53rd Annual Report 2013

JDM

BIBOJEE GROUP

JANANA DE MALUCHO TEXTILE MILLS LIMITED

بسم الله الرحمن الرحيم

CONTENTS

COMPANY'S PROFILE

BOARD OF DIRECTORS	MR. RAZA KULI KHAN KHATTAK	Chairman
	LT. GEN. (RETD.) ALI KULI KHAN KHATTAK	Chief Executive
	MR. AHMAD KULI KHAN KHATTAK	
	MR. MUSHTAQ AHMAD KHAN, FCA	
	MRS. ZEB GOHAR AYUB	
	MRS. SHAHNAZ SAJJAD AHMAD	
	DR. SHAHEEN KULI KHAN	
AUDIT COMMITTEE	MR. RAZA KULI KHAN KHATTAK	Chairman
	MR. AHMAD KULI KHAN KHATTAK	Member
	MR. MUSHTAQ AHMAD KHAN, FCA	Member
HUMAN RESOURCE & REMUNERATION COMMITTEE	MR. RAZA KULI KHAN KHATTAK	Chairman
	LT. GEN. (RETD.) ALI KULI KHAN KHATTAK	Chief Executive / Member
	MR. AHMAD KULI KHAN KHATTAK	Member
	MR. MUSHTAQ AHMAD KHAN, FCA	Member
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY	MR. AMIN-UR-RASHEED B. Com. (Hons.) FICS Sr. Gen. Manager (Finance, Commercial & Corporate Affairs)	
HEAD OF INTERNAL AUDIT	MR. NADEEM AHMED, ACCA	
AUDITORS	HAMEED CHAUDHRI & CO., Chartered Accountants	
BANKERS	NATIONAL BANK OF PAKISTAN HABIB BANK LIMITED UNITED BANK LIMITED BANK ALFALAH LIMITED	
LEGAL ADVISOR	HASSAN & HASSAN (ADVOCATES) PAAF BUILDING, 7 D, KASHMIR ROAD, LAHORE	
TAX CONSULTANTS	M. NAWAZ KHAN & CO. GROUND FLOOR, FARRAH CENTRE, 2-MOZZANG ROAD, LAHORE	
REGISTRARS & SHARES REGISTRATION OFFICE	MANAGEMENT & REGISTRATION SERVICES (PVT) LTD. BUSINESS EXECUTIVE CENTRE, F/17/3, BLOCK 8, CLIFTON, KARACHI TEL. 021-35375127-29, FAX. 021-35820325 EMAIL registrationservices@live.co.uk	
REGISTERED OFFICE & MILLS	HABIBABAD, KOHAT (KPK) TEL. 0922 - 510063 - 512930 - 510494 FAX. 0922 - 510474 E-MAIL: janana@brain.net.pk, janana_textile@hotmail.com WEB SITE: www.jdm.com.pk	

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 53rd Annual General Meeting of the Shareholders of Janana De Malucho Textile Mills Limited will be held at the registered office of the Company, Habibabad, Kohat on **Wednesday** the **30th October, 2013** at **11:00 A.M.** to transact the following business.

A. ORDINARY BUSINESS:

1. To confirm the minutes of Annual General Meeting held on 22nd October, 2012.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June, 2013 together with the directors' and auditors' reports thereon.
3. To appoint auditors for the year ending on 30th June, 2014 and to fix their remuneration.

B. SPECIAL BUSINESS:

4. To pass the following resolution with or without amendments:-
   "Resolved that the special resolution passed in the 52nd AGM of the Company to issue 11,615,626 nonvoting 10.80% cumulative convertible unlisted redeemable preference shares of Rs. 10/- each to National Bank of Pakistan stand cancelled abrogated & rescinded.
   Further Resolved that in consequence of the above referred resolution the changes effected in the Memorandum & Articles of Association vide special resolution dated 22nd October, 2012 stands withdrawn, cancelled and rescinded.
   Further Resolved that Secretary of the Company be and is hereby authorized to make any amendments in the above referred resolutions if pointed by any competent authority to give effect to these resolutions in letter & spirit."

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

By order of the Board

Kohat
Dated: 1st October, 2013

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

NOTES:

BOOK CLOSURE:

1. The Share transfer books of the Company shall remain closed from 23rd October, 2013 to 29th October, 2013 (both days inclusive). The shares received in the Company's Registrar office i.e. Management & Registration Services (Pvt) Limited, Business Executive Centre, F-17/3, Block 8, Clifton, Karachi before close of business hours on 22nd October 2013 will be considered in order for registration in the name of the transferees.

CLEAR PHOTOCOPY OF COMPUTERIZED NATIONAL IDENTITY CARD (BOTH SIDES):

2. In pursuance of the Securities and Exchange Commission of Pakistan's Notice dated April 02, 2010 in respect of S.R.O.286/(1)/2005 dated March 31, 2005, all shareholders having physical shares of the company are requested to send clear photocopy of their valid Computerized National Identity Card (both sides) at the earliest at the address of our share Registrar namely M/s. Management & Registration Services (Pvt) Limited, Business Executive Centre, F/17/3, Block 8, Clifton, Karachi. Fax No.021-35820325. This information is required for maintaining the Members' Register of the company to receive the Dividend/Annual/quarterly financial statements of the company etc.

CHANGE IN ADDRESSES AND CONSOLIDATION OF FOLIOS:

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

PARTICIPATION IN ANNUAL GENERAL MEETING:

4. 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:

5. 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:

i. 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.

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

iii. 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 160(1)(b) OF THE COMPANIES ORDINANCE 1984 REGARDING SPECIAL BUSINESS VIDE PARA B ABOVE AS UNDER:

6. This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting to be held on 30th October, 2013.

Item No. 4 of the Notice:

- In order to reduce financial charges by liquidating Demand Finance loans to improve company's performance, the company previously announced issuance of 11,615,626 nonvoting 10.80% cumulative convertible unlisted redeemable preference shares of Rs.10/- each to M/s. National Bank of Pakistan in lieu of outstanding loans in accordance with restructuring agreement of demand finance loans (FINANCE FACILITIES AGREEMENT dated 12th January, 2011) with the permission of the shareholders in their meeting held on 22nd October, 2012, subject to the approval of Securities and Exchange Commission of Pakistan (SECP).

- The company vide application No.JM/Secy/12/072 dated November 03, 2012 requested to SECP that the company may please be allowed to issue above mentioned preference shares. The SECP has denied our request vide their Letter No. EMD/233/142/2002-579 dated November 08, 2012.

- Since the company has paid total restructured Demand Finance Loans to National Bank of Pakistan in the current year and there is no need to issue these shares therefore, the company has considered it necessary to place the matter before the shareholders for consideration and cancellation of issuance of 11,615,626 nonvoting 10.80% cumulative convertible unlisted redeemable preference announced in the year 2012.

- The Directors have no personal interest directly or indirectly in the special business to be conducted except that they are also shareholders of the company.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The directors of your Company have pleasure in presenting the 53rd Annual Report and Audited Financial Statements of the Company for the financial year ended 30th June, 2013.

PERFORMANCE REVIEW

We are immensely pleased to report that your Company with the infinite benevolence of **Allah Karim** dealt with opportunities and threats as and when they came and despite heavy odds have given very positive results. The major highlights of the Company's financial results as compared to the preceding year are as follows:

Particulars	2013	2012
	Rupees in million	
Sales	**2,714.679**	2,314.948
Cost of sales	**(2,247.284)**	(2,071.385)
Gross profit	**467.395**	243.563
Profit from operations	**376.471**	170.520
Profit before taxation	**317.633**	109.559
Profit after taxation	**234.581**	144.662
	------ Rupees -----	
Earnings per share	**49.03**	30.23

TURNOVER

Gross sales of yarn for the current year have increased by Rs.395.307 million due to increase in production of 1,064,236 lbs during the year under report.

GROSS PROFIT

Gross Profit of the Company, for the year has increased by Rs.223.832 million in comparison with last year. Gross Profit percentage for the year was 17.22% viz-a-viz 10.52% of last year's. Gross Profit has increased in comparison with last year, mainly due to increase in production resulting into increase in sales by 922,512 lbs.

FINANCE COST

Khyber Pakhtunkhwa (KPK) Mark-up Subsidy Relief Package has expired on 31st December, 2011. Due to this factor mainly, the finance cost of the Company has increased by Rs.18.925 million.

FINANCIAL RESTRUCTURING

The restructuring agreement with regard to the issue of unlisted non-voting cumulative convertible / redeemable preference shares of Rs.10 each against the overdue installments of the demand finance loans have been cancelled and stand rescinded as the Company has fully paid the said overdue installments during the year. The Company's earlier decisions of issuing its 11,615,626 non-voting 10.80% cumulative convertible unlisted redeemable preference shares of Rs.10/- each to M/s. National Bank of Pakistan now stands withdrawn. Further, the Company has also fully paid all the Demand Finance loans on July 12, 2013 which is a great landmark in the history of the Company. The Company has paid Principal amount of Rs.225.130 million and Markup Rs.47.216 million mainly to NBP to liquidate total demand finance loans.

BALANCING AND MODERNIZATION OF MACHINERY:

We are pleased to inform the shareholders that the Company, during the current year has also done some innovative changes in the machinery to improve the profitability of its operations. The Company has installed Compact Spinning Assembly on 26,448 spindles of its Ring Spinning Frames to improve the quality and quantitative production of yarn which was readily saleable on premium. The installation of compact assembly on 14,256 spindles in the preceding year along with 26,448 spindles in current year has greatly improved the quality and increased the production of yarn resulting into higher profit.

GENERAL ECONOMIC REVIEW

The industry of Pakistan especially the Textile Sector is not being given its due importance by the Government of Pakistan**.** The Govt. levied Sales Tax on Textile Sector in the previous year and it consistently kept issuing various SROs to change conditions and the rate of sales tax which really scared away the buyers. Further to the bane of Textile Industry, the energy crisis worsened in the current year. The outages of gas for two to three days a week and electric shutdown up to 12 hours daily have forced the closure of many textile mills. Energy supply to the textile industry has been reduced heavily both by the PEPCO and the SNGPL since January 2013, bringing down the growth of textile exports to 4.6 percent against 30.6 percent in India, 19.2 percent in China and 12.0 percent in Bangladesh on an average per year for the period 2005-11. This phenomenon resulted into highly detrimental upheavals in yarn markets and end-user markets were volatile more than ever.

