative services provided to them; this amount was adjusted against the above expenses.

**35.4** The Company has shared expenses aggregating Rs.6.358 million (2007: Rs.6.345 million) on account of combined offices with its Associated Companies. These expenses have been booked in the respective heads of account as follows:

| | | 2008 | 2007 |
|---|---|---|---|
| - manufacturing expenses | | **513** | 395 |
| - administrative expenses | | **5,844** | 5,950 |
| | | **6,357** | 6,345 |

## 36. OTHER OPERATING CHARGES

| | Note | 2008 | 2007 |
|---|---|---|---|
| Donations (without directors' interest) | | **30** | 50 |
| Donation to Waqf-e-Kuli Khan (refer contents of note 17.2) | | **581** | 123 |
| Workers' (profit) participation fund | | **1,249** | 264 |
| Workers' welfare fund | | **465** | 98 |
| Unclaimed dividends written-back in prior years claimed by the shareholders during the year | | **0** | 10 |
| | | **2,325** | 545 |

## 37. OTHER OPERATING INCOME

| | Note | 2008 | 2007 |
|---|---|---|---|
| **Income from financial assets** | | | |
| Mark-up earned on Associated Companies' balances | | **2,061** | 2,090 |
| Return on bank deposits | | **2** | 11 |
| Gain on forward foreign exchange contracts - net | | **1,214** | 0 |
| **Income from non-financial assets** | | | |
| Sale of scrap - net of sales tax amounting Rs.132 thousand (2007: Rs.149 thousand) | | **879** | 992 |
| Quarters' rent | | **132** | 132 |
| Gain on disposal of operating fixed assets - net | 22.5 | **1,946** | 440 |
| | | **6,234** | 3,665 |

**38. FINANCE COST** - Net

| | 2008 | 2007 |
|---|---|---|
| | Rupees in thousand | |
| Mark-up on: | | |
| - demand finances [net of mark-up subsidy aggregating Rs.7.490 million (2007: Rs. Nil)] | 33,379 | 50,977 |
| - short term finances | 58,097 | 53,555 |
| - associated companies' balances | 1,585 | 1,005 |
| Lease finance charges | 206 | 597 |
| Bank charges | 506 | 513 |
| | 93,773 | 106,647 |

**39. EARNINGS PER SHARE**

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

| | 2008 | 2007 |
|---|---|---|
| Profit after taxation attributable to ordinary shareholders | 5,248 | 1,688 |
| | Numbers | |
| Weighted average number of shares in issue during the year | 3,165,450 | 3,165,450 |
| | Rupees | |
| Earnings per share | 1.66 | 0.53 |

**40. FINANCIAL INSTRUMENTS**

| Particulars | Interest / mark-up bearing | | | | Non-interest / mark-up bearing | | | | Total | | Credit risk | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Sub-total 2008 | Sub total 2007 | Maturity upto one year | Maturity after one year | Sub-total 2008 | Sub total 2007 | 2008 | 2007 | 2008 | 2007 |
| | Rupees in thousand | | | | | | | | | | | |
| **Financial assets:** | | | | | | | | | | | | |
| Security deposits | 0 | 0 | 0 | 0 | 0 | 1,004 | 1,004 | 1,004 | 1,004 | 1,004 | 1,004 | 1,004 |
| Trade debts | 0 | 0 | 0 | 0 | 37,673 | 0 | 37,673 | 23,003 | 37,673 | 23,003 | 37,673 | 23,003 |
| Due from Associated Companies | 15,426 | 0 | 15,426 | 18,837 | 0 | 0 | 0 | 0 | 15,426 | 18,837 | 15,426 | 18,837 |
| Other receivables | 0 | 0 | 0 | 0 | 3,788 | 0 | 3,788 | 994 | 3,788 | 994 | 3,788 | 994 |
| Cash and bank balances | 135 | 0 | 135 | 236 | 4,957 | 0 | 4,957 | 4,534 | 5,092 | 4,705 | 4,957 | 4,877 |
| Total | 15,561 | 0 | 15,561 | 18,871 | 46,418 | 1,004 | 47,422 | 29,535 | 62,983 | 48,406 | 62,848 | 48,715 |
| **Financial liabilities:** | | | | | | | | | | | | |
| Demand finances | 40,901 | 318,865 | 359,766 | 378,479 | 0 | 0 | 0 | 0 | 359,766 | 378,479 | | |
| Liabilities against assets subject to finance lease | 1,136 | 0 | 1,136 | 3,372 | 0 | 0 | 0 | 0 | 1,136 | 3,372 | | |
| Short term finances | 484,510 | 0 | 484,510 | 495,420 | 0 | 0 | 0 | 7,320 | 484,510 | 502,740 | | |
| Trade and other payables | 0 | 0 | 0 | 0 | 84,129 | 0 | 84,129 | 67,536 | 84,129 | 67,536 | | |
| Accrued mark-up / interest | 0 | 0 | 0 | 0 | 27,993 | 0 | 27,993 | 61,462 | 27,993 | 61,462 | | |
| Preference shares redemption account | 0 | 0 | 0 | 0 | 1,239 | 0 | 1,239 | 1,267 | 1,239 | 1,267 | | |
| Total | 526,547 | 318,865 | 845,412 | 875,271 | 113,361 | 0 | 113,361 | 137,585 | 958,773 | 1,012,856 | | |
| Net financial assets / (liabilities) | (510,986) | (318,865) | (829,851) | (856,400) | (66,943) | 1,004 | (65,939) | (108,050) | (895,790) | (964,450) | | |
| Off balance sheet | | | | | | | | | | | | |
| Letters of credit | 0 | 0 | 0 | 0 | 11,241 | 0 | 11,241 | 1,239 | 11,241 | 1,239 | | |
| Guarantees | 0 | 0 | 0 | 0 | 15,000 | 0 | 15,000 | 11,200 | 15,000 | 11,200 | | |
| Total | 0 | 0 | 0 | 0 | 26,241 | 0 | 26,241 | 12,439 | 26,241 | 12,439 | | |