The recent financial package with IMF is a receipt for disaster as Pakistani rupee would remain under pressure owing to the IMF programme. The government is acting desperately for dollars that is creating panic in market. SBP has been asked to purchase foreign exchange from the inter-bank market, as in prior action, the SBP has purchased $125 million during two months of July and August. The purchase of dollars from the market has destabilized the exchange market and the rupee lost its value.

The above phenomena will greatly impede the process of Pakistan Economy ultimately effecting our company because the Government has not acted wisely while negotiating with IMF and it will definitely burgeon the total economy of Pakistan to a great extent.

FUTURE PROSPECTS:

Despite all its difficulties, the Textile Industry of Pakistan still has great potential as it has shown in the past. It is a major export oriented sector. However the policies of the Govt. in respect of application of sales tax, its economic policies coupled with persistent increase in electricity, gas tariff, fuel prices and inconsistency in supply of electricity and gas to textile sector has brought the development of this sector to a standstill. It is pertinent to mention that minimum wages of labour are higher in Pakistan by 151% than Bangladesh and 77% higher than India. Due to these factors the exports of value added textile sectors have gone down. Exchange rate in Bangladesh is 77.77TK and Rs.108.10 to a Dollar in Pakistan as on the date of this report.

All in all, despite all the seemingly negative indicators, we can definitely still hope to find numerous positives. We also hope and pray to **Allah Karim** that the next year shall be a good year for textile industry in general and for your Company in particular.

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 30-06-2013 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 2013, 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. No trades in the shares of Janana De Malucho Textile Mills Limited were carried-out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year ended 30th June 2013.

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 regulations of The Karachi Stock Exchange Limited.

BOARD AUDIT COMMITTEE

The Board of Directors, 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

The Committee consists of three members including the Chairman of the Committee and all members of the Committee are non-executive directors.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board of Directors, in compliance with the clause (xxv) of the revised Code of Corporate Governance, has established a Human Resource & Remuneration (HR&R) Committee. The composition of HR&R is as below.

- Mr. Raza Kuli Khan Khattak — Chairman
- Lt. Gen. (Retd) Ali Kuli Khan Khattak — Member/CEO
- Mr. Ahmad Kuli Khan Khattak — Member
- Mr. Mushtaq Ahmad Khan, FCA — Member

BOARD MEETINGS AND ATTENDANCE OF EACH DIRECTOR:

	Number
Total number of Board meetings held during the year under review	4

Attendance of each Director

Mr. Raza Kuli Khan Khattak	4
Lt. Gen. (Retd). Ali Kuli Khan Khattak	3
Mr. Ahmad Kuli Khan Khattak	3
Mr. Mushtaq Ahmad Khan, FCA	4
Mrs. Zeb Gohar Ayub	4
Mrs. Shahnaz Sajjad Ahmad	4
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 2013.

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 2013 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 2013.

I.	**GOVERNMENT SECTOR**	(Rs. In Million)
	a. Income Tax paid	8.143
	b. Power & Fuel	255.053
	c. Financial Institution/ Banks	240.053
II.	**SOCIAL SECTOR**	
	Employees/Workers salaries, Wages and other benefits	204.373

We are also providing employment to 1,050 permanent workers (1,050 families with an average of 8 family members in KPK province) the employment cost of which shall now be about Rs.250 million.

DIVIDEND:

Keeping in view the heavy financial resources required for the B&MR of the computerized machinery installed in 2004 and 1962 - 1980 vintage machines being used by the company, the Directors have decided not to pay any dividend.

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 hereby recommends that the retiring auditors be re-appointed.

ACKNOWLEDGMENT:

Your Directors wish to record their appreciations for the efforts made by the workers, staff and senior executives for achieving the results in the present difficult circumstances and continued support of the financial institutions specially the National Bank of Pakistan since 1962 to sustain the production activities of the company.

For & on behalf of Board of Directors

RAZA KULI KHAN KHATTAK
CHAIRMAN

Dated: 19th September, 2013

KEY OPERATING AND FINANCIAL DATA
SIX YEARS SUMMARY

PARTICULARS		2013	2012	2011	2010	2009	2008
Spindles installed	Nos.	**62,304**	62,304	62,304	64,704	70,896	70,896
Rotors installed	Nos.	**600**	600	600	600	600	400
PRODUCTION	Lbs. in million	**13.020**	11.956	10.851	10.213	10.296	10.922
Sales - Net	Rs. in million	**2,714.679**	2,314.948	2,134.841	1,454.537	1,071.738	1,130.611
Gross Profit	----- " -----	**467.395**	243.563	190.198	311.726	61.647	155.339
Profit from operations	----- " -----	**376.471**	170.520	116.801	257.257	20.901	110.141
Profit / (Loss) before Taxation	----- " -----	**317.633**	109.559	111.058	174.411	(149.174)	19.436
Provision for Taxation	----- " -----	**(83.052)**	(35.103)	(40.990)	57.769	(39.288)	14.188
Profit / (Loss) after Taxation	----- " -----	**234.581**	144.662	152.048	116.642	(109.886)	5.248
Earning / (Loss) per share	Rupees	**49.03**	30.23	33.57	30.54	(34.71)	1.66
Breakup Value per share	----- " -----	**179.26**	125.56	91.50	61.15	34.21	65.38
Total Assets	Rs. in million	**3,346.165**	3,183.565	2,725.271	2,444.962	1,977.223	2,128.685
Current Liabilities	----- " -----	**(823.469)**	(770.262)	(771.642)	(559.916)	(698.670)	(748.822)
	----- " -----	**2,522.696**	2,413.303	1,953.629	1,885.046	1,278.553	1,379.863
REPRESENTED BY:							
Share Capital	Rs. in million	**47.848**	47.848	47.848	43.064	31.655	31.655
Reserves and Un-appropriated Profit	----- " -----	**2,100.111**	1,855.426	1,404.026	1,248.711	800.075	869.432
Equity	----- " -----	**2,147.959**	1,903.274	1,451.874	1,291.775	831.730	901.087
Long Term Loans	----- " -----	**35.037**	260.713	321.057	361.228	326.339	318.865
Deferred Liabilities	----- " -----	**339.700**	249.316	180.698	232.043	120.484	159.911
	----- " -----	**2,522.696**	2,413.303	1,953.629	1,885.046	1,278.553	1,379.863

FORM 34

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

PATTERN OF SHAREHOLDING

1. CUIN (Incorporation Number) 0 0 0 1 1 9 3

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

3. Pattern of holding of the shares held by the shareholders as at 30 06 2013

4. No of shareholders	Shareholdings	Total shares held
484	shareholding from 1 to 100 shares	15,793
380	shareholding from 101 to 500 shares	88,787
101	shareholding from 501 to 1000 shares	71,440
118	shareholding from 1001 to 5000	251,653
11	shareholding from 5001 to 10000	74,283
11	shareholding from 10001 to 15000	133,069
4	shareholding from 15001 to 20000	71,321
3	shareholding from 20001 to 25000	69,723
1	shareholding from 25001 to 30000	30,000
1	shareholding from 30001 to 35000	31,000
4	shareholding from 35001 to 40000	148,527
3	shareholding from 40001 to 45000	127,030
1	shareholding from 45001 to 50000	46,000
1	shareholding from 110000 to 115000	114,000
1	shareholding from 130,001 to 135,000	134,062
1	shareholding from 145001 to 150000	147,762
1	shareholding from 280001 to 285000	281,050
1	shareholding from 340001 to 345000	341,000
1	shareholding from485001 to 490000	486,869
1	shareholding from 560001 to 565000	562,195
1	shareholding from 1555001 to 1560000	1,559,230
1130	**Total**	**4,784,794**

5. Categories of shareholders	share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	74,073	1.55
5.2. Associated Companies, undertakings and related parties.	2,462,425	51.46
5.3 NIT and ICP	114,770	2.40
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	492,205	10.29
5.5 Insurance Companies	38,422	0.80
5.6 Modarabas and Mutual Funds	NIL	NIL
5.7 Share holders holding 10%		
Bannu Woollen Mills Ltd	1,559,230	32.59
Bibojee Services (Pvt.) Ltd	562,195	11.75
National Bank of Pakistan	486,869	10.18
5.8 General Public		
a. Local	1,177,899	24.62
b. Foreign	NIL	NIL
5.9 Others (to be specified)		
Joint Stock Companies	6,452	0.13
Secretary to Govt. of N.W.F.P	134,062	2.80
Deputy Administrator Abandoned Properties	3,422	0.07
Trusts	281,063	5.88
Govt. of Pakistan	1	0.00

6. Signature of Secretary

7. Name of Signatory: **AMIN-UR-RASHEED**

8. Designation: Company Secretary & Sr. General Manager Corporate Affairs

9. NIC Number

1	4	3	0	1	-	4	5	7	5	7	6	4	-	3

10. Date

Day		Month		Year			
3	0	0	6	2	0	1	3

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

CATEGORIES OF SHAREHOLDERS			SHARES HELD
1.	ASSOCIATED COMPANIES, UNDERTAK INGS & RELATED PARTIES:		
	M/S BANNU WOOLLEN MILLS LTD,		1,559,230
	M/S.BIBOJEE SERVICES (PVT) LTD.		562,195
	M/S BABRI COTTON MILLS LTD,		341,000
2.	N.I.T. & I.C.P:		
	M/S. NATIONAL INVESTMENT TRUST LTD		114,000
	M/S. INVESTMENT CORPORATION OF PAKISTAN		770
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	13,241
	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		6,452
6.	BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON-BANKING FINANCE, INSTITUTIONS, INSURANCE COMPANIES, MODARBAS & MUTUAL FUNDS		530,627
7.	SHAREHOLDERS HOLDING 10% OR MORE:		
	M/S BANNU WOOLLEN MILLS LTD,		1,559,230
	M/S.BIBOJEE SERVICES (PVT) LTD.		562,195
	M/S. NATIONAL BANK OF PAKISTAN		486,869
8.	GENERAL PUBLIC & OTHERS		1,595,292

Statement of Compliance with the Code of Corporate Governance
[See clause (xl)]

Name of Company JANANA DE MALUCHO TEXTILE MILLS LIMITED
Year Ending 30TH JUNE, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of 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 CCG in the following manner:

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

CATEGORY	NAMES
Independent Directors	
Executive Directors	Lt. Gen. (Retd) Ali Kuli Khan Khattak Mr. Mushtaq Ahmad Khan, FCA Dr. Shaheen Kuli Khan
Non-Executive Directors	Mr. Raza Kuli Khan Khattak Mr. Ahmad Kuli Khan Khattak Mrs. Zeb Gohar Ayub Mrs. Shahnaz Sajjad Ahmad

2. The directors have confirmed that none of them is serving as a director on more than ten listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year ended 30th June 2013.
5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. 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, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. 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 2013.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. 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 every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises Four members, of whom two are non-executive directors and the chairman of the committee is a non executive director.
18. 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.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Signature

(Name in block letters) LT. GEN. (RETD.) ALI KULI KHAN KHATTAK
(Chief Executive)

NIC Number 37405 -0360603-3

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE 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 (the Company) to comply with the Listing Regulations of the Karachi Stock Exchange, where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, the company's Corporate Governance Procedures and Risks.

Further, Listing Regulations of the Karachi Stock Exchange require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried-out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried-out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June, 2013.

Hameed Chaudhri & Co.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE; September 19, 2013

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JANANA DE MALUCHO TEXTILE MILLS LIMITED (the Company) as at 30 June, 2013 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 June 30, 2013 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.

HAMEED CHAUDHRI & CO.,
CHARTERED ACCOUNTANTS
Audit Engagement Partner: Nafees ud din

LAHORE; September 19, 2013

BALANCE SHEET AS AT JUNE 30, 2013

	Note	2013	2012
ASSETS		**(Rupees in thousand)**	
Non-current assets			
Property, plant and equipment	**7**	**2,270,452**	2,246,422
Investments in Associated Companies	**8**	**157,839**	108,784
Loans to employees	**9**	**3,164**	1,065
Security deposits		**1,029**	1,029
		2,432,484	2,357,300
Current assets			
Stores, spares and loose tools	**10**	**49,452**	40,551
Stock-in-trade	**11**	**688,101**	671,596
Trade debts - unsecured considered good		**9,404**	7,527
Advances to employees		**3,314**	1,820
Advance payments	**12**	**33,637**	16,595
Trade deposits and prepayments	**13**	**1,614**	1,215
Due from Associated Companies	**14**	**20,208**	7,615
Other receivables		**1,844**	3,421
Sales tax refundable		**30,300**	29,000
Income tax refundable, advance tax and tax deducted at source		**62,387**	43,791
Cash and bank balances	**15**	**13,420**	3,134
		913,681	826,265
TOTAL ASSETS		**3,346,165**	3,183,565
EQUITY AND LIABILITIES			
Equity			
Authorised capital	**16**	**200,000**	200,000
Issued, subscribed and paid-up capital	**17**	**47,848**	47,848
Reserves	**18**	**389,983**	217,673
Unappropriated profit		**419,902**	335,281
Shareholders' equity		**857,733**	600,802
Term finance certificates	**19**	**34,759**	49,821
Surplus on revaluation of property, plant and equipment	**20**	**1,290,226**	1,302,472
Liabilities			
Non-current liabilities			
Demand finances	**21**	**278**	210,892
Staff retirement benefits - gratuity	**22**	**66,000**	48,693
Deferred taxation	**23**	**273,700**	200,623
		339,978	460,208
Current liabilities			
Trade and other payables	**24**	**184,959**	223,931
Accrued mark-up / interest	**25**	**3,581**	25,142
Short term finances	**26**	**585,112**	461,246
Current portion of non-current liabilities	**27**	**43,233**	58,728
Taxation	**28**	**5,369**	0
Preference shares redemption account	**29**	**1,215**	1,215
		823,469	770,262
Total liabilities		**1,163,447**	1,230,470
Contingencies and commitments	**30**		
TOTAL EQUITY AND LIABILITIES		**3,346,165**	3,183,565

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

Ali Kuli Khan

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

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013	2012
		Rupees in thousand	
Sales	31	**2,714,679**	2,314,948
Cost of Sales	32	**2,247,284**	2,071,385
Gross Profit		**467,395**	243,563
Distribution Cost	33	**7,970**	9,750
Administrative Expenses	34	**64,765**	62,724
Other Expenses	35	**25,407**	10,466
Other Income	36	**(7,218)**	(9,897)
		90,924	73,043
Profit from Operations		**376,471**	170,520
Finance Cost	37	**104,604**	85,679
		271,867	84,841
Share of Profit of Associated Companies	8	**45,766**	24,718
Profit before Taxation		**317,633**	109,559
Taxation	38	**83,052**	(35,103)
Profit after Taxation		**234,581**	144,662
Other Comprehensive Income		**0**	0
Total Comprehensive Income		**234,581**	144,662
		------- Rupees -------	
Earnings per Share	39	**49.03**	30.23

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	2013	2012
	Rupees in thousand	
Cash flow from operating activities		
Profit for the year - before taxation and share of profit of Associated Companies	**271,867**	84,841
Adjustments for non-cash charges and other items:		
Depreciation	**66,681**	62,331
(Gain) / loss on disposal of operating fixed assets - net	**(598)**	782
Receivable balances written-off	**0**	63
Unclaimed dividends written-back	**0**	(6,394)
Unclaimed payable balances written-back	**0**	(4)
Amortisation of restructuring cost on demand finances	**(2,136)**	(457)
Staff retirement benefits - gratuity (net)	**17,307**	14,290
Finance cost	**103,323**	84,610
Profit before working capital changes	**456,444**	240,062
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**(8,901)**	(6,147)
Stock-in-trade	**(16,505)**	(163,225)
Trade debts	**(1,877)**	42,430
Loans and advances to employees	**(3,593)**	(321)
Advance payments	**(17,042)**	(6,769)
Trade deposits and prepayments	**(399)**	(725)
Mark-up subsidy receivable	**0**	30,895
Due from Associated Companies	**(12,593)**	(7,615)
Other receivables	**1,577**	(2,220)
Sales tax refundable	**(1,300)**	(14,632)
(Decrease) / increase in trade and other payables	**(38,972)**	46,091
	(99,605)	(82,238)
Cash generated from operations	**356,839**	157,824
Taxes paid	**(18,143)**	(14,978)
Net cash generated from operating activities	**338,696**	142,846
Cash flow from investing activities		
Fixed capital expenditure	**(91,533)**	(11,481)
Sale proceeds of operating fixed assets	**1,420**	4,448
Dividend received from an Associated Company	**1,756**	2,926
Net cash used in investing activities	**(88,357)**	(4,107)
Cash flow from financing activities		
Term finance certificates redeemed	**(13,903)**	(13,904)
Demand finances	**(225,132)**	(50,381)
Short term finances - net	**123,866**	(2,565)
Preference shares redeemed	**0**	(3)
Finance cost paid	**(124,884)**	(89,945)
Net cash used in financing activities	**(240,053)**	(156,798)
Net increase / (decrease) in cash and cash equivalents	**10,286**	(18,059)
Cash and cash equivalents - at beginning of the year	**3,134**	21,193
Cash and cash equivalents - at end of the year	**13,420**	3,134

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

Ali Kuli Khan

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

Mushtaq Ahmad Khan

Mushtaq Ahmad Khan, FCA
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share capital	Reserves					Unappr-opriated profit	Total
		Capital			Revenue	Sub-total		
		Capital redemp-tion	Tax holiday	Share premium	General			
	------------------------------------ Rupees in thousand ------------------------------------							
Balance as at June 30, 2011	47,848	6,694	350	11,409	199,220	217,673	172,310	437,831
Total comprehensive income for the year ended June 30, 2012	0	0	0	0	0	0	144,662	144,662
Surplus on revaluation of property, plant and equipment realised during the year (net of deferred taxation):								
- on account of incremental depreciation for the year	0	0	0	0	0	0	14,319	14,319
- upon sale of revalued plant & machinery	0	0	0	0	0	0	2,194	2,194
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	0	1,796	1,796
Balance as at June 30, 2012	47,848	6,694	350	11,409	199,220	217,673	335,281	600,802
Transfer	0	0	0	0	172,310	172,310	(172,310)	0
Total comprehensive income for the year ended June 30, 2013	0	0	0	0	0	0	234,581	234,581
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation for the year (net of deferred taxation)	0	0	0	0	0	0	17,305	17,305
Effect of items directly credited in equity by the Associated Companies	0	0	0	0	0	0	5,045	5,045
Balance as at June 30, 2013	47,848	6,694	350	11,409	371,530	389,983	419,902	857,733

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, 2013

1. LEGAL STATUS AND OPERATIONS

Janana De Malucho Textile Mills Ltd. (the Company) was incorporated in Pakistan in the year 1960 as a Public Company and its shares are quoted on Karachi Stock Exchange (Guarantee) Ltd. 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 the requirements of the Companies Ordinance, 1984 (the Ordinance), directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or requirements of the said directives have been followed.

3. BASIS OF MEASUREMENT

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional currency of the Company. All financial information presented in Pak Rupees has been rounded-off to the nearest thousand, unless otherwise stated.

4. NEW STANDARDS, AMENDMENTS TO APPROVED ACCOUNTING STANDARDS AND NEW INTERPRETATIONS

4.1 New standards, amendments to approved accounting standards and interpretations, which became effective during the year ended June 30, 2013

There are certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee, which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

4.2 New standards, amendments to approved accounting standards and new interpretations, which are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the date specified below. Except for the amendment in IAS 19, which results in immediate recognition of actuarial gains or losses and revised basis of calculation for net finance cost, these standards 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 increased disclosures in certain cases.

(a) IAS 19 (Amendment), 'Employee benefits' is applicable on accounting periods beginning on or after January 01, 2013. These amendments shall eliminate the corridor approach and calculate finance cost on a net funding basis. The Company shall apply these amendments from July 01, 2013 and its impact on retained earnings shall be Rs. 22.912 million due to recognition of current unrecognised actuarial loss on its defined benefit plan.

(b) IAS 28 (Revised), 'Associates and joint ventures' (effective for periods beginning on or after January 01, 2013). This standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11. The application of these amendments have no impact on the Company's financial statements.

(c) IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for periods beginning on or after January 01, 2014). This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have any significant impact on the Company's financial statements.