The effective interest / mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

**40.1 Foreign exchange risk**

Foreign currency risk arises where receivables and payables exist due to transactions with foreign undertakings. Payables exposed to foreign currency risks are monitored by the management and, if necessary, are covered through forward foreign exchange contracts. However, no foreign forward exchange contracts were outstanding at the year-end.

**40.2 Concentration of credit risk**

Credit risk represents the risk of loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company's credit risk is primarily attributable to its trade debts. To reduce the exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management continuously monitors the credit exposure towards the customers and makes provision, if required, against those balances considered doubtful of recovery.

**40.3 Fair values of financial assets and liabilities**

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

**40.4 Liquidity risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for the new requirements.

**40.5 Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Company usually borrows funds at fixed and market based rates and as such the risk is minimised.

**40.6 Capital risk management**

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure 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 the shareholders or issue new shares.

## 41. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

| Particulars | Chief Executive 2008 | Chief Executive 2007 | Director 2008 | Director 2007 | Executives 2008 | Executives 2007 |
|---|---|---|---|---|---|---|
| | Rupees in thousand | | | | | |
| Managerial remuneration | 3,130 | 3,311 | 3,000 | 2,968 | 7,662 | 5,792 |
| Bonus / ex-gratia | 128 | 197 | 247 | 176 | 337 | 542 |
| Retirement benefits | 0 | 0 | 0 | 0 | 555 | 492 |
| Leave salary | 211 | 187 | 271 | 454 | 829 | 396 |
| Insurance | 0 | 0 | 7 | 29 | 19 | 16 |
| Medical | 73 | 50 | 243 | 233 | 2,319 | 800 |
| Utilities | 188 | 222 | 381 | 277 | 243 | 187 |
| | 3,730 | 3,967 | 4,149 | 4,137 | 11,964 | 8,225 |
| Less: charged to Associated Companies | 0 | 0 | 3,112 | 3,103 | 2,562 | 358 |
| | 3,730 | 3,967 | 1,037 | 1,034 | 9,402 | 7,867 |
| Number of persons | 1 | 1 | 1 | 1 | 5 | 5 |

41.1 Meeting fees of Rs.84 thousand (2007: Rs.63 thousand) were also paid to five (2007: five) non-working directors during the year.

41.2 Chief executive, one (2007: one) working director and five (2007: five ) of the executives are provided with free use of residential telephones and the Company maintained cars. Working director and executives are also provided with free housing facility.

41.3 The above payments do not include amounts paid or provided for, if any, by the Associated Companies. These also do not include directors' expenses received as part of proportionate expenses from the combined offices of the Associated Companies as complete details of such expenses are not readily available.

## 42. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

42.1 (a) The Company's shareholders, vide a special resolution, have authorised the chief executive to advance loans upto Rs.5.0 million to any of the Companys associates to meet the business transactions involving payment / reimbursement of branch office / other expenses incurred on the Company's behalf.

(b) Maximum aggregate debit balance of the Associated Companies at any month-end during the year was Rs.45.917million (2007: Rs.38.186 million).