(d) Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 01, 2013. This set of amendments includes changes to five standards: IFRS 1 'First time adoption of IFRSs', IAS 1 'Presentation of financial statements', IAS 16 'Property, plant and equipment', IAS 32 'Financial instruments; Presentation' and IAS 34 'Interim financial reporting'. The application of these amendments have no material impact on the Company's financial statements.

(e) IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2015). IFRS 9 replaces the parts of IAS 39, 'Financial instruments: recognition and measurement' that relate to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories; those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the requirements of IAS 39. The Company is yet to assess the full impact of IFRS 9; however, initial indications are that it may not significantly affect the Company's financial assets.

(f) IFRS 13, 'Fair value measurement' (effective for periods beginning on or after January 01, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance and how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company shall apply this standard from July 01, 2013 and does not expect to have a material impact on its financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore have not been presented here.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 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.

Freehold land, buildings on freehold land, plant & machinery and generators were revalued during prior years. Surplus arisen on revaluation of these assets has been credited to surplus on revaluation of property, plant and equipment account in accordance with the requirements of section 235 of the Companies Ordinance, 1984 and shall be held on the balance sheet till realisation. Revaluation is carried-out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of incremental depreciation charged on the revalued assets, the related surplus on revaluation of these assets (net of deferred taxation) is transferred directly to equity.

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 7.1. 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.

5.2 Investments in Associated Companies

Investments in Associated Companies are accounted for by 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 profit or loss of the Associated Companies after the date of acquisition. The Company's share of 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 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 investments 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.

5.3 Stores, spares and loose tools

Stores, spares and loose tools are stated at the lower of cost and net realisable value. The cost of inventory is based on moving average cost. Items in transit are stated at cost accumulated upto the balance sheet date. The Company reviews the carrying amount of stores, spares and loose tools on a regular basis and provision is made for identified obsolete and slow moving items.

5.4 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 consists of prime cost and appropriate production overheads. Prime cost is allocated on the basis of moving average cost.
- Provision for obsolete and slow moving stock-in-trade is determined based on the management's assessment regarding their future usability.
- Net realisable value signifies the selling price in the ordinary course of business less cost of completion and cost necessary to be incurred to effect such sale.

5.5 Trade debts and other receivables

Trade debts are initially recognised at original invoice amount, which is the fair value of consideration to be received in future and subsequently measured at cost less provision for doubtful debts, if any. Carrying amounts of trade debts and other receivables are assessed at each reporting date and a provision is made for doubtful debts and receivables when collection of the amount is no longer probable. Debts and receivables considered irrecoverable are written-off.

5.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash-in-hand and balances with banks.

5.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method. Borrowings are classified as current liabilities unless the Company has an unconditional/ contractual right to defer settlement of the liability for at least twelve months after the balance sheet date.

5.8 Staff retirement benefits (defined benefit plan)

The Company operates an un-funded retirement gratuity scheme for its eligible employees. Provision for gratuity is made annually to cover obligation under the scheme in accordance with the actuarial recommendations. Latest actuarial valuation was conducted on June 30, 2013 on the basis of the projected unit credit method by an independent Actuary.

5.9 Trade and other payables

Liabilities for 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.

5.10 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 of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

5.11 Taxation

(a) Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current year also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

(b) Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

5.12 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.

5.13 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet include deposits, trade debts, due from Associated Companies, other receivables, bank balances, term finance certificates, demand finances, trade & other payables, accrued interest / mark-up, short term finances and redeemable preference shares. All financial assets and liabilities are initially measured at cost, which is the fair value of consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value or cost as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

5.14 Off-setting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously.

5.15 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 are translated into Pak Rupees at the exchange rates prevailing on the balance sheet date except where forward exchange contracts are booked, which are translated at the contracted rates. Exchange differences, if any, are taken to profit and loss account.

5.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable on the following basis:

- sales are recorded on dispatch of goods.
- return on deposits is accounted for on 'accrual basis'.
- dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

5.17 Impairment loss

The carrying amounts of the Company's assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of provisions for impairment losses. If any indications exist, the recoverable amounts of such assets are estimated and impairment losses or reversals of impairment losses are recognised in the profit and loss account. Reversal of impairment loss is restricted to the original cost of the asset.

5.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed-out in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.19 Segment reporting

Segment information is presented on the same basis as that used for internal reporting purposes by the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments. On the basis of its internal reporting structure, the Company considers itself to be a single reportable segment; however, certain information about the Company's products, as required by the approved accounting standards, is presented in note 44 to these financial statements.

6. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

6.1 Property, plant and equipment

The Company reviews appropriateness of the rates of depreciation, useful lives and residual values for calculation of depreciation on an on-going basis. Further, where applicable, an estimate of recoverable amount of asset is made if indicators of impairment are identified.

6.2 Stores & spares and stock-in-trade

The Company estimates the net realisable value of stores & spares and stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is determined with reference to estimated selling price less estimated expenditure to make sale.

6.3 Provision for impairment of trade debts

The Company assesses the recoverability of its trade debts if there is objective evidence that the Company will not be able to collect all the amount due according to the original terms. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indications that the trade debt is impaired.

6.4 Staff retirement benefits - gratuity

The present value of this obligation depends on a number of factors that is determined on actuarial basis using a number of assumptions. Any change in these assumptions will impact carrying amount of this obligation. The present value of the obligation and underlying assumptions are stated in note 22.

6.5 Taxation

In making the estimate for income taxes payable by the Company, the management looks at the applicable law and decisions of appellate authorities on certain issues in the past.

7. PROPERTY, PLANT AND EQUIPMENT

7.1 Operating fixed assets - owned

	Freehold land	Roads, paths and culverts	Buildings on freehold land				Plant & machinery	Genera-tors	Work-shop equip-ment	Furniture and fixtures	Office & other equip-ment	Vehicles	Arms	Total
			Factory	Non-factory	Residential									
					Officers	Workers								
	Rupees in thousand													
As at June 30, 2011														
Cost / revaluation	765,360	1,227	180,325	6,679	12,447	8,838	1,073,536	135,595	3,358	9,844	2,506	22,924	272	2,222,911
Accumulated depreciation	0	0	11,123	434	770	547	284,484	26,748	1,905	4,320	1,226	13,345	53	344,955
Book value	765,360	1,227	169,202	6,245	11,677	8,291	789,052	108,847	1,453	5,524	1,280	9,579	219	1,877,956
Year ended June 30, 2012:														
Additions	0	20	462	0	0	0	62,867	0	0	840	391	5,334	0	69,914
Revaluation adjustments:														
Cost / revaluation	191,340	0	5,029	0	0	229	0	(3,663)	0	0	0	0	0	192,935
Depreciation	0	0	16,770	620	1,159	823	153,806	0	0	0	0	0	0	173,178
Disposals: Cost	0	0	0	0	0	0	(11,447)	0	0	0	0	(1,532)	0	(12,979)
Depreciation	0	0	0	0	0	0	7,476	0	0	0	0	273	0	7,749
Depreciation for the year	0	0	8,750	319	597	427	44,279	5,321	73	294	72	2,187	12	62,331
Book value	956,700	1,247	182,713	6,546	12,239	8,916	957,475	99,863	1,380	6,070	1,599	11,467	207	2,246,422
Year ended June 30, 2013:														
Additions	0	0	0	0	0	0	82,299	170	0	777	170	1,744	6,373	91,533
Disposals: Cost	0	0	0	0	0	0	0	0	0	0	0	(2,172)	0	(2,172)
Depreciation	0	0	0	0	0	0	0	0	0	0	0	1,350	0	1,350
Depreciation for the year	0	0	9,135	327	612	446	48,286	4,998	69	322	83	2,274	129	66,681
Book value	956,700	1,247	173,578	6,219	11,627	8,470	991,488	95,035	1,311	6,525	1,686	10,115	6,451	2,270,452
As at June 30, 2012														
Cost / revaluation	956,700	1,247	185,816	6,679	12,447	9,067	1,124,956	131,932	3,358	10,684	2,897	26,726	272	2,472,781
Accumulated depreciation	0	0	3,103	133	208	151	167,481	32,069	1,978	4,614	1,298	15,259	65	226,359
Book value	956,700	1,247	182,713	6,546	12,239	8,916	957,475	99,863	1,380	6,070	1,599	11,467	207	2,246,422
As at June 30, 2013														
Cost / revaluation	956,700	1,247	185,816	6,679	12,447	9,067	1,207,255	132,102	3,358	11,461	3,067	26,298	6,645	2,562,142
Accumulated depreciation	0	0	12,238	460	820	597	215,767	37,067	2,047	4,936	1,381	16,183	194	291,690
Book value	956,700	1,247	173,578	6,219	11,627	8,470	991,488	95,035	1,311	6,525	1,686	10,115	6,451	2,270,452
Depreciation rate (%)			5	5	5	5	5	5	5	5	5	20	5	

7.2 The management in order to ascertain the useful life of operating fixed assets had carried-out an internal exercise during the financial year ended June 30, 2007 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.

7.3 Had the operating fixed assets been recognised under the cost model, the carrying amounts of each revalued class of operating fixed assets would have been as follows:

	2013	2012
	Rupees in thousand	
Freehold land	**340**	340
Buildings on freehold land:		
Factory	**40,822**	42,970
Non-factory	**1,023**	1,076
Residential:		
- officers	**179**	188
- workers	**3,177**	3,345
Plant & machinery	**652,247**	600,379
Generators	**83,110**	87,310
	780,898	735,608

7.4 **Depreciation for the year has been apportioned as under:**

Cost of sales	**62,934**	58,850
Administrative expenses	**3,747**	3,481
	66,681	62,331

7.5 **Disposal of vehicles:**

Particulars	Cost	Accum-ulated depre-ciation	Book value	Sale proceeds	Gain	Sold through negotiation to
	---------- Rupees in thousand ----------					
Jeep	1,400	638	762	1,250	488	Syed Muhammad Jafri, 20 Empress Road, Lahore.
Nissan Sunny	772	712	60	170	110	Mian Rauf, Mian Mobile Zone, Jhang Road, Faisalabad.
	2,172	1,350	822	1,420	598	

8.	**INVESTMENTS IN ASSOCIATED COMPANIES -** Quoted	**2013**	2012
		Rupees in thousand	
	Babri Cotton Mills Ltd. (BCM)		
	587,493 (2012: 587,493) ordinary shares of Rs.10 each - **cost**	**10,973**	10,973
	Equity held: 16.09% (2012: 16.09%)		
	Post acquisition profit brought forward including effect of items directly credited in equity by BCM	**49,786**	32,751
	Profit for the year - net of taxation	**34,648**	14,162
		95,407	57,886
	Bannu Woollen Mills Ltd. (BWM)		
	585,301 (2012: 585,301) ordinary shares of Rs.10 each - **cost**	**7,697**	7,697
	Equity held: 7.70% (2012: 7.70%)		
	Post acquisition profit brought forward including effect of items directly credited in equity by BWM	**45,373**	35,571
	Dividend received during the year	**(1,756)**	(2,926)
	Profit for the year - net of taxation	**11,118**	10,556
		62,432	50,898
		157,839	108,784

8.1 Market value of the Company's investment in BCM and BWM as at June 30, 2013 was Rs.36.947 million (2012: Rs.7.643 million) and Rs.45.010 million (2012: Rs.13.169 million) respectively.

8.2 Summarised financial information of BCM, based on the audited financial statements for the year ended June 30, 2013, is as follows:

- equity as at June 30,	**591,066**	359,851
- total assets as at June 30,	**1,806,071**	1,780,545
- total liabilities as at June 30,	**594,328**	790,150
- revenue for the year ended June 30,	**2,064,442**	1,663,021
- profit before taxation for the year ended June 30,	**302,336**	61,963
- profit after taxation for the year ended June 30,	**215,388**	88,036

8.3 Summarised financial information of BWM, based on the audited financial statements for the year ended June 30, 2013, is as follows:

- equity as at June 30,	**801,183**	661,337
- total assets as at June 30,	**1,795,679**	1,482,279
- total liabilities as at June 30,	**424,840**	244,212
- revenue for the year ended June 30,	**807,725**	663,406
- profit before taxation for the year ended June 30,	**174,520**	135,691
- profit after taxation for the year ended June 30,	**144,457**	137,160

8.4 The Company, during the financial years 1972-73 and 1973-74, had declared dividend in specie by distributing its investment in the share capital of Babri Cotton Mills Ltd. The Company wrote-back these unclaimed dividends in specie during the years 1989 and 1990 and incorporated these as investment. During the current and preceding years, no distribution by way of dividend in specie was made.

9. LOANS TO EMPLOYEES - Secured

	Note	2013	2012
		Rupees in thousand	
Loans to:			
- executives	**9.1**	**2,400**	820
- employees	**9.3**	**2,159**	1,450
		4,559	2,270
Less: current portion grouped under current assets		**1,395**	1,205
		3,164	1,065

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

	2013	2012
Opening balance	**820**	870
Loans advanced during the year	**1,700**	395
Less: deductions made during the year	**(120)**	(445)
Closing balance	**2,400**	820

These interest free loans to three executives have been advanced for construction of house and certain other purposes. Out of the year-end receivable balance from the executives, the balance of Rs.50 thousand is receivable in 05 equal monthly instalments whereas the balance of Rs.2,350 thousand is adjustable against final settlements of two executives.

9.2 The maximum aggregate amount of loans due from executives at any month-end during the year was Rs.2,473 thousand (2012: Rs.1,440 thousand).

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

9.4 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.

10. STORES, SPARES AND LOOSE TOOLS

	2013	2012
Stores		
- at mills	**22,633**	18,757
- in transit	**1,834**	1,284
Spares	**24,625**	20,037
Loose tools	**360**	473
	49,452	40,551

11. STOCK-IN-TRADE

	2013	2012
Raw materials:		
- at mills	**490,305**	445,923
- in transit	**62,959**	125,091
	553,264	571,014
Work-in-process	**51,857**	62,397
Finished goods	**82,980**	38,185
	688,101	671,596

11.1 Raw materials and finished goods inventories are pledged with National Bank of Pakistan and The Bank of Khyber as security for short term finance facilities (note 26).

		Note	2013	2012
12.	**ADVANCE PAYMENTS** - Unsecured Considered good		**Rupees in thousand**	
	Raw material suppliers		**33**	32
	Store suppliers		**30,550**	14,489
	Others		**3,054**	2,074
			33,637	16,595
13.	**TRADE DEPOSITS AND PREPAYMENTS**			
	Letters of credit		**616**	677
	Prepayments		**998**	538
			1,614	1,215
14.	**DUE FROM ASSOCIATED COMPANIES**			
	Babri Cotton Mills Ltd.		**955**	250
	The Universal Insurance Company Ltd.		**7,077**	7,365
	Bannu Woollen Mills Ltd.		**5,016**	0
	Bibojee Services (Pvt.) Ltd.		**7,160**	0
			20,208	7,615

14.1 The Company, on December 26, 2012, had entered into an agreement with Ghandhara Nissan Ltd. (GNL) for supply of 5 units of UD trucks with infrastructure for carrying cotton to the mills and cotton yarn to dealers of the Company. The total cost of these trucks was Rs. 37.500 million and the Company paid an advance of Rs. 20 million in this regard. These trucks could not be delivered within three months from the date of signing of agreement. The Company had cancelled this agreement as the price per truck was increased by Rs.1.500 million due to devaluation of Pak. Rupee. The Company had received-back the advance of Rs.20 million from GNL on March 20, 2013.

14.2 The year-end balances include mark-up aggregating Rs. 283 thousand (2012:Rs.nil) accrued on short term advances made to Associated Companies.

		Note	2013	2012
15.	**CASH AND BANK BALANCES**			
	Cash-in-hand		**66**	41
	Cash at banks on:			
	- current accounts	**15.1**	**13,196**	2,943
	- PLS security deposit account	**15.2**	**146**	139
	- PLS account	**15.2**	**12**	11
			13,354	3,093
			13,420	3,134

15.1 These include foreign currency balance of U.S. $42,890 (2012: U.S. $5,210), which has been translated in Pak Rupees at the exchange rate ruling on the balance sheet date i.e.1 U.S. $ = Rs.98.60 (2012: 1 U.S.$ = Rs.94.51).

15.2 These carry profit at the rates ranging from 5% to 6% (2012: 5%) per annum.

16. AUTHORISED SHARE CAPITAL

2013	2012		2013	2012
---- Numbers ----			(Rupees in thousand)	
18,000,000	18,000,000	Ordinary shares of Rs.10 each	**180,000**	180,000
700,000	700,000	7.5% redeemable cumulative preference shares of Rs.10 each	**7,000**	7,000
1,300,000	1,300,000	10% redeemable cumulative preference shares of Rs.10 each	**13,000**	13,000
20,000,000	20,000,000		**200,000**	200,000

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1,640,900	1,640,900	Ordinary shares of Rs.10 each fully paid in cash	**16,409**	16,409
2,130,544	2,130,544	Ordinary shares of Rs.10 each issued to Financial Institutions by conversion of loans and debentures	**21,305**	21,305
6,832	6,832	Ordinary shares of Rs.10 each issued by conversion of preference shares	**68**	68
1,006,518	1,006,518	Ordinary shares of Rs.10 each issued as fully paid bonus shares	**10,066**	10,066
4,784,794	4,784,794		**47,848**	47,848

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

	2013	2012
	Number of shares	
Bibojee Services (Pvt.) Ltd.	**562,195**	562,195
Bannu Woollen Mills Ltd.	**1,559,230**	1,559,230
Babri Cotton Mills Ltd.	**341,000**	341,000
	2,462,425	2,462,425

18. RESERVES

	Note	2013	2012
		Rupees in thousand	
Capital:			
- capital redemption reserve		**6,694**	6,694
- tax holiday reserve		**350**	350
- share premium reserve	18.1	**11,409**	11,409
		18,453	18,453
Revenue - general reserve		**371,530**	199,220
		389,983	217,673

18.1 This represents premium at the rate of Rs.10 per share received on 1,140,900 ordinary shares allotted during the financial year ended June 30, 2010.

19. TERM FINANCE CERTIFICATES - Secured

	Note	2013	2012
		Rupees in thousand	
Balance as at June 30,	21.7	**48,663**	62,566
Less: current portion grouped under current liabilities		**13,904**	12,745
		34,759	49,821

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - Net

20.1 The Company had revalued its freehold land on September 30, 1998, September 30, 2004, June 30, 2007 and March 31, 2010. Buildings on freehold land, plant & machinery and generators were revalued on September 30, 2004, June 30, 2007 and March 31, 2010. These fixed assets were revalued by Independent Valuers on the basis of market value / depreciated market values and resulted in revaluation surplus aggregating Rs.1.173 billion.

20.2 The Company, as at February 29, 2012, again revalued its freehold land, buildings on freehold land, plant & machinery and generators. The revaluation exercise was carried-out by independent Valuers - M/s Yunus Mirza & Co., Architects, Engineers and approved Surveyors, I.I. Chundrigar Road, Karachi. Freehold land was revalued on the basis of current market value whereas buildings on freehold land, plant & machinery and generators were revalued on the basis of depreciated market values. The net appraisal surplus arisen on latest revaluation aggregating Rs.366.113 million was 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:

	2013	2012
Opening balance	**1,488,841**	1,148,132
Add: surplus arisen on revaluation carried-out during the preceding year	**0**	366,113
Less: transferred to unappropriated profit:		
- on account of incremental depreciation for the year	**(26,624)**	(22,029)
- upon sale of revalued plant & machinery	**0**	(3,375)
	1,462,217	1,488,841
Less: deferred tax on:		
- opening balance of surplus	**186,369**	134,089
- surplus on revaluation carried-out during the preceding year	**0**	61,171
- incremental depreciation for the year	**(9,319)**	(7,710)
- sale of revalued plant & machinery	**0**	(1,181)
	177,050	186,369
	1,285,167	1,302,472
Resultant adjustment due to reduction in tax rate	**5,059**	0
Closing balance	**1,290,226**	1,302,472

21. DEMAND FINANCES - Secured

National Bank of Pakistan (NBP)	Note	2013	2012
		Rupees in thousand	
Demand Finance I (DF I)	**21.2**	**17,692**	170,230
Demand Finance III (DF III)	**21.2**	**0**	5,744
Demand Finance IV (DF IV)	**21.2**	**0**	21,456
Demand Finance V (DF V)	**21.2**	**11,637**	57,031
		29,329	254,461
Add: restructuring cost arisen upon extinguishment of demand finances against issuance of ordinary shares		**278**	2,414
		29,607	256,875
Less: current portion grouped under current liabilities		**29,329**	45,983
		278	210,892

21.1 The Company and NBP had entered into a finance facilities agreement on January 12, 2011 whereby the Company was allowed to repay / settle the outstanding portions of DF I, DF III, DF IV and DF V through conversion of loans into ordinary shares, proceeds of issuance of preference shares and term finance certificates.