(c) Mark-up has been accrued at the rates ranging from 11.09% to 11.64% (2007: 11.11% to 12.15% ) per annum on the current account balances of the Associated Companies except for the balances of The Universal Insurance Company Limited, which have arisen on account of insurance premium payable.





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| (d) Aggregate transactions during the year with the Associated Companies were as follows: | 2008 | 2007 |
|---|---|---|
| | Rupees in thousand | |
| Deposit for shares received | 0 | 22,818 |
| Sale of goods and services | 978 | 4,538 |
| Purchase of goods and services | 10,683 | 12,586 |
| Sale of plant & machinery | 0 | 325 |
| Purchase of fixed assets | 0 | 29 |
| Mobilisation advance for construction of cotton godowns (adjusted) / receipt | (18,500) | 18,500 |
| Insurance claim received | 0 | 8 |
| Residential rent: | | |
| - paid | 5 | 5 |
| - received | 132 | 132 |
| Mark-up: | | |
| - earned | 2,061 | 2,090 |
| - expensed | 1,585 | 1,005 |
| Management charges: | | |
| - paid | 1,948 | 1,684 |
| - received | 8,001 | 6,203 |

42.2 No amount was due from the directors at any month-end during the year (2007: Rs.Nil).

## 43. CAPACITY AND PRODUCTION

| | 2008 | 2007 |
|---|---|---|
| Number of spindles installed | 70,896 | 70,896 |
| Number of rotors installed | 400 | 400 |
| Number of shifts worked | 1,050 | 1,079 |
| Number of spindles / rotors shifts worked | 71,662,433 | 75,361,874 |
| | 2008 | 2007 |
| | K G s | |
| Installed capacity at 20's count on the basis of shifts worked | 12,733,739 | 13,085,432 |
| Actual production of yarn of all counts | 4,954,304 | 5,491,651 |
| Actual production converted into 20's count | 24,817,579 | 26,498,796 |

It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindles' speed, twist per inch and raw materials used, etc. It also varies according to the pattern of production adopted in a particular year.

**44. ACCOUNTING ESTIMATES AND JUDGEMENTS**

**Staff retirement benefits**

Certain actuarial assumptions have been adopted as disclosed in these financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

**Taxation**

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of Appellate authorities on certain issues in the past.

**Property, plant and equipment**

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

**45. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 7 October, 2008 by the board of directors of the Company.

**46. FIGURES**

- Figures in the financial statements have been rounded-off to the nearest thousand Rupees except stated otherwise.
- Corresponding figures have neither been re-arranged and nor re-classified.

**Lt. Gen (Retd)**
**Ali Kuli Khan Khattak**
**Chief Executive**

**Mushtaq Ahmad Khan, FCA**
**Director**



**JANANA DE MALUCHO TEXTILE MILLS LTD.**

## FORM OF PROXY

I/We ______________________________ ____________ of ____________________ being in the district of ____________________ being a member of Janana De Malucho Textile Mills Limited and holder of ______________ ______________________ Ordinary Shares as per the Share Register Folio No. ___ ____________ and/or CD C Participant I.D. No. ____________________ and Sub-Account No. ________________ hereby appoint ____________________ of ________________ or failing him/her ____________________ as my/our proxy to vote for me/us and on my/our behalf at the 48th Annual General Meeting of the Company to be held at Registered Office, Habibabad, Kohat on31st October 2008 at 10:00 A.M and at any adjournment thereof.

**Witnesses:**

1. As witness my hand this ________day of ________ 2008.

Signed by the said member in the presence of __________

2. As witness my hand this ________day of________ 2008.

Signed by the said member in the presence of __________

Please affix five rupees revenue stamp

Signatures of member

Please fill in the applicable columns:

| For Physical shares | For CDC Account Holders | | Shares Held |
|---|---|---|---|
| Folio No. | CDC Participant I.D. No. | Sub Account No. | |
| | | | |

Note:

A member entitle to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy needs not to be a member of Company. If a member is unable to attend the meeting, he may complete and sign this form and send it the Company Secretary, Janana De Malucho Textile Mills Limited, Habibabad, Kohat so as to reach not less than 48 hours before the time appointed for holding the meeting.

**FOR CDC ACCOUNT HOLDERS/CORPORATE ENTITIES:**

In addition to the above the following requirements have to be met.

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC No. Shall be stated on the forms.
2. Attested copies of CNICs or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
3. The proxy shall produce his original CNIC or original passport at the time of the meeting.
4. In case of corporate entity, the Board of Directors resolution/power of attorney with attested specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.