21.2 The summarised movement in demand finance accounts during the year was as follows:

Particulars	DF-I	DF-III	DF-IV	DF-V	Total
	-------------- Rupees in thousand --------------				
Balance as at June 30, 2012	**170,230**	**5,744**	**21,456**	**57,031**	**254,461**
Repayments made during the year:					
- instalments, which fell due during the year	**28,847**	**0**	**5,500**	**11,636**	**45,983**
- overdue instalments and instalments repaid in advance	**123,691**	**5,744**	**15,956**	**33,758**	**179,149**
	152,538	**5,744**	**21,456**	**45,394**	**225,132**
Balance as at June 30, 2013	**17,692**	**0**	**0**	**11,637**	**29,329**

21.3 The outstanding balances of demand finances as at June 30, 2013 have also been fully repaid during July, 2013.

21.4 In accordance with the terms and conditions of restructuring agreement, the Company was required to issue non-voting cumulative convertible unlisted redeemable preference shares of Rs.10 each against overdue principal amounts of demand finances aggregating Rs.116.155 million. The Company, however, has fully repaid the aforementioned overdue amount during the year as the SECP has not accepted the Company's application for issue of these preference shares.

21.5 Mark-up rate

After the expiry of KPK Package on December 31, 2011, these finances carry mark-up at the base rate (6-months KIBOR) + 1.85%. Mark-up rates during the year were 11.23% and 13.91% (2012: 13.87%) per annum.

21.6 Securities

The aggregate demand finance facilities are secured against first charge on fixed assets of the Company for Rs.1.160 billion.

21.7 Mark-up portion of finance facilities

NBP had allowed the Company to repay the aggregate overdue (frozen) mark-up of Rs.76.470 million in respect of finance facilities through the proceeds of issuance of privately placed Term Finance Certificates (TFCs) with nil mark-up rate. NBP had subscribed these TFCs during the financial year ended June 30, 2011. Significant terms and conditions of this TFCs issue are as follows:

Total issue size	Rs.76.470 million
Instrument	Unrated, unlisted and secured TFCs issued as redeemable capital under section 120 of the Companies Ordinance, 1984.
Purpose of issuance of TFCs	To pay overdue mark-up of NBP (TFC holder) against demand finance facilities availed by the Company during the period from December, 2008 to December, 2010.
Tenor	6 years from the issue date i.e. January 12, 2011.
Security	First charge on entire fixed assets of the Company for Rs.1.160 billion.
Profit rate	Nil
Profit payment	None
Principal repayment	6 years with the condition that at least 10% of the original TFCs amount is redeemed each year. The outstanding balance of TFCs as at June 30, 2013 amounting Rs.48.663 million is redeemable in seven equal instalments ending in financial year June 30, 2017.
Redemption reserve	No redemption reserve has been created for redemption of TFCs. In view of projected financial cash flows, the Company is expected to have adequate funds to meet its financial obligations.
Transfer of TFCs	The TFCs are transferable in the manner as provided in the Companies Ordinance, 1984.

22. 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:

	2013	2012
- discount rate	**11%**	14%
- expected rate of growth per annum in future salaries	**10%**	13%
- average expected remaining working life time of employees	**10 years**	9 years

The amount recognised in the balance sheet is as follows:	**2013**	2012
	Rupees in thousand	
Present value of defined benefit obligation	**88,912**	76,102
Unrecognised actuarial loss	**(22,912)**	(27,409)
Net liability at end of the year	**66,000**	48,693
Net liability at beginning of the year	**48,693**	34,403
Charge to profit and loss account	**24,644**	24,285
Payments made during the year	**(7,337)**	(9,995)
Net liability at end of the year	**66,000**	48,693
The movement in the present value of defined benefit obligation is as follows:		
Opening balance	**76,102**	64,433
Current service cost	**12,010**	12,644
Interest cost	**10,654**	9,020
Benefits paid	**(7,337)**	(9,995)
Actuarial gain	**(2,517)**	0
Closing balance	**88,912**	76,102
Expense recognised in profit and loss account		
Current service cost	**12,010**	12,644
Interest cost	**10,654**	9,020
Actuarial loss recognised	**1,980**	2,621
Charge for the year	**24,644**	24,285

Comparison of present value of defined benefit obligation and experience adjustment on obligation for five years is as follows:

	2013	2012	2011	2010	2009
	------------------ Rupees in thousand ------------------				
Present value of defined benefit obligation	**88,912**	76,102	64,433	38,465	31,099
Experience adjustment on obligation	**(2,517)**	0	11,028	1,779	8,618

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

		Note	2013	2012
23.	**DEFERRED TAXATION** - Net			
	This is composed of the following:	**Note**	**Rupees in thousand**	
	Taxable temporary differences arising in respect of:			
	- accelerated tax depreciation allowances		**197,313**	187,613
	- surplus on revaluation of property, plant and equipment		**171,991**	186,369
			369,304	373,982
	Deductible temporary differences arising in respect of:			
	- staff retirement benefits - gratuity		**(22,440)**	(17,043)
	- unused tax losses		**(59,572)**	(156,316)
	- minimum tax recoverable against normal tax charge in future years		**(13,592)**	0
			(95,604)	(173,359)
			273,700	200,623
24.	**TRADE AND OTHER PAYABLES**			
	Creditors		**38,473**	21,586
	Bills payable against imported:			
	- plant and machinery		**1,411**	1,274
	- raw materials		**39,905**	81,743
	Advance payments	**24.1**	**184**	184
	Accrued expenses	**24.2**	**63,638**	98,534
	Tax deducted at source		**623**	580
	Due to Waqf-e-Kuli Khan	**24.3**	**13,121**	8,301
	Security deposits repayable on demand - interest free		**112**	112
	Workers' (profit) participation fund	**24.4**	**14,859**	4,722
	Workers' welfare fund		**12,456**	6,809
	Others		**177**	86
			184,959	223,931

24.1 These advances have been received against sale of land.

24.2 These include Rs.0.511 million (2012: Rs.1.386 million) payable to Associated Companies.

24.3 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

24.4 **Workers' (profit) participation fund** (the Fund)*	Note	**2013**	2012
		Rupees in thousand	
Opening balance		**4,722**	4,473
Add: interest on funds utilised in the Company's business		**229**	442
		4,951	4,915
Less:			
- paid to workers		**4,925**	4,847
- deposited with the Government Treasury		**26**	68
		4,951	4,915
		0	0
Add: allocation for the year		**14,859**	4,722
Closing balance		**14,859**	4,722

* The Fund's audit for the year ended June 30, 2012 was carried-out by M/s Inaam ul Haq & Co., Chartered Accountants, 33-A, Behind Queens Centre, Shahrah-e-Fatima Jinnah, Lahore.

25. ACCRUED MARK-UP / INTEREST

Mark-up / interest accrued on:			
- demand finances		**0**	8,775
- short term finances		**3,581**	15,472
- advances from Associated Companies		**0**	895
		3,581	25,142

26. SHORT TERM FINANCES

Secured	**26.1**	**574,167**	460,741
Un-secured	**26.2**	**10,945**	505
		585,112	461,246

26.1 Short term finance facilities available from National Bank of Pakistan (NBP) and The Bank of Khyber (BoK) under mark-up arrangements aggregate Rs.1,030 million (2012: Rs.930 million) and are secured against pledge of raw materials & finished goods, first charge on current & fixed assets of the Company and personal guarantees of some of the directors of the Company. These facilities, during the year, carried mark-up at the rates ranging from 10.44% to 14.92% (2012: 7.5% to 14.92%) per annum.

Facilities available for opening letters of credit and guarantee from NBP and BoK aggregate Rs.350 million (2012: Rs.235 million) out of which facilities amounting Rs.157.853 million (2012: Rs.5 million) remained unutilised at the year-end. These facilities are secured against lien on import documents and the securities as detailed in the preceding paragraph.

These facilities are available upto December 31, 2013.

26.2 This temporary bank overdraft has arisen due to issuance of cheques for amounts in excess of balance in a bank account.

27. CURRENT PORTION OF LONG TERM LIABILITIES

	Note	2013	2012
		Rupees in thousand	
Term finance certificates	**19**	**13,904**	12,745
Demand finances	**21**	**29,329**	45,983
		43,233	58,728

28. TAXATION - Net

	Note	2013	2012
Opening balance		**0**	28,772
Add: provision made / (written-back) during the year:			
current (net of tax credit for investment in plant & machinery under section 65B of the Income Tax Ordinance, 2001 amounting Rs. 8.230 million)	**28.2**	**5,369**	293
prior year - minimum tax	**28.3**	**(293)**	(28,655)
- others		**(160)**	102
		4,916	(28,260)
		4,916	512
Less: adjustments made against completed assessments		**(453)**	512
		5,369	0

28.1 Income tax assessments of the Company have been completed upto the tax year 2012 i.e. accounting year ended June 30, 2012 creating refund of Rs.13.198 million.

28.2 Provision for the current year mainly represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

28.3 Due to location of the mills in the most affected area, the income of the Company was exempt from tax under clause 126F of the second schedule to the Ordinance starting from the tax year 2010. As per management's contention, exemption available under clause 126F was a specific exemption granted by the Federal Board of Revenue to the specific areas of Khyber Pakhtunkhwa. The Company has filed a writ petition before the Islamabad High Court, Islamabad, praying exemption from levy of minimum tax under section 113 of the Ordinance, which is still pending adjudication. The Peshawar High Court, Peshawar, in an identical writ petition concerning exemption of minimum tax filed by a Group Company, had granted exemption from levy of minimum tax. The management is confident that Islamabad High Court will also grant exemption from levy of minimum tax; accordingly, no provision for minimum tax for the preceding financial year was made in the financial statements as well as provisions for minimum tax made during the financial years ended June 30, 2010 and June 30, 2011 aggregating Rs.28.655 million were written-back in the financial statements. An adverse judgment by the Islamabad High Court will create tax liability under section 113 of the Ordinance aggregating Rs.51.828 million.

28.4 The Commissioner Inland Revenue, Appeals [CIR(A)], during the year, has vacated the order and held that workers' welfare demand amounting Rs.3.488 million for the tax year 2010 is not chargeable in case of the Company. The Income Tax Department (the Department) has filed an appeal with the Appellate Tribunal Inland Revenue (ATIR) against the CIR(A)'s order.

28.5 The Department charged tax under section 221 of the Ordinance amounting Rs.2.772 million for the tax year 2007 against which an appeal has been filed with the CIR(A), who has remanded back the matter to the concerned officer.

28.6 The Department, during the year, has charged tax under section 122(5A) of the Ordinance amounting Rs.1.641 million for the tax year 2007 against which the Company's appeal is pending with the CIR(A).

28.7 The Department, during the year, has charged tax under section 122(5A) of the Ordinance amounting Rs.0.894 million for the tax year 2006 against which an appeal has been filed with the CIR(A), which is pending adjudication.

28.8 The Department has charged tax under sections 161/205 of the Ordinance amounting Rs.0.560 million for the tax year 2006 against which the Company and the Department have filed appeals with the ATIR, which are pending adjudication.

28.9 The Department has charged tax under section 122(5A) of the Ordinance amounting Rs.2.289 million for the tax year 2005 against which the Company and the Department have filed appeals with the ATIR, which are pending adjudication.

28.10 The Department has charged tax under section 122(5A) of the Ordinance amounting Rs.7.123 million for the tax year 2004; the CIR(A) deleted the additions against which the Department has filed an appeal with the ATIR, which is pending adjudication.

29. PREFERENCE SHARES REDEMPTION ACCOUNT	**Note**	**2013**	2012
		Rupees in thousand	
Amounts payable on:			
- 7.5% redeemable cumulative preference shares	**29.1**	**134**	134
- 10% redeemable cumulative preference shares	**29.2**	**1,081**	1,081
		1,215	1,215

29.1 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 August 30, 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 totalling 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 had allowed the management to redeem these shares fully as provided under section 85 of the Companies Ordinance, 1984.The Company, during the current year, had redeemed no further shares and the opening balance of 13,435 shares was outstanding as at June 30, 2013.

29.2 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 October 01, 1977 to October 01, 1981. As per terms of the issue, the unconverted shares were to be redeemed on October 01, 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 October 01, 1981. These shares are due for redemption at par since October 01, 1982.

As stated in the preceding note, the Company's profitability and availability of funds in the recent past had allowed the management to redeem these shares also. The Company, upto June 30, 2012, had redeemed 314,377 shares whereas no further shares were redeemed during the current year.

30. CONTINGENCIES AND COMMITMENTS

30.1 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.

30.2 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.

30.3 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.

30.4 Counter guarantee given by the Company to a commercial bank outstanding as at June 30, 2013 was for Rs.40 million (2012: Rs.30 million).

30.5 Commitments against irrevocable letters of credit outstanding at the year-end were for:

	2013	2012
	Rupees in thousand	
- stores and spares	**12,712**	0
- raw materials	**77,457**	124,708
	90,169	124,708

30.6 Refer contents of notes 28.3 to 28.10.

31. SALES - Net

Yarn	**2,631,530**	2,236,222
Waste	**98,544**	73,513
Raw materials purchased for resale	**4,704**	5,420
	2,734,778	2,315,155
Less: sales tax	**20,099**	207
	2,714,679	2,314,948

32. COST OF SALES

	Note	2013	2012
		Rupees in thousand	
Raw materials consumed	**32.1**	**1,633,066**	1,448,215
Packing materials consumed		**39,276**	35,566
Salaries, wages and benefits	**32.2**	**204,373**	209,247
Power and fuel		**255,053**	229,286
Stores consumed		**66,482**	54,357
Repair and maintenance - net	**32.3**	**8,429**	4,527
Depreciation		**62,934**	58,850
Insurance		**7,294**	7,463
Others		**1,006**	484
		2,277,913	2,047,995
Adjustment of work-in-process			
Opening		**62,397**	62,191
Insurance claim	**32.3**	**0**	(6,400)
Closing		**(51,857)**	(62,397)
		10,540	(6,606)
Cost of goods manufactured		**2,288,453**	2,041,389
Adjustment of finished goods			
Opening stock		**38,185**	64,626
Closing stock		**(82,980)**	(38,185)
		(44,795)	26,441
Cost of goods sold - own manufactured		**2,243,658**	2,067,830
Cost of goods sold - raw materials purchased for resale		**3,626**	3,555
		2,247,284	2,071,385

32.1 Raw materials consumed

	2013	2012
Opening stock	**571,014**	381,554
Purchases	**1,614,058**	1,637,321
	2,185,072	2,018,875
Less: closing stock	**553,264**	571,014
Raw materials issued	**1,631,808**	1,447,861
Cess on cotton consumed	**1,258**	354
	1,633,066	1,448,215

32.2 These include Rs.18,483 thousand (2012: Rs.18,213 thousand) in respect of staff retirement benefits - gratuity.

32.3 A fire in the mills' premises on October 12, 2011 had affected the stocks of cotton bales, raw materials in process in the blow room, factory buildings and machinery. The Company had lodged insurance claim amounting Rs.6.400 million against loss of stocks and Rs.1.400 million against loss of buildings and machinery, which were adjusted against repair and maintenance expense of the preceding year.

33. DISTRIBUTION COST

	Note	2013	2012
		Rupees in thousand	
Salaries and benefits	**33.1**	**4,715**	4,432
Commission		**1,939**	1,512
Freight and handling		**1,086**	3,570
Gifts and samples		**11**	23
Others		**219**	213
		7,970	9,750

33.1 These include Rs.493 thousand (2012: Rs.486 thousand) in respect of staff retirement benefits - gratuity.

34. ADMINISTRATIVE EXPENSES

	Note	2013	2012
Salaries and benefits	**34.1**	**42,796**	42,697
Printing and stationery		**1,225**	1,078
Travelling and conveyance - staff		**1,078**	1,067
Travelling - directors		**264**	155
Communication		**1,350**	1,333
Rent, rates and taxes		**2,408**	2,466
Guest house expenses and entertainment		**828**	693
Insurance		**686**	657
Vehicles' running and maintenance		**6,171**	4,990
Advertisement		**99**	26
Subscription		**662**	604
Repair and maintenance		**612**	714
Auditors' remuneration:			
- statutory audit		**575**	500
- half yearly review		**110**	110
- consultancy and certification charges		**60**	60
- out-of-pocket expenses		**40**	35
- short provision for the preceding year		**0**	75
		785	780
Legal and professional charges (other than Auditors')		**1,206**	1,164
Depreciation		**3,747**	3,481
Others		**848**	819
		64,765	62,724

34.1 These include Rs.5,668 thousand (2012: Rs.5,586 thousand) in respect of staff retirement benefits - gratuity.

		Note	2013	2012
35.	**OTHER EXPENSES**			
			Rupees in thousand	
	Donations (without directors' interest)		**60**	30
	Donation to Waqf-e-Kuli Khan	**24.3**	**4,841**	3,075
	Workers' (profit) participation fund	**24.4**	**14,859**	4,722
	Workers' welfare fund		**5,647**	1,794
	Loss on disposal of operating fixed assets - net		**0**	782
	Receivable balances written-off		**0**	63
			25,407	10,466
36.	**OTHER INCOME**			
	Income from financial assets			
	Mark-up earned on Associated Companies' balances		**309**	0
	Return on bank deposits		**9**	7
	Exchange fluctuation gain - net		**331**	509
	Income from non-financial assets			
	Sale of scrap - net of sales tax amounting Rs.627 thousand (2012: Rs.383 thousand)		**3,703**	2,394
	Quarters' rent		**132**	132
	Unclaimed dividends written back	**36.1**	**0**	6,394
	Unclaimed payable balances written back		**0**	4
	Amortisation of restructuring cost on demand finances		**2,136**	457
	Gain on sale of vehicles	**7.5**	**598**	0
			7,218	9,897

36.1 The Company, during the preceding year based on the advice of its legal Advisors, had forfeited unclaimed ordinary and preference dividends aggregating Rs.6.394 million in terms of Article 130 of its Articles of Association. The accumulated balances of dividends on ordinary and preference shares had remained unclaimed in excess of three years from the date of their declarations.

		Note	2013	2012
37.	**FINANCE COST** - Net			
	Mark-up on demand finances		**24,536**	37,651
	Less: mark-up subsidy		**0**	8,711
			24,536	28,940
	Mark-up on short term finances		**78,512**	67,572
	Less: mark-up subsidy		**0**	13,530
			78,512	54,042
	Interest accrued on:			
	- Associated Companies' balances		**46**	1,186
	- workers' (profit) participation fund	**24.4**	**229**	442
	Bank charges		**1,281**	1,069
			104,604	85,679

38. TAXATION

	Note	2013	2012
		Rupees in thousand	
Current	28		
- for the year		**5,369**	293
- for prior years		**(453)**	(28,553)
		4,916	(28,260)
Deferred:			
- for the year	23	**73,077**	(6,843)
- resultant adjustment due to reduction in tax rate	20	**5,059**	0
		78,136	(6,843)
		83,052	(35,103)

39. EARNINGS PER SHARE

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

	2013	2012
Profit after taxation attributable to ordinary shareholders	**234,581**	144,662
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	**4,784,794**	4,784,794
	------- Rupees -------	
Earnings per share - basic	**49.03**	30.23

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictabilityof financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried-out by the Company's finance department under policies approved by the board of directors. The Company's finance department evaluates financial risks based on principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity, provided by the board of directors.

40.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Marketrisk comprises of three types of risks: currency risk, interest rate risk and price risk.

(a) Currency risk

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company is exposed to currency risk on import of raw materials, plant & machinery and stores & spares denominated in U.S. Dollar, Euro and Swiss Frank (CHF). The Company's exposure to foreign currency risk for U.S. Dollar, Euro and Swiss Frank is as follows:

	2013			
	Rupees	U.S.$	Euro	CHF
	------ in thousand ------			
Bills payable	41,316	418	0	0
Bank balances	(4,229)	(43)	0	0
Gross balance sheet exposure	37,087	375	0	0
Outstanding letters of credit	90,169	793	91	0
Net exposure	127,256	1,168	91	0

	2012			
	Rupees	U.S.$	Euro	CHF
	---------- in thousand ----------			
Bills payable	83,017	868	0	13
Bank balances	(492)	(5)	0	0
Gross balance sheet exposure	82,525	863	0	13
Outstanding letters of credit	124,708	1,324	0	0
Net exposure	207,233	2,187	0	13

The following significant exchange rates have been applied:

	Average rate		Balance sheet date rate	
	2013	2012	**2013**	2012
U.S. $ to Rupee	**96.32**	90.43	**98.80**	94.20
Euro to Rupee	**131.37**	-	**129.11**	-
CHF to Rupee	-	99.91	-	98.62

Sensitivity analysis

At June 30, 2013, if Rupee had strengthened by 10% against U.S.$ with all other variables held constant, profit after taxation for the year would have been higher by the amount shown below mainly as a result of net foreign exchange gains on translation of foreign currency financial assets and liabilities.

	2013	2012
	Rupees in thousand	
Effect on profit for the year:		
U.S. $ to Rupee	**3,705**	8,129
CHF to Rupee	**0**	128

The weakening of Rupee against U.S. $ would have had an equal but opposite impact on profit after taxation.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. At the reporting date, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2013	2012	**2013**	2012
	Effective rate		**Carrying amount**	
	%	**%**	**Rupees in thousand**	
Fixed rate instruments				
Financial assets				
Bank balances	**5 to 6**	5	**158**	150
Variable rate instruments				
Financial liabilities				
Demand finances	**11.23 to 13.91**	7.5 to 13.87	**29,329**	254,461
Short term finances	**10.44 to 14.92**	7.5 to 14.92	**574,167**	460,741

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit & loss account of the Company.

Cash flow sensitivity analysis for variable rate instruments

At June 30, 2013, if interest rate on variable rate financial liabilities had been 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rs.6.035 million (2012: Rs.7.152 million) lower / higher, mainly as a result of higher / lower interest expense on variable rate financial liabilities.

(c) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer or factors affecting all similar financial instruments traded in the market. The Company is not exposed to any significant price risk.

40.3 Credit risk exposure and concentration of credit risk

Credit risk represents the risk of a loss if the counter party fails to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Credit risk primarily arises from trade debts and balances with banks. To manage exposure to credit risk in respect of trade debts, management performs credit reviews taking into account the customer's financial position, past experience and other relevant factors. Where considered necessary, advance payments are obtained from certain parties. The management has set a maximum credit period of 10 days to reduce the credit risk. Credit risk on bank balances is limited as the counter parties are banks with reasonably high crediting ratings.

Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2013 along with comparative is tabulated below:

	2013	2012
	Rupees in thousand	
Security deposits	**1,029**	1,029
Trade debts	**9,404**	7,527
Due from Associated Companies	**20,208**	7,615
Other receivables	**1,844**	3,421
Bank balances	**13,354**	3,093
	45,839	22,685

All the trade debts at the balance sheet date represent domestic parties.

The ageing of trade debts at the year-end was as follows:	**2013**	2012
	Rupees in thousand	
Not past due	**8,367**	7,257
Past due more than one year	**1,037**	270
	9,404	7,527

Based on past experience, the Company's management believes that no impairment loss allowance is necessary in respect of trade debts as debts aggregating Rs.5.992 million have been realised subsequent to the year-end and for other trade debts there are reasonable grounds to believe that the amounts will be realised in short course of time.

40.4 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of adequate credit facilities. The Company's treasury department aims at maintaining flexibility in funding by keeping committed credit lines available.

Financial liabilities in accordance with their contractual maturities are presented below:

Particulars	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**Between 1 to 5 years**
	---------------- Rupees in thousand			**----------------**
2013				
Term finance certificates	**48,663**	**48,663**	**13,904**	**34,759**
Demand finances	**29,329**	**29,329**	**29,329**	**0**
Trade and other payables	**156,837**	**156,837**	**156,837**	**0**
Accrued mark-up / interest	**3,581**	**3,581**	**3,581**	**0**
Short term finances	**574,167**	**607,755**	**607,755**	**0**
Redeemable preference shares	**1,215**	**1,215**	**1,215**	**0**
	813,792	**847,380**	**812,621**	**34,759**

Particulars	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 to 5 years
	------------- Rupees in thousand			-------------
2012				
Term finance certificates	62,566	62,566	12,745	49,821
Demand finances	254,461	295,387	75,698	219,689
Trade and other payables	211,636	211,636	211,636	0
Accrued mark-up / interest	25,142	25,142	25,142	0
Short term finances	460,741	492,180	492,180	0
Redeemable preference shares	1,215	1,215	1,215	0
	1,015,761	1,088,126	818,616	269,510

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest / mark-up rates effective at the respective year-ends. The rates of interest / mark-up have been disclosed in the respective notes to these financial statements.

40.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between carrying values and the fair value estimates.

At June 30, 2013, the carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for loans to employees, which are valued at their original costs less repayments.

41. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders, 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 shareholders and / or issue new shares.

There was no change to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements except for the maintenance of debt to equity ratio under the financing agreements.

42. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Particulars	Chief Executive		Director		Executives	
	2013	2012	**2013**	2012	**2013**	2012
	-----------------------------Rupees in thousand-----------------------------					
Managerial remuneration	**6,859**	6,943	**4,573**	4,260	**28,572**	21,866
Bonus / ex-gratia	**1,210**	0	**869**	0	**2,581**	2,072
Retirement benefits	**528**	528	**355**	355	**2,166**	1,744
Leave salary	**478**	476	**326**	325	**1,655**	1,459
Insurance	**0**	0	**0**	0	**0**	33
Medical	**75**	53	**63**	26	**991**	954
Utilities	**512**	543	**167**	103	**217**	289
	9,662	8,543	**6,353**	5,069	**36,182**	28,417
Number of persons	**1**	1	**1**	1	**9**	8

42.1 Meeting fees of Rs.870 thousand (2012: Rs.280 thousand) were also paid to five (2012: five) non-working directors during the year.

42.2 Chief executive, one (2012: one) working director and six (2012: six) 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.

43. TRANSACTIONS WITH ASSOCIATED COMPANIES AND RELATED PARTIES

43.1 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 Company's associates to meet the business transactions involving payment / reimbursement of branch office / other expenses incurred on the Company's behalf.

43.2 Maximum aggregate debit balance of the Associated Companies at any month-end during the year was Rs.27.377 million (2012: Rs.7.615 million).

43.3 Mark-up has been accrued at the rate of 12% (2012: at the rates ranging from 14.02% to 15.25%) per annum on the current account balances of the Associated Companies.

43.4 The related parties of the Company comprise of associated undertakings, its directors and key management personnel. The Company in the normal course of business carries-out transactions with various related parties. Amounts due from and to related parties, remuneration of directors and key management personnel are disclosed in the relevant notes. There were no transactions with key management personnel other than under the terms of employment. The transactions with related parties are made at normal market prices.

Material transactions with related parties during the year were as follows:

Name	**Nature of relationshi**	**Nature of transaction**	**2013**	2012
			--- Rupees in '000 ---	
Babri Cotton Mills Ltd.	Associated Company	Residential rent:		
		- paid	**0**	5
		- received	**132**	132
		Utilities:		
		- paid	**0**	84
		- received	**246**	567
		Salaries:		
		- paid	**0**	55
		- recovered	**490**	545
		Mark-up earned	**19**	0
Bannu Woollen Mills Ltd.	-do-	Sale of raw materials	**4,704**	5,079
		Dividend received	**1,756**	2,926
		Mark-up:		
		- earned	**106**	0
		- paid	**255**	388
		- expensed	**46**	1,186
Rahman Cotton Mills Ltd.	-do-	Sale of raw materials	**0**	341
		Purchase of raw materials	**0**	64
The Universal Insurance Co. Ltd.	-do-	Insurance premium	**0**	9,832
		Insurance claims	**0**	9,200
		Rent expensed	**288**	792
Ghandhara Nissan Ltd.	-do-	Earnest money paid for purchase of three trucks	**20,000**	0
Gammon Pakistan Ltd.	-do-	Rent expensed	**225**	0
Bibojee Services (Pvt.) Ltd.	-do-	Mark-up earned	**184**	0
Waqf-e-Kuli Khan	Associated Undertaking	Donation	**4,841**	3,075

44. OPERATING SEGMENT

These financial statements have been prepared on the basis of single reportable segment.

44.1 Yarn sales represent 96.22% (2012: 96.59%) of the total sales of the Company.

44.2 All of the Company's sales relate to customers in Pakistan.

44.3 All non-current assets of the Company as at June 30, 2013 are located in Pakistan.

44.4 Four (2012: one) of the Company's customers contributed towards 55.52% (2012: 32.32%) of yarn sales during the year aggregating Rs.1,460.914 million (2012: Rs.722.796 million).

45. CAPACITY AND PRODUCTION

	2013	2012
	---- Numbers ----	
Spindles installed	**62,304**	62,304
Rotors installed	**600**	600
Shifts worked	**1,093**	1,093
Spindles / rotors shifts worked	**65,298,641**	65,489,441
	----KGs.----	
Installed capacity at 20's count on the basis of shifts worked	**25,608,505**	24,347,157
Actual production of yarn of all counts	**5,902,494**	5,423,124
Actual production converted into 20's count	**24,332,608**	23,196,393

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.

46. NUMBER OF EMPLOYEES

Number of permanent employees as at June 30, 2013 was 1,086 (2012: 960) and average number of employees during the year was 1,037 (2012: 1,049).

47. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 19 September, 2013 by the board of director of the Company.

48. FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no material rearrangements and reclassifications have been made in these financial statements.

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 CDC 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 53rd Annual General Meeting of the Company to be held at Registered Office, Habibabad, Kohat on 30 October, 2013 at 11:00 A.M and at any adjournment thereof.

Witnesses:

1. As witness my hand this _________day of _________ 2013.

Signed by the said member in the presence of ___________

2. As witness my hand this _________day of__________ 2013.

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